

**THE DEVELOPMENT OF SOCIAL  
SECURITY IN GREECE, 1920-1990:  
POSTPONED DECISIONS**

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## ABSTRACT

This thesis attempts to analyze the major factors which led to landmarks in the evolution of social security in Greece during the turbulent period between 1920 and 1990. The development of hundreds of different social insurance schemes and the lack of reliable information makes a full history almost impossible. The landmarks are chosen both for their impact on population coverage as well as for the principles they established. The first ever state social insurance was introduced in 1922 followed by the Social Insurance Organization (IKA) in 1934 - the compulsory scheme for white and blue collar workers in the urban areas; in the post war period there were desperate efforts to establish social assistance to help the casualties of the Second World War and the successive civil war. An attempt to reorganize IKA failed in 1951. Agricultural social insurance was established in 1961. Finally the repressive social insurance reform of 1990 attempted to correct the social policies of the 1960s, 1970s and 1980s.

Seventy years after the early state social insurance policies, the nature of the Greek social security system is unique - a mosaic of almost four hundred social insurance funds - reproducing huge inequalities, inconsistencies and inefficiencies. Moreover, the "system" reached a financial deadlock in the late 1980s, threatening the country itself with bankruptcy.

The faulty development of the social security system reflects the irresponsibility, indecisiveness and opportunism of Greek politics, not met in other European countries. What is shown is that the social security model in Greece is embarrassingly characterized as an accumulation of political bribes in favour of particular socio-professional groups. Rational decisions have never been taken. In fact, social policy is meant and used as a form of social politics.



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## LIST OF ABBREVIATIONS

ADEDY:	Trade Union of Public Servants
ATE:	Agricultural Bank of Greece
CPI:	Consumer's Price Index
DEI:	Public Electricity Company
EAM	National Liberation Front
EAP:	Committee for the Refugees Restoration
EDA	Greek Democratic Left Party
EDES:	National Republican Greek League
EEC:	European Economic Community
ELAS:	National Popular Liberation Army
EPPA:	Greek War Provisions
ERE:	National Radical Union
ESY:	National Health Service
ETVA:	Bank of Industrial Development
GCGL:	General Confederation of Greek Labour (in Greek GSEE)
GDP:	Gross Domestic Product
GENOP-DEI:	Electricity Employees' Trade Union
GNP:	Cross National Product
GP:	General Practitioners
GRC:	Greek Red Cross
GSEVEE:	Greek General Federation of Professional Manufacturers and Merchants
IKA:	Social Insurance Organization
ILO:	International Labour Office
KYP:	Central Intelligence Service
MP:	Member of Parliament

NAT:	Seamen's Insurance Fund
NBS:	National Blood Service
NHS:	National Health Service
OAAA:	Employment and Unemployment Organization (later O.A.E.D.)
OECD:	Organization of Economic Countries Development
OGA:	Agricultural Insurance Organization
OTE:	Greek Telecommunications Company
OTOE:	Trade Union of Bank Employees
PASOK:	Pan-Hellenic Socialist Party
PIKPA:	National Rehabilitation Centre of Handicapped Children
SEV:	Association of Greek Industrialists
TAE:	Traders' Insurance Fund
TEVE:	Professionals and Handicraftsmen Insurance Fund
TSA:	Drivers' Pension Fund
UNRRA:	United Nations Relief and Rehabilitation Administration
WHO:	World Health Organization

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## PREFACE

The development of social security in Greece is an illuminating example of a rigorous attempt to establish the young Greek state after its liberation from the Turks. The legacy of 400 years under Turkish occupation and Ottoman rule was catastrophic. Greece never had the opportunity to assimilate the Renaissance, the revival of art and letters from the 14th to the 16th century, even though - ironically - this was built upon the classical models of Ancient Greece. The Industrial Revolution occurred in this most fragile region of Europe only in the 1950s and 1960s. Following their political leaders faithfully, Greeks - not rarely - found themselves fighting one another, ever deepening the gap in national progress compared to other European countries. The Greeks have lacked an innate collective spirit, solidarity and long-run thinking.

This thesis is a critical analysis of the factors which led to the *landmarks* in the evolution of social security in Greece during the turbulent period between 1920 and 1990: the introduction of a wider state social insurance policy in 1922 (Chapter I); the establishment of compulsory social insurance for white and blue collar workers after long discussions in the 1932 -1937 period (Chapters II and III); the urgent social assistance policies in the aftermath of the Second World War and the successive civil war between 1944 and 1960 (Chapter IV); the 1950s' attempts to reorganize the social security system (chapter V); the establishment of the agricultural insurance scheme in 1961 and its impact (Chapters VI and VII); the crisis of the Greek Welfare State (Chapter VIII); the 1990 wide intervention and its reflections (Chapters IX and X). The existence of almost 400 social insurance funds in Greece makes a full history of social security almost impossible. The writer's premise is that the tough historical legacy determined the

introduction and implementation of social policies. The national disasters of the 20th century and the prevailing upheaval prevented sensible decisions.

However, the careful study of the socio-political environment has inescapably led the writer to question whether the impact of the arduous conditions is a sufficient explanation. Was this the only reason for the formation of a social policy which lacked determination, planning and coordination, and was overrun by political opportunism, irresponsibility and dilettantism? A broad exploration of the impact of the social measures shows that a considerable part of the legislation remained inactive as a result of lack of political will.

"Social security lacks a base in education at any level and is relatively neglected as a subject of university research" (I.L.O., 1984). Not much research work has yet been done in this field in Greece as well. The very few books written dealing with social security in Greece - mentioned in the Greek Bibliography - are referring to limited periods and issues, mainly for the period of the 1930s, and most of their contents is devoted to theoretical aspects of social insurance. The reason is clear. Historical research is laborious and sometimes desperate, since the statistics available - especially before 1950 - are disconnected and controversial. The bulk of public records for the period before 1950 have been destroyed during the World War II and the civil war which followed. In this respect, the main sources used have been Parliamentary Records - during periods when the essential social legislation passed - and press articles reflecting the picture of each period, coming from newspapers supporting both the government and the opposition.

Research work has been carried out on the premises of the main social insurance organizations, using both their records and the experience and knowledge of several employees. Valuable descriptions were given by Mr. J. Zarras, already in his eighties in five interviews in the spring of 1987. He was one of the instigators of the crucial social insurance reform of 1932, holding the position of Secretary of the Special Preparatory Committee of the 1932 Bill.

Moreover, for decades he was the "Expert", the writer of articles on social insurance issues for the newspaper "Kathimerini". The author has been fortunate to have had for the last twelve years, the consecutive cooperation of Professor M. Raphael - the first and only Professor of Social Administration in Greece. He has contributed immensely to the instigation and enrichment of all stages of this thesis.

# I

## THE INTRODUCTION OF STATE SOCIAL INSURANCE POLICY IN GREECE , 1920 - 1922

### A theoretical framework: Bismarck versus Beveridge

"To bring about an improvement in conditions of life and work throughout the world, the International Labour Office emphasizes the promotion among member States of social security measures to guarantee income maintenance for all in need of such protection, comprehensive medical care, and child welfare and maternity protection... In the long term social security has much more far reaching objectives than the mere fight against poverty. Social security must aim at the maintenance of the level and quality of life and at the strengthening of the individual feeling of security" (1).

This thesis, setting out the causes and effects and attempting an evaluation of the development of social security in most of the twentieth century in Greece, aims to point out the faults for those who are likely to influence social security policies and programmes of the country. "Social security has grown to a vast size in a fog of public ignorance about it. Misunderstandings are widespread and give rise to the exploitation of public prejudices" (2). Social insurance and assimilated schemes are defined as systems of social security, based both on flat rate and on earnings - related benefits coming from contributions and subsidies.

The policy of social security affects economic, financial and legal policies and is in turn affected by repercussions from these sectors. A purpose-oriented approach to the social security policies in Greece however, cannot avoid discussing the prevailing Bismarck and Beveridge models, allowing later on in this thesis a gradual extraction of such elements as are linked with the established policies.

Bismarck, as German Chancellor, introduced in 1881 a new approach to social policy. The general idea was that the curing of social ills is not to be found in the repression of social democratic excesses exclusively, but also in the furtherance of workers' well-being (3). It should be emphasized that the labour movement at that time did not demand legislation on social security. Bismarck's basic idea was tying workers to the State by providing welfare benefits. He considered social policy primarily as a means to an end and he was quite open-minded in principle as how it should be implemented (4).

In brief, Bismarck's principles were, firstly, that benefits as a proportion of earnings intended to give an element of protection of living standards while at work - if this meant that the low paid fell below the poverty line, so be it; secondly, those who paid contributions got the benefits but those who did not, might not get them. In other words, social insurance, according to Bismarck, had nothing to do with poverty.

If the German social security system had been exactly as Bismarck wanted it when starting to pacify workers, it would have been characterized by: the principle of state welfare and provision; a centralized state-controlled office; and financing by taxes and employers' contributions (5). This pure Bismarck's model would actually come somewhat closer to the Beveridge Plan. But, it was only parliamentary resistance in the Reichstag - the German Parliament - which modified the initial concept towards a system based on insurance principles, the decentralized self-government of the institutions; and the legal claim to benefits founded on contributions made by the claimant (6).

The German example showed not only that the principles of a contributory, compulsory insurance for wide sections of the population could become a reality, but also that its positive effects, from the workers' point of view, led to internal peace without weakening the productive resources of the economy. The classical principles of Bismarck's social insurance and the established socio-political legacy, have survived the political and economic tides of German history

(7).

While Bismarck's idea was to pacify the German workers by welfare benefits, Beveridge's idea sixty years later was to use universal benefits to remove the poverty caused by certain contingencies, such as unemployment, injury, sickness, widowhood, retirement and large families (8). In the middle of the Second World War, during the period when Britain was left alone to fight Hitler's Germany, the Beveridge Report was published. It was seen by many throughout the world as the dawning of a new age to replace the pre-war horrors of mass unemployment, inability to afford health care and poverty in sickness, widowhood and old-age (9). The Report designed policies which would overcome the battle against the "five giants on the road to reconstruction" - Want, Disease, Ignorance, Squalor and Idleness.

Beveridge expanded the group over which risks are pooled to the whole community, a universalism which marked his approach out of the narrower industrial groups sharing risks in the Bismarckian model (10). The wartime spirit of social solidarity is one reason to explain the "euphoric reception" of the Beveridge Report in late 1942, and the sea-change in public opinion in favour of his proposed reforms (11). The Report, balancing both collectivism and individualism inherent in any social policy, formulated an ideology of collectivist social insurance which promoted the full realization of the reconciliation between community and society that insurance makes possible (12).

Beveridge helped change the prevailing concept that social insurance was not a matter of interest to the citizen, but to the economic producer as a number of particular classes or economic groups. He drastically reinforced the solidaristic potential of social insurance. A minimum level of material well-being, basic protection against the vicissitudes of mortality and the inequalities of the market, was now, like the vote, to be every citizen's birthright (13). The universalization of risk-sharing and the recognition that all citizens would be equivalently dependent on the State's aid were to establish a social security system where stigma would be

removed. Sir William's strategy of inducing the insurance principle was to twist social security benefits from a state charity accompanied by stigma, to a right of citizenship earned by the contributor.

The vital concept of social citizenship as inaugurated by Beveridge and reinforced by Marshall and Titmuss, raised the potential contradiction between citizenship and contributor-ship. If all cannot be contributors can they be citizens (14)? Civil and political rights are generally accepted as unconditional, but social rights are not. Beveridge expanded the circle of full community membership at the same time as he enlarged the nature of citizenship. He claimed that the concept of social citizenship presented the citizen as a contributory participant, drawing the key relationship of social rights with market principles.

It is crucial to distinguish at the end of the day, between Beveridge's vision and the rhetoric with which it was expressed, and the practical details of his proposals (15). Certainly, after the Second World War, a considerable number of countries introduced social insurance measures much closer to the progressive Beveridgian model than to the traditional Bismarckian one. The model of non-means-tested flat rate insurance benefits has definitely not become the international pattern. The most durable innovation of the Beveridge Report is its concern with a national minimum, envisaged by the Social Chapter of the Maastricht Treaty of the European Community (16).

The alleviation of poverty was the centre of the Beveridge Report and nothing else. Contributions were only used to give a minimum flat rate benefit; coverage was to be stretched as far as an insurance scheme could be credibly stretched e.g. housewives; family allowances would be provided for all; health care - not really based on insurance - would be provided for all.

Our present social security system still bears the mark of the traditional Bismarckian reflex and the important legacy of Beveridge (17). Both appear to be the founders and instigators of contemporary social policies, covering their own side of the same rolling coin. Irrespective of the winning side, the value of the coin

will be always the same. Bismarck *is not* versus Beveridge.

### **The foundation of labour protection policies**

After the Greek Revolution of 1821, the liberation from Turks of almost half of the areas where *hellenism* survived despite the 400 years of Ottoman rule, was achieved. Until 1922, national effort was directed towards the liberation of those Greeks still under Turkish occupation and little attention was given to social policy.

Before 1860, the State was to some extent concerned with poor relief, public health and the insurance coverage of specific occupational groups. Pensions were only granted to limited groups or individuals after direct application to the King who was the one to decide by a royal ordinance, allocating money from the Treasury. Destitution was the first social policy issue which attracted state attention in 1833 (18); not all the poor but only the indigent holding a certificate of work incapability, were entitled to protection. This coverage was organized at the level of local government and the cost of relief provided was undertaken by the local community. Bearing in mind that at this time almost all the Greeks were poor and that no resources were available, in the absence of information, we reach the assumption that state poor relief had a very marginal role. As we know, the extended family was the leading agency in social protection.

In May 1834, a Central Medical Committee was appointed (19), aiming to scrutinize the existing medical problems and was authorized to cope with all medical problems. By that time public health - and it must have been very substandard - was provided by district physicians. State services were concentrated in preventive measures against contagious diseases and attention was paid in the establishment of basic medical legislation.

In the social insurance field, the State was primarily involved with the protection of government employees and workers engaged in dangerous



occupations. According to European practice the early provisions were pensions. The first ever, occasionally provided, benefits were given to officers and soldiers of the army, to the war disabled and to the judiciary. The level of benefit depended mainly on the status of the recipient.

The first organized social insurance attempts are met in 1834 when legislation concerning invalid municipal primary school teachers was introduced (20). At the same time, the intention of the King "... to create a special fund for invalid seamen" was expressed in public, becoming legislation which led to the establishment of the scheme two years later (21). Both experiments failed to succeed since they were not implemented, mainly due to the turbulent political environment, as well as the lack of pressure coming from the unorganized occupational groups involved (22).

It seems that 1861 was the turning point for the start of social insurance in Greece. It was then that at last the invalid seamen's pension fund (23) was established and a relevant pension fund for miners (24) introducing the constant state concern with these two occupational groups. Moreover it was in 1861 when, following the relevant French legislation of 1853, the public servants' pension fund (25) was created, including primary and secondary school teachers, judges and army and navy officers and soldiers (26). These funds provided pensions for invalidity, old-age and death, protecting either the employees or their widows and orphans.

The history of the public servants' insurance coverage - including always a special section for the armed forces - finds its origins in the 1830s. Until 1861 pensions depended on royal ordinances including only the "loyal" government servants. The first bill concerned with a pension scheme for public servants was dropped in 1856 due to political instability. The second bill of 1861 became the XNB' Act of 3 August 1861 introducing the scheme which would provide earnings - related pensions for: old-age, at the age of sixty following twenty-five years of service or simply after twenty-five years of service; invalidity, for any reason after

a three months waiting period and ten years of service unless invalidity was due to employment; death, for widows and orphans of an old-age pensioner or in any case when death was due to employment.

The public servants scheme of 1861 included teachers and judges and was to be financed by an annual state contribution by an employees' contribution of 5 per cent of annual salary, by the first monthly salary of new-comers in service, by special fines, etc. Some opposition was expressed for the employees' contribution and political promises for pension increases and contributory conditions decreases were given (27). Notably, it was clearly confessed that up to then public servants were appointed "by virtue of favouritism, ... sympathies, obligations and acquaintances..." ( 28). In 1866, the qualifying period for an old-age pension decreased from twenty-five to twenty years of service and in 1877, when the scheme was incorporated with Treasury funds, pensions decreased by 10 per cent and contributions increased to 7.5 per cent retroactively.

The factors which led to this kind of development were, in summary, the need for measures protecting military officers and soldiers as well as the main arduous occupations, the establishment of parliamentary procedures which introduced practices such as lobbying and political bribes, the pressure exercised by many public servants having participated in the Revolution but now of retiring age, and the influence of European social insurance legislation (29).

Consequently several pension funds were gradually established such as for civil employees of the military forces (1867), for the employees of the National Bank (1867) and the Bank of Athens (1906), for the employees in the railways of Athens-Piraeus-Peloponnesus (1907), of Thessaly (1908), of south-western Greece (1908), of Larissa (1913), etc. (30).

In the meantime, in 1905, following a period of huge deficits of the public servants' scheme, an insurance law increased again the contributory conditions: 25 years of service for old-age pension not payable before the age of sixty, contribution rate of 9 per cent of salary. This reform provoked huge reactions

among public servants. In response, the progressive Venizelos Government introduced several reforms in 1911, aiming to provide greater security of tenure to public servants. A measure prohibiting their dismissal in any case, except of fraud or abolishment of the respective position, was established! The justification of this "double-edged knife" treatment, which became in 1952 a constitutional right called "the public servants' permanence", rested on the grounds of political interventions in the public sector, which provoked huge purges of public servants following changes of governments. Venizelos also introduced public examinations for those wishing to enter the public service.

In 1914, two primitive but critical uniform insurance attempts should be mentioned. Firstly, Law No 551 of 1914 called "The Workmen's Compensation Act" provided lump sum compensation for work injuries. Secondly, Law No 281 of 1914 introduced the option of the establishment of mutual aid funds. Both laws failed to be implemented on a large scale, either due to employers' disinterest or due to employees' reluctance to participate. In addition, the Treaty of Peace in Versailles (1919) which included social policies on the principle of social justice led to debates on social insurance in Greece. In the same year the foundation of the International Labour Office (I.L.O.) led to an international campaign for the expansion of protective labour measures through the international labour conferences and the respective conventions.

After 1914, the socio-political scene in Greece was dominated by the First World War and the Balkan Wars and again, little attention was given to social policy measures in the field of workers' protection. The consequences of the war led to pressing needs and priority was given to war pensions, to measures for the orphans of soldiers, to the resettlement of Greek refugees from Turkey and Eastern Europe and of those suffering from the Bulgarian cruelty. In 1916 the Venizelos Government, temporarily seated in Thessaloniki, introduced the Social Assistance Department but this was abolished a year later when the Ministry of Social Welfare was established. The new Ministry was mainly concerned with the

support of soldiers and their families, war victims and war refugees.

During World War I, most European socialist movements opposed the war and many socialists rejected participation in it. Consequently, the Greek labour movement was motivated against the Venizelos' policies before the end of the war. The Government attempted to manipulate the situation by trying to divide the trade unionists (31). These conditions constrained labour demands and weakened trade unionism. In 1918 there were 367 unions in the country with less than a hundred thousand members divided by ideological conflicts and lacking any form of association and unity.

The need for a labour confederation enforced a Jewish unionist from Thessaloniki, Abraham Benaroyas, to undertake the arduous task of trying to federate all the existing unions. Benaroyas organised a "Pan-Hellenic Labour Conference" which in October 1918 introduced the General Confederation of Greek Labour (G.C.G.L.) and with it the principle of class conflict. A year later the G.C.G.L. appealed to the Government, demanding a decrease of working hours, wage rises and social insurance, warning that if these demands were refused they would organise a national general strike.

During a Parliamentary debate Venizelos - having to his credit important reforms established in the early 1910s such as the expropriation of land and property, the introduction of compulsory but free primary education, of minimum wages for women and children, of the official recognition of trade unions, etc. - advocated the socialist principles but attacked the "Bolshevik political thought" of Benaroyas. On the other hand, Venizelos emphasized that social insurance for workers was a central issue for his Government but was delayed only due to financial and administrative problems.

In 1920 the Minister of National Economy stated again that the Government should establish a social insurance scheme ".... not only because it is bound to do so according to international conventions ratified by our country; moreover such measures are in line with our national objectives... (the

establishment of social insurance) will control class conflict by improving the standard of living of working people". However, there is no clear evidence that the Liberals had prepared a social insurance legal framework before their election defeat of November 1920.

### **The disaster of Asia Minor**

The Sevres Convention of 1920, after the end of the First World War, annexed to Greece West and East Thrace and the islands Imvros and Tenedos. Moreover, an extended area around Smyrna in Asia Minor was to be under Greek Administration. The Venizelos' triumph appeared unique, but the national price was very high. His personal dispute with Prince Constantine, which started in 1912, became a national schism, dominating the social and political life of the country in the inter-war period. Hate, persecution and cruel terrorism were exercised by both sides. The political regime was the dominating issue, the choice between monarchy and democracy.

In the 1920 general elections the focus was on foreign policy. The monarchists were in favour of "a small but dignified Greece", of peace and demobilization. The Liberals were campaigning for "the Great Greece of the two continents and the five seas". Venizelos maintained his power among the workers and the liberal middle class of the urban areas, but lost his popularity among the agricultural classes which cost him the loss of the elections.

The conservative Populist party, which won the elections undertook the task of elaborating a general social insurance scheme. Venizelos went into self-imposed exile. The Populists' leader, Dimitris Gounaris, had been the first to mention social insurance in 1902. Some weeks before the elections the death of King Alexander led to a problem of succession. The elected monarchist government carried out a plebiscite which led to the re-establishment of his father, the exiled King Constantine, causing the allies - who predicted political and financial repercussions - serious anxiety. Constantine's restoration provoked

most of all, the deepening of the national *schism* concerning the issue of monarchy versus republic, Constantinists versus Venizelists.

The new Government faced significant problems in the implementation of the Sevres Convention's conditions. The situation in Asia Minor was dangerously fragile because the Greek Administration had to confront a hostile Turkish majority. The monarchists, attracted by the idea of a Great Greece, reconsidered their ideas of prolonging the extensive foreign policy of Venizelos. In the meantime, the allies' distrust of the monarchist administration and the displacement of their interests, reoriented their policy and support. Greeks were left on their own to confront the aggressiveness of the new Turkish nationalists under the inspired revolutionary leadership of Kemal Atatürk. Simultaneously, the clearance of Venizelos' supporters from the army, resulted in a decline in its morale and efficiency.

The first two decades of the century saw several hundred thousand Greeks abandon their homes in Western Turkey, where Greek Communities had thrived for two and a half millennia. But the final exodus was precipitated by Greek determination to annex part of Turkey, which it had helped defeat during the 1914-1918 war.

Greece's invasion, already launched from 1919, was repelled by a reinvigorated Turkish army under Ankara's leader Atatürk. First Greek inhabitants and then the retreating army fell back on the port of Smyrna, now Izmir. When the Turks arrived carrying with them memories of earlier Greek atrocities, they sacked the refugee-swollen city. Two hundred thousand people lined the quay, waiting for rescue or massacre. Looting and rape were pandemic, and thousands of Greeks were slaughtered. An American observer, Charles Howland, wrote that "the scene would have warmed the heart of Tamerlane on one of his black days".

A "Dunkirk-like evacuation" followed with American and British destroyers alongside leaky fishing boats ferrying the refugees. Further evacuations

on the Aegean coast and from Black Sea ports followed. Upwards of 900.000 fled to Greece in that first wave, under horrifying conditions. Henry Morgenthau, a League of Nations official, reported that "typhoid and smallpox swept through the ships. Lice infested everyone.... Men and women went insane. Some leapt overboard to end their miseries in the sea. Those who survived were landed without shelter upon the open beach, loaded with filth, racked by fever, without blankets or even warm clothing, without food and without money". This was the bitter end of the Greek presence in Asia Minor after 2.500 years of expansion and civilization, it was the death of the dream of a Greek Empire, the so called "Great Idea".

A few weeks before the Smyrna catastrophe, the conservative Populist Government brought to Parliament the first ever compulsory social insurance Bill. The introduction of the law was based on Bismarck's basic principles. "... By relieving workers during the difficult periods the State improves their physical and mental standards, and prevents sympathy to communist and revolutionary ideas" (32). The Bill was passed by Parliament thus opening the era of the general development of this field in Greece. It became Law No 2868 of 1922 concerning "the compulsory insurance of workers and employees in urban areas" and constituted a landmark in the evolution of social protection in Greece. This law attempted above all to establish this new institution in the conscience of the mass of the working population.

The Law was passed while the country was engaged in a painful war and as it did not introduce immediate liabilities, it did not consequently provoke counter reactions. John Rallis, the Minister of National Economy, said in Parliament that the introduction of social insurance was considered by the Government to be a significant contribution to the prosperity of working people, and to the improvement and development of their lives. The Minister concluded:....."by alleviating the difficulties of working people, we contribute to their material and moral exaltation, keeping them from communist and subversive

influences; we strongly believe that the State is obliged to undertake that care, for the progress and prosperity of society" (33).

### **The First Social Insurance Bill of 1922**

The new legislation was very brief and contained the following provisions:

- a. Every dependent working person should be insured, i.e. employees in industry, handicraft, commercial enterprises, building and transportation. In addition, those employed in home industries and handicrafts were allowed to be included in the scheme.
- b. The risks covered were death, old-age and disability. The respective pensions provided were for any kind of work-accidents and work incapacity, old-age pensions, mental or physical disability pensions. The dependants - mainly widows and children - would be entitled to death pensions; death pensions could be further transferred to under age sisters and brothers or disabled ones, to dependant parents or grandparents. Males under 15 and females under 20 years were considered as under age. Disability was to be determined by the funds' Board of Directors after the submission of a medical report.
- c. Contributions were to be defined by a forthcoming decree.
- d. The following ways of organization were anticipated: funds for single companies, funds of Industrial Associations, funds of mining companies and state funds for the remaining uninsured workers and private employees, aiming to cover gradually the uninsured working people.
- e. The funds, the "insurance agencies" according to the legislation, would be under the State control of the Ministry of National Economy. Each fund was allowed to introduce its own constitution to be approved by the Minister, on the recommendations of a "Supervising Board of Working Insurance". Constitutions should define the contributory conditions and provisions, the financial resources of the fund, the composition and duties of the Board of



Directors, the administration and financial procedures, and the representatives of the fund (34).

- f. The "insurance agencies" were established as independent organizations administered by employees (2/3) and employers (1/3) representatives.
- g. The administrative body of each fund was defined to be the Board of Directors, members of which would be the employers' and employees' representatives (35).
- h. Pensions would be provided on a monthly basis paid in advance. In the case of 5 years lapse of time, debts to pensioners who might fail to collect their pension would be withdrawn (36). Pensions' transfer or attachment were allowed for up to a third in the case of allowances due to woman from their ex-husband after legal separation (37).
- i. A three member Control Committee (two insured persons and a state representative), were to submit a report on the accounts to the Ministry (38).
- j. Special decrees providing the detailed arrangements would be issued in order to facilitate the implementation of the law.
- k. Employers not accepting compliance with the law would pay a penalty of two thousand drachmas.

As article 12 of the 2868 Law anticipated, a royal decree was in fact prepared, said to be concerned mainly with administrative issues and was passed by Parliament on 19 November 1923. The coverage of industrial accidents was abolished but the announcement of another forthcoming special royal decree was anticipated aiming at the establishment of a health insurance scheme which would provide for hospital fees. Death pensions were restricted only for widows and orphans. According to vague administrative regulations, contributions were finally defined as the variable percentage of 3 to 7 per cent for each insurance sector depended on the level of pay. Companies with more than 70 employees operating for at least 3 years were required to run their individual own insurance fund.

Similar companies were allowed to establish joint funds. The decree provided a six months period for the organization of these funds and a low penalty for each month of delay. The Minister was authorized to prepare and issue in the future special decrees by which insurance legislation would be applicable to companies employing less than 70 employees.

### **Reflections**

It is clear that the law No 2868 of 1922 as amended by the Royal Decree of November 1923, was the first major step in the introduction of compulsory social insurance in Greece and in the adoption of this field as an essential part of state policy. Until then, as we have seen, only a minority of organized occupational groups of the working population, mainly seamen, miners and public servants, were covered by special social insurance pension schemes.

The law was characterized as "very brief, inefficient, .. (and) nebulous",... (but) consisting a boost in the motivation of social insurance (39). The 1922-3 legislation envisaged almost all feasible ways of organization. Notably, companies with more than 70 employees were bound to organize their own company funds. Most of these mini-funds proved non-viable both in terms of organization and finance while collaboration between them was hard to establish. In addition, each single fund was allowed to determine arbitrarily its provision, eligibility regulations, contributions level and calculations. In this respect the law strengthened the existing variations in provisions. The lack of coordination and state control as well as of political continuity contributed significantly to the establishment of huge discretion among the several social insurance funds and their insured working people.

The law, introduced in such a turbulent socio-political period and having no immediate effect, was nearly ignored by public opinion and the employers' lobbies. It also failed actually to introduce health insurance - anticipated by the 1923 decree - though the need of such provision was an urgent national priority.

At that time, very few employees enjoyed health insurance coverage; health services were provided mainly by public hospitals, by local authorities and by voluntary activities (40). Sickness coverage was among the issues discussed during the debates for the preparation of the new legislation (41) but rumours persisted that the final exclusion of health insurance was due to the pressure exercised by doctors. This was a crucial original gap, stretched by the low level of public health provisions in Greece during this period.

In terms of finance, the law provided special indirect taxation on luxury consumption goods, but refused to introduce a state contribution. The main financial problems arose due to the low number of contributors, though the law included both manual and non-manual employees. A census of 1920 (42) indicated that the working people employed in companies with more than 26 people amounted to just around one quarter of the total registered number of industrial employees. According to I.L.O. information (43) in 1925 only 17.000 working people were insured in comparison with 10.000 people in 1922. These figures undoubtedly indicate the poor practical impact of the law.

Another strategic deficiency of the law was the inadequate provision of measures against failure to implement the regulations introduced. The fines for those employers refusing to follow the new insurance legislation were extremely low and in any case much less costly than establishing a fund, while no specific supervising measures were taken. In this respect, employers especially in the rural areas - almost ignored the law (44). This explicitly demonstrates the weak support for its introduction and the lack of organized pressures for its implementation.

After a dramatic upheaval following the Asia Minor Disaster, Venizelos' Liberal party won the December 1923 elections, while the royalists largely boycotted the vote. The Director of the Labour Directorate, A. Zakkas, appointed by the new Liberal Government, immediately recognized the weaknesses of the 1922-3 insurance legislation. In a letter sent to the I.L.O. (45), he announced "amendments to be brought to Parliament" aiming to improve the

2868 law's regulations. In fact, these promises were not fulfilled.

Some months earlier, in April 1923, a special royal decree was issued by the Government of Colonel Gonatas, a military junta, which decreased once again the qualifying period for public servants' old-age earnings-related pension to twenty years of service, irrespective of sex. This adjustment provided pension increases respective to the years of service and the last year's earnings granted pensions at the age of 60, after just ten years of service (46). In addition, it enlarged considerably the transferability conditions of death pensions not only to widows and orphans, but to parents and unmarried sisters and daughters for life (47). Strikingly, the 1923 decree provided invalidity pensions to doctors, either private or contracted in public service, on the condition that invalidity occurred during service for infectious or contagious diseases or during service provided in war areas (48). Death pensions for doctors' families were respectively granted. In general, the scheme provided invalidity pensions but in case invalidity did not occur during service, a ten years working period was required (49).

In brief, the insurance regulations defined by Law No 2868 as well as their implementation can be seen only as a first but vital step towards a national compulsory social insurance scheme aiming at income maintenance according to Bismarck's anti-revolutionary strategy. The scheme was to provide earnings-related pensions and failed to include health insurance. The legislators put the initiative for the organization and the implementation of social insurance in the hands of employers; in other words they asked the wolves to look after the sheep.

This law of "strategic" importance, inaugurated the era of state intervention in the field and is consequently considered as the milestone of social insurance in Greece. However, this law proved to be the milestone for the dispersion of the field as well as the start of absurd wider social insurance policies; it founded the roots for the State's concept of unrestricted creation of fragmentary small pension funds lacking any actuarial estimates and ignoring essential social insurance principles. This was simply a falsification of the orthodox

Bismarckian model.

Finally, during this turbulent period, the insurance privileges of the already matured public servants scheme were confirmed. Since 1861, when their scheme was introduced, almost 250 acts and decrees had been set forth, establishing, abolishing and re-establishing remarkable pieces of social insurance legislation. In this respect, the State pursued the strategy of unequal distribution of resources in the social insurance arena, reinforcing respective demands coming from other powerful socio-professional groups.

## ENDNOTES

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- (17) I.L.O. ,op.cit, p. xi.
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- (24) By the XS' Act of 1861 "concerning mines".
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- (26) In 1852 an act prescribed pensions for officers and soldiers of the army and in 1853 for those of the navy. In addition in 1856 navy officers introduced a joint-stock fund and in 1861 army officers achieved the same.
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Companies with 1-5 employees	84.816 (54.4%)
Companies with 6-25 employees	28.608 (18.3%)
Companies with 26 or more employees	42.558 (27.3%).

- (43) I.L.O. Records, March, 1925.
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- (45) Letter to I.L.O., December, 1924.
- (46) Royal decree of 28 April, 1923, Article 1, par. 4.
- (47) op.cit., Articles 8, 11.
- (48) op.cit., Article 25.
- (49) op.cit., Articles 1,4,5.



# II

## TEN YEARS OF DEVELOPMENT , 1922 - 1932

### **The turbulent socio-political environment**

The decade 1922 - 1932 marks a very interesting and fertile period for social security developments in Greece. The 1922 Asia Minor Disaster provoked numerous counter-effects in the socio-political life of the country as well as a prolonged painful recession. The compulsory exchange of population between Turkey and Greece increased the existing 5.5 million population of Greece by less than 1.5 million refugees allocated to the rural and urban areas. The 1928 census gave the following underestimated figures - overall population 6,200,000 from 2,600,000 in 1907; refugees from Turkey 1,104,216; from Russia 58,526; from Bulgaria 49,027.

The urgent need for resettlement caused an exacerbation of social problems and the State was compelled to act in order to alleviate the housing and health care problems, the employment and unemployment disorder, problems of urban and rural restoration and of social adaptation. During this period according to legislation of 1917, the State distributed two million acres of land to refugees and to the poorer farmers, in spite of the landowners' reaction, thus alleviating the problems of the new-comers to the rural areas. An international "Committee for the Refugees Restoration" (EAP) was established which between 1923 and 1930 allocated, in addition, houses to almost 150,000 refugee families. Moreover, EAP created in 1925 dispensaries for the free medical treatment of refugees in Macedonia and Thrace, the two regions of Northern Greece, the most organized and reliable health services of this period. Furthermore, according to press releases, public assistance played a significant supportive role, complemented by the Church and Private Voluntary Organizations.

The successful resettlement of the refugees in the rural areas was not achieved for those entering the big cities. Wealthy businessmen from Asia Minor's lucrative cities were forced to become blue collar workers since they had not been able to bring with them most of their belongings. Some successfully exercised their talent and contributed significantly to the development of trade and industry. However, the bulk of urban refugees were conscripted to the bottom of the labour market, causing a fall in wages and unemployment, while the cost of living kept steadily increasing. In Athens, where the population was doubled between 1920 and 1928, the refugees were established in the suburbs, living in most cases in misery and facing problems of public health and social rehabilitation. In fact, Greece responded rather well to the overwhelming pressures exercised by the arrival of the refugees. Their influence on the social, political and economic life was remarkably positive, when the acute problems of the first years were resolved.

On the political scene, the refugees vote played a decisive role in the abolishment of the monarchy in the 1924 plebiscite when 70 per cent of the people voted against a monarchy and in favour of a republic (1). The reason for the refugees' votes was that they blamed the royalists for the disastrous foreign policies which led to their misery, keeping their support for the Venizelos side. This political reform facilitated more progressive policies in the field of social protection and especially in social insurance.

The implications of Law No 2868 of 1922 prevailed in the social insurance developments during the period between 1922 and 1925. The law reinforced the further carve up of social insurance; tiny organizations and mini-funds were established covering even one single enterprise, lacking any actuarial basis or any rational proportional economic or mathematic calculation. Moreover, the State introduced "selective" financing in some of them by "social resources", revenues coming from indirect taxes, allocated according to political criteria.

The climate seemed to change in 1925 when A. Papanastasiou, the leader

of the "Sociologists", the Greek Fabians, became for a very short period Prime-Minister. He had been advocating the implementation of broader social welfare policies since 1909, and encouraging multinational cooperation (2).

After 1925, new funds for certain occupational groups of self-employed were introduced, covering the main insurance sectors and some unemployment. Funds for lawyers, doctors, pharmacists, dentists, notaries, stockbrokers, artisans, custom officers, small traders, high-level technicians, commerce employees, etc. were established. The realization that social insurance was the major institution in the protection of working people and their families, resulted in the flourishing of pension schemes, of the most powerful professional classes and social insurance obtained a wider character. It should be noted that according to the 1928 census more than one-third of the working population were self-employed.

In 1926, a "very serious insurance organization" was established, the tobacco workers' insurance fund, the first ever, according to the existing data, including organized health and unemployment insurance (3). It covered sickness, maternity, disability, death and unemployment risks of one of the largest, occupational groups, which developed early its occupational consciousness. This fund, significantly subsidized by the State, was established in Thessalonika; its instigator was Christos Agalopoulos, an expert who became a legend for social security in Greece. The scheme applied the system of free choice of doctor after pressures from local doctors' associations; this system was later abolished due to cash benefits' large abuses in Kavala (4). Agalopoulos organized the institution on "scientific and healthy regulations" reaching within three years an important level of coverage for the morale, the health and the economic situation of insured tobacco workers. They achieved a higher standard of living and improved industrial relations, although their organization was one of the first to experience the communist influence. "It consisted of one of the most perfect laboratories, having as its mission the application of the Social Insurance institution" claimed J. Zarras, a social security expert (5).

After a year, in 1927, following international developments and agreements (6), the Greek Republic introduced a new constitution which laid down that manual and intellectual work should be protected and supervised by the State which should be responsible for "the promotion of the morale and material well-being of the working population". This statement contributed to a deeper elaboration and developed public awareness for the need of systematic and universal social insurance policies.

During this period further insurance funds were created, either due to forceful lobbying or due to dangerous occupational conditions: flour mill and bakery workers, printers, dockers, musicians, actors, bank employees, drivers, railwaymen, etc. achieved the establishment of their own insurance rights. According to the 1928 census 31 per cent of the total working population were employees in industry, transportation, commerce, mining and handicrafts; 32 per cent of them were self-employed while 8 per cent were employers.

### **The Draft of the Unemployment Law , 1927**

During the mid-twenties the unemployment problem (7) became a major source of social upheaval. The massive invasion of refugees was, of course, the main reason for the bulk of the unemployed. Unemployment was, in addition, enhanced by the measures restricting immigration to the U.S.A., a country traditionally absorbing the jobless but the ambitious part of the Greek labour force prepared to take risks. The prolonged war periods on the other hand, obliged many women to work (8) in order to support their families, replacing their husbands fighting in the battle field.

Following international concern for unemployment insurance (9), and stressing the risk of domestic turbulence, the "ecumenical government" formed after the November 1926 elections, decided in 1927 to introduce to Parliament a draft of a law on unemployment coverage. Until then, institutionalized unemployment insurance had been achieved only by some organized pressure

groups, namely the tobacco, the flour mill and the bakery workers. These funds were heavily subsidized by the State with revenues coming from taxes on the product of their labour. Finally, unemployment benefits in kind for food, accommodation, health care and travelling expenses were provided to seamen in order to "protect them from the Communist propaganda and the businesslike exploitation by the hotel owners" (10).

The 1927 draft of the law provided for the establishment of an unemployment institution covering dependent employees in industry, handicrafts, transportation, trade and commerce, mining and building. The Introductory Report described in the first place the unemployment policies implemented in other countries, focusing on the problem of financing the scheme. The main stated arguments were the comparatively low number of working people entitled as contributors as well as the "sporadic" payment of contributions. Furthermore, the Report attempted to illustrate as causes of the rise of unemployment in the country the invasion of refugees and the economic recession "and not the world-wide industrial crisis or a rapid increase of the population".

The draft was prepared by A. Zakkas, an expert appointed as Director of Labour in the Ministry of National Economy. The unemployment scheme would be financed by employers' and employees' contributions depending on wage-classes with an increasing percentage respectively. Employers were required to pay contributions higher than those of employees. Unemployment benefits would be drawn according to wage-classes as well, while a family supplement for children under 18 years of age was provided. Benefits would be given for 45 days extended up to 100 days for special cases after permission from the Unemployment Council. Exact figures for benefits and contributions as well as the administrative regulations were to be defined by a forthcoming special decree.

A decision of the G.C.G.L. to delay the passing of the law in Parliament "in order to elaborate the consequences provoked by the new labour legislation", as well as the loss of power of the ecumenical government resulted in the

abandonment of the unemployment draft law. This was an unfortunate development which kept unemployment coverage missing from the protection sphere of working people for the next twenty years. In addition, this was an excellent example of ineffective state action due to political instability.

Earlier in the same year, in May 1927, the ecumenical government introduced to Parliament a draft law concerning the insurance of industrial accidents according to the employers' proposals (11). This draft, following the concept of the Workmen's' Compensation Convention held in Geneva in 1925, provided benefits for industrial accidents amounting to from 45 to 60 per cent of wages. Contributions would be paid by employers to specific banks from which employees would receive the benefits. Industrial diseases were surprisingly excluded from this coverage. However, this bill was dropped in Parliament. According to some views (12), this frustration was the result of the hidden opposition of the Ministry (13), which was preparing itself another draft of a law for this coverage. It seems anyway that this proposed legislation became the victim of political ambitions as well as of a lack of any coordination for social policy measures.

At a time when, as we have seen in the previous chapter, the vast majority of working population were still uncovered, the objectives of the labour movement remained vague (14). G.C.G.L., the leading trade union body since 1918, was far from exercising pressure for the extension of social insurance. However, the 5th Pan-Hellenic Labour Conference held in Athens from 7 to 15 of May 1928 voted for a declaration introduced by D. Stratis, concerning the introduction of a complete social insurance system. The declaration emphasized that "... in a civilized state, it is unacceptable that the worker-producer of wealth, by whose work the society remains alive, is abandoned uncovered to the risks provoked by it (the society)" (15).

Of course, the political developments of the early 1920s did not allow adequate space for free trade unionism; several unionists were occasionally

imprisoned or exiled for their political beliefs. Moreover, the confederation was experiencing strong conflicts between its members and its two wings, the right and the left. In 1925, the left wing unionists were discharged from the G.C.G.L. and introduced a second confederation, the "unitive" G.C.G.L. Ideological conflicts and personal ambitions resulted in a lack of unity, coordination and common objectives, lessening its impact and shrinking its power. In this respect, labour representatives in the little space left for proposals and labour demands, did not succeed in intervening effectively for the establishment of a national uniform social insurance scheme in Greece (16).

### **Political stability ... at last**

The Government formed by the Liberals in August 1928 was the first after many years with an overwhelming majority in Parliament, allowing expectations at last for a some kind of political stability. A prolonged strike of tobacco workers provoked a general labour upheaval and an employers-employees committee was appointed to alleviate the problems (17). Before the end of 1928, the new Government brought to Parliament a bill concerning social insurance aiming to improve the situation of the existing funds. The main provision of this bill was the introduction of subsidiary funds financed by employees' contributions in order to increase pensions which had become devalued due to the high rate of inflation during the post-war period. The Bill was finally dropped since priority was given to legislation introducing compulsory insurance against industrial accidents which was expected shortly. However, this issue entered the agenda and certain groups achieved the establishment of their subsidiary fund. Finally in May 1929, a draft prepared by the Labour Directorate of the Ministry of National Economy concerning compulsory social insurance for employees in urban areas was submitted to I.L.O. for elaboration and further suggestions.

During this period, the most powerful occupational groups achieved their

own pension funds: millworkers and oven-workers; lawyers, notaries and bailiffs, custom officers, small traders, employees in commerce and in theatres, contractors of public works, marine agents, etc. The insured employees were covered against disability, old-age and death by 68 different insurance funds. Only half of them provided sickness insurance based on reimbursements.

Health care services were still mainly provided by public assistance and the Local Authorities, which concentrated upon institutionalised provisions (sanatoriums, mental hospitals, asylums, maternity hospitals) supplemented by voluntary bodies. Hospitals were concentrated in the urban areas; official statistics indicated that in 1929 one-half of the available beds (5.107) and 40 per cent of doctors (1.914) were congested in a range of 200 kilometres around Athens, in an area where only about one-sixth of the total population was living. In 1930, in Athens and Thessaloniki where 25.2 per cent of the population was living according to the 1928 census, 55.1 per cent of the beds available were concentrated (18).

The substandard of public health produced embarrassing health indices: in 1928 the death rate was 17 per thousand, infant mortality almost 93 per thousand and tuberculosis resulted in 20 per cent of annual deaths; one sixth of the population was infected by malaria every year in the 1920s while 75 per cent of the male population had venereal diseases (19). In addition, the poor housing conditions exacerbated the situation; in 1928 more than 75 per cent of workers' families in Athens lived in one room, 10 per cent of these houses had a kitchen and just one per cent had a proper bathroom (20). The number of doctors in 1928 was 6.220 according to the Medical Association and in 1930 only 5.084 according to the Greek Statistical Services; the rate of doctors to inhabitants was 1:1.250, a relatively satisfactory one.

Large differences were already observed in the way insurance funds were organized and financed. Enormous dissimilarities existed on the extent of coverage, the contributory conditions, the systems used for their financial



reserves. This anarchy is explicitly presented in Appendix A, and constitutes the basis for the formulation of a fragmented social insurance system.

The introduction of a general social insurance scheme was seriously mentioned in public for the first time in 1929. The Prime-Minister Venizelos speaking to the people in Thessalonika said: "...a bill is already drafted which is about to provide an occupational sickness benefit and a benefit for work accidents. The passing of that bill, however, will not complete the concern of the State and of society for a permanent improvement in the labour world. This concern will be always inadequate, if coverage for sickness, invalidity, old-age and death, is not established" (21).

A letter by Albert Thomas, a French socialist leader, director of the Social Security Department of I.L.O., written to Andreas Zakkas, director of the Employment, and Social Assistance of the Ministry of the National Economy on 11 May 1929 mentioned: "I carefully read the report of my colleague A.Tixier about his mission to Greece, according to my instructions. He reports your wide programme of social reform in reorganizing and reinforcing labour inspection, better implementation of labour legislation and the introduction of a full compulsory social insurance system,... This nice programme is obviously more extended than the promises given - substantial but still restrained - to Tixier by P. Vourloumis, the Minister of National Economy and by Venizelos himself. Both of them take into account what the economy of your country can afford, thinking, for example, of implementing social insurance step-by-step, one far from the other..."

Despite all this, the Venizelos' Government finally decided that the need for the introduction of a general social insurance scheme was urgent, and anticipated a gradual implementation. This decision caused general disturbance and disorder. There was public confusion concerning the concept and the aim of the institution. Innumerable arguments were given for and against the application of social security. Most of the public writing or talking lacked any scientific background or even the necessary width of thinking. Misleading articles by

amateur social scientists were published strengthening the confusion about the usefulness of social security. "Unheard of destruction and an economic disaster for Greece will follow the compulsory introduction of the institution" or "it is dangerous demagogy in favour of certain white-collar workers" or "it is a useless and very expensive institution which is not necessary" (22). On the other hand, some articles predicted social progress of great importance for every employee: "a golden century with sunshine for every employee" (23). In this chaos of ideas and opinions, the directly interested social classes were only slightly involved, misled by economic interests, demagogy and ignorance. However, some were found to approach the problem scientifically such as Svolos, Kanellopoulos, Agalopoulos, Zarras,...

The working people's position was distressing. The adversities of poverty, unemployment, arduous employment, uncertainty, lack of essential health care were widespread. The need for state intervention in order to establish a general scheme of social security was clear. Unfortunately the lack of information kept the interested working population far from any positive reaction.

### **The base of further development**

It was finally realized that social insurance coverage could no longer be based and organized on the company level, as it prevailed after the adjustments of Law No 2868 of 1922. On the other hand, the vast majority of employees remained uncovered, although most of them consisted of the financially weakest classes.

In 1931, the working people insured by occupational pension schemes were about 100.000 employed in industry, mining, transport crafts, banking and commerce; civil servants 47.300; Navy officers, 9.050; lawyers, 6.280; custom clearing officers 7.215. The total number of 162.216 people covered meant a low percentage of 6.5 of the overall working population (24).

When the Venizelos' Government was in office in 1929 the establishment

of a general social insurance scheme, had been seriously mentioned for the first time as we have seen, and several preparatory research studies as well as acute reactions, started. In abstract, the main arguments in favour of the establishment of the new institution were: firstly, that the prevailing long monetary instability, could no longer prevent the introduction of universal social insurance, when nobody could predict the end of recession. Secondly, that because of the risk of burdening employers and their strong reactions, it was emphasized that employers' contributions would be very low at the first stage. A small part of employees already paid equal or higher contributions to existing funds.

Due to the low level of pay, employers should at least provide social insurance protection. The respectively low burden of contributions would anyway be added to the cost of production. Moreover, considering that Greek industry has been always protected by several high taxes, employers' reactions were provocative, and unjustified. The opposition to the new institution was characterized as "incurable old-fashioned evidence of idle spirits of reactionary opposition, observed at all times, during the introduction of any progressive institutions and social reforms" (25).

The originator and drafter of the Bill was Andreas Zakkas, director of the Employment Department of the Ministry of the National Economy. He had long been struggling for the introduction of the ideas and developments of European Labour Legislation into the country, especially those coming from France and Germany.

As mentioned before, the Government asked for the close cooperation of I.L.O., which had already been playing a decisive role in developments in Greece, since its establishment. On April 1930 the Minister of National Economy appointed a Special Committee of Experts "to consider the financial basis of the scheme and to elaborate the relevant actuarial estimates". The chairman of the Committee was A. Zakkas, the secretary was J. Zarras, an expert of the Employment Department and members were J. Michalopoulos, Director of the

Greek Statistical Service, J. Tournakis, Professor of Economics, C. Agalopoulos, Director of the Tobacco Workers' Fund, and A. Svolos, Professor of Constitutional Law. The Minister appointed on top the I.L.O. specialists A. Tixier, from the Social Security Department in the I.L.O., and E. Schoenbaum, Professor of Insurance Mathematics in Prague University. Emil Schoenbaum was to be assisted by J. Stransky and A. Zelenka, two other Czechoslovakian experts recommended by I.L.O. as well. In fact, Zelenka became head of the Social Insurance Department of I.L.O. after World War II.

Schoenbaum proposed a special census which would produce the necessary data for the mathematical calculations of the scheme. In fact, the census took place on 4 September 1930 and the information was used by the team of specialists under Schoenbaum, in order to formulate the basic regulations and the economic calculations of the scheme. With reference to the existing occupational funds, the I.L.O. recommended their integration into the new scheme, or as a first stage, the establishment of uniform insurance principles.

The Bill based on these principles was introduced on 19 May 1932 by P. Vourloumis, Minister of the National Economy having sound views on the issue of social insurance. It was accompanied by an Introductory Report written by A. Zakkas, including a historical socio-economic analysis and international comparisons. The Report emphasized the delay in introducing the institution of a general social insurance scheme in Greece, at a time when, neighbouring countries with similar basic characteristics and social organization, and world-wide more than thirty other countries, had established general social security system even decades ago. Moreover, social justice would be enhanced by ameliorating the working people's "unacceptable conditions" - of living and by avoiding predicted social dangers. The Report concluded: "... the Government strongly proposes the passing of the Bill, being convinced that the general implementation of compulsory social insurance will gradually improve the living conditions of a major part of the population. The gradual elimination of social

deprivation, not acceptable by "contemporary consciousness", will decisively contribute to the social progress of the country". A Parliamentary Committee undertook the study and evaluation of the Bill for the following five months.

In the meantime, employers, doctors and existing funds expressed strong reservations for different reasons. It was argued that the employers' cost of contributions would decrease their profits; private doctors' clients were expected to decrease as the result of the establishment of health insurance . Moreover, the existing funds were totally against any idea of state control and possible amalgamation with the general scheme, as provided by the Bill. The policy introduced, based on German experience and the contemporary French social legislation, was considered by the Liberal Government as "scientifically perfect".

The main guidelines initially adopted during the elaboration of the new legislation were: firstly, that the existing occupational pension funds should be integrated into the new universal scheme; in cases where this proved not possible, the existing funds should establish uniform principles for insurance eligibility and for the introduction of common health services at a national level. Secondly, that one sole institution would include coverage both for industrial accidents and for the other risks, i.e. sickness, disability, old-age and death. Thirdly, that the level of cash benefits for sickness or accidents should be improved compared with the existing ones. Fourthly, that special provision should be anticipated for the health protection of the agricultural workers.

As will be seen, the new social insurance legislation failed to implement the above guidelines fully, thus allowing the generation of considerable gaps in provisions.

### **The Bill of 1932**

The Bill provided for the establishment of compulsory social insurance for all salaried and wage earning people in the urban areas after the implementation of the new scheme. With respect to the risks covered the main

regulations were the following:

a. Sickness:

The law provided medical health care and sickness cash benefits equal to 40 per cent of wages; health insurance included medical treatment, medicines and therapeutic requisites for the insured and for dependants to some extent. Part of these expenses - not more than 20 per cent - would be paid by the insured person with the exception of the industrially injured. No detailed provisions were determined for the organization of health care.

b. Industrial injuries:

According to the I.L.O.'s suggestions, this part of insurance would be integrated in the other insurance branches, but would be financed only by employers' contributions. In the case of incapacity, the sickness cash benefit would be given for 180 days; a monthly paid sickness pension - thirty times the daily paid sickness benefit - would be given for up to 18 months; furthermore, eligibility for disability pension would be examined. It is noteworthy that for financial reasons cash benefits for partially disabled employees were not provided. On the contrary, occupational diseases were finally included.

c. Disability, old-age and death

Disability pensions would be given to insured employees permanently unable to earn more than one-third of the usual earnings of the average employee in the same district and occupation in any employment suitable for his physical capacities and qualifications. The disability pension would be equal to the old-age pension. The old-age pension would be given from 65 years of age for men and 60 for women to those whose wages were less than half the earnings of a physically and mentally capable employee for the same occupation in the same district. The level of pension would depend on wage, length of contribution period and the level of contributions. Old-age pensions would consist of two parts: a "basic" amount of 3,000 drachmas per

year and a "variable" amount depending on the contribution period and the level of earnings. A supplementary benefit of 10 per cent was provided for each dependent child or orphaned grand-child. A special supplementary benefit of 50 per cent was anticipated for total disability requiring constant care and assistance from another person.

The death pension's purpose was to cover only part of the maintenance of survivors, but including the employee's family in a wide sense, i.e. widows and orphans, grand children who were orphans, up to 16 years of age. The widow would receive an annual pension equal to 40 per cent of the basic disability pension which would be given to the insured person if he had not died. Children would each be entitled to 20 per cent of the basic disability pension.

A daily allowance equal to sickness benefit was given to women insured for six weeks before and six after confinement. A daily nursing benefit equal to 20 per cent of her earnings after the end of confinement allowance provided if necessary, for caring for the baby for ninety days after the confinement.

The scheme would be financed by both employers and employees but no state contribution was anticipated. "(the Government)... deeply regrets that the present financial problems prevent the introduction of a specific state contribution... state support in the future will help towards the improvement of the level of benefits" (26). Employers would pay contributions equal to 6.3 per cent of wages and employees equal to 5 per cent. Contributions and pension supplements would be calculated on a scale of average wages according to nine classes (Table 1).

The administrative incorporated public body of the new scheme, the Social Insurance Organization (IKA) was to be established in Athens, under the "inspection and supervision" of the State, namely the Ministry of National Economy. IKA would not start operating before a ten month period after the new law passed and should be fully activated within three years. The director of the Labour Directorate of the Ministry would be the Government representative

supervising the implementation of the law. The General Director of IKA would be appointed by the Government as well.

In IKA's Administrative Council, the Board of Directors, four employers and four employees representatives and three experts would participate. Employers' and employees' representatives would be selected by the Minister from a list of persons recommended by the employers' associations and trade unions. The advisory body would be the Social Insurance Council, which was to consist of employers, employees and at least one doctor representative. Under the Ministry of National Economy it would make proposals on legislation, and regulations and on research concerning social insurance.

In reference to the existing occupational funds, the Bill proposed control on their constitutions and administration. Furthermore, a prerequisite for their existence became the equivalence of their benefits to the IKA ones and an actuarial examination, if they required contributions higher by 10 per cent than IKA's for equal benefits and if the number of insured people decreased by more than 50 per cent, or the enterprise to which the employee was insured stopped its operation. The printers', the tobacco and the flour mill workers' funds would be consolidated with IKA, while a special unemployment scheme would be established for tobacco, flour mills and bakery workers. Compulsory insurance against sickness and industrial injuries would be exclusively provided by IKA. Consequently, the miners' fund would be abolished.

Finally, the introduction of social insurance pension funds for people engaged in commerce, small traders and artisans was announced in the law, covering old-age, disability and death. Future special decrees would define the specific regulations. However, the Bill rejected coverage of agricultural workers, people engaged in forestry and stock breeding and some other minor dependent employees in urban areas.



### **The postponed law**

After the circulation of the Liberals' draft law on social insurance, the issue obtained the general interest of the public and dominated in the political scene between May 1932 and October 1934. It is that period that needs detailed elaboration to show the parameters of the pressures exercised and to understand the reasons for the adjustments which finally prevailed.

It is clear that up to 1932 social policy makers had not faced any major disputes in establishing social security measures, mainly because this was a minor painless part of state intervention. The 1932 draft concerned a major part of the working population estimated as around 300.000 employees or almost 15 per cent of the total working population, tripling the existing number of insured people and was in fact the first general insurance reform. In this respect it provoked extensive reactions, discussions and repercussions which a Special Parliamentary Committee attempted to appreciate.

The employers' reactions became vigorous as soon as they realized that the initial Venizelos' policy of gradual "slow step" implementation was reversed. The Industrialists' Association submitted to the Government proposals in favour of a policy of improving the existing funds rather than the introduction of a general scheme. Considering industry was "in a desperate position" they put the draft in jeopardy warning that they would have to "close down their factories and dismiss their employees" (27). In an Assembly held in the Chambers of Industry and Commerce, (28), the main proposal heard was for the introduction - as a first step - of compulsory insurance against industrial accidents, managed and administered by private insurance companies (29). Furthermore, theories that "the Greek workman's productivity is the lowest in the world" or that the Bill introduced "some luxurious treatments for the working classes" led to the conclusion that the estimated cost of the new Bill "would definitely be higher than the profit made by the whole of industry" (30).

The main argument used to convince employers to moderate their

opposition was that of the Minister of National Economy who referring to the Bill described it as "... essentially, a conservative measure by which a safety valve will control revolutions. Without it God knows where the extension of the labour movement would have led, even in the conservative Great Britain.... communism would have prevailed in Europe" (31).

In fact the employers' suggestions were modified towards pressures to decrease their financial burdens wishing to "limit the employers' unwillingness to pay their contributions" as stated by their representatives to the Special Parliamentary Committee. In their effort to delay the enactment of the Bill they questioned the Schoenbaum proposals, arguing that economic conditions had changed in the meantime, or that it was not sensible to include both manual and non-manual workers in the same scheme. They claimed that medical insurance should not provide cash benefits and should be reorganized with the cooperation of the doctors' associations. Moreover, the employers' side was asking the State to participate in the costs of the social insurance scheme. The conservative newspapers focused their opposition to the Bill on "the timing" of its enactment, asking for its postponement until there was a better period for the national economy (32).

Schoenbaum on the other hand argued that, according to comparisons with other countries, the establishment of social insurance "had not been an obstacle to the extraordinary growth of the post-war Germany economy... The employers' contribution of 6 per cent of wages would increase the cost of production by 1.5 per cent assuming that wages covered not more than 1/4 of production... A period of economic crisis is the most favourable for introducing social measures since the exercised (social) pressures are considerably constrained..." (33). Moreover, considering that in Greece a marginal percentage of 6.9 of the companies total profit went in taxation (34), while in Germany it was 41.74 per cent, in France 22.37 and in Great Britain 16.85, employers should be more flexible.

The employees' position on the Bill was favourable in principle but critical of particular regulations. The confederations of trade unions made several proposals aiming at upgrading the level of provisions and to extend coverage to include unemployment. They asked to be allowed to run unemployment insurance by themselves, financed by employers, employees and local authorities and by special indirect taxes (35). Seasonal unemployment for special occupational groups should be covered by special schemes (36). Politically, unemployment coverage lacked any approval since both leading political parties refused support on this issue. The only exception made was for tobacco, flour mill and bakery workers who would be insured by a special unemployment scheme. In addition, the G.C.G.L. suggested the introduction of housing projects financed by the accumulated reserves of the funds. However, the G.C.G.L. accepted the general guidelines of the Bill but insisted that low earning employees should not pay contributions: they should be replaced by a state contribution. At that time many received extremely low wages since the existing minimum wage legislation was been systematically violated. Even the Parliamentary Committee recognized "that wages in Greek industry are exceptionally low" but refused to adopt the proposal, solely because of the need of new actuarial calculations which would cause delays. Moreover, the Bill failed to protect cash benefits from the existing monetary instability, not providing a regulation adjusting them with a price-index.

The unanimous demand for a state contribution to the scheme reflected the criticism of the public for the absence of social welfare measures especially in the fields of health care and labour protection. Some economists suggested special indirect taxation and changes in the national budget's allocation to finance state participation in the new scheme "... now that we have peace, public expenditure on the Defence Ministries should be restrained..." (37).

According to many criticisms, a major gap in the Bill was the exclusion of employees in agricultural occupations due to intractable administrative difficulties. Not only the I.L.O. but many others, proposed that this group of

workers should be provided with some kind of coverage, considering the lack of any insurance, even for occupational injuries.

Agricultural employees amounted to more than 120.000 people (38) not united in any labour organization, dispersed all over the country. Their living conditions were primitive, "... there are neither doctors, nor dispensaries, nor hospitals, nor any sign of public assistance" (39). In fact, the arguments for agricultural workers' insurance coverage remained at a theoretical level, since their split power resulted in the absence of pressure for their essential interests.

Among those directly involved with the establishment of the new scheme were doctors who should be recruited for IKA's health insurance services. In 1926, doctors introduced a "Code of Deontology", in which it was considered their duty to fight and keep the system of "payment per activity", and to refuse any kind of "contractual fee" (40). Their first reactions were expressed in January 1930, during the National Assembly of Medical Associations and were without reservation against the introduction of health care insurance. Ignoring the low standard of public health in Greece, doctors made use of old-fashioned controversies in order to protect their occupational interests. It should be remembered here that in 1928 the death rate in Greece was the third highest in Europe, 17 per thousand, and infant mortality 93 per thousand. The Medical Association after all, was compelled to compromise two years later proposing three main key-points for the new scheme: free choice of doctor, exception of high-earning employees and doctors' participation in the administration of the scheme. The Special Parliamentary Committee then supported only the third claim which, as we have seen, was included in the Bill: one doctor was among the expert members of IKA's Administrative Council.

The regulatory framework for the adjustments proposed by the Bill for the existing occupational funds caused most probably the major dispute. The Liberals' Government considered all possible solutions. It seems that initially the amalgamation of all the existing funds to IKA was seriously considered. However,

it was at the end preferred "... to pacify occupational funds and only financial revival will be attempted .. once again a radical solution has been actually bypassed" (41). So, it was finally decided to maintain the existing funds, but to intervene by measures aiming at their reorganization on an actuarial basis and the guarantee of minimum standards of benefits for all insured employees, according to the I.L.O.'s recommendations for uniform principles. The regulations introduced envisaged vigorous state control of the administration and the constitutions of the funds as well as an upgrade in their benefits to the standards within a three-year period. G. Pasmazoglou, a prominent MP of the Populists, accused the Government as "indirectly attempting to amalgamate the existing occupational funds with IKA, .. the best ... but impracticable solution ... (which) would unavoidably provoke disputes which would expose IKA to hazards" (42). Some other funds (43) were to be consolidated with IKA because "their members were spread all over the country and their insurance coverage by individual schemes was comparatively very expensive" (44).

The policy proposed by the Government for the already established funds provoked significant reservations and huge opposition from their members. The suspicion that the new scheme would be to some extent financed by the resources of the existing funds was in the air. The "equivalence test" defined by the Bill was not expected to be successful by most of them and consolidation was seen as unavoidable. As was obvious, the existing vested interests exercised severe pressures, though it was generally accepted, even at that primitive level of social insurance development in Greece, that consolidation would be the rational way-out of the main administrative and financial hardships of the institutions. However, no consolidation policy was implemented. The writer of this era states explicitly that "consolidation was obstructed by those in whose interest it was to maintain the existing situation, namely those receiving high pensions, by high-level employees, by established vested interests and by some politicians" (45).

In brief, the Liberals' Bill of 1932 constitutes probably the most radical

and rational attempt to inaugurate a sound basis for a uniform social insurance scheme. Strong efforts were made to come close to the recommendations of I.L.O. and research and actuarial estimates were used. It might be argued however, that the absence of state finance - not in compliance with the policy towards the existing occupational funds (46) - provoked a major gap in the defence of the Bill. Besides, health insurance did not draw the significant attention which it merited in the light of the poor health services available at that time. Finally, it seems that certain lobbies prevented the full amalgamation of the existing funds to IKA.

In the period between May and July 1932, the Bill though submitted to Parliament, failed to pass, concentrating public interest and determining developments on the political scene. A government formed by Papanastasiou in June with Venizelos' support, attempted to pass the social insurance Bill immediately but Venizelos' contradictory behaviour on the matter provoked the Government's fall after a few weeks of life. He was still not convinced that the timing of the passing of the law coincided with his electoral interests.

However, when Venizelos returned to power, he decided to pass the Bill before the forthcoming elections, since suspicions that he was keen to freeze the issue prevailed widely. It seems that during this period, the introduction of a general social insurance scheme would turn out to a fruitful political benefit. The Bill, introduced in August 1932 by S. Kostopoulos, the Minister of National Economy, passed in Parliament becoming the Law No 5733 of 11 October 1932, in the absence of the opposition Populist party. The law would be enforced five months after its official publication but IKA's function would not start before a period of ten months and should be completed within three years.

Venizelos achieved a narrow victory in the elections held in September but he failed to form a viable government. On the general elections of 5 March 1933, Venizelos unexpectedly lost power and the Populists majority party under Tsaldaris came into office. Since the Populists were boycotting Parliament during

the discussions and passing of Law No 5733, they immediately suspended it and announced the preparation of new social insurance legislation.

## ENDNOTES

- (1) Greek Republic (1924 - 1935).
- (2) Papanastasiou worked for a "Balkan Union", First Pan-Hellenic Socialist Congress, 4 November, 1918.
- (3) Health insurance was provided since 1922 to an unknown extent by the fund of the employees of the Bank of National Economy, and from 1925 by the fund of the workers of a company called "VIO".
- (4) Kanellopoulos, P., newspaper Proia, 15 August, 1932.
- (5) Zarras, J., Member of the Directorate of Labour, Ministry of National Economy, 1927.
- (6) Treaty of Versailles, Weimar Constitution.
- (7) There is no reliable data for unemployment figures (two sources: Ministry of National Economy - G.C.G.L.)
- (8) Women in work: 1907 around 35.000, 1928 around 165.000.
- (9) Unemployment Convention, Washington, 1919.
- (10) Decree of 4 November, 1926.
- (11) Chamber of Commerce & Industry, 1927.
- (12) Negris, K., Industrialist in an interview, newspaper, Kathimerini, 27 October, 1927.
- (13) Namely of Zakkas, A., Directorate of Labour, Director, Ministry of National Economy.
- (14) I.L.O., Labour Problems in Greece, Geneva, 1949.
- (15) Agalopoulos, C., Social Insurance, (in Greek), Athens, 1955, p. 24.
- (16) "... this organization (G.C.G.L.), became unconscious of its responsibility to represent all groups of people and not only the right ones", Someritis, S., Dependent employment and social security, (in Greek), Athens, 1933, p. 52.
- (17) By the Minister of National Economy P. Vourloumis



- (18) Statistical Service of Greece, 1930-1939.
- (19) Tzatzanis, M., The elements of rational reorganization of social insurance, Crete, 1947, pp. 38-39.
- (20) op.cit., p. 40.
- (21) Newspaper, Eleftheron Vima, 8 April, 1929.
- (22) Newspaper, Kathimerini 25 & 30 May, 1932.
- (23) Newspaper, Eleftheron Vima, 23 July 1934.
- (24) According to the 1928 census the total working population was 2,415,078 people.
- (25) Newspaper, Eleftheron Vima, 7 June, 1931.
- (26) Introductory Report, Law No 5733 of 1932.
- (27) Tixier, A., (Director), Report of I.L.O., February, 1930.
- (28) 16-19, February, 1930.
- (29) Plytas, K., owner of a major insurance company.
- (30) Negris K., op.cit.
- (31) Newspaper, Eleftheron Vima, 22 July, 1934.
- (32) Newspaper, Kathimerini, 1 June, 1932.
- (33) Schoenbaum's Report, (in Greek), National Printing Office, Athens, 1931, p. 18.
- (34) Journal, Economicos Tachidromos, July, 1934.
- (35) G.C.G.L., proposals of 20 March, 1929.
- (36) In 1931 only 5 per cent of working people were covered for unemployment.
- (37) Alivizatos, M., Social insurance, the State and agriculture, (in Greek), Athens, 1933, p. 28.
- (38) Census of 1928, 122.319 dependent employees in agriculture and kindred occupations (not having their own land or properties).
- (39) Evelpidis, C., The agriculture of Greece, Athens, 1944, p. 137.
- (40) Decree of 9 March 1926 concerning a "temporary code of deontology for the medical profession".

- (41) Svolos, A., newspaper, Eleftheron Vima, 2 June, 1934.
- (42) Newspaper, Proia, 31 July, 1932.
- (43) The printer's fund, the tobacco workers' fund and the flour mill workers' fund.
- (44) Introductory Report, Law No 5733 of 1932, p. 23.
- (45) Tzatzanis, M., op.cit., p. 34.
- (46) See chapter III for details.

# III

## THE ESTABLISHMENT OF COMPULSORY SOCIAL INSURANCE , 1934 - 1937

### Introduction

After all, the Populists party brought to Parliament in late November 1933, more than a year after the passing of Law No 5733 and about eight months after it won the elections, the new draft law concerning the general social insurance scheme (1). The draft, though copying the general form, contained substantial differences compared with Law No 5733. There were critical amendments to the settlement about the existing funds, to the proposed economic system and rates of contribution, to the range of coverage and people insured, to the administrative decentralization and to health care protection.

The Populists, though a conservative party, had shown a progressive character in the past, reinforcing policies in favour of the working class. Dimitris Gounaris, the founder of the party, was, as mentioned earlier, the first prominent politician who included the introduction of a general social insurance scheme in his political programme thirty years earlier: "... it is altogether anti-christian and unpatriotic that any protection of the working people is missing in this country... Contemporary nations have already provided pensions for the workers, and health care in the case of accidents... covering a worker from any deprivation of the indispensable needs in any living circumstances" said Gounaris thirty years before the introduction of the general scheme (2).

The Government promoted the view that the Law of 1932 was withdrawn because it contained "significant disadvantages ... it failed to appreciate the present economic difficulties, ... it would be better to restrain the benefits in order to prevent the failure of the social insurance institution in Greece"(3). In addition,

it was emphasized that the Law of 1932 had been passed by Parliament in the absence of the opposition parties. It was argued that "preparatory work was missing, concerning the application of the law". But as we have seen in the previous chapter the abandoned legislation had been the outcome of extended research and discussions and consequently these justifications were not convincing. The G.C.G.L. was campaigning in favour of the legislation of 1932 established by the Liberals. Evidently the reasons for the "fall" of Law No 5733 of 1932 were based on political criteria.

This was a crucial moment for social security in Greece. Structural changes were enforced in the legislation preventing radical intervention. The Government appeared eager to make important adjustments in favour of the reacting powerful groups - employers and occupational lobbies: The new legislation selectively ignored fundamental recommendations of the foreign experts who worked on the previous scheme. Though even in these early days of social security it was widely accepted that the system was "cut into pieces" and that a harmonization of the field was essential, the Bill failed to establish a firm policy towards the existing insurance funds.

It was this original law that provided the opportunity to generate an effective resettlement so as to prevent the disease of social security in Greece becoming chronic. The draft of law was brought to Parliament in 27 November by G. Pasmazoglou, the Minister of National Economy; an Introductory Report was published the month before on 31 October 1933. C. Agalopoulos, a widely respected expert, who participated in the Special Committee of the 1932 Bill as well, was the drafter of both of them.

The Minister claimed in Parliament that Law No 5733 was "simply a complementary law" of the considerable constitutional Law No 2868 of 1922, aiming to remind the house that this premier legislation was passed 10 years ago also by his party. The influence of the economic recession and unemployment provoked "a crisis in social security" both by decreasing the revenues of insurance

agencies and by increasing their expenses and devaluing their funds. He clearly stated that "the Greek draft was based on the fundamental principle of any possible lessening of financial burdens during the economic crisis "admitting that in this way the level of protection would be lower than it should be". Despite this confession he considered that the social insurance institution was automatically "put in order by the new legislation in Greece".

As mentioned earlier, the situation of social insurance coverage in the country before the introduction of the general scheme "could not stand up to serious criticism". There was a lack of preventive measures to reduce work accidents and inadequate means to oblige employers to give compensation. Health insurance was described as "in an embryonic condition", but disability, death and old-age protection were assessed as significantly developed (4). The 1922 legislation introduced the legal basis for a wider application of this sector, and was highly emphasized to make a political impression.

The Minister concluded that "social insurance is actually in a primitive condition and is governed by complementary dissimilar principles. Small insurance agencies are run by unique systems; the State's finance varies between nil and a hundred per cent; there are long or short time requirements for eligibility, a lack of preventive measures and a complete lack of coordination between the insurance agencies". This anarchy could be controlled at this particular time, provided that the Government would in practice and not in rhetoric "select a rational system based on healthy principles". In this respect, the Government should be prepared to bear the political cost of displeasing the reacting lobbies.

### **The main changes in the Law No 5733**

The Government of the Populists party accused Law No 5733 of Venizelos' administration of containing crucial weaknesses which could affect the future of the social insurance scheme. The main criticism concentrated on five "false ribs" of the law.

Firstly, though Law No 5733 recognized the need for insurance coverage of people living in the country, mainly farmers, it finally contained only a potential regulation for the protection of people employed in agriculture, lumber and cattle. However, the new Bill also provided protection only to the few agricultural employees living in urban areas. Of course, it was said, a general social insurance system is expected to provide a uniform level of national protection for working people and a minimum standard of coverage, safeguarding a uniform standard of living. But, as the Minister argued, the needs of rural areas demanded separate insurance coverage adapted to their different conditions. The Populists government promised that a special bill for farmers' protection would be brought to Parliament very soon, but it was not. The result of these political decoy tactics was that the agricultural population, an unprotected dispersed and badly informed pressure group, remained uncovered until 1961, when the Agricultural Insurance Organization (OGA), was at last established.

Secondly, the principle of 5733 for the existing funds was that they could pursue their operation on two requirements: restoring their finances on to a strict actuarial basis and including the same provisions as in the general scheme, provided if necessary, an increase in contributions of not more than 10 per cent. These adjustments were vigorously opposed by the existing funds since most of them could not fulfil the defined requirements. It was argued, as we have seen in the previous chapter, that under the pretence of actuarial regularity the Bill aimed to dissolve these funds and remove their capital in favour of the general scheme. The monetary crisis had anyway devalued their funds and assets, reinforcing their "anxiety". The Minister emphasized that even Professor Schoenbaum, judging from the Czechoslovakian similar experience, considered, two years earlier, that this solution was not practical. The main difficulties, he argued, were the calculation of the reserves and, on the administrative level, the huge transfer of the records of insured employees to the new Social Insurance Organization. The

Government approved Schoenbaum's hesitations on this crucial point, displaying preference for more "painless" solutions.

Thirdly, the previous Law established a sickness cash benefit, a provision which was later considered to be subject to a "significant danger not only of abuse, but mainly of huge moral damage to the social insurance organization" (5). It was said that, the new scheme could not afford this provision under the present economic recession, and the State was not in position to contribute as well. The intention of the Government was to abolish sickness benefit, 40 per cent of daily pay, considered "worthless" and actually inadequate to cover the needs of the insured.

In this respect, the Bill of 1933 did not include a sickness benefit provision. As a counterbalance, an "increased" accident benefit equal to 60 per cent of daily pay was anticipated, for which the "dangers" were considered limited. Consequently, a reduction of 1 per cent of earnings for the sickness sector's contribution would be achieved to satisfy employers.

Fourthly, the economic system of "full capitalisation" for the reserves of the disability, old-age and death sectors was established by Law No 5733 according to Schoenbaum's view, who characterized this system perfect. The Populists on the other side, considered it dangerous and economically heavy. The system of full capitalisation reinforces a high accumulation of reserves and is dangerous under a situation of monetary instability. Moreover, the total required insurance premium for this system was said to be 11.6 per cent of pay - 11.3 per cent was estimated in the 1932 Bill - a percentage rather high under the existing circumstances. The Government decided "to sacrifice some theoretical principles" and favoured a "Pay-As-You-Go system" with yearly adjustments of the level of contribution to the anticipated expenses. The pure application of this system, however, would provoke contribution increases every year, causing uncertainty in economic transactions. So, the application of a "mixed system" was finally decided upon, anticipating an increase of 1/3 of the premium every five years until 1964,

after which it would remain stable. The total premium during the first five years would be 6.98 per cent on average for every wage class; roughly half of it would go to the pensions' sector and half to the health one. "The unsuccessful application of full capitalisation system forced Germany and Austria to establish the "Pay-As-You-Go way of finance" said the Minister and he added "Schoenbaum obviously relied on false information, leading finally to mistaken calculations" (6), claiming that the social acceptability of this mixed form of finance would be higher, meaning employers of course.

Finally, Law No 5733 was criticized for not including specific and detailed regulations concerning the administration of the new scheme, the so called, Social Insurance Organization (IKA). The State's supervision was vigorous and IKA's system was "overcentralized". A Government Trustee would be the State's representative in IKA's administrative council, the "governing body" to supervise the exact and full implementation of the law but without voting power. The governing body would consist of 11 members, 2 experts and 4 employees' and 4 employers' representatives and the general director, an expert as well.

The Government decided now to decentralize administration to local offices where effective employers' and employees' supervision would be established. The State's supervision would be restricted to the control "of the observation of the law". The new draft anticipated a maximum percentage for administrative expenses and a detailed budget for administration and general expenses, as well as for the expenses for complimentary health care facilities. "Social legislation consists of a general framework gradually completed with the participation of the interested classes" (7) said the Minister to justify these fragmented changes.

The new draft was brief leaving substantial gaps for insurance regulations which would be covered by forthcoming detailed adjustments defined by special decrees and circulars. In this way, the adaption of social legislation to changing social needs and conditions was said to be more successful.



### **The basic "innovations" of the new Bill**

The Bill was partly based on Schoenbaum's Report using "solid principles, granting the unrestricted development and implementation of the institution... ..so, any moral or material disorder of the institution that could harm social stability will be prevented" (8).

The draft maintained a significant innovation of the Law No 5733, amalgamating the accident sector with the sickness and the pension sector. It covered work accidents almost in any case, adjusting the provisions to the consequences of the accident, either sickness or invalidity. The partial disability benefit was abolished and this gap was covered by an extension for up to two years of the sickness allowance, which was finally retained. This was based on the assumption that, in many cases of partial disability, the occupational skills left could be adjusted to other professions, especially after the expansion of the "mechanization of labour". The saving would be used to treat accidents out of work "more favourably". The Minister underlined, that the only reason why accidents out of work were not fully assimilated to accidents in work, was the Government's fear of abuse.

Another "innovation" of the new Bill was considered to be the coverage of blue and white collar workers under the same scheme, though this was common practice of both preceding state social insurance laws. Such "insurance unity" was not to be found in the existing occupational funds organized according to the special needs of specific socio-professional groups. The Minister emphasized though, the necessity of preventing the creation of "a common insurance consciousness which can create a dangerously powerful organization" (9).

Finally and not unexpectedly, the new Bill did not provide unemployment insurance coverage. The main explanation was the critical economic situation and the lessons of the British and German experience. Before the establishment of such coverage "all the curative means against this social disease must be

exhausted" (10). Therefore, the Government promised to organize an employment policy "based on healthy measures and not on unemployment benefits". It was emphasized the unemployment risk was based on non-predictable factors, such as the economic conditions and the demographic problems of the country. Unemployment, a burning domestic social problem after 1922, had been passed over by the new general scheme since at this early stage unemployment benefits might be proven a factor of instability.

### **The existing funds: The piecemeal feature of Greek social insurance**

As we know, the evolution of social security in Greece had started more than sixty years before the State's attempt to introduce a general social insurance scheme. Many insurance agencies - called funds - already existed, covering specific occupational groups. At the time of the State's intervention it was widely accepted that the existing funds, "the mosaic" (11) as Zarras called them, were run on an irrational basis without planning, coordination, economic or insurance study. These funds were adapted to the special needs corresponding to the occupational interests of their members and provided mainly pensions. The Government was facing the dilemma of confrontation with these lobbies, frightened by its crucial socio-economic and political impact.

As we have already seen, the Liberals' law of 1932 required the existing funds' restoration and the assimilation of their insurance conditions and provisions including the passing of the so called "equivalence test". This provoked strong reactions from the organized occupational pressure groups and respective conservative interests. The general political atmosphere - as it is described in the earlier stages of this thesis - was not conducive to produce the necessary consensus, for widely accepted structural solutions, such as the resettlement of the social insurance network.

The conservative Populist government under P. Tsaldaris, deliberately retained the existing situation and avoided reasonable and scientific

argumentation. "All the existing funds will keep on functioning" (12); this was the message. As recognized, "recent inflation created deficits in these funds,... (their financial situation) would prevent them from granting benefits equal to those of IKA as the Liberals' Law required" (13). Theoretically, these funds had to transfer to the new scheme that part of their contributions which should have been paid to it if they did not exist. The general scheme on the other hand, would provide their members with the same level of provision which its own insured enjoyed. In other words, the existing funds were reinsured by the new scheme. The practical outcome of this settlement was questioned to a great extent.

The Government considered that this solution contained important advantages. It secured a minimum level of benefits and contributions without affecting possible wider coverage. No political, administrative or organizational difficulties would emerge from this settlement, and it was thought that more than 100.000 of the highly paid insured employed, considered to be "good risks", would participate in the general scheme. The Minister believed that "the insured in the existing funds will follow the fate of those insured in the scheme". On the other hand, "all the existing regulations of the existing funds remain valid. The only possible problem will be the differences in the provisions, such as the definition of disability, the age limit for pensions and the duration of contributions" (14).

The strongest reactions against any idea of amalgamation with the general scheme were expressed by the administrators of the existing funds who wished to keep their highly-paid positions. They launched biased campaigns among their members to convince them that their interests were at stake. As the Supreme Economic Council reported, the executives of these funds confronted by any means the attempted reform of the 1932 legislation (15).

However, the new Bill provided for an important development by forbidding the foundation of further occupational funds in the future. Only supplementary agencies, which would provide additional benefits to the insured employees, were allowed to be established. The abolition of funds which "after the

transfer of their contributions to the scheme could not justify their existence by their accumulated capital" was vaguely anticipated by the Bill (16). The voluntary amalgamation of any fund to the scheme would be feasible, if this was required by 3/4 of those insured by the fund. In the case of liquidation of a company having its own fund, as Law No 2868 of 1922 provided, this would be compulsory amalgamated to the Organization. Furthermore, the amalgamation of the Miners' Fund with the Organization was announced, because the coverage it provided to people working under especially dangerous conditions, was considered inadequate.

The Government expressed the expectation that all the existing funds would be adjusted to the progressive principles of the general scheme. In the opposite case, the State could intervene by virtue of the older Law No 5376 of 1932. The essence of the established policy was not to harm the existing occupational insurance interests of the respective pressure groups, in order to retain their political support. Even the Minister Pasmazoglou himself accepted in an article which appeared during the discussions in Parliament, that the complete independence of the existing funds would provoke their financial deadlock. He considered that, if the members of Parliament should accept the pressures exercised by the groups involved, they would undertake their responsibilities and vote for this adjustment (17). However, he did not forget to underline that the amalgamation of these schemes "... would damage private initiative which always keeps a leading role in Greece" (18). Moreover, as P. Kanellopoulos, a Populists MP, described in Parliament, the interested lobbies exerted extended pressure towards the Populists MPs in order "to stop any significant changes in the occupational funds" (19).

### **The economic organization of the scheme**

The Bill was based on the principle that social insurance constitutes compulsory saving for individual and social care, aiming to supplement the

employees' income in case of unexpected and urgent risks. It was considered that compulsory contributions would create "insurance consciousness" and greater concern for the problems of the schemes. As already mentioned, the contribution calculation, based on the "mixed distributed system", was defined as 6.98 per cent of remuneration. The contribution rate for the sickness sector would be stable while the pension contributions would be increased over the years. The sharing of contribution corresponded to 60 per cent for employers and 40 per cent for employees. The higher employers' percentage was justified by the coverage of work accidents and occupational sickness. Contributions were almost equally shared between the sickness and pension sector. The percentage of the pensions' sector was to be increasing until 1951, after which they would remain stable (20).

The Law finally provided eight insurance-wage classes shown in Table 2. Contributions were to be calculated on the average notional wage of each respective class for the sickness and for the pensions' sectors independently, according to Tables 3 and 4 respectively. The Bill initially proposed however, a scale of five classes. This provoked the G.C.G.L. reactions, considering this change's aim was to decrease employers' contributions, since the majority of insured employees, 57 per cent of them, would be classified in classes I and II. The data collected after the first years of IKA showed that two-thirds of its members belonged in Classes II and III, having wages between 30 and 90 drachmas. It is to be emphasized that wage classes determined as well the pension supplements for each day of contribution on top of the basic pension.

The Bill introduced the principle of "ipso jure" which meant that the insurance coverage was to be provided to the insured employee, irrespective of the employers' payment of contributions. The insurance stamp system was suggested as the appropriate collecting system for contributions, as having successfully being implemented in other countries. However, the final decision was left for a future special decree.

General directions for the sensitive issue of IKA's economic policy and for the investment of the accumulated funds were introduced. Forthcoming circulars would give the details. Investments should be directed towards the development of national purposes and for the establishment of IKA's health services premises, if needed. Securing a high concentration of capital was not expected, as a result of the "mixed distributional system". The expected circulars would determine a detailed programme of economic policy, needing the confirmation of the "Highest Economic Board", which defined the general economic policy of the country.

### **Health insurance**

Insured employees, pensioners and their family members were entitled to sickness provisions on the condition of 50 days of work; in the case of work accidents and occupational diseases, the insured were covered from the first day. In the case of stoppage of employment, the eligibility lasted as long as the insured had at least 50 days of work in the last twelve months; in other words the duration of eligibility was 315 days, a period considered comparatively long.

Health benefits were mainly in kind providing medical, pharmaceutical, hospital, home, sanatorial care, "according to contemporary scientific and technical means" and would be provided in "centres" organized according to a forthcoming circular (21). A cash benefit was initially introduced only in case of work accidents or occupational disease after the third day. As we have already seen, the Government did not intend to introduce a general sickness cash benefit provision because "... this provision has, from the economic point of view, utterly destroyed the institution in the countries where it was established", and because there was a fear of abuse (22). However, during the Parliamentary discussions this particular point changed and the final legislation introduced a wider sickness coverage in cash. In the case of sickness, a benefit equal to 40 per cent of wage

was to be provided after the 5th day, for a maximum of a 180 day period. This regulation would become valid two years after the passing of the law.

The scheme would provide an accident cash benefit in the case of a work accident or occupational disease, not caused by "inexcusable negligence", as this was defined by a special decree in 1920. The benefit would be provided for a two year maximum period; if disability still existed, the insured would become a pensioner. The accident cash benefit would be equal to the sickness benefit increased by 50 per cent.

Maternity provisions were anticipated by the new scheme including the wives of the insured, including either institutional confinement care, or a confinement allowance. A maternity allowance equal to 1/3 of average daily pay, would be provided to insured women, six weeks before and six weeks after confinement. A baby's feeding allowance would also be provided for sixty days after the stoppage of confinement allowance and equal to it.

Small charges by the insured for medical and pharmaceutical expenses would be included in a forthcoming circular, not exceeding one fifth of the respective expenses but not including accident care coverage. The provision of "limited" out-patients medical and pharmaceutical coverage for the family of the insured was introduced. The circle of the family's members entitled to provisions was widely defined, "based on the Greek notion of the family"(23). Funeral expenses were covered as well.

In the "disputable question" of doctors' status in the scheme their organizations strongly supported, as already stated, a system of patients' free choice of doctor on a "payment per visit" basis. This controversial point was bitterly realized to be of significant importance for the provision of effective health care coverage. The Bill finally anticipated free choice of doctors, midwives and pharmacists. The organization of doctors system would be authorized by the Greek Medical Association financed by the corresponding contributions for the sickness sector and the patients' charges receipts. A condition defined was that at

last half the doctors of each health "centre" would provide services to IKA's members. Doctors would have to report to IKA for the patient's condition, for statistical and preventive health reasons, and would be under disciplinary control. The doctors' system of payment was not included in the Bill and was left for a forthcoming circular; however, the Introductory Report anticipated that the system of payment could be different in the various regions of the country (24).

### **Pensions**

The Bill introduced disability, old-age and death pension insurance. Incapability, based on the definition of relative disability, was defined as the permanent loss of 2/3 of normal working capability, determined as the incapability of a person to earn more than one-third of the usual earnings of a healthy person with respective qualifications, in the same occupation and district. The annual disability pension would consist of two parts: a basic one equal to 3,000 drachmas and a secondary one related to the level of contributions paid (25). In this case of total disability requiring permanent attention, pension would be increased by 50 per cent.

Old-age pensions were provided for women after age 60 and for men after age 65 and were equal to disability pensions. It was anticipated that pensioners could have part-time jobs, earning not more than 1/2 of normal relevant remuneration. In this way, the low level of pensions was indirectly recognized but considered "inevitable for the early period of the organization" (26). Death pensions were provided for the members of the insured's family corresponding to 40 per cent of the insured's disability pension for the widow, and 20 per cent for each of the other members. The total death pension could not exceed the normal pension received by the insured before death. The insured were eligible for pensions' provisions after 750 days of work, 300 of which had to be in the last 4 years. Additionally, special institutional care for pensioners would be provided (sanatoriums, asylums, etc.).



At the end, the Bill contained general regulations concerning: the establishment of preventive measures (either technical or medical aiming mainly for the prevention of "social sicknesses" such as TB and cancer); the voluntary participation in the general scheme; the forthcoming establishment of insurance funds for people engaged in commerce, and for professionals and handicraftsmen; the establishment of a Social Insurance Council consisted of specialists academics, doctors, lawyers, administrators and of employers' and employees' representatives.

The instigators of the Bill were C. Agallopoulos for the general legal-technical frame, El. Zarokostas for the mathematical insurance calculations and M. Metalinos for the health care programme. The Bill passed in Parliament in the absence of the Liberal party, the main party of the opposition, copying the Governments' behaviour when it was in the opposition benches. Discussions lasted very long, almost a year. The Bill became Law No 6298 ratified on 10 October 1934. As the Minister emphasized: "the law represents a real stage in the social life of the country". Immediately IKA's Board of Directors was appointed under the Presidency of Professor P. Kanellopoulos and later of Professor S. Koronis, and established the organizational and administrative basis of IKA.

### **The political and labour unrest, 1934-1937**

After the legislative establishment of the compulsory social insurance scheme, the Government was expected to proceed to the necessary steps for implementation. On 31 October 1934, a few weeks after the passing of Law No 6298, the Minister of National Economy said in Parliament: "...the Greek Law is adapted to the conditions of the Greek Economy without being inferior to the social legislation of other countries... The Government believes that by the amendments of the Law No 5733, the foundation of the most significant social reform of this country is achieved on an unshakeable basis". As said, in December

1934, IKA's first "governing body" (Board of Directors) (27), was set up aiming to deal with the mass of administrative and organizational problems.

But political instability was to intervene once again in social policy developments. The Populist government, always willing to reinforce the monarchy's restoration, provoked on 1 March 1935 an anti-government coup by the republican part of the army under General Plastiras. The failure of this movement was the start of the most extensive eliminations and reign of terror met so far in the fragile Greek armed forces. Venizelos who was the instigator of the coup, was exiled to France and many of his supporters in the civil service or even in the universities were also purged. In the middle of this storm, the General Director of IKA reported in May 1935 to the I.L.O. that the preparatory work was developing well and that it was expected to be completed within the following five months.

In the elections of June 1935 the Liberals abstained and the Populists won 287 out of the 300 parliamentary seats while the Royalist Union under Metaxas took 7 seats, obtaining a key-role in the forthcoming period. Some days later, the former Minister Pesmazoglou "confessed" at the Conference of the Chamber of Industry and Commerce: "All political parties want social security in Greece. When I became Minister I found a social insurance law (5733) which I suspended for six months, in order to have the opportunity to prepare a better bill and I achieved:

- a. The reduction in the burdening on the national economy. Instead of a stable 11 per cent, contributions will start from 6.90 per cent and will gradually become 12 per cent after 20 years.
- b. The old legislation provided sickness allowances from the second day of sickness, while I constrained the possibilities for abuse by providing it after the 5th day.
- c. Although the old legislation amalgamated the existing funds, I did not; I simply asked them to contribute to the common money-box of the new scheme.

In conclusion, by the new bill I succeeded in substantially relieving the employers".

A plebiscite on the issue of the restoration of monarchy was held on 3 November 1935, which resulted in an overwhelming majority for the King's return (28). These, explicitly distorted results, showed however that the Greek people were deeply disappointed by the long-existing political upheaval and some of them were expecting a degree of improvement from King George's second return.

The elections held on 26 January 1936, the first under a system of proportional representation, led to a perplexing outcome: the Populists and their royalist allies attained 143 seats, the Liberals and their allies 141 seats and the Popular Front, a communist-oriented grouping, 15 seats, thus determining the majority. The following negotiations, secret or not, provoked strong envy from the traditional socio-political framework and the army was the first to warn that a bargain with the communists would not be accepted.

In mid April 1936, the King appointed General John Metaxas, the Minister of War, as Prime-Minister. The political disorder in the metropolis coincided with extended labour unrest in the rural areas. A huge demonstration was held in Thessaloniki, the second large city of the country, on 9 and 10 May, when the tobacco workers went on strike. The Greek tobacco industry had been particularly hit by the world-wide economic crisis. The police and the troops were used to maintain order: They broke ranks and 12 strikers were killed. This provoked a spontaneous unification of the trade-unions and G.C.G.L., which temporarily attained the power of representing the whole labour movement and threatened a general strike. The King came to accept Metaxa's proposal for "a strong government" and agreed to his insistence on proroguing parliamentary procedures for five months until 30 September, with the agreement of the leading politicians who miscalculated Metaxas' intentions.

On 15 July, a pan-hellenic congress of trade unions held in Piraeus addressed the following demands to the "government": immediate full operation

of IKA including unemployment insurance, the establishment of a minimum wage policy and wage rises, unobstructed trade-unionism and the abolition of a committee appointed "for the solution of urgent labour problems".

On 22 July, the leader of the Populists Theotokis and of the Liberals Sophoulis came to a compromise and proposed to the King a coalition government. Six days after, the united G.C.G.L., announced a general strike for 5 August, to protest against a proposed compulsory arbitration system for labour disputes. Metaxas managed to convince the King that this "... is a direct communist challenge to the King's authority" and on the eve of the general strike declared a dictatorship, suspending the key articles of the constitution.

The establishment of the dictatorship was confronted by comparatively mild reactions, due to the prevailing public feeling that the politicians had failed to lead the country effectively, since they were committed purely to their political interests and were absorbed mainly by their political disputes. Metaxas, the most clever dictator Greece ever had, put an ex-communist as Minister of Labour and attempted to build a social image by several progressive adjustments such as freezing peasant debts or protecting the rights of workers. In this respect, he announced that IKA would begin operating before the end of the year.

Finally, IKA commenced its activities on the 1 December 1937, the momentous date in the history of social security in Greece. The first established regional offices were in Athens, Piraeus and Thessaloniki. This was at last, the fruitful outcome of three decades of efforts from those concerned with social insurance. This was definitely not, however, the outcome of "a kind heart (Metaxas) inspired by God", since the timing when the social insurance general scheme was put into effect, made many believe that this was one of the dictator's "achievements" (29).

### **An exploration of the flourishing insurance privileges and discrepancies**

For obvious reasons insurance privileges of certain groups have been always accompanied by secrecy and lack of information, since publicity is a real enemy to their perpetuation. In this respect and, considering that the occupational funds established in the 1920s and 1930s were not organised, and belonged in the jurisdiction of several Ministries respective to the nature of occupation, research in this issue for this period is an arduous task.

Pluralist theories provide a credible justification for the distribution of power within a national social insurance network. Besides, social insurance is composed of a large number of different groups, fighting for resources and most decisions come from bargaining between governments and these groups. It is the socio-political power of each group and the political objectives - almost always the same - of each government which determine the outcome of negotiations. As in other countries, Greece has developed a social insurance system in which priorities have been defined not by need, but by socio-political impact. The establishment of the huge number of schemes already described so far, demonstrates that almost in any case, the prevailing socio-professional lobbies of each era - again, almost always the same - fulfilled their social insurance, even absurd, objectives. The overwhelming dispersion of the field reinforced such objectives contributing to the establishment of small, medium and great privileges.

In 1929, J. Zarras successfully depicted the exercised pressures: "Every single group of working people, from the most squalid proletarians to tradesmen, stockbrokers or even artisans, has put the establishment of its independent insurance fund as its major occupational objective. Under this widespread pressure the State concedes, allowing the messy establishment of pension funds" (30). Following this concept, numerous occupational funds were created after the mid-1920s and in the 1930s.

Most of the insured people in the late 1920s were provided with pensions for old-age, disability and death. However, the tobacco workers' fund, the flour-

mill workers' fund and the bakery workers' fund provided on top sickness coverage and unemployment insurance. Notably, all these funds were heavily subsidized by the State: 60 per cent of the flour mill workers' fund revenues, almost 70 per cent of the bakery workers' fund revenues and a varying annually percentage of more than 30 per cent of the tobacco workers' fund revenues came from "social resources".

In 1931, there were 33 occupational funds with 99.371 insured members; the total number of insurance schemes including public servants, pension funds and supplementary funds was 50 (31) covering in total more than 160.000 people, a poor 6.6 per cent of a total working population of 2.415.078 people according to the 1928 census. Between 1926 and 1931, the existing schemes increased by 70 per cent indicating the anxiety of the working people, due to the extended wars and the perpetuated financial monetary and political instability.

In the period between 1931 and 1937 the number of occupational schemes increased by 200 per cent (32), and in addition many subsidiary schemes were introduced providing mainly lump sums on retirement. The undecisiveness of the general social insurance legislation of 1934, and the endless bargaining between influential occupational lobbies and weak governments, provoked a real explosion in the number of insurance schemes sharing common structural weaknesses: lack of organization, weak financial basis requiring external support, lack of actuarial estimates, extreme discrepancies in contributory conditions and in the range and level of benefits.

During a period when the State, through both Liberals' and Populists' governments, persistently refused to participate in the financing of the general social insurance scheme, the "policies" pursued for occupational schemes were completely contrasting.

The following table is very enlightening (33):

### PERCENTAGE OF TOTAL REVENUE (1932-3)

INSURANCE FUNDS FOR :	SOCIAL RESOURCES	EMPLOYER CONTRIBUTIONS	EMPLOYEE CONTRIBUTIONS	INV/ENTS. OTHER RECEIPTS
Actors , musicians, authors and theatrical technicians	88	-	2	10
Bakery Workers	68	15	15	2
MPs and Senators	67	-	29	4
Flour mill workers	62	18	18	2
Priests	55	30	-	15
Hellenic Electric Co.	46	21	21	12
Retired Railwaymen (subsidiary)	99	-	-	1
Average for other 77 funds	14.5	13.9	33.4	38.2

Social resources were state subsidies collected from indirect taxation, called "social taxes", charged on luxury goods, imported goods, transport tickets, entrance tickets, alcohol, tobacco, gas, petrol, freight charges, newspapers and generally on services and consumer goods. In this respect, the mass of consumers - most of them lacking any insurance coverage - were paying for provisions for small but influential groups, such as MPs themselves, which constituted the "privileged employees". Notably, the category "various receipts" included revenues coming from fines, entrance fees, donations, fees on marriage, etc.

The situation in occupational schemes for influential self-employed groups was even more fascinating. The available information is very limited, fragmentary and contradictory; here are some examples of 1937: the public contractors' fund absorbed from social resources almost 73 per cent of its total revenues, the doctors' fund 54.1 per cent; the lawyers' fund 36.2 per cent (34). In the financial year 1937-8, the State provided the following subsidies per insured person in drachmas: stock-brokers' fund 24.813; actors', musicians', authors' and theatrical technicians' fund 16.280; flour-mill workers' fund 5.500; public work contractors fund 4.690; bakery workers' fund 2.700 (35). Between 1927 and 1937 the revenues from state subsidies increased in a sample of funds by 42 times while the relevant employers-employee contributions were only tripled (36). Between

1933 and 1938 the same sample of funds increased its revenues in general from 153 to 690 per cent (37), reflecting, of course, the overwhelming inflation rates of that period. Employers and employees contributions in most occupational funds were at an equal rate, fluctuating from 2 to 7 per cent of wages. Obviously, the lower employers' and employees' contribution rates, the higher respective state subsidies were required.

In terms of other contributory conditions, the situation varied considerably. Most occupational funds had not a defined specific minimum retirement age, granting pensions' eligibility after 25 to 30 working years. Where determined, the retirement age was at 50 or 55. It was reported that insurance funds usually granted "special favourable conditions for their first members and founders" (38), provoking a relatively high percentage of pensioners and financial imbalances. In addition, all these funds had high administrative expenses ranging from 10 to 36 per cent of their total expenditure, as reported by the Supreme Economic Council in 1937.

In terms of benefits, most pension schemes had no ceiling, providing in many cases very high, earnings-related old-age pensions. The occupational schemes of the self-employed provided varying pensions, related to a respectively varying contribution rate. The uncontrolled expansion of supplementary funds, mainly due to monetary instability which undervalued the main pensions, exacerbated insurance inequalities and favoured selective state measures. Moreover, several groups of employees or self-employed "participated in more than one scheme for the same risks,...(due to) omissions or obscurities in the constitutions of these organizations" (39). This brought many people into the position of receiving pensions from two, three or even more funds. The funds of bank employees, traditionally a perfect example of insurance generosities, provided usually very high pensions ranging from 1000 to 40.000 drachmas monthly (40). In comparison with average IKA's pensions these pensions were approximately five to ten times higher.



According to many writers of that era (41), high pensioners composed a considerable part of the total number of pensioners of the occupational schemes. The comparison between pensions and working earnings varied, but clearly many pensioners received much more money after, than before retirement. As noted earlier, information on the insides of most occupational schemes was either minimal or contradictory. This was a secret that everybody knew but "... (it is well known) both inside and outside Parliament (that) some pensioners received monthly tens of thousands.... (this information) are strictly covered by mystery" (42).

In terms of health insurance, comparisons in provisions are not feasible before the establishment of IKA, since the situation until then was primitive and health insurance coverage itself composed a privilege. In 1931, only tobacco, flour mill and bakery workers were provided this coverage according to the official statistics (43), composing an extreme minority of 1.7 per cent of the total working population. It might be that from 1922 onwards, employees of the Bank of National Economy were provided with health coverage (44) presumably by private doctors, since this was later the traditional way of bank employees funds' health care coverage. Larger differences in health insurance provisions were in fact generated after World War II, simultaneously with the development of private medicine and of modern big hospitals.

### **Public servants: ratifying privileges**

In the case of the public servants' pension scheme, interesting developments arose in the mid 1930s, as the result of the general expansion of welfare benefits. In June 1935, a compulsory law concerning adjustments for the pensions of public servants and officers in the armed forces was passed by the Tsaldaris government. This law increased pensions, which were now related to earnings of the last month of service, at a rate ranging from 85 to 60 per cent (45). In return, a contribution, but of just 4 per cent on salary, was enforced (46).

Some months later, in October, a royal decree passed by the Kondylis government, redefined their pension regulations framework, including all the dispersed adjustments introduced since the decree of April 1923, referring even to one single person's pension. It is this law which established a qualifying period of only 15 years for pensions for married women (47). The regulations granting pension after 10 years of service at the age of 60, and in most cases after 20 years of service were retained. The law introduced a ceiling of 8.500 drachmas for monthly pensions, while salaries in service were ranging from 4000 to 14000 drachmas per month, and maintained contribution rate at 4 per cent (48). Pensions were calculated with the system of fifties according to which full pension was granted after 35 years of service and half of it after 25 years, and were considerably increased by several supplements respective to employment status and family conditions. Invalidity pensions were provided, but in the case of invalidity which did not occur during service, a ten years working period was required; doctors retained eligibility for invalidity pensions according to the 1923 decree. Death pensions were provided at a very extended range including not only widows, orphans and destitute parents but also destitute unmarried sisters and divorced daughters. Female orphans received pensions as long as they were unmarried and male orphans received them if either under 18 years of age and unmarried, or over 18 years but disabled and unmarried.

The legislation of 1935 concerning public servants composes a remarkable piece of social insurance regulations. It not only reconfirmed existing generousities, but it introduced several new ones such as the "distinguished" one of providing married women with an early pension after 15 years of service, at a time when women already composed roughly 30 per cent of working people. Pensions were transferable almost in any case to survivors but disability was poorly covered. Moreover, health insurance was once more totally neglected. Concerning the dissimilarities with IKA's regulations established exactly one year before and already discussed, the conclusion is reached that social insurance principles had

been in this case greatly violated, or that the Greek State considered several types of the same thing, at the same period.

### **Criticisms and Reflections**

Law No 6298 of 1934 was practically the landmark of universal social insurance protection evolution in Greece by establishing a substantially wider coverage for blue and white collar employees. A comparatively reasonable part of the expenses of the scheme was placed on working people's shoulders, who covered 40 per cent of IKA's revenues, but the State did not participate. But the scheme excluded many important categories of working people, particularly farmers - it should not to be forgotten that Greece remained an agricultural country - and employees in rural areas where no insurance centres were established; a small part of public servants, most of whom were already insured by their special scheme; employees with non-permanent jobs,... Furthermore, it did not provide unemployment coverage. The law considerably decreased the contribution rate introduced by the social insurance legislation of 1932.

It should be emphasized that this was the first time ever that social insurance issues were paid such attention. As the Populists' MP. K.Kanellopoulos, described "...workers in the bakeries, railways and tramways went on strike,... all the existing occupational schemes were struggling to prevent amalgamation with IKA,... the representatives of more than 150.000 insured employees expressed their determination to preserve the independence of their funds at any cost (49).

Furthermore, as Gilbert has depicted " The story of the growth of national health insurance is to a great extent the story of lobby influence and pressure groups" (50). The nature of the respective development in Greece demonstrates the same conviction. As noted, the social insurance legislation of 1934 was not introduced without a struggle. The considerable decrease in the rate of contribution, 6.98 per cent of earnings compared with 11.6 per cent of the 1932 Bill, appeased employers' reactions who realized that the time had come. But

particularly on the issue of health insurance, strenuous opposition was asserted by the medical profession.

Greek doctors declared an open war against health insurance from 1930, following the pace of their colleagues in other countries and especially Germany, in relevant disputes. Doctors were mainly concerned about the possible financial consequences and state control on their work. However, the Pan-Hellenic Medical Association addressed to the Special Parliamentary Committee of 1932 an appealing letter asking for a "system of free choice of doctor" and "payment for every single patient's visit", administrative power within the scheme and exclusion of highly paid employees from health insurance as achieved by GPs in Great Britain. As explained in the previous chapter, they achieved administrative representation in IKA's Board of Directors, and in this chapter, they passed into the Law a definite statement that the system of free choice of doctors would be followed. The exclusion of highly paid employees, which would grant doctors a valuable source of extra income, was disregarded. On these conditions, cooperation was achieved and doctors were persuaded to participate in the scheme, providing both in and out-patients' services.

IKA's health insurance legislation of 1934, the original in fact general framework of these services in Greece, failed to address the gravity of the problem of poor health care provided up to then, and to introduce a competent basis for its development. Most of the crucial issues have been theoretically approached, left for definement by forthcoming adjustments, "circulars" as the law called them. Such issues were everything concerning the "centres" since the law did not clarify if they were for primary or secondary health care; the way maternity care was to be established; the details for the charges put on the services; the means and way in-patients care would be provided; the method of IKA's control over the medical and pharmaceutical treatment provided; the process for doctors' reporting to IKA; the system of medicines' provision; the sanatorium care provisions and the patient's financial participation. The law actually excluded

dependants from hospital provisions except maternity care. Most importantly, according to the law the organization of health care would be authorized by the Medical Association, which would allocate all IKA's health receipts and was to define the details of the system of free choice of doctor and of doctors' payment. This adjustment was heavily criticized: "... no foreign legislation, not even the French has placed health insurance in doctors' hands without any control ... many Greeks, who enjoyed so far health treatment only when they managed to overcome doctors' ignorance or to assist their (doctors') political ambitions, will now become simple money bringing clients .. (the Bill's original concept) of workers' health insurance organized properly on financial and moral principles is overtaken by the concept of making social insurance more profitable to doctors" (51). Finally, the law satisfactorily clarified the cash benefits for accident, sickness, invalidity, maternity and funeral expenses.

In this respect, IKA would provide health insurance coverage in the urban areas according to the plan introduced in 1934 and in a form which would be defined afterwards, based on doctors' directions and the amount of employers' and employees' contributions. The Government faced the whole issue as a private matter regarding the groups involved and not as an overwhelmingly urgent priority, concerning the unacceptable low level of health care services in Greece. In 1934, for example, the country needed 28.500 hospital beds and the State provided only 13.000 (52), concentrated of course in the urban areas. The conditions of public health in the early 1930s have been described in the previous chapter.

In February 1940, the long discussed circular defining most of the guidelines for the health insurance services provided by IKA was at last issued (53). Primary care was to be provided in IKA's "own polyclinics" (54), the "centres" of the law, or by home visits. Hospital care would be provided either in IKA's hospitals and clinics or in contracted private clinics (55).

IKA's polyclinics would be established in local areas after a decision of IKA's administration and local branches' committees, approved by the Minister of Labour. Polyclinics would include all or part of the existing specialities and would be directed by a doctor, employed as IKA's inspector (56). IKA's doctors would be divided into three categories: hygienists, inspectors and therapists. The first and second category would be salaried doctors; therapists were divided into those of polyclinics (GPs, specialists and dentists paid all by monthly salary) and those for home visits, either GPs or paediatrics, paid on a fee-for-service basis (57). Therapists might be asked to provide hospital services as well.

In case a polyclinic lacked a sufficient number of doctors or certain specialities, IKA would contract with doctors, either of general practice or speciality, having their private surgery in the area. These doctors would be providing services in their surgery, in IKA's contracted clinics and in patients' homes, and would be paid either by monthly salary, or by fee-for-service. This kind of salaried doctors might be granted a "bandage allowance" (58). Finally, IKA determined specific general conditions for those doctors wishing to cooperate with the scheme (59). In the absence of GPs, general practice was provided either by pathologists or by doctors without speciality.

Up to the end of 1940, IKA's health services were expanded: 350.000 insured were looked after by 624 doctors and 268 nurses; health centres, the so called "polyclinics", were established in 13 cities; Almost 2 million medical examinations were provided in 1939, increased to 2.8 million in 1940 (60). However, the problem still was the lack of hospital beds: the number of beds needed in 1940 was 34.000 while only 15.500 existed (61). This might mean that IKA had somehow contributed in this field, since beds increased between 1934 to 1940 by 2.500, but reliable statistics are not available. The number of doctors in 1935 was around 6.200 (62), increased to 7.365 in 1940 (63), i.e. one doctor for 1.061 inhabitants in 1935 and for 997 inhabitants in 1940, a traditionally competent ratio.

In terms of pension regulations, the law of 1934 was clear and relatively competent, and provided detailed regulations based on actuarial estimates, international and domestic experience. The major problem here was the low level of benefits which was considered essential for the first steps of IKA, especially since the concept was not to provide high pensions but to include in the scheme older people "... having no responsibility that general social insurance has not been established earlier" (64). However, the law did not include absurd generosities aiming to "supplement" and not to maintain income (65). The scheme was in principle based on the Bismarckian principles of earnings-related benefits. The flat rate basic pension introduced at 3.000 drachmas was increased by earnings-related supplements on top, established a minimum pension according to the Beveridgean model aiming to preserve standards of living - to a small extent - and to reduce poverty. Thus the scheme followed a combination of Bismarck - Beveridge principles.

In brief, the Law No 6298 of 1934 established for its members a uniform social insurance scheme for the urban areas providing low pensions and vaguely introducing health insurance. This was achieved only after satisfying most of the demands of the influential interested groups - employers, members of the existing privileged insurance funds and doctors - who lobbied against the social insurance reform proposed in 1932. This original law and the gaps it left, as shaped by the compromises made, contains the elements which represent the foundation and the piecemeal development of Greek social security: low benefits, poor health services, discrepancies, inefficiencies, inconsistencies and inequalities.

### **In the aftermath of the social insurance legislation of the 1930s**

Law No 6298 - the most concise of all acts concerning social insurance so far - achieved the fundamental aim of establishing the institution in Greece. This was done in a very dark period, before, during and after the Second World War. On the other hand, the existing situation of insurance schemes was beyond any

control and the law failed to establish the basis for reorganization. The remaining social security gaps, the prevailing anarchy and the lack of political will, provoked the unplanned expansion of further occupational funds. This was only theoretically banned by Law No 6298, since the law itself provided for the establishment of new funds! These funds exacerbated the unorganized mode of the system, lacking in most of the cases any rational economic or actuarial study. Occupational schemes introduced their own supplementary funds aiming to provide additional benefits, mainly pensions. Moreover, following the law's regulations, the Professionals and Handicraftsmen insurance (TEVE) fund with 125.000 members and the Traders one (TAE) with 25.000 were established, on the condition of excluding health insurance coverage.

In 1937, the Law No 591 established by Metaxas, introduced a Financial, Statistical and Accounting Office in order to coordinate the measures needed to keep a balance between the income and the expenditure of the social insurance agencies. Metaxas' concern was the financial survival of these schemes but he was against amalgamation with IKA. His Minister of Labour clarified in December 1937 that "...nobody will be allowed to touch them (the occupational funds)" (66).

It is fascinating that between 1915 and 1940 the number of Funds increased from 9 to 150 and the number of insured employees from 5.000 to more than 800.000. Before 1934, there was a working population of more than 2.530.000 of whom only 209.000 were covered by the existing social security agencies, less than 10 per cent. In December 1939, IKA had 325.853 insured people, 75 per cent of whom were men and 80 per cent manual workers (67).

Pensioners increased rapidly and this fact combined with the low level of pensions and high inflation contributed to the rapid development of supplementary insurance agencies aiming to provide additional benefits, mainly lump sums on retirement. The number of main and subsidiary funds increased dramatically especially between 1934 and 1940, from 93 to 150 (68). It was believed that around one fourth of the total number of working people was



insured before the war, but only six of all the existing occupational schemes had more than 10.000 members.

As noted earlier, the main insurance gaps left by the general scheme were the exclusion of the agricultural working population and of the unemployed. Agricultural insurance had been deliberately neglected by the policies of both leading parties which argued in favour when they were in the opposition and claimed the difficulties to justify postponing decisions, when they were in office (69). However, all recognised the need to cover the agricultural population while Law No 6298 provided coverage to the few agricultural workers employed at the insurance centres. No reliable data exist for either the large number of agricultural workers uncovered in the rural areas, or given this limited coverage in the urban areas. The special bill promised therefore by the Government was never presented.

In the case of unemployment insurance, the background stated earlier in this thesis explains the reasons for exclusion. Still in 1940 only three schemes, the tobacco, flour mill and bakery workers funds, provided unemployment coverage to their 40.000 members.

According to the legislation the main part of IKA's reserves were invested in state securities (70). By the end of 1940, 60 per cent of net assets were used by the State through low interest loans and 30 per cent were in deposits kept by IKA. In other words, the dictator Metaxas established the precedent of using IKA's reserves to finance "national plans", introducing a practice which was followed by almost all the post-war governments against the interests of the general social insurance scheme and its paying members (71). IKA's members were subsidizing the other employees' funds through direct and indirect taxation, while their own fund began having financial deficits and lacked any kind of financial state support.

Just for the history it should be mentioned that between 1935 and 1941 the State attempted some minor, mainly unsuccessful interventions in the field

aiming: to increase control over the existing occupational schemes (72); to organize the Ministry of Labour (73); to establish uniformity among the existing schemes (74); to preserve pension rights in case of insurance transfers (75). Even in 1941, during the war, Decree No 671 attempted "to put things in order" and establish the Directorate of Social Welfare in the Ministry of Labour . In the introduction to this decree it was emphasized that after an investigation it was found that "... particularly social insurance funds are in astonishing anarchy ... due to the absence of an effective policy of coordination and efficient government control...". This decree ordered the amalgamation of five pension funds with IKA. These powerful funds were covering the employees of the Greek Electric Railways, the Electric Transport Company, and its subsidiary fund, the Athens-Piraeus Electric Company, the Electric Transport Company and the Railways of Athens. The members of these funds severely opposed this adjustment which was finally not implemented.

During the four years of German occupation (1941-1944) - which followed the Greek-Italian/German war (1940-1941) - IKA's activities decreased dramatically. The scheme was actually transformed into a universal social security and social assistance institution: the main effort was concentrated on health and hospital care. IKA spent all its funds and deposits about 450 million drachmas, because it tried simultaneously to provide cash benefits adjusted to the changing monetary conditions. From 7 January 1942 onwards IKA organized in Athens common meals for its members: tuberculosis patients, epileptics, the insureds' children, its own personnel.

Whatever IKA achieved during that period, was under German cruelty and the State's apathetic position. On top of that, IKA was forced to increase its manpower. In October 1943, in times of dramatic economic conditions, more than three thousand employees were appointed by the Government. IKA could barely afford both its administrative and benefits cost. This was the first but not the last time that IKA was called upon to defend the State's social policy, without any

financial aid. In conclusion, IKA's course during the war period could be described as "horizontal with weak curving trends" (76). Unfortunately, the cruel civil war which prevailed in Greece (1946-1949) exacerbated the existing socio-economic chaos and additionally provoked a huge ethical crisis which heavily influenced IKA's evolution. The continuous political instability still violated Greece's socio-economic life.

## Conclusion

The original legislation of 1934 introducing IKA was to a considerable extent a balanced framework for the establishment of uniform social insurance. But, as is the tradition in Greece, this legislation was widely violated and abused from all sides; while IKA was established in order to function as a social insurance organization, it was gradually asked to operate as a social policy instrument. As depicted, "IKA functioned with a social insurance income, but with a social policy expenditure" (77). Many insured, who regularly ought to contribute for longer periods in order to obtain eligibility for insurance provisions, were entitled by state interventions to IKA's benefits and especially premature pensions earlier than normal (78).

During all this period, the unplanned establishment of several main and supplementary social insurance funds, according to occupational classes flourished. This was not only the outcome of the prevailing upheaval - even during the war painful measures were dropped - but the consequence of loose legislation concerning the occupational schemes. As was bitterly recalled in 1947, "the members of the existing schemes were struggling (in the period 1932- 4) in favour of the interests of the privileged categories of employees ... even voicing that they did not care whether social insurance benefits would be provided for other employees or not (79). The dissimilarities of the Greek social security system were continuously growing in terms of the level and kind of provisions, the range of coverage, the carve up of the funds, the discriminations in the State's finance and

the exclusion of major groups of the working population, almost all those employed in the rural areas. This is not to forget that the supervision of social insurance schemes was always split among various ministries, making coordination an impossible task. In the late 1940s, the reorganization of the whole social security system, the "harmonization" as traditionally called in most legislation, was -once again - recognized as an urgent and necessary task for everybody concerned - politicians, trade unions, scientists, employers and employees most of all, on the condition that all of these groups would manage to overcome their prevailing individualism.

## ENDNOTES

- (1) Law No 5777 of 1933 postponed Law No 5733 of 1932 and set the basis for a new general social insurance legislation.
- (2) Newspaper, Acropolis, 14 November, 1902.
- (3) Introductory Report submitted to Parliament in 31 October, 1933, p. 25.
- (4) NAT, for example had already covered seamen against all these risks since 1861. Pension scheme funds for employees in Railways were founded afterwards, etc. (See details in first and second chapter).
- (5) Introductory Report, Law No 6298 of 1934, p. 2.
- (6) op.cit., p. 4.
- (7) op.cit.
- (8) op.cit.
- (9) op.cit., p. 11.
- (10) op.cit., p. 2
- (11) Zarras, J., in a meeting with the writer on 10 May, 1987.
- (12) Pesmazoglou, G, Minister of National Economy, Parliamentary Records, 10 October, 1933.
- (13) op.cit.
- (14) Parliamentary Records, op.cit.
- (15) Report of December 1932, p. 6.
- (16) Introductory Report, op.cit. p. 3.
- (17) Newspaper, Proia, 24 July, 1934.
- (18) op.cit.
- (19) Parliamentary Records, 12 July, 1934.
- (20) According to article 21 of Law No 6298 the contribution rate for the pensions sector would be accepted as the following:  
 from 1 of January 1940 onwards 4.8 per cent of wages  
 from 1 of January 1945 onwards 6.6 per cent of wages  
 from 1 of January 1948 onwards 7.6 per cent of wages

from 1 of January 1951 onwards 8 per cent of wages

The initially determined level of contributions were defined in drachmas in the law, according to Tables 3 and 4.

- (21) Law No 6298 of 1934, Article 26, par. 1.
- (22) Pesmazoglou, G., op.cit.
- (23) Introductory Report, op.cit., p. 15.
- (24) op.cit., p. 27.
- (25) Secondary part of disability pension would be increased by a fixed sum for each day of employment according to wage classes as following:

Wage Class	Increase in drachmas
I	0.15
II	0.50
III	0.90
IV	1.45
V	2.10
VI	2.85
VII	3.70
VIII	4.80

- (26) Introductory Report, op.cit., p. 25.
- (27) The expert members of the first IKA's governing body were: Professor Svolos, the economist, G. Charitakis and the doctor, G. Krimbas.
- (28) 1.491.992 votes in favour of restoration versus 32.454 against.
- (29) Private and Social Insurance Review, January, 1938.
- (30) Petharchia, journal, 21 November, 1929.
- (31) National Bank of Greece, Financial Yearbook of Greece, 1932, pp 127-135.
- (32) op.cit., 1937, pp 211-3.
- (33) Tzatzanis, M., Social Insurance in Greece and abroad, (in Greek), Athens, 1937, p. 405.

- (34) Chrisochou, A., The Greek Social Insurance, (in Greek), Athens, 1945, pp. 50-51.
- (35) Koussis, D., The crisis of social insurance, (in Greek), Athens, 1944, p. 31.
- (36) Tzatzanis, M., The elements of rational reorganization of social insurance, IKA-Special Funds, Chania, 1947, p. 106.
- (37) op.cit.
- (38) Sakellariou, N., Ergasia, journal, September, 1935, pp. 291-307.
- (39) Tsalikis, G., op.cit. p. 228.
- (40) Pensions paid by the National Bank and the Mortgage Bank Fund in 1944.
- (41) Tzatzanis, M., Zakkas, A., Koussis, D., Sakellariou, N.
- (42) Tzatzanis, M., op.cit., p. 100.
- (43) National Bank of Greece, op.cit., p. 365.
- (44) Zarras, J., op.cit., p. 86.
- (45) Compulsory Law of 6 June 1935, Article 1.
- (46) op.cit., Article 3.
- (47) Royal decree of 31 October 1935, Article 1, par. a.
- (48) op.cit., Articles 63, 10, 87.
- (49) Parliamentary Records, 11 July, 1934.
- (50) Gilbert, B.B., The evolution of National Insurance in Great Britain, Michael Joseph, 1966, p. 290.
- (51) Zakkas, A., Eleftheron Vima, newspaper, 4 September, 1934.
- (52) Charitakis, K., The organization of public medicine and its future directions, Athens, 1936, pp. 8-9.
- (53) Decision of Minister of Labour No 60556 of 22 February 1940 "concerning approval of regulation of IKA's health service".
- (54) op.cit., Article 11, par. 1.
- (55) op.cit., Article 13, par. 4.
- (56) op.cit., Article 11, par. 2-12.
- (57) op.cit., Article 13, par 1.

- (58) op.cit., par. 7-8.
- (59) op.cit., Article 14.
- (60) IKA's Review, Athens, 1941, p. 21.
- (61) Valaoras, V., The hygiene of the village, Athens, 1947, pp. 28-45.
- (62) Panhellenic Medical Association, 1935.
- (63) Ministry of Hygiene, information in Valaoras, op.cit.
- (64) Introductory Report, op.cit., p. 7.
- (65) op.cit., p. 16.
- (66) Dimitratos, A., Minister of Labour in a public speech, Kathimerini, newspaper, 28 December, 1937.
- (67) IKA's Review, March, 1940, p. 47.
- (68) 1934: 72 main and 21 subsidiary funds, 1940: 104 and 46 respective ones.  
(Official Statistics of the Ministry of National Economy, Athens, 1945).
- (69) Pesmazoglou, G., Articles of 1932 as an MP and decisions of 1934, as a Minister.
- (70) Regulation 13 of 28 February, 1939.
- (71) On the contrary, only around 25 per cent of occupational schemes net assets was invested in state securities.
- (72) Law No 694 of 1937.
- (73) Law of 11 November, 1935.
- (74) Law No 1495 of 1938.
- (75) Law No 694 of 1937.
- (76) Agallopoulos, C., (IKA's General Manager) during the war period.
- (77) Keramidas, T., IKA's Review, September 1958, p. 597.
- (78) This issue will be discussed at length in chapter V.
- (79) Tzatzanis, M., op.cit., p. 141.



# IV

## **SOCIAL ASSISTANCE IN GREECE AFTER THE SECOND WORLD WAR, 1944-1960**

### **Introduction**

This chapter describes the desperate efforts of the Greek State in the aftermath of the Second World War to provide essential protection in a paralyzed, split country, experiencing prolonged and widespread misery and upheaval. In the absence - or extreme undervaluation - of most of the social insurance normal benefits, enlarged social assistance services under poor financial and organizational conditions, played the leading role in the survival of the nation in the 1940s.

This is the way "the colossal social problem" was depicted by the Ministry of Social Welfare": It is time that the Social Policy of any State must always be in relation to its financial means, it is self-evident that a social problem of such magnitude, exceeds the limits of the Greek Economy. ... In the interval of one human generation Greece has suffered two tremendous disasters. The one in 1922 and the present one. But in 1922 Greece fought in foreign countries without internal destruction and with a powerful national economy and a flourishing agricultural production. ... Whilst today, after a hard and unequal fight, after many years of exhausting enemy occupation, the consequence of which was the destruction of 158.000 buildings and the greatest and most important public works, and after the terrible activities of the Communists, Greece is in an infinitely worse condition..... Yet, today Greece, under the most tragic conditions, with no resources of her own and with a growing deficit in her budget, is called upon to meet alone the tremendous social problem of the maintenance of 700.000 refugees. ... 1.753.000 Greeks i.e. 24 per cent of the whole population, excluding

the guerrilla-stricken refugees, are officially certified indigents and lacking the means to provide themselves with 1/4 of the minimum basic diet recognised as essential for the maintenance of health. 340.000 orphans are expecting assistance from the State. Furthermore the disabled and the victims of war absorb 400 billion drachmas or \$ 40.000.000 per year for their pensions" (1).

### **Theoretical Framework**

Social or public assistance is the oldest part of social security, or rather of social protection, including voluntary schemes. Early provisions of social assistance started hundreds of years ago, in charitable giving which was strengthened and supported by the most powerful religions of the world. Since the sixteenth century, countries such as England and Germany had passed poor laws financed by local taxes.

According to the International Labour Office the following three criteria define a social security system:

1. " The objectives of the system which must be:
  - a) to grant curative or preventive medical care.
  - b) to maintain income in case of involuntary loss of earnings or of an important part of earnings or
  - c) to grant supplementary income to persons having family responsibilities.
2. The system must be set up by legislation which attributes specified individual rights to, or which imposes specified obligations on a public, semi-public or autonomous body.
3. The system should be administered by a public, semi-public or autonomous body".

Social assistance is based on need and requires declarations of income, family size and other circumstances and is provided after a "means test" or "income's test" procedure. In many countries social workers, the scheme's "operators", decide whether people are eligible for help and for how much.

In advanced societies, a series of specific regulations determine the right for assistance and the discretionary character of the schemes is significantly decreased. However, in most countries social assistance plays a restricted role, mainly because of the cost characterized as a non-productive investment, as well as of the operational disadvantages it carries. Stigma is the most traditional social one, and this is the main reason why social assistance programmes tend to have many diverting names in order to become more acceptable to people in need.

Another defect of social assistance is that any form of source income is usually deducted from the benefit originally payable. Additionally the complexity of entitlement regulations, in combination with the usually low educational level of the people entitled, provokes a significant gap between the people eligible for social help and the people actually receiving it. Social assistance's eligibility rules vary significantly among countries and are usually determined locally rather than centrally.

Social assistance schemes are in general financed by the State, either by local or by general taxation. In most countries where social assistance is established as a right, it is mainly concentrated in the provision of free health care services for the low income groups. Additionally, social assistance programmes - including voluntary action - which are benefits in cash and in kind are usually directed to disadvantaged and high risk groups, such as the disabled, the aged or the unemployed, in other words to low income unprotected people.

### **The socio-political upheaval of the post-war period, 1945 - 1950**

Despite the German occupation (2), politics never stopped playing an overwhelming role in this strategic region of the European map with its own peculiarities. Great Britain remained closely involved in Greek affairs, aiming to maintain its influence in the area after the war by entrusting the country to the constitutional monarchy. During the early stages of the occupation, the workers' National Liberation Front (EAM) was organised, aiming to unite and motivate

the working people of the urban areas, having at the same time a strong military branch, the National Popular Liberation Army (ELAS) fighting the Germans on the hills and mountains. Simultaneously, some other non-communist resistance organizations were formed. The National Republican Greek League (EDES) was the most powerful of them. It is not within the scope of this thesis to elaborate the dignified years of Greek resistance during the German occupation.

However, the above mentioned social organization should be mentioned as one memorable but rare example of a social movement, partly a consequence of the weak and rather unconscious labour movement existing so far. Moreover, this kind of organization was one of the factors which led to the bitter civil war experienced after the Second World War.

In early October 1944, the German army was withdrawn from Greece leaving unforgettable harsh memories behind. A government of national unity was established on 18 October 1944 under G. Papandreou with full British support but with weak impact and power. EAM acquired massive support during the occupation - though its communist orientation - providing the Greek people with a vision of the future, far beyond the experience and competence of the old politicians. Moreover, EAM paid much higher attention to the problems of the suffering working people of the rural areas.

The Papandreou government was to face intractable problems. The Greek Economy had been crushed during the occupation. The inflation rate could not even be counted and most of the population in the urban areas relied on international relief supplies, queuing by day and night. The prevailing political concern was the procedure for a peaceful disarming of all sides and the re-establishment of a national army. Papandreou's negotiations with the left wing ministers, though promising in the beginning, did not have a fruitful end. General demobilization was announced for 10 December but the conditions set did not meet EAM's approval. The British on the other hand declared their determination to use British forces in order to guarantee the implementation of

the legally constituted government's decisions.

The left wing ministers' resignation was followed by a massive demonstration in Athens on 3 December organized by EAM and supported by the communist party (KKE). The fifteen or so killed by police fire would be the first of thousands of lives lost during the following years. Papandreou resigned, succeeded by General Plastiras on 3 January 1945 while even Churchill, who visited Athens on Christmas Eve 1944, failed to achieve reconciliation. During the following years even brothers killed each other...

By autumn 1949, the national army with full American support won the "war" and the Democratic Army was exterminated. The British influence on Greek affairs between 1944 and 1947 was vigorously replaced by an American one since November 1947, when a joint Greek-American military advisory body was established.

Greece had experienced a tragic period of nine years at war (1940-1949), the second part of which left, once more, a deeply divided and wounded nation. The civil war left the country with 80.000 people killed and almost 700.000 refugees (3) - people forced to leave their homes. Moreover, this dark period obscured the political and social life for the next decades, dominating the evolution of the country.

### **The existing social assistance potential**

As we have seen, Greece entered a black period after World War II due to the civil war which was suffered for almost five years. In this sense, the country remained at war until 1949 and valuable time and resources were lost. Moreover, the population's morale collapsed and the nation's identity was split for the remaining half of the 20th century. The civil war battles forced at least 10 per cent of the population to become refugees, to leave their homes in the rural areas and to concentrate in bigger cities' "security centres", to be safer. In this respect these people were "in a condition of poverty and starvation, most of them sick from

exhaustion, suffering and without any visible means of support" (4), a bitter picture reminiscent of the 1922 situation.

Under these circumstances, the recovery of the country got nowhere and the development of social protection slightly evaded this general rule. The planning of social assistance was based on the concept of national rehabilitation and the establishment of a basis which would create jobs and provide a minimum standard of living for all the people. At that moment, the majority of both the rural and urban population were facing huge difficulties and the scope of social assistance was to secure basic needs. The State was forced to maintain a network of protection, aiming to secure the survival of the population in a widely destroyed country, and to remove the war-induced damage.

The "Programme of Rehabilitation and Protection", the main feature of social policy measures in the mid-forties, relied on help from abroad. This help started with basic consumption goods (food, medicines, etc.) and was continued by the influx of further investments (5). The main targets of the programme were: firstly, the restoration of War destruction. The wreckage left after the war was beyond words: 226.500 families were living under awful sanitary conditions and poor nutrition; the impact on health was enormous and in 1945 the number of deaths in affected wounded areas increased by 50 per cent. According to a brief statistical report (6), the picture in Greece after the World War II was: more than 20 per cent of houses destroyed, 20 per cent of the population without shelter; 10 per cent of the population killed during the war; 10 per cent of the population suffering from tuberculosis - half of them were going to die within the year if urgent care was not provided; 25 per cent of children were orphans; 33 per cent of the population suffered from malaria; 90 per cent of railways and bridges were destroyed; 75 per cent of the navy was sunk. Secondly, the completion of major projects remained unfinished because of the war. Thirdly, the implementation of a national policy to restore the financial and social situation, was an urgent task.

Free provisions systematically given from abroad created a false feeling

of security, on top of the disasters extended by the civil war (7). The main supporting country was the U.S.A. in the frame of a general world-wide plan with obvious and hidden political and financial objectives. This aid started immediately after the War under UNRRA, the United Nations body, which was mainly financed by the U.S.A. In 1947 American aid enforced the "Truman Dogma" which anticipated aid for Greece and Turkey and was completed with the "Marshal Plan", implemented from 1948 to 1952 by the Administration of Financial Cooperation.

The Marshal plan proved to be of crucial importance for the survival of the Greek people. In the beginning, 85 per cent of this aid consisted of basic goods such as nutrition and clothing. At a later stage the aid was oriented towards works of a permanent rehabilitation character. It was estimated that almost half of the American aid (8) spent before 1952, was given for the housing and the protection of refugees from the civil war (9).

People coming home found almost everything missing and destroyed, even the land was sometimes burnt. The State provisions for these refugees was organized on the basis of both cash and kind i.e. nutritional goods as long as they were far from their homes and after returning home and for the first two months 60 drachmas for one person per month, 200 drachmas for a 3 member family and 300 drachmas for over 3 member families. Additionally, the Ministry of Agriculture provisions were directed to the refugees by giving them mules, ploughs, tools, seeds and fertilizers. In 1950, Law No 512 provided benefits for the families of those who had seriously suffered, or died during the 1940 - 1944 war.

The reason for the massive American support were described by the words of R. Lapham, the Chief of the US. mission in Greece:...." The American citizen made investments of 2 billion dollars in nutrition, raw materials, machinery and technical know how, so that Greece would restore some of the most significant disasters created by the War, the Occupation and the Civil War; The benefits from this help will be the restoration of the Greek Economy, which will

provide the great Greek people with the power and the willingness to pay a considerable part of the military burden of the Western world...".

### **The social assistance services**

The Ministry of Social Assistance, in cooperation with the American Mission and private voluntary organizations, was responsible for the formation and implementation of social programmes. It was divided into three general directorates: of Sanitation, Social Assistance and Housing; and provided regional services: "Sanitation Centres", "Social Assistance centres" and "Rehabilitation Services". Most of the "Social Assistance Centres" became universal public services of the Ministry in 1944 (10).

The American Mission played a considerable role in the reorganization of social assistance services and in the formation of social programmes operating "Branches of Social Assistance and Public Health". Under the administration of American specialists, these branches contributed to the improvement and reorganization of public health and provided particular provisions for unprotected orphans, for those incapable of work, for the unprotected disabled and for elderly and sick people. The American specialists additionally provided technical support for the reorganization of social assistance services, and undertook the training of personnel.

### ***Social Workers in Greece***

The need for social work, as the result of the immense development and the extreme complexity of procedures and organizations covering basic human needs in contemporary societies was recognized in Greece after comparative delay. The psychological and adjustment problems of people in need leading to the development of social work were minor, considering the general socio-economic picture.

According to world-wide developments, protective measures for people



in need were not restricted to mechanisms of material provisions to secure basic needs. Special thought was given to the mental and psychological support of those people or groups aiming to encourage and motivate them in order to overcome their difficulties, to adjust to social conditions and become full members of society. The realization of their disadvantages and the development of initiatives and self-help was a main objective of this "scientific technique" called social work, implemented by social workers.

Social workers are divided into categories depending on the field of social work for which they are trained. Their education is based on the social sciences and especially on sociology, psychology, economics. They deal with individuals, families, groups or communities, or they even act within social service institutions. Their education is in most countries of a university level (11). Social workers are the persons implementing social protection measures: they are the connection between the means and the ends.

Social worker training in Greece started in 1948, including both theoretical and practical teaching, aiming to give social workers some necessary background in order to cope with the problems of individuals, families or groups of people. Four schools of social work were established, providing 12 month courses, but prepared only 40 social workers every year (12).

In 1957 all these schools organized a special course "Training and practice in social work" run by foreign specialists; several other lectures for the development of educational social work programmes, were also organized. The "National Council of Social Work" was established in 1955 and a year later the "Social Assistance Journal" was first published.

The Ministry of Social Assistance was responsible for the practical training of social workers in "Centres of Practical Training" and proceeded to evaluate some of them. In 1959, a law "about the social workers' institution" recognized the significant role of social workers; introduced a special license for social workers, defined the education and training for entry, established the

"Social Work Committee" as the central ruling body for social work issues in Greece (13). This legislation was general and descriptive not specifically determining the development of the social work institution in the country, keeping this profession in a low-status profile.

The role of social work became widely recognized in Greece only during the 1950's when the Social Assistance Ministry started to use professional social workers in several programmes and established the "Social Workers Service" and a social workers' selection committee. The transition to selective means-tested services obviously required trained persons. Social workers were used in child protection programmes, in hospitals, in rehabilitation centres for the disabled, in centres for infant protection, reformation centres, even in remote areas. They were employed according to specific - not very strict - prerequisites, since no organized social work training existed at that time and were distributed to the social assistance centres mainly for the implementation of the protection of children in foster families as a pilot project.

But even in 1959, the number of social workers employed was around 100 and obviously they could not cover the vast needs. The other organizations of social protection started gradually using social workers and in the same year 85 social workers were employed in hospitals and other institutions. They were few and their earnings were low, lower than those of nurses or primary school teachers. In brief, the lack of trained personnel made the unprevented operation of social assistance, a hard objective to achieve.

Considerable promotion of the, more or less, neglected issue of social work in Greece was noticed in September 1964 as the influence of the Twelfth International Congress of Schools of Social Work held in Athens. Professor Titmuss, in a memorable lecture, examined the relationship between schools of social work, social research and social policy and concluded: "..... if schools of social work are not to be limited to training in techniques they also must now have a function moral element built into them" (14).

### ***The Voluntary Sector***

The activities of the voluntary sector, which was the pioneer of the field, were mainly enforced by the initiative of the Kings of Greece who established important social assistance organizations, operating on a scientific basis and having considerable impact on the improvement and extension of social protection. These organizations are described in Appendix B.

### ***The Programme of Means Testing Destitution***

Destitution was certified by the local authorities, parishes, municipalities and the police, according to the judgement "of a good and honest man". Until the mid-forties the social regulations, i.e. the existing mentality that stigmatised people who were officially certified as destitutes, prevented many people from using social assistance provisions and of course kept abuse to a minimal level.

The difficulties after liberalization, described earlier, and the general distribution of goods and free services alleviated stigma. This became evident when gradually the free services were restricted and entitled persons had to be characterized as destitute. Many people attempted to be included in the eligibility lists and the need for the introduction of specific criteria and testifying procedures was evident. The crucial decree of 11 May 1946 "about the concept of destitution and the way of testifying it", was introduced, completed by several ministerial decrees defining the procedures and the criteria of destitution.

According to the second article of the 1946 decree "destitute" was considered a person, irrespective of religion or nationality, who neither by his own nor by his family's means could have adequate resources in order to meet basic needs. The lack of resources was considered in each individual case in relation to the income of the person and personal and family needs, according to broad guidelines issued by the Ministry of Social Assistance.

The new legislation was implemented by a new operational structure consisting of "Centres of Social Assistance" established in each province of the

country. According to the third article, each parish or village would have an office authorized by the Centre of the province where it belonged; these officials were handling the applications for destitution certificates, i.e. for eligibility for social assistance provisions. In this way political criteria became prominent for defining poverty, and indeed, until the end of the 1970's, when the policy of "destitution certificates" was finally abolished, it constituted a significant means of socio-political control.

Due to the scarcity of available national resources, the destitution criteria aimed to establish three degrees of destitution in order to secure protection of those most in need. In this respect, the established criteria, varying according to the socio-economic conditions of specific areas, determined three categories (A-B-C) of destitutes. The implementation of specific programmes requested in addition special criteria, varying according to the socio-economic conditions of specific areas, for these particular provisions.

The reactions to the new legislation were rather unexpected for the Ministry. In the beginning, people had reservations about applying but this situation changed rapidly. A prominent administrator wrote: "When the Greek realizes that his neighbour, who is in the same position as himself, receives a benefit then a question is simultaneously coming into his mind: why him and not me? And millions of applications were submitted in order to take the title of destitution"(15). The bureaucracy created was huge",... tons of paper and ink, many circulars, leaflets, and instructions, use of mathematics to determine the income of applicants and inclusion or not in a destitution category, different minimum standards of living in each province; monthly statistical information of great usage especially to the foreign experts. Were this data accurate in relation to its substantial basis? I have serious doubts" (16).

The point was that the destitution criteria were very generous in relation to existing resources; "...We started vice versa. We introduced in a poor country, a destitution basis which was not applicable even in the prosperous countries..."

(17).

The number of public servants who were employed to implement the new Welfare State in Greece - according to the fathers of the 1946 decree - was more than 4.500. It was made an attempt" to transplant into Greece new scientific and social institutions. It was believed that this 4.500 people would be adequately informed of their objective and the intangible utopia would be realized by continuous long instructions sent from Athens, instructions which were never read, studied or implemented..." (18).

This pressure led to Law No 618 which attempted - on paper - to introduce specific qualifications for the social assistance personnel, to discharge the unsuitable ones and to secure the employment only of suitable ones in the future. The effectiveness of this law proved limited; however "...it is true that a percentage of this personnel consisted of good servants, providing the confidence that would develop in distinguished social workers..." (19).

### ***The "Welfare by Employment" Programme***

This programme was carried out nation-wide in the refugees' "Security Centres" aiming to keep their morale high by working and receiving some money, executing simultaneously public works. Additionally, the destitute people of the rural areas could find work and low pay in this programme, having the feeling of contributing to the rehabilitation and the development of the country. The reward for their work was 11 drachmas and 7 drachmas for men and women respectively, as well as 90 drachmas worth of flour. In this respect, the "Welfare by Employment" programme attempted to improve the rural population's living standards, both by financing poor families with no other income and by constructing works for the common welfare. The money spent on these projects was from loans to the parishes refundable in 5 years with a low 8 per cent interest rate.

### *Housing Programme*

The extent of the housing problem in Greece, as already described, was immense and pressed for a solution. At the end of the 1940s more than half of the 10.000 parishes of the country were suffering overwhelming damage. The cost of reconstruction was far beyond the strength of the national budget and the necessary construction materials were difficult to find even abroad. The pressure of the situation demanded immediate collective action which was expressed in the "Self-housing programme". According to this programme, peasants were given construction materials such, as timber, cement, lime, etc. as well as a cash benefit, in order to build or reconstruct their homes by their personal and their family's work. In their efforts, the former refugees were helped by technical training, organized by the American Mission, provided during their stay in the security centres, coordinating afterwards other peasants of their village. The Self-housing programme was carried out in 1950 and 1951 and its success was beyond expectations. Even if some families had to live in one single room, no one returned to the "Refugees' Centres".

Under Law No 2386 of 1953, the General Administration of Housing and Rehabilitation was surprisingly transferred from the Social Assistance Ministry to the Ministry of Transportation and Public Works. The Law aimed at the "unification and decentralization of the public technical services". The Social Assistance Ministry kept a "Housing Administration", which undertook the project of collection and evaluation of data on the remaining rehabilitation needs of housing in the country. In general, this Administration undertook all aspects of "Popular Housing" - the study, introduction and implementation of general programmes covering housing provisions and needs, aiming to resolve the housing problem of the low income population. On top of all the adversities, the very strong earthquake in 1953 killed hundreds and almost ruined the Ionian Islands and provoked huge catastrophes in Western Greece, exacerbating existing housing problems.

Housing in urban areas was gradually becoming problematic over these years. The huge and unplanned increase of the population of big cities resulted in uneven building in the absence of any plan, coordination or even common sense. In the early 1950s more than 700.000 homes were needed and housing became a major social problem, preventing up to an extent the further socio-economic development of the country. The need for decent housing for all became a decisive factor for the necessary improvement in the country's living standards. (20).

The programmes implemented aimed to provide shelter to those who could not build their own homes by their own means. In 1951, legislation "about popular housing" introduced relevant regulations (21), while a year later a royal decree provided the criteria for eligibility for public aid for a home (22). This legislation anticipated the procedures for the acquisition of land to be used for public housing, for the building of houses, for loans for self-housing or reconstruction or enlargement. Eligible were the members of "Construction Associations", with low family income, who lacked for at least 5 years an appropriate home in the area in which they permanently lived or those whose homes were in very bad condition, or of very limited space for each member of the family (23). These prerequisites were applicable to all the members of the family, wife, children and parents. A "Public Housing Committee" was established in each prefecture, defining the list of those eligible, according to the criteria established.

Numerous construction associations played a decisive role in the development of public housing in Greece, although operating without any planning and coordination which led to the financial decay of most of them. In 1957, special treatment was anticipated for the housing of the families of the Disabled and Victims of War (24) and the relevant criteria were set out in a royal decree (25).

The housing needs of working people were seldom met until after 1954, due to the financial difficulties of the country after the wars, the lack of

coordination and of comprehensive mid-term policies. The legislation recognized and enforced the development of private home for working people. Several minor programmes were conducted aiming at the improvement of people's living conditions or at finding them suitable low cost housing. In 1954, a law "about Labour Housing" introduced an organization for the implementation of programmes establishing Labour Houses for low income working people (26).

After 1946, it was estimated that about 18,000 refugees from the Eastern Europe Block came to Greece. Most of them were Greeks, some were Bulgarians and Albanians. They found shelter and food in "Foreign Refugees' Care Centres" in big cities. In 1952 the United Nations paid half the cost of their protection, in cooperation with the Refugees' Special Services of the Social Assistance Ministry which was covering all expenses of the provisional measures. Between 1947 and 1957 the cost of foreign refugees' protection amounted to 51 million drachmas. The cooperation of the Greek State with the United Nations on refugees' relief had considerable success. These people were encouraged to overcome their psychological and financial problems and to gradually become active members of society.

### ***Children's Protection***

The overwhelming and unmanageable difficulties of the first half of the century led to an extended lack of family care and orphanages for a considerable part of Greek children. Population mobility, the dissolution of families, the physical and morale exhaustion, sickness and malnutrition made children the most vulnerable part of the population. In 1948 almost 325,000 children under 18 years of age, one in eight children were orphans (27).

The traditional solid links within Greek families and the strong spirit of mutual support alleviated most of this problem. Almost 75 per cent of unprotected children became new members of relatives' families or of foster families. The remaining children - around 125,000 in 1946-1948 - were in



conditions of absolute need and attracted the interest of social assistance services or private voluntary organizations. The provision of normal conditions for the children's upbringing was the main objective .

The institutional care for children could not cover more than 7.500-8.000 children in all private orphanages of the country. The burden of establishing new ones could not be carried by the State. This situation, in combination with the international trend of non-institutional provisions, determined the guidelines for a general programme of children's protection, which had an urgent character and aimed at the introduction of a unified organization for the protection of children:

- a. Replacement of natural families by a relative or a foster one. Financial aid was to be given to these families in order to care for these children, with social workers to alleviate the potential family problems.
- b. Institutional care for special cases under specific prerequisites, which included the reorganization of institutions, use of modern methods and facilities and training of personnel. The emphasis was on preventive health care and overcoming the disadvantages of institutional care. There was institutional care for working mothers' children and special institutions for physically and mentally handicapped children.
- c. Unprotected children were to have priority over any other group of people in need.
- d. The kind of help provided should be based on the professional judgement of social workers and social assistance officials aiming to cover needs within the family.
- e. Emphasis was given to the protection of maternity with consultancy services and visiting services especially in the rural areas.
- f. Employment of appropriately trained personnel for the implementation of the programmes.

The financial support to families caring for unprotected children was given in the form of family allowances under specific regulations and aimed to

secure foster families. The role of social workers should be decisive in order to testify and evaluate the real pressure and need for help. But, there were overwhelmingly few trained social workers, that they could not cover the needs. On the other hand, a reorganization of the activities of the institutions of Children's Protection was attempted by increased financial support, the reorientation of objectives and purposes, the introduction of modern methods of care, the encouragement of private initiative and the coordination and planning of services (28).

Several other Ministries developed programmes for children's protection, such as the Ministry of Justice for the prevention and restriction of criminality of children, the Ministry of Employment for the social, professional and cultural support of young working people, the social security provisions including maternity protection, the Ministry of Education for School Health programmes, scholarships and school camps, the Ministry of Agriculture for the improvement of living standards of children in the rural areas, the Ministry of Defence for war victims' children and people in the armed forces.

The general programme of the Social Assistance Ministry developed gradually due to the huge difficulties and after detailed examination so that priorities could be established. In 1950 the Ministry's Administration of National Orphanages clarified the adjustment of scientific methods in the circumstances of Greek life (29).

#### *Non-institutional Public Family Protection*

The implementation of this programme started in 1950, providing care for children younger than 15 years of age (later 13 years), lacking paternal protection (orphans, illegitimate children, disabled father, father in prison or in the army), with a family income lower than a specific level determined by the number of family members.

The programme was initially financed by the Greek-American War Care

Fund and after 1950 by the Royal Welfare, namely the national budget; it was administered by the National Orphanages and Children Centre Administration. The implementation of this programme was undertaken by the Children Protection Services and the examination of the cases should be carried out by trained social workers, and teachers in the rural areas. The financial administration was undertaken by the Organization of the Mail Savings Bank in order to provide the cash benefits all over the country.

The protection was a family cash benefit every month based on family income, supplementing it in order to reach an "adequate" defined level. On the other, hand help should be provided to these families by social workers, in order to overcome their difficulties and to develop their abilities. Between 1950-9, almost 150.000 destitute and unprotected children were covered by the programme, belonging to the following categories: orphans from father (51 per cent), orphans from both parents (1 per cent), soldiers' children (15 per cent), children of disabled fathers (12 per cent), illegitimate children (6 per cent), abandoned children (8 per cent), children of divorced parents (4 per cent), children of immoral parents (0,5 per cent), children of lost soldiers of the civil war (3 per cent), children of prisoners (2 per cent), and finally children of any category of foster families (2 per cent).

In 1958, 19.500 poor foster families and 2.500 children were provided with coverage. The course of the expenditure on this programme appears in Table 5, which shows the initial increased coverage due to the post-war difficulties and the gradual decrease due to general national development (30).

In conclusion, this programme was universally implemented in 6.100 parishes and communities using fast and effective procedures run by social workers with the cooperation of local people. It should be mentioned, however, that the level of family income for eligibility as well as the cash benefit should have been adjusted with the increasing inflation but from 1950 to 1959 it remained unchanged (31).

### *Institutional Children's Protection*

There were four types of national institution for children: the National Orphanages and Boarding Schools, the National Children Centres, the National Agricultural Kindergartens and Agricultural Household Schools. After the war all these institutions were refurbished and reorganized, financed by the national budget.

The legislation of 1954 defined the criteria and the procedures for taking children into the national institutions and securing their personal care as far as possible (32). Additionally the establishment of technical professional institutions was envisaged. The reorganization of the institutions consisted of a general modernization, abolishing old-fashioned regulations such as the compulsory wearing of uniforms, improvements in nutrition, relationships of children with the community, technical education, etc.

In 1958 the operating institutions in the country were 30 National Orphanages and Boarding Schools having a capacity for 3.850 children, National Children Centres for 4.500 infants, 36 National Agricultural Kindergartens for 2.500 infants, and 44 Agricultural Schools for 1.750 female children (33).

### *Child and Maternity Protection by Private and Voluntary Organizations*

The existing private and voluntary organizations were of the following kind - Infant Centres, Day Children Centres, orphanages, Children's Camps, Institutions for the Blind and Disabled, Deaf-and-dumb children and PIKPA, the National Rehabilitation Centre of Handicapped Children (34). Infant Centres aimed to protect illegitimate and abandoned infants and most of them were administered at the municipality level. For these infants several legal acts determined the adoption regulations since adoption was considered to be the most humane and effective solution (35).

In 1950, the existing 13 Children Centres run by private voluntary

organizations, operated during the day for 1.350 children of destitute working mothers. By 1955 private voluntary orphanages operated all over the country with 2.800 orphans and destitute children. The Ministry of Social Assistance subsidized these institutions which provided shelter, nutrition, clothing and education.

"Preventoria", were children's institutions providing mainly preventive care. Destitute children of fragile health (usually vulnerable due to TB) were accepted in these institutions and were provided with full nutrition, a fresh atmosphere, physical training, etc. In 1958, there were 9 preventoria operating in areas with a good climate and much greenery.

Children's camps were operating from 1948 in order to give the opportunity to children of low income families in urban areas to live close to nature for their summer holidays, as members of a group, far away from the unhealthy environment of the industrialized cities. The camps were administered either by the Ministry of Social Assistance or of Education, the Children received annually by the former were around 50.000.

Several associations were operating for the protection of working young people. There was the National Institution for the Protection of the Working Child, administered by the Social Assistance Ministry and providing shelter, nutrition, entertainment, night school education for youngsters 13 to 18 years of age. Another similar institution was the Working Girls' Association which were receiving only females for similar activities.

### *Children's Health Protection*

All sectors, public, private or voluntary, have always given priority to children's mental and physical health care. Institutions such as PIKPA, the Greek Red Cross, the Disabled Services, the Royal Institution, the Royal Welfare, contributed to preventive and curative health care for children, provided care from pregnancy to youth by Consultancy Mothers' Centres in the Health Centres and in PIKPA's maternity hospitals, gynaecological Departments of hospitals,

Agricultural and Community Surgeries, Consultancy Infant Centres administered by PIKPA, Children Houses (36).

*The National Rehabilitation Centre of Handicapped Children (PIKPA).*

This was the most significant semi-public organization for children's health and social protection, established in 1915 by Queen Sofia. In 1939, it defined its objectives and activities as the protection of maternity and children, the provision of nutrition and any kind of care for destitute children or mothers. In 1945 and 1949 PIKPA was given considerable resources - 70 per cent of the net profits of the State lottery (37).

PIKPA survived during this difficult period using advanced methods, especially in the preventive field. It provided services by special units such as the Special Services for Pregnant Women and Infants, Consultant Centres for Pregnant Women and Healthy Infants, Special Children's Surgeries, Special Infant X-ray Services, Foster Family Services, Special help for Children Services, Children Multi Clinics, Special Children Camp Services, Disabled Children's Services, Maternity Services in the rural areas, etc.

*Foreign organizations for Children Protection in Greece*

Many foreign organizations contributing to children's protection in Greece were established mainly after World War II such as the Foster Parent's Plan in 1948, the Greek War Welfare, the Middle East American Institution, the Save the Children Federation, the Save the Children Fund, the American Association C.A.R.E., Swedish and Swiss Organizations, the World Church Council, the Students Service Institution, etc.

Some of them provided considerable help. For example, the Foster Parents Plan gave benefits in cash and in kind to more than 3,500 children every year while C.A.R.E. gave mainly food. UNICEF enhanced any attempt for the establishment of such institutions and concentrated its efforts against

malnutrition.

### ***The Protection of the Disabled***

The disabled, those having diminished physical or mental capabilities due to sickness, accident or relevant afflictions, were provided with several services in order to overcome their disadvantages by both medical and mental care. Special treatment was given to disabled children, especially those born disabled, aiming to provide them with all the necessary means to live a normal life within the Community. Both institutional and non-institutional care were provided irrespective of the particular needs of the disabled.

In 1958, the number of disabled children (0-18 years of age) in the country was around 70.000, the physically handicapped were 30.000 and the mentally ill were 40.000 (38). The total number of disabled in the country was 120.000 with 16.000 of them needing artificial limbs since most of them became disabled during the war.

The main problem was the lack of an effective mechanism for the occupational training of the disabled in order to become self-supporting. The existing relevant services were inadequate but American imported know-how improved the situation. The Ministry of Social Assistance prepared the lists of disabled and, according to a priority number, the disabled were provided with artificial limbs, physiotherapy, operations, etc. (39) Appendix C includes all services provided for physically and mentally ill disabled people.

### ***The Protection of people hit by calamities***

Calamities and hazards were defined as minor, local but extended and general ones. This categorization was made after the 1953 earthquake in the Ionian Islands and aimed at an urgent coordinated plan of activities during such disasters. The Ministry of Social Assistance aimed to provide shelter and food to people in need mainly in the case of general calamities.

### *Old Age Protection*

After World War II the methods of protection for elderly people changed considerably. The number of them increased due to the greater expectation of life . In 1880 the proportion of persons over 60 years of age was 5,5 per cent, in 1920 it was 8,7 per cent and in 1940 it was 9,6 per cent (40). The methods of care were modernised in the post-war era as old forms such as Old-Age Asylums or Poorhouses were gradually abolished in line with trends elsewhere.

Not surprisingly, the social protection of the elderly however remained limited and inappropriate. The private sector led the field with old-fashioned asylums and poorhouses, covering only a small part of the old-age protection problem. In the late 1950s, the institutional care for the elderly in Greece was complemented by private or voluntary institutions. "The increase in the aged population led to the need of increased social protection measures. The families of the poorest classes have usually more children with the chance of reaching old-age, but they do not have many possibilities of escaping the poverty of their predecessors in an underdeveloped country..." (41).

The existing old-age institutions of the country in 1959 were 28, providing food and shelter to not more than 2.000 people, 23 of them were financed by the Ministry of Social Assistance and were receiving around 1.000 elderly; the remaining five old-age houses were receiving another 950 people and were self-financed. The largest one was the Old-House of the Athens Charity Association with 750 beds, a massive old-fashioned institution.

The quantity and quality of old-age protection was far from meeting existing needs; the institutional services were covering only the basic needs for shelter and nutrition under old-fashioned, and sometimes humiliating conditions. Most respectable families did not even think of leaving their aged members to the care of these institutions. In this respect, the Ministry of Social Assistance,



recognizing the urgency and importance of the problem, appointed a "Committee for Old-age protection" which submitted its Report in March of 1959 suggesting several reforms (42). The Report's main conclusions were:

- the need for coordinated activities of the State and the supervision of public and private old-age institutions.
- the upgrading of old-age protection since, due to demographic developments, an increasing part of the population was becoming aged.
- abolishing the Poorhouses for the elderly with an emphasis on the dignity of the elderly.
- problems such as the health of the elderly people, shelter, nutrition, financial condition, employment opportunities, should be a national obligation of the State.
- encouragement of families to keep their old members at home.
- the development of foster families for elderly people with respective financial help. This measure was introduced in 1951 by a Social Assistance circular providing for cash benefits to families with old people (60 for women and 65 for men) incapable for work. Additionally, the programme envisaged the support of social workers for these families. Unfortunately, this programme was implemented only for a month due to budgetary problems.
- old-age institutions were characterized as "a necessary evil" needing reorganization and modernization but receiving only those having no chance for family accommodation; the institutions' atmosphere should be warm and human. Large institutions should be abolished, replaced by "apartments for the elderly", i.e. groups of small houses with care by social workers, providing recreational facilities and opportunities for social relations.

The Report described the current situation: "The social and financial background has rapidly changed in recent years due to well known reasons as the

huge transfers of the rural population to the urban areas and industrialization which have undermined the ties of families. Old people either remain in their villages abandoned and helpless, or are removed to the "strange" cities becoming financially dependent on their family or relatives since employment opportunities are rare in a period of strong competition and of large unemployment" (43).

In conclusion, the unplanned, inappropriate and restricted services for the protection of old-age needed considerable improvement. Basic issues dealing with the social, financial and psychological stage of the elderly attained increasing interest and acute measures should have been introduced.

### ***Health Care Protection***

One of the top priorities of the post war period in Greece was the improvement of public health (44). According to WHO: "It is a basic human right of all people to ensure the highest possible level of health care, irrespective of race, religion and political belief, financial and social conditions". A huge effort was undertaken by the respective Greek services, with the support offered by the American mission after 1947, for the reorganization of the health sector, aiming at the improvement of low living and sanitary standards.

Official American reports described a desperate situation in public health in 1944, after the liberation; the war catastrophe had abolished most health facilities of the State and disorganized the existing provision of services. In some areas of the country, patients had to pay substantially for the provision of medicines, while the public stores in other areas were full of medicines. The lack of basic medicines led to the spread of diseases already eliminated in the developed Western European countries.

Medical schools were poorly functioning due to the lack of appropriate facilities and personnel and the inpatient services were limited and ineffective. Many were not completed or destroyed because of the war, many general hospitals were ruined and empty in a country with overwhelming health needs.

The conditions in Athens and Piraeus had been exacerbated because the population there, increased - once again - by 50 per cent between 1945 and 1950.

According to the American mission's statistical information; with the cooperation of the Social Assistance Ministry, in 1948, 161 hospitals were operating all over the country (of which 136 were general ones) with a capacity of 21.108 beds. Almost half of the available beds (9.551) were not up to an acceptable standard. By 1955, the number of available acceptable hospital beds rose to 14.985. The mission said that according to international standards five beds were needed for 1.000 inhabitants. Thus the required number was 38.900 and the existing deficit of beds was almost 24.000.

In 1948, the Ministry of Social Assistance estimated that 20.000 people died of tuberculosis; the existing number of sanatorium beds was 5.790 of which only 4.000 were acceptable by US. standards. It was estimated that another 11.500 sanatorium beds were needed. In 1951 the Ministry estimated that 0.79 per cent of the population died of TB; by 1955 the number of sanatorium beds was increased to 8.000, but this was still considered as inadequate, though IKA enlarged considerably respective provisions.

The Department of Public Health of the American mission in Greece gave massive provisions covering the main part of expenses to solve existing curative and preventive health problems. It extended construction, fought against infectious diseases, developed medical personnel and gave medical supplies. The attempt to reduce infectious diseases was given a significant priority both at the curative and preventive level. Activity was directed to the provision of pure water and the organization of sanitation.

In the Marshal Plan, provisions for the establishment of water facilities were included (45). In the rural areas, people offered voluntary work and many new aqueducts were built. WHO enhanced the fight against malaria the "Anti-malaria Struggle", which was a very extended disease in Greece. Aerial spraying with D.D.T. and the extension of curative and preventive measures obliterated

malaria in the late 1950s. In 1957, only 2.910 people were suffering from malaria while between 1930 and 1938 the number of cases was around one million.

The Anti-malaria struggle was led by a group of 260 specially trained staff coming from the Malaria Administration of the Ministry of Social Assistance. There were 3 malaria expert doctors, 52 private doctors, 20 special laboratories cooperating with the teaching hospitals and public hospitals. Additionally, diseases were contained by extensive immunisation, new medicines (mainly antibiotics) and by the establishment of some infectious disease hospitals.

The already mentioned chaotic situation in the provision of medicines led to massive orders from abroad after the war. Gradually it was found that supplies were dispersed all over the country and were finally concentrated in a central supply unit with provisions for medical and hospital use. All hospitals were provided with the necessary quantities and private companies started importing medicines and equipment. In 1950, a central store for medical provisions was established in Athens with the administrative and financial support of the Marshal Plan which reorganized this sector (46).

In 1951, the Minister of Social Assistance made a public petition to the Prime-Minister on the subject of the organization of health services. He emphasized that the situation was "chaotic", especially in public health, and proposed a radical health reform administered by a new semi-public scheme. This scheme would include all the existing health services - public, local, social insurance, semi-voluntary - aiming at a unified medical and hospital care by a rational allocation of resources and an efficient organization of hospital institutions (47). This petition attracted public interest and several supporters in the medical profession (48). However, the dominant political instability frustrated any further development up to 1953.

#### *Administration of health services*

The public medical services were the responsibility of the Social

Assistance Ministry which aimed to reorganize the health services in the country after the war. This reorganization covered both the medical services and the education, training and retraining of doctors and other health staff.

As already noted, traditionally the number of doctors in Greece has been sufficient; in 1948 this was 7.500 (49) and in 1953 increased to 8.834 (50). The main problem, however, still was their concentration to the urban areas. In 1950, a law passed obliging doctors to work for three years in communities with less than 10.000 people (51); within a year, doctors achieved the withdrawal of this adjustment.

The quality of trained staff played the most significant role in the medical services. In this respect medical education was given priority and provided free of charge to secondary school graduates, and special programmes were introduced, including training in Greece and abroad. Specialists undertook retraining programmes and contributed to the reorganization of the services provided.

The education of nurses was officially established in 1948 (52) which introduced the systematic training of nurses and laid down their rights and obligations. The "Association of Greek Graduated Nurses" was upgraded and the status of the nursing profession was improved. Following an adjustment of 1950 practical nurses and doctors of 45 institutions were retrained, in courses of 6-8 weeks (53).

Furthermore, educational nursing institutions were established with foreign specialists acting as teachers. For the three institutions originally operating, two in Athens and one in Thessaloniki, supplies were sent from abroad. In 1951 the Athens Red Cross Hospital introduced a Nursing School which admitted 50 students a year. Visiting nurses in patients' own homes, were specially trained to cover the needs of Health Centres; a "Public Nursing School for Visiting Nurses" was established in Athens. In general, 11 nursing schools were operating in 1957 (54).

More than 1.500 nurses were attending of whom 470 were visiting nurses

(55). It was reported that, in 1957 there were 9.600 doctors, 2.400 dentists, 2.000 pharmacists of whom 1.360 had private shops and 110 worked in the hospital pharmacies . From 1953 onwards, social workers started to be involved in hospital services providing moral support and consultancy to the patients.

#### *Health centres and hygiene services*

The contribution of "The Greek War Provisions" (EPPA), an organization financed by the US. government during and after the war was considerable, in the reorganization of the medical services. During World War II, and 5 months after the German occupation EPPA established centres providing nutrition, medicines and other provisions (56).

After the liberation, EPPA spent more than 15 million US. dollars on the implementation of a programme of additional public health services. EPPA had undertaken to find the necessary medical provisions with the American mission's financial help. Additionally, EPPA was operating as the coordinator of donated funds by several Greek-American Organizations (AHEPA-Panarkadian, Panhellenic and Pankretian Associations).

The relevant programme for the establishment of health provisions was introduced in September 1948 and mobile health services started their activities in 1950, providing curative and preventive medical services to the rural population. These services which were fully equipped, were even undertaking minor operations and were providing free care to 42.000 people on average per month. The mobile health services were abolished as soon as the Health Centres were introduced in the country.

EPPA contributed to the completion of new hospitals (Evangelismos in Athens, Venizelion sanatorium in Pangrati in Athens, in Rethimnon, Heraklion and Agrinio) and financed these institutions for the first years of their operation until 1950. Other hospitals providing services especially for refugees were financed, in addition.

### *Hospitals*

The reorganization of public hospital services was directed by the Social Assistance Ministry with advice from the American Mission (57) and several international organizations. At the first stage, an assessment of the situation led to specific conclusions on priorities, and a Health Construction Plan was prepared. The implementation of this plan was mainly undertaken by the Special Technical Department of the Social Assistance Ministry, was partly financed by money from the Marshal Plan, and started in 1948. According to the Health Construction Plan's directives significant works were executed and a large amount of money was spent (58).

Essential legislation determining hospital and medical policy was introduced in the period of 1952-1953 (59). Hospitals were divided into public, private, semi-public and private; in terms of speciality, hospitals were defined as general, maternity, children's, tuberculosis, sanatoria and venereal disease hospitals. Additionally, Law No 2592 of 1953 enhanced the decentralization of health services to peripheral councils and medical committees.

In 1957, the existing general hospitals were 95 with 10.149 available beds, 7 maternity hospitals with 834 beds and 90 community health centres with 546 beds. Hospital care was provided free of charge to those included in social insurance schemes and to those entitled to social assistance provisions. The number of beds in patients' rooms depended on their wage class.

### *Social hygiene - social diseases*

As already mentioned, TB had been one of the most extended health problems of the country before, during and after World War II. In this respect the organized "Anti-TB struggle" was a national health campaign aiming to reduce and abolish TB by preventive health care measures, by the spreading of new medicines and the improvement of the sanatorium services. The construction or renovation of sanatoria was based on the American Mission's financial support

and in 1958 with an overall population of 6.2 million people the situation was reported under control (60).

The Ministry of Social Assistance introduced in 1950 a TB Administration which coordinated all the measures against the disease. The preventive measures taken against TB's spread played a significant role. The existing Health Centres, with the cooperation of the Chest Institution of Greece, executed extended X-ray examinations (61). The improvement of nutrition and of general living conditions after the war contributed to diminishing incidence. The anti-TB struggle was a considerable success; in 1938, 8,230 persons died of TB; by 1957 the number had fallen to 1.704 (62). The preventive measures had considerable impact on the health indicators of the population; the morbidity rates remained relatively high but the mortality rates were significantly reduced.

Finally, the use of the new medicines and therapies diminished venereal disease and leprosy. The old forms of institutional care were abolished and the sufferers were cured in general hospitals; additional legislation (63), ensured the provision of the necessary medical care to those suffering from these diseases presently or in the past.

### *Services for the mentally ill*

During the post war period it was internationally realized that the number of mentally ill increased considerably. WHO estimated that in 1959 more than 2 million people were receiving relevant institutional care in Europe. Greece was found unprepared to face this situation, although the problem was considered respectively smaller. However, the rising number of mentally ill people led to concern about conditions in the limited and old fashioned institutions. Special attention was given to this matter only in the mid 1950s and a Report of the Ministry of Social Assistance of 1956 concluded that the whole problem should be reconsidered on the basis of modern ideas in both the community and institutional provision for the mentally ill. Preventive measures (tests, examinations of children



and youngsters), radical changes in institutional treatment abolishing inhuman methods, open clinics, were some of the measures proposed. Moreover, the increase of psychiatrists was a crucial point which had to be faced by the doctors' associations; however, this problem was not successfully tackled. In the late 1950s the Ministry of Social Assistance appointed a committee to examine the existing situation and to provide guidelines for the establishment of relevant legislation for services for the mentally ill (64).

According to G. Alivizatos, the relevant statistical information in Greece was extremely limited (65). In 1958, from research undertaken in the rural areas, 4.252 mentally ill children, 5.087 non institutional mentally ill people, 179 drug users and 2.492 alcoholics were found. These figures would obviously be much higher if the cities had been included in the research. On the other hand, the existing public and private 5.617 beds were inadequate to cover the needs "...unfortunately and to our shame in some cases two patients are in the same bed, since in Athens 6.454 patients are treated in 4.480 beds; at least 15-20.000 mentally ill need institutional treatment provided for in 7.269 beds which is the overall capacity of all relevant institutions. This is an acute problem which has to be faced immediately with emphasis on preventive care and on curing less serious cases in a short time" (66).

The limited number of the social workers available was struggling to provide psychological care, especially in the children's institutions, and in the social services department of public hospitals. However, the provision of psychological consultation in open institutions was almost non-existent.

### *Blood donation*

The Ministry of Social Assistance started in 1955 (67) the "National Blood Service" (NBS) aiming to organize blood donation, following international practice, in order to meet the pressing needs arising in the population. NBS undertook the coordinated responsibilities and included a central department and

peripheral services(68); in addition a Blood Donation Committee was appointed with a consultive role. The legislation was improved in 1959 by encouraging blood donation (69). Blood should be given freely and only in the case of lack of it, was blood-giving for money allowed. The Social Assistance Ministry would determine the blood-giving rate according to the cost of provision, preparation and preservation. The Blood Services were public, private, semi-public and were divided into three categories (70); blood was being received from persons between 18 and 59 years of age after a medical examination. Persons giving blood for money had a special card issued by the NBS.

#### *The Greek Red Cross*

The Greek Red Cross (GRC) contributed remarkably to the alleviation of health and social assistance problems in the post-war period. Between 1945 and 1954 it provided medical and health care to 3.340.000 destitute people all over the country using 120 mobile Medical Services with the cooperation of the Social Assistance Ministry and the International Red Cross (71). Considerable help was given to people hit by several calamities such as the Ionian earthquakes. In addition, rural hospitals and rural schools were established with the cooperation of foreign Red Cross organizations. A special word should be devoted to the GRC Nurses' Association consisting of 7.343 trained nurses in 1958 (72). The GRC also ran a general hospital in Athens with 350 beds, built in 1930. Additionally, from 1939 a Red Cross Urgent Station was operating in Athens; the Asklepion of Voula and of Leros provided general sanatorial services. Finally, the GRC extended its services in blood donations in 1935 and gradually it ran 26 Blood-giving services (73).

#### **Conclusion**

The rapid socio-economic development of Greece after the World War II was mainly expressed by national income growth rates and the improvement in

the distribution of income. This rapid expansion did not improve equally the standard of living of all people and neglected especially those out of the working population. The impact of the unplanned development was negative in many social and cultural aspects as well as in the natural environment.

On the other hand, as will be analyzed in the following chapter, the inequities in social insurance provisions were enhanced by several improvements in pensions, still achieved only by the influential occupational pressure groups, while the vast majority of the blue and white collar workers remained low beneficiaries. In this respect, the public assistance service had to play a decisive and effective role, in order to fill in the gaps in social provisions.

Social assistance in Greece gradually rejected its charity role and was recognized as an obligation and a right of society. As the ultimate net of social protection, it has always been the last defender of human dignity and social justice. Its decisive role was, however, limited because of the very basic needs it was struggling to cover and of the restricted part of the population with which it was dealing. Social assistance, as the exclusively universal and uniform part of social protection should theoretically fulfil three major objectives: a minimum standard of income level for everyone, employment for everyone in a position to work, and health organization to secure the right for health services.

A leading problem in the development of social assistance in Greece has always been the lack of universal coverage, mainly because of the lack of coordination and the implementation of non uniform programmes by numerous institutions and organizations, without any form of planning, belonging to the jurisdiction of almost all the Ministries (74). In this respect, the implementation of a specific and effective social policy was impossible and in the existing confusion and disorder, the inadequate resources were poorly distributed. Moreover, the lack of trained personnel - especially of social workers - provoked gaps and malpractices in the provision of services. The protection provided rather exacerbated the existing inequalities caused by the differentiated social assistance

services which complemented the social insurance mosaic.

The lack of available resources was the significant obstacle in the development of social assistance policies, especially in the effectiveness of income maintenance measures. The historical evolution of the country traditionally defined the national budget's priorities in favour of defence and "productive investments". In this sense the piece of the cake devoted to social protection was a small one, especially in the early post war period. Considering that around 90 per cent of the social protection budget was committed to social insurance, it is not difficult to realize the degree of priority given to social assistance.

The ultimate objectives of a minimum standard of living for everybody and the coverage of people in need were not achievable. In this respect, the uncoordinated, unplanned and consequently uneconomic social assistance scheme needed at least a radical change of direction for the full exploitation of the available restricted resources. This inadequacy provoked acute social problems due to high unemployment among the working population and the concentration of the population in large cities - mainly in Athens. There was a steadily increasing part of the society called "poor people". This situation shook social stability; the existing inequalities and ineffective protective policies enforced tendencies towards social conflict, expressed during and after the civil war.

The need for reorganization of the scheme became evident in 1958; a universal and explicit plan based on international trends and experience adjusted to the circumstances in Greece needed to be put into action. The Social Assistance Ministry appointed a Planning Committee which proposed a general reconstruction based on the following elements:

- a. The development of universal - in terms of geographical extension - programmes and establishment of universal eligibility rules testified by common objective procedures.
- b. An emphasis on general family protection measures by cash benefits. By this policy the pressure for more costly institutional care would be reduced with

special attention on better and healthier housing.

- c. An emphasis on children's protection by the expansion of the existing policies, aiming to keep children in their families or in foster families; institutional care was to be improved in cases where it was needed.
- d. The need for more and better qualified personnel (social workers - nurses - visiting nurses - special doctors etc.) to be met by the reorganization of their training, retraining courses and the general upgrading of education of this sector.
- e. The improvement of institutional provisions for special categories of patients with an emphasis on psychological care and on the use of modern methods and facilities.
- f. The improvement and enlargement of the existing network of health organizations with priority to preventive care and the decentralization of health services putting special emphasis on TB, cancer and mental illness.
- h. The reinforcement of private voluntary initiatives and cooperation and coordination between private and public sectors preventing overlapping. Encouragement of voluntarism and of feelings of social mutuality.

However, as Titmuss emphasized, the real question is not about the choice between universalist and selective services, but "what particular infrastructure of universalist services is needed in order to provide a framework of values and opportunity basis within and around which can be developed acceptable selective services provided, as social rights, on criteria of the needs of specific categories, groups and territorial areas and not dependent on individual tests of means ?" (75)

In brief, social assistance in Greece, was never properly financed and organised, and consequently never managed to overcome a marginal role nor to provide an acceptable level of services. The problems of poverty, public health, housing, children's protection or of the mentally handicapped for example, are far from being coped with even some extent of competence. However, this field

undertook the arduous task of providing extended basic services during the 1940s and early 1950s, in the absence of sufficient health insurance services and welfare benefits.

## ENDNOTES

- (1) Ministry of Social Welfare, The Refugee Problem in Greece, (in Greek and English), July, 1949, p. 23.
- (2) German occupation in Greece: 1941, April-1944, October.
- (3) 10 per cent of the total population.
- (4) Ministry of Welfare, op.cit., pp. 9-10.
- (5) Number of refugees supported by the State:  
 December 1946: 15.000 persons  
 July 1947: 125.000 persons  
 January 1948: 463.264 persons  
 July 1948: 645.375 persons  
 January 1949: 666.374 persons  
 May 1949: 684.607 persons  
 Source: op.cit., p. 10.
- (6) Karadimas, D., (coordinator), Destroyed cities and villages during the 1940-War, Ministry of Social Assistance, Athens, 1946.
- (7) Popolanos, G.D., Study of the acute nutritional and sanitarian aid and for the Rehabilitation of Greece, Alexandria, 1944, p. 52.
- (8) 2.076.000,000 new drachmas out of 4.550.000,000
- (9) The Marshal Plan in Greece, 1948-9, p. 16.
- (10) Law No 836 of 1944.
- (11) Raphael, M., Sociology & Social Administration, Athens, 1978.
- (12) Schools of social workers: the "Higher School of Social Work of HEN", the "Social assistance school of American College", the "Social assistance school of Royal National Institution" and the "Social assistance school" run by the church.
- (13) Law No 4018 of 1959.
- (14) Titmuss, R.M., Commitment to Welfare, George Allen & Unwin Ltd, London, 1976, pp. 46-47.

- (15) Psarras, A., (former General Director of the Ministry), Social Assistance, Athens, 1950, p.13.
- (16) op.cit., p. 14.
- (17) Mastroyannis, J., Social assistance throughout the centuries, Athens, 1958, p.257.
- (18) op.cit., p. 261.
- (19) op.cit.
- (20) Psarras, A., op.cit ., p. 28.
- (21) Law No 2063 of 1951.
- (22) Royal decree of 30 October 1952.
- (23) Less than 5 square meters person.
- (24) Law No 2936 of 1954.
- (25) Royal decree No 6 of 22 August 1957.
- (26) Law No 2963 of 1954.
- (27) All the statistics' source here is the Ministry of Social Assistance, 1948-1958.
- (28) Kallergis, S., (General Director of Housing in Ministry of Social Assistance lecture for Social Assistance personnel's training), The housing problem of Greece, Athens 1958, p.14.
- (29) Saroglou, K., Social protection of the Child, Greek Studies Company, Athens 1958 and General and Children's Protection in U.S.A. and Greece, Athens, 1948.
- (30) Ministry of Social Assistance, op.cit.
- (31) On average the rate of inflation was 25 per cent annually.
- (32) Law No 3045 of 1954.
- (33) Ministry of Social Assistance, op.cit.
- (34) op.cit.
- (35) The infants Centre "Mother" operating in Athens from 1953 is the model of an adaptation centre. It had qualified personnel (1 social worker for 3 babies), who interviewed adopting families in order to secure the future of



the infant in the new family. Additionally it operated the infants-carer institution "Princess Sofia", and the Centre for Unmarried Mothers.

- (36) Voutsis, G., (Director of National Orphanages and Children's Centres), Report of Planning and Research of Social Assistance, Athens, 1958, pp. 17-42.
- (37) Ministry of Social Assistance, Athens, 1949..
- (38) Hesselvik, L., (UNICEF's district doctor for mothers' and children's care), Report, 24 January, 1959.
- (39) Theologos, S., (Director of Disabled Centre in Psychiko-Athens), Report, Athens, 1959.
- (40) Empiricos, S., Medical and Educational Centre, Athens, 1950, p. 46.
- (41) Ministry of Social Assistance, Report of Old-age Study, March, 1959, p. 11.
- (42) Pilarinos, P., The effects of the old population growth, Athens, 1959.
- (43) op.cit., p. 38.
- (44) Mastroyannis, J., Social Assistance, Athens, 1969., p. 197.
- (45) 2.2 million US. dollars.
- (46) 2 million US. dollars.
- (47) Zaimis, F., Minister of Social Assistance, Petition to the Prime Minister concerning the health organization of the country, Medical Academics, (journal), 1951, pp. 365-7.
- (48) Discussion for the Zaimis plan for the organization of medical care, Bulletin of the Athens Medical-Operation Society, Athens, 1951, pp. 133-172.
- (49) US. Mission of Financial Cooperation, Four years plan of Reconstruction, Athens, 1948, p. 284.
- (50) Ministry of Hygiene, Records of Medical Sciences, 1954, p. 350.
- (51) Law No 1429 of 1950.
- (52) Law No 683 of 1948.
- (53) Law No 293 of 1950.
- (54) Nursing schools operating in 1957: (Mastroyannis, op.cit., pp. 215-221)

a. Five Nursing Schools offering 3 year courses (Red Cross, Evangelismos, Visiting Nurses School, Thessaloniki Nursing School, Military Nursing School) with 737 students in total, in 1957.

b. Three Schools of Assistant Nurses (Sotiras, Laikon, PIKPA) with 273 students in total, in 1957.

c. Three Midwives Schools (of public nursing hospitals of Athens, of Thessaloniki, Marika Iliadis) with 647 students in total, in 1957.

(55) Mavroulidis, E., Public Health Report for 1957, General Director of Public Health in the Social Assistance Ministry, Hygiene Records January-March, 1959, p. 89.

(56) Around 20 million US. dollars.

(57) Consulting Group for Public Health, 1948.

(58) Works executed by the 1948-1953 Health Construction Plan:

- Hospital construction: 7 new general hospitals were built all over the country.

- Hospital and clinic extensions.

- Hospital renovation.

- Hospital equipment and additional facilities.

- Hospitals' technicians wages were improved.

Official estimates of the Ministry of Coordination (1948-1953) calculated that the amount spent on the above plan was 49.415,000 drachmas and 2.305,000 US. dollars.

(59) Legislation for hospital and medical services:

- Law No 2592 of 1953 "for the organization of medical care".

- Law No 2107 of 1952, No 2774 of 1954, No 3039 of 1954 "for the organization of public hospitals".

- Royal decree 27-2 of 31 March 1954 "for the operation of the Central Medical Council".

- Royal decree 27-3 of 22 April 1954 "for the introduction and

establishment of community Health Centres".

-Royal decree 16-3 of 30 April 1954 "for the administration and Board of Directors of public hospitals".

**(60) Sanatorial Hospital Services in 1958:**

Public Sanatoria	4.981 beds
Semi-private Sanatoria	830 beds
Private Sanatoria	1.161 beds
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	6.972 beds
Hospitals for TB:	850 beds
Clinics for TB:	144 beds
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TOTAL:	7.966 beds

Source: Mavroulidis, E., op.cit., p. 55.

**(61)** Between July 1951 and December 1955, more than a million people had been examined and 675.000 vaccinated (B.C.G.).

**(62)** In 1957 the Health Centres examined 10.447 persons for TB and 3.719 of them were suffering from TB. The two institutions of Chest Research in Athens and Thessaloniki examined 114.652 persons and only 426 of them were suffering from active TB and 3.728 had signs of old TB, i.e. 0.4 per cent of the examined were suffering from TB.

**(63)** Law No 3310 of 1955 "for the diminishing of venereal diseases" and Law No 3369 of 1955 "on legacy".

**(64)** The existing institutional care in 1958, for the mentally ill was:

- the Athens Psychiatric Hospital (2.500 beds).
- the Thessaloniki Public Psychiatric Hospital (1.000 beds).
- the Corfu Public Psychiatric Hospital (490 beds).
- the Public Psychiatric Hospital of Chania (Crete), (270 beds).
- the Leros Psychiatric Settlement for chronic psychiatric patients (650

beds).

- 3 private psychiatric clinics (1.142 beds) From the above capacity ,765 beds were provided for destitute mentally ill people.

(65) Alevizatos, G., The psychological health and disease all over the world, Hygiene Record, April-June, 1959.

(66) op.cit., pp. 33-35.

(67) Law No 3340 of 1955.

(68) NBS responsibilities:

a) to develop a programme for a national network of blood-giving and blood-receiving stations.

b) to control the relevant private and voluntary services.

c) to inform the population of its services and to motivate voluntary blood giving.

d) to follow international developments in the organization of blood services.

(69) Law No 4026 of 1959.

(70) Blood services categories:

a) Blood donation Centres (of all the procedures).

b) Blood donation Stations (blood taking services)

c) Hospital blood services (mainly for the needs of the hospital).

(71) Vaccinations were given to 1.650.000 persons. Huge quantities of food and clothes were distributed. Health care to 44.750 destitute patients in 18 small GRC Hospitals and medical examinations to 482.900 ones were provided and special services were given to refugees from Eastern Europe.

(72) As mentioned earlier, the Red Cross Nursing School was educating for 3 years, young ladies interested in devoting their lives to the service of suffering people. Between 40 and 60 nurses graduated from the school every year and in 1958, 664 nurses were working in the GRC services.

(73) In 1957 about 3.650 volunteers gave blood in GRC services.

- (74) Ministries of Social Assistance, of Employment, of Education, of Finance of Defence, of Justice, of Agriculture.
- (75) Titmuss, R.M., *op.cit.*, p. 122.

# V

## THE 1950s RECONSTRUCTION OF SOCIAL INSURANCE

### Paths to the Beveridge reforms

The socio-political drama of the post-war period in Greece provoked grievous repercussions in the social security field. The State was forced to intervene by reorganizing IKA, the main institution of social insurance in Greece which operated so far as the leading means of the social policies pursued. Greek and foreign experts of the American mission and the I.L.O., as well as the leading representatives of employers and employees were involved in this crucial operation. In 1947, the I.L.O. mission in Greece appreciated that the social insurance system in Greece was "in a state of alarming complexity" (1). The international trends after the war resulted in the introduction of unified social insurance systems, breaking away from many of the traditions established by Bismarck and coming closer to the Beveridge model.

In 1948 the American mission established in Greece, invited two American experts - Mitchel and Murray - who examined the existing situation. An invitation to Oscar Powell, an American social security specialist, was based on their recommendations. Powell undertook the arduous task of reorganizing IKA; he became IKA's General Manager from December 1948 to July 1950. In October 1948, Law No 852 stated that..."The Greek government, caring for the best possible administration of social insurance, asked the American government to arrange for a specialist, with a wide experience in the administration of social security and insurance to undertake the reorganization of the system in Greece and IKA's management...".

The American government appointed Powell and three other American

experts as his assistants who started the examination of the problems. Their main recommendations were the amalgamation of several relevant funds at the first stage, and afterwards the foundation of a uniform insurance institution - the National Organization of Social Insurance. Their plans provoked strong reactions, particularly from the influential occupational groups who saw that their insurance interests were at stake, because their special funds would be incorporated, losing accordingly their privileges. Organized pressures obliged Powell to resign and all his amalgamation plans were abandoned. The American plan - unfamiliar to the socio-political and psychological peculiarities of the Greek people - had provoked general opposition.

As in the past, many discussions were held about the problems of social insurance finance, steadily increasing since 1946 (2). There was a wide consensus that the system "was lame" and that radical solutions should be implemented for its entire reorganization. The problem still was the power of the interested pressure groups and the traditional lack of strong political will in the everlasting unstable socio-political and economic arenas.

The period 1950-1951 was - once again - one of unstable coalition governments. The April 1950 elections, held under a system of proportional representation and with the participation of 44 parties, gave no majority power. In a 250 seats house, Tsaldaris' right wing Populists won the largest share with 62 seats, but the three centre parties - Sophocles Venizelos' Liberals (3), Plastiras' National Progressive Centre Union and the George Papandreou party - accumulated 136 seats and formed a coalition government under Plastiras. After a while, this coalition collapsed and Venizelos became prime minister with Populist support. In November 1950, the Populists withdrew their support but Venizelos formed a new coalition government with Papandreou as vice-president. This coalition survived until September 1951 and brought to Parliament the most essential social insurance legislation, which continued to form the basis of the system for the coming forty years.

The cooperation of the Ministry of Labour under Minister G. Bakatselos - a strong advocate of the Beveridge reforms - the powerful American mission, and the G.C.G.L., resulted in the new Bill which came to Parliament in June 1951. The new legislation was faced in Parliament with a memorable consensus though this issue, still attracting relatively minor political attention, was submitted and discussed in a Parliamentary holiday period. It was said that the Bill attempted to correct the deficiencies experienced with the existing Law No 6298 by the introduction of several new adjustments or "innovations" as repeatedly called in the Bill. This was clearly an attempt at the reorientation of the Greek social insurance system according to the recent European developments, aiming at "...a more complete and drastic protection of the country's employees" (4), a more universal coverage.

It was argued that the Bill was brief, once again, in order to be flexible, determining only the general directions and leaving the detailed adjustments to special decrees. The main insurance sectors covered were sickness, maternity, disability, old-age, death; moreover, unemployment coverage was widely introduced since the existing volatile unemployment fund would be incorporated with IKA. In addition, by granting eligibility to several minor categories of self-employed, such as pedlars and hawkers, a decisive step towards a concept of uniform coverage of the urban working population was made.

The Bill provided for a radical adaptation of the existing funds and prohibited, once again, the establishment of further insurance funds, allowing only the foundation of supplementary ones. Any special fund should provide coverage equal to IKA's, otherwise it would be amalgamated with it; in this respect the uncontrolled expansion of funds in the undisciplined Greek social insurance system was expected to stop.

The fundamental purpose of the Bill was, as already said, the reconstruction of IKA, which covered 3/4 of private employees and "deserved unlimited state support" (5), in order to alleviate the existing gaps in protection. A



rational mode for the whole social security institution in Greece was promised to be applied by gradual further reconstruction.

The legislation was "saturated" by the solidarity principle, a potential of social insurance not fulfilled so far within the scheme. As the law emphasized, "social insurance is the practical demonstration of national solidarity", sharing Beveridge's view. The recent reforms in social insurance determined a universal coverage of all working people, providing insurance coverage against sickness disability, old-age, death, maternity and unemployment, and providing minimum living standards. It is fascinating to note that a considerable part of the Introductory Report covered in detail the Beveridge Report conclusions, accepting them as guidelines for the concept of the new legislation.

Emphasis was given as well to health care, describing that in some countries, such as Great Britain or Australia, this was separated from the social insurance schemes and became a free state universal provision. The level of the health services provided at that time in Greece was unacceptable. In 1951, the Minister of Social Assistance made a special public petition for this issue discussed in the previous chapter.

Additionally, it was underlined that the recognized insurance gaps ought to be gradually narrowed by social assistance. As explained in the previous chapter the reorganization of the social assistance system in Greece was defined as another immediate task of the State. The harmonization of the upgraded social insurance and social assistance policies was expected to result in a substantial improvement in the level of social protection in Greece.

The Minister of Labour however, accepted in Parliament at the end of the day that "... the Bill does not include all recent developments in the social insurance field. Under the present economic circumstances, such a jump would be extremely dangerous. We simply correct whatever is correctable, we make a step further and we prepare the field for a future overall harmonization of social security" (6). However, this harmonization never took place.

## **The Bill of 1951**

### **Range of coverage**

#### ***Insured risks***

The new Bill provided coverage against sickness, disability, old-age, death and maternity. In addition, after the amalgamation of the unemployment fund with IKA, unemployment insurance coverage would be widely provided by the scheme.

In particular sickness protection was substantially extended by full coverage of dependants. Dependants were defined as spouses and children and additionally financially dependent parents, sisters or brothers. Work accidents and occupational diseases remained divided according to their consequences either in the sickness or in the pension sector. No contribution conditions would be required for provisions for working accidents or occupational diseases, according to the relevant French and Czechoslovakian legislation, as already successfully implemented by Law No 6298 of 1934. The occupational diseases list was as extended according to I.L.O.'s recommendations.

#### ***Insured people***

The Bill substantially widened IKA's range of coverage including new occupational categories such as domestic servants, Greek employees of foreign companies or working in the diplomatic corps. The Bill provided, in addition, eligibility for several neglected categories of poor dependent employees such as roving small salesmen and pedlars, aiming at the uniform full coverage of the working population of the urban areas.

The Minister of Labour stated that "...this extension of coverage will probably provoke administrative difficulties, but it would be a paradox that social insurance covered the relatively financially stronger occupations, while some self-

employed persons with actual needs for insurance coverage remained totally unprotected..." (7). The existing funds TEVE and TAE, which should normally cover these people, were not providing sickness coverage, the indispensable protection for them. Finally, the Bill did not anticipate any restriction due to sex, nationality, citizenship or level of income.

### *The existing special funds*

The Bill introduced a firm policy regarding the existing social insurance funds. As has been pointed out earlier, the main negative characteristic of the Greek social security system has always been the carving up of social protection into numerous funds, lacking any actuarial study and any harmonization in the level of provision. This situation resulted in the disproportionate burdening of the Greek Economy, through direct or indirect state subsidies, and the creation of privileges for some advantaged insured person. The Bill anticipated some new adjustments in order to settle this anarchy, something which the former Law No 6298 had failed to achieve.

The new regulations provided that from the existing funds would be maintained only those in a position to grant benefits equal to IKA's. Funds unable to provide such a level of protection would be amalgamated with IKA' "their maintenance is contrary to the common sense" the Minister argued (8). In other words, IKA's welfare benefits were established as the minimum acceptable protection for all working insured from January 1952. In this respect, funds providing health benefits should make them equal to IKA's health provisions.

The Bill did not anticipate specific criteria for the comparison between IKA's and each funds' provisions in kind. The final judgement for amalgamation would be made by a Special Committee consisting of the Minister of Labour, IKA's General Director, a member of the High Administrative Court, academics, experts, technical and administrative officers and employees' representatives.

The existing funds' personnel would be absorbed by IKA with limited

exceptions. The normal retirement of this extra personnel would result in the mid-term in a significant saving of administrative costs by reducing administrative personnel. Employees not keen on this transformation would have the right to compensation and an early retirement pension provided from the fund for employees in social security organizations. Doctors of the amalgamated funds, either general practitioners, specialists, or dentists, would be employed by IKA under the same employment status, on salary or on capitation, on the condition of two years minimum service. The same adjustment applied for medical personnel as well. In general, IKA would respectively recognize all the insureds' working days recognized by the amalgamated funds.

The line concerning the amalgamated funds' pensioners was that they would be eligible for pensions from IKA and their pensions would be in no case lower than before. In this respect, pensioners having fulfilled IKA's contributory conditions would continue receiving their pension, as high as this might be. Those failing to attain eligibility due to IKA's stricter conditions - persons with less than 60 per cent disability or with an age less than 60 for men and 55 for women, or survivors not included in the new regulations - would continue receiving their pension, even if this was lower than IKA's standards. The philosophy stated in the Introductory Report was that the rest of the working people should not be burdened by such young pensioners as long as they still were in a state to be productive (9). Health services would be the same for all. In addition, an adjustment defined that the TB - Organization would be incorporated into IKA in order to provide better coverage and to rationalize its financial and administrative system.

The amalgamation of the unemployment fund with IKA was a crucial amendment introduced by the new legislation, but not without opposition. Several arguments were developed against inclusion of this coverage, claiming that the unemployment risk was not predictable and accordingly the precise premium could not be estimated or that there was a danger in the case of bankruptcy of the

unemployment account and that the pension fund might be used to cover unemployment benefits, as happened in the tobacco workers' fund (10); or that the unemployment fund should pursue in general the State's employment policy - a task which ought to be organized on a special separate basis. However, the Government decided on incorporation for administrative reasons and introduced some new adjustments, aiming at the reconstruction of unemployment protection, and the revival of its finances.

Furthermore, the Bill banned the foundation of further special funds but allowed the establishment of supplementary insurance schemes which would provide coverage on top of IKA's provision. This regulation had been included in Law No 6298 but never implemented due to political pressures and the prevailing upheaval. Any new supplementary fund would have to include a minimum of 1.000 members in order to become financially viable. The possibility of several relevant funds' unification into one main insurance organization was encouraged by the Bill as well.

Finally, special funds' pensioners would retain eligibility for IKA's health care coverage, provided that they were insured in IKA's health insurance sector. Until then, these people remained unprotected for health care as soon as they retired, "exactly when they became more vulnerable to health problems" (11). In fact, many employees - nobody knew the exact figure - were already insured by IKA on top of their special funds coverage, aiming to increase their pensions and indeed to secure health insurance, still not provided by most special funds.

## **Range of benefits**

### **Pensions**

#### ***Old-age***

The age for full pensions (65 for men and 60 for women) in the case of arduous employment was reduced to 60 and 55 accordingly. The list of arduous occupations was to be defined by a forthcoming circular. The Bill introduced a

voluntary early retirement scheme for men from the age of 60 and for women of 55. Early retirement pensions would be reduced by 0.5 per thousand or 1/200 of normal monthly pension for every month less than the normal retirement age of 65 or 60 provided that contributory conditions had been fulfilled. Practically, retirement at the age of 60 would grant a pension 33.8 per cent lower than the full one and at the age of 64 a pension reduced by 10 per cent. This adjustment was based on optimistic demographic and employment assumptions. In 1950, life expectancy at birth for males was 63.4 and for females 66.7 (12).

Additionally, the Bill abandoned the regulation according to which a pensioner was not allowed to earn more than 1/2 of the remuneration of a physically and mentally healthy employee in relevant employment in the same area. However, a pensioner would not be allowed to earn more than 25 times a half of daily pay of the insurance class to which he/she belonged when becoming entitled to a pension. The Bill did not determine the way these regulations would be actually enforced.

### ***Disability***

The Bill maintained the system of "relative disability", considered as successfully implemented over the previous 15 years. According to the philosophy of the relative disability system, a disabled person capable of employment should remain in work with a new occupation, not substantially different than the one before disability occurred.

An insured person would be eligible for a disability pension by becoming physically or mentally incapable of gaining more than 1/3 of the usual remuneration of a healthy employee with the same educational background in the same area. This relative disability definition - having German origins - was enlarged by post-war legislation. In the Czechoslovakian Law for example, the disability percentage was reduced from 66.3 per cent to 50 per cent. These trends influenced the new Bill which introduced an "adaptation allowance" payable for

up to a 2 year maximum period, irrespective of any employment or other income, for insured persons with a disability degree of less than 2/3 but minimum 1/3 or over. This allowance would give to partially disabled insured persons an adaptation period for return to their normal occupation or to find new relevant employment. However, this kind of temporary pensioner would be obliged to accept IKA's suggested occupational adaptation, otherwise eligibility would be lost. IKA had to organize the relevant professional schools, according to the Government's announcements. The introduction of the adaptation, allowance - based on the French *longue maladie* system - was aimed at the return of the partially disabled, especially those recovered from TB, to the workforce.

### ***Death Pension***

This was provided to dependant survivors - family members of the insured, as well as in the case of imprisonment or disappearance of the insured person. As dependant survivors were considered widows, orphans - either children or grand-children - destitute and disabled widowers and destitute parents. The war disabled would retain their death pensions in any case, on top of the inadequate state pension and although this was not, of course, an insured risk.

### ***Work accidents and occupational diseases***

The Bill retained the successful innovation of Law No 6298 of 1934 which divided work accidents and occupational diseases according to their effects, as sickness, disability or death benefits, provided by the relevant insurance sector.

### ***Contributory conditions***

The Bill united the contribution conditions for all kinds of pensions requiring a minimum of 2.500 days of pay and at least 100 days of pay for each of the last five years before receipt of pension at the retirement age. There were no contributory conditions for work accidents and occupational diseases; in the case

of accidents out of work half the normal conditions were required. In general the Bill established favourable regulations, so that almost every insured person, definitely lacking remuneration from work, would receive a pension. Finally, stricter conditions were introduced for people entitled to more than two pensions from different organizations since many insured received two or even more different pensions. In that case, the Bill put on top an extra condition of at least 1.500 working days during the last five years before retirement age. The Bill did not clarify how IKA would administer these cases and provided no penalties for those not declaring a second pension.

### ***Level of pension***

The level of pensions would be based on two main principles: Firstly, the solidarity principle in favour of the lower paid insured was attempted to be introduced in line with the respective principle of the Beveridge Report. In 1947, it was estimated that the pension of those belonging to the highest wage class, after 35 years of contributions was equal to 75.2 per cent of their wages. The respective average pension of those in the three bottom classes was equal to 62.4 per cent of their wages (13). In this respect, the new Bill introduced a minimum pension equal to 80 per cent of the remuneration of the first insurance class. This would provide pensioners' with a minimum income level and enhance the redistributive role of the scheme. Secondly, the insurance principle defining that:

- a. the pension level would be based on a scale according to insurance duration, in order to keep insured persons in the workforce and to maintain the indispensable relationship between the level of pension and insurance duration.
- b. The pension level would be relative to the level of the insured's remuneration, in other words depend upon the contributions paid. The calculation of the supplementary increases on top of the minimum pension would be based on the wage or insurance class of the insured person, during the last 2 years



before retirement, subsidizing in this way the level of total pension. In addition, pensions would be increased according to the family circumstances of the insured for wife, children, etc.

In general, pensions calculation would be based on the 80 per cent of the lowest insurance class of remuneration and the following increases: 10 per cent of the difference between the first insurance class and the class in which the insured belonged; 4 per cent of the above total amount for every 500 days of pay after the first 1.000 days and up to 2999 days, 3 per cent for every 500 days over 3.000 up to 5.999 days, and 2 per cent for every 500 days over 6.000; on top, there were increases due to family dependants up to 50 per cent of the total amount of pension for the spouse, 20 per cent for the first child, 15 per cent for the second and 10 per cent for the third. Total pension could not exceed working remuneration in any case. Those wishing higher pensions were directed to private insurance.

Several examples of pension calculations in the Introductory Report of the Bill showed that the lower the daily rate of pay the higher the proportion of it would be paid in pension. In cases of complete disability pensions would be increased by 50 per cent; work accident and occupational disease pensions would not be less than 60 per cent of the insured's remuneration, instead of 40 per cent provided for in the earlier law.

The death pensions level would be a percentage of the disability pension to which the insured would be entitled on the day of death. These percentages would be 80 per cent for widows, 60 per cent for orphans and 40 per cent for an insured person's widowed mother; in case of complete disability of a family member, pension would be increased by 50 per cent. The disability, old-age, and death pensions might be adjustable by considerable increases of the price-index following the decision of IKA's Board of Directors, having the approval of the Minister of Labour. The rationale behind this decision was that contribution amounts and wage classes would be respectively increased by the same procedure

and for the same reasons.

### *Sickness benefits*

#### *In kind benefits*

The Bill introduced the extension of full health care coverage to the members of the insured person's family, thus coming closer to a universal health care insurance scheme. This adjustment allowed the dependants access to inpatient care not provided until then. IKA had to issue the relevant special circulars within the following 18 months.

Furthermore, IKA gave tuberculosis patients full coverage not only for institutional but for home care as well. Health care would be provided as long as sickness existed with no time limitations. In the case of maternity, IKA would provide institutional care if possible, otherwise a maternity allowance in cash to the insured or dependent woman, since until then institutional maternity care was not provided by IKA.

#### *The health insurance system*

The Bill did not lay down a particular health care insurance system disregarding, in a sense, the existing system of organized free choice of doctors in line with the preceding law and the organization of services which followed. All alternatives should again be examined: doctors who were IKA's employees, free choice of doctor in private surgeries or organized free choice in polyclinics, and/or, a system of "condottas" with family doctors. IKA was given the possibility to test a new system - as for example the "successful" British model with family doctors giving insured persons a wide range of choice of doctor. It was of course emphasized that the cooperation of doctors would be indispensable in order to reorient the organization of health care. Everything should be defined by forthcoming respective circulars, including the details of a regulation of patients' charges up to 25 per cent, anticipated in the Bill.

The Minister underlined in Parliament that the inadequate level of health care was not the result of gaps in the existing legislation, but of the inadequate IKA's health care facilities and equipment and the lack of any preventive care, explained by the historical problems of the last decade. Moreover, IKA's health insurance sector was to pay a high price for some absurd decisions made during this period, such as the provision of health care to public servants without contributions or the decrease of health contributions of those contracted public servants covered by IKA (14). On this occasion, the high infant and children mortality rates, the low expectation of life and the high morbidity were mentioned. A health care construction programme was promised to be given top priority and to absorb most of IKA's investments. Furthermore, special circulars would determine priorities for preventive care, issued after the cooperation of the relevant public, private, national and international organizations.

### ***Cash benefits***

Sickness allowance was granted after the third day equal to 50 per cent of the daily pay of the insured class, increased by 10 per cent for each member of the family up to a 70 per cent maximum or 35.000 drachmas daily. The allowance was payable 7 days per week for up to 180 days constantly or periodically; for tuberculosis cases it was payable up to 360 days.

The Bill abolished the 3 day waiting period, before receiving the sickness allowance for work accidents or occupational disease, and reduced the waiting period for all the other cases from 5 to 3 days; only one waiting period would exist annually. A forthcoming circular would define the waiting period for the self-employed and voluntarily insured employees.

Maternity benefits - pregnancy and confinement allowance - would be equal to sickness allowance and its increases with no maximum, payable 42 days before and 42 after confinement, as long as the mother stayed out of work for all

the above period. The minimum allowance would be equal to the daily pay of the first insurance class. Eligibility was provided for working women with 200 days of contribution in the last 2 years before the possible confinement day. Indirectly insured women were entitled only to a confinement allowance, a lump sum not less than 5 times the daily pay of the highest insurance class, in case IKA could not provide institutional maternity care.

In general, the time conditions for benefits in kind, were a minimum of 50 days of contribution and for cash benefits of 100 days in the last year of work, or in the last 15 months, excluding the final 3 months. Temporary employees might be granted cash benefits after 75 days. Finally, pensioners were not eligible for cash sickness benefits.

### ***Unemployment***

Greece introduced unemployment insurance in 1945 - 34 years later than the first unemployment insurance scheme was introduced in England. This was mainly because Greece was a poor country with little industry and such a provision might be proved dangerous in several ways. Law No 118 of 1945 established an unemployment fund for the protection of dependent industrial employees. Some years later, in 1949, unemployment coverage was extended to all dependent employees by Law No 1255. From 1949 onwards however, the fund started having deficits (15).

The Bill of 1951 improved the existing unemployment legislation. The contributory conditions for unemployment benefit were reduced from 180 to 150 days of contribution in the last year or in the last 15 months excluding the last three. It would be equal to sickness allowance - 50 per cent of the daily pay of insurance class with family increases up to 70 per cent - payable after the 15th day since registration, for non-working days as well, up to a maximum of 180 days constantly or periodically.

IKA would be responsible for finding the insured suitable employment;

until then, the benefit would be granted but the insured should be available for employment or attending IKA's training schools, registered in one of IKA's Employment Offices and appearing there regularly. The criteria of suitability for new employment would be the unemployed's mental and physical abilities, occupational background and skills, duration of unemployment, and the distance between home and the work place. Unemployed were not obliged to accept new employment in cases of vacancies due to a strike or lock-out or if a regular position and payment were much better.

Furthermore, IKA would stop providing the benefit if the unemployed refused to follow its instructions without good cause, or received any cash benefit except maternity allowance. The Introductory Report concluded that "...the Greek unemployment insurance coverage is so perfect, that it is comparable with only less than five foreign relevant laws, constituting a pride for a country as poor as Greece!" (16)

## **Finance**

### ***The general framework***

The Minister characterized as favourable the economic policy pursued by the Bill for social security "without disregarding the general interests of the Greek Economy" (17). According to the usual philosophy of all governments the main direction was the avoidance of an excessive burden on the national economy in the short run. On this principle, were based adjustments such as the establishment of a pure Pay-As-You-Go system in the pension sector of IKA, the prohibition of the establishment of financially non-viable supplementary funds with less than 1.000 insured persons and the restriction that the maximum insurance contribution of the several insurance funds would not surpass the relevant IKA's percentages.

In addition, a possible decrease in existing social security expenditure was expected due to the amalgamation with IKA of several insurance funds

(Unemployment Fund, TB-Organization, etc.), which should result in significant administrative savings. The main effort was not taking huge funds out of the economy by determining the lowest possible insurance premia. The support to industries in rural areas by the possibility provided to the Cabinet of reducing contributions there by up to 10 per cent for a maximum 5 year period, was a regulation open to political bribes. Finally, the redistributive regulations according to the solidarity principle was said to be a major guideline for the allocation of the financial burdens of the scheme.

### ***IKA's finance***

The Bill introduced the principle of tripartite finance coming from employers' and employees' contributions, and, at last, state finance which was scheduled to start two years later, in 1953. It was expected that state subsidies - based on the concept of the Philadelphia Declaration - would play a decisive redistributive role under a rational income tax system.

### ***Contributions***

As we have seen, the Bill was aiming at the containment of insurance costs. However, the rate of contribution actually increased by 5 percentage units, though the Introductory Report was claiming that no increase was anticipated. In Athens and Piraeus employers' contribution would be raised to the level expected after 1951, according to the periodically increasing formula of Law No 6298. The current rate was 14 per cent on remuneration: 11 per cent for IKA, 2 per cent for unemployment insurance and 1 per cent for the TB-Organization. The total percentage would be increased in the rural areas by 3 per cent: 2.5 per cent for IKA and 0.5 per cent for unemployment insurance although the law intended to support these areas, by another adjustment. In addition, health insurance would be financed by patients' charges up to 25 per cent of expenses, while the existing participation was 20 per cent according to the previous law.

Furthermore, the Bill anticipated a ceiling of daily pay entitled to contributions (18). Additionally, the pension increases were expected to deteriorate the need and the role of the numerous supplementary funds, possibly decreasing in the long run the resources devoted to them.

With reference to the distribution of the contribution rate, the Bill anticipated that in the unemployment insurance sector, employers would remain the only contributors with a 2 per cent rate. In the health insurance and pension sectors the overall contribution would be 17 per cent of remuneration from which: 12 per cent - or 70.6 per cent - would be the employers'; and 5 per cent of remuneration - or 29.4 per cent - would be the employees' part of the contribution. The allocation of the total contribution rate of 19 per cent of remuneration for employees and employers would be: for cash benefits for sickness and maternity 2 per cent (0,75 + 1,25); for benefits in kind for sickness and maternity 7.5 per cent (2.5 + 5); for pensions 7.5 per cent (1.75 + 5.75); and for unemployment 2 per cent (0+2).

The previous law's distribution of the contribution rate was 60 per cent for employers and 40 per cent for employees. This 10 per cent difference in favour of employees was a development of strategic importance in the social insurance field in Greece. The Introductory Report explained this adjustment as the result of the undervaluation of remuneration, after the war and of the a-priori acceptance that contributions were a part of remuneration. Contributions would be calculated on the basis of insurance classes; each class would determine an average notional daily pay. The law retained the existing adjustments but simplified several calculations.

IKA should theoretically collect insurance contributions as soon as employees received their remuneration. It was said that the Bill anticipated firm penalties for employers delaying in paying them (19). In practice, on the contrary, by the new regulations the maximum period of delay was extended from 15 days to a month after payment from relevant remuneration and the so far anticipated

interest rates for contributions due was abolished. Finally, the existing stamp collection system was maintained.

### ***Capital investments***

A large construction plan was said to be given priority aiming to build modern properties for the establishment of IKA's administration and, especially for its health care services. The establishment of modern hospitals and surgeries was recognized as an indispensable urgent task to improve the low level of health and medical care protection (20). Additionally, IKA could invest - according to I.L.O.'s Conventions, part of its capital in the purchase of welfare organizations' shares.

### ***Financial perspectives***

According to the new adjustments, the number of IKA's pensioners would be progressively raised to 53.000 - 10.000 pensioners more than those under the existing regulations. The main reasons for this increase would be the 5 years decrease of the arduous employment age limits valid from January 1953, the early retirement scheme, and the newly introduced "adaptation allowance" which would increase disability pensioners.

The Introductory Report anticipated that a substantial increase in pensions' insurance premia would be necessary within the next decade, unless a full employment situation was achieved. Otherwise, the scheme was expected to have deficits from 1962 onwards, and a contributions' increase was suggested from 1956 (21). Of course, this was a theoretical projection since nobody knew the financial impact of the forthcoming amalgamations of several insurance funds. In this respect, the Bill introduced the State as the third party contributing to the scheme. The State's annual financial "subsidy" was to start from 1953, so that IKA's financial viability would be guaranteed.

In reference to health insurance, the present annual expenditure of 209



billion drachmas was expected to increase to 244 billion drachmas; 10 billion drachmas more would be absorbed by cash benefits and 25 billion drachmas more - an increase of 80 per cent of this account - for hospital care. However, this sector was anticipated to have a surplus of 46 billion drachmas annually, which could be directed to the health services reconstruction plan. The unemployment sector was expected to be self-sufficient according to the new regulations and the existing unemployment figures; further projections were not feasible for this sector.

Aiming to facilitate efficient financial management, the Bill mainly relied on special circulars according to the major principle of financial independence of each insurance sector, thus prohibiting any possible transfer of funds' between the relevant accounts to cover future deficits. Fears had been expressed, as we have seen, about the financing of the unemployment sector. Additionally, IKA's urgent provisions worth less than 20 million drachmas could be decided without putting it out to tender. Several tax deductions in favour of IKA would be maintained.

A Central Supervising Board and a number of independent High-Court judges would exercise financial control. Members of the Board would be special controllers and employers' and employees' representatives. Local control committees could be appointed for the geographically remote offices of IKA.

### ***Economic system covering insurance expenditure***

The Bill introduced a pure "Pay As You Go" system concerning the pension sector, abandoning the previous "mixed system". Up to 1944, the latter had cost more than 1.5 million golden pounds to IKA, due to the drachma's devaluation. This system required stable money values which, as seen, were an unusual phenomenon for Greece. Additionally, the system used so far had led to the creation of a huge capital sum, "painfully deducted from the economy" (21), which was difficult to invest. The distributional "Pay-As-You-Go" system, implemented after the war in the United Kingdom, France, Austria and Czechoslovakia, would require lower insurance premia in the short run due to the

small number of existing pensioners, while the pensions provided could be higher than before.

As far as the sickness and the unemployment sectors were concerned, the distributional system was widely accepted as the proper one for the short-run risks. Furthermore, it was promised that insurance premia would not be annually determined and the pension premia for example, were scheduled to cover the gradually rising cost of the scheme for the next decade (22).

## **Administration**

### ***The administrative status***

It was said that IKA would retain its financial and administrative independence. In principle the concept had been that the State would be able to control policies of the scheme but not to interfere in its financial and administrative function. The Bill laid down the general directions of administration and planning for every sector. Special circulars and decrees would determine the means for the realization of general state policies, issued after the "cooperation" of the Minister of Labour and IKA's Board of Directors (23). The Minister however, could drop suggested circulars from the IKA administration and the final judgement would be made by the Cabinet. Special circulars could not amend regulations of the existing social legislation.

### ***The managerial status***

The Board of Directors would be IKA's highest administrative managing body, consisting again of a President and 11 members, from which an equal number would be employers' and employees' representatives and experts appointed by the government, including necessarily a doctor. The Board would be appointed for a six year period but its members would be partially replaced every two years in order to achieve continuity. The Board would deal with the most serious problems, having the authorization to instruct and supervise several

committees appointed to study several special areas. Furthermore, in the case of serious breaches, the Minister of Labour would be able to ask the High National Board for the dissolution of the Board.

The administrative leader of IKA would be again the General Director having the necessary scientific and administrative qualifications, appointed by the Government with a "wide range of independence". The Bill attempted to "depoliticize" this important position, stating simultaneously that the person appointed should harmonize IKA's independence and constructive state control. The position of a Deputy for the General Director was introduced to lighten his burden and leave him to concentrate on the major issues.

As we have seen, since IKA's establishment, a powerful Government Trustee had been the most important feature of state control. The Trustee had the discretion to overrule the Board's "illegal" decisions, according to world-wide common legal practice", as in France or Belgium (24). It was emphasized that this position should express the "maximum state tolerance": overseas relevant regulations were much more restrictive for the social insurance institutions (25).

### ***Local administrative offices-services***

IKA's administration at the district and regional level would be supervised by committees established in local offices, consisting of one employers' and one employees' representative and one IKA official. The committee's authority was restricted in comparison with the earlier legislation for local offices.

General management and branches would be maintained as the main distinction of services. Administrative decentralization, especially for health care services would be reinforced according to recent trends and the successful 15 years of implementation. The Bill anticipated an experiment according to the French system in which an insurance branch would be segmented in local units with varying degrees of independence. Another adjustment abolished the financial independence of the district branches as being opposed to the solidarity principle.

Details were left for future special circulars in order to adapt sufficiently to changing needs and circumstances.

Finally, the Bill introduced the establishment of insurance administrative courts to resolve disputes. It was intended that solutions to disputes with the insured would be found, under prompt and efficient procedures, thus resolving what had so far been reported as a considerable problem. On 21 June 1951, the Bill passed in Parliament and became the Compulsory Law No 1846 "about social insurance". This Law was to determine the social insurance legacy for the main part of the working population covered by IKA, for the next 40 years.

### **Reflections: Social Insurance meets Social Security**

The period of unstable coalitions - 16 different governments between 1946 and 1952 - led to the September 1951 elections, less than three months after the easy passage of the social insurance legislative reform in Parliament. The winner, former Field-Marshal Papagos' Greek rally, copying de Gaulle's model in France, won 114 seats and was not in position to form a viable government. Papagos asked immediately for new elections and refused participation in a coalition. A new centre coalition government under Plastiras was formed having to face a significant reduction in the annual American aid, from 225 to 182 million US. dollars. The Americans made it clear that this was due to the unbearable political instability and demanded a change in the electoral system from proportional representation to a simple majority.

At the end of 1951 and after long discussions, a new relatively liberal Constitution was passed in Parliament. It did guarantee basic democratic freedoms but the repressive emergency legislation, active since the civil war period, was not removed. Among others, this legislation provided the wide use of a certificate of "healthy social views", indispensable for a passport, for a driver's license, for state employment and occasionally for university entrance. The Prime-Minister Plastiras, an advocate of reconciliation between the left and the right,

finally achieved the withdrawal of this odd legacy in April 1952.

Under these circumstances, Law No 1846 was sanctioned on 7 May 1952 by Law No 2113, introducing remarkable reforms in the social insurance legislation, and particularly in social protection, summarized as following:

- a. Uniform employees' coverage and the possibility of extension mainly to self-employed poor persons.
- b. Enlargement of IKA's provisions and uprating of benefits, in general.
- c. Establishment of a uniform minimum level of protection by the requirement that all special insurance funds should adjust their provisions to IKA's standards or to be compulsorily amalgamated with IKA.
- d. Full extension of sickness in kind benefits to dependants, so the scheme came closer to a universal health care system; accordingly a construction plan for health services was decided.
- e. Calculation of cash benefits on a more "social" redistributive basis.
- f. Introduction of stricter conditions for employees being members of more than one main insurance scheme.
- g. Introduction of an adaptation allowance, for partial disability and enlargement of the "subjective definition of disability".
- h. Unemployment fund's and TB-organization's incorporation with IKA, increasing their credibility.
- i. Rational management with more emphasis on IKA's administrative independence, with detailed regulations.
- j. Introduction of state's participation in financing the scheme.
- k. Reinforcement of the amalgamation procedures of special funds with IKA, with conditions in favour of these funds but not securing IKA's financial future.
- l. Readjustment of the procedure for the transfer of insured persons between insurance institutions, granting insurance continuity.
- m. Introduction of regulations providing reduced early pensions.
- n. Special treatment for arduous employment provided by full early pensions, and

higher contributions.

o. Increase of employers' share in the rate of contributions.

The extent to which the law was harmonized with modern social security trends is a matter of discussion. Some argued that it "did not deeply entrench the social security system into Greece" (26), but in general this issue was faced with considerable consent. This was a significant step towards social progress since important aspects of social protection, since minimum level of provisions and a kind of health insurance for all system, were introduced.

The law was as concise as its predecessor, but it was inferior in simplicity and terminological unity. The General Meeting of A.I.S.S. in 1951 in Vienna has given special emphasis to the way in which social legislation is stated, but the Greek legislation failed to be adjusted.

The concept of the initially designed scheme, however, was altered. IKA could up to an extent not be considered anymore as pure social insurance for a number of reasons. Pensions were provided after only 2.500 days or a little more than 8 full years of work, irrespective of any further employment of the pensioner. It was reported that in cases of people having completed the age of 65 before 1951, pensions were again provided after just 750 days of work (27). Sickness in kind benefits were provided even if employment was abandoned. The prerequisite of "main occupation" i.e. full permanent employment, in order to become an IKA member was abandoned, and the insurance coverage of financially weak independent employees was introduced. A very significant increase in widows pension, almost doubled, tended to create a "housewife insurance". The establishment of a low minimum pension and the overall pension adjustments put social insurance near to being a social assistance scheme. Moreover, as will be seen, the "window" opened for a reduced retirement age due to arduous employment was to cause chronic financial problems, leaving space for absurd decisions and political bribes. The same happened after the extension of the definition of disability and the procedure of determining it, an adjustment which

resulted in heavy abuses. In addition, the regulations providing control and penalties for employers not following the law, were in fact enforcing abuses.

As mentioned earlier, the normal retirement age was kept at 65 years for males and 60 for females, while in 1950 life expectancy at birth was 63.4 and 66.7 years respectively. In this respect the insurance risk basically undertaken by the scheme was moderate and the number of normal old-age pensioners would be kept low as well as the financial burden for IKA. In 1951, the population of Greece was 7.633.000 and those over 65 years of age were 511.000, i.e. 6.7 per cent of the population.

Nine days after the establishment of the Law No 1846, the S. Venizelos' Government brought and passed immediately in Parliament the Law No 1854 of 23 June 1951 concerning the award of pensions to public servants and to the armed forces. This was the first general piece of legislation concerning this scheme since 1935, aiming at the resettlement of the existing ..."pensions' anarchy, ... providing unfairly pensions to a large amount of people ... against any notion of insurance principles, ... nullifying the State's honour and credibility" (28). The law restricted contributory conditions for pensions: increased to 15 - from the existing 10 - the years of minimum service for pension at the retirement age, or in case of invalidity out of work; abolished married women's early pensions after 15 years and increased the qualifying period to 20 years. All the other privileges, as described in chapter III, including private or contracted doctors invalidity pensions for doctors who became invalid while "combating contagious diseases", were in fact retained. Moreover, the average pension was increased, since all pensions would by this law be equal to 80 per cent of earnings of the last year of service, and several supplementary allowances were raised.

Law No 1854 introduced - once again - contributions on salaries and pensions. The contribution rates established in 1935 were in the meantime abolished: immediately after the beginning of the war for pensioners and in 1945 after the beginning of the civil war for those in service (29). The 1951 legislation

provided an earnings-related contribution of 2,3, 4 or 5 per cent depending on the amount of salary, and contributions of 6, 8 or 10 per cent depending on the amount of pension (30). This was made inevitable since, as the Under-Minister Mitsotakis said in Parliament, "... the State became fully incapable in paying the real pensioners"(31). A few months earlier, Law No 1811 provided complex regulations for public servants' retirement age limits, which were now linked to the ranking of the position held. A maximum limit was put at age 65. The State attempt of 1951 aiming at a curtail of some of the public servants' privileges was a relatively sound political intervention, in the context of the general policies pursued at this period to reorganize the social security system.

### *The 1951 reform in practice*

The first year of the law's implementation reflected immediate complications. The law was in some issues unspecific or undetailed, and in other very detailed. This left much space for abuses and omissions, or enforced complexities and bureaucracy. However, IKA had to implement the new regulations and to define the details by circulars, which were eventually achieved after long and hard preparations. Several special circulars were issued, regulating such problems as the extension of hospital care for dependants, maternity care services, procedures to get into asylums and orphanages, bath-therapy provisions, an extension of the number of occupational diseases, simplification in the provisions and implementation of wide decentralization in favour of local insurance branches. Emphasis was actually given to IKA's construction programme (hospitals, polyclinics etc.) which would improve medical care; by the end of 1953, 18 buildings in several cities were completed.

Additionally, some basic subjects were still at a primitive level of research. For example, the implementation of a new way for insurance premia collection was under examination because the existing stamp system had proved inefficient. The amendment of the medical care system was a major issue, since



the existing system with the few doctors employed by IKA did not give patients a wide range of choice, and doctors an adequate level of remuneration. Priority was given to the reorganization of IKA's administrative structure in order to fulfil its new expanded responsibilities and to the reorganization of IKA's employment offices. Finally, the extension of the scheme to universal insurance coverage of all employees was under consideration.

During 1952, Law No 2054 included conscripts in IKA's insurance. According to the law a special conscription insurance account had been created to which employers contributed, in order to provide cash benefits for employees going into the armed forces. In the same year and because of the high inflation rates, pensions were increased by 30 per cent and a minimum pension of 400.000 drachmas was established for the insured and 300.000 drachmas for dependent adults. Additionally, some preventive care action was undertaken such as lectures and films in factories or miniature X-rays. Moreover, six problematic insurance funds were amalgamated with IKA, in the following three years after the establishment of the 1951 legislation (32).

The general economic depression affected significantly IKA's financial condition in 1952; outstanding revenue rose to 23.48 per cent of the amount due from the usual 9 per cent; unemployment increased to 9 per cent of the working force instead of 6 per cent of the previous year, the number of IKA's pensioners increased to 43.800 in 1953 from 26.540 in 1951 (33).

According to the National Statistical Service, the number of insured amounted to 415.000 of which 67 per cent were male and 33 per cent female. Since anyway the existing data are contradictory, it is possible that the number of directly insured was half a million, so that the total number of IKA's covered persons was estimated to be around 900.000. IKA's coverage extended to 23 new areas and the insurance territory of 13 other cities was enlarged.

Insurance revenues were 18 per cent of remuneration on average and 19.2 per cent after August 1952; total revenues were 678.288 million drachmas of

which 70.830 million drachmas came from the sickness cash benefits sector, 271.034 million drachmas from the sickness in kind provisions sector, 245.972 million drachmas from the pension sector, 79.169 million drachmas from the unemployment sector and 11.282 million drachmas from the new conscription one. Insurance expenditure amounted to 738.439 million drachmas resulting in an immediate 70.439 million drachmas deficit for the financial year 1952. The main explanation for this deficit was a 140.000 million drachmas contribution debt, which would have resulted in a surplus in IKA's budget if it had been regularly collected. IKA provided on the other hand, in 1952 a considerable number of services (34).

By the end of 1952, IKA was facing a perplexing situation and was left to solve all the problems alone since the political instability still prevailed. The leading issue was the poor level of benefits and services provided. Governments were delaying in ratifying IKA's decisions for pensions' increases. Moreover, health insurance services were inadequate; "We continuously listen to complaints about the way it (health care) is provided, complaints which are justified" (35). IKA was still providing health services in polyclinics by doctor specialists paid on salaries, and in private surgeries by contracted pathologists making home visits as well (36). The services provided in polyclinics ", but, ... especially those of the large cities, Athens, Thessalonica, Piraeus and Patras, are run under very arduous conditions, ... large crowds of strained insured waiting for hours to be examined, ... doctors very depressed and obliged to examine during their working hours more patients than allowed by medical regulations, ... the polyclinics are in miserable condition inadequate for health services, .... doctors of different specialities examining different patients in the same room, .. bureaucracy beyond imagination stressing both doctors and insured" (37). Hospital services were provided by hospitals and private clinics contracted with IKA but the scheme confronted major difficulties. "In terms of hospital and sanatorial care the situation provokes numerous hardships, .. this problem can be solved only by establishing new

hospitals in order to secure the necessary hospital beds, ... the Athens hospital which is to be build, is expected to provide 600 beds while IKA's Medical Department reports that the scheme needs in Athens 2.000 beds" (38). In addition, it was emphasized that the expenses of pharmaceutical care increased "amazingly" and a circular was prepared to control the situation.

It is clear that health insurance was provided so far only in the urban areas at a rather elementary level. IKA's primary health care services were provided - according to the original adjustments discussed in chapter III - in "polyclinics" with salaried doctors and up to a limited extent in private surgeries by contracted pathologists (39). Most people were entitled to this kind of provision and it was only some privileged small groups - such as the bank employees - who were eligible for private doctors and private hospitals. On the other hand, IKA was forced at the moment to provide health services to the public servants' scheme but with very low respective finance. Private medicine attracted of course, all those willing to pay in excess.

The health construction plan was implemented very slowly, though IKA has given it urgent priority. "It is urgent to emphasize to the government and the Ministry of Labour the importance of the realization of the construction plan of the scheme without interfering problems, for the success of social insurance in our country" (40). IKA was the only scheme providing organized health insurance to the Greek working population; many of the members of the other minor schemes were insured by IKA's health sector (41). In view of this, IKA played in fact an enlarged role of national health provider.

The administration of the scheme was in close cooperation with the Panhellenic Medical Association with reference to the organization and provision of health services. The Association insisted on a system of free doctors' choice "composing the best way of medical care". A special committee was appointed in order to discuss the issue with members coming from IKA and from several medical organizations. Finally, IKA's General Director and the President of the

Athens Medical Association undertook in 1953 to study and propose the way for the introduction of the system of "organized free choice" for pathologists and its financial consequences for the scheme.

In the meantime, a decision made by the High National Board partly modified the pensions' contributory conditions of the Law No 1846: those having completed the age of 65 before 1951, and after 750 days of work, were awarded pensions irrespective of other conditions. This adaptation provided pensions with favourable conditions to a significant number of elderly people and increased IKA's unpredictable financial burdens.

The unemployment fund's amalgamation with IKA and especially the favourable contributory conditions for eligibility - increase in the level of cash benefits, equalization of benefits between blue and white collar workers, resulted in a considerable deficit in the relevant account and created general financial problems in the scheme. Since the unemployment benefit defined by Law No 1846 was equal to 50 per cent of remuneration, the scheme could provide benefits up to 4 per cent of the number of its insured members. But in 1952, the number of unemployed beneficiaries was equal to 9 per cent of total insured members and in 1953 equal to 13 per cent (42). Notably the Minister of Labour decided in 10 April of 1952 to decrease the benefit only for the blue collar workers to 40 per cent of remuneration and was accused of political favouritism (43).

### ***The 1953 alterations***

Soon after the implementation of Law No 1846, IKA was confronted with an administrative crisis leading to state intervention and an oppressive centralized bureaucratic organization. Successful medium level managers were not willing to be appointed and qualified personnel left. The whole administrative system seemed powerless to follow national and international developments and changing social needs. Moreover, the drachma was drastically devalued in 1953 for the needs of the rising Greek Economy; this absorbed much of IKA's cash benefits

not covered by the increases later provided.

Law No 1846 did in practice not effectively change the basic administrative structure of IKA but it provided more complicated procedures. In the 2 years of its implementation the situation was aggravated so that the Law No 2698 was introduced in 1953 providing mainly administrative simplifications. The law was aiming, again at the administrative reorganization of IKA; according to the Introductory Report "...IKA was under a deep administrative crisis ... Law No 1846 adjustments mainly introduced collective administrative procedures and created a chaotic administrative situation... only the general management's committees amounted to 19... .. IKA was directed to incidental, unplanned solutions aiming to serve the interests of the classes represented in the Board of Directors...." (44).

This law however, embraced some absurd insurance generosities: pension was awarded to those having just 1.000 working days during the last five years (45), pension after only 750 working days at the age of 55 was granted to "trade unionists having provided distinguished national services" (46), harbour workers were given pensions after 1.500 working days at the age of 55 (47). In this respect, political opportunism provoked insurance privileges within IKA and burdened its financial situation.

On the administrative issue, according to the new Law of 1953, IKA's Board of Directors would have 13 members; a General Director, 4 employers' and 4 employees' representatives and 4 scientists of which one would be a doctor and three social or economic experts. Additionally, two General Executive Managers would be under the General Director, in order to administer and coordinate the several services. It was believed that these modifications would alleviate the existing inflexible decision-making and that control, planning and coordination would become feasible.

Additionally, this law provided for several insurance modifications. The sickness waiting period for any case and the decrease of allowances for insured

persons in hospital became valid again. Contribution rates for insured up to 18 years of age were to be counted as 1/4 of the respective wage class. Simultaneous payment of unemployment and sickness allowance was abandoned. Explanatory regulations for multi-insured people and for the identification of the age of insured persons were introduced. Several adjustments were made for tuberculosis patients, apprentices, and the temporarily unemployed. Finally, regulations extended insurance coverage to further professional categories.

The law gave authorization to the Minister of Labour to abandon several of IKA's financial burdens at his discretion. Ironically, it was emphasized (48) that IKA was burdened by 13 billion drachmas due to several "gratuitous" state adjustments, and by a 2 per cent contribution of its revenues for the national hospital programme, but still lacked any state financial aid. Law No 2698 was another fragmentary unwise attempt which exacerbated the deep-rooted problems of the social insurance anarchy in Greece. Moreover, in 1954, Law Act No 3083 introduced another absurdity, donating a 750 working days bonus for IKA's pension eligibility "to the trade unionists employed in Macedonia and Thrace during the war occupation (49).

In terms of unemployment coverage, the problematic implementation of these services resulted again in this sector's separation from IKA. Law No 2961 of 1954 introduced the establishment of the employment and unemployment insurance organization (O.A.A.A.), based on IKA's infrastructure (50). In order to balance deficits, the contributory conditions were made stricter and the unemployment insurance premium raised from 2 per cent to 4 per cent of remuneration. The additional 2 per cent would be shared by employers and - for the first time - employees. The new conditions were: 125 working days in the last 14 months for benefits paid for 60 days; 150 working days would increase the benefits' payment period to 90 days and 180 working days to payment for 150 days.

The new organization was responsible for employment offices and

conscription insurance as well. This legislation counterbalanced the financial deficits and the scheme resulted in surpluses from 1955 onwards; moreover, it established a solid basis for the development of competent unemployment services in Greece (51).

### *The painful amalgamations*

As expected and following the law of 1951, several financially problematic special insurance funds amalgamated with IKA. Surprisingly, the law forced IKA to maintain the absurdly high provisions of most of these funds (52), aiming most probably to control reactions of their privileged insured members. The amalgamation regulations provided pensions' transferability but did not increase lower pensions to become equal to IKA's minimum ones, but on the contrary secured higher pensions; in other words the adjustment made the rich richer and the poor poorer.

We have already discussed in detail the Greek phenomenon of the numerous insurance funds, its roots and development. Lacking an actuarial basis and organization, these schemes survived during their first period, since pensioners in the beginning were few and the required contribution rates low. After the first period - ten years on average - most of these schemes were experiencing financial deadlock and could not maintain their operation without external support from the State, provided for political reasons. The only exception has always been most of the Bank employees insurance funds, where the Bank-employer was covering the financial burdens.

Between 1952 and 1957, twelve insurance funds were amalgamated with IKA (53), including traditionally strong schemes such as the tobacco workers' fund and the miners' fund. This procedure resulted in 15.000 new pensioners for IKA without any contribution to the scheme. What was only introduced was a special account for tobacco workers fund pensioners financed by "social taxes", mainly charges on the tobacco exports until 1958 (54). This adjustment was indispensable

since the burdens of the tobacco workers' fund for IKA were very significant - 10.500 pensioners, out of whom 5.500 young pensioners had been awarded a pension at the age of 50 and 40.000 insured persons working the maximum 5 months a year and contributing respectively less than normal (55).

The amalgamation policy of 1951 was initially seen as an indispensable step towards the reducing the fragmentation of the system with hundreds of schemes. As this policy developed, it became an instrument of political nepotism, or at best, an inevitable solution for the maintenance of welfare benefits to specific groups. This practice gave a boost to IKA's serious financial imbalances. Up to the end of 1960, 15 bankrupted insurance funds with 21.050 pensioners, had been incorporated in IKA. As IKA's General Director put it "..... IKA became the protector not just of sick insured, but of sick insurance schemes" (56).

Another malpractice exercised following the concept of the 1951 law was the decrease in the rate of contributions for industries in rural areas: these were decreased by 20 per cent for small enterprises, industries and tourist enterprises based on islands and by 10 per cent in all other rural centres in 1955; for any kind of exports, employer's contribution decreased from 12 to 5 per cent in 1954 (57), for rural newspapers contribution rates decreased by half in 1956 (58); the same applied for construction works in earthquake areas (59). These favoured adjustments were estimated to cost IKA an amount equal to the monthly cost of all pensions paid (60).

IKA was providing its personnel with considerable extra coverage by the supplementary fund for employees in social insurance funds (61). IKA's contributions as employer were 2 per cent of earnings but on top 0.5 per cent of total IKA's receipts were paid into this scheme. However, several other employees managed to become beneficiaries of this scheme: personnel of all insurance funds under the jurisdiction of the Ministry of Labour, of several other minor organizations of the Ministry, and finally the whole personnel of the Ministry. The fund provided pension supplements of up to 60 per cent of earnings during the



last month of employment; this resulted in a total amount of pensions received much higher than work earnings. But, of course, this was considered a normal provision burdening IKA, with a vested right for the administrators of the system, who could paralyze it whenever they felt dissatisfied.

Furthermore, the mixed distributional economic system - pursued world wide in the unstable post-war monetary period - played a major role in IKA's economic problems. Additionally and following the inadequate fines, a large amount of "frozen debts", namely contributions due, were accumulated. The grace regulations allowed many employers to invest IKA's and employees' money within their enterprise. Notably, employees' contributions were deducted from salaries every single month. As IKA's General Director bitterly emphasized in 1957 "if this system continues, those paying regular contributions will be crazy" (62).

IKA's grave problem was certainly the outcome of several political but unwise - at least from the social insurance principles point of view - adjustments fostered by most of the post-war Greek governments. IKA's financial course was predicted by the Introductory Report of Law No 1846 but the above state interference exhausted IKA's reserves 2 years before it was anticipated, in 1960. The very important regulation - provided by Law No 1846 (63), concerning the State's legal obligation to contribute to IKA, remained inactive. If IKA had been financed from 1953 onwards as was anticipated, it would have remained financially vigorous. As IKA was mixed with the State's policies, this financial commitment should definitely have been fulfilled. IKA has always been the national social policy instrument but lacked any external financial aid. As the years passed, IKA's initial social insurance framework was falsified. The scheme was repeatedly forced to follow social assistance policies by loosening eligibility requirements, especially the pension ones. It was reported in 1958 that 36 per cent of IKA's pensions were provided after less than 1.200 days of work, or after just four full years of contributions (64). This shifting undoubtedly increased the

importance of IKA's social role and covered some of the urgent social needs but this was not its purpose.

In this respect, IKA's national social action was not accompanied by the analogous adaptations in its economic structure. The measures implemented left no space for the indispensable improvement of its provisions for those regularly contributing. In fact, pensions were retained at a very low level so that the further expansion of supplementary funds was inevitable.

### ***The general social insurance environment***

IKA was covering only a part of Greek employees - more than 200 other social insurance institutions still existed, covering 550.000 insured including public servants. Of these, only 35.000 were covered for sickness and pension and 515.000 only for pension. The main features of these funds were: firstly, differences in the level of insurance contributions; brick workers for example, paid 15 per cent of remuneration, Athenian news papers' employees paid 25.6 per cent, mill and macaroni workers paid 31.4 per cent, Salonica's Railway Employees paid 50 per cent, Independent Tobacco Organizations paid 19.3 per cent. This remarkable dissimilarity was enforced by the continuing unequal distribution of the State's finance, characterized now as "social contributions", and actually being clear political privileges (65). For each insured person the State contributed annually 1.100 drachmas for Athens Gas Employees, 397.200 drachmas for Thessaly Rail Employees and 1.750.600 drachmas for mill and macaroni workers, while IKA and other funds still lacked any state subsidy. Secondly, due to legal and administrative deficiencies, there were important revenue leakages in some funds, such as the Professionals' and Handicraftsmen's fund (TEVE) and the Fund of the Staff of the Public Health Offices. Thirdly, the inequalities in provisions exacerbated the pension differences; for Emery-workers the average pension was 58.000 per month, for mill-workers 395.000 drachmas, for Rail Employees 543.000 drachmas. for Electricity Rail Employees 2.056.000 drachmas. Fourthly, there was the high

expenditure level on health care provisions accompanied by the poor quality of them. The annual per head coverage cost of the Bakers' Fund was 1.366.000 drachmas, and of National Insurance Co Fund 2.518.380 drachmas (66).

In addition, high financial and administrative burdens were created, because of the total lack of coordination among the existing social insurance institutions. In supplementary funds 340.125 people were insured, including public servants (67). Finally, the bulk of funds were characterized by relatively high levels of benefits. This in combination with the fact that several insured were entitled to pensions from 2, 3, 4 or even 5 funds, provoked huge insurance inequalities, and enhanced the discrimination between privileged and under privileged insured people. Moreover, this situation perpetuated the existing solid "legacy" of an elite segment of social insurance funds, made up of powerful socio-professional groups.

### *The developments in the public servants scheme*

In 1953, the Law No 2500 changed the several retirement ages of public servants defined in 1951, and complicated readjustments provided retirement age limits, according to the ranking of the position held, of 65 or 62 or 60 or 58 years of age. But this, of course, was not to be maintained for long.

In October 1957, the Karamanlis' Government passed in Parliament the Law No 3768 concerning new adjustments for the contributory conditions of public servants; surprisingly the qualifying period for pension for married women decreased again to 15 years (68), "... since the reasons for the introduction of this favourable regulation in 1935 exist even today" (69); pension would again become related to earnings of the last month in service; the conscription service of public servants would be recognized as a period of public service for reasons of equality since "... the same applies for officers of the armed forces"(70); survivors' pension was increased without a maximum percentage in case of a family with more than 3 children; the long- existing high degree of pensions' transferability - even to divorced daughters or "destitute" unmarried sisters - and survivors' rights were

further enlarged since orphans of a wife insured would be now granted half a death pension even if the father was alive and capable for work; death pension would be increased from 3/10 to 5/10 of the insured's pension where male child over 18 years existed. This remarkable piece of legislation gave this group back privileges curtailed in 1951 and on top, introduced further absurd regulations.

On top of this, one year later, public servants' contributions were abolished and the State fully undertook this responsibility (71). Notably, in 1957 the pension funds of the self-employed absorbed 25.8 per cent of their total revenues from the well-known "social taxes", at the moment when the employees' funds received a marginal 6.4 per cent.

### *The development of IKA's primary care health services*

In 1960 and following long discussion of years, IKA introduced a model of family medicine provisions based on some of the principles of the British National Health Service. According to an IKA circular, a new institution of part-time family doctors would be introduced. This would create a personal relationship of mutual confidence between doctor and patients, would secure continuity of care, would prevent unnecessary visits to specialists since this should be prescribed by the family doctor, and would enhance preventive care and improve health care conditions (72). In this respect, the family doctor would be transferred from IKA's polyclinics to his private surgery in the patient's neighbourhood and make home visits if necessary, working with a specific list of patients and paid on capitation (73). The new system was based on an experiment in Crete from 1960, in the Chania polyclinic, and within two years it was extended to five other IKA branches covering almost 250.000 insured (74).

The speciality of general medicine was not officially introduced in Greece before 1964; in this respect IKA had to cover the lack of general practitioners by appointing either pathologists, or doctors without a speciality (75). According to this framework, IKA developed its family doctors services in the 1960s at a snail's

pace since doctors were reluctant to join the system. It should be noted here that it was only during 1972, during the Colonels' dictatorship, when a law act ratified this way of providing services, including the obligation of regular preventive examinations and the system of payment on a capitation basis (76). Family doctors achieved a year later an improvement in their working conditions and to define the working hours for IKA patients to 3.5 hours daily, not allowing them anymore to come during private patients' hours (77). In 1976, after the restoration of democracy, capitation payment was abolished and family doctors once again became IKA's employees, paid on salaries plus extra allowances for expenses and overtime due to more than 75-80 home visits per month (78).

The bare bones of IKA's health services developed under these conditions, and in fact never achieved to efficient protection and failed to alleviate public dissatisfaction. Primary care services remained based on polyclinics with part-time, salaried, specialist doctors and dentists; the conditions of treatment slightly improved compared with those depicted by IKA's President back in 1952 and noted earlier in this chapter. Family medicine continued to be under-developed with all the consequences this might generate. Hospital services, mainly in the urban areas, provided low standards of care. It seems that health providers of all kinds neglected to give priority to the social dimensions of their profession and remained attached to their professional vested interests.

## **Conclusion**

In 1960, following the dangerous development in IKA's financial situation during the 1950s the State was compelled to intervene. The Karamanlis' Government introduced Law No 4104 which restricted pension contributory conditions. The 2.500 working days minimum qualifying period for an old-age pension was to be gradually increased to 4.050 working days (79); this started from 1 January 1962 onwards providing that the minimum period would be raised by 175 days annually until reaching the new limit of 4.050 days (80). This law was

another classical example of absurd state policies concerning IKA: the deficits generated by political decisions (81) were to be counterbalanced by the regular contributors, who were bound to contribute longer not to improve their benefits but to finance political bribes and the vested interests of socio-professional influential lobbies. (82).

In brief, the social insurance legislation introduced and implemented in the 1950s modified the scheme towards a more Beveridgean universal social security system providing at last real health insurance services "for all". This was done without any relative adjustment in IKA's financial basis, since the State still refused participation, though IKA was and would be the means to the above end. Moreover, the scheme became another element of social injustice and of insurance inequalities, providing low pensions to the long contributing majority while - forced by the State - allocating pensions in favour of minor groups of people having worked for a minimum period. The prophetic words of IKA's General Director in 1958 were proved not to be alarming enough"...If the Government does not radically confront IKA's problems, in a 2-3 years' period IKA will go bankrupt...." (83). This radical confrontation was never achieved, since decision-making remained always highly politicized and lacked any kind of strong determination. But of course, governments were mainly concerned with their extremely short-run political ambitions and not with the long-run social benefits, reflecting much of the individualistic character of their voters.

## ENDNOTES

(1) I.L.O., Labour problems in Greece, Geneva, 1949.

(2) YEAR	% OF GNP FOR SOCIAL INSURANCE	DM
1946	2.5	157
1947	3.3	322
1948	3.6	547
1949	3.6	740
1950	4.3	942
1951	4.2	1207
1952	5.5	1597

(3) He was the son of Eleftherios Venizelos.

(4) Declared by the Governments vice-president G. Papandreou after a meeting with G.C.G.L. representatives, 10 May, 1951.

(5) The Prime-Minister, S. Venizelos in a press conference, newspaper, Kathimerini, 8 February, 1951.

(6) Parliamentary Records, 10 June, 1951.

(7) op.cit.

(8) Introductory Report of Law No 1846 of 1951, p. 6.

(9) op.cit.

(10) Where these two sectors were under the same organization.

(11) Introductory Report, op.cit., p. 8.

(12) Ministry of Health, Welfare and Social Security, Report on the Organisation and Management of Health Services in Greece, Athens, 1994.

(13) Tzatzanis, M., The elements of rational reorganization of social insurance, IKA-Special Funds, Crete, 1947, p. 42.

(14) op.cit., p. 20.

(15) YEAR RESERVES IN DM (OF UNEMPLOYMENT FUND)

1945	137
1946	8552

1947	27028
1948	45092
1949	-45017 (deficit)
1950	-
1951(first half)	-14856 (deficit)

- (16) Introductory Report, op.cit., p. 21.
- (17) op.cit., p. 11.
- (18) 100.000 drachmas.
- (19) Introductory Report, op.cit., p. 12.
- (20) op.cit., p. 13.
- (21) op.cit., p.13.
- (22) op.cit.
- (23) op.cit., p. 12.
- (24) op.cit., p. 10.
- (25) op.cit.
- (26) Newspaper, Kathimerini, 5 August, 1951.
- (27) Journal of IKA, September 1958,p. 591.
- (28) Introductory Report of Law 1854 of 1951, 20 June, 1951, p. 1
- (29) Law No 90 of 18 January, 1945.
- (30) Law No 1854 of 1951, Article 78.
- (31) Parliamentary Records, 20 June, 1951.
- (32) Tobacco Workers' Insurance Fund, Piraeus' Harbour Employees' Fund,  
Miners of Naxos Island Pension Fund, Corinthos Harbour Employees' Fund,  
Employees of Bank of Chios Island Fund, Calamata Harbour Workers'  
Fund.
- (33) Not including the number of pensioners of the funds amalgamated with  
IKA. In 1957 the total number of IKA's pensioners rose to 77.156 people,  
according to the Journal of IKA of September 1958, p. 593.
- (34) IKA's services in 1952:



- a. Medical examinations: 243.657 X-rays 333.015 Blood and other tests.
- b. Homecare by doctors: 556.163 visits
- c. Outpatients care: 4.735,713 visits
- d. Hospital care: 1.065,089 days
- e. Sanatorium care: 684.314 days
- f. Sickness allowances: 516.823 paid days
- g. Other cash benefits: 217.866 drachmas on average per insured annually.
- h. Pensioners as at 31.12.52:

1. Old-age	13.860 average monthly pension	453.000
2. Disability	8.089 average monthly pension	460.000
3. Death	13.239 average monthly pension	312.000
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	35.008	average 401.300

- i. Unemployment benefits: 5.948.304 paid days

- (35) Economopoulos, G., IKA's President at the meeting 79 of the Board of Directors, 19 December 1952, p. 16.
- (36) See chapter III for details.
- (37) Economopoulos, G., op.cit.
- (38) op.cit., p. 18.
- (39) No information is available for the number of pathologists providing services in their own surgeries.
- (40) Economopoulos, G., op.cit., p. 19.
- (41) More information or figures are not available.
- (42) 1952: 18055 unemployed beneficiaries - deficit 40.771 dm  
1953: 25513 unemployed beneficiaries - deficit 56.374 dm  
1954: 20877 unemployed beneficiaries - for the first half of the year.
- (43) Newspaper, Kathimerini, 17 April, 1952.
- (44) Introductory Report, Law No 2698 of 1953, p. 2
- (45) Law No 2698 of 1953, Article 53.



- (59) Law Act No 475 of 1956.
- (60) Report on IKA's financial and insurance situation, op.cit.
- (61) Called T.E.A.P.O.K.A. and established by Law No 980 of 1942.
- (62) Keramidas, T.,(IKA's General Director), Journal of IKA, September, 1958, p. 592.
- (63) Article 24, par. 8.
- (64) Journal of IKA, Athens, September, 1958, p. 591.
- (65) See chapter III for the origins and other details.
- (66) Ministry of Labour, Athens, 1955-1960.
- (67) op.cit.
- (68) Law No 3768 of 11/12 October, 1957, Article 5, par. 1
- (69) op.cit., Introductory Report, 25 June, 1957, p. 2.
- (70) op.cit., p. 3.
- (71) Decision of the Cabinet No 764 of 1958.
- (72) Theodorou, M., Outpatients care in IKA, (in Greek), Athens 1993, pp. 39-40, IKA's circular 139/72.
- (73) op.cit., p. 40, and IKA's document No 103855 of 27 November, 1962, pp. 189 - 190.
- (74) These branches were in Corfu, Volos and in the Athens areas of Nikea, Patissia and N. Cosmos, op.cit.
- (75) op.cit., pp. 37-38.
- (76) op.cit., pp. 190-1, Law Act No 1204 of 1972, Articles 3 and 6.
- (77) op.cit., pp. 192-3, IKA's document No 113298/9/170 of March, 1973.
- (78) op.cit., IKA's General Directorate of Health Services, 1 October, 1976.
- (79) Established by Law No 1846 of 1951, Article 28, par. 1.
- (80) Law No 4104 of 1960, Article 5, par. 1.
- (81) See details in the earlier stages of this chapter.
- (82) Privileged groups as already discussed: public servants, doctors, lawyers, several self-employed categories, trade unionists, public utilities, several

employers, MPs, etc.

(83) Keramidas, T., *op.cit.*, p. 598.

# VI

## THE INTRODUCTION OF AGRICULTURAL SOCIAL INSURANCE, 1961

### The changes in the socio-political arena

In October 1955 there was once again a political crisis. After the death of Marshal and prime-minister Papagos, the leader of the Greek Rally party, King Paul passed over the normally expected candidates for the succession and asked Constantine Karamanlis to form a government. Karamanlis, the son of a Macedonian schoolmaster, was at that time a low profile Minister of Public Works, "an energetic and efficient administrator, and a firm believer in Greece's Western orientation" (1). The last was probably the main reason for his unexpected elevation by the King in order to ensure a settlement of Greece's main issues according to NATO's wishes.

Karamanlis changed the name of the Greek Rally to the National Radical Union (ERE), and went twice to elections in February 1956 and 1958 winning a share of 47 and 41 per cent of the vote respectively. In the February 1956 elections women had the right to vote for the first time. The disunity of the centre parties, in part a result of growing disenchantment with the attitude of Greece's NATO allies over the major national issue of Cyprus, provoked a dramatic rise in the far left vote. EDA, the left party, advocated neutralism which was more attractive to the Greek electorate. Due to the agreement between Greece and Turkey on the Cyprus issue, Karamanlis was denounced in 1959 by the opposition for betraying the cause of Hellenism in the interests of NATO and the Americans.

However, during the Karamanlis administration, significant steps were taken to consolidate Greece's new-found economic stability. Average per capita

income rose from \$112 in 1951 to \$270 in 1956 and was to reach \$500 by 1964. The overwhelming inflation of the 1940s, were succeeded by orthodox fiscal policies which resulted in significant price stability. The two other decisive factors of the economy, which improved Greece's "chronic imbalance of payments", were tourism and the contributions of Greek migrant workers, who were moving in increasing numbers to the countries of Western Europe and particularly to West Germany, in search of often menial work. The number of Greeks engaged in the industrial and service sectors rose considerably and almost matched those employed in agriculture. In 1961 the urban and rural populations were balanced at 43 per cent, with 13 per cent living in a semi-urban environment.

Most of the population was concentrated in the Athens region, about 2 million people, when the total population was eight million four hundred thousand. The unplanned and unhealthy development of Athens exacerbated the bureaucratic centralisation "which had always been the bane of Greek government . The consumer boom period of the 1960s was concentrated in Athens as well, and although overall living standards were steadily rising, inequalities in the distribution of wealth and income continued to grow"(2).

Under these circumstances Karamanlis negotiated an agreement with EEC, which came into force in November 1962, and an associate status for Greece within the Community was introduced. Association with the EEC was seen, however, as an additional way of binding Greece to her NATO allies, and was strongly opposed by the left parties. Before the term of the 1958 Parliament had ended, Karamanlis held an election in October 1961 which he won by a majority of 51 per cent of the electorate. The results of the elections were heavily disputed by the opposition parties as falsified by several electoral malpractices. Particular pressures were exercised on the people of the agricultural border regions, which had been under virtual martial law since the civil war.

These electoral manipulations - which however "do not appear to have been on a large enough scale to affect the overall result" (3) - gave to the inspired

leader of the Centre Union, G. Papandreou, a strong argument and created a huge movement in favour of the centre. Moreover, as Papandreou pursued his campaign against both Karamanlis and King Paul for refusing to hold new elections, there were increasing signs of a loss of confidence on the part of the right. People started to realise that, whatever their initial rationale in the immediate aftermath of a bitterly fought civil war, the "repressive mechanisms" used by the right to contain the left were no longer justified.

After the assassination of a left wing deputy and a stormy dispute with King Paul and Queen Frederica, Karamanlis resigned and called for immediate elections. These were held on 3 November 1963 and Papandreou's Centre Union achieved a narrow victory with 42 per cent of the vote leaving Karamanlis' ERE with 39 per cent. Karamanlis departed for Paris for a self-imposed exile that was to last for eleven years. His eight-year administration between 1955 and 1963 had been the longest one in Greece's history after the 1821 independence.

However, Papandreou who was the man to challenge the twelve-year monopoly of the right, did not enjoy an overall majority in Parliament. Instead of governing with the support of the left party EDA, he preferred a two front battle against both left and right. Papandreou showed his reform orientations by releasing political prisoners, legislating for educational reform, raising wages and salaries and then went for a new election, which he won by an impressive 53 per cent of the vote in February 1964. The results clearly showed that he had attracted votes from both the right and the left and additionally he enjoyed "the benevolence of both the Palace and the American Embassy which saw in a strong centre the best guarantee against a resurgence of support for EDA, the left party" (4).

In fact, Papandreou's expectations for an untroubled period of moderately reformist government were to prove optimistic since in a 15 month period the country was to face probably the most serious political crisis of the post-war period. During this period Papandreou attempted to implement his

reformist programme; he passed a new Education Act which raised the school-leaving age from twelve to fifteen and he introduced spoken demotic Greek as a means of instruction throughout the primary schools. Civil service salaries were raised, restraints on credit were abandoned, income tax was introduced and peasants were given higher prices for their wheat.

Throughout the 150 eventful years of Greek independence, through all the stages from disintegration to reconstruction and from reconstruction to development and growth, the Greek economy has always been based on agricultural production as the statistics clearly show. Nevertheless, in 1960 per capita income among the rural population was still very low in comparison with that of the urban sector. In fact it could hardly be otherwise, considering that the average land-holding in Greece was less than 5 hectares as against the 30 hectares laid down by the EEC as the minimum area required for an economically viable farm.

Even in the post-war period by which time social insurance - especially IKA - was a firmly established institution covering almost all employees in the urban areas, reactions, hesitations, and lack of organized pressure hindered any attempt to bring the farmers within the framework of the social insurance system. The agricultural population which comprised around half of the country's population, was considered to be adequately provided by the price support policies for certain main crops. In this respect, the State guaranteed to farmers an income higher than they would earn if the market mechanism was left to work unhindered. The absence of an employer to contribute, the low average level of agricultural income - as a result of the land fragmentation which followed the break up of large estates into small holdings - the dispersion of the agricultural population which posed a vast problem of organization, were some of the reasons for the late establishment of an agricultural social insurance scheme.

Greece was in a stage of continuous economic development in the late 1950s. In 1955, GNP amounted 54,5 billion drachmas which within the following 5



years rose to 75,5 billion drachmas. The average working class income increased by 53,2 per cent during that period (5), while the social security expenditure was 10 per cent of GNP in 1959 (6), a rate comparable to that of some advanced countries of Western Europe.

The wider participation of the working classes in the growing national wealth would sooner or later influence the political agenda, as a reward for sacrifices in order to achieve a higher level of productivity, and as a counterbalance to any revolutionary trends. A juster income distribution could have been achieved through both economic and social policy. As usual, the prevailing concept was that the necessary resources for economic development should not be diverted for any other purpose, "...a permanent response to social problems would necessarily be based on an increased national income" (7).

During this period, the number of working people was increasing annually by 40.000 but the unemployment level remained stable, despite immigration (8). This early evidence of unsuccessful economic policies was underestimated and the creation of a balanced economic infrastructure never actually took place. The growth of national income within the framework of monetary stability of the 1950s led to a gradual expansion of social insurance benefits which made more apparent the discriminatory treatment of the agricultural population. It was this apparent injustice which attracted the attention of the political world and provided the main argument against those who still considered the extension of social insurance to the agricultural population as premature.

The credit for bringing this subject consistently into the light of the political arena belonged to G. Papandreou, who as leader of the opposition introduced a bill into Parliament in January 1960. The Bill, which of course failed to pass, envisaged a pension scheme for farmers and involved an annual expenditure of 500 million drachmas. The concept of the Papandreou proposal was that this sum was equal to the contribution - through taxation - of the State to

social welfare agencies in the urban centres of the country. For reasons of equal treatment, Papandreou argued that the State should make available at least an equivalent sum for the benefit of the agricultural population.

The situation of the agricultural population had been steadily improving during these years. Between 1955 and 1959 agricultural income increased by 35.5 per cent (9). The State directed more resources to agricultural economic investments which were increased from 297 million drachmas in 1955 to 2.5 billion drachmas in 1960, agricultural loans were increased from 155 million drachmas to 1 billion drachmas respectively. All this aimed to modernise agricultural production.

The Agricultural Bank played an important role, although criticized as supporting conservative political interests, and the means of agricultural production improved substantially as well as the appropriate personnel (10). In addition, factors such as the improvement of the rural road network, several public construction programmes, the development of tourism and the decentralization of industry, had a favourable effect on the agricultural population. Moreover, farmers always enjoyed significant income tax deductions.

### **A series of agricultural insurance attempts**

The introduction of social insurance coverage for people living in the rural areas had always been accompanied by hesitations and reservations. In 1936, Professor H. Evelpidis supported the idea of establishing a social insurance scheme for farmers. In 1937, a committee under S. Stefanopoulos, a Doctor of Economics and prominent politician, made a study of farmers' insurance coverage mainly concerned with sickness insurance (11). This work was never completed "because of the doctor's opposition and for other reasons", a member of the committee, said some years later (12). A year later, C. Alivizatos had already developed the idea of the expansion of social security to the rural areas as he considered there was no justification for this gap in protection (13).

The establishment of IKA in 1934 excluding agricultural insurance provoked reactions. The Populist government drafted a special bill to provide "peasants insurance", but its intentions were questioned by an Agrarian Deputy, who asked: "Why has the government not yet presented the bill for peasants' social insurance, since as everybody knows, it has been prepared months ago? I have doubts as to whether these promises will be honoured or remain promises to be repeated in pre-election periods" (14). The turbulent years afterwards restrained any respective initiative.

In 1950 Professor D. Kalitsunakis reverted to the issue by accusing the State of excluding farmers from social security protection, when other financially stronger occupational classes had been covered a long time ago (15). Political interests forced politicians to consider the problem further and in 1951, the year of IKA's reorganization, the Ministry of Labour under G. Bakatselos prepared a bill which came to Parliament but was laid aside, exactly as happened in 1934. The same year a committee under the Minister of Agriculture Lambropoulos prepared another draft of a law which remained on the shelves as well. In 1953, the Minister of Social Associations, K. Adamopoulos, made a long presentation to the Cabinet about agricultural social insurance. Another committee was appointed to re-examine the subject, which submitted a Report about "the health and social security coverage of the rural population" (16).

The Karamanlis Government decided after all to introduce a significant law in December 1955 about "farmers' social security" which introduced a dispensary network for the rural areas financed by the national budget (17). In 1957, this law was amended to introduce the health care coverage of the rural areas under the social security umbrella.

These adjustments improved considerably the health care network in the rural areas which consisted of 1.137 community and rural surgeries in which 1.141 doctors and 850 other medical staff provided health care. Simultaneously, institutional social assistance coverage for destitute peasants was enhanced. The

law of 1955 contributed to the gradual increase in the number of surgeries and medical staff, and the health care protection of the people living in the country radically improved.

In June 1958, the Prime-Minister Karamanlis, coming from a neglected rural area himself, stated in Parliament that "....the Government will make the necessary improvements for social security health care. Furthermore, the establishment of a complete social security scheme for farmers will be examined in order to find out the feasibility, extent and proper time for its realization. The Government does not intend to provoke expectations which, after a financial study, might be proved mistaken" (18). G. Papandreou, the most significant leader of the liberal opposition, claimed that the whole subject ought to be fully examined and emphasized the lack of accurate statistical data. He himself included in his last electoral campaign the promise to introduce a pension for farmers.

The Prime-Minister Karamanlis ordered by decree (19) a social insurance committee to be appointed in order to investigate the general problems of social insurance in Greece, and the introduction of a social insurance scheme for the working people of the rural areas. Additionally, the committee was asked to examine a possible reform in the social security system. This committee consisted of distinguished experts of the social security field (20). The subjects examined by the committee were the financial resources of social insurance schemes, old-age and death insurance, disability insurance for the employees of the urban areas, agricultural social insurance, medical and maternity care's extension to the whole population and supplementary insurance.

The conclusions of the committee a year later, favoured a universal scheme providing social insurance coverage to the whole population. An analytical financial report showed that this was feasible according to the conditions of the national economy and that in the long-run this would be a cost-effective solution and the provisions would be substantially improved. Moreover, the existing

inequalities would be removed (21). The immediate suggestion of the committee, was the introduction of an agricultural pension scheme. Simultaneously, the Karamanlis Government, urged by the submission of the Papandreou Agricultural Insurance Bill of January, called the German specialist Dr. John Krohn, a former minister, to examine the existing situation and to make his recommendations. He submitted his Report in July 1960. Krohn noted that agricultural income constituted 1/3 of GNP and average agricultural income formed only 40 per cent of the respective income of the urban population. He suggested that the State should subsidize the agricultural population which was living under very difficult conditions, and estimated that there were about 23.000 disabled farmers, who ought to be definitely protected.

In Germany, sickness insurance had started 80 years earlier, while agricultural insurance had only started in 1957. The Krohn Report was completed in a relatively short period and he himself accepted in advance possible mistakes, especially on figures. On top of that, the report had been so badly translated that the Greek reader could not understand several of its points.

Eventually it became an urgent political issue that the social security system should be extended to cover the agricultural population, in order to redress the imbalance of income distribution to some extent at least. When the measure was first proposed, as we have seen, the opposition it provoked was mainly based on arguments of fiscal expediency and administrative peculiarities. Priority should be given to productive investment, so the argument ran, and social policy would have to keep second place.

OGA, the Agricultural Social Insurance Organization, was to be established at the stage of the country's development when the policy of investing in urgently needed infrastructure projects and in projects yielding quick returns on capital, was already beginning to pay off. As we have seen per capital income had risen considerably and industry, growing steadily to maturity behind protective tariff barriers, was bringing in enough revenue to allow the Government to take a

further step, a very decisive one, in the process of extending its social services.

There were more reasons than one to support the idea of pursuing a broader social security policy. This move was not only dictated by considerations of moral duty towards the most numerous and the most vulnerable section of the population, but it was also prudent for purely economic reasons. From an economic point of view, it was necessary to narrow the gap that always existed between the rural and urban areas.

There were certain regions of Greece which economically were considered as problem areas. They included most of Epiros, central and part of Western Sterea Hellas, the centre and south of Peloponnesos and some other districts. In 1961, these regions which amounted to 51 per cent of the entire land area contained 21 per cent of the country's population. None of them was ever going to benefit from the public investment projects that had been carried out, nor from the various subsidies and support price policies, traditionally guaranteed to farmers by the State so as to build up stocks of agricultural commodities out of the seasonal surpluses. This was because the problem areas, with their relatively small amount of farmland and their low overall population density, were not in direct touch with any of Greece's 55 major cities and towns, which meant they were denied the slightest taste of the fruits of technological development, nor did they have any surplus agricultural produce which they could sell to the State and thus obtain indirect assistance by means of the official support prices. Consequently the only way the State could help these areas was by direct aid. But even in rural areas with greater development potential, the inequality between the agricultural and the urban standard of living was still quite apparent.

Virtually all concerned with the problem, whether politicians or economists, had by then fully accepted the idea of providing social insurance for farmers, which would be an enormous step forward towards bridging the income gap and raising their standard of living. The reservations they still had were almost exclusively concerned with the question of priorities. Some of them felt that fixed

investment projects were of more fundamental importance and should therefore take precedence. It was emphasized that the number of employees of labour in the agricultural sector amounted to only 5 per cent of the total farming population and therefore, the entire costs of the welfare provisions would have to be generated by society as a whole.

On the other hand, the majority of those who supported the introduction of agricultural social insurance, said that "social insurance will make a positive contribution to our country's economic development. Redistribution of the national income will tend to raise the general standard of living. Certain classes of people now living in poverty will acquire new purchasing power and the increased propensity to consume, which would support industrial production in Greece" (22).

Finally, the Agricultural Bill was introduced in Parliament on 18 November 1960 and was discussed for a long period. The Bill provided for the establishment of the Agricultural Social Insurance Organization (O.G.A.) and was in principle supported by all political parties. However, as will be described in the next chapter, the Bill was criticised in Parliament for most of its detailed adjustments.

In brief, the establishment of the agricultural scheme was the outcome of long discussions reaching a wide socio-political recognition that the agricultural population was in need not only of price support measures but also of a comprehensive scheme of social protection. This was a "carefully planned" and deeply contemplated political decision which opened up a new era in the economic and social life of rural Greece.

## **The agricultural Bill of 1960**

### ***Range of coverage***

#### ***Insured people***

The new scheme covered de jure every person living from agricultural

activities i.e. having agriculture as their main profession. Pensions would have a retrospective effect in order to cover all the existing elderly farmers. Specifically the scheme included:

- a) Land-owners using their land for agricultural purposes (supervisors).
- b) Land-owners working themselves on their land.
- c) Cattle-owners and cattle-breeders.
- d) Workers in all the three above activities.
- e) Owners or workers of agricultural machinery.
- f) The adults of the families of all the above categories , provided they have agriculture as their main profession.

Women land-owners were excluded from the scheme as soon as they married a man insured by the agricultural scheme. A special decree was left for the future in order to include in the scheme fishermen, forest wardens, and people living in towns with less than 5.000 population working indirectly for agricultural production. Finally, inclusion in agricultural insurance would be irrespective of possible voluntary participation in a self-employed's insurance scheme (23), provided that this would be the result of a secondary occupation.

#### *Conditions for old-age pension*

- a. 65 years of age;
- b. 25 years of agricultural work, the last 10 of which should be consecutive. Any insured person becoming incapable of work would be considered as a normally working insured person as long as he remained in the place of his work and he lived from agricultural income;
- c. regular payment of direct contributions, i.e. 2 per cent of gross income resulting from agricultural produce;
- d. lack of any other state pension except war pension;
- e. completion of application forms for pension eligibility;
- f. the prerequisites for a widow's pension were the age of 65, the completion of



the insurance conditions of her husband according to the law's regulations, and that the marriage had taken place at least 3 years before the 65th year of the husband.

The regulations excluded in fact married women from pension's eligibility; it was considered that spouses had "a common insurance relationship with OGA" and in this respect husbands, of course, were granted a pension. Divorced women regained pension eligibility.

### *Range of benefits*

#### *Old-age pension*

The level of pension depended on the family status of the entitled insured person. The Bill provided three categories of pensioners:

- a. Basic pension of 180 drachmas a month for people without a family; possible changes occurring in the family status of pensioners would affect their pensions after January of the coming year.
- b. Married pensioners with a spouse younger than 65 years of age who received 220 drachmas a month.
- c. Pensioners either with wives over 65 years of age or with children younger than 14 years old who received 300 drachmas a month.

The above basic pension would be increased by 10 drachmas for every 4 years in excess of the 25 years of "contribution".

#### *Health care coverage*

The insured persons and their families were covered for medical and dental care, maternity care, medical examinations, pharmaceutical care. Institutional care was initially provided according to the income level of the insured person; people with high incomes were not eligible for free care.

Health care would be administered by the Minister of Social Assistance according to the Law No 3487 of December 1955 "about farmer's social

insurance". OGA would be financed by the National Budget for the cost of health provided, which could not be more than 140 million drachmas for 1962, 180 million drachmas for 1963 and 225 million drachmas for 1964.

### *Insurance of Agricultural produce*

Agricultural damage because of frost or hail would be indemnified: where less than 20 per cent of production was damaged there would be no title to compensation, which could not exceed 75 per cent of the total damage. OGA was provided with the ability to reinsure with private insurance organizations after a decision of its Board of Directors.

### **Finance**

OGA would be financed by three sources: insurance contributions, taxation called "social contribution" and several other revenues. OGA's revenues would be collected by ATE (24), which would undertake to control the accounts of the organization.

### *Insurance contributions*

The Bill anticipated a direct contribution of 2 per cent of gross income from agricultural occupations. A tripartite committee consisting of the president of the rural community, a public agricultural expert and a farmers' representative would value that income, based on the following criteria: kind of plantation, the extent of the field, kind of cultivation (irrigated or not), kind and number of animals fed. Direct contribution could become a 3 per cent levy on the value of rates by a special ministerial decree with the agreement of OGA's Board of Directors.

### *Social contribution and other revenues*

- a. A contribution of 10 per cent of income tax.

- b. A contribution of 15 per cent of companies taxation.
- c. A stamp tax.
- d. A special contribution on consumed cigarettes.
- e. A special contribution on coffee, beer and on several luxury products (silk, caviar, electrical appliances, velvet, whisky, beer, cosmetics, cars, etc.) (Table 6).

Article 17 set out the way in which OGA's finances were to be managed and audited. Three separate accounts were introduced, each one corresponding to one of the three insurance branches old age insurance account, health insurance account and crop insurance account (Table 7). The accounting system provided was a "double entry" one.

A regulation anticipated that OGA could withhold full payment of benefits due, when they exceeded the funds available for that purpose, in order to guarantee a greater measure of the organization's financial stability. In case one account had a deficit and another a surplus, funds could be transferred from the second to the first account. If no surplus existed in order to cover the deficits, there would be a proportionate deduction on the benefits of the respective account, or of all the organization's benefits if no deposits existed in all three accounts. This distributional system with the deposits did not provide any chance for an increase but only for a decrease of the benefits. This system was supported by the opposition leader G. Papandreou as well, who characterized it as "reasonable" (25) considering the way the scheme was financed. Chartered accountants finally, would annually conduct investigations and audit the management of OGA's finances.

### **Administration**

The Bill introduced the Agricultural Insurance Organization (OGA) to implement the new agricultural social policy. OGA would be administered by a Chairman and a Board of Directors, appointed every 3 years by the Prime-

Minister, and a General Manager. The Board of Directors would consist of:

- a. The Chairman of the Board appointed by royal decree every 5 years.
- b. The Governor of the Agricultural Bank.
- c. Six representatives of the insured farmers.
- d. The following public servants: General Secretary of the Ministry of Agriculture, General Director of the State Accounting Department, General Director of the Ministry of Labour responsible for Social Security, one Director of the Ministry of Social Assistance, one Director of Agriculture.
- e. Two experts on social insurance.

Under the Board of Directors' jurisdiction would be every decision for the running of OGA. The administrative staff of OGA would be up to a maximum of 200 people and could consist of prominent public servants of the Agricultural Bank. Administrative costs could be up to a maximum of 3 per cent of OGA's revenues.

### **The enactment of the agricultural insurance Law No 4169 of 1961**

The Karamanlis Agricultural Bill of November 1960 passed in Parliament and became Law No 4169 of 18 May 1961 "about agricultural social insurance". As described, the law would cover 4.300.000 farmers, the majority of the Greek population (26). As the Minister of National Economy concluded in the Introductory Report, the expansion of the Greek Economy and the sacrifices of the whole community according to the solidaristic principle made the establishment of the agricultural scheme feasible (27).

The scheme, based on the Beveridgean model of health insurance, provided basic insurance coverage to 53 per cent of the population aiming to improve the living standards of farmers and to "to refresh the economic life of the rural areas... by increasing the demand of consumption... leading to the prosperity of all Greek people" (28). The impact of the agricultural social insurance adjustments will be discussed in the following chapter.

## ENDNOTES

- (1) Clogg, R., A short history of Modern Greece, Cambridge University Press, 1988, p. 172.
- (2) *op. cit.*, p. 176
- (3) Clogg, R., *op.cit.*, p. 178.
- (4) *op.cit.*, p. 181.
- (5) From 19 billion drachmas in 1955 to 29 billion drachmas in 1959.
- (6) 7,5 billion drachmas.
- (7) Prime-Minister, Karamanlis, 9 April, 1960.
- (8) Unemployment rates were almost always between 5 to 10 per cent.
- (9) From 19.5 billion drachmas to 26.5 billion drachmas.
- (10) Administration, forest men, agriculturists.
- (11) Financial & Social Study, Athens 1937, pp. 14-17.
- (12) S. Kladas, Our labour policy and legislation, (in Greek), Athens, 1945, p. 77.
- (13) Alevizatos, C., Social Insurance, the State and Agriculture, Athens, 1933
- (14) Tanoulas, A., Anexartetos, newspaper, 30 July, 1934.
- (15) Lawyers, doctors, MP's, engineers, etc. See chapter III for details.
- (16) Appointed by the Minister of National Economy Papakonstantinou, K.
- (17) Law Act No 3487 of 1955.
- (18) Parliamentary Records, 10 June 1958.
- (19) Decree No 8611 of 22 December 1958.
- (20) Professor N. Louros, chairman and distinguished members P. Panaretos, L. Patras, G. Choukatos and G. Plytas.
- (21) The State still contributed unevenly to several occupational funds. See details in chapter III.
- (22) Newspaper, To VIMA, 19 November, 1960.
- (23) Mainly TEVE.
- (24) The Bank of Agriculture having mutual interests with OGA.
- (25) Parliamentary Records, 5 December, 1960

- (26) Introductory Report, Law No 4169 of 1961, p. 1.
- (27) Papakonstantinou, K., Minister of National Economy.
- (28) Introductory Report, Law No 4169 of 1961, p. 12.

# VII

## THE IMPACT OF AGRICULTURAL SOCIAL PROTECTION

### **The socio-political environment: from Papandreou to the Colonels**

As we have seen in the previous chapter, the February 1964 elections gave to Papandreou's Centre Union an overwhelming majority, a result achieved with the contribution of all wings of the political spectrum. This fact gave initially the impression that it would enable him to proceed with the implementation of his programme of reform. However, the turbulent developments showed that this would remain a dream.

On the international front the Cyprus deadlock was the prevailing issue provoking bad relations with Turkey as well as confrontation between the Greek and Turkish communities on the island. Within the country, the reformist government attempted to carry out new economic policies inspired by Papandreou's son Andreas, an economist long educated in the United States, holding the Ministry of Coordination. Andreas' measures stimulated reactions in the conservative business circles, but resulted in addition to problems in the balance of payments and a rise of inflation. Moreover, the traditional right-wing lobbies never forgave G. Papandreou for releasing most of those imprisoned who had been accused of crimes during the civil war.

In May 1965 a conspiracy started in the army, intended to seem to be led by a small left wing group of officers, known as "Aspida" (1), with Andreas Papandreou suspected of being behind it. A vast right wing group known as IDEA (2), coming from wartime, was the leading force in the army. In the same month an effort to sabotage a military vehicle on the Bulgarian/Turkish border was made

to seem like a communist plot. It was later found that the source of the conspiracy was a Colonel called George Papadopoulos.

The Prime-Minister Papandreou decided after all to put forth measures to control the army and the Greek Intelligence Service (KYP) both of which were traditional conservative castles hostile to his government. He attempted to undertake personally the Ministry of Defence but the young King Constantine II refused, justifying this on the grounds of the Aspida conspiracy and the investigation in progress on the possible involvement of Andreas.

On 15 July 1965 Papandreou resigned and Greece was to enter the most disastrous political crisis after the Second World War. The massive demonstrations against the King did not stop him from trying to split the Centre Union. At the end of the day, 45 MPs of the Centre Union gave in September a vote of confidence to a conservative coalition government. Their leader, a right wing member of the Centre Union called S. Stephanopoulos, became Prime-Minister. This political betrayal, followed by insistent "rumours of bribery on the part of the Palace and the American Embassy" (3), was called "apostasias". Moreover, some of these "memorable" MPs were appointed to the new Cabinet, in reward.

The country entered a two-year period of large demonstrations and repeated strikes, but surprisingly there was little political violence. Finally, in December 1966 Papandreou and Kanellopoulos, who had succeeded Karamanlis in ERE's leadership, achieved an agreement for elections to be held on May 1967. In March 1967, fifteen officers accused of the Aspida conspiracy were condemned and the public prosecutor asked Parliament to withdraw Andreas' parliamentary immunity, aiming to charge him for the inspiration of the conspiracy.

At this particular moment, a leading group of generals with the King's cooperation prepared a plan of intervention in the case of disorder, after the expected large victory of the Centre Union in the May elections. Simultaneously, a group of low ranking officers decided to enforce their independent plan. On 21



April at the crack of dawn, they put into action a NATO contingency plan called "Prometheus", prepared for major internal disorders and captured the King and the politicians. A decree, supposed to be signed by the King and the Government, was issued proclaiming martial law, suspending various articles of the constitution and dismissing political parties.

The coup of April 1967 which established a military junta, was instrumented by Colonels G. Papadopoulos and N. Makarezos and Brigadier S. Pattakos. It was executed with remarkable efficiency and not particular violence: bloodshed was avoided. The conspirators were confronted with very little resistance in the first place. Their rationale was that the forthcoming Papandreou victory would have been followed by radical adjustments in the army, directed against well known right wing officers. They claimed that they should preserve the traditional values of Greek society against Western influences. The "Colonels" based their intervention on the urgent need to prevent a communist take-over of the country and blamed politicians for their impotency in leading the country.

After suppressing a King's amateurish counter-coup in December 1967, the Colonels made it clear that they were planning a long stay in office. Papadopoulos became Prime-Minister and took five other ministries for himself and appeared as the strong man of the regime in 1968. Underlining their social origins, the Colonels attempted to establish a populist profile and gave particular emphasis to workers and peasants in the rural areas. In this respect, they immediately ameliorated OGA's provisions and put priority on several social policy, anti-revolutionary, measures.

### **The spectrum of the agricultural insurance law**

The Agricultural Insurance Law introduced in 1961, proposed to cover more than half of the Greek population, and was supported by a political consensus for the intent but not for the detailed provisions. It was heavily criticised in Parliament for most of the regulations, proposed. The opposition

parties accused the Government of bringing a draft of a law which was superficially made, in order to compete with the opposition's proposed scheme, some months earlier.

The Law introduced a 2 per cent contribution on agricultural gross income which was characterized as an unacceptable burden on poor farmers but was actually a very low contribution in terms of social insurance. The effectiveness of the redistributive purpose of the Law was challenged although, because some believed that contributions plus indirect taxation composed a heavy burden for farmers. Moreover, the new scheme excluded sickness, accident and disability benefits, pensions to married women and death pensions in many cases, leaving huge gaps in the protection of the rural population. The health care already provided was inadequate and the Bill promised its expansion, especially in the medical care area. Some figures were quoted: IKA spent annually 600 million drachmas for the health care of 1 million insured people while OGA would spend only 225 million drachmas for 4 million insured people. (Table 7).

Farmers' pensions would be extremely low, averaging 260 drachmas monthly, almost 1/3 of the IKA pension which was on average 720 drachmas a month. Of course, OGA's pensions were considered as "supplementary to farmers' income", restricting a-priori the social insurance concept of the scheme. OGA's pension was a lump-sum, irrespective of contributions or the cost of living. Fishermen, about 25.000 people, were initially excluded by the new scheme.

On the other hand, the agricultural production insurance which was introduced, provoked criticisms as being a non social insurance service, and as a service providing limited compensation and leaving many gaps. However, farming is directly dependent on the whims of nature: farmers are always uncertain of the outcome they will get from their efforts because of the constant threat of natural hazards, diseases or plagues of insects. In some of them where precautions cannot be effectively taken, their consequences remain more or less harmless.

The instigators of the agricultural insurance law attempted to make a comparison between "the farmer's risk of being struck by an act of God and the urban employee's risk of <sup>in</sup>voluntary unemployment" (4). This was the philosophy of this protection. An employed person who loses his job ceases to have pay, he needs to support himself. In the same way, if a farmer's crop is ruined by a natural disaster he loses the income he was relying on to maintain himself and his family.

The point is that if an employee finds himself out of work, he is adequately provided for by his unemployment benefit while a farmer is not entitled to such provision to maintain the income lost by the destruction of his crop and to enable him to overcome the difficulty. Crop insurance in other words, is compared to the unemployment benefit of the employees of urban areas received from their social security institutions. The legislator considered frost and hail as the worst and most common disasters from the farmer's point of view. This was heavily criticized as arbitrary, lacking a strong scientific or statistical basis.

Other advanced countries have adopted a variety of different methods of assistance in their efforts to help farmers survive the set back of crops being damaged, by act of God and to stabilize their income. It was said, that experience showed that one of the best methods was crop insurance in one form or another, because it provided the fundamental advantage of giving farmers the right to claim compensation if their crops were damaged, instead of leaving them to depend on special state aid (5).

In Greece, before the foundation of OGA, there had been a number of private insurance companies, official organisations and banks, that provided insurance against crop damage. They covered the insured mainly against damage by hail, though there was some coverage against frost damage. The first crop insurance scheme was started in 1928 by the Farmer's Insurance Foundation. It covered hail damage and not frost damage except in certain circumstances. Though its premium rates were high, the Foundation eventually had to close down in 1954, when its hail damage business was taken over by the insurance

department of the Agricultural Bank. Another scheme that existed before the foundation of OGA, provided for the compulsory insurance of current crops against hail and frost risks. After being operated for many years by the Independent Current and Raisin Board, this scheme was absorbed by OGA's comprehensive insurance scheme.

Thus until 1962 crop insurance was mainly in the hands of the Agricultural Bank and one or two independent insurance companies providing, almost in all cases, coverage against hail risks. The number of such insurance policies was very low mainly because the premiums were high and subsequently the vast majority of the rural population was not covered, especially the poorer farmers who could not afford the premium. The impact of the adjustments provided by the new agricultural scheme as well as the way it appeared in practice will be analyzed in the rest of this chapter.

### **Old-age pensions**

The vital contribution of OGA to the working people of the rural areas has definitely been the provision of old-age pensions (6). All rural workers over the age of 65, both men and unmarried women, were entitled to an old age pension provided that they had worked in agriculture for at least 25 years, from which the last 10 should be consecutive, as owners-farmers, tenant farmers, stockbreeders or poultry breeders, or as farm workers employed in agriculture, stock breeding or poultry-breeding and provided that they lived in rural districts outside IKA's jurisdiction. The level of pension depended on the number of dependants, classified in three categories. Surprisingly, the regulations excluded in fact married women, and were criticized as discriminatory and old-fashioned (7).

Legislative Decree No 4435 of 1964 extended the range of coverage of OGA to inshore fishermen and traders and artisans working in villages and towns with a population of less than 2,000. Subsequently, further gaps were filled in covering Greeks from Egypt and Albania who had been employed in the

agricultural sector in those countries before coming back as refugees, farm workers who were insured by IKA but did not qualify for an IKA pension because they had not completed the required number of days at work, and certain other rural dwellers falling into special categories.

All the above people were automatically entitled to OGA's old-age pensions guaranteed by law. It is important to make it clear that, unlike those receiving pensions from other social insurance schemes, they were not obliged to stop their work. This reflected the philosophy of the law by which an OGA pension was not a substitute for one's income from farming but a supplement to it. This should not be ignored in any appraisal of the level of OGA's pensions, which were clearly thought of as supplementary income to support the earnings of old people, when they decreased as a result of reduced physical capacity.

However, at least a voluntary supplementary insurance account should have been established, in order to grant pensions of a higher level to those farmers who would voluntarily contribute to this scheme. The amount of the supplementary pension should have been analogous to the amount of the insured's contributions. The number of OGA's pensioners rose from 305.000 in 1962 to over 430.000 in 1971 and pension expenditure increased year by year (8), though pensions themselves were not indexed to prices.

OGA was characterized as "unique", operating in a country where such a high percentage of the population was engaged in farming (9), and also in that it was the only such organization, or certainly the only one in Europe, that - after a very short introductory period - did not rely, for at least part of its revenue, on direct contributions from the beneficiaries. The first ever OGA's pensions were handed out on 9 July 1962. The Prime-Minister Karamanlis himself furnished the cheques for pensions to 50 beneficiaries, in a heavily promoted special ceremony held in Zappion Congress Hall in Athens.

## **Health care protection**

Until 1955, farmers were the only major group of working people contributing to the State's economy, not receiving any corresponding health benefits in return, unlike the working people of the urban areas. Law No 3487 put an end to this injustice, granting the right to free medical care for the working people of the rural areas.

Universal health care insurance, according to the principles of Beveridge, was compulsorily provided by OGA to the agricultural population living in villages with a maximum population of 3.000 inhabitants; possible cooperation with other schemes to those living in villages with 3.000 to 7.000 people was anticipated. All these people had equal rights to health care, receiving benefits in kind including medical health care by general practitioners and specialists; maternity care by midwives in dispensaries and at home, dental care, pharmaceutical care, income tested hospital care and other medical care.

It must be clarified in the first place, that in the beginning, medical care was only provided by pathologists and mainly doctors without speciality and maternity care by midwives, due to the lack of doctors willing to work in the remote areas. It was expected that the provisions would be gradually extended, provided that financial incentives to recruit medical personnel were introduced. This problem was partly tackled in 1968 after the passing of the legislation providing one year of compulsory service, the first after graduation, of doctors in the rural surgeries (10).

## ***Medical Health Care***

Farmers could go to the nearest rural dispensary where they would be examined free of charge and receive primary treatment; in case of emergency they could call the doctor to their home. But the problem was how long it would take for a doctor to come, and how near to the house the dispensary was located. Rural dispensaries played the decisive role in farmers' health. Thanks to them,

hundreds of thousands of peasants stopped putting their faith in traditional herbal remedies and made their first contacts with medical science. Rural dispensaries were planned to cover a population from 1.500 to 3.500, depending on the terrain and demographic conditions of each dispensary's territory.

In a 1.500 to 2.000 population's dispensary a doctor was appointed and a midwife for two dispensaries; in a 2.500 to 3.500 population's dispensary a doctor and a midwife were appointed and in an over 3.000 population's dispensary a nurse was additionally appointed. In all dispensaries a visiting nurse could also be employed. All the provisions were given free of charge, any time, day or night. A minimum charge was anticipated in the case of a doctor's visit at home (11), a night visit (12) and a doctor's visit outside his territory (13). Charging was established in order to restrict aimless calls to doctors, but it was unfair for people living in small villages lacking their own dispensaries.

Doctors were paid by a capitation fee, increased according to factors such as the geographical conditions, the number of villages in their territory, the conditions of transportation, the distances between the villages of their territory, and the dispensary's distance from the nearest urban centre. The whole system aimed at the establishment of a relationship "between doctor and client in order to secure the mutual benefit and the quality of the services provided" (14).

In 1963 the number of doctors was reported to be 1.200, while that of nurses was almost equal. Evidently, there was a shortage of doctors in the rural areas, because of the unattractive living and payment conditions. What usually happened was that young and inexperienced doctors covered the posts in rural dispensaries. Midwives and nurses were low paid as well, while only a minority of them had adequate experience and training. Some of the sanitary centres (15) would be upgraded to maternity centres, especially those in the very remote areas.

Patients could only see a specialist after a rural doctor's recommendation except in special urgent cases. Specialists were found mainly in out-patient departments of public or private hospitals, or in private clinics, or in doctors'

surgeries contracted with OGA. Specialists were paid both by a capitation fee and a fee for each service, depending on the agreement between the doctor and OGA. The scheme was expected to pay annually on average 80 drachmas for every insured person after 1964, a low figure even for the first stages of the establishment of health insurance in the rural areas. Until then, the existing coverage and structure were restricted within the social assistance scheme.

OGA's health network amounted in the late 1960s to 1341 rural dispensaries and 101 health stations (16). Since 1964 the scheme spent annually 225 million drachmas on this network. The total number of rural people who were entitled to this type of free medical treatment was around 42 per cent of the country's total population, in 1965.

### *Hospital Care*

Hospital care for people of the rural areas had always been problematic, mainly because all the main hospitals or even private clinics were concentrated in the urban areas and especially Athens. In 1963, OGA provided an annual total of 4,000,000 days of hospital treatment of which 2,500,000 days were accounted for by patients treated in hospitals and clinics in the Athens area. The few hospitals in the rural areas were lacking the necessary equipment and personnel to deal with difficult cases. On the other hand, the "stigmatized" procedure for a pauper's certificate in order to obtain free hospital care, kept most of the farmers in their homes even when intensive hospital care was required.

However, the system included both general and specialized hospitals, either public or private, contracted with OGA. Patients were treated in hospital for as long as needed. Hospitals required a rural doctor's prescription recommending hospital care, except in urgent cases when OGA had to be informed of the patient's direct entry to hospital within the first 24 hours. For every patient's hospital admission, the insured had to pay to OGA a charge of 200 drachmas, which was a quite significant amount considering that the basic pension



was only 180 drachmas per month. However, patients holding a pauper's certificate were excluded from this payment.

OGA was budgeted to pay only 120 drachmas for hospital care provided for each of its members or a total of 300 million drachmas annually. Notably, before the establishment of OGA, the State had been already paying about 350 million drachmas annually through the Ministry of Social Assistance, for the hospital care of the destitute. Most of this money was given for the hospital care of the agricultural population.

### ***Dental Care***

Dental care was provided mainly as a preventive measure for children. Basic treatment was provided for adults (17). One dentist was planned for every 10.000 inhabitants of the rural areas; dentists were paid a sum of only 74 drachmas per month, including medicine and transport expenses. Dental provisions were given free of charge, and the overall annual cost of OGA for the dental care sector would be 32 million drachmas i.e. 7.5 drachmas per insured person.

### ***Pharmaceutical Care***

Doctors could prescribe any medicine from OGA's list, for any kind of care. Prescriptions were given for a maximum period of seven days; patients would pay 25 per cent of the medicines' cost.

Medicines were found either in chemist shops, or in the case of small villages in OGA's dispensaries. OGA would pay annually after 1964 a total of 210 million drachmas for pharmaceutical care, i.e. 50 drachmas per insured person.

### ***Remaining Medical Care***

This care included provisions such as blood, glasses, orthopaedic machines, bandages, etc. and would cost OGA on annual total of 21 million drachmas, i.e. 5 drachmas per insured person.

### **Insurance of agricultural produce**

A question arose of whether the new comprehensive farmer's social insurance scheme should include some form of crop protection or not, or whether this protection should be provided by a separate scheme. The latter would have been rather better because in countries with a weak infrastructure and poor relationship between state and citizen, the more complicated the organization, the greater the inefficiency.

In fact, OGA undertook to cover all crops against hail and frost damage although frost was internationally regarded as a non-insurable risk. In this sense, OGA was accused inaugurating a new form of universal farmer's insurance beyond accepted practice. The 1961 legislation provided the set of OGA's insurance regulations which had the effect of a blanket insurance policy. Cover was automatic, embracing all vegetable produce in the country, regardless of ownership.

In the procedure an important role was to be played by the local OGA representative in the attempt to decentralize. The procedure aimed at efficiency and simplicity but a wide use of computerized special printed forms was requested. The procedure started the moment the farmer had to go to the office of the Commune, within 9 days in the case of hail and 12 days in the case of frost. There, he filled in a special form with the assistance of the OGA representative, stating the nature of the damage, the exact position of the land affected and so on. Then the representative contacted Head Office immediately reporting the nature, extent and location of damage. OGA sent one of its nine appointed regional agricultural inspectors, each one responsible for one of the nine regions into which the country was divided in the OGA administrative map, to assess the damage in good time.

If the district had been so widely ravaged that the scheme's agricultural inspectors could not cope with the job on their own, Head Office would call in outsiders to assist them, on payment of an appropriate fee. Such assistance was

given by the local public services which had an agricultural expert on their staff (18), or else two independent agriculturists who had special training from OGA in assessing damage for insurance purposes. Agricultural experts should carry out an on-the-spot assessment of the damage, field by field, usually in the presence of the farmer, aiming at an objective, scientific and conscientious approach. They then completed their reports, a separate one for each holding, on special computerized forms, which were eventually sent in to the appropriate department at Head Office.

### **Finance**

As already declared the agricultural scheme was founded on the potentially solidaristic principle behind social insurance associated with Beveridge. Four-fifths of the funds which financed OGA, derived from the community as a whole, coming out of the income of white and blue collar workers, scientists, businessmen, merchants and industrialists, in the form of an income taxation surcharge. This part of the national income, a notable burden for the urban working population, aimed not only at a juster national distribution of income but at an expansion of the domestic consumer market as well. In this respect, the concept of the law was that all the working people who contributed to OGA would indirectly benefit from industry and commerce.

The three financial resources for OGA were: insurance contributions, special levies and miscellaneous receipts. Each of these resources contributed to an extent shown in Table 6. Insurance contributions covered less than 17 per cent of the overall budget and the remaining 83 per cent was from the national budget. The law introduced a 2 per cent contribution on gross agricultural income. This system was characterized by the advantages and disadvantages of the direct taxation system. The lack of specific information about the public register of property provoked insuperable practical difficulties. On top of that, the

Government considered the political cost of an increase in the direct taxation of the agricultural population, especially after the relevant debates in Parliament.

Therefore, the method of calculating the farmer's direct contribution, was abandoned and another amendment passed in Parliament in 1962, by which producers were classified for insurance purposes into four categories, according to the size of their holdings and the nature of their crops. The system "finally" introduced, excluded from contributions persons who were living on agriculture but were not land owners or land workers, i.e. other working members of the family. Those entitled to contribute were landowners and the land workers according to insurance classes. The Aa class contained land workers lacking their own land. The division into A, B and C classes for landowners was according to the acres of the land, the kind of plantation, the number of animals, etc. The insurance classes were classified as following:

Insurance class	Annual Contribution
	(in drachmas)
Aa	100
A	180
B	240
C	300

A specific factor for each category would give a final figure, according to which the insured would be included in one of these classes.

The classification of farmers into the above classes was mainly undertaken by the Directors of the Agricultural Bank's branches, which had the monopoly of agricultural credits. More than a million of those farmers required to pay contributions, had credit accounts in this state banking organization. OGA's representatives and expert agriculturists or ATE's agriculturists would classify farmers not having dealings with the Bank. It was estimated that by this direct contribution system, agricultural income would be burdened by not more than 1 per cent. ATE would be responsible for collecting these contributions.

Most of OGA's tax contributions were payable from 1 January 1961 and the collection of direct insurance contribution and products taxation started from 1 January 1962. OGA started its health care coverage from 1 January 1962, its old-age pensions from 1 July 1962 and its crop insurance from 1 January 1963, in order to create the necessary deposits in the meantime.

A Report submitted in April 1959, studying the problems of the reform of social insurance in Greece and the Introductory Report of the law agreed on the point that the establishment of the new scheme would have a positive effect on the consumption of the agricultural population, since the demand for products would substantially increase. It was calculated that demand in the agricultural areas would be four times higher than the expenditure on the benefits paid.

A governmental Confidential Report in November 1960 had estimated that the impact of agricultural insurance on the general price indicator (GPI) would not exceed 1 - 1,2 per cent. The psychological reaction of the people however was stronger than originally expected and the GPI rose by 3 per cent in November 1960. This rising trend however was restrained some months later so that in October 1961 the GPI fell below the figure of October 1960 (Table 8). In general, the effect of the establishment of agricultural insurance on the Greek Economy was considered positive. The discussions held involved both Beveridge and Keynes arguments, in order to convince critics that the pursuit of social policies could favourably affect the national economy of the country.

Farmers' direct contributions were abolished from 1 January 1964. The Prime Minister G. Papandreou - who as we have seen won the November 1963 elections with a limited 3 per cent victory - included, as he had promised in his election campaign, in his reform adjustments abolishing farmer's direct contributions, in order to extract votes from the rural electorate for the shortly coming elections. Papandreou, "the father of farmer's pension" claimed that the direct contribution system was conceptually correct "but wrong for Greece", and that by this system "the character and the aim of OGA was violated" (19). The

main objective from his point of view was to diminish immigration. During this period poverty forced most of the young rural population to leave their villages either for the urban centres or even further for places such as W. Germany or U.S.A. Papandreou emphasized that "Social Policy meant National Policy", and as we have seen, a couple of months later his Centre Union party won the elections with an impressive 53 per cent. In early April 1964, Papandreou's Minister of Agricultural (20) elaborated the Government's agricultural policy as strictly aiming at a wider redistribution of income in favour of the rural population (21).

The loss of OGA's income due to abolishing direct contributions would not be as important as expected when the scheme's budget appeared. In 1961 and 1962 it was expected that direct contributions would amount 250 million drachmas each year. What actually happened was that in the first year OGA collected just 50 million drachmas and in the second 170 million drachmas, creating a 280 million drachmas deficit of contributions. On the other hand, as the Minister said, social contributions exceeded the original estimated figures due to the considerable increase of GNP and of consumption, and OGA's total budget "will not have a deficit" (22) (Table 9).

During the same month, A. Bernaris, governor of OGA during its crucial first year of establishment and later a Minister of Social Services, noted in an answering letter to a local Agricultural Federation: "... abolishing farmers' 250 million drachmas direct contributions could provoke a 200 million drachmas deficit in OGA's budget...". Some months earlier, K. Mitsotakis the Finance Minister when he submitted to Parliament the 1964 General Budget, emphasized that: "... by abolishing farmer's direct contributions, OGA would undertake a 140 - 145 million drachmas burden annually". These contradictory statements about the financial impact of the political decision to abolish farmer's direct contributions, do not give a clear picture of OGA's financial situation but definitely indicate the political atmosphere and the reliability of politicians' statements during that time.

Furthermore, the Agriculture Minister claimed that the administrative cost for the collection of direct contributions by the Agricultural Bank was estimated at around 20 million drachmas. He emphasized that most farmers lived in poverty and were not in a position to contribute. Moreover, the whole system was unfair since it was related not to the farmers' income but to the extent of their land. The Minister concluded that the rural population gave his party the power to implement its progressive social and economic programme and that the Prime-Minister was determined to keep it that way (23).

Since the abolishment of direct contributions, OGA's only source of finance deriving from agriculture has been the 3 per cent ad valorem levy, imposed by a Ministerial Decision of 1962, on wholesale rates of agricultural produce: any person who buys such produce wholesale from the grower was required to withhold 3 per cent of the invoice value thereof and pay it to the State Revenue Office. Two-thirds of this levy went to OGA and the remaining one third to the local authorities (24). The 3 per cent was to be paid by the farmers themselves, and not by the purchasers, if they issued proper wholesale invoices. On specified categories of produce the rate decreased from 3 per cent to 2, 1.5 or 1 per cent.

### **Administration**

Three solutions had been proposed for the administrative status of the new agricultural insurance. In the first, the well-known social insurance expert A. Zakkas led a campaign proposing that IKA should undertake the new scheme in order to unify social insurance in Greece by this national social insurance institution. In the second, ATE which was a public non-profit organization, was willing to undertake the scheme by facilitating in this direction its existing infrastructure, the numerous branches all over the country. In the third, a new independent organization should be established, with the sole aim of agricultural social insurance.

The opposition parties led by Papandreou claimed that both the first two adjustments would be preferable, mainly because of the low administrative cost involved. The Karamanlis Government on the other hand, advanced the third one, considering that IKA, as a scheme for the working people of the urban areas, could not administer the rural areas as well without requiring high, new administrative costs for the establishment of new decentralised branches. ATE, as a banking organization, belonged to another sector with completely different aims and philosophy, lacking any experience and expertise in the social security field. However, the new law introduced specific limitations keeping the administrative cost low.

In 1961 there were about 11.500 "separate and distinct settlements" in Greece, of which only 55 were classified as "urban centres" and the rest were "rural settlements". About 3 million people lived in villages with a population of less than 1.000, and 720.000 people in villages with less than 200 inhabitants. Moreover, 40 per cent of all the "settlements", towns and villages, were in mountainous territory; they accounted for 16 per cent of the total population.

This was the ground over which OGA had to activate its mechanism, run by its 200 administration staff, employed by its central administration. All the rest of the people who worked for OGA were agricultural experts and local council employees. By international standards this staff ratio, 4 million insured: 200 administrative people staff, was very low. The French farmers' insurance service for example, employed a staff of 10.000 to deal with 12.000.000 persons. This happened because OGA's network was based on the local representative system and moreover, emphasis had been placed on modern techniques and methods.

OGA had two types of administrative services, central and local departments. The central departments were the following: old-age insurance directorate, crop-insurance directorate, finance department, supervisory department, organization and research department, medical care department, public relations department and personnel department. OGA actually started



operating with a permanent staff of 99. The central administrative personnel were employed according to strict regulations. In 1963, from the 99 persons working in OGA's central administration, 50 were University graduates, one had a Ph.D. and one was a University Professor. By about 1970, this number had risen to 215.

All the rest of the people who worked for OGA were agricultural experts and local council employees. They were paid a fee for doing all the scheme's fieldwork: all the formalities involved for awarding pensions, assessing damages and paying compensation. The possibility of creating a huge permanent staff was not even considered, because, if the scheme were to employ just one representative of its own in each town and village, it would have to employ a staff of 11.500 to cover every centre of habitation, in addition to its central administrative staff. This would be prohibitively costly and extremely time-consuming.

OGA had to cover 4.300.000 persons, widely dispersed over the rural areas of the country. The whole country's surface is 130.918 square kilometres with 5.775 parishes and 225 boroughs. According to 1963 statistical information of the Ministry of Agriculture, the several categories of insured people amounted to the following:

- a. Pensioners: 360.000.
- b. Persons entitled to the crop-insurance scheme: 1.200.000.
- c. Agricultural workers: 100.000 and more.
- d. Active agricultural population: 2.000.000.
- e. Total number of persons directly or indirectly insured: 4.300.000.

The "unconventional methods" (25) used by OGA combined a minimum of expenditure with a maximum of efficiency. OGA ran its mechanism through the organization of the communes, by using people such as local government officials (26) and other prominent representatives of the rural community such as the schoolteacher, the priest and the magistrate. Through them OGA managed to

establish a kind of contact maintaining direct communication with its insured members.

OGA's great opening and crucial campaign lasted from August 1961 to July 1962, and resulted in the award of the first 305.000 pensions. OGA's pensions had a retrospective effect and many old people had difficulties to prove their age, but the law was designed to protect all the elderly people of the rural areas, which practically meant an open ended handling from OGA's point of view. Valuable time was saved by computerizing all data; "OGA can proudly claim to have been the first public service in Greece to use up-to-date electronic methods as the sole basis of its administrative records system ..., ... (but) it is beyond the capacity of machines to exercise human judgement, to make a choice or to review a problematical situation. Computers are worth as much as the men who run them and set them their problems, and no more" (27). The aim of the whole system was complete decentralization, based on the people of the village, appointed as OGA representatives, who were the link between the scheme and its millions of insured farming people.

In 1970 the total number of OGA's representatives was about 6.500; they were about 4.500 cooperative associations paying out OGA's pensions, about 150 magistrates responsible for issuing pension award orders; 500 agricultural experts and clerks to the agricultural boards who provided employment statistics concerning farmers and farm workers; and 6.500 mayors and commune chairmen who provided OGA with particulars concerning the family circumstances and financial situation of those living within their jurisdiction. Thanks to the methods employed, overheads were steadily kept below the level of 2 per cent.

Finally and very importantly, OGA invited the Agricultural Bank to handle its monetary transactions, but in addition it secured the services of another organization working in the same field and with similar interests: the agricultural cooperative movement. The farmers' cooperatives undertook to effect payment of the pensions, under the supervision of the Agricultural Bank's extensive network

with 174 branches, in accordance with computerized payment schedules sent to them by OGA. This system cut OGA's overheads to a minimum and provided better services for the farmers.

### **Press reactions**

Most articles mainly described the way OGA's administration was established and were not critical. OGA's first Chairman was Antonis Bernaris, who was an economist, and its first General Manager Loukas Patras, who was a lawyer specialized in social insurance and was considered as one of the most distinguished experts in the field. OGA was characterized as "the model for a social insurance organization world-wide" (28), and emphasized the very low administrative costs with 100 people personnel, and 4.5 million insured people.

Comparisons were made with the respective figures of other existing social insurance institutions such as the sanitary pensions fund which employed 170 people for 20.000 insured members; the millworkers' and bakers' fund which employed 190 people for 18.000 insured and 9.000 pensioners; TEVE which employed 500 for 300.00 insured and 45.000 pensioners; and the French agricultural social insurance which employed approximately 10.000 people for 12.000.000 insured.

The use of computers, which made OGA's "administrative miracle" (29) feasible and which never until then took place to this extent in Greece, was also emphasized. The institution's "perfect organization" and its competent and efficient personnel were in conclusion the two key factors for the success of OGA. Moreover, farmers were called upon to support their new organization in its historical mission, and to realize that its sole aim was their full coverage against the risks of agricultural life.

Finally, farmers were characterized as "the most valuable part of the nation" and they shouldn't become victims of "the propaganda of their enemies who are struggling to deteriorate their lives" (30). This comment indicates the

political bias under which most articles were written and the lack of objectivity in remarks and observations. In addition, it reflects the political frustration of the country during these stormy years.

Other articles described the conditions under which surgeries and health centres operated in the rural areas, and most importantly the doctors' role in the effort to raise the standard of health care. Doctors were expected not only to provide curative care but also preventive care and to study each patient's case; to become friends with farmers and to visit patients at home if necessary. Some expressed the view that although some doctors successfully fulfilled their mission and their experience and knowledge was sufficient, "the overall results were not satisfactory" (31). Improvement both in the human and technical aspect was considered necessary. Training courses for doctors had started in Athens, oriented to new methods and techniques. The surgeries' network ought to be increased, equipped with modern medical facilities and well-trained doctors were required, so that health centres would become "victorious castles in the battle for the health of Greek people" (32).

Some interesting information about the financial status of the existing insurance schemes was also published. In 1961, the existing schemes overall collected 6.537 billion drachmas of which 740 million drachmas came from social resources (33). On the other hand, the overall expenditure was 5.793,9 billion drachmas in addition to 2.500 billion drachmas spent by the State for pensions and health care of public servants and military officers (34).

Total social security expenditure, shown in Table 10, after the establishment of OGA, amounted to more than 10 per cent of GNP, a "percentage rather high in comparison with the social impact achieved" (35). It was emphasized that, especially in the medical and hospital care sector, much ought to be done, and that the dispersion of social insurance institutions significantly contributed to this negative situation.

### **The 1967 improvements**

On 1 March 1967, royal decree No 984 of 1966 came into force at last, by which all farmers acquired their long sought right to free hospital care on their social insurance. They did not have to obtain a pauper's certificate any longer or make huge sacrifices in order to secure a hospital bed. The farmer or any member of his family was entitled to be treated without charge in the nearest public hospital to his home.

Moreover, if his case called for special treatment he could be transferred to another hospital. Maternity care was also provided from pregnancy to child birth and also post-natal care. About 20.000 village women were annually admitted into maternity homes and many country children were accommodated in rural nurseries. OGA with about 4 million insured persons on its books, could and did pay for even the most expensive health care such as heart peace-makers, kidney transplants, osteo-plastic materials, etc. A standardized scale of low charges between OGA and hospitals themselves was introduced by OGA. The procedure devised by OGA for providing farmers with hospital facilities was simple: the local representative issued the claimant with a certificate in order to be seen by the local doctor and again, if he had to be admitted to hospital.

The military junta established a month later on 21 April - in a general attempt to acquire some public support - introduced the Emergency Law No 29 of 12 June 1967. This law provided some substantial improvements, raising the level of farmers' pensions, paying funeral expenses and OGA was provided with a new source of revenue in order to meet these heavier obligations. This derived from the 2 per cent ad valorem stamp duty rates.

This law gave an enormous increase of about 70 per cent to OGA's three categories of pensions (36). It should not be forgotten that OGA's pensions remained stable, irrespective of any inflation and could only be raised by a special ministerial decree. In addition, the procedure for obtaining a pension became simpler and if an applicant was dissatisfied with the magistrate's decision, he could

appeal to the president of the local court, though this rarely happened. In 1970, for example, out of 48,250 old age and disability pensions given, only 536 appeals were referred. The Colonels' June 1967 intervention, irrespective of the "political" benefits aiming at, improved the range of protection of the agricultural population and reinforced OGA's ability to fulfil its objectives.

### *The establishment of disability pensions*

There is no doubt that the exclusion of protection of disability from Law No 4169 was a major gap in the social protection of the agricultural population, which was immediately realized. However, by Legislative Decree No 4575 of 1966 which was brought into force by the Colonel's with the royal decree 504 of September 1967, OGA included coverage against disability as well. Every insured person was entitled to receive a disability pension if permanent incapability occurred through illness or accident, not allowing anymore the exercise of his usual occupation or any other of a similar nature, provided that the degree of disability was 67 per cent or over, and that the insured person was between 21 and 60 years of age.

A disabled person would be ineligible for a pension if considered capable of doing a job "of a similar nature" to the one he was doing before disability occurred. This adjustment would protect the individuals' social status and self-respect. The law provided also a kind of disability allowance for farmers injured in the course of their work. The procedure for obtaining a pension was simple. The injured person went for a medical examination and, depending on the nature of the accident or illness and the degree of disability, was given a pension according to a specified scale. These examinations were carried out for OGA by the IKA branch health committees on account of their experience of such work. The insured person could appeal and the case would be reviewed by a higher committee run again by IKA.

As with the old age pensions when first introduced, the disability pensions were initially given retrospective effect. In these terms, protection was automatically granted to about 20,000 disabled people who remained uncovered until then. Disability pensions were equal to old-age pensions with the same three categories, and the same method of payment through the farmers' cooperatives.

### **Conclusion: Minor progress to a major problem**

At last, the issue of agricultural insurance, having been discussed for more than thirty years, entered the sphere of implementation in 1961. The majority of the Greek population gained a minimum level of social protection mainly in terms of income maintenance - with low pensions - and secondly in terms of health care.

The level of provisions and the lack of actual contributions clearly indicates that OGA has to be seen as a social security institution and not as a social insurance agency. In this respect, OGA established a network of coverage designed to have a place between the social insurance and social assistance services. In fact, as we have seen, OGA, made use of the infrastructure of both these sectors. This clever adjustment reduced the huge financial needs of the new scheme and made the introduction of agricultural insurance feasible. OGA was basically a pension scheme but it is astonishing that it neglected married working women. This discriminatory and unfair treatment was to last for two decades. Notably, many used the scheme as a supplementary fund, having another occupation and being members of the respective occupational insurance scheme. This kind of abuses enforced insurance inequalities.

As emphasized above, OGA introduced an administrative structure vastly different from that of other relevant institutions. This is most probably the only part of the scheme which can be considered as efficient. Crop insurance in addition, proved to be of significant help to farmers during heavy winter years, but to some extent was open to fraud.

In terms of health care, though OGA contributed to the improvement of a rural, mainly primary health care network, the situation remained problematic. The major gaps were the lack of hospitals in the rural areas, and the lack of incentives to attract medical manpower. On the other hand, the mosaic of social insurance schemes acting independently, without any coordination and planning, prolonged an irrational allocation of resources and sharp inequalities in health provisions (37). The extension of health care insurance to the rural population conveyed the clear message that conditions were mature for a national health care system to be considered. This seemed the way to ameliorate the standard of coverage, to reduce health care costs, and to diminish the existing inequalities.

A vital problem which OGA failed to cope with, was the massive migration from rural areas to big cities, especially Athens. Internal migration proved to be a short-run solution and a long-run disaster but it is clear that the political parties refused to give priority to control the population's one-way mobility. Actually, the scheme was not designed to tackle this dangerous trend. What was achieved was a social security scheme which could function with very modest benefits and with very low administrative costs, and without any direct farmers' contribution.

In brief, those living in poverty conditions in the rural areas, the majority of the Greek population and the most extended part of the electorate, were provided with a uniform social security scheme which in some extent improved their standards of living. Those working in the rural areas, were covered with less than adequate social insurance protection. OGA represents a typical example of a non-contributory scheme providing flat-rate benefits aiming to secure minimum standards, according to the Beveridgean principles.



## ENDNOTES

- (1) Meaning in Greek: shield.
- (2) Meaning in Greek: ideal.
- (3) Clogg, R., A short history of Modern Greece, Cambridge University Press, 1988, pp. 184-185.
- (4) Introductory Report of Law No 4169 of 1961, p. 15.
- (5) Minister of Agriculture, newspaper, Kathimerini, 14 September, 1961.
- (6) Pensions would be immediately provided from mid-1962.
- (7) Newspaper, TO VIMA, 21 September, 1961.
- (8) Ministry of Social Services, National Crop and Social Insurance Agency - The first Ten Years 1961-1971, September, 1972, p. 70.
- (9) 51 per cent in 1961, 43 per cent in 1971, op.cit., p. 65.
- (10) As mentioned in chapter IV this adjustment was initially heavily disputed. Finally it was introduced during the dictatorship by Law No 67 of 1968 concerning "measures for the coverage of medical needs of the rural areas".
- (11) 2 drachmas.
- (12) 5 drachmas.
- (13) 10 drachmas.
- (14) Medical Association, Brief Report, August, 1963, p. 2.
- (15) A social assistance service.
- (16) Cottage hospitals.
- (17) Extractions, fillings, etc.
- (18) Such as Local Directorates of Agriculture, the Agriculture Bank, the Cotton Board, the Tobacco Board, etc.
- (19) Speech to National Agriculture Conference, newspaper, Vradini, 14 December, 1963.
- (20) A. Baltatzis.
- (21) Parliamentary Records, 3 April, 1964.
- (22) op.cit.

- (23) op.cit.
- (24) Municipalities and communes.
- (25) The Agricultural Insurance Review, January-March, 1963, p. 127.
- (26) The Chairman and the Clerk of the Commune.
- (27) A. Bernaris, (governor of OGA), The Agricultural Insurance Review, January - March, 1964, p. 342.
- (28) op.cit., p. 372.
- (29) Newspaper, Athinaiki, 31 March, 1964.
- (30) op. cit.
- (31) Tzamouranis, E., newspaper, TO VIMA, 27 April, 1963.
- (32) op. cit.
- (33) Around 11 per cent.
- (34) Kyriakopoulos, K., newspaper, KATHIMERINI, 23 & 30 June, 1963.
- (35) op.cit.
- (36) First category: 500 drachmas instead of 300 drachmas per month Second category: 400 drachmas instead of 220 drachmas per month Third category: 300 drachmas instead of 180 drachmas per month.
- (37) See preceding chapters and especially chapters III and V.

# VIII

## "THE CRISIS OF THE WELFARE STATE"

### **The fragmented social policies of the 1970s and 1980s**

As shown in this thesis, the Greek Governments intervened increasingly in socio-economic developments in the post-war period. Unfortunately, this intervention lacked planning and co-ordination and resulted in centralized decision-making oriented towards short term political expediency. Even in the flourishing periods of the 1950s and 1960s, the State was not in a position to create jobs for all who wanted them. The ill-developed infrastructure of the economy led to extensive emigration and the loss of potential social insurance contributors. It was inevitably young adults who emigrated resulting in a distorted age distribution with negative growth in most of the rural areas between 1971 and 1991 (1).

On the other hand, there was a lack of effective social pressures for reforms. This enhanced the traditionally unenthusiastic state's attitude to promoting social policies in a systematic and consistent way. Thus, after the establishment of OGA, during the 1960s and 1970s no major social policy legislation was introduced (2), though a rapid economic growth was achieved (3), and the need for reform was widely discussed.

At the end of the 1970s, as noted in Chapter IV, the practice of issuing "destitution certificates" was at last abolished, bringing to an end the embarrassing role of political criteria in "defining poverty" and thus eligibility for social assistance services. Social assistance kept on having a marginal role and a neglected share in the National Budget.

In the field of social security, the "system" perpetuated its fragmented character: the planning and definition of priorities remained "the forbidden fruits

of Paradise". In 1963, the various insurance schemes covering employees in the public sector were amalgamated and the "public servants health service" was introduced. This fund, making use of the privileged status conceded to public servants, explained in the earlier chapters, soon became a state financed wealthy organization covering doctors' visits, hospital care, dental care and pharmaceuticals. Historically, in Greece the unions of the public sector have always been much more powerful than those of the private sector. Union pressures proved to be much more effective when the employer was the State since governments - ignoring budget deficits - were rarely willing to get involved in politically painful disputes.

Until the beginning of the 1970s, the still growing economy allowed many Greeks to live in prosperity and thus defused any mass trend of opposition to the Colonels' dictatorship, established from 1967. They managed to cling to office until 1974, with NATO and American support and the benevolence of most of the Western world. The amateurish economic policies of the Colonels contributed immensely to the end of Greece's economic boom.

It is interesting to mention that the first proposals for a National Health Service were introduced during this period (4). The Minister of Health submitted to the dictator a Report in 1970 suggesting the establishment of a National Health Council which should first coordinate the social insurance schemes and secondly organize a system of primary health care, based on a free choice of general practitioner providing services in private surgeries(5). This system would be financed by the health insurance contributions of harmonised social insurance funds. This noteworthy reform was never implemented, mainly due to the political cost it might have for the dictatorship.

The rise of inflation to 30 per cent and its repercussions in 1973 and the brave movement of Greek students in 1973 which was faced with brutal suppression and killings, led to the end of the dictatorship in mid-1974. The very well known traditional conservative politician C. Karamanlis undertook the

arduous task of leading the country back to democracy.

A year after the restoration of democracy, the Centre for Planning and Economic Research published a report proposing again the harmonization of the social insurance services. The Report pinpointed the following major issues: the existence of large geographical inequalities in the provision of services; the incredible discrepancies of coverage and finance among the insurance funds; the gaps in the provision of services in the rural areas; the problems of hospital care and the lack of coordination between the Ministry of Health and other Ministries and organizations pursuing social policies.

The Report made these alternative proposals: the creation of a unified National Health System, the unification of IKA, OGA and TEVE, the basic insurance schemes and any other funds willing to join the unified scheme; and finally the coordination and cooperation of existing schemes for health insurance coverage. The solution finally proposed was the unification of the main insurance schemes, considered as a "transitory period" for the establishment of a National Health System. The number of general practitioners should be significantly increased and the power of the public health sector should be reinforced. Moreover, through the harmonisation of the social insurance funds, the establishment of a central scheme would become the major financing organization of the forthcoming Greek National Health Service.

These reforms formed a bill which came to Parliament only in 1980, submitted by the Minister of Health of the conservative Government of New Democracy (6). This legislation met with formidable opposition from the other parties, the whole of the medical profession, and even by politicians within the ruling party which proposed it. Notably the Bill anticipated only the establishment of a Governmental Planning Agency, a central coordinator for health care provision having as its main objective the creation of "a network of primary health care teams" and the elaboration of relevant projects.

In the Parliamentary discussions it became clear that any kind of reform

would require "the harmonisation of the existing regulations of the insurance funds" - an objective not achieved for more than thirty years. MPs coming from the rural areas emphasized the geographical inequalities in health care coverage and opposition MPs pressed for a stronger role for the State in the provision of health services. It was at this stage that the increasing share of the informal economy in health care was first mentioned - payments made to doctors and others who were intended to be providing free health care to the insured. Moreover, the need for much higher state subsidies to health care was identified, since employers' and employees' contributions could not be considerably increased owing to the conditions of the Greek Economy. In the same year, following a decision of the Minister of Health, TEVE, the handicraftsmen and self-employed professionals fund covering more than 10 per cent of the insured population, uprated its benefits and extended its primary health care services.

After the mid-1970s, the dynamic socio-political environment - restoration of parliamentary democracy, the legalization of the communist party, the fast democratization of social and political life - led to the mobilization of various sectors of the middle and lower classes. Due to the recession, phenomena such as multiple employment and a growing informal economy generated fertile conditions for the "Black Economy" and tax-evasion.

In general, the coming of the 1980s opened an era when public expenditure in Greece developed much faster than public revenues and GNP. This resulted in increasing deficits and lack of fiscal control due to the absence of effective management in the public sector. Ignoring the declining course of economic indicators, a major reform to strengthen the role of the welfare state was implemented at the same time as Europe was implementing opposite policies.

In 1981, the social transformation of the 1970s, led the first ever socialist party to power - PASOK under A. Papandreou, promising general radical reform "in favour of non-privileged Greeks". PASOK reinforced state interventionism and devoted major priority to the establishment of a Greek Welfare State, a

dream which many voted for.

Immediately after its election in 1981, the socialist Government pursued Keynesian policies and gave substantial salary increases above the inflation rate and - as promised in its pre-electoral campaign - enormous pension increases. 1982 is probably the year in which the most impressive welfare benefits' increases were ever made in Greece. IKA's minimum pensions increased by 110 per cent within a year (7) but contributions remained stable. OGA's pension expenses became four times higher within four months: married women farmer's pension was introduced, pensions generally increased and OGA started providing pensions to uninsured persons over 70 years of age, which soon became 68 (8). Social insurance expenditure escalated and other social programmes improved on a smaller scale. The introduction of the automatic indexation of wages, salaries and pensions in 1982, was presented as a sound redistributive policy.

The social policies implemented until the mid-1980s uprated hugely the lowest pensions and extended social insurance coverage in both the rural and urban sectors. Once again IKA was forced to provide coverage to groups of people such as Greeks repatriated from Eastern Europe, who had never paid any contributions to the scheme. In addition, some minor bankrupted insurance funds were amalgamated with IKA, bringing their deficits with them. These developments matched with unfavourable demographic changes and a legacy which allowed the drawing of provisions below the statutory age reduced the ratio of employees to pensioners from 2.8 in 1979 to 2 in 1989.

Surprisingly until 1982, the State kept denying any subsidy to the scheme, though as we have seen this had been anticipated since the 1951 legislation. Until 1980 IKA had managed to have a slight surplus but afterwards persistent deficits appeared in the scheme's annual budget, since the huge uprating of benefits was not matched with respective contribution rate increases or sufficient state subsidy. Even then, IKA was forced to borrow under unfavourable conditions while the State invested profitably IKA's savings, paying back interest rates far below the

normal bank rates.

In 1983, the socialist Government made a considerable step towards a non-contributory universal social security scheme, by establishing the Greek National Health System (ESY), at the same time as the introduction of such systems in most of the southern European countries. Abel-Smith pointed out in 1985 the following objectives of these schemes: universal entitlement to health services for all citizens, a more balanced distribution of services among geographical regions and effective control over costs. The 1983 NHS Act (9) provided radical adjustments in the structure of hospital management, in the working conditions of hospital doctors requiring them to have "exclusive full time" status, and in primary health care in the rural areas. Moreover, the major issue in terms of financing was the redefinition of the balance between the public and the private sectors. The basic principles of the NHS underlined that the State should become the main provider of health services; equal distribution of health services; competent health care provisions for all, irrespective of age, sex or ability to pay; regionalization of services and community participation in decision-making; an emphasis on the development of primary health care; better organisation of health insurance funds; improvements in the quality of services.

The NHS establishment was not matched with the necessary increases in public health expenditure. Though 175 health centres were constructed in rural areas, the quality of services provided remained poor. The number of hospital beds - around six per 1.000 inhabitants - was kept low and the inadequate hospital services led to an army of Greeks looking for hospital care abroad (10). The Greek NHS failed to secure the doctors' acceptance, to define priorities, to introduce effective planning and financing and did not fulfil its stated objectives.

Following the long tradition of pre-electoral provisions, the Government established Law No 1469 in 1984. According to this adjustment, IKA's minimum pension was awarded to those completing their 65th year of age, having only had 2.700 days or 9 years of full-time work, a provision similar to that of the 1950s



(11).

The implementation of expansionary social policies soon became a hopeless task due to the deficiencies of the social insurance system which prolonged its anarchist operation, the lack of effective public management and control, the inefficient and irrational allocation of resources and most of all the dreadful economic scenario. As expected, the fast growth of the public sector and of the resources distributed through the State in the early 1980s, exceeded significantly the capacity of the Greek Economy. Notably, Greece was still far behind the OECD average with reference to public expenditure on pensions, health, education and unemployment (Graph 3). However, social expenditure as a percentage of GDP started rapidly increasing since the early 1980s when it was half the OECD average in the 1970s (Graph 4).

In 1985 and after its re-election, the socialist Government announced a "stabilization programme" of the economy, with restrictions on wage and salary increases and a reduction in the automatic indexation rates. Unfortunately, this change of policy failed to prevent further adjustments for certain privileged working groups in the public sector. During 1986 and 1988 the Government gave in to pressures by the hard-core trade unions employees of public utilities and bank employees, and granted them salary increases higher than those allowed for the rest of the workforce, even in the same occupational sector. This was a decisive crack down on socialist ideas and provoked a sea change in public opinion against the ruling socialist Government. In brief, after 1985, the circle of main beneficiaries was restricted again to the traditional one: those who succeeded in gaining access to political power and the State machinery, namely state officials, intermediaries in both the public and private sectors, small and medium sized businessmen and self-employed people, both of whom were in a position to take advantage of the accelerating Black Economy (12).

The issue of heavy and unhealthy occupations constituted in Greece, after IKA's legislation of 1951, an opportunity to distort social insurance for

political reasons. Eligibility of occupations for this category was granted after negotiations and pressures and not after scientific evaluation of work conditions. Provision was made for early retirement under the law but the extra contributions required - 2.2 per cent of payroll for employees and 1.4 per cent for employers - was very low and did not cover the full extra cost for IKA. According to a Report submitted to the Ministry of National Economy in 1987 about 650.000 persons - 37 per cent of IKA's members - had joined this category, exacerbating IKA's deficits.

In 1986, the deficit of social insurance funds amounted to 3 per cent of GDP or 16.7 per cent of total revenue (13). Not only the expansion of provisions but also the evasion of the payment of contributions aggravated the growing deficit. Private and also public organisations (14) evaded contributions for IKA at a cost of about 50 billion drachmas annually, without any serious penalties. In 1989, public expenditure amounted to 50 per cent of GDP while the deficit of the social insurance organizations maintained since 1984 a major part of the total deficit of the public sector (Graph 1).

The socialist Government expanded the absurd tradition of over employment in the public sector used as a policy to gain political clientele. The quality of the public services was very low, mainly due to ineffective management and the existence of the law prohibiting dismissal except in extreme circumstances, as already mentioned.

The public servants' scheme, enlarged through amalgamations in 1963, covered, in the late 1980s, 4.5 per cent of the total insured population according to the privileged regulations described in the earlier chapters. Of course, between 1951 and 1990, a total of 141 adjustments were legislated, but in general the scheme was still based on the 1951 framework legislation. It did not include all those employed by the State since half of public servants are IKA members due to their contractual employment status. Since official data do not exist, estimates indicate that this peculiar fund covers about 600.000 people, including dependants. Notably, still the scheme does not cover disability to a great extent,

but provides favourable contributory conditions and high benefits for the other risks. Members of the armed forces are included in the scheme with even more privileged conditions - average retirement age for example is 48 years. Even the contracted doctors - paid on a fee-for-service basis - can claim more visits or services than they actually provide, and receive in return higher revenue from the scheme. The public servants' scheme, which in fact never collected employees' contributions, constituted a heavy burden on the national budget, a poor example of "social insurance" practice but a brilliant example of unshakeable vested rights.

Those employed in banks are traditionally the most privileged insured since they enjoy high benefits and high quality health care. Primary care is provided by private contracted doctors and the best available hospital care including the right of the insured to choose the top private hospitals. The bank insurance funds are mainly financed by the employers, and only partly by employees and covered in 1990 about 1.1 per cent of the insured population (15).

TEVE, the insurance fund covering handicraftsmen, manufacturers and several self-employed professionals since 1934, provides in general benefits lower than IKA. Primary care is provided by private doctors of nine specialities, paid on a capitation basis; hospital care is provided by contracted private hospitals, but not the top ones. This fund is financed exclusively by its members' contributions according to occupation and work remuneration. It covered in 1990 about 14.2 per cent of the total insured population.

In 1990, IKA, OGA and TEVE covered almost 75 per cent of the insured population. While IKA's members increase every year as the urban population increases, OGA's members decrease constantly and reached a 20 per cent share by the late 1980s. The privileged funds of the public sector, public utilities and banks insured about 10 per cent, while the remaining hundreds of funds cover the leftovers of the insured population. These mini-schemes' members cover in each case less than 150,000 people including dependants (Graph 2).

In brief, the social policies pursued in the 1970s and the 1980s

exacerbated the existing inconsistencies, failed to diminish the extensive inequalities and magnified the great inefficiencies of the social security system. Moreover, expansionary social policies of the early 1980s, though needed and welcomed, greatly enlarged the deficits of the social security sector. Absurd political decisions, spread over many decades, brought the system to a major "crisis of the welfare state".

### **The advent of social insurance reform**

One of the main priorities of the conservative Government, elected in April 1990, was the reorganization and financial restructuring of the social insurance funds. As the country was facing a deep fiscal crisis, the deficits of the funds aggravated the problem to a dangerous extent. At the end of 1990, the deficits of IKA, the public servants' scheme, OGA and NAT were expected to reach 980 billion drachmas i.e. half of the overall public deficit or 9.3 per cent of GNP.

In early May 1990, the Minister of National Economy (16) announced that the Government was determined to undertake a radical reform of the social insurance system. This declaration provoked massive applications for retirement especially from employees of the public sector, since the intention to introduce stricter conditions - especially in their scheme - was obvious (17).

The Government seemed to accept fully the recommendations of the Agelopoulos' Report. This was a report on the Greek Economy conducted by the widely respected Professor Agelopoulos, which included a major part concerning the restructuring of the social insurance funds. The Report's fundamental recommendation was the clarification of the existing system's philosophy, i.e. the disengagement of the State, from the operations of the insurance funds which should be based on the full correspondence between contributions and benefits. As the Minister put it, "high pensions will have to require high contributions" and he gave top priority to this principle (18).

The intention of this "return " to balanced income and expenditure provoked the reaction of commentators (19) claiming that this would restrict minimum pensions and people would be diverted to private insurance, causing a huge loss of contributions to the social insurance funds. Furthermore, the establishment of a pure "return system" according to the Bismarckian social insurance contributory principles, would reinforce the injustice of the lack of the contributory principle in the public servants' social insurance institution: in other words, public servants would have to start paying contributions for their pension scheme.

On the other hand, a subject extensively discussed as well at this time, was the Beveridgean principle of the establishment of a uniform minimum pension with the same contributions for everybody, with state finance as the main revenue. This "national pension" would underline the principles of social justice and solidarity, "according to the example of many Western European and Scandinavian Countries" (20) and should exceed the poverty line, estimated as up to 125.000 drachmas per month for a 4 member family (21). Moreover, the establishment of unified contributions would be an extremely hard task since, for example, employees insured by IKA paid 1/3 and employers 2/3 of contributions, while the bank employees' average contribution ratio was 1 for the employee and 14 for the employer!

In early June 1990, the Athens University Medical School published the findings of a special research of academic experts who had studied in depth the necessary changes in the Greek social insurance system. The main conclusion of the research was that the existing concept of social insurance should not be abandoned but rationalized and modernized according to contemporary widely accepted conditions (22). Pensions were considered to be the core of the problem covering 75 per cent of social insurance expenses, and the proposed reform included the establishment of the following three pension levels:

a. A minimum pension for everybody guaranteed by the State, irrespective of the

insured person's employment status and financed by progressive direct taxation.

- b. A pension on top of the minimum one, given by a compulsory social insurance system balancing benefits with contributions, financed by employers' and employees' contributions.
- c. A third voluntary pension provided by private insurance or associations based on the capitalized system.

The research determined that the main causes of the crisis in social insurance were firstly, the adverse development of demographic indicators; in 1950 persons over 65 years constituted 6.76 per cent of the population and were expected to become 14.97 per cent by 2.000; the ratio of pensioners to active insured persons in IKA was 1 to 3.98 in 1978 and became 1 to 3.05 in 1989. Secondly, the world-wide fiscal crisis after the two oil crises (23). Thirdly, the extension of social protection, in both quantitative and qualitative terms, according to the developing needs of contemporary societies expressed by the respective social policies. Fourthly, the "Greek peculiarities" of the social insurance system, namely: i) the contradictory and very complicated legislation, ii) one of the highest number of social insurance funds - around 360. iii) the inequities in contributions and provisions and especially in state finance, iv) the huge organizational, administrative and operational problems. The research concluded that private insurance could supplement but not replace social insurance because it could not undertake the essential social justice and redistributive roles and would, at the end of the day, face the same macro-economic deadlocks. Unfortunately, in practice the problem was purely seen in the context of the enormous deficits. However, scientists insisted that a deep long-run, modern and financially viable reform should be at last adopted aiming to deteriorate abuses and to establish uniform regulations for the general improvement of the institution of social security in the country (24).

In late June 1990 and during the discussion about the National Budget of

1990, which was delayed owing to the April elections, the Prime-Minister Mitsotakis announced that the 1990 state subsidy to social security should be 460 billion drachmas since "other money doesn't exist", i.e. 18 per cent more than the previous year, when the inflation rate was higher at 20 per cent (25). He confirmed that the Government was determined to increase the retirement age but to abolish the taxation of pensions and reduce employees' direct taxation. The Minister of Health and Social Insurance stated that "no decisions have been made since the problems of the funds are still being identified" and supported the implementation of new adjustments for future employees of the public sector. Meanwhile the Minister of National Economy was pressing for immediate measures, starting with an increase in insurance contributions of 1 to 2 per cent of pay-roll and demanding adjustments "here, now and for everybody" (26). Their disagreement led to further delays in decisions.

The Medical Association confronted the Minister of National Economy's position, emphasizing that this would exacerbate the problems and expressed full support for the Minister of Social Insurance. In May-June 1990 the number of retirement applications doubled and the number of IKA pensioners was expected to rise by 60.000 (more than 10 per cent) during 1990. On the other hand, both the EEC and the International Monetary Fund underlined the urgent need for radical changes in pension schemes in order to save resources and to adjust to the existing EEC countries' regulations.

In July 1990, the leaders of the three political parties, the conservative ruling party (New Democracy) under the Prime-Minister K. Mitsotakis, the socialist party (PASOK) under A. Papandreou and the left alliance party under Ch. Florakis, agreed on a minimum consensus in terms of "political tolerance" in order to attempt to tackle the vital problems of the social insurance system. As a reward, the Prime-Minister promised to introduce a national dialogue with all the interested social parties to try to reach agreement (27).

The meeting of the three political leaders on 21 July 1990 was to signify

the beginning of the national social dialogue for the urgently requested changes in pension schemes in particular, and in the social security system in general. However, the Prime-Minister did not clarify his intentions concerning the direction of the requested solutions and screened the increasing pressures from the EEC Council, since one of the main prerequisites for the huge EEC loan to Greece earlier that year had been the radical reform of the Greek social insurance system. He said that the dialogue should be based on four general principles which were commonly accepted in the past and had been guidelines of the former socialistic government as well (28): firstly, that the existing relationship between the IKA's employees and employers should be extended to all insurance funds, including employees of the public sector and the banks. Social insurance contributions should increase. Secondly, that retirement age should increase. Thirdly, that the period required to upgrade from one insurance class to a higher one should be increased. And fourthly, that conditions for disability pensions should become stricter.

The conflict arose from the time schedule planned to implement the above principles. The Minister of National Economy - under the burden of heavy deficits expected to exceed 900 billion drachmas by the end of 1990 - urged for immediate measures, while the Minister of Health and Social Insurance, appreciating the expected social upheaval, kept insisting on gradual implementation of the new adjustments. Anyhow, they finally agreed that changes should have effect not only on new employees but also on those in service for less than 10 years. The Minister of National Economy appointed a three member Committee to advise the Ministry, in order to submit within one month a framework for balancing the social insurance system and the possible combinations within the social security system.

The expected restrictions of the system forced many public servants, especially women with 15 or more years of service and directors, to apply for early retirement in order to catch up with the new adjustments and retain the existing



privileges. Facing the danger of a paralysis of public administration, the Government "froze", by a tricky regulation, the examination of these cases, putting them into temporary cold storage.

The national dialogue about the social insurance funds developed in a completely fruitless way since the Government, through the Minister of National Economy, announced that they were not willing to reveal their suggestions concerning the matter. On the contrary, the Minister addressed letters to the interested social parties asking them about their positions on the following six general areas of the problem (29):

1. More efficient organization of every fund.
2. Measures against insurance contribution leakage and insurance frauds.
3. The insurance contribution level and the distribution of the burdens.
4. The beneficial use of the funds and possible surpluses.
5. The restriction of contributory conditions.
6. The reduction of administrative costs and the improvement of productivity.

Furthermore, the letter expressed some significant views of the Government, such as the will to introduce a minimum uniform pension for every Greek citizen, supplemented by a pension directly related to insurance contributions; and the determination to guarantee supplementary provisions based on private insurance principles. Emphasis was given to the fact that, although state subsidy to the system was increasing, the financial problems had not stopped increasing as well. This letter was considered to be the first decisive sign of the Government's intentions to increase contributions, to tackle contribution leakage, to restrict pension conditions, to establish a uniform minimum pension, to cut out non-contributory pensions and to open the way for private companies' extra provisions.

These letters were sent out on 26 July 1990 to all the leading trade unions, to the employers' and manufacturers' associations, the pensioners' and agriculturists' representatives, trade associations, etc. The Minister asked for a

written response before 20 August and started negotiations on 31 July, the day after a meeting with the Prime-Minister, the Ministers of Finance and of Health and Social Insurance in which the Government's strategy had been planned.

The trade unions representing private employees G.C.G.L. (or in Greek GSEE), the employees of the public sector (ADEDY), of the banks (OTOE), of the public utilities (electricity, telecommunications), etc - fourteen in total trade unions representing all working people - responded by taking into account the situation of their independent funds with their respective isolated characteristics. The trade unions initially appeared to have a low-profile, claiming in most of the cases that their fund was not "problematic" and that the new measures should not concern them. Some others claimed that their social insurance scheme was not a fund -public servants and employees in telecommunications - so that adjustments should not affect them, either. Only the main employees' representatives, i.e. people insured by IKA and NAT, the employees of the merchant navy, seemed to participate in the general concern and were willing to make suggestions in the desired direction.

The first round of the national dialogue was completed in mid-August 1990, and the procedure, as well as the outcome, convinced the public that it had been "a dialogue of the deaf". Both sides kept their negotiating positions secret and released only general indications of their purposes. The Government started generating a feeling of insecurity in public opinion, by exaggerating the deficits and by threatening some funds with closure. In addition, it partly succeeded in provoking the unions "fights" against themselves, by supporting the concept that "...the highly paid and the privileged will pay, so that the rest will not lose their pensions".

The trade unions, on the other hand, clearly opposed the Government's approach; ADEDY suggested that "...provisions for employees have to increase, not contributions", and asked for the management of the funds to be given to employees "...in order to stop the deficit ". GSEE proposed solutions far away

from the Government's purpose of reducing the deficits but silently accepted contribution increases, if employers would contribute more as well, demanding at the same time that the State should guarantee that the existing deficits of the funds should be covered from the National Budget and that the existing massive insurance contribution wastage should be prevented. On the other hand, GSEE not only refused to discuss the increase of retirement age, but claimed limited decreases for some groups of employees.

The trade unions' leadership had to a considerable extent differentiated aspects concerning the issues discussed and particularly about the future orientation of the social insurance system. Some left wing trade unionists were in favour of the gradual unification of the system, to assure a minimum level of social protection not less than the respective minimum wage. The differences among the trade unions were mainly concentrated among the employees of the public utilities who enjoyed better protection, and the employees of the private sector who had poorer coverage and were aware of the huge financial problems in IKA. Moreover, the differences within the Government allowed the trade unions to establish informal alliances with some officials in the Government, against the solutions being pressed by the Minister of National Economy (30).

At the end of the day, GSEE suggested the redistribution of the contribution burdens as follows: 2 parts employees, 4 parts employers and 3 parts the State. GSEE considered it to be a necessary condition that the State should "settle" IKA's deficit of 700 billion drachmas, emphasizing that half of this was generated by low bank interest on its capital. It estimated that IKA had lost approximately 3 billion drachmas <sup>for each</sup> of the last 30 years from both non payment of interest and the absurd social policy of governments, implemented against the normal insured persons' benefit. On two subjects GSEE refused any negotiation: the increase of 4.050 working days for a minimum pension and any increase in the retirement age. On the other hand, the establishment of stricter regulations for disability pensions and the abolishing of some privileges of individual groups were

negotiable.

The public sector's employees' trade union (ADEDY), suspecting that the Government might ask them to start -once again (31) - paying insurance contributions for their pensions, became more flexible on other issues. Public servants had not been contributing for their pension so far, since - as mentioned in Chapter VI - the 1958 adjustment provided that the State would fully undertake this responsibility (32). ADEDY claimed that the solution to the mass early retirement problem was not the increase of retirement age, but the establishment of incentives in order to keep public servants working even after 35 years of work. The electricity employees' trade union (GENOP-DEI) showed the most provocative resistance against any adjustment in their "special" social insurance coverage: pensions were granted much earlier than those of IKA and employees were entitled to pay an 8 per cent contribution for pension and health coverage, and 2.5 per cent for supplementary pension insurance; everything else was the employer's (the electricity company's) responsibility to provide - the special benefits and full coverage. The trade union of GENOP-DEI would not accept any loss of vested rights, and only recognized the need for a reorganization of their fund.

A decisive blow for the Government came from the side of the Association of Greek Industrialists (SEV) which was absolutely against any increase in the employees' and employers' contribution, as it considered that this measure would lead to a rise in inflation and higher production costs (33). SEV claimed that solutions should be based on a thorough study and the State should mainly finance the deficits caused by social policy measures. According to SEV, the State's subsidy to the system was "until recently minimal and at this time much below the respective average of the EEC Countries", excluding of course the public servants' insurance scheme (34). SEV emphasized that the higher cost of production and the resultant decrease in the Greek Economy's competitiveness would, in the long run, turn against the alleviation of the social insurance problem,

by increasing unemployment and with it the consequential well-known social and financial costs. Moreover, IKA's contributions were already at a high level in comparison with the respective contribution average of the EEC countries. SEV proposed limited immediate measures by reducing the system's inequities and the appointment of an expert working team, with the support of EEC specialists. This should appreciate the problems and suggest alternative long run solutions to balance the system.

The Greek General Federation of Professional Manufacturers and Merchants (GSEVEE) surprised the Ministers of National Economy and of Health and Social Insurance with a radical suggestion - the unification of TEVE, TAE and TSA, insurance funds of which only the last had a financial deficit. The TEVE case had been remarkable, since the fund had had considerable financial problems 3 years earlier but, rational financial management had restored it and led it back into surplus. However, the Federation's proposal embarrassed the Minister of Social Insurance who said that "not even us could have proposed such a radical suggestion" (35).

A decisive meeting for the framework of the "insurance measures package" took place on 24 August in the Prime-Minister's office with the participation of both interested Ministers. The Prime-Minister set out two main guidelines: the suppression of the huge insurance fund deficits and the establishment of a new insurance system which should be fully implemented by the beginning of 1993. The general direction was to be the restriction of the funds' costs and of the average pension with no change in the pension level provided, but with alterations in the retirement conditions and the reduction in the number of people entitled to retire. This was said to be achieved by the establishment of incentives for employees to remain in work and by abolishing existing disincentives. Furthermore, the financial think-tank of the Government were evolving a thorough plan including all major funds and providing alternative solutions with calculations of the financial benefit of each of the measures

examined. Special funds would be included in the measures, since the apparent "surplus" of most of them was obviously based on "special" privileged subsidies. The funds of the bank employees, for example, relied mainly on the employers' contributions, since part of the employees' contributions were covered by employers as well. Notably, banks in Greece enjoy very high benefits.

### **The social insurance forum**

On Thursday 6 September, the Government organised a daily forum in order to announce the measures and the strategy aimed "at the rescue of the Greek social insurance system" with the participation of the Prime-Minister, most of the ministers and representatives of trade unions and insurance funds.

The Prime-Minister Mitsotakis opened the discussions by clarifying his thoughts and intentions and giving some general financial information about the system, in his effort to describe the existing situation. This was the first time after many decades, the problem attracted such publicity. IKA's annual deficit had increased 160 times during the last decade, from 2 billion drachmas in 1980 to 336 billion drachmas in 1990; the three major insurance funds, IKA, OGA and NAT increased in the same period their overall deficit from 7 to 579 billion drachmas; in addition, including the public expenses for pensions and hospital care, for the public servants' scheme, the total annual deficit amounted to 981 billion drachmas; this was 9.3 per cent of GNP while in 1980 it was only 2.5 per cent of GNP. This dramatic evolution had raised the State's subsidy from 54 billion drachmas in 1980 to 390 billion drachmas in 1989.

"The funds' future is tragic and the issue requires a social and political consensus" said the Prime-Minister and continued " we presented the problem to the Greek people and to the interested social parties opening an extended dialogue ...the reasons for this situation lie in the policy implemented and in society's demographic evolution... Very few responded substantially, it is not constructive not to negotiate vested rights... Equalizing provisions to a higher level

with what money? ... Does the concept of social justice approve of the existing huge inequalities of the system? ... Can we respect vested rights having starvation pensions on the one side and high pensions without respective contributions on the other?... Is it possible to retain the existing enormous inequalities in the State's contribution to the several funds? ... Are there clever and foolish insured people? Our government has appreciated the problems and has agreed on specific policy lines which will be announced today by the Minister of National Economy, so that we will submit to Parliament the draft of law this coming week in order to become new legislation. It is necessary for us to rush, since we have to prepare the 1991 National Budget. We have to save our social insurance system... there is no doubt that the country has to establish a national insurance system, ensuring minimum limits for everyone and further, social insurance has to be based on the principle of balanced budgets... We are not discussing extreme procedures but we have to admit that a proper basis for restoration needs to be immediately established... Many years will be needed in order to change the situation but the basis must be founded now... There will be Parliamentary discussions and I hope that this national issue will meet with a rational solution in an economy requiring recovery. In a united Europe ... I wish to believe that sense exists in both social and political parties... The State is mainly responsible for the wretched state of the funds by having taken decisions and having implemented policies which burdened the major funds without providing the respective state contribution... But the State will contribute as much as possible according to its means which are not unlimited... If we do not find solutions we will have an explosion and uncontrolled development". Sound arguments and crucial confessions. But it was too late to establish a socially acceptable solution.

The instigator of the new adjustments, the Minister of National Economy G. Souflias, explained afterwards the dimensions of the crisis: "...the insurance system is financially non-viable and socially unacceptable with absurd elements and strenuous inequalities in provisions and contributions. It is a system of

patricians and plebeians... if we leave things to develop in this way, the system will fully collapse and pensions will be at risk.. The central goal of our government is to guarantee that pensioners will receive their pensions regularly in the future ... In this phase we are aiming at the funds' restoration and at the reversal of the prevailing adverse tendencies... All the governments of the past share the responsibility for the existing situation but we are here to search for ways to overcome the crisis and not to allocate responsibilities... The measures we are introducing do not solve problems definitely, we make a step towards substantial restoration... The radical reform of the system will follow at a second stage after an extended dialogue... Our goal, at the final stage, is to establish a financially viable, socially acceptable, just system. We will guarantee a minimum pension supplemented by a proportionate contributory pension, based on balanced budgets. Extra private insurance provisions will be expected as well... today, first of all, we have to restore the system... (all new adjustments) are uniform and universal referring to several funds... the new general principles are:

- rationalization of contributory conditions, both time conditions and age limits, for pensions.
- objective verification of the degree of disability.
- incentives to work and disincentives for pensioners' employment.
- uniform participation in the cost of medicines' expenditure by the insured.
- objective criteria for inclusion of a profession in the heavy and unhealthy list based on European standards.
- making insurance funds property productive by establishing investment companies for mutual funds.
- readjustment of insurance contributions in order to be sufficient for the provisions.
- gradual harmonization of all funds to the existing ratio of insurance contribution (employees-employers) in IKA.
- administrative, organizational and penal measures against the problem of



contribution leakage".

The Minister closed his speech with his comments on the position and suggestions of the interested parties: "I have sent a letter referring to the main areas of the problem, to all involved institutions, unions, etc., asking for their views... we have received many suggestions, proposals and memorandums. I regret to say that in many cases the proposals abstained from the heart of the problem and were limited to subjects of secondary importance. While almost everybody recognizes the gravity of the problem, the suggestions do not always reflect the extent of this recognition. We have received of course very constructive remarks and comments as well. I wish to congratulate the builders' representatives on their contribution. Our services have elaborated all the proposals received" Finally, the Minister gave to the press the detailed framework of the new measures.

The Prime-Minister's and Minister's of National Economy statements made clear that, by the new adjustments, the public sector would become less attractive for future employees. At the same time, the life-plan of thousands of families would be capsized by overturning pension conditions retrospectively, the buying power of pensions would be considerably decreased and retirement age limits would increase. Moreover, special funds would be gradually abolished since the bank's, telecommunications', electricity's and transportation's new employees would have to be insured by IKA, and insurance contributions of the above mentioned existing special funds would have to be assimilated with those of IKA.

The new adjustments would have an adverse effect on IKA's minimum pensions since their annual uprating increase would start to follow increases in public servants' remuneration; in addition for 1991, the coming year, the minimum pensions of the largest insurance organization would increase by half of the respective increase in public servants' remuneration.

The new social insurance measures had been designed to have a high cash-flow effectiveness in the first two years (1991-1992) of implementation in

terms of the reduction in the deficit. Particularly in the case of IKA, the measures were expected by the Government to lead to an annual deficit decline of 50 per cent: the cuts in the pension uprating were reckoned to save 80 billion drachmas in the first year, the insurance contribution increase 55 billion drachmas, the retirement age limit increase for employees in heavy and unhealthy occupations 30 billion drachmas and the disability pensions' re-examination 20 billion drachmas, i.e. a total of 185 billion drachmas, while IKA's deficit in 1990 would reach 366 billion drachmas. Additionally, the implementation of these social insurance restoration measures would earn a tribute, according to the Government's expectations, from the EEC as well as from the OECD which had emphasized since 1986 the need for radical amendments in the Greek social insurance system. This was much of the essence of the whole story, since the Government greatly needed to establish political and financial credibility abroad, much of which was lost during the socialist administration and the recent political instability suffered by the country (36).

### **Special funds: the impact of the announced restoration**

The most impressive side of the announced reform was the attempt of the Government to abolish part of the long existing privileged "special funds", namely the following: the main social insurance fund and the supplementary one of the employees of the Bank of Greece, National Bank, Land Bank, Agricultural Bank, Ionian Bank; the supplementary insurance funds of the Trade Bank, Credit Bank, General Bank, the social insurance funds of employees in the Public Electricity Company, in the Greek Organization of Telecommunications in the Athenian Electric Transportation (37). According to the new adjustments, the new employees of the above sectors would have to be insured by IKA; in this respect special funds would be gradually abolished. Moreover, restrained contributory conditions would be enforced in the public servants' scheme.

At the same time, the new measures would have a significant impact on

the insurance status of existing employees by reducing pensions, restricting pension conditions in terms of years in insurance and retirement age, and would increase considerably insurance contributions. The main changes according to the announced regulations were the following:

- a. The adaptation of the contributory conditions which would abolish the existing regulation providing bank employees with a pension after 30 years of service. Women would have to be 53 and men 58 years old before the end of 1997, in order to retire; the respective ages from 1998 onwards would be 58 and 60. The same would be applied to telecommunications' employees while for electricity employees the changes would take effect from 1998 onwards, since the existing retirement age was already 55 years.
- b. The formula of pension calculation, according to the new regulations method of 50's, would decrease the amount of pensions. According to the existing legislation the bank employees' pensions were calculated with the method of the 35's (38). The electricity and communications employees' pensions were based on the salary of the last month before retirement since pension was equal to 80 per cent of the last salary. Those employed in heavy and unhealthy occupations would have to pay higher contributions, assimilated to IKA's respective ones, while the existing legislation did not provide higher contributions for many categories of these employees.
- c. The gradual, readjustment of the contribution ratio of employee/employer of special funds within four years, in order to "come closer" to IKA's one. New employees would be compulsorily covered by IKA's main and supplementary insurance. The question raised, however, was how special funds would be financed in order to survive in the short run, having an increasing number of pensioners and a decreasing number of contributors.

New employees would immediately pay a 5.25 per cent contribution to IKA which would become 5.75 per cent from 1 July 1991 onwards. Contributions for existing insured people would be gradually raised to the same percentage.

According to the prevailing status quo the percentages of employees' contribution in special funds of banks were: Bank of Greece 0 per cent, Agricultural Bank 0 per cent, National Bank 1 per cent, OTE 2 per cent, DEI 4.5 per cent, Trade Bank 4.75 per cent, Bank of Industrial Development (ETVA) 5 per cent.

The lack of substantial insurance contributions for most categories of bank employees had been the outcome of an agreement between employers and employees in the past (39), when bank employees did not receive remuneration increases on the condition that the non-given increase would be added to their funds as insurance contribution. On top of that, the existing employees' contributions had always been subsidised to a significant extent by the banks as employers.

### **The immediate reactions**

The announcement of the new reform proposals caused an immediate strenuous reaction from the trade unions. The day after, the bank employees reacted with a 24 hour strike. GSEE characterized the measures as "a complete overthrow of the existing system" emphasizing that "working people will not accept accomplished facts and will react decisively and dynamically in order to defend their social insurance rights" (40). GSEE stressed that for the sake of the tax collecting short-run needs of the Government, the present and the future of a whole generation was being mortgaged and fundamental insurance rights insulted. The governmental measures unified working people at a lower level of provision and opened the way for the surrender of social insurance to the speculation of private insurance companies. Finally, GSEE asked the Government to postpone the submission of the draft law to Parliament.

ADEDY characterized the measures as "a new offence to the working people's income... of a collective character... not leading to the restoration of the system and the coverage of the insured people's needs and having a serious impact on the operation of public administration". OTOE, the bank employees' trade

union, reacted with immediate strikes and declared that "The Government threw all the unions' suggestions into the wastepaper bin, insisting on a logic leading the insurance system to deadlock and levelling down provisions since special funds would be abolished for new employees" (41). OTOE called on the Government to withdraw the measures and to come to open dialogue with new proposals after careful deliberation. Otherwise, the Government would be fully responsible for the upset which would follow these vital developments for working people.

The opposition parties on the other hand, expressed their total disagreement with the new adjustments, urging the Government not to submit the Bill to Parliament. The socialist party claimed that the Government presented deficits higher than the real ones in order to "justify the new policy" and accused it of one-sided decisions, neglecting the real dialogue and of abolishing the welfare state. The left wing alliance party emphasized that fundamental insurance rights were destroyed: the new measures "disregard the rights of working people and do not face the acute social insurance problems of the country, underestimating the social character of insurance" (42).

The week commencing Monday 10 September 1991 remained in people's memory as a week of general socio-political upheaval. The strike-storm which hit the country provoked national chaos: repeated black-outs due to the electricity employees' strike, paralysis of transportation, 48 hours stoppage of the private (GSEE) and the public (ADEDY) sector, indefinite bank closures,... In this atmosphere, the Prime-Minister was forced to "go three steps back" (43), announcing on Saturday the 15th that the Government intended to re-examine the reconstruction of special funds and to postpone any relevant decision for the second phase of the long-run social insurance measures. The Prime-Minister claimed that the problem of the people insured in special funds was "psychological" and that they had to make the next move. "With national dialogue the deepest reform will be studied later on including the disputed issues..." he concluded (44).

The sea change in the Government's orientations suspended the following three vital adjustments of the new draft of law:

- a. The new employees of the sectors covered by the special funds (banks, electricity, etc.) would have to be insured in IKA. The Prime-Minister defended the soundness of this measure but accepted its suspension for the future.
- b. IKA's minimum pension increases for 1991, which according to the draft would be equal to half the public servants remuneration increase, would be re-examined. This actually meant that the Government had been convinced of the lack of sensitivity and social justice of this measure and was determined to withdraw it.
- c. Basic regulations should be amended so that "marginal" categories of employees would not be treated unjustly. These regulations mainly referred to women's and mothers' new retirement age limits. According to the announced regulations, the retirement time could be delayed for more than 20 years for some insured people's categories.

The prominent reason for the Government's retreat was firstly, to slow down the strike-wave by satisfying the major demand of the most sensitive and energetic part of the protesting employees and secondly, to divide the striking work force. The Banks' closure and the lack of power had already halted both the money market and industry. Moreover, it was evident, and should have been expected, that the working people insured by special funds were determined to exhaust all feasible means in order to retain their "vested rights".

On the other hand, this "change of scene in insurance" (45) would have significant counter-effects on the initially scheduled collective benefits of the new measures. The annual calculated benefits, after subtracting the key measures - increases of minimum pensions, increases in IKA's new insured persons, delays in retirement of several categories - would not amount to much more than 110 -120 billion drachmas for the first year of implementation.

Furthermore, the tremendous governmental U-turn was induced by an intervention by the influential Professor Agelos Agelopoulos, who proposed that the special funds insurance restoration issue required a long and extensive dialogue with the participation and contribution of the trade unions. A decisive role in the U-turn was played also by the trade union organization attached to the ruling conservative party, DAKE, which in a meeting with the Prime-Minister clarified that they would continue supporting the strikes since they were not convinced that their funds could not be saved. DAKE claimed that there was no actuarial study on the feasibility of the pension measures and emphasized that their disagreement was "a matter of substance and not tactics" (46).

Finally, the opposition parties reverted, demanding from the Government not to submit the Bill to Parliament two days after as announced and to proceed to substantial dialogue. However, and despite the Governmental withdrawal, the trade unions of the special funds' employees continued their strike while, despite the general outcry, the Government submitted the revised Bill to Parliament on Tuesday 18 September in order to be discussed a week later.

The battle between trade unions and government became even sharper, albeit the "improvement" made to the primary announcements of the social insurance forum, in adjustments characterized as "socially unacceptable", overthrowing the personal and family life of thousands of working people or nailing down to insupportable level minimum pensions. The initial transitional retirement adjustments for working public servants for example, would prolong working life by 15 years and force some of them to make more than 38 years of insurance contributions.

According to the initial adjustment an 18 year old woman employed in the public sector in 1965 would have to remain in service for 41 years if unmarried, while a man under the same conditions would need 43 working years in order to retire. This scheme traditionally reinforced marriage. Additionally, to indicate explicitly the tremendous impact of the initially announced adjustments

for public servants, will be mentioned as illustrations examples of three different cases, which were not marginal but referred to thousands of public servants.

A case of a married woman employed in the public sector in 1983 at the age of 20 and becoming a mother 5 years later: according to the existing regulations she could retire in 1998, at the age of 35 after only 15 years of work. According to the announced adjustments, she would have to complete 25 working years and be 42 years of age in the period from 1 January 1990 to 31 December 1997 in order to retire. In case she did not fulfil these conditions, she would have to have 25 working years and be aged 56 years in order to retire, after 1 January 1998. However, if she were not 42 years old nor had 25 working years in the period 1990-7 she should have to complete 25 working years remaining in service up to 2008. But, she would still not be entitled to a pension in 2008 since then she would be 45 years old and not 50 as required by the draft of law. In this respect, this woman would expect to receive a pension in 2013 fulfilling all conditions ...but... then her child would not be under age anymore and she would have to work up to her 58th year of age. In other words, this woman would retire after 38 years of work in 2021 and at the age of 58. Consequently the unjustified favourable existing status quo would be radically changed by an adjustment prolonging working life for 23 years.

A case of a man employed in the public sector in 1971 at the age of 25: he could, according to the existing regulations, retire in 1994, incorporating in contributions the two years of service in the armed forces, at the age of 49 and receiving reduced pension. According to the announced adjustments, he should be 55 years old with 25 working years in the period 1990-1997, in order to retire. He would not however have completed his 55th year of age during this period and, though having 25 years of work, he could not retire. After 1 January 1998 he would have to complete 25 working years and be 60 years of age in order to retire, i.e. in 2005. Consequently, this man instead of retiring in 1994 according to the existing status quo, would have to lengthen his working life for 11 years and to



retire after 36 years of work, losing even the right to retire after 35 working years.

Finally, a case of a woman employed in the public sector before 1983: she would not lose the right to retire after 15 years of work even after the announced adjustments. This is assuming that she was married with no children and employed in 1980 when she was 25 years old. According to the existing regulations she could retire in 1995 at the age of 40, after 15 working years. According to the announced adjustments this woman could retire if, in the period 1990-1997, she would be 53 years old with 15 years of work. However, in 1997 she would be just 42 years old and she could not retire, though having 17 years of work. Her right to retire would be postponed for after 1 January 1998, when she would need 15 working years and the age of 58 i.e. in 2013 when she had 33 years of work. Consequently, she would have to prolong her working life for 18 years and in practise she would not be entitled to retirement after 15 working years, though employed before 1983 as required by the draft of law, for retaining the existing status.

The Government, accepting indirectly the initial miscalculation of some adjustments proceeded to alterations in the draft, aiming at the alleviation of extreme and marginal cases of insured people in the public sector having to remain in work for more than 35 years. In this respect, the new retirement age limits defined, would not have an effect on public servants remaining in work for at least 7 years after completing the existing required minimum working time for retirement. By this supplementary balancing regulation a woman with an under age child, having completed 15 years of service in 1991, would retire in 1998 irrespective of the completion of 42 years of age. Furthermore, a man having completed in 1990 25 working years, could apply for retirement in 1997 irrespective of the completion of 55 years of age. Another supplementary regulation allowed those having completed 35 years of work before the end of 1997 to retire irrespective of age.

However, despite the Government's attempt to improve the new adjustments for public servants, those that remained were still considered from an

irresponsible part of the press as "particularly harming them" (47). Finally, the announced obviously unjustified crucial adjustment for double-cut increases in IKA's minimum pensions in 1991 - half of the percentage increase of public servants remuneration, had been withdrawn as well.

On Sunday 23 September, two weeks of growing labour movement protest against the governmental social insurance reform had been completed. The Government's reaction to improving some and abolishing other of the proposed adjustments to counterbalance opposition was in vain. The trade union associations advocated not only their sometimes unjustified social insurance "vested rights" but also attempted to assert their power.

This kind of battle could provoke only losers since the political cost for the chaotic situation was charged to the Government while the social cost touched the trade unions leaderships. Most of the public tended to forget the core of the problem drifted away by the prevailing political dispute. The repeated black-outs - DEI announced that within the following week electricity production would certainly stop since fuel reserves would be exhausted - and the paralysis of transportation provoked not only anger against the Government but also loss of sympathy for or even indignation at the striking trade unions, irrespective of the essence of the conflict.

Strikers had initially the social consensus or the social passion but as time and every day difficulties went on, responsibilities were shared out to trade union leaderships as well. In addition, since DAKE which was the trade union well disposed towards the Government and at the beginning was supporting the movement, became "convinced" to abandon strikes and to take a position against them, the labour force was divided. Although the majority of conservative voters and consequently DAKE supporters did not obey the union's directives, the percentage of people returning to work started increasing. This development exacerbated the dispute and clearly showed that the trade unions were losing control of their work force and fears of "frenzied and wild strikes" were expressed

by the GSEE leadership which was accused of playing a "political game" (48).

In this turbulent environment the draft of the law "Adjustments for pensions and other relevant issues" (49), was to be discussed in Parliament during the last week of the rebellious September of 1990.

## ENDNOTES

- (1) For more details see Yfantopoulos, J. Health Status and Socio-Economic Indicators in Greece and EU, Report on the Organisation and Management of Health Services in Greece, Ministry of Health, Welfare and Social Security, Athens, April, 1994.
- (2) Except of the allowance for large families introduced in 1972 as a demographic and income support policy; a housing programme introduced in 1963 has actually been implemented. Of course, numerous laws for the public servants scheme were introduced, as well as for other minor groups.
- (3) Annual growth of 8 per cent in constant prices.
- (4) Of course, we should not forget the pioneer Zaimis' petition of 1951. See chapter V for details.
- (5) National Health Policy Plan, Patras, L., Athens, 1970.
- (6) Minister Doxiadis, a bill concerning "protective measures for health", Ministry of Social Services, Athens, 1980.
- (7) IKA's minimum pensions' increases (according to Law No 825 of 1978 and No 1305 of 1982):
  - 18.7 per cent from 1 March 1981 onwards
  - 7.3 per cent from 1 September 1981 onwards
  - 2.5 per cent from 1 January 1982 onwards
  - 3.2 per cent from 1 March 1982 onwards
- (8) OGA's pension increases: from 2.000 drachmas to 3.000 drachmas from 1 August 1981 from 3.000 drachmas to 4.000 drachmas from 1 January 1982  
 Introduction of OGA's pension to female farmers:
  - 1.500 drachmas from 1 August 1981.
  - 4.000 drachmas from 1 January 1982.
 Introduction of uninsured old people OGA's pensions: Law No 1296 of 1982, improved by Law No 1442 of 1984.
- (9) Law No 1397 of 1983.

- (10) In 1989 were roughly spent US \$ 60 million on hospital care abroad.
- (11) See chapter V for details.
- (12) For details see Petmesidou, M., Statism, social policy and the middle classes in Greece, Journal of European Social Policy, Longman Group, UK. 1991, p. 31-48.
- (13) Source: see Graph 1 Ministry of National Economy.
- (14) Olympic Airways, Corporations of Public Electricity or of Telecommunications, etc.
- (15) Min. of Health, Welfare and Social Security, 1994.
- (16) Souflias, G., Minister of National Economy.
- (17) Newspaper, TO VIMA, 13 May, 1990.
- (18) op.cit.
- (19) As Professor Kyriopoulos.
- (20) Minister of Social Insurance, newspaper, TA NEA, 2 June, 1990.
- (21) About 380 sterling pounds.
- (22) Newspaper, TO VIMA, 3 June, 1990.
- (23) The GNP increase of the OECD countries was 5-6 per cent in the 1960s and 1-3 per cent after 1973.
- (24) Ministry of Health, Welfare and Social Insurance, Report of Scientific Committee for the restructuring of the Social Insurance System in Greece, (in Greek), May 1992, p. 11.
- (25) Newspaper, TO VIMA, 24 June, 1990.
- (26) Newspaper, TO VIMA, 1 July, 1990.
- (27) Newspaper, TO VIMA, 22 July, 1990.
- (28) op.cit.
- (29) Newspaper, TA NEA, 27 July, 1990.
- (30) Newspaper, TO VIMA, 29 July, 1990.
- (31) See chapters I, III, V for details.
- (32) Cabinet Decision No 764 of 1958. See chapter V for details.

- (33) Newspaper, TO VIMA, 19 August, 1990.
- (34) Newspaper, TO VIMA, 5 August, 1990.
- (35) Newspaper, TA NEA, 1 August, 1990.
- (36) Three elections in the 1989-1990 period.
- (37) DEI, OTE and ISAP respectively.
- (38) Both methods are explained in the next chapter.
- (39) Mainly in 1963, by special agreement.
- (40) Newspaper, EXPRESS, 7 September, 1990.
- (41) Newspaper, ETHNOS, 14 September, 1990.
- (42) op.cit.
- (43) Newspaper, TO VIMA, 16 September, 1990.
- (44) op.cit.
- (45) Newspaper, KATHIMERINI, 16 September, 1990.
- (46) op.cit.
- (47) Newspaper, TO VIMA, 23 September, 1990.
- (48) op.cit.
- (49) See Chapter IX.

# IX

## THE LEGISLATIVE INTERVENTION OF 1990

### Introductory Report

The draft of the law was discussed in Parliament in the week commencing Monday 24 September 1991 under the general title "Adjustments for pensions and other relevant issues". The central point of the Introductory Report was that "the social security system of the country is in the middle of a deep crisis which by mathematical precision will lead to a financial deadlock" (1).

The explanations of the above statement can be summarized as follows: The most significant reason for the crisis were the social insurance funds' deficits. The three main insurance funds, IKA - NAT - OGA, in addition to the public servants' pensions scheme required a 981 billion drachmas public loan for 1990 i.e. 9.4 per cent of the GNP. In 1985 the relevant amount was 305 billion drachmas i.e. 6.6 per cent of the GNP. This rapidly increasing financial need for covering the cash deficits was a huge "wheel brake" to the country's financial restoration.

The reasons for the cash deficits lie both in the revenues' decrease and the increase of total pension expenses from 12.7 GNP per cent in 1985 (2) to 15.1 GNP per cent in 1989 (3) according to the OECD. Furthermore, this pension GNP percentage is 70 per cent higher than the average of the OECD countries, although most of these countries have a percentage of older people higher than Greece. The rapid increase in pension expenditure from 1985 onwards was not the result of wider social protection. It was mainly the outcome of "structural weaknesses" of the social security system, which led to an increase of the relatively young pensioners as well as to an increase of expenditure of "low social importance". As indications of these structural weaknesses were mentioned (4):

- a. The abuse in the disability pensions' award. These were 30 per cent of all

pensions, a percentage three times higher than the average of international standards.

- b. The dissimilarities - among the numerous funds - in pension age limits, as well as the low age limits which provide eligibility for old age pensions to working people in the middle of their productive life.
- c. The strong incentives for early retirement, in combination with the pension level, ignored the principle of financial return. There was also a lack of significant restrictions for the employment of pensioners, and the pension level could be higher than remuneration at work.
- d. In certain monopoly sectors the insurance institution is identical with the employer. This situation normally leads to the expansion of provision or decrease of contributions due to trade union pressures; the extra cost is then usually put on the consumer. The loss of ties between provisions and cost provokes the most decisive "wound" to the financing system, allowing the expansion of irrational expenditure increases.
- e. The extension of heavy and unhealthy occupations to 40 per cent of the work force, consequently entitled to privileged conditions.

Moreover, as we have seen, a prevailing tradition in the system's malfunctions has always been the unequal distribution of state resources, mainly for pensions. This legalized social injustice.

The future projections of the Government were extremely discouraging. Besides the above mentioned cost-increasing tendencies, the percentage of people over 65 years of age was less than 10 per cent of the active population in 1950, 19 per cent in 1990 and was expected to rise to 34 per cent within the forthcoming 50 years. In this respect, the current social security scheme would not in any case be in a position to respond to these changes and the contract between the generations would become invalid.

The conservative government, which was elected five months earlier in April 1990, after a year of two of unsuccessful elective attempts when no party



took the majority, considered that the social security system required urgent reform. Given the huge deficits, the implementation of adjustments aiming to solve the financial deadlock and to somehow rationalize the system had proved to be very difficult. The balanced "Pay-As-You-Go" principle of contribution provisions as well as the establishment of uniform insurance regulations was the intention. The aim was that, at a later stage, all Greek citizens would be eligible to a uniform pension which would be supplemented by a pension dependent on the contributions paid by the insured person during working life (5).

As expected, the 1990 social insurance Bill introduced several new arrangements. The general objectives of the legislators are summarized as follows (6):

- a. Rationalization of time conditions and age limits for pension eligibility.
- b. Objective verification of the degree of disability.
- c. Incentives for work and disincentives for the employment of pensioners.
- d. Incentives for remaining in the work force and disincentives for early retirement.
- e. Uniform co-payment for insured persons in drug expenditure.
- f. Objective criteria for inclusion in the heavy and unhealthy occupations according to European standards.
- g. Orthodox investment of the insurance funds by the establishment of companies with mutual capital.
- h. Readjustment (increase in simple words), of the insurance premia in order to be adapted to these provisions.
- i. Gradual harmonization of the ratio of the insurance premium of employers and employees in all insurance funds, to the existing ratio of IKA.
- j. Administrative, organizational and penal measures to tackle the widely contribution leakage.

## **The Bill of 1990**

### **Pension adjustments for public servants**

#### ***Pensions for directly insured persons***

Female public servants (7) having at least three children, were eligible for a pension after 20 full years of employment or service, irrespective of age or date of employment. This regulation included widowers with three children and males divorced but having by judicial decision the responsibility for the care of their three children.

#### ***Pensions for dependants***

Male and female children as well as destitute unmarried sisters, drawing orphans pensions from the death of their parents, brothers or sisters employed in the public sector (8) since 1 January 1983, were entitled to pensions up to their 18th year of age, or up to their 24th year of age in the case of full time student status. Pension eligibility continued in the case of work disability. This regulation restricted the privilege of female children and of destitute unmarried sisters - comprehensively described in the earlier chapters - to receive these pensions all life long and determined the above common limits which already existed for male children. It has to be clarified that according to article 116 of the Greek Constitution from 1 January 1983 onwards men and women ought to have equal treatment by law, following the EEC directive.

#### ***New pension conditions***

According to the existing legislation there was not a minimum age level for old-age pension eligibility. The minimum conditions so far had been either 25 years of employment for men and unmarried women or 15 years of employment for married women, widows and unmarried mothers with children under 18 years of age. The pension level depended on the years of employment in any case (9). In June 1979 the new system of pension calculation introduced did not provide

incentives for remaining longer than 25 years in order to obtain respective pension increases.

The 1990 Bill defined two categories of insured persons, those employed in the public sector until 1 January 1983 - the first category- and those employed from 1 January 1983 onwards - the second category. In the first category the law anticipated that for insured persons reaching the retirement stage until 31 December 1997 the minimum age would be 55 for men 42 for women with under aged, mentally or physically ill children (more than 50 per cent of disability); and 53 for all the remaining women. In the second category the law anticipated that, for the insured persons reaching the retirement stage from 1 January 1998 onwards, the minimum age would be respectively 60 for men and 50 or 58 for women. From all the above limits military personnel, persons with several disabilities (blind etc.), prisons' employees and those having completed 35 years of employment until 31 December 1997 were excluded.

Insured people would have the option to retire according to the existing time conditions - men minimum 25 years, women minimum 15 years of employment - but they would be entitled to receive their pensions after reaching the new age limits or in the meantime when a disability occurred. Additionally, the Bill anticipated that the new age limits would not be in force for those remaining in service for seven years after completing the so far existing time conditions, in order to alleviate extreme marginal cases, i.e. for men 32 (25 + 7) years and for women 22 (15 + 7) years of minimum service irrespective of age limits.

Finally, it was clarified that for those employed after the establishment of the new legislation, as well as for those employed since 1 January 1983, the minimum years of service would be 25 years, the minimum age limits for retirement 60 for men and 50 or 58 for women; the 15 years of service condition was at last abolished. Furthermore, the Bill anticipated that public servants' maximum age of service would be the 65th year; for those not having completed 35 years of service, the limit would be the 67th year; those having completed 35

years of service would have to remain anyway in service up to their 60th year of age. Additionally, the maximum year of age for those entering the public sector would be 35 and for those with undergraduate studies 37.

The new conditions for pensions were considered to be - and actually were - a crucial reform and a brave political decision based on the widely recognized fact that Greece had become a "pensioners' society" and that the public servants' scheme was its extreme illustration. In this respect the target was the delay of public servants' flow towards retirement, which would consequently relieve the existing dangerous deficits of the social security system.

It was in addition emphasized, that Greece ought to adapt to the relevant EEC legislation which determined the retirement age limits from 60 to 65 for men and from 55 to 60 for women. The concept behind the established date of 1 January 1983 basically laid again on the constitutional article 116 concerning equality between men and women which was then enforced. Consequently the unjustified privilege of married females to obtain pension eligibility within just 15 years of employment was at last abolished. Another significant consequence of the new age limits was that the 35 years period of employment would not be a sole condition for entitlement for pension anymore i.e. a man employed at the age of 20 would have to work up to his 60th year of age to receive a pension, a working period of 40 years.

The Minister of National Economy stated explicitly in Parliament that the immediate enforcement of the new conditions was indispensable, aiming at a decisive decrease in the existing deficits in the short run, although many people's life planning would be heavily disturbed. "... we have to upset some people, there is no alternative" he said and emphasized "... the Government's decision is that Greeks have to work more!..." (10).

#### ***New pension calculation***

According to the existing legislation of 1979, the pension calculation for

all employees in the public sector was based on the -so called - system of thirty-fifth's (35's), in which each year of service was equivalent to one unit, i.e. those retiring on their 25th year of service were receiving 25/35 of the full pension receivable after the completion of 35 years of service.

The new legislation re-established the pre-existing 1979, proportionate system of the fifties (50's), in which the first 25 years of service would be calculated 1/50 each year, from the 25th to the 30th year of service each year of service would be equivalent to 2/50 and for the last five years of service (30-35) each year equivalent to 3/50. This new regulation included all public sector employees employed since 1 January 1983; it excluded doctors of the NHS and provided full pension (50/50) eligibility to blind employees after 20 years of service. Finally, the maximum monthly pension level for all insured persons was determined as equal to 50 days of pay of the 20th insurance class of IKA according to Law No 1846 of 1951. Furthermore, the special salary supplements, provided as incentives to public servants to remain in service, would not be taken into consideration in the pension's calculation.

The purpose of the revival of the 50's system was to motivate public servants to remain in service as long as possible, to reduce the pace of increase in pensioners and especially the "young" pensioners flow. The Minister of National Economy recognized that, as practice showed, it had been a mistake of New Democracy, his conservative party, to abolish the system of 50's eleven years ago and that, for most public servants, it was to their benefit to retire in the 29th or 30th year of service. In this respect, the new regulation would give a bonus to those remaining in service for 35 years and only half pension (25/50) to those retiring at their 25th year of employment.

### ***Contributions***

Public servants were not made to pay social insurance contributions; their fund was financed in one or another way by the State. The new Bill anticipated

that all public servants employed from 1 January 1990, would be obliged to pay pension contributions equivalent to the respective percentage of the insured by IKA persons, i.e. 5.75 per cent of remuneration. In this respect, this regulation abolished the long-established public servants' privilege not to pay pension contributions, re-enforcing both equal treatment among the insured people in the public and private sector and the inflow of revenues into the scheme.

### **Pension adjustments for special funds**

The new regulations included the schemes of two main groups of working people those working in the banks and those in the utilities or enterprises of public welfare (11), the well-known "privileged funds". It was a matter of 18 insurance funds covering more than 120.000 employees and more than 210.000 dependants, as well as more than 75.000 persons in supplementary insurance funds.

### ***New pension regulations***

The reformist adjustments aiming at the gradual insurance harmonization between the public sector's and the special funds' employees covered the following areas of adaptation:

- a. same pension conditions with public servants in reference to age limits
- b. same pension calculation for those employed after 1 January 1983 (12).
- c. abolishing the 15 years of service, as a condition providing pension eligibility, for married women employed after 1 January 1983.
- d. pension eligibility for women with 3 children, after 20 years of service.

The Bill reinforced insurance inequalities, as it provided that the required years of service for pension eligibility would remain according to each fund's regulations; however, it established a minimum of 25 years of service. Additionally, the new conditions were not enforced for those employed in heavy and unhealthy occupations insured in special funds. All these people retained

their vested privileges since they were excluded from the reform.

### ***New insurance contributions***

According to the existing situation most of the people insured in special funds were entitled to no or minimal contribution due to past arrangements between employers and employees and pressures from the latter. The Bill introduced a minimum 7.5 per cent contribution for all people insured in special funds from 1 January 1996 onwards, which would be achieved gradually (13). Especially for the fund of the employees in national telecommunications the gradual annual contribution increase would start from 1 January 1993 onwards. The employers' contribution would correspondingly be decreased; employers would anyway be responsible for covering potential deficits in the funds. The 7.5 per cent contribution would not be applicable to the insurance funds where the contribution ratio between employees-employers was 1 to 2.

The proposed adjustments for the special funds provoked, as expected, huge reactions from the affected insured working people. The draft of the law included several additional radical new regulations which were finally extinguished due to the massive pressures exercised.

### ***New pension adjustment***

The new legislation provided a crucial new regulation. From 1 January 1991 (14), the pensions of the special funds would in the future increase according to the increases anticipated for public servants' remuneration. This regulation would gradually undervalue pensions which had increased so far according to inflation, while the public sectors' remuneration increases were not related to the price-index.

### ***Social insurance committee***

The Bill introduced the establishment of a Social Insurance Committee

aiming at the study of the social insurance problems of the bank employees and the relevant existing funds. The members of the Committee would be employees' representatives as well as special scientists in the social insurance field.

### **Social funds investment revenues adjustment**

One of the traditional structural problems of funds has always been the existing restrictions in making capital out of their financial reserves. According to the existing legislation, funds were bound to heavy state controls and were not allowed to invest their money and receive the normal bank interest rates but only minimal rates. In other words, social insurance funds, following the easy-going practice established by Metaxas during his dictatorship (15), were for almost six decades financing other sectors of the economy - especially industry - while the insured persons' property had been scattered to the wind.

The new Bill provided social funds with the opportunity to exploit their assets and reserves in the following ways:

- a. The establishment of mutual capital investment companies, either by one or more funds or the entrustment of funds to any relevant operating enterprises.
- b. Abolishing the interest rate squeezes; in this respect funds were entitled to enjoy the normal rates.
- c. The possibility to invest in bonds or in titles of the Greek state.
- d. The possibility to buy and sell shares but with the agreement of the Ministry of Social Security and the Central Bank's Administrator.

Until then most of the funds were compulsory shareholders of several public enterprises - especially banks - as well as compulsory depositors of the central bank (16) with minimal interest as explained above. It was widely recognized that one of the most crucial social insurance problems had been the totally unfair way the funds' assets and reserves were manipulated. The new regulations liberated insurance funds' board of directors to exploit their property



in the above ways, but under continuous government supervision.

### **Adjustments for successive insurance**

The successive insurance regulations include provision for working people changing insurance fund (due to change of occupation, amalgamation of funds or other reasons) which consequently secures a succession of insurance rights. The existing legislation (17) had aggravated the considerable financial burden of IKA, since it had led most insured persons to receive an IKA pension with minimal or no contribution to this scheme.

### ***Pension condition adjustments***

The Bill maintained the regulation according to which the successively insured persons were receiving pensions from their last insurance fund, if they had five full working years or 1.500 working days of contribution in it, with the additional condition that 20 months or 500 days would have been done during the last five years before interruption or retirement. If the insured person did not fulfil these conditions, pension eligibility would be provided by the insurance fund where the most working days had been done, but excluding the last fund, after the accomplishment of the following new conditions:

- a. retirement age or disability according to the regulations of the last fund.
- b. retirement conditions according to the regulations of the fund where the most working days had been done.

The insured person who would not accomplish the retirement conditions of the fund where most working days had been done, would be judged by the remaining insurance funds according to the declining order of working days, excluding the last fund. In case the retiring conditions were not fulfilled in any fund, then the insured person would receive old-age or disability pension from the last fund under the condition of 1.000 working days or 40 months of insurance, from which 300 working days or 12 months of insurance respectively, should have

been done in the last five years. In addition, death pension would be awarded under the condition of 300 working days whenever done.

Finally, it was clarified that the full total duration of successive insurance would be considered as one single period of insurance in the fund which would eventually give the pension, and consequently the pension rights would be determined according to the regulations of this fund. The Bill gave to this last adjustment retrospective effect, so that many neglected pension requirements could be re-examined.

### ***Pension calculation***

The existing Law No 1539 of 1986 provided that the insured person, meeting the requirements for independent pension rights in each insurance fund, would receive the minimum pension limits of the fund; in this respect the successively insured persons were sometimes receiving 2 or even 3 minimum pensions, collecting at the end of the day significantly higher pensions than those insured in one fund.

The Bill reinforced some primary regulations (18); specifically it anticipated that each fund would estimate the part of the pension respectively to the insurance time of the successively insured person in the particular fund. The part of the pension would be calculated according to the following formula:

$$\frac{\text{days of contribution} \times \text{minimum pension}}{\text{total days of contribution in all funds}}$$

In case the insurance time (days of contribution) in each fund provided independent pension eligibility, the part of the pension determined by the above formula, could not be less than the pension estimated according to the time conditions of the fund. The sum of the pension parts would be the total receivable pension provided by the fund responsible for the final pension, not in any case less than the minimum pension of the fund.

The new regulations for successive insurance were to reduce the financial

burden of IKA since it was the last fund in most of the cases, and had to look after pensioners with a minimal period of contribution in the scheme. Moreover, the Bill abolished some adjustments creating privileged multi-pensioners, considered as a simpler and juster, to the anyway complex issue of successive insurance.

### **Medicine expenses participation**

There were significant differences in the numerous social funds concerning the insured persons' co-payment of expenses on medicines. Public servants were so far entitled to free medicines while the people insured by IKA were paying 25 per cent of the medicine's value.

The Bill introduced a 25 per cent co-payment in the out-patient medical expenses of all insurance funds and for all covered persons and pensioners. Medicines for chronic diseases, maternity, work accidents, and Mediterranean anaemia complications were excluded from co-payment, while charge for high-cost medicines could be reduced to 10 per cent by a decision, taken by the Minister of Health Social Assistance and Insurance. This regulation was determined by the rapid increase in the cost of medicines as a result of price rises, and of the very extensive use of medicines without, in many cases, a necessary reason (19).

### **Restriction of contribution leakage**

As noticed in the earlier chapters (20), one of the main reasons for IKA's terrible financial situation has always been the widespread insurance contribution leakage; it was estimated that, until 31 December 1989, delayed contributions amounted to 90 billion drachmas. "Everybody in Greece owes to IKA, public companies, banks, hospitals, football teams, TV-channels,...all the country" as admitted in Parliament (21). The need for more severe legislation in order to tackle non-compliance, recognized from the mid-1950s, was now imperative. The existing maximum percentage of penalty had been 75 per cent of the contribution

due and penalties were exhausted within a 2 years period; after that delayed contributions were IKA loans to employers without interest **(22)**.

The Bill established higher penalties for delaying contributions; IKA's contributions were payable within 30 days - of the respective workdays - and within 60 days for the public sector's companies. Insurance contributions were increased 5 per cent for the first 10 days' period of delay; for any further delay the burden would be 1 per cent for each 11th and 21st (i.e. each 10 day period) of the first month of delay and for each 1st, 11th and 21st day of the remaining months of delay up to a total maximum of 120 per cent increase.

Other regulations of this part of the Bill facilitated the collection of insurance contributions in building activities, prohibited travelling abroad to any employer owing insurance contributions **(23)**, provided IKA with the public sector's debt collecting privileges and lapsed contribution claims after 10 years. Furthermore, another regulation provided that the sewing workers under the home-work system would be compulsorily included in IKA's coverage; this is extensively called "facon": a system of subcontracting in the Apparel Industry, not working in factories but in other places most usually in groups and paid per tailored piece. A considerable group of usually uninsured working people work under this "home-work system" and had been always used in this industry, especially in Northern Greece. A left wing MP stated in Parliament that from the total number of 150.000 home workers only 45 were insured! **(24)**

Finally, the Bill abolished the regulation according to which IKA had been excluding foreign workers from its coverage. In this respect, more than 200.000 working people, mainly from Asia and Africa, had been discriminatorily kept out of social insurance, IKA was losing a considerable amount of contributions and employers were, in many cases, preferring low-cost foreign workers, contributing to the Greek work force's rise of unemployment. The Bill introduced the compulsory insurance of foreign workers in IKA and anticipated strict penalties for employers not paying the relevant contributions. The penalty

would be equal to the workers remuneration for five months' full employment plus the normal penalties for delaying contributions.

### **Adjustments in IKA's legislation**

This part of the Bill, providing adjustments to IKA's fundamental principles having effect for forty years since the establishment of Law No 1846 of 1951, consisted in the most crucial changes in the social insurance legislation, considering it was affecting the life of 2.5 million people, 80 per cent of which were low-paid insured working persons and pensioners.

### ***New old-age pension conditions***

The Bill amended the existing old-age pension minimum period of insurance by increasing it from 4.050 to 4.500 working days, or 15 working years, fixing pension age as 60 years for women and 65 for men. The minimum period would increase gradually -150 working days average per year from 1 January 1992 onwards - in order to reach the new limit. The new regulation excluded those people who had completed before 31 December 1991, their 63rd year of age (men) and 58th (women), miners and blind people.

Furthermore, men having completed their 62nd and women their 57th year of age would be eligible for old-age pension having completed 10.000 working days. For people receiving pension from any other insurance fund, IKA would provide an old-age pension after 5.100 working days. For people having completed the above mentioned minimum period of insurance, early retirement would be allowed, after the year of 60 and 55 for men and women respectively, reducing the full old-age pension by 1/200 for each missing month, from completing the normal retiring age.

Especially for people working in heavy or unhealthy occupations, the retiring age for full pension would be 60 for men and 55 for women; this regulation would not have effect on the existing lower retiring age limits for

special categories of people working in heavy and unhealthy occupation. Moreover, for those people having not completed their 58th (men) and 53rd (women) year of age before 31 December 1991, the new age limits would have effect as well. The long list of occupations classified as heavy or unhealthy had been reflecting political criteria to a great extent, as already mentioned.

The Bill introduced a favourable regulation for working mothers insured by IKA, anticipating that those having under age or disabled children and at least 5.500 working days would receive an old-age pension after their 50th year of age, reduced by 1/200 for each missing month from completing their 55th year of age, but not in anyway lower than the minimum established pension. This regulation would have effect on all insurance funds; in case other regulations of this law would be more favourable, the insured mothers would have freedom of choice once, before retirement. Finally, the minimum age for retirement after 35 years of work for women employed after 1 January 1983 would increase to 60. This regulation excluded persons working in heavy and unhealthy occupations after 10.500 working days.

### ***New disability pension conditions***

One of the main problems of the social security system for the last few decades had been both the elastic disability conditions and their further distorted implementation which provoked the creation of an army of disabled pensioners. It was estimated that 30 per cent of the overall pensions awarded were disability ones; moreover the disability commissions were providing pensions to people not actually eligible and were refusing pensions to entitled disabled persons.

The Bill amended the existing time prerequisites according to the relevant regulations of the EEC countries. The disability definition having effect since 1934 (25), was reformulated as follows: a person would be considered heavily disabled due to sickness or injury, physical or mental, occurred after entering social insurance, having, according to medical anticipation, at least a

duration of one year, and being unable to earn from an occupation relevant to his capabilities and education (criterion), 1/5 of the normal remuneration of the healthy person with the same education. Respectively a person would be considered normally disabled being unable to earn 1/3 of remuneration and partially disabled unable to earn 1/2 of remuneration. Normal disability took into account the additional criterion of occupational employment and partial disability the criteria of education, occupational employment and place of employment, requiring medical anticipation for at least a duration of six months. The determined disability percentages would be 80 per cent for heavy disability, 66.6 per cent for normal disability and 50 per cent for partial disability, while the existing percentage for heavy disability had been 67 per cent.

In the procedure for defining the disability percentages the non-medical criteria, employment, market criterion, could not be more than 15 per cent. Disability percentages would be defined by degree after consultation with the National Medical Association of Doctors. In case pre-existing health damage would increase after the insurance by 50 per cent of the recognized disability per degree, the insured person would be considered respectively disabled. Furthermore, disability due to intention or fraud proved by court, would not lead to eligibility for disability pension but would retain the relative death pension rights.

### ***Disability pension***

The heavily disabled would be entitled to a disability pension equal to the full old-age pension, normally disabled 3/4 of this pension and partially disabled 1/2 of it. Normally disabled with 6.000 working days would require full pension while mentally disabled with 66.6 or 50 per cent disability would respectively receive full and 3/4 of an old-age pension.

### ***Time conditions***

The new regulation established a practice of fluctuating time prerequisites for the disability risk for young and middle-aged persons aiming at the restriction of violations. In this respect disability pension eligibility would be obtained by two alternatives:

- a. Accomplishment of old-age pension conditions, or for persons under 21 years of age, a minimum of 300 working days. For persons older than 21 years the required working days would increase by 120 working days average per year up to a maximum of 4.200.
- b. Persons not fulfilling these time prerequisites would receive pension having at least 1.500 days at work, from which 600 in the last 5 years before disability occurred. In the case of a cash benefit period due to sickness or unemployment during these 5 years, this period would be respectively extended.

It was clarified that the new disability regulations would have effect for persons applying for pension for the first time, but would normally be implemented for the temporarily disabled when they should be re-examined by the disability committee.

### ***Death pension***

Death pension would be provided to the spouse, in the case of the pensioner's or the insured person's death, after at least 1.500 working days of which a minimum of 300 were during the last 5 years before the incident or completing the relevant fluctuating time conditions of disability pension. Death pension would be equal to the respective disability pension and the percentages of members of the family would be calculated on this basis.

### ***Pension adjustments for Olympic Airways employees***

The special pension conditions for employees of airway companies had



been provocatively favourable in comparison with IKA's other insured persons. Moreover, Olympic Airways employees were provided with additional privileged regulations (26), which established the retirement age of 44 and 42 years for men and women flying employees respectively, anticipating higher percentages of insurance contributions. However, according to the concept of the new legislation, the retirement age of these people was increased to 47 and 45 years, while the retirement age for the land staff of the company was increased from 55 to 58 years. Finally, working days for old-age pension for Olympic Airways employees were increased to 9.300 (from 9.000) and for Olympic Air shipping employees to 7.800 from 7.500.

### ***Voluntary insurance***

Insured persons have had the opportunity to continue their social insurance coverage if they wished, by paying per month both employers and employees' contributions, according to their insurance class, the time of work interruption and not in anyway for an insurance class lower than the sixth one. The regulation allowing the classification of the insured person in two lower classes than their class, when work interrupted, was abolished.

The Bill allowed the increase of insurance class with a minimum of 3.000 insurance days and after 3 years in each class for people under 55 years old. Additionally, it was anticipated that delay in contribution payment would provoke the general penalties but after 3 months; delays longer than 24 months would lead to final interruption of voluntary insurance. Voluntarily insured people were not entitled to contributions while receiving sickness benefit. Finally, disabled persons were not eligible for voluntary social insurance.

### ***Pensioners employment***

The Bill attempted to control pensioners' employment by compelling employers to observe IKA's uniform regulations but introduced a rather low

penalty of 30 days of pay of the 6th insurance class. Furthermore, the Bill suspended pension payment for pensioners having remuneration of more than 35 days of annual pay for an unskilled worker or having "occupational shelter" as independent employees. Persons retired due to heavy and unhealthy occupation were not allowed to undertake further employment in the same occupation. Employed pensioners would be entitled to insurance contributions with the additional burden of 3 per cent for the unemployment fund and would obtain a higher pension at the end of the day according to their recent contributions. Pensioners' employment regulations were aiming at the increase of IKA's revenues and at the rationalization of employment and unemployment practices.

#### ***Minimum pensions-pensions readjustment***

The crucial issue of minimum pension regulations was described by the Introductory Report on the Bill as a technical rather than a protective issue. "The existing regulations for minimum pension limits have to a considerable extent conduced to the well-known financial deficits of IKA and have functioned as a considerable counter-incentive for proper contribution payment, since they have enforced contribution leakage by making an even level of pension for the vast majority of pensioners. A characteristic example illustrated was that according to the existing legislation, an insured person with monthly remuneration of 100.000 drachmas and with 8.500 working days receives the same pension as an insured person with 183.000 drachmas and 4.050 working days respectively" (27).

In this respect the Bill abolished the existing indexing system according to which pensions were increasing at the same rate, relative to the inflation rate as employees' remuneration in the private sector. The new regulation introduced the relationship between pensions and the remuneration of public servants and consequently pensions would increase by the same rate of public servants' remuneration. The new minimum pensions would be defined as at the levels at the end of the month preceding the establishment of the new Bill (28). Minimum

pensions would increase with the normal supplementary allowances for the members of the family and decrease in the cases of reduced pensions.

Persons receiving more than one pension from any insurance fund were not eligible to IKA's minimum pensions besides those, receiving pensions of a total amount less than the minimum IKA's pension, increased by 25 per cent; in these cases the difference would be receivable.

### *Pension calculation*

According to the 1951 existing legislation, IKA's pension was determined on the basis of the pensioners' remuneration during the last two years of working life. This calculation allowed significant violations against IKA and required time-consuming calculations which delayed the pension award. Moreover, this system was considered as particularly elastic in comparison with relevant adjustments in other countries, where pension was calculated according to remuneration during the whole period of insurance (USA, Gr. Britain, Germany, Sweden, Norway, Belgium, Switzerland), the remuneration of the last five years (Italy) or the five or ten better insurance years (Portugal).

The new adjustment provided that pensions would be based on the last five years before retiring according to the following calculation:

$$\frac{\text{total working remuneration of the last five years}}{\text{working days of the five last years}} = \text{amount of pension}$$

Where the working days in this period were less than 1.000, the pension calculation would include pay-days of the preceding period, in order to complete the 1.000 required days. Remuneration higher than the highest insurance class would not be taken into account. The above total remuneration would take into account an increase, in the Consumer's Price Index, while the existing regulation was based on the annual cost of living index differentiation.

### *Adjustments for heavy and unhealthy occupations*

The regulations from 1951 onwards (29) provided that insured persons employed for a long time in heavy and unhealthy occupations would retire earlier than normal and would pay additional insurance contributions of 3.6 per cent, of which 2.2 per cent would be the employees' and 1.4 per cent the employer's share. In 1963 a by-law regulation was issued (30) defining the occupations in this category, the required working time and every relevant subject for the retirement of these people. In practice, some occupations were gradually included in the heavy and unhealthy category - although lacking the necessary characteristics - due to political bribes.

The decision on what qualifications of an occupation needed to be in this category belonged to the Committee for heavy and unhealthy occupations with the agreement of IKA's Board of Directors and the signature of the Minister of Health, Welfare and Social Insurance. According to the list, in September 1990, almost 50 per cent of people insured by IKA were included in heavy and unhealthy occupations!

The new Bill anticipated the appointment of a new Committee to judge an occupations' eligibility to be in the category of heavy and unhealthy occupations consisting of thirteen specialists, academics and employers' and employees' specialist representatives. The Committee would re-examine all occupations included in this category and should prepare a relevant list as the basis of a Ministerial Report within a year of the coming into effect of the law, which would be submitted to the Cabinet by the Minister of Health, Welfare and Social Insurance. He was the one finally to decide the composition of the list of heavy and unhealthy occupations for all insurance funds.

A new regulation provided that those excluded from the new list, but included in the old, in case they had less than 10 years to go before retirement and at least 2.000 working days in heavy and unhealthy occupation, would be allowed to continue in this category. Furthermore, insured people of this category, losing

for any reason their status of belonging in heavy and unhealthy occupations, would receive a bonus increase of 20 per cent in working days for which increased insurance contributions had been paid.

### **Funds of self-employed persons**

The majority of self-employed employees (31) had always been provided with poor social protection (32) in comparison with employees due to the lack of effective protective and administrative measures, the insufficiency of the established financial net and the nature of their occupation. The new Bill introduced a bunch of regulations to alleviate the revenues of these schemes to reduce their financial weakness.

### ***Insurance contribution increase-pensions readjustments***

The Bill introduced a contribution increase after the agreement of the funds' Board of Directors and a relevant decision of the Minister of Health, Welfare and Social Insurance. Furthermore, under the same procedure a pension increase was anticipated "if there is such a financial possibility" and minimum pension levels would be re-determined. A ministerial decision established a pension increase of 20 per cent in T.E.V.E. from 1 January 1990 onwards and increased minimum old-age and disability pensions per month to 36.290 drachmas and minimum death pension to 30.300 drachmas. Another Ministerial Decision introduced a 25 per cent increase in insurance contributions for T.A.E. from 1 March 1990 onwards, and 15 per cent for T.A.E. <sup>pensions</sup> from 1 April 1990 onwards. Old-age and disability pensions after 35 working years in T.A.E. would be determined according to the seven following insurance categories:

#### **T.A.E.**

#### **INSURANCE CATEGORY**

#### **PENSION (DRACHMAS)**

A

39.100

B	52.800
C	66.000
D	79.200
E	92.100
F	104.600
G	117.100

The minimum monthly old-age and disability pension would be 49.400 drachmas and the minimum death pension 44.600 drachmas from 1.4.90 onwards.

A ministerial decision provided a basic monthly old-age or disability pension of T.S.A. of 34.800 drachmas after 15 years of work, minimum old-age and disability pensions of 36.000 drachmas and death pension of 30.000 drachmas.

People insured by TEVE-TAE-TSA would be required to pay insurance contributions at the end of each working month and within the following month at the latest. Delayed contributions would be increased by 1 per cent for each 10 day period up to a maximum of 50 per cent.

### ***Contributions collection in TEVE-TAE-TSA***

The Bill attempted to improve the effectiveness of the insurance contribution system and restrict contribution leakage by introducing practical measures and enforcing the use of computerized controls. Contributions would be payable in cash to the funds' service offices or to cooperating banks, and the method of insurance stamps was abolished. The fund used to send to the insured person the insurance and contribution card between the 20th and 30th of each month, determining the amount of contributions payable within the following month. This procedure would be replaced by direct payment from the insured persons' bank accounts every month: the insurance card would be sent to the bank.

A new regulation provided funds with the possibility of organizing computerized services as an obviously faster and simpler method of collecting

contributions. Furthermore, each fund's Board of Directors would specifically define the procedure for computer application. Finally, delayed debts to these funds would be collected according to the procedures of public revenues' collection with the respective penalties.

### **Self-insurance sector**

The introduction of a special self-insurance sector was expected to cover a considerable gap in the social insurance legislation. The new Bill provided that the self-insurance account would be included in IKA's administrative scheme but kept financially independent. Eligibility for self-insurance coverage would be provided for Greek citizens and expatriate Greeks living in Greece, not insured compulsorily or voluntarily in any social insurance pension sector and not employed in the public sector under pension coverage.

Self-insurance would provide old-age, disability and death pensions for persons insured from their 16th to 63rd year of age for men and 58th for women, especially for the disability risk for persons insured before their 55th year of age. Insurance contributions would be determined on the basis of a person insured at the age of 40, paying the IKA's employers' and employees' contributions anticipated for the respective insurance class. People insured at younger ages would pay lower and older people higher contributions. Self-insurance contributions could be paid by parents or guardians of unmarried children and would be tax-deductible in this case.

The self-insurance old-age pension conditions would be at least 100 working days for each of the last five years before the 65th or 60th for men and women respectively, and after 6.000 working days overall. Disability and death pensions would require at least 3.000 working days.

Working days entitled to recognition by IKA's regulations would be respectively taken into account in addition to those under self-insurance coverage. Furthermore, the pension calculation would be made according to normal IKA

regulations and early retirement would not be a right for a self-insured person. Persons failing to fulfil the above mentioned conditions but completing several other regulations of Law No 1846 of 1951 would receive pensions lower than the minimum IKA pension.

A future special by-law would define the starting date for the self-insurance scheme, the insurance classes, the contribution percentage increase or decrease for the year of age of insurance around the basis of 40 years, the self-insurance sector's participation in IKA's administrative costs, etc. In brief, the self-insurance institution was considered to be a public substitute for private insurance. Moreover, this new institution, by providing an insurance possibility to groups such as housewives or unemployed, would enforce the social insurance institution and cover considerable insurance gaps.

### **Adjustments in OGA's orphanage pensions**

According to the existing legislation of 1961 for persons insured by OGA, unmarried children under 18 years of age were entitled to orphan's pension in the case of the father's death. In the case of the mother's death, pension was given only if the father had been already dead. The new Bill abolished the above sex discrimination and orphans would be entitled to pension after the death of either the father or mother, insured by OGA for the consecutive three years before death, except death from accident which would not require this last condition. Orphans studying at university or polytechnic would receive this pension up to their 24th year of age.

Orphan's pension would be equal to basic OGA pensions and, according to the Introductory Report, would be doubled in the case of the second parent's death. However, this amendment was not finally included in the law and the 25 per cent increase of the former legislation was maintained. Furthermore, a regulation prohibiting orphan's pension where the surviving mother was receiving pension from another insurance fund, was abolished. Finally, orphan pension



increases due to the existence of wife and children would be 50 per cent for each, on the condition that the wife would not receive pension from another insurance fund.

### **A brief conclusion**

Criticisms and reflections of the 1990 reform will be discussed in the next chapter. Here, in brief, it should be underlined that the new adjustments clearly aimed most of all, at immediate savings in the deficit of the social insurance organizations. The Ministry of National Economy estimated that the expected total savings would be 158 billion drachmas for 1991, 227 for 1992 and 267 for 1993, in constant 1990 prices. This compares with the anticipated deficit of 980 billion drachmas for 1990, expected to increase dramatically within the following couple of years respectively. However, as it will be seen, these predictions proved very optimistic.

## ENDNOTES

- (1) Introductory Report of Law No 1902 of 1990, p.1.
- (2) 586 billion drachmas.
- (3) 1.600 billion drachmas.
- (4) Introductory Report, op.cit., pp. 2-4.
- (5) Financial return principle.
- (6) Introductory Report, op.cit., pp. 2-11.
- (7) Both civilian and military.
- (8) Introductory Report, op.cit.
- (9) Law No 1854 of 1951. For more details see Chapter V.
- (10) Parliamentary Records, 25 September, 1990.
- (11) Electricity, telecommunications, transportations, etc.
- (12) The system of 50s.
- (13) At least 1 per cent per year.
- (14) Three months later.
- (15) See chapter III for details.
- (16) Bank of Greece.
- (17) Law No 4202 of 1961 and Law No 1405 of 1983.
- (18) Law No 1405 of 1983.
- (19) Multimedecine use, a widely observed phenomenon in Greek life.
- (20) See particularly chapter V.
- (21) Parliamentary Records, 26 September, 1990.
- (22) See chapter V for details.
- (23) For debts higher than 1.5 million drachmas.
- (24) Parliamentary Records, 26 September, 1990.
- (25) Law No 6298 of 1934. see chapter III for details.
- (26) Law No 1759 of 1988.
- (27) Parliamentary Records, 30 September, 1990.
- (28) Introductory Report, op.cit., p. 23.

- (29)** Law No 1846 of 1951.
- (30)** Law No 4350 of 1963.
- (31)** TEVE, TAE, TSA.
- (32)** Groups of influential occupational self-employed (lawyers, doctors, etc.)  
enjoyed, in the contrary, several insurance privileges as discussed in chapters  
III and V.

# X

## CRITICISMS AND REFLECTIONS OF THE 1990 REFORMS

### The way-out of the crisis

There is no need to mention again the huge reactions, the new social insurance legislation provoked, due to its considerable effect on the social, financial and political life of the country. Such catalytic insurance adjustments had not been attempted for four decades and credit for political will should underline any criticisms of the ruling conservative government. However, the full evaluation of this radical intervention, attempted in this chapter, is vital in order to understand the advantages and the weaknesses of the 1990 reforms and to draw conclusions on its impact on the Greek Welfare State.

The crucial Bill was discussed in Parliament for five consecutive sessions during the last week of September 1990 commencing on Monday the 24th. Valid criticisms arose from the fact that it was submitted in a Parliamentary holiday period under the "urgent procedure" (1). In other words, the Bill would be discussed by 1/3 of Greek MPs (2) and discussions should be completed in five sessions. The hundred MPs were 51 for New Democracy, the ruling conservative party, 42 for PASOK, the main opposition socialistic party, and 7 for the Alliance party, the left wing and communist party. Due to the urgent procedure, discussions lasted less than 34 hours overall and the MPs' were allowed a maximum speech time of 10 minutes in the best case. "... social security system is collapsed! Social security problems cannot wait even for a minute" (3) claimed the Minister of National Economy. The opposition characterized this procedure as "...an institutional tragicomedy" (4), supporting the striking trade unions' demand to postpone discussions of the Bill for 15 days, aiming at the withdrawal and

deeper elaboration of particular harmful adjustments and the alleviation of social unrest.

At this point, the depreciating role of Parliament and MPs in the active formation of crucial socio-political issues should be stressed, considering that Greece is a heavily politicized country. "... this Parliament has become inactive..." said an opposition MP complaining about the procedure under which the insurance Bill was to be discussed (5).

During the five days when the new insurance adjustments were examined in Parliament, almost everybody passed outside Parliament demonstrating and protesting - GSEE, ADEDY, GENOP-DEI, OTOE, teachers, postmen or even the special police forces. Discussions inside, on the contrary, developed in front of empty benches and in a rather low tone atmosphere; the Prime-Minister Mitsotakis and the opposition leaders Papandreou and Florakis did not participate in the discussions and also did not even turn up in the Chamber (6). While the country was in the middle of a long painful strike-storm, most MPs were in Parliament's coffee-shop, visiting the Chamber in order to vote for (the ruling party's), or against (the opposition parties') the proposed amendments, after their blippers signal! In introducing the Bill, the Minister of National Economy was almost always absent, either deliberating with his advisors and trade unionists or giving television interviews.

MPs who participated actively in the discussions, struggled particularly for the public servants' - their loyal political clientele - insurance adjustments and especially for their new contributory conditions. "Battles word by word" resulted from some minor alterations accepted by the Minister. On the fourth day of discussions, however, the Government proceeded to an impressive retrograde movement with reference to the heavy and unhealthy occupations' regulations, in order to pacify the striking electricity employees and to keep off the fear of a general black-out. "In other words we fully retreat Mr. Minister" shouted a ruling party's MP, thus provoking the Minister's anger (7).

In the meantime trade unionists were time and again visiting the Prime-Minister's office, declaring afterwards in front of the television cameras that "we had a friendly and truthful discussion... but ... strikes will go on". In a country where governments and politicians had conceded special privileges to some groups of people working in the public sector, the so called "confraternities", trade unionists were not willing to let their privileges slip away, by trespassing on the right to strike. The reason is obvious; these governments and these politicians by their familiar political practice of special provisions to particular groups, assigned them the power to determine developments for their working and insurance status according to their interests. Ironically but not surprisingly, the Prime-Minister Mitsotakis, who at this time was appealing against vested rights, was the one who, as Minister of Coordination, had in 1966 and 1979 granted some of these privileges.

Back in Parliament, the discussions produced some important last minute amendments summarized as following:

- a. The IKA pension condition for a minimum of 4.050 working days would be retained for 1991 and gradual increase to 4.500 working days should start from 1 January 1992 onwards.
- b. The existing minimum retirement age limits for those employed in IKA's heavy and unhealthy occupations would not increase.
- c. The retirement age limit of 60 for IKA's insured people in heavy and unhealthy occupations employed after 1 January 1983 would not have effect to those with more than 10.500 working days in this category.
- d. Women insured by IKA could be entitled to the respective retirement conditions of female public servants if they wished.
- e. Special funds' insured people could retire but receive pension after the completion of the retirement age limit, according to the existing respective regulation for public servants.
- f. Special funds' insured people employed in heavy and unhealthy occupations

would retain the existing beneficial regulations of their fund.

- g. Women, widows, widowers or divorced with three children would receive pension after 20 insurance years in special funds.
- h. TEVE's minimum insurance period for death pension would decrease from 15 to 10 years in order to be adapted to the same conditions as TAE and TSA.
- i. Paraplegics insured or retired in the public sector would be entitled to a special allowance; they would retire after 15 years of insurance (8) and not 20 as the existing legislation provided.
- k. Employers verified as exercising insurance violations would have to pay a half penalty before the appeal.
- l. The new adjustments would not finally include people insured by NAT, nor those working on ships.
- m. Finally, a regulation provided that within a month, a special committee should be appointed, in order to examine thoroughly the bank employees' insurance funds' issue.

Furthermore, not a few MPs, mainly of the ruling party, attempted to include in the new legislation several adjustments in order to satisfy the individual wishes of their voters. In this respect, regulations referring to very limited categories of insured people, the so called "photos" (9), were submitted in order to be included in the draft although most of them were completely against the concept of the new law. It was an opportunity for some MPs to "respond to their obligations" to their personal voters, though most of the time, these additional regulations did not pass into law either because they were submitted too late or met the opposition of the other MPs.

Such an amendment referred for example to the retirement of an army officer's mother. It was suggested that mothers of officers that died on duty, having lost their husband within a year and not entitled to any other pension receipt, would be eligible for pension if the dead officer had been living with his mother up to his death! Many other "photos" were submitted, some important

others not, based on the unwritten law on "solicitation of votes" but condemned to disapproval in most cases, since the particular Parliamentary discussions had met with the continuous intense interest of public opinion and media and therefore consequent control.

On Friday 28 September, the Parliamentary discussions for the new social insurance adjustments were completed. The Bill became Law after not an easy passage in Parliament, due to the one MP majority of the ruling party. According to the existing procedure the adjustments as a whole, passed in Parliament again on 10 October and after a week issued in the "Governmental Paper of Greek Democracy", developed into Law No 1902 of 1990.

Strikes played a declining role, though the measures provoked the unanimous opposition of the working people. The trade unions failed to foresee the limits of the public's tolerance, as people were subjected to huge trials. In this respect, strikes began with society's full support but came to an end with society's indignation. The trade union leadership, led astray by the high participation in the strikes, did not know when to end them.

At the beginning of the week, when the adjustments were discussed in Parliament, almost a month after the strikes' start, some top trade unionists, mainly of the left wing, proposed the ending of the strikes meaning the end of the conflict's first round. This proposal met with the support of some leading trade unionists especially in GSEE, and the anger of the middle and low level trade unionists, who entirely refused the strikes' suspension before the adjustments' had passed Parliament (10).

Consequently, the labour movement was finally found apologising for the repercussions of strikes, having lost the opportunity to enhance public support by suspending them as a sign of social sensitivity. At the end of the day, strikers were beaten since, after the end of Parliamentary discussions, one trade union after the other ceased action, promising there would be a second round. The bank employees' trade union (OTOE) was the one which opened the strike barrage and



the last to leave the battle field.

The passing of the law and the end of strikes ratified the reconciliation of the trade unions to the Government and vice versa. The long and hard dispute led only to losers since both sides' stature was seriously wounded. Trade unions especially, were expected to face a significant crisis, since sooner or later they would be forced to proclaim new strikes as a result of the Government's tight incomes policy. The question raised would be how long the trade unions could convince working people of their real impact, and most of all, of their credibility.

The Government on the other side, would have to face the tough criticisms of the employers' lobbies on top of the popular discontent, since the market had been heavily affected by the strikes. The Industrialist Association (11) accused the Government of a delayed and hesitant position and demanded legislative alterations in order to repress and restrain the effects of hard long strikes.

### **Criticism of the adjustments**

The 1990 social insurance adjustments of Law No 1902 aiming at the restoration of the Greek social security system failed from the very first moment to satisfy this vital mission for two essential reasons: Firstly, the relatively short period of preparatory elaboration and analysis in order to define the required guidelines and respectively the lack of indispensable thorough studies. Secondly, the failure to alleviate the existing huge inequalities at all levels, and moreover the prevalence of a feeling of injustice among insured people, and particularly of the low income classes.

The fact that the new social insurance legislation had been drafted and produced by the Ministry of National Economy, while the subject belongs to the jurisdiction of the Ministry of Health, Welfare and Social Insurance, which kept playing a marginal minor role, revealed the accounting philosophy and the collective objective of the legislator. The Greek Welfare State, reinforced by the

socialist governments of PASOK during the 1980s, is certainly poorer after the establishment of the law; moreover low income working people and particularly pensioners are dramatically poorer after the implementation of the new adjustments since especially provisions for the lower classes had been negatively influenced.

Furthermore, the unsuccessful - once more - attempt to eradicate the privileges of some groups of working people in the public sector deprived the measures of any justification in people's conscience and in most experts' consideration. Moreover, as we have described in detail, the establishment of Law No 1902 provoked universal and long labour movements which paralysed the economy of the country and cost the economy more billions than those expected to be saved by the implementation of the regulations of the law within the next couple of years.

As mentioned, the 1990 reform was designed to produce immediate savings in the deficit of the social insurance organizations. During the elaboration of the new adjustments, the Ministry of National Economy estimated - and notified to the European Community - that the savings expected for 1991 would be in total 158 billion drachmas, for 1992 and for 1993 the figures would be 227 and 269 billion drachmas respectively (12). According to thorough new estimates of the Ministry of Health, Welfare and Social Insurance some months later, savings for 1991 would be in total only 90 billion drachmas; the difference was concentrated on the economies resulting from the restrictions on minimum pensions which would be no more than 21 billion drachmas, while the Ministry of National Economy had forecast savings of 50 billion drachmas (13). The two Ministries agreed on savings from the restriction of contribution leakage (12 billion drachmas), from the restrictions on disability pensions (6 billion drachmas) but they also had a difference of 4 billion drachmas from savings coming from increases in the rate of contribution (14). However, it was widely recognized that the expected economy would be equal to one per cent of GNP for 1991 (15), or

almost 10 per cent of the overall annual deficit of the social security sector.

In the light of this unfavourable development, an EEC Specialists' Committee came to Greece in May 1991, to discuss this issue with the Government and to attempt to appreciate the actual financial impact of the new measures. The Committee was not convinced of the efficiency of the 1990 reform and the Government was forced to submit to the EEC within June 1991 the directions and guidelines for a new intervention aiming - once again - "at the restoration of the social security system " (16).

In a country where politics and policy are used as one single word "*politiki*", and perceived as one single concept, that of politics, criticisms arise and come to an end under the catalytic veil of political prejudice. In this respect public opinion lacks objective and constructive information from the media and the new social insurance legislation could not escape this golden rule. Rarely press or experts, not to mention politicians, have exceeded in surpassing their political colour in order to explain to working people the essence of such measures and to spell out the necessary radical rectifications needed to rescue the social security system.

Consequently, the minimum consensus and collective spirit, vital for an actual reform of the system, was lost in political absurdity and the prevailing individualism. IKA members, once again, were to pay the highest price: contributory conditions in the leading scheme were restrained and pensions were drastically cut. The measures introduced for IKA - sound and reasonable in most of the cases - should have followed a vigorous reform in the other schemes, favoured with advanced adjustments in the past. The mass of IKA's insured members, most of whom - more than 60 per cent - of the lowest income classes, were the victims of the 1990 reform. The others just lost some of their privileges. But of course, social justice and political feasibility are two different things. In the next pages the new social insurance adjustments which were considered radical and towards the long-sought rational direction, will be discussed.

### ***Public servants***

The privileged category of working people most heavily affected by the 1990 reforms were certainly public servants, since their contributory conditions were significantly amended. This was achieved mainly because, since long ago, public opinion has been against their special treatment which was matched with unacceptably low level of productivity and poor services provided. However the adjustments introduced, provoked great confusion not only due to their complexity but also to the obscure way in which they were written in the law. The existence of the necessary transitional periods as well as the peculiarities of several subcategories of working people provided further complexities and misunderstandings. Extended debate concerned the crucial date of 1 January 1983, which divided insured people into two categories, the second of which was losing significant advantages under the new regulations. The opposition and especially the socialist party accused the Government of "political and social racism" (17) since it was governing the country during this period. According to the traditional political practice of political bribes of the party in office, the employees entering the public sector at that time were the socialist party's voters and especially active supporters.

In this respect the Government was accused of taking revenge on those public servants, discriminating against them and trespassing on the fourth constitutional article in reference to the principle of citizens' equal treatment. The Government's claim was that this date was chosen according to the constitutional article 116, covering the equality between men and women enforced then, and that anyway a starting date would have to be determined! (18)

The division of public servants' social insurance rights could lead to a division within their trade union, a decrease of the already poor productivity and level of public services and, of course, the creation of two classes of employees. Alternatively, a single date cutting public servants in two pieces could be avoided by transitional regulations with gradual effect, changing for example specific age

limits every couple of years and for a period of one or two decades. Most importantly, the new regulations, having dramatical and immediate impact on public servants personal, family, economic, occupational planning and their respective expectations, presented the State as an unreliable employer, changing the terms of the "occupational contract" of public sector employees arbitrarily and without consent.

Outrageously, the reform excluded the armed forces and some other minor special occupational categories without good reason. This exclusion generated further inequalities and reinforced favoured working groups, while being in contrast with the main principle of that defined as "the concept" of the new legislation. The same criticism is applicable to the regulations concerning the improvement in the general directors' retirement rights. Fair regulations for dependants' pensions, restricted unmarried daughters' life pensions and upgraded male children's' pension rights to those of female ones. However, and for equality reasons, this adjustment should be either abolished or extended to the other main insurance funds.

The contributory conditions introduced brought the scheme closer to fundamental social insurance principles. The establishment of minimum retiring age limits - 60 for men and 58 for women - was an indispensable step towards the shrinkage of young pensioners. However, many voices opposed the abolition of the 35 years sole retirement condition; it was argued that in a social insurance system with such flexibilities and extremes, a man should obtain pension eligibility after a 35 years working life, irrespective of age.

According to the logic of the new regulations, two persons employed at the same time but with different ages could have 7 years difference in the required working period for retirement, since the - even a year - older one could retire before 31 December 1996, while the other would have to stay for 7 more years. Furthermore, a massive exit would be expected from all those completing 25 years of service before 31 December 1996. The transitional 7 years established period

on top of the existing time conditions for pension eligibility had been the minimum sensible price of the new measures. Alternatively, insured people could retire according to the existing conditions and receive pension after the completion of the new ones.

The overgenerous regulation providing full pension to married women after 15 years of service in the public sector had been unanimously condemned and abolished (19). But it was too late. This kind of favourable regulations have stigmatized the development of the Greek social security system, falsifying its character and purposes and generating respective demands from other occupational groups. Moreover, "the 15 years pension" established in 1935, is a distinctive example of the prevailing political absurdity determined almost always by short term election purposes.

Not surprisingly, the same applies to the pension calculation system which returned to the form of eleven years earlier. The change was confessed as a mistake providing disincentives to those wishing to leave service before completing a 35 year working period. However, in the medium run and considering the system's cash difficulties, as well as the fact that the public sector was employing at least double the normally required personnel, this policy could be disputed. The pension level is 80 per cent of working remuneration and respective economies could be achieved under a more flexible policy, leaving the pension conditions restriction for a second stage. In other words, especially in the public sector, the pension system could be used as a decisive regulative factor, diminishing the sector's overemployment.

The re-establishment of very low contributions was a strategic step forward with secondary effect. On the one hand, it alleviated the outrageous discrimination against the remaining insured people, some of whom were contributing heavily to their funds. On the other hand, basically only those employed after the establishment of the law were going to pay these contributions. Due to the recession and the dispensably high number of employees, those

entering the public sector should anyway be a marginal number for a long time.

In conclusion, the new regulations made the public sector less attractive for potential employees and reformed some areas of the sector's insurance. Most criticisms concentrated on the retrospective effect of the new adjustments considering this process as "unethical" and as "a violent way of overthrowing the existing conditions". Many supported the enforcement of the amendments only for new employees and an alternative idea was a transitional period of three years instead of seven as the law determined. Alternative policies were not examined; the "15 years pension" for example has been in a sense, a decisive family planning and demographic factor. Early retirement leading to very low pensions was not provided for. Moreover, "provocative regulations" (20) privileging some groups such as general directors were established, contradicting the principles of the law.

Furthermore, some of the privileges removed - no contributions, 35s, etc.- had been gained in the past as a counterbalance to provisions not given to public servants. This fact was justifying anyway, part of public servants' huge reactions. On the contrary, extremes such as the MPs pension eligibility after just four years in Parliament - the normal period between elections period - or, the existence of a trade unionists' special fund providing pensions under outrageous regulations (21), criticized even by the left wing, was retained. Moreover, the new regulations would indisputably have a significant impact on the level of pensions expected, creating "two-gear pensioners of the same stuff" (22) and contributing to the poverty threat faced by the low paid pensioners of the country.

### ***Special Funds***

The unsuccessful attempt of 1990 aiming at a radical reform of the special funds betrayed the greatest part of the expectations derived from the new legislation. The powerful trade unions of bank and public welfare employees managed once more to postpone, to a great extent, the most "painful" regulations. The Government withdrew them, announcing the establishment of a Social

Insurance Committee with the task of suggesting the required adjustments in special funds.

Primarily, the Government announced that new employees of the banks and the public welfare sector would have to be insured by IKA, providing the step-by-step abolition of special funds. Those employed in heavy and unhealthy occupations would start paying higher contributions, according to IKA's standards, since they enjoyed special insurance rights but with no special contribution rates in most categories. Both these adjustments were withdrawn. Moreover, the new legislation excluded heavy and unhealthy occupations, preserving the unjustifiable insurance privileges of almost 40 per cent of public welfare employees.

Furthermore, some of the new regulations, widened the inequalities gap in providing additional discrepancies. For example the "employer" would be responsible for covering special funds deficits, while other regulations generated inequalities within special funds as, for example, providing especially for employees in telecommunications a two-year delay for the beginning of the progressive increase in the rate of contributions. On top of this, the favourable adjustments of public servants have been extended to special funds "for reasons of equal treatment", as for example the provision of pension eligibility after 20 years of work to mothers with three children. The Government attempted to correct old mistakes by making new ones.

The new legislation, however, provided significant changes in this area as well, by defining retirement age limits, changing the method of pension calculation and pension readjustments. Contrary to the respective adjustment introduced for public servants, the 25 working years privileged retirement condition has been maintained but as a minimum period for all funds. However, for those employed after 1 January 1983, the method of pension calculation after 25 years of service would lead to only half (25/50) of full pension.

A great debate had taken place in reference to the special funds' financial position. The Minister claimed that most of them have had deficits while



the opposition and trade-unionists insisted on exactly the opposite. The point, however, always was that in most special funds the employer was the State and at the end of the day, low or no contributions as well as generous provisions were paid by the consumer.

In conclusion, it should be explicitly recognized that special funds, the main battle-field of the new legislation, determined the character of this whole 1990 venture as timid and ineffective. All agreed long ago that for this particular area a radical intervention was required. Some disagreed with the process of implementation, the lack of real dialogue and the rejection of all alternatives proposed by the trade-unions. Some argued that most privileges replaced non-given provisions and salary increases in the past. Some hot-blooded - the trade union of bank employees - threatened MPs by a letter sent crudely stating: "Bank employees do not forget. Those voting for this law will account for it". The outcome of the story however has been that the strikes of people insured in special funds and the massive pressure exercised, achieved to perpetuate most of the existing advantaged social insurance framework.

In brief, the 1990 reform failed to fulfil even its short-run accounting objectives; the economies achieved never reached expectations, and most of them were lost due to the cost of the long strikes. Some privileges were cut but on balance, benefits of the lower income groups were further diminished. Most of the long existing inequalities, inconsistencies and inefficiencies were perpetuated. Most of all, the problem which in fact provoked the "reform", the growing huge deficits of the social security system, was not successfully tackled, since radical decisions were - once again - postponed.

## EPILOGUE

Throughout this thesis we have endeavoured to scrutinize the factors which influenced the development of social security in Modern Greece. As in other countries, Greece's social policy relies almost exclusively upon social security measures and financially speaking upon social security expenditures. So, as a matter of fact, this thesis traces the development of social policies in Greece in most of the twentieth century.

Social policy in Greece, following the pattern of countries such as France, Italy, the Netherlands or Belgium, is mainly enforced by the distribution of cash benefits, the leading component of the welfare system. The vast majority of social security schemes provide contributory benefits and consist of administrative units that lack the essential infrastructure to do anything else than simply pay for services provided to their members. The State intervention is put across by two courses of action: firstly, the establishment of social security legislation copying much of respective foreign policies, and secondly, the varying degree of state subsidies to the existing social security schemes. As indicated in the preceding analysis, the social policies which the State pursued have always had a fragmented nature, lacking a fair and efficient distribution of resources, planning and coordination.

In the aftermath of the recent unsuccessful 1990 social security reform, considerations, arguments, and criticisms bear much of the issues already raised in the 1920s and 1930s. In the course of 3/4 of a century, the nature of the social security system - though significant improvements have been achieved in terms of extent of coverage, labour protection, income maintenance and health insurance - is much the same. The main characteristic of the Greek social security fashion is the unbelievable anarchy provoked by the existence of almost four hundred main and supplementary insurance funds, the "mosaic" as Zarras called it back in 1931.

The lack of political will made the dream for the harmonization of the system - a term used hopelessly in every single legislation since 1932 - become a nightmare long ago.

At this particular point, emphasis should be devoted to the poor standard of public administration in Greece. The Greek pattern appears as one of extreme centralization and politicization. The average Cabinet size is more than 50 Ministers and Under-Ministers with overlapping responsibilities and contradicting policies. The issue of social security belongs to the jurisdiction of five Ministries. The role of the Treasury, now called Ministry of National Economy, is comparatively weak and the financial implications of the pursued policies - even when estimated are based on unreliable or falsified data - are always actually unknown.

The institutions of modern democratic states have not operated in Greece in the fashion of the Western European countries. The existing political system emerged from colonial status or foreign subjugation in the nineteenth century but lags behind Western Europe in economic development, ability to cope with social change, and the development of strong representative institutions. Greek parliamentary politics seem to be concerned with matters either settled or ignored in contemporary Western political systems (23). The role of the press is identified as not constructive, reproducing the biased socio-political environment of the country.

Greece has obviously insufficient wealth of natural resources that can be important for development. Moreover, the location of the country prevents an excessive trade with the industries and markets of the Western World. Exports have never reached the level of imports and the major Greek exports are luxury goods struggling in a very flexible market and enormous competition. The few international advantages of Greece are mainly its ancient antiquities and its beautiful climate. Even in periods of economic growth, the State failed to establish a sound economic infrastructure while the temporary prosperity has

caused a huge expansion of political demands, "a vast increase in the magnitude and variety of political demands" (24). The huge expansion of the informal economy, the "Black Economy", constitutes a major gap in economic development, absorbing valuable resources and significant revenues, mainly in terms of profit taxation.

In modern Greek society, "patterns of reciprocal favours and mutual obligations between patron and client are common" (25). All the ruling political parties attempted to exert power through machineries of clientelistic networks which were accelerated during pre-electional periods. Recruitment practices increased in parallel with overwhelming competition for political influence. Employment in the wider public sector, for example, has almost always been the outcome of passing examinations for political loyalty.

The rapid integration of the majority of the population into the urban way of life has been achieved through clientelistic relations and the granting of privileges. This has led to the formulation of a fragmented and corporatist society. In this framework, the established social policies reinforced the existing social disabilities and the social security system redistributes social resources and contributions in favour of the political robust socio-professional groups.

The inequalities, inconsistencies and inefficiencies - *the three in's syndrome* - of the Greek social security system reflects the indecisiveness and the irresponsibility of Greek politics. The rapidity of political change - the periods of office which are in practice remarkably short - provides considerable incentives for constant reinterpretation of political bribes to particular groups. Moreover, the response to the need for effective policies tackling the problems of social and economic development is diminished by the lack of any consensus among the prevailing socio-political groups. Not only are the goals of social and economic policies always disputed, but also the distribution of the burden of them among society.

This thesis has attempted a critical analysis of the factors which led to the

landmarks in the evolution of social security in Greece during the turbulent period between 1920 and 1990. In a country where social research is underdeveloped - the extent of poverty has not even been identified - such a task has often proved frustrating and distressing. The overwhelming development of hundreds of social insurance schemes and the lack of reliable information makes the synthesis of a full history of the system not feasible. The landmarks elaborated are derived, both from the extent of population coverage, as well as from their indisputable impact.

Following this framework, the landmarks distilled are the first ever state social insurance introduced in 1922; the establishment of IKA, the compulsory social insurance scheme in 1934-1937; the massive social assistance efforts to cure the casualties of the Second World War and the successive civil war; the attempt to reorganize IKA in 1951; the establishment of agricultural social insurance in 1961; and the repressive social insurance reform of 1990 following the absurd social policies of the 1950s, 1960s, 1970s and 1980s.

The social insurance legislation of 1922 was of strategic importance as it constituted the first major step in the introduction of a compulsory scheme in Greece as well as in the adoption of this field as an essential part of state policy. This law was introduced in a devastating socio-political period and, having no immediate effect, was nearly ignored by public opinion and the employers' lobbies. Not surprisingly, the law was in fact not implemented. The law established the notion of social insurance in the conscience of the Greek people. It is considered as the milestone of social insurance in Greece, but it bears much of the responsibility for the dispersion of the field. It founded the State concept for the unrestricted introduction of fragmentary larger or smaller insurance funds against the orthodox legacy of social insurance principles.

The social insurance Bill of 1932, though radical and comprehensive, failed to become a law due to the overwhelming political instability and the reactions provoked by influential lobbies. Its successor, the law established in 1934 introducing IKA, constitutes the landmark of universal social insurance protection

in Greece. The law implemented from 1937 onwards, in fact established the institution in the country since it covered all the white and blue collar workers in the urban areas, including more than one third of the working population. The new scheme was financed by employers' and employees' pay-roll contributions.

The law of 1934, remained the social insurance framework for almost twenty years and failed to sort out the existing and recognized anarchy and to control the further piecemeal development of the system. It is crucial that at this early point, the awareness of the problem did not lead to the necessary correcting measures. The law was much milder than its 1932 predecessor in the way it treated the existing privileges of certain powerful occupational groups with their own special funds. Furthermore, the part concerning the prohibition of the introduction of new main insurance fund was not implemented. The number of main and subsidiary funds increased from 93 in 1934 to 150 in 1940. The main insurance gaps of the 1934 law were the exclusion of the massive agricultural population and of unemployment coverage. It was a law reflecting political compromises and is bitterly remembered as the "lost golden opportunity" to command the system at a not overdue stage. It established the legacy of the rational decisions never taken since then, though the problem was identified and highlighted. In addition, the long ago established privileges of the public servants' scheme was ratified during this period.

Greece experienced a tragic period, between 1940 and 1949. The bitter civil war that followed the end of the World War II, left the nation once again deeply divided and wounded. More than ten per cent of the population was forced to leave their homes and to overcrowd the urban centres. This was the outcome of the preposterous behaviour of the political leaders who failed to prevent the massacre and the unorthodox role of the foreign allies. The social assistance services which undertook the arduous task for the material recovery of the population, relied mainly upon international help. The social insurance system was almost ruined.

The priorities for the social assistance services were identified as the improvement of public health, the care of the destitute and the protection of children. The voluntary sector claimed a significant role in these heroic efforts. The lack of financial resources, of planning and coordination, and of trained personnel kept social assistance in Greece always in the corner. However, the comparatively massive services provided during the post-war period constitute a memorable era in the history of social protection policies.

The reconstruction of the social insurance system attempted in 1951 came as the result of the existing embarrassing situation and of the international trend for unified social insurance schemes, following the influence of the Beveridge Report. The law of 1951 not only failed to fulfil its objectives but reinforced the legacy of multiple funds and it also introduced over-generous regulations not suitable for a contributory insurance scheme.

IKA was to remain the main social policy tool but the need for state subsidies, though adopted in the law, was not met for the next thirty years. The established contributory conditions for old-age pensions and early retirement, and the favoured heavy and unhealthy occupations were to create huge burdens. Moreover, the broad definition of disability adopted was to be heavily abused in the future. The administrative regulations, proved disastrous.

The intervention of 1951 modified the scheme towards a more solidaristic universal social security system, since firstly, it established a uniform minimum level of protection; secondly, it fully extended health care provision to dependants; thirdly, it introduced unemployment coverage and lastly, it enlarged the circle of the insured members by several occupational categories neglected up to this point. The harmonization of the social security system, set as one of the main objectives of the legislators, remained a dead letter. The existing fragmented evolution of insurance funds remained untouched, while a flourishing elite of privileged insurance schemes was left undisturbed. The "reform" of 1951 not only failed to reorganize the system but also established the basis for IKA's bankruptcy

some decades later. Again, rational decisions were postponed due to their political cost and illogical adjustments prepared the ground for the forthcoming deadlock.

The introduction of agricultural social insurance in 1961 marks the establishment of insurance coverage to more than half of the Greek population. This scheme, based on the Beveridgean model of health insurance, provided basic insurance coverage aiming to improve the living standards of the rural population. Financed exclusively by the State and earmarked taxation it provided very low pensions, insurance of agricultural produce and primary health care from rural centres. Hospital care was actually provided only in the urban centres.

OGA, the long sought organization which provided agricultural insurance, was in fact a social security scheme granting benefits of social assistance level at very low administrative costs. Not only did it fail to establish real social insurance coverage but also it failed to cope with the social disease of migration towards the urban areas or the more prosperous Western World. Those living in poverty conditions were of course befriended by politicians "struggling for the good of the nation", but those seeking the provision of adequate agricultural insurance services were disappointed. The nature of the rural population prevented the creation of a unified powerful pressure group, able to require adequate welfare benefits.

The nature of social policies pursued in Greece in the 1970s and the 1980s has exacerbated the existing widespread inconsistencies, the embarrassing inequalities and the great inefficiencies. The privileged insurance schemes retained and in many cases enhanced their eminent position. The expansionary social policies of the early 1980s improved the level of cash benefits, but on the other hand enlarged dangerously the deficits of the sector. IKA was almost bankrupted and the State was at last compelled to subsidize it from 1982. The near destruction of the leading insurance scheme had been completed within three decades - 1951 to 1981. Step by step, the irrational social policies



implemented, throughout more than six decades, in accumulation finally led the system to the verge of collapse.

The prolonged "crisis of the welfare state" interpreted by huge deficits in the late 1980s coerced the State into reacting at last. The social insurance reform of 1990, the long sought and always postponed intervention, aiming at the rescue of the collapsing system, provoked huge reactions and strong opposition. The advantaged socio-professional groups, exploiting once again their key role in the social and economic arena, went on strike for many weeks, black-mailing and provoking the society and the Government. The country was almost paralysed and many billion drachmas were lost before the Government finally postponed - once again - the most radical and indispensable adjustments.

The social insurance Bill of 1990 suffered critical alterations before it became law. It failed to uproot the huge inequalities and inefficiencies at all levels; moreover, it is sad that it mainly damaged the interests of the weakest groups of the insured population such as pensioners and those receiving the minimum wage. In this respect, the law made welfare benefits even more inadequate and the system, called unjustifiably in Greece the "welfare state", even poorer.

The legislators of the 1990 "reform" had one objective - to control the overwhelming deficits of the social security sector which could lead the country itself, to bankruptcy. The prevailing accounting philosophy of the law suppressed any solidaristic spirit and any redistributionary measure in favour of the lowest income groups. The Government - which should be credited to some extent with political will - was struggling to appear competent to EC circles since one of the main conditions of a vital EEC loan to Greece, was the immediate control of the huge deficits of the social security system. At that time, Greece's EC counterparts were already questioning the "far-reaching changes in the social policy agendas" of the EC countries, leading towards a European Welfare State "at national and supranational level - in a period of major economic restructuring: protecting

citizens' living standards, supporting economic efficiency and securing political consent" (26). Unfortunately, as actually proved, the legislators miscalculated even the expected short and medium run economies and all that was achieved was a slowing-down of part of the expenses. The 1990 intervention came too late and achieved too little.

## ENDNOTES

- (1) Parliamentary Records, 24 September, 1990.
- (2) 100 out of 300 MPs.
- (3) Souflias, G., Parliamentary Records, op.cit.
- (4) Parliamentary Records, op.cit.
- (5) Parliamentary Records, op. cit.
- (6) Newspaper, TO VIMA, 30 September, 1990.
- (7) Parliamentary Records, 27 September, 1990.
- (8) Paraplegics were entitled to Law No 612 of 1977.
- (9) Newspaper, TO VIMA, 30 September, 1990.
- (10) Newspaper, TO VIMA, 30 September, 1990.
- (11) S.E.V.
- (12) Economicos Tachidromos, journal, 22 November, 1990, p. 114.
- (13) Newspaper, TO VIMA, 7 April, 1991.
- (14) Newspaper, Kathimerini, 7 April, 1991.
- (15) Newspaper, TO VIMA, op.cit.
- (16) Newspaper, TO VIMA, 19 May, 1991.
- (17) Parliamentary Records, 26 September, 1990.
- (18) Parliamentary Records, 27 September, 1990.
- (19) For the second time; the first was in 1957. See chapter V.
- (20) Parliamentary Records, op.cit.
- (21) See chapter V for details.
- (22) Newspaper, KATHIMERINI, 26 October, 1990.
- (23) Legg, K.R., Politics in Modern Greece, Stanford University Press, Stanford, California, 1969, pp. 1-27.
- (24) op.cit. p. 313.
- (25) op.cit. p. 315.
- (26) Room, G. (ed), Towards a European Welfare State?, SAUS, 1991, p. 1.

## CONCLUSION

In brief, the reasons for the faulty development of social security in Greece are clearly identified through two main streams - economics and politics. The first includes the deep recession and the difficulties arising in the market, the persisting inflation and the flourishing Black Economy. The second, which embraces much of the first, includes the pursuit of absurd policies which allowed the multiple dispersion of the field and the flourishing of unacceptable insurance privileges in favour of influential lobbies. The practice followed established mild contributory conditions especially for pensions; the allocation of state subsidies according to political criteria; the ineffective use of social insurance reserves and the granting of loans to the schemes, when needed, under very unfavourable terms; the comparatively high number of disability pensioners due to the extended abuses; the illogical expansion of heavy and unhealthy occupations; the one-sided pursuit of the insurance contributory principle; the amalgamation of small and medium bankrupted insurance funds into the major scheme; the implementation of social policies through social insurance without the indispensable input of state resources; the special political bribes for electoral benefits - enforced by the intolerable political instability - which matched with the unfavourable demographic development, created an army either of young pensioners or those without any adequate record of contributions. The highly politicized decision-making, not only failed to plan for a competent reform, but also conveyed the message that welfare benefits are almost exclusively a subject of political bargaining. Politics have been charged with the overwhelming share of responsibility for the mis-interpretation of the social security model in Greece. In fact, social policy is meant and used as *social politics*.

The writer's premise before this study was that the tough historical legacy, the huge national disasters of the 20th century, moderated the social policies pursued. Throughout the preceding analysis however, the conclusion drawn is that the policies established reflected the irresponsibility and opportunism of Greek politics, not met in other European countries. As stated, the development of social security in Greece is embarrassingly characterized up to a great extent, as an accumulation of political bribes in favour of particular groups. But of course, nations enjoy the political leaders they deserve.

Seventy years after the first state attempt to introduce social insurance policies, the nature of the social security system remains in the long-run unique and illogical. The system needs radical and urgent curative treatment, hopefully not over a dead body. After all, it is not remarkable that every single social security legislation in the past has emphasized two vital objectives: firstly, that of the harmonization of the system and secondly, that the social policies pursued should not evolve into a heavy burden on the economy. None of these objectives have been even slightly achieved.

The prevalent social security system constitutes an unacceptable atrocity against the present and future generations of Greece. Ironically, public dissatisfaction with the benefits provided is mainly raised by those most privileged. The question is not any more whether to undertake the cost of the decisions needed and how to implement them. Neither does the problem seem to be the unbearable dilettantism of Greek politicians nor the deep politicization of the State. It is probably the individualism of Greek society which prevents any form of a minimum consensus emerging, which is needed for radical structural changes. Greeks have not to overcome their tough destiny and their political leaders' absurdities. They simply have to *overcome themselves*.

## **APPENDIX - TABLES - GRAPHS**

## APPENDIX A

### **a. Funds where both employers and employees contributed:**

- Pension scheme of employees in the National Bank, the Land Bank and the Bank of Greece
- Pension scheme of employees in the Bank of Athens
- Pension scheme of employees in the Public Administration Company
- Pension scheme of employees in the Greek Electric Railways
- Pension scheme of employees in the Greek Electric Company
- Pension scheme of employees in the Bank of East
- Pension scheme of employees in the Popular Bank
- Pension scheme of employees in the Lighting-Gas company of Athens
- Fund of employees in the Bank of the National Economy
- Pension scheme of employees in the General Warehouses Company
- Fund of Mutual Help of employees of BIO Company
- Pension scheme of employees of the Electric Transportation
- Pension scheme of employees of the Greek Gunpowder and Cartridge Factory
- Pension scheme of employees of the Commercial and Industrial Chamber of Commerce
- Pension scheme of employees of the Ionian Bank
- Assistance Fund of employees of the Commercial Bank

### **b. Funds financed by the contribution of employers, employees and the State (by indirect taxes):**

- Pension scheme of employees of the Piraeus-Athens and Peloponessos Railways
- Pension scheme of employees of the Thessaly Railways
- Pension scheme of employees of the North West Greece Railways
- Pension scheme of employees of the Greek State Railways

- Pension scheme of employees of the Athenian Railways Company
- Pension scheme of employees of the Corinthian Ship-Canal
- Pension scheme of employees of the Macedonia Railways
- Insurance Fund of the tobacco workers
- Pension scheme of employees of the Pyrgos Railways
- Pension scheme of employees of the Thessalonica Railways and Electricity

**c. Funds financed by employees contributions and by the State (Indirect taxes):**

- Pension scheme of employees of Athenian Newspapers

**d. Funds financed only by the State - free coverage:**

- Pension scheme for actors, musicians, theatre technicians
- Fund for flour millworkers
- Fund for Bakery Workers

**e. Funds financed by employees:**

- Pension scheme (of employees) of laboratories of destitute women
- Sea-workers ' fund



## APPENDIX B

### Voluntary organizations of social assistance

a. The "Welfare (care) of Northern Regions of Greece" under her Majesty's protection, established in 1947, and renamed as "Royal Welfare" in 1955. It was administered by a "Collection Commission" consisting of: the Archbishop of Greece, the Prime-Minister, several Ministers and judges, the Deans of Greek Universities, the General Director of the Bank of Greece, the presidents of the unions of doctors, lawyers, workers, etc. "Units" of the organization were established in each province of Northern Greece, directed by an agriculturist and having as personnel one doctor and several female volunteers. The activities were concentrated on rehabilitation (400 schools were built) and unprotected children ("Children's homes"). Additionally, a "Volunteers' Club" was established in 1953, offering 3 months training in social welfare to female members, aiming at the creation of awareness of social problems' awareness.

b. The "Royal National Institution" established in 1947, aimed to upgrade the living, social and cultural standards of the population. President of the Board of Directors of the Institution was the King and the members were the Archbishop of Greece, Professors and Academics, etc. The guidelines of the institution were no interference in politics, cooperation with the public services, whenever necessary, with income coming from sources other than the national budget but from voluntary contributions, donations, inheritances and subsidies from "Royal Welfare", with emphasis put on "Greek village", limited and effective projects.

The regional branches of the institution provided consultation and activities with reference to the agricultural and technical sector schools and training, cultural sector etc. Additionally, it established "Emergency Centres"

providing temporary care to unprotected persons as well as programmes for mental health. The National Organization of Greek Handicrafts, established by the institution in 1958, aimed to rescue and expand any form of "popular art" and the organization of its further production, financed mainly by the State, Chambers of Commerce, donations, etc.

c. "Greek Light" established in 1948, under the protection of the King, aimed to raise the morale of the nation, especially of young people, to bring them closer to Orthodoxy. It was an association run by volunteer ladies who visited people in their houses.

d. "Greek Care" established in 1946, under Her Majesty's protection, aimed to provide care to people in need by 35 branches all over the country and homes especially for children, financed by the State and its own resources.

e. "Friends of the Army" aimed to help the families of those in the war.

f. "Organization for the Girls' Dowry" aimed to give dowries to destitute female children in order to marry.

## APPENDIX C

### Social assistance service for disabled

#### A.Services for the physically handicapped

##### *Motor disabilities.*

- a. The Greek Association for the protection of disabled children was established in 1948, enhanced by UNICEF and the American Middle East Institution. The hospital operated by this Association received annually 800 children providing mainly orthopaedic and physiotherapy rehabilitation with modern facilities.
- b. PIKPA's Centre for Handicapped Children introduced in 1954 a special section providing all the range of services for disabled children.
- c. The Centre for Disabled People in Athens (1945) provided full services for handicapped people.
- d. Saint Paul Hospital (1949) provided medical care for accidents and war casualties.

##### *The Blind, Deaf & Dumb*

##### a. Blind

For children were established: The Blind House of Athens (Kallitheas), the Blind School of Northern Greece and "The Sun", established in 1950, financed by the Ministry of Social Assistance receiving children 7-19 years of age. For adults were founded the Boarding House (1958), the School of Female Blinds Association of Peloponessos (1943), and the School of Blinds' Resettlement (1959).

**b. Deaf-and-Dumb**

For Children, there were the National Institution for Deaf-and-Dumb protection, the Special School for Deaf-and-Dumb of Athens (Glyfada), the Deaf-and-Dumb protection institution of Thessaloniki.

***Disabled children suffering from chronic diseases***

Not specialized limited protection was provided for children suffering from TB and for Hansen's disease.

**B. For the mentally handicapped**

The general provision of services for mentally ill people was unorganized and poor. In the late 1950s an attempt was made by the State to establish an institution for mentally ill children ("Theotokos") which provided limited care. Additionally, the open School of Athens (1937) was providing education to mentally ill children from 7-14 years old.

**TABLE 1**

<u>WAGE CLASSES</u>	<u>ACTUAL WAGES *</u>	<u>NOTIONAL WAGES *</u>
I	0.05-19.95	10
II	20-39.95	30
III	40-59.95	50
IV	60-79.95	70
V	80-99.95	90
VI	100-119.95	110
VII	120-139.95	130
VIII	140-179.95	160
IX	180 and over	200

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\* drachmas per day

SOURCE: LAW No 5733 OF 1932.

**TABLE 2**

<b>WAGE CLASS</b>	<b>ACTUAL WAGE *</b>	<b>NOTIONAL WAGE *</b>
I	up to 29.95	15
II	30-59.95	45
III	60-89.95	75
IV	90-129.95	110
V	130-169.95	150
VI	170-209.95	190
VII	210-249.95	230
VIII	250 and over	270

In case of considerable differentiations in the price index, in comparison with that of 1933 a Ministerial Decree, following a Cabinet decision could increase or decrease the above minimum and maximum stated limits.

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\* in drachmas per day

SOURCE: LAW NO 6298 OF 1934.

**TABLE 3****CONTRIBUTIONS FOR SICKNESS SECTOR \***

<b>WAGE CLASS</b>	<b>TOTAL AMOUNT</b>	<b>EMPLOYEES PART</b>	<b>EMPLOYERS PART</b>
I	0.60	0.25	0.35
II	1.80	0.70	1.10
III	3.05	1.25	1.80
IV	4.45	1.80	2.65
V	6.05	2.40	3.65
VI	7.65	3.05	4.60
VII	9.25	3.70	5.55
VIII	10.90	4.40	6.50

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 \* in drachmas

SOURCE: LAW No 6298 OF 1954.

**TABLE 4****CONTRIBUTIONS FOR PENSIONS SECTOR \***

<b>WAGE CLASS</b>	<b>TOTAL AMOUNT</b>	<b>EMPLOYEES PART</b>	<b>EMPLOYERS PART</b>
I	0.55	0.20	0.35
II	1.60	0.65	0.95
III	2.70	1.10	1.60
IV	4.00	1.60	2.40
V	5.40	2.15	3.25
VI	6.85	2.75	4.10
VII	8.30	3.30	5.00
VIII	9.70	3.90	5.80

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\*in drachmas

SOURCE: LAW No 6298 OF 1934.



**TABLE 5****NATIONAL BUDGET FOR THE CHILDREN**

<u>YEAR</u>	<u>DRACHMAS</u>
1950 (2 months)	8.135,326
1951	66.672,254
1952	73.944,728
1953	58.559,664
1954	41.488,455
1955	36.928,120
1956	32.217,640
1957	28.494,705
1958	27.500,000
<b>TOTAL:</b>	<b>400.440,892</b>

SOURCE: Ministry of Social Assistance, 1948-1958

**TABLE 6****ANNUAL ESTIMATED REVENUES OF OGA FOR 1962****(in drachmas)****A.. Insurance contributions**

a) Direct contributions of land owners	
and land workers	230.000.000

b) Contributions of agricultural machine owners	20.000.000
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**B. Social contribution**

a) 10 or 15 per cent of income-tax*	120.000.000
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b) 15 per cent of companies tax	40.000.000
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c) 10 per cent on stamps	130.000.000
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d) Tax on cigarettes	225.000.000
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e) Tax on luxury imported products	140.000.000
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f) Tax on some local products	5.000.000
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g) Tax on beers' consumption	40.000.000
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<b>C. Social contribution on prices of agricultural prices</b>	240.000.000
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<b>D. Several revenues</b>	40.000.000
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<b>TOTAL:</b>	<b>1.230.000.000</b>
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<b>E. Revenues from national budget for hospital care</b>	300.000.000
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<b>GENERAL TOTAL:</b>	<b>1.530.000.000</b>
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\* 10 per cent for annual income of more than 40.000 drachmas and 15 per cent for annual income of more than 240.000 drachmas

**TABLE 7****ANNUAL ESTIMATED EXPENDITURE OF OGA FOR 1962****(In drachmas)**

1. Old-age pensions	800.000.000
2. Health care	225.000.000
3. Crop-insurance compensation	150.000.000
4. Administrative cost 3 per cent on annual expenditure	35.000.000
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<b>TOTAL</b>	<b>1.210.000.000</b>
5. Annual expenditure of national budget for hospital care	300.000.000
	-----
<b>GENERAL TOTAL</b>	<b>1.510.000.000</b>

**TABLE 8****GENERAL INDICATOR OF WHOLESALE PRICES IN GREECE**

<b>YEAR</b>	<b>MONTH</b>	<b>INDICATOR</b>
1952	Dec.	100.0
1960	Oct.	154.9
1960	Nov.	157.9
1960	Dec.	158.0
1961	Jan.	157.9
1961	Febr.	158.5
1961	March	158.8
1961	April	158.5
1961	May	157.9
1961	June	154.9
1961	July	154.5
1961	Aug.	153.7
1961	Sept.	153.2
1961	Oct.	153.7
1961	Nov.	153.1

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**TABLE 9****OGA's ACTUAL 1963 BUDGET****(in drachmas)****REVENUES**

1.	Social resources	765.000.000
2.	The 2 per cent on agricultural products and tobacco sold	260.000.000
3.	Direct contributions	250.000.000
4.	Other revenues	30.000.000

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**TOTAL: 1.305.000.000**

**EXPENDITURE**

1.	Old-age pensions	900.000.000
2.	Crop insurance	150.000.000
3.	Health care provisions	180.000.000
4.	Compensation for OGA's representatives	16.342.000
5.	Compensation for ATE's activities	5.000.000
6.	Central Administration expenditure	
	a) Personnel cost, etc.	10.985.000
	b) Rent, electricity, etc.	3.771.000
	c) Computers	2.500.000
		17.256.000
7.	Investments and deposits	36.402.000

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**TOTAL: 1.305.000.000**

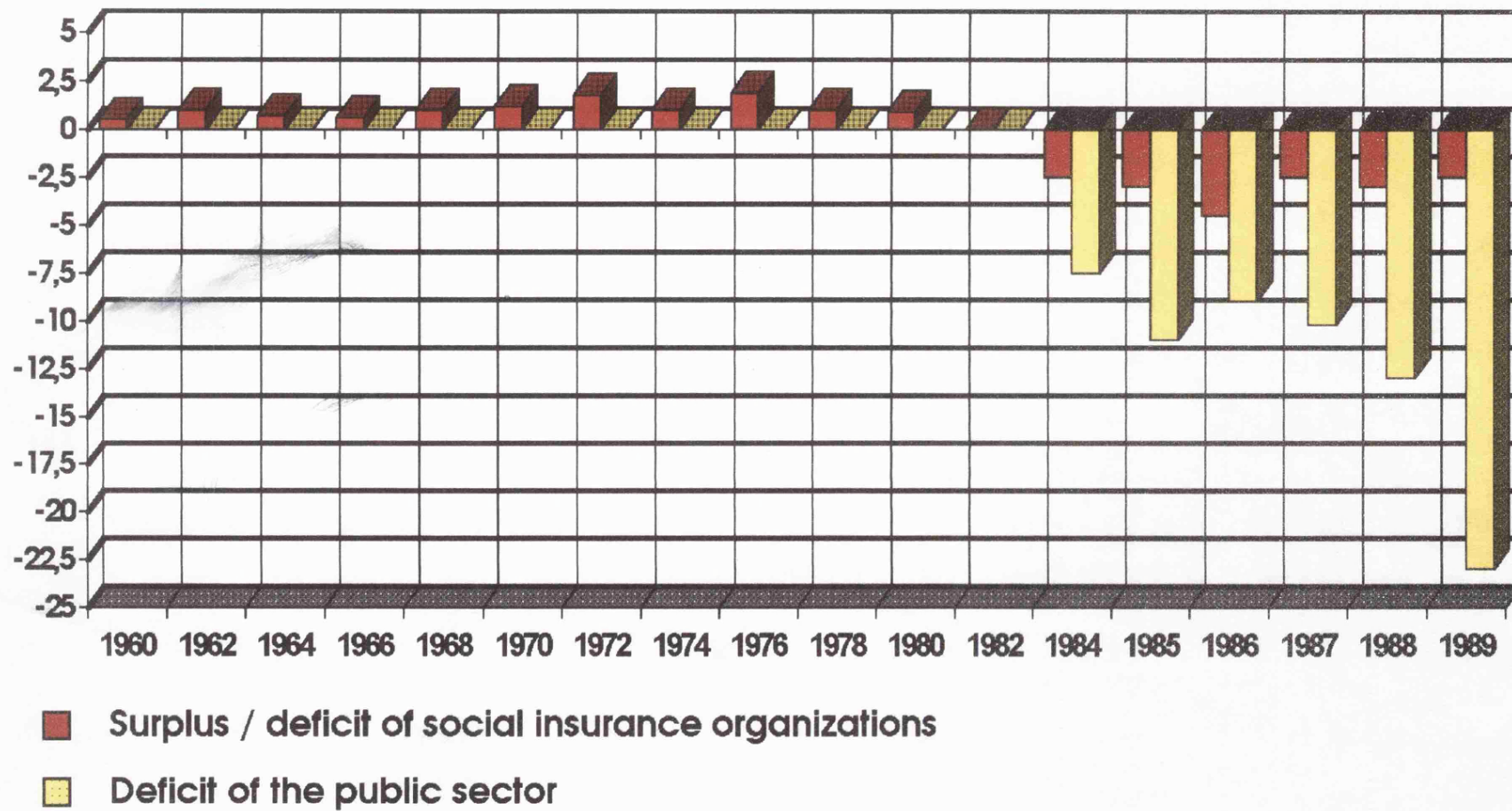
**TABLE 10****SOCIAL SECURITY EXPENDITURE AND GNP \***

<b>GNP</b>			<b>SOCIAL SECURITY EXPENDITURE</b>				
<b>YEAR</b>	<b>DR</b>	<b>ANNUAL INCREASE</b>	<b>DR</b>	<b>ANNUAL INCREASE</b>	<b>SOCIAL SECURITY CONTRIBUTIONS</b>	<b>NATIONAL BUDGET SUBSIDIES</b>	<b>SOCIAL SECURITY EXP/TURE AS % OF GNP</b>
1957	70.690		5.719		3.647	2.072	8.09%
		3.3%		11.8%			
1958	73.143		6.392		4.066	2.326	8.74%
		3.5%		8.7%			
1959	75.694		6.950		4.503	2.447	9.18%
		6.4%		8.8%			
1960	80.510		7.561		5.057	2.504	9.39%

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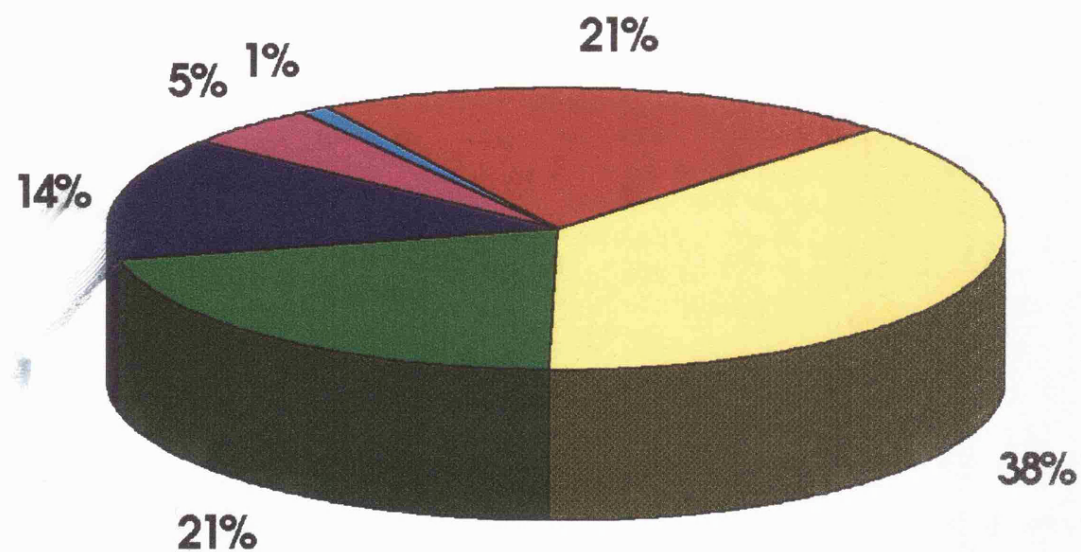
\* in thousand drachmas

**GRAPH 1**



SOURCE : MINISTRY OF NATIONAL ECONOMY 1960 - 1989

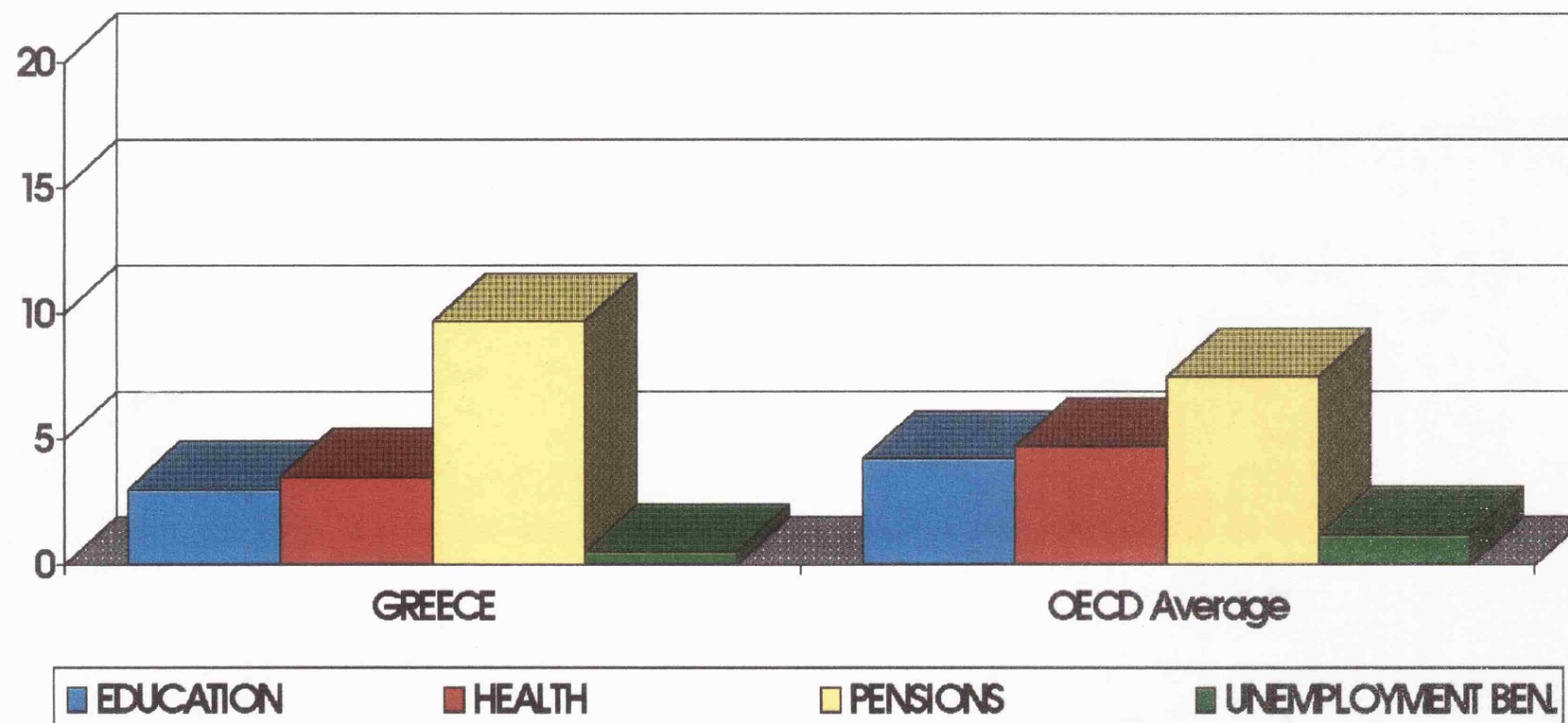
**GRAPH 2**  
**INSURED POPULATION OF GREECE IN 1990 - SEGMENTS**



SOURCE : MINISTRY OF HEALTH, WELFARE, AND SOCIAL SECURITY, 1994



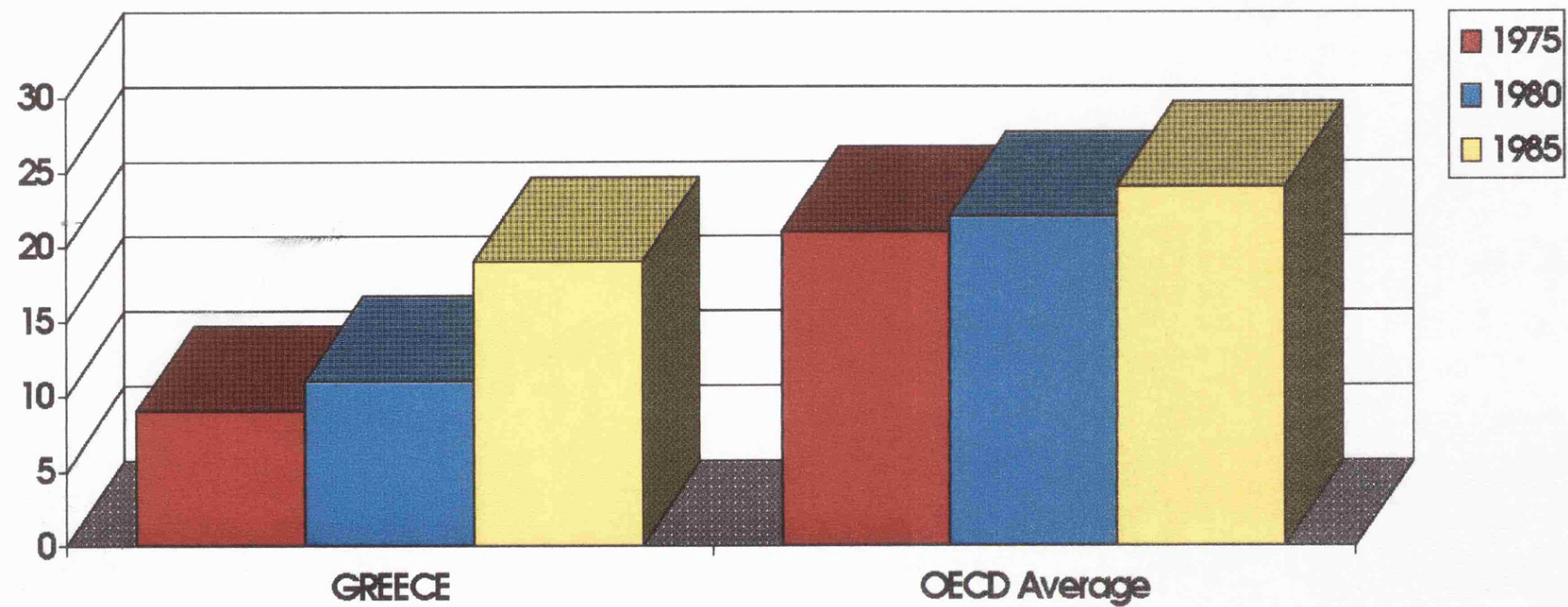
**GRAPH 3**



**Public expenditure on the main social programmes in 1985**

SOURCE : MINISTRY OF NATIONAL ECONOMY, 1989

**GRAPH 4**



**Social expenditure as a percentage of GDP**

SOURCE : OECD, 1988

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