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The case of Greece: Labour market reforms as neoliberal discipline in the European periphery

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Abstract

This paper examines the dismantling of labour market institutions in Greece along neoliberal imperatives that was explicitly imposed by the loan conditionality of the IMF/EU/ECB adjustment programme. The mainstream public and academic discourse presents Greece as an exceptional isolated incident or a Greek disease where harsh adjustment was required to save the country from bankruptcy. Failing, to elucidate the structural aspects and the contradictions underlying the capitalist crisis, mainstream accounts also obscure the true nature, the aims and the implications of the labour market restructuring ongoing in Greece. Contrary to these accounts, this paper assesses Greece as another link in consolidating a neoliberal disciplinary labour market project in the EU and examines in historical perspective the rationale and the impact of the adjustment process on workers and labour market institutions. Particular attention is paid to the neoclassical conceptual and theoretical foundations that serve as a vector and scientifically legitimise disciplinary neoliberalism by advancing universally the rigidity rationale against labour market institutions. An empirical account of the specific Greek case highlights common elements between the recent 'formal' introduction of the Washington consensus in the eurozone through Greece and the shock therapy implemented in the global South and in CEE (and the Southeastern European) countries during the EU enlargement project. It is argued that the dismantling of labour institutions in Greece replicates and completes the neoliberal experimentation tested previously in the transition countries, and elsewhere. Findings suggest that the radical reconfiguration of dynamics between capital and labour ultimately has created a "disciplined labour periphery" with the addition of Greece and the other 'indebted' EU countries.

1. Introduction

The enforced institutional changes overhauling Greek labour market institutions by their content, the manner of their implementation and their outcome, attest to a process of radical transformation designed to shift dynamics between capital and labour under the pretext of the current crisis. Crucially disempowering labour while empowering capital, the structural changes, among others, shatter the prevailing EU myths about guaranteed labour rights, 'level playing field' for workers and employers, social partnership and social dialogue that is advertised as "not a luxury, but a vital component of the European social model".[1] Heavily relying on flexibilisation, deregulation and the elimination of employment protection, the adjustment process in Greece epitomises the neoliberal 'reform' agenda that has been globally promoted by IMF's structural adjustment programmes and steadily advanced in the EU since the late 1980s despite the 'social' rhetoric of the European Commission aiming to invest neoliberalism with a social dimension. At the same time, the European enlargement project served as a testing ground to consolidate neoliberalism by a shock therapy transition whose intensity and rapidity is comparable to the Greek case.

Yet, mainstream public and academic discourse presents the case of Greece as an exceptional and isolated phenomenon (Tsakalotos 2011) where the twin agenda of harsh austerity and structural adjustment was obligatory to save a profligate country from bankruptcy. Bypassing the underlying structural causes of a capitalist crisis this account also obscures the true nature, the aims and the implications of the structural adjustment ongoing in the Greek labour market. Furthermore, the overall emphasis focus in the 'Greek crisis' discourse tends to highlight the economic and financial aspects leaving relatively unexplored the austerity's twin: structural adjustment in terms of extensive labour market 'reforms' implemented in Greece, and elsewhere, in the context of the current crisis.

This paper seeks to address this gap by examining the ongoing dismantling of labour institutions in Greece explicitly imposed by the conditionality of Greece's loan package under the terms imposed by the IMF/EC/ECB troika. It assesses Greece not as an exceptional case but as a link in the historical chain of neoliberal consolidation in the EU. It is argued that within historical continuity the specific structural labour market 'reforms'

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[1] Speech by EU Commissioner for Employment, Social Affairs and Inclusion László Andor: "Social Dialogue –Vital Component of European Social Model, Not a Luxury", Conference on Industrial Relations and Social Dialogue in Europe 2012, 15 April 2013, Budapest. http://europa.eu/rapid/pressrelease_SPEECH-13-317_en.htm

implemented in Greece emerge as building blocks in the consolidation of a 'disciplined' neoliberal labour market and not as exceptional 'emergency' measures designed to cure a diseased economy. Seeking to elucidate the conceptual and theoretical foundations that integrate the neoliberal attack on labour institutions our research critically examines the neoclassical labour market theory that 'scientifically' legitimises the rigidity rationale used to erode labour market institutions as the vector to apply "disciplinary neoliberalism" (Gill 1995) in the labour market. To situate the Greek episode in historical perspective the evolution and the rationale of neoliberal project to depreciate labour and dismantle labour market institutions is examined. Seeking to identify common elements in the respective shock therapies implemented in Greece and the transition countries, our research suggest that ultimately the neoliberal labour market reconfiguration leads to the formation of a new 'disciplined labour periphery' within the EU. This research is anchored in the idea that the centrality of labour related processes and the relative positioning of workers in the system can inform our perspective for placing capitalism in a historical and institutional context and for mapping out its consequences for workers.

2. The neoclassical labour market theory: a vector for disciplinary neoliberalism

[...] the whole world may be looked upon as a vast general market made up of diverse special markets where social wealth is bought and sold. Our task then is to discover the laws to which these purchases and sales tend to conform automatically. (Leon Walras, Elements of Pure Economics, 1874, p. 84)

The conceptual and theoretical roots of the neoliberal capitalist attack on labour market institutions are firmly grounded in the neoclassical labour market theory—the mother of all subsequent mainstream labour theories. Its bedrock is none other than the orthodox economic theory which since the late 19th century sought to explain how efficient market mechanisms can optimally allocate scarce resources among competing ends (Nell 1984). To address complex labour market issues of great societal import, the neoclassical labour market theory relies on the fundamental tenets of methodological individualism, equilibration and rationality linked to constrained optimisation. In the neoclassical conception all markets—and labour markets—are essentially the same: competitive, frictionless and clearing at the same equilibrium prices and quantities for the same commodities as encapsulated by the Walrasian general equilibrium theory (Mirowski 2010:421). Specified as commodity labour is bought and sold under competition at equilibrium price at which it will clear through the forces of supply and demand:

> The nominal value of everything, whether it be a particular kind of labour or capital or anything else, rests, like the keystone of an arch, balanced in equilibrium between the contending pressures of its two opposing sides; the forces of demand press on the one side, and those of supply on the other. (Marshall 1920:526)

This, of course, is the 'commonplace error of the vulgar economists who assume the value of one commodity (here labour) in order in turn to use it to determine the values of other commodities (Marx 1867:174 fn). Unsurprisingly, the mainstream rejects the labour theory of value as an "inadequate theory of equilibrium price" claiming that it disregards the conditions of demand (Fine 2003b:261). The mainstream (vulgar) specification of labour as as a static commodity is completely contrary to the cogent conception of labour by Marx:

> Labour is, first of all, a process between man and nature, a process by which man, through his own actions, mediates, regulates and controls the metabolism between himself and nature. He confronts the materials of nature as a force of nature. He sets in motion the natural forces which belong to his own body, his arms, legs, head and hands, in order to appropriate the materials of nature in a form adapted to his own needs. Through this movement he acts upon external nature and changes it, and in this way he simultaneously changes his own nature. He develops the potentialities slumbering within nature, and subjects the play of its forces to his own sovereign power. (Marx 1867:283)

In prevailing marginalist subjective theory of value[2] instead the value of labour is determined by the value that is subjectively attributed to it by individuals in a scarcity environment with utility value as the measure of exchange. The mainstream subjective theory of value strips the notion of labour of its essence conceptualising labour as the absence of leisure (Theocarakis 2010: 18, 21–22). The implications of the mainstream approach to labour market theory are manifold.

Devoid of any class analysis, the abstract, ahistorical and asocial neoclassical labour market theory addresses work universally as "work under capitalism" applying the same theory on all forms of work (Fine 2003a:83). Underpinned by methodological individualism and the rationality postulate the marginalist neoclassical labour theory treats social entities as optimising individuals and optimising individuals as the foundation of social structures: it constructs abstract categories lacking in analytical relevance to address transformations of modern capitalism (Fine 2003b:7–8). The use of abstract categories allows to conceptualise class relations as a relationship between individuals by constructing 'representative' agents out of a capitalist, a firm, a worker (Fine 1980:27–28). In this classless conception of the labour market, representative agents—workers, capitalists, the rich and the poor, "Rockefellers and sharecroppers" are all defined alike by "common denominators in terms of their market functions" (Nell 1984:19). Thus, the neoclassical

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[2]. For the origins of the subjective theory of value see Milonakis and Fine (2009,86) and Blaug (1962, 272–73). For the Aristotelian origins of both the subjective and the objective theories of value see Theocarakis (2006).

labour market theory conceals the social relations that form the core of capitalist production.

In this ahistorical and asocial labour market, where everybody receives his due according to his input, equilibrium is assured by *full flexibility in the price of labour.* Inactive resources and involuntary unemployment do not exist since employment is merely a choice between work and leisure for the optimising consumer worker: a "specific, individual, voluntary labour market" issue (Albo 1994:146) (emphasis added). In the mainstream mindset, unemployment can only be caused because the price(wages) of labour is too high calling on market forces to combat unemployment (Fine 1980:25). Setting the basis of the Chicago school approach to unemployment, Stigler (1946) neatly described the reasoning that was to dominate labour economics and all its subfields:

> The higher the minimum wage, the greater will be the number of covered workers who are discharged. Whatever the number (which no one knows), the direct unemployment is substantial and certain; and it fairly establishes the presumption 'that the net effects of the minimum wage on aggregate employment are adverse.(Stigler 1946:361).

In other words, wages should be kept low and institutional wage setting mechanisms eliminated.[3] The neoclassical fixation that wages cause unemployment elevated wages as the main adjustment mechanism. Hence, to address excess supply of labour and unemployment disequilibrium, mainstream economics conveniently singles out institutional barriers to wage flexibility (Seccareccia 1991). The logic is that any institutional arrangement perceived to create rigidities and impede adjustment by the free competitive interplay of market forces should be neutralised or removed. As Solow (1998:190) asserts a labour market is inflexible:

> […] if the level of unemployment-insurance benefits is too high or their duration is too long, or if there are too many restrictions on the freedom of employers to fire and to hire, or if the permissible hours of work are too tightly regulated, or if excessively generous compensation for overtime work is mandated, or if trade unions have too much power to protect incumbent workers against competition and to control the flow of work at the site of production, or perhaps if statutory health and safety regulations are too stringent.

This line of analysis runs like a unifying thread pervades all the successive variants of the neoclassical labour market theory, keeping labour economics and its subfields virtually anchored in the late 19th century. It theoretically underpins policy choices to deregulate the labour market and dismantle labour market institutions scientifically legitimising the constant mainstream search for labour rigidities that obstruct competitive labour markets and cause unemployment. The mainstream unemployment/rigidities

[3] Stigler was discussing the minimum wage provisions of the US 1938 Fair Labor Standards act that were repealed to refute demands for a higher minimum per hour wage.

pervades all the variants of the neoclassical labour market theory as developed by the Neoclassical Synthesis (which amalgamates core neoclassical tenets with Keynesian macroeconomics leaving out key Keynesian insights), the Monetarist, New Classical and New Keynesian approaches as well as the New Neoclassical Synthesis (NNS) known also as the New Consensus in Macroeconomics (NCM).[4] Notably, all variants of the neoclassical theory of labour are defined by a common framework that asserts the moral superiority of individual rights over collective endeavours (Bryan and Rafferty 2005:163).

To conclude based on the enduring neoclassical tenets, the central mainstream narrative persistently makes the case for flexibilising and deregulating labour markets under the assumption that unemployment can only be voluntary. The explicit prerequisite for flexible and capital friendly labour markets is the gradual—or abrupt as in the case of Greece—removal of the allegedly rigid labour institutions. Hence, a theory of commodified labour and demand/supply capitalism arrives to legitimise scientifically the attack on labour and serve as the vector for disciplinary neoliberalism in labour markets. It offers the rationale "for a laissez-faire and unregulated regime of free trade in labor, unilateral and harsh labor management practices, and a commercial 'dollars and cents' ethos" (Kaufman 2010:77). Therein rests the essence of neoliberal labour market adjustment.

3. The case against institutions: the rigidity rationale

Wages are themselves an outcome of the labor market mechanism, allocating workers to jobs. And institutions interfere with this mechanism.
(Boeri and Van Ours 2008:4)

The preceding discussion has exposed the enduring neoclassical theoretical and conceptual framework that lends scientificity to the neoliberal thrust against labour market institutions. Labour market institutions that are examined in this paper include regulations, practices, policies, norms and standards that determine, inter alia, the employment relationship, conditions and remuneration of work, employment protection legislation, wage setting, collective representation and bargaining, labour inspection, active labour market policies as well as processes of consultation and social dialogue (International

[4] Taking a quick tour we can observe that sticky/rigid wages was the main modelable Keynesian insight retained by the Neoclassical Synthesis that otherwise 'sanitised' Keynesian theory. Supply side frictions, imperfections and constraints were linked to unemployment in the Monetarist approach by Friedman's natural rate (NRU) discussion as "actual structural characteristics of the labor and commodity markets [...] embedded in the Walrasian system of general equilibrium equations" (Friedman 1968:8). The New Classical School and particularly the non–accelerating rate of unemployment theory (NAIRU) laid the foundation to consider high wage levels and bargaining/wage-setting as factors of labour market rigidity. Finally, the New Keynesian approach sought to explain the causes and the effects of wage and price rigidities in a range of microfoundations for theories such as wage efficiency or shirking worker models.

Labour Organization).[5] The mainstream "rigidity vs. institutions" account emanating from this framework overwhelmingly came to dominate theory and policy.

While labour market institutions can be identified during the industrialisation of the Western world in the second half of the 19th century, modern capitalist institutional arrangements emerge during the 1930s and in the post–World War II period (Betcherman, 2012, 2). At the dawn of the twentieth first century, labour market institutions increasingly occupied macro-economic policy debates seeking to explain divergence in employment across advanced economies using a neoclassical theoretical framework (Freeman 1998, 2007). The witch hunt for rigidities was set off by the 1994 OECD Jobs Study (1994a, 1994b) that directly incriminated 'rigid' labour market institutions for obstructing flexibility and causing unemployment.[6] European labour market institutions in particular, were scrutinised as accountable for market distorting rigidities. The view that labour institutions harm economic efficiency was widely advanced by the IMF (2003)[7] and other international capitalist financial institutions (IFIs) that furnished the appropriate policy framework with structural adjustment programmes (Freeman 2005). Blaming labour market institutions for supply–side rigidities that cause unemployment, a new scholarly orthodoxy[8] swept the field to push labour market deregulation and far–reaching flexibility (Freeman 2005; Kleinknecht et al. 2013; Vergeer and Kleinknecht 2012). Motivated particularly by the oil shocks of the 1970s and the rejection of Keynesian approaches, deregulation and the reduction of direct non-wage labour costs became the pillars of the global neoliberal strategy on labour market problems (Crouch 2002:280).

A case in point is provided by Siebert (1997:4) who advanced a laundry list against rigid institutions including a meticulous table chronological inventory of "Major Institutional Changes Affecting the Labor Market" in selected European countries:

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[5] Labour Market Policies and Institutions, ILO webpage http://www.ilo.org/empelm/areas/labour-market-policies-and-institutions/lang--en/index.htm

[6] Four OECD recommendations out of ten in the Jobs Study explicitly called for deregulation in terms of flexible working time, market-friendly flexible wages, reduced labour costs, weak employment protection and reduced unemployment and other benefits. The last recommendation promoted active labour market policies that became the keystone of EU 'employability': training programmes, job-finding assistance, subsidies to employers to hire unemployed or disabled workers or special youth programs for leaving school (OECD 1994; Betcherman, 2012, 3).

[7]IMF 2003. "Unemployment and Labor Market Institutions: Why Reforms Pay Off," World Economic Outlook, April, pp. 129-150.

[8] This voluminous literature includes Belot and Van Ours 2001, 2004; Bertola et al. 2013; Blanchard and Summers 1986, 1989; Blanchard and Wolfers 2000; Blanchard 2006; Bruno and Sachs 1985; Elmeskov et al. 1998; Heckman 2003; Layard et al. 1991; Layard, Nickell, and Jackman 1994; Nickell and Layard 1999; Nickell 1997, 2003; Saint-Paul et al. 1996; Saint-Paul 2004; Scarpetta 1996; Siebert 1997.

> (i) They can weaken the demand for labor, making it less attractive to hire a worker by explicitly pushing up the wage costs or by introducing a negative shadow price for labor, (ii) They can distort the labor supply, (iii) They can impair the equilibrating function of the market mechanism, for instance, by influencing bargaining behavior.

Siebert specifically incriminates "equity considerations" that gained prominence over the late 1960s and 1970s arguing that a wide range of labour market institutions including legal norms, income policies, public insurance schemes, old-age pensions and so on caused the "European unemployment puzzle" (Siebert 1997:5–7) [emphasis added]. Saint-Paul (2004: 5, 12) examining unemployment divergence among European countries, argued that institutions that strengthen the bargaining power of 'insiders' harm competition since "people who already have jobs" exert direct "powerful political influences".[9] The political influence of "insiders" as voters who have a job is also considered as an obstacle to active labour market policies (Calmfors and Forslund 2002; Saint-Paul, Bean, and Bertola 1996). The search theory research by the Nobel laureates Pissarides (2000), Diamond (1982) and Mortensen (1986)[10] marked a turning point in unemployment research allowing broader institutional rigidities beyond mere nominal or real wage rigidities to be considered as causing unemployment (Guerrazzi and Meccheri 2012:19). Unemployment benefits and employment protection became the touchstone of the orthodox wage and unemployment theory (Elmeskov, Martin, and Scarpetta 1998; Holmlund 1998; Layard, Nickell, and Jackman 1991). According to the orthodox reasoning higher unemployment benefits reduce the cost of unemployment for workers and deter them from diligent job-searching. They increase the bargaining power of both the existing workforce and new labour market entrants and upset the competitive labour market order raising unemployment.

To conclude, the orthodox rigidity rationale against institutions came to increasingly incriminate and contest every conceivable institutional arrangement, standard, practice and norm in the labour market. Following Chang (2011) we are tempted to reflect that eventually the time will come when the ban on child labour will be seen as a rigid institutional norm that infringes on the freedom of the labour market and causes inefficiency.

[9] The insiders are powerful enough to determine minimum wages, work rules or employment protection or increase their fallback options (such as the level and duration of unemployment benefits and other welfare payments (Saint-Paul 2004).

[10] "The Laureates' models help us understand the ways in which unemployment, job vacancies, and wages are affected by regulation and economic policy […] One conclusion is that more generous unemployment benefits give rise to higher unemployment and longer search times" (Nobel prize website at http://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/2010/press.html)

4. Neoliberalism and neoliberal project to dismantle labour

> *The dominance of the labor market rigidities account for developed country employment performance closely paralleled that of the "Washington Consensus"[...] Both reflected what has become known as "free market fundamentalism." (Howell et al., 2007, p. 2)*

The theoretical preoccupation with labour market institutions and rigidities found its policy counterpart in neoliberalism. Notions that emanate from the neoclassical labour market theory (and all its variants) such as the commodification of labour, subjectivism, the supposed moral supremacy of individual action over social collectivities and indeed all the asocial, ahistorical, classless and individualistic aspects pervading mainstream labour market theory fit hand in glove with neoliberal ideological and political imperatives. The critical link between theoretical precepts and neoliberal policy was historically provided by the Chicago School. The genesis of neoliberalism as a "thought collective" in the 1930s and 1940s and the key role of the Chicago School in the establishment of the Mont–Pelèrin society in Switzerland in 1947 has been well discussed in literature (Hoover 2003; Van Horn 2009; Mirowski and Plehwe 2009; Peck 2008; Schliesser 2010). The theoretical mindset and the rhetoric of the Chicago School was instrumental in advancing the ideational, ideological, and institutional construction of neoliberalism and link economic theory with the ideological content of neoliberalism formulated by Hayek[11] and his Mont–Pelèrin peers (Van Horn and Mirowski 2009, 2010; Mirowski 2009a; Peck 2011). Amply financed by ultra conservative corporations and Cold War foundations, prominent Chicago Mont–Pelèrin members[12] vastly influenced policy seeking to consolidate the competitive order and thwart the threat of collectivism (Mirowski 2009a; Nik-Khah and Van Horn 2012; Peck 2008).

Neoliberalism is described as a theory of political and economic practices which proposes that human wellbeing can best be served by the "maximization of entrepreneurial freedoms within an institutional framework characterized by private property rights, individual liberty, unencumbered markets, and free trade"(Harvey 2007: 22-23). The manifestation of neoliberalism as specific political and economic practices is linked to the structural crisis of the 1970s and 1980s corresponding to the deterioration of major capitalist economies: a slowdown in labour productivity, rising unemployment and inflation

[11] Key Austrian notions and particularly Hayek's ideational mindset were promoted as "ultimate values" in "The Road to Serfdom" (Hayek 1944). These include individual freedom, the evils of the interventionist state and state planning, the "Rule of Law" as a barrier to serfdom, the idea that inequalities are inevitable, the need for men to submit to the impersonal forces of the market, the market as a safeguard against totalitarianism and decentralisation by private ownership of production means.

[12] Friedman, Stigler, Becker and Buchanan served as presidents of the Mont–Pelèrin Society. (https://www.montpelerin.org/montpelerin/mpsPresidents.html)

as well as lower accumulation and growth rates at the backdrop of marked booms and recessions defined the setting (Duménil and Lévy 2009:43). An essentially reactionary doctrine, neoliberalism explicitly aims to re-establish laissez-faire and promotes (i) market–friendly or market–disciplinary regulatory experimentation; (ii) inter-jurisdictional policy transfer; and (iii) transnational rule-regimes prioritising commodification in all aspects of social life (Brenner, Peck, and Theodore 2010; Peck 2008).

Coined in 1989 by John Williamson, the 'Washington Consensus' provided the ideal neoliberal policy template for the developing world matching the Reaganism and Thatcherism of the developed economies as an ideology of market dominance aiming to eliminate the role of the state (Fine 2001). The Washington Consensus amalgamates ten broad sets of policy recommendations[13] that were globally disseminated by the IMF and the other Bretton Woods institutions as a universal "mantra of open economic borders, liberalization, privatization and deregulation" (Soederberg, Menz, and Cerny 2005).[14] The dominance of the labour market rigidities and unemployment account in developed countries closely parallels to the emergence of the "Washington Consensus" along with the overarching belief in "free market fundamentalism" (Howell et al. 2007:2).

With the appropriate theoretical apparatus in place and the support of influential transnational networks and think-tanks, neoliberalism quickly became the prevailing policy of the international financial institutions, such as the IMF and World Bank. After the 1970s real-time regulatory neoliberalisation experiments spread out to "conjuncturally specific sites" that included Chile under Pinochet, Thacherite Britain, US under Reagan, Russia and other post-communist countries as well as crisis–stricken countries in Asia or Latin America (Adaman and Madra 2012:9; Peck, Nik, and Brenner 2012). The deregulation of labour markets by eliminating alleged rigidities and institutions was integral to these neoliberal experiments.

4.1. The neoliberal project to discipline labour

From Mont-Pelèrin to Chicago to Brussels, the CEE and Athens, open hostility to labour market institutions defines the project to consolidate "disciplinary neoliberalism" (Gill 1995, 2001) over labour. Conceptualising unemployment as the inevitable cost for restabilising capitalist economies, this project unfolding in advanced capitalist economies

[13] Fiscal discipline, reordering public expenditure, tax reform, financial liberalization, appropriate exchange rate policy, trade liberalization, abolishment of barriers to foreign direct investment, privatization, deregulation, and property rights (Williamson 2004).

[14] Despite Williamson's attempt to disinvolve the Washington Consensus from the neoliberal doctrine the ten principles themselves represent the very policy core of neoliberalism preached by the Mont Pelerin Society (Mirowski & Plehwe 2009; Soederberg 2004: 165).

and in the developing world pivots on attacks against labour institutions, trade unions, the public sector, the welfare state, progressive taxation and any type of social solidarity or collectivity taken to obstruct capital accumulation (Harvey 2005; Mirowski 2009b; Plehwe, Walpen, and Neunhöffer 2006). The mainstream fixation on free markets and international competitiveness drives the quest for disciplined labour markets. Workers' relative position in the labour market has weakened as governments sought to compete in world markets by lowering labour costs conforming to the precepts of international competitiveness set out by the World Economic Forum (Apeldoorn 2003; Schwab et al. 2009: 17–20).

The deregulation of labour markets together with the rise of financial expropriation and the diffusion of risky financial products and services within the working class (Lapavitsas 2009) were also indispensable to reconfigure the dynamics between labour and capital to the detriment of workers. While repressive methods and monetarist policies fuel unemployment eroding wages and bargaining power disempowered workers trapped in debt as users of cheap loans, private insurance funds etc. are made to pay for privatised public goods and services (Lapatsioras, Sotiropoulos, and Milios 2010:4–5). These interrelated objectives ideally amplify capitalist profit-making possibilities.

Biased by design against labour, the neoliberal project to discipline labour aims to reinstate class power, to redistribute income in favour of the capitalist classes and eliminate postwar 'egalitarian' notions of giving labour a larger share of the economic pie than the ruling classes saw fit (Harvey 2007). Threatened by the 'structural crisis' of the 1970s and 80s and particularly its negative impact on the rate of profit, the ruling classes found that neoliberalism could unequivocally reassure the "maximization of the profit rate in every dimension of activity" (Duménil and Lévy 2004, 2009:52). To this end, the resolute control of labour costs and a disciplined labour force are indispensable. The secure reinstatement of class power, however, requires the elimination of labour institutions that were an integral component of the institutional arrangements during what has been described as the "golden age of capitalism" (Marglin and Schor 1990; Marglin 1988).

While neoliberalism failed to deliver the advertised growth and stability, it did succeed in transferring wealth "from subordinate classes to dominant ones and from poorer to richer countries […] a process that has entailed the dismantling of institutions (Harvey 2007). The resulting transfer of wealth was such that pauperization, the devastating "modernization of poverty", during the late twentieth century became a fundamental trend summarised in a single statistic by Samir Amin (2003):

> [...] the proportion of the precarious popular classes rose from less than one-quarter to more than one-half of the global urban population, and this phenomenon of pauperization

> has reappeared on a significant scale in the developed centers themselves. This destabilized urban population has increased in a half-century from less than a quarter of a billion to more than a billion-and-a-half individuals, registering a growth rate which surpasses those that characterize economic expansion, population growth, or the process of urbanization itself.

It is also in this sense that the changes in labour market institutions in the neoliberal era constitute an ideological and political project flanked by mainstream economics to reinstate capitalist class power by eliminating wage rigidities and labour institutions that obstruct free market operations, particularly those that relate to profit maximisation.

5. Neoliberal policy transfer

5.1. The EU thrust against labour market institutions

As already discussed the neoliberal doctrine is disseminated by market–friendly or market–disciplinary regulatory experimentation, inter-jurisdictional policy transfer and the promotion of transnational rule-regimes. In promoting labour market deregulation the IMF relentlessly pursued its preferred policy regime:

> […] countries with high unemployment have been repeatedly urged to undertake comprehensive structural reforms to reduce "labor market rigidities" such as generous unemployment insurance schemes; high employment protection, such as high firing costs; high minimum wages; noncompetitive wage-setting mechanisms; and severe tax distortions. (IMF 2003: 129)

The dismantling of labour institutions in Greece is a recent case in point for regulatory neoliberal experimentation that served to transpose the Washington consensus in the eurozone by an IMF type Structural Adjustment Programme. Yet, the deregulation of labour market institutions had historically formed an integral part of the neoliberalisation of the European economies. The neoclassical labour market theory examined previously in this paper, has theoretically underscored the doctrinal framework prevailing at the European Commission and the ECB in the preparation period and the first ten years of EMU: it influenced policy options defining labour market flexibility and competitiveness as essential for a common market with internal growth and job creation (Crouch 2002:284; Flassbeck and Lapavitsas 2013:8). In the mid 1980s the vision of a globally competitive EU was encapsulated in the mainstream 'Eurosclerosis' discourse that attributed the problems of the European economy to inbuilt rigidities in the institutions that had sustained the post-war European model of capitalism (Blanchard and Summers 1989; Giersch 1985). The neoliberal restructuring of European labour markets and the competitiveness discourse was strategically advanced by the emerging European transnational capitalist class organised around the European Round Table of Industrialists (ERT) as a power elite platform representing the interests the most transnationalised segments of European capital (Van

Apeldoorn 2003).

In this context, the attempt to include a social dimension in neoliberalism—a central idea of the Delors social-democratic project—was gradually replaced by the neoliberal flexibility and deregulation agenda. To be preserved, the European Social Model and all its underlying notions had to be 'modernised': workers had to adapt to the notions of employability, life-long training, mobility, new skill acquisition as set out by the 2000 Lisbon strategy that was pervaded by the neoliberal competitiveness agenda (Van Apeldoorn 2009). Despite the European Commission's full employment rhetoric, EU employment policy became another pillar for "supply-side-oriented neoliberal restructuring" using employment policy as a transnational political arena and modifying the direction of the European integration project (Tidow 2003:78–79).

5.2. EU Enlargement and shock therapy

The European enlargement served as an ideal vector to entrench neoliberal hegemony in the CEE transition countries (Milios 2005). Set in motion at the 1993 Copenhagen summit, the EU enlargement process was subject to the stringent economic and political conditionality of the Copenhagen criteria.[15] The combination of power and conditionality allowed the EU to advance in the CEE countries a neoliberal deregulation model that was more radical than the West European: this process was supported by the transnational capital that saw the enlargement as an opportunity to exploit the Eastern European production potential and a cheap and skilled labour force (Bohle 2002).

The ground, however, for a neoliberal enlargement had been already prepared by the shock therapy transition model implemented to transform centrally managed socialist economies into capitalist market economies by immediate radical neoliberal reforms. The shock therapy or 'big-bang' transition was imposed to rapidly "build capitalism" in Poland and Yugoslavia (1989–90), and subsequently in Bulgaria, Czechoslovakia and Romania (1991), Russia, Albania Estonia (1992), and Latvia (1993) (Aslund 2002; Blanchard, Froot, and Sachs 1994). The shock therapy model is a neoclassical transition model presented as the universal solution to transition problems in exchange for financial aid (Marangos 2002). This model was grounded in the IMF and World Bank policy templates that were used widely in the developing world at huge economic, social and political cost (Chossudovsky

15 Going through various stages, the Helsinki European Council (December 1999) endorsed accession negotiations with all the ten CEE applicants and at the Gothenburg summit (June 2001) the EU at last accepted that the most advanced candidates from Southern and Eastern Europe could complete negotiations by the end of 2002 aiming to take part in the 2004 European Parliament elections as member countries. For details on the history of the EU enlargement see the Commission's Enlargement website http://ec.europa.eu/enlargement/policy/from-6-to-28-members/index_en.htm

1997; Pieper and Taylor 1998)[16] disseminating globally the Washington Consensus "mantra of open economic borders, liberalization, privatization and deregulation" (Soederberg et al. 2005:25). According to proponents of the shock therapy like Aslund (2002:450–53; 1992)[17] in order to succeed shocks must be rapid and severe so that resistance to change in both society and the individual is broken. Formulating first the notion of shock in *Capitalism and Freedom,* Friedman (1962) later implemented it in Chile as the chief policy advisor to dictator Pinochet (Schliesser 2010; Taylor 2002):

> Only a crisis–actual or perceived–produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available *until the politically impossible becomes politically inevitable*.(Friedman 1962:xiv)[emphasis added]

The shock therapy was invested with scientific legitimacy by Jeffrey Sachs (1994) as a new orthodox theory, the "Economic Theory of the Transition", articulating how the West, should reshape the entire East European region by a massive neoliberal experiment of political, social and economic engineering (Gowan 2001:188–89).[18] Sachs's theory sets out the following shock sequence: 1) the liberalising/ stabilising shock 2) The international shock 3) privatisation and foreign direct investment (FDI) 4)Trade-led growth 5) Political/institutional consolidation and growth (Gowan 2001:197-7).

The imposition of the shock therapy in the transition countries was achieved without much ado because public opinion was compelled to see the 'reforms' as a necessary modernisation to replace totalitarian structures and institutions. That it left working classes bereft of any rights and welfare to fend themselves in brutal capitalist markets was irrelevant to the free marketers of the era. To make the social devastation caused by neoliberal restructuring digestible, elite cadres within existing state institutions marketed the idea of a 'return to Europe' shedding the Communist legacy (Bieler 2002:598). The European Roundtable of Industrialists (ERT) promoted actively the neoliberal enlargement

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[16] Pieper and Taylor (1998) provide an historical cross country survey of the origins and evolution of the IMF and the World Bank Structural Adjustment Programs (SAP) and demonstrate that the SAPs accentuated the very problems that they were supposed to resolve and document the negative outcomes such as recession, badly unbalanced relative price structures, high domestic interest rates, overvalued exchange rates, rising unemployment and/or regressive income redistribution and deeper poverty, depleted purchasing power/real wage, financial fragility, visibly increased corruption and political instability. They conclude that in Mexico, Chile, Turkey, Eastern Europe, and elsewhere, the Washington style policy mix propagated by the Bretton Woods institutions and other foreign actors has left a trail of losers made up of people in the bottom 80 percent of the distribution.

[17] The Swedish economist Aslund advised the Russian government together and supervised the shock therapy together with Jeffrey Sachs.

[18] Gowan (2001:187) notes that Sachs ironically, launched his theory in an Economist article titled 'What is to be Done?' imitating Lenin's style .

process as a 'win–win' option provided the right conditions were ensured e.g. improving workers skills and attitudes to work for the new competitive free-market economies of CEE (Holman 2001:175–76).

The dramatic economic, social and political impact of the shock transition has been well discussed in literature and allows identifying similarities with the brutal exit strategy imposed now in Greece. Damaging the East European states the shock therapy in the CEE countries failed in "terms of its own criteria of success" causing double digit recession, massive unemployment, deindustrialisation (to get rid of 'Stalinist" heavy industrialization), social dislocation and the erosion of welfare and institutions (Chossudovsky 1997; Gowan 2001:199; Gros and Steinherr 2004; Reinert 2012; Williams and Reuten 1993). The champions of the shock therapy as rule rationalised the predictive and practical failure of their advertised objectives blaming the communist legacy, institutionalisation problems or they outright twisted/ embellished statistics e.g Aslund on the falling rate of life expectancy (Angner 2006; Aslund 2002; Gerber and Hout 1998; Sachs 1991).[19]

In contrast with Western Europe, the neoliberal restructuring of the labour market in the East went well beyond deregulation or the privatising of state-owned assets to wholly reconstruct capitalism: an inalienable condition was market flexibility and the diminished capacity of labour to resist changes (Birch and Mykhnenko 2008:360–61). Real wages dropped from two-thirds to half their level in 1989, enterprise level social benefits vanished and union density was halved: workers were laid off or forced into retirement with unfavourable terms while new employment was hardly possible as foreign capital did not really hurry to take over large heavy industry complexes (Bohle 2006). All in all, the neoliberal restructuring "contributed to the deterioration of the collective action capacities of its losers and opponents – mainly labor, labor unions, leftist parties" (Greskovits 1997:206). Drastically losing power over the 1990s trade unions suffered sharp falls in union density while their mobilisation capacities both have been seriously undermined (Bohle 2002:33). In brief, a major "liberalising/ stabilising shock" (Gowan 2001) of the new post-socialist order can be said to have occurred in the labour market depriving workers effectively of power.

[19] Angner (2006) exposes in detail the role and the arrogance of Aslund. He remarks that disconfirming Aslund's success story, Russia's GDP in constant 1995 US dollars dropped by almost 40 per cent between 1991 and 1998 which was twice Aslund's estimate and between 1991 and 1994 life expectancy dropped by a record 4.7 years (6.2 years for men).

6. From Mont-Pelèrin to Parthenon: neoliberal discipline comes to Greece

Some of the medicine [...] is bitter and hard for many countries to swallow, especially insofar as it appears to raise concerns about equity and appears to threaten some of the rents and privileges of insiders. [...] It requires strong political will and leadership to convince electorates that it is necessary to swallow all the medicine (Elmeskov et al. 1998:242).

6.1.The complete overhaul of labour market institutions in Greece

To address its mounting sovereign debt and high current account deficit, Greece since May 2010 has received huge aid packages concluding with its creditor troika binding agreements (Memoranda)[20] that detailed a sweeping economic adjustment programme (EAP) subject to deadline benchmarking and periodic revision. An IMF style conditionality clause, committed the Greek government to successive rounds of fiscal adjustment and structural reform mainly targeting the labour market. The EAP implemented in Greece effectively replicates IMF's Structural Adjustment Programmes (SAP) applied previously to developing countries and to former communist "transition" countries. The novelty is that such a programme was for the first time implemented in a Eurozone country jointly with the EU. The scope and the speed of this undertaking qualifies it as a shock therapy. As a result, the labour market was wholly recast to apply the EU/IMF deregulation formula at national level. Exposing the invalidity of the EU social rhetoric in practice, the 'reforms' eradicated the European Social Model including ideas of social partnership, dialogue and level playing field between workers and employers.

Labour market reform is a central component of the new extended IMF "micro-conditionality" (Dreher 2006; Vreeland 2006:24–25) along with competitiveness and export-led growth and currency depreciation—not feasible in the eurozone. Hence, a policy of massive 'internal devaluation'/deflation is implemented in Greece to depreciate labour by pulling down wages and reduce unit labour costs by direct wage cuts: labour market deregulation is key in this approach for eliminating alleged rigidities (Armingeon and Baccaro 2012; Ioakimoglou 2012). The pre-crisis Greek labour market was characterised by fragmentation, low job growth, wage inequalities, precarity, widespread undeclared work, deficient inspection, migrant labour and high unemployment rates among youth and women: a high incidence of self-employment and SMEs[21] completes the picture

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[20] Memorandum of Economic and Financial Policies and the Memorandum of Understanding on Specific Economic Policy Conditionality (MoU). All texts concerning financial assistance to Greece including the Memoranda, the adjustment programme and the revision reports are available at the EC Economic and Financial Affairs website at http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/

[21] Greece has the highest EU share of micro-SMEs employing one to nine persons.

(INE/GSEE 2012, 2013a).

Industrial relations in Greece evolved under a structural legacy of state interventionism, party tutelage, bureaucratic clientelism, rent-seeking, corruption and a tradition of ‘disjointed corporatism’[22] in interest representation (Lavdas 1997:17; Lyrintzis 1984). Notwithstanding this legacy, the democratisation process after 1974 introduced substantive changes at both the socio-political and the legal-institutional levels and gradually diminished state intervention. In sum, Greece before the crisis possessed a working—albeit not perfect—institutional framework conforming to the *acquis communautaire* based on free collective bargaining, the collective autonomy of labour market actors that is enshrined in the Constitution. Engaging a host of labour institutions and consultative arrangements, the Greek labour market enjoyed what the OECD (2007) deplored as strong employment protection legislation.[23] As such it was already singled out as needing discipline and the crisis offered a prime opportunity.

Aiming to eliminate alleged rigidities and employment protection from the Greek labour market, a substantial body of ‘troika’ legislation demolished almost every aspect of individual and collective labour rights in both the public and private sectors. The aim was twofold: on the one hand, harsh austerity imposed direct wage and pension cuts, wage freezes and cuts in welfare expenditure. On the other hand, drastic measures were implemented to discipline/disempower labour under the auspices of the big Greek employers represented by Hellenic Federation of Greek Enterprises (SEV) who their dream labour market almost overnight materialise.

In broad lines,[24] more than fifteen legislative acts effected pay and benefit cuts, slashed public spending, intervened in collective autonomy, overruled individual and collective labour law guarantees, abolished collective agreements and eroded trade union bargaining power. Working conditions and the employment relationship were vastly precarised. Social security entitlements have been radically reduced or abolished shifting the focus from social solidarity to privatised individualised social insurance schemes and

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[22] Lavdas (1997:17) describes disjointed corporatism as “the combination of a set of corporatist organizational features and a prevailing political modality” lacking diffuse reciprocity and the capacity to broker social pacts.

[23] The pre-crisis legislative framework for labour relations was largely grounded on Law 1876/1990 deriving from a ‘social pact’ and voted unanimously by all political parties. This law modernised the framework for negotiations and collective agreements in Greece providing general guidelines of minimum binding work conditions consolidating the collective autonomy of the social partners in bargaining/wage setting (Kazakos 2009, 54–55; Kouzis 2011, 249).

[24] A detailed inventory of the numerous changes is beyond the scope of this paper. The 365th Report of the Committee on Freedom of Association of the ILO (Case No.2820) provides a detailed exposé including the views of the Government, the complainant Greek General Confederation of Labour (GSEE) and the Committee’s recommendations.

displacing the welfare system by charity (INE/GSEE 2013a).State intervention in wage setting was institutionalised, collective bargaining decentralised from the national and sectoral to the firm level, rights, benefits concluded by collective agreements were retracted, dismissals were made cheaper and easier while the managerial prerogative[25] was unduly reinforced (ILO 2012; Katrougalos and Achtsioglou 2012). Employers can now unilaterally—with or without workers' consent—convert full–time work contracts to part-time and rotation contracts, all under spiraling unemployment. To promote a 'competitive' climate, increased flexibility was enforced across the board by legislation.[26] Overtime pay was radically diminished while a host of new and precarious forms of work were 'institutionalised': telework, part-time work, subcontracting by temporary employment agencies, rotation work, and suspension of work— the last two being the worst forms of flexible work. A case in point of anti-union legislation is the provision that officially institutionalised 'yellow company unions' by extending bargaining rights to so-called "associations of persons" which can conclude binding agreements with precedence over all other agreements in firms without a trade union.[27] Recourse to arbitration now requires an agreement between employer and worker while the scope of arbitration is limited to issues of remuneration and excluding any other issue such as allowances, benefits or institutional regulations. A final blow to collective bargaining demolished the institutional framework set by the National General Collective Agreement concluded periodically between the umbrella union and employer representative organisations[28] to determine the binding national minimum levels of pay and employment that was the backbone of labour relations since 1990 under Law 1876/90.[29] Under fierce pressure by the troika, the government unilaterally reduced by legislation the minimum wage by 22 percent (32 percent for young workers below 25 years of age).[30]

The planning and the imposition of measures constitute a de facto transfer of economic and social policymaking from national to international actors violating gravely

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[25] Unilateral imposition of rotation work, increasing the maximum duration of fixed-term and agency work contracts, reduction of overtime pay, elimination of administrative burden in overtime arrangements.

[26] Mainly Laws No. 3833/2010, 3845/2010, 3846/2010, 3863/2010, 3899/2010 and 3986/2011.

[27] Regardless of the total number of workers in a firm, three-fifths suffice to form an association.

[28] The national social partner organisations that are signatory parties to the EGSSE are 1) the Greek General Confederation of Labour (GSEE), which represents all trade unions in the private and broader public sector and on the employer side the Hellenic Federation of Industry (SEV), the National Confederation of Greek Commerce (ESEE), the Hellenic Confederation of Professionals, Craftsmen and Merchants (GSEVEE).

[29] Despite the crisis, in 2010, the social partners were able to conclude a new EGSSE which set the binding minimum wages until the end of 2012. However, the government wholly ignored the preceding the written agreement by the social partners defending their collective autonomy (Voskeritsian and Kornelakis 2011).

[30] After deduction of contributions and taxes, the new minimum net wage fell to €476.35, and for young workers under 25 to €426.64.

the constitutional order. More specifically, precise Memoranda provisions in prior binding agreements between the government of Greece and EC/ECB/IMF,[31] were directly translated into applicable domestic statutory provisions by framework laws (Achtsioglou and Doherty 2013:8). In particular, labour market clauses constitute directly applicable rules.[32] The memoranda, the relevant executive legislation and the loan treaties markedly deviate from constitutional, European and international legality on procedural and substantive grounds: the parliament has not ratified the loan treaties while the incorporation in the treaties of a waiver of immunity on reasons of national sovereignty violates the guaranteed respect and protection of national sovereignty (Katrougalos 2013). They contravene core international labour conventions ratified by Greece that pledged to respect fundamental labour rights. The Committee on Freedom of Association (CFA) of the International Labour Organisation[33] has noted, among other things, that "such repeated and extensive intervention in collective bargaining" can destabilise the overall framework for labour relations if the measures are not consistent with the principles of freedom of association and collective bargaining: restrictions imposed as part of a stabilisation policy should be exceptional and not permanent measures accompanied by safeguards to protect workers' living standards (International Labour Organization 2012, 271–73). Yet, the measures are permanent, harmful, imposed with no proven, projected or quantifiable result on economic indicators and ravaged the country's economy disempowering labour economically and institutionally vis-à-vis capital.

6.2.The devastating impact on workers and industrial relations:

The dire socio-economic context resulting from the adjustment process amplifies the social impact of institutional disruption. The shock therapy has triggered the deepest recession in Greece's post war history but failed to render sustainable its sovereign debt—estimated at 177 percent of GDP.[34] The persisting recession generated a social and economic impasse that cannot be resolved by recent anemic signs of recovery.[35] A heavy price is paid by workers.[36] Unemployment stands at unprecedented levels, particularly among youth. Current figures stand at 27, 8% and 56.7% for young persons (15-24 yrs).[37]

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[31] The European Commission, European Central Bank and the International Monetary Fund collectively denoted as the "Troika".

[32] Framework law 4046/2012 article 1 para. 6.

[33] Key body of the ILO supervisory mechanism

[34] http://ec.europa.eu/economy_finance/eu/countries/greece_en.htm

[35] http://ec.europa.eu/economy_finance/eu/forecasts/2014_spring/el_en.pdf

[36] The Greek labour force totals approximately 5 million and works the second highest number of hours per year on average among OECD countries, after South Korea.

[37] Hellenic Statistical Authority (EL.STAT). Labour Force Survey, 1st Quarter 2014.

Historically higher rates of unemployment among women indicate that that gender inequalities have been amplified. Pushed back to the levels of the 1960s, Greece faces the phenomenon of employment crash: For the first time in the post war period the number of the economically inactive exceeds that of the economically active population (INE/GSEE 2011).

The neoliberal redistribution objective has been rapidly fully achieved in Greece where 31 percent of Greeks face poverty and social dislocation (Eurostat 2013). During the four year period 2010–13, the average nominal earnings per worker fell by 16,3 percent as compared to 2009 and unit labour costs fell by 13,9 percent. Class-biased taxation evaporates disposable income: direct taxes paid by workers and pensioners (2009–2011) steadily increased and direct taxes by firms steadily decreased (INE/GSEE 2013a, 2013b).[38] Over the last three years the purchasing power of wages was depleted by 37,2 percent (INE/GSEE 2013a). Consumer demand is driven down. the rate of bankruptcies rises, investment stagnates, firm and consumer credit is rare while household savings accounts steadily decrease (Dedoussopoulos et al. 2013:56–57).[39] Welfare spending cuts have disrupted health, education and other social provision. Rising levels of poverty and inequality are alarming: considerable numbers of individuals and families face extreme hardship particularly among vulnerable groups (Matsaganis 2012; Mitrakos 2014). In brief, alongside the economic crisis, a severe social and humanitarian crisis endangers the realisation of human rights, particularly economic, social and cultural rights in Greece and undermines social cohesion (UN Human Rights Council 2014).

As regards the institutional impact on the labour market, the strong trend towards precarious and flexible types of work after the imposition of measures is confirmed by the Hellenic Labour Inspectorate (SEPE)[40] revealing how employers rushed to reap the benefits. Profiting from the new institutional setting, employers unilaterally reduced wages by an average of 18,8 to 22 percent and modified contracts to eliminate full time work imposing reduced term rotation work. The ‘reforms’ rapidly and critically affected ongoing collective bargaining processes and coverage, modified bargaining attitudes and transformed collective agreements from a pay–rise to a pay–cut mechanism: whatever bargaining is still conducted largely concludes with concessions by the workers (Ioannou

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[38] Workers paid in 2009 47,9 percent of direct taxes (€ 6,5 bn), in 2010 52,6 percent (€6,9 bn) and in 2011 55,5 percent (€7,1 bn) of direct taxes while firms paid respectively 35,1 percent (€ 4,7 bn), 30,7 percent (€4,1 bn) and 28,7 percent (€3,6 bn) (INE/GSEE 2013b).

[39] Apart from salaried persons, SMEs (55% of retail commerce) and the self-employed (35% of the active population compared to 11% of European average) have been gravely hit (INE/GSEE 2013a).

[40] National Labour Inspectorate Body (SEPE). 2012. Annual Activity Report. Athens www.ypakp.gr/uploads/docs/6810.pdf

and Papadimitriou 2013). The role of the dubious 'associations of persons' (Law 4024/2011) also came into the fore: the bulk of agreements in 2012 were concluded via such 'yellow unions' to achieve wage reductions (Ioannou and Papadimitriou 2013, 8–9).[41]

To conclude, the radical institutional change in Greece has deprived workers of key individual and collective labour and social rights leading to a serious economic and institutional disempowerment of labour. Underpinned by the mainstream rigidity fixations previously decoded in our discussion, the measures shifted class dynamics in the labour market to favour capital and enforced the redistribution of income along neoliberal imperatives.

7. Discussion/Conclusions

The crisis consists precisely in the fact that the old is dying and the new cannot be born; in this interregnum a great variety of morbid symptoms appear.
(Antonio Gramsci, Selections from Prison Notebooks 1971, 29)

This paper has traced in two conjuncturally different sites in Europe the disempowerment of workers resulting from the application of a universal policy template realized in different historical time frames. Notwithstanding historical and conjunctural specificities in the case of Greece and the transition countries, it is apparent from this discussion that common elements emerge from the enforced shock therapy treatment. This is hardly surprising as mainstream neoliberal economics packages economic ideas into universally applicable theories grounded on universal assumptions abstract from elements of class and history. The assumption of efficient rational markets in perfect equilibrium and the specification of labour as a commodity underpin policy templates which are indiscriminately enforced across different countries and situations wholly disregarding structural divergence, historical specificity and masking contradictions. The elaborate construction of the rigidity rationale lends scientificity to the attempt to discipline labour and masks the complex net of social elements that operate in labour markets. It also exemplifies the process of scientific construction of economic theory described by Marx:

> To the degree that economic analysis becomes more profound it not only describes contradictions, but it is confronted by its own contradictions simultaneously with the development of the actual contradictions in the economic life of society. Accordingly,

[41] 72.6 per cent of all enterprise level agreements were concluded with 'associations of persons' and only while 17.4 per cent with trade unions while 82 percent of all agreements concluded with the 'associations' slashed wages down to the to the national minimum wage that was cut by 22 per cent by the government (Ioannou and Papadimitriou 2013, 9).

> vulgar political economy becomes increasingly apologetic and makes strenuous attempts to talk out of existence the ideas which contain the contradictions. (Marx 1963:III 501)

Neo-liberal restructuring in Greece created groups of "winners and losers" just as it did in Central and Eastern Europe posing risks to both democracy and the economy (Bieler 2002:588). In both the case of Greece and the transition countries the changes induced by the respective shock treatments were not driven by interactions between national stakeholders (capital, labour, and the state) but supranational agencies and global financial markets exerting relentless pressure on nation–states: governments recede to a secondary role as movers of a supra-national agenda (Voskeritsian and Kornelakis 2011:27–28). The current economic crisis, which set in motion events in Greece, casts a new light on the existing "capital–state nexus" and the relations between the state and labour (Horn 2012:578). The Greek episode confirms the coercive nature of the imposed changes where governments emerge as local caretakers and enforcers of a disciplinary programme targeting the reconfiguration of the labour market to fit neoliberal imperatives. Our discussion has exposed in both cases a key dimension of social reengineering that is carefully hidden in the dominant 'reform' discourse: the abrupt, dramatic disempowerment of the working class to consolidate "the shift in the entire balance of social power" (Gowan 2001:196–97).

Designed to shift labour market dynamics the same policy template underscored by identical theoretical and conceptual tenets and defined by the same ideological content has also been implemented under the crisis pretext in the other indebted countries of the European periphery. Hence, the case of Greece—and the other 'bailout' countries—contributes to the creation of an enlarged "disciplined labour periphery' within Europe with deregulated labour markets and an essentially unprotected low-paid, often high skilled weakened labour force. Such a space provides the perfect platform for transnational capital to amplify its gains, consolidate a privileged position and be internationally "competitive" at the expense of the working classes. In other words, a periphery emerges where "governments, as well as firms and workers, are internally and externally disciplined by market forces, or, to put it differently, by the power of capital (Gill 2001:61). Amidst deepening inequalities a new template of European "divergence" is replacing visions of "convergence".

This research throws up questions in need of further scholarly investigation for an epistemology away from the dominant mainstream economics that are the 'vulgar' economics our day. Important questions emerge also for the workers in the afflicted region and in general as well as trade unions that without the power to advance an "autonomously defined initiative" increasingly are implicated in the "prevailing strategy of 'co-operative deregulation' (Gill 2001:112). What future is in store for workers in the afflicted region? Will capital treat the region increasingly as an export-processing zone (EPZ) devoid of the rule of law? Is it by chance that the architect of the shock therapy Sachs (who now styles himself as an anti-poverty guru) advertises EPZ as drives of prosperity, growth and job creation citing examples from his global travels (Sachs 2005).

Above all the ball is at the court of emancipatory-solidarity progressive forces in the affected regions.

Ultimately, the case of Greece is presented as a cautionary tale to terrorise workers in other countries and institutionalise austerity and structural reforms. Yet the case of Greece rather offers another cautionary tale: that economic ideas stripped of historical and social elements and advanced as the sole irrefutable truth can mutate into disruptive doctrines that harm people and societies.

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