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Özgün Sarimehmet Duman

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What is This?
The rise and consolidation of neoliberalism in the European Union: A comparative analysis of social and employment policies in Greece and Turkey

Özgün Sarımehmet Duman
İpek Üniversitesi, Ankara, Turkey

Abstract
This article analyses the rise and consolidation of neoliberalism in the European Union and highlights the neoliberalization of its social and employment policies with reference to member states and accession candidates. It focuses on two different cases in terms of status, Greece and Turkey, and scrutinizes their historical specificities and class formations in a comparative manner. The aim is to demonstrate that transformations in their economic policies and labour market structures are compatible with a neoliberal strategy. From this analysis, it emerges that Turkey's social and employment policies are more closely aligned with those of the European Union, and neoliberalism is more firmly consolidated, than in Greece. This is confirmed by evidence of the asymmetry in the impact of the economic crisis on the Greek and Turkish economies, and contrasts in the scope of recovery policies.

Keywords
Class struggle, Greece, labour market reform, neoliberalism, social and employment policies, Turkey

Introduction
In this article I offer a critique of mainstream approaches to the European political economy by focusing on the hegemony of neoliberalism in the European Union (EU) and its social and employment policies. I provide a comparative analysis of the role of EU neoliberal strategies, underlining the rise and consolidation of neoliberalism in the 1980s
and 1990s, and further neoliberalization during the economic crisis. I examine the increasing EU emphasis on competitiveness, which is a main parameter of neoliberalism, and point out the transformation of social and employment policies for restructuring labour markets and intensifying economic competitiveness; and scrutinize the changing structure and instruments of social and employment policies for the consolidation of neoliberalism.

Within this framework, I undertake a comparative investigation of the rise and consolidation of neoliberalism in Greece and Turkey. I emphasize their major differences in historical specificities and class formations, and outline the transformation in their economic policies and labour market structures in line with neoliberal strategy. In this analysis, I also question the impact of dissimilar mechanisms employed by the EU in the implementation of social and employment policies in member states and accession candidates. I provide comparative labour market indicators for Greece and Turkey to highlight their divergence in terms of labour market structures and their convergence to the EU social and employment policies and neoliberalization of labour relations. I also offer an overview of recovery policies implemented during the economic crisis and ask whether further neoliberalization of labour market structures can be expected in Greece and Turkey.

The rise and consolidation of neoliberalism in Europe

The collapse of the Bretton Woods system and the crisis of Keynesianism in the 1970s caused a breakdown in the post-war world order, and this was reinforced by the dissolution of the Soviet regime in the 1980s. As global capitalism was rescued from the challenge of its eastern rival, it extended the hegemony of market rules such as monetarist economic policy, international competitiveness and global trade. A new social and economic characteristic of capitalist relations, neoliberalism, emerged as ‘a wide range of social, political and economic phenomena at different levels of complexity’ (Saad-Filho and Johnston, 2005: 1–2).

Neoliberalism involved the reintroduction of liberal norms to social and economic relations. It was presented as the ‘central guiding principle of economic thought and management’, based on the premise that ‘human well-being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade’ (Harvey, 2007: 2). The neoliberal project was ‘characterized by a mix of liberal pro-market and supply-side discourses (laissez-faire, privatization, liberalization, deregulation, competitiveness) and of monetarist orthodoxy (price stability, balanced budgets, austerity)’ (Van Apeldoorn and Overbeek, 2012: 5). The terms of neoliberalism, such as ‘fiscal and monetary stability, structural adjustment to global market pricing, financial deregulation, the privatization of accumulation and state-building’, formed and legitimized ‘global social restructuring’ (Nousios and Tsolakis, 2011: 4).

This global social restructuring was strengthened by tight economic integration among national markets. Hence, internationalization of production engendered a challenge for both individual capitals and national states. The increasing possibility of ‘the relocation of industrial facilities and outsourcing to cheap labour’ intensified and safeguarded ‘harsh
price competition’ among national markets (Wigger and Buch-Hansen, 2012: 34–35). Offering higher rates of profit and attracting foreign capital investment turned into a necessity, and economic competitiveness assumed a leading role in the formation of neoliberal social and political practices. The necessity of securing higher levels of competitiveness required the institutionalization of new labour relations by the introduction of a new labour regime. This new regime was designed to accommodate the conditions for intense competitiveness by decreasing labour costs and increasing productivity and efficiency in the labour market.

Neoliberal policies have intensified the attack on labour, and absolute surplus value strategies, or labour market ‘reforms’, have been implemented not only to achieve higher rates of profit in the productive market but also to discipline labour through a variety of instruments. Labour market reforms were designed to increase the competitiveness of both individual capitals and national states in the world market. Hence the establishment of the new labour relations by the implementation of labour market reforms involved a further step towards subordinating labour and intensifying the relation of exploitation.

The new labour regime promoted the imposition of labour market ‘reforms’ such as de-unionization, suppression of collective bargaining rights, deregulation, flexibilization and restrictions on social security and pension systems. Labour market reforms aimed to restrict the role played by trade unions in the workplace, intensify the work process, keep downward pressure on wages, discourage trade union recognition, decentralize wage bargaining, deregulate the labour market, [and] promote individualism at the expense of collective rights’ (Bonefeld et al., 1995: 117) in order to secure more effective, efficient and profitable production, in other words, economic competitiveness.

The rise of neoliberalism in the EU

The rise and institutionalization of neoliberalism with its own social and economic imperatives also had repercussions on European integration, which had become ‘market-driven’ with an ‘essentially neoliberal raison d’être’ in the 1980s and the 1990s (Cafruny and Ryner, 2003: 3). The EU compared its own competitive capacity to the USA and Japan, and the ‘European Social Model’ was instrumentalized to legitimize and deploy ‘radical restructuring and restriction of existing European welfare systems’ (Hermann and Hofbauer, 2007: 130). The initial signs of a neoliberal shift in European integration were observed in policy-making processes and social and employment policies in the early 1980s, when ‘nationalist economic strategies’ were abandoned in favour of ‘more liberal and open economic policies’ (Geyer, 2000: 41–42). The penetration of neoliberalism into European integration was formalized in 1985 White Paper on Completing the Single Market and the 1986 Single European Act (Geyer, 2000: 41–42).

As a neoliberal market regime, EU policy objectives display distinct priorities and institutional structures beyond particular national policies. The EU promoted growing mobility of capital and closer integration of the European market. The neoliberal agenda served to ‘recast relations between capital and labour’ (Cafruny and Ryner, 2003: 3), and hence turned into a catalyst to worsen labour relations. Put plainly, the well-integrated European market for products and services had a striking impact on labour markets in terms of wages, working conditions and social security rights (McCann, 2010: 136).
The Single European Market (SEM) and Economic and Monetary Union (EMU) acted as the cornerstones of the institutionalization of neoliberalism in the EU. Both aimed to integrate national markets into the European market through harmonization strategies. The SEM mainly reinforced market competition by proposing the removal of physical, technical and fiscal barriers to trade within the Union. EMU targeted ‘an open market economy with free competition. . . [as] the primary aim of monetary policy’ (Moss, 2001: 115). It constituted a ‘part of a set of policies that have shifted the EU towards a neoliberal and financial. . . model of capitalism’ (Gill, 2001: 49–50).

The SEM ‘posed a threat in the form of competition between enterprises in different Member States faced with different direct and indirect labour costs and different systems of social and labour regulation’ (Eurofound, 2007a). Moreover, with EMU the member states transferred control to the European Central Bank so that exchange rate devaluation was no longer available to ‘adjust productivity growth to globally competitive levels’ (Bonefeld, 2002: 133). This resulted in ‘a fierce and protracted battle between the European social partners over the political and legal strategies to be adopted’ in order to achieve the maximum level of productive and competitive efficiency (Eurofound, 2007a).

Neoliberalization of EU social and employment policies

The introduction of the SEM and EMU intensified the neoliberal focus of EU social and employment policies. Deeper integration through the single European currency ruled out the possibilities for adjusting national economies by exchange rate adjustments, and ‘the repertory of the responses of policy makers’ were restricted to labour market policies and other supply-side initiatives (Van Vliet, 2010: 272). Hence ‘macroeconomic adjustment in member states [was] . . . based on greater labour flexibility and. . . the achievement of competitive labour unit costs’ (Bonefeld, 2001: 64). EU social and employment policies became based on the deregulation and flexibility of labour regimes, guaranteeing decreased costs and increases in competition, productivity and growth.

In addition to the policy requirements of the SEM and EMU, EU social and employment policies were mainly formed by two initiatives: the European Employment Strategy (EES) and the Lisbon Strategy. The primary objectives of these two strategies were defined as the ‘convergence of social protection goals and policies across EU countries’ (Van Vliet, 2010: 287).

The EES, predecessor of the Lisbon Strategy, ‘endorsed employer demands for labour flexibility, work-sharing, the diminution of social charges and wage reductions relative to productivity’ (Moss, 2001: 127). In time, its policy orientation was transformed from guidelines proposing restructuring of product markets to guidelines underscoring the flexibility and deregulation of the labour market and the labour regime. The rearrangement of the employment guidelines embodied the discursive arguments that demand (capital) and supply (labour) stand to be balanced in the labour market, and labour has to be adapted to the demands of transnational capital (Van Apeldoorn and Hager, 2010: 221–222). Employment guidelines have been adopted at the EU level whereas ‘specification and implementation’ have been delegated to the national level so that national specificities can be taken into consideration (Falkner, 2007: 281). The emphasis was

The Lisbon Strategy delineated the strategic goal of ‘becom[ing] the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion’ (Eurofound, 2007b). It was revised in 2005 with ‘a more liberal policy orientation’ (Rhodes, 2010: 298). The new policy goals also focused on growth and jobs, with the objective of rapid and high quality reforms at both national and European levels (European Commission, 2010: 2). It defined ‘research and innovation, investing in people/modernising labour markets, unlocking business potential, particularly of SMEs, and energy/climate change’ as four priority areas (European Commission, 2010: 2–3). It aimed to complement production and capital market regulations (the SEM and EMU) with labour market deregulations for the consolidation of neoliberal social and employment policies. Hence, regulation of both product and capital markets and deregulation of labour markets became the components of the neoliberal re-regulation of the EU social and employment policies.

**Intensified neoliberalism during the economic crisis**

Neoliberalism is ‘a project in motion’, or a process ‘continuously contested’ in different geographies and under different circumstances (Van Apeldoorn and Overbeek, 2012: 6). Hence the global economic crisis from 2008 posed a significant opportunity to evaluate the national and regional policy responses, and to assess the tendency for continuity or rupture in the neoliberal project in Europe.

Since the outbreak of the global economic crisis in 2008, global capitalism has experienced prominent challenges in both economic and political terms. The high degree of interconnectedness of markets caused a diffusion of the crisis around the world, shifting from the USA to Europe. This posed severe challenges to the EU, its member states and the eurozone. In addition to country-specific economic and political initiatives, it became urgent to produce a new growth strategy for the EU. This strategy, *Europe 2020*, was launched as a successor to Lisbon, intended to eliminate the obstacles to competition and job creation. It aimed to address the shortcomings of the previous growth model and to create ‘the conditions for a different type of growth that is smarter, more sustainable and inclusive’ (European Commission, 2012d). This involved creating ‘the conditions for a more competitive economy with higher employment’ (European Commission, 2012c). Hence, in the case of the EU, ‘the same neoliberal recipes of labour market flexibilization’ were introduced to ‘deepen neoliberal restructuring’ (Van Apeldoorn and Hager, 2010; Van Apeldoorn and Overbeek, 2012: 10). As Harvey (2009) has stated, neoliberal success in ‘restoring capitalist class power’ has been maintained ‘with current state responses’ (Van Apeldoorn and Overbeek, 2012: 10) during the economic crisis.

For this purpose, the EU gave priority to improving European growth and competitiveness in the world economy: *Europe 2020* was introduced not only for recovery from the economic crisis but also as a measure to secure long-term competitiveness. It sustained ‘the same orthodox neoliberal spirit’ (Wigger and Buch-Hansen, 2012: 23), and involved three priorities: smart growth by more effective investments in education, research and innovation; sustainable growth by decisive move towards a low-carbon
economy; and inclusive growth by strong emphasis on job creation and poverty reduction (European Commission, 2012c). The EU also set key targets and flagship initiatives to meet these objectives. These were interrelated and mutually reinforcing, so as to serve the goals of boosting growth and jobs and enhancing European competitiveness in different sectors.

Neoliberalism and social and employment policies: A comparative analysis of Greece and Turkey

The EU has developed a neoliberal agenda irrespective of the economic and political inclinations of member states and accession candidates. Both have been disciplined by EU policy mechanisms, but national policy priorities and historical specificities such as particular class formations and specific forms and legacies of class struggle have played a significant role in the extent of their compliance with EU priorities. Tight economic integration is linked to the aim of reshaping social and employment policies in member states and facilitating the implementation of labour market reforms. Even though social policy issues in the EU involve non-binding recommendations through soft law mechanisms, the mechanisms of securing competitiveness and efficiency at the national level are already set by policy instruments at the EU level.

In the case of accession candidates, national markets are disciplined as a precondition of participation in EMU through the Maastricht convergence criteria (Lipinska, 2007: 1), with controls on the inflation rate, government finances, exchange rates and interest rates. Candidates are also required to meet the 1993 Copenhagen Criteria, including ‘a functioning market economy and the capacity to cope with competition and market forces’. These constraints legitimize domestic labour market policies compatible with the EU social and employment objectives. Moreover, as part of the disciplinary mechanisms, the EU negotiates ‘the conditions and timing of the candidate’s adoption, implementation and enforcement of all current EU rules’, and monitors ‘the candidate’s progress in applying EU legislation and meeting its other commitments, including any benchmark requirements’ (European Commission, 2013b). The compliance of each candidate state is evaluated in annual progress reports.

A comparative analysis of the transformation of labour relations and labour market structures in member states and accession candidates provides an opportunity to assess the impact of EU neoliberalism and the associated social and employment guidelines on national labour market policies. For this purpose, I analyse the rise of neoliberalism in Greece and Turkey and the implementation of labour market reforms to enhance economic competitiveness. I explore the dialectical relationship between the timing, scope and effect of labour market reforms and the specific forms and the legacies of class struggle in each country.

The rise of neoliberalism in Greece

For a decade after the fall of the military dictatorship in 1975, Greek governments pursued a state-led industrialization policy based mainly on the domestic market, full employment and extensive social security rights, with a ‘retreat from absolute surplus
value production methods’ (Ioakimoglou and Milios, 1993: 97). Despite accession to the EU in 1981, this agenda contradicted the EU policy priorities, with the promises of extensive social spending and redistribution. Greece postponed the reforms required for harmonization with the EU single market objective.

These expansionary policies caused balance-of-payment difficulties, and wages increased faster than productivity. State-led industrialization was abandoned in the 1985 Stabilization Programme, entailing a move towards a neoliberal strategy. The initial step involved inroads into the economic and political rights of labour in order to restructure labour relations and restrain class struggle. A number of structural reforms were implemented in order to secure market efficiency and competitiveness and to promote the new capitalist development strategy (Petras, 1992: 113–114). The government also aimed to keep real interest rates above market levels and to create competitive and efficient national financial system to prevent ‘savings... flow[ing] out of the country and the payments balance... collaps[ing]’ in the event that capital controls were lifted (Pagoulatos, 2000: 195). It introduced subsidies to promote foreign investment and free movement of capital (Close, 2002: 158). In the early 1990s the public–private boundary was redrawn in favour of the private sector (Pagoulatos, 2005: 367), and the neoliberal strategy diffused into economic and political practices underlying the economic transformation in Greece.

With the rise of neoliberalism, class struggle became more open and intense. Key actors of the class struggle have been the General Confederation of Greek Workers (Genikí Symnomospondía Ergatón Elládos, GSEE), established in 1918, and the Confederation of Civil Servants’ Trade Unions (Anótati Dioikisi Enóseon Dimision Ypallílon, ADEDY), established in 1947 but functioning only after the introduction of the 1975 Constitution. GSEE represents the workers of the private sector and ADEDY those of the public sector. The Communist Party of Greece (Kommounistikó Kómma Elládas, KKE), and its trade union wing, All Workers Militant Front (Panergatikó Agonistikó Mério, PAME) have also influenced the class struggle in Greece by pursuing a militant strategy of class unionism. The Hellenic Federation of Enterprises (Sýndesmos Epiheiríseon kai Biomihanión, SEV) is the main employers’ organization, and is very active defender of capitalist interests. Hence Greek politics have always witnessed tense labour relations, and this tension has mounted with the rise of neoliberalism and peaked with the economic crisis.

The EU played a pivotal role in the rise of neoliberalism in Greece by providing financial aid to facilitate the execution of the Stabilization Programme, and also supporting the implementation of structural reforms and the integration of the national economy with the SEM. The increasing emphasis on single market and capital liberalization policies legitimized the enactment of the financial reforms to become integrated with the European Monetary System, and hence, accelerated the rise of neoliberalism in Greece.

The EU also provided legitimation for the implementation of these reforms, which were presented as a requirement of the EU. This implied that class struggle, which had been the most fundamental obstacle to full implementation of neoliberal strategy in Greece, was futile. The legitimacy crisis caused by the erosion of labour rights was overcome by the introduction of peak-level social dialogue, and a Confidence Pact was signed between GSEE, ADEDY, SEV and the government in 1997. This provided the
state with more room for manoeuvre in the restructuring of labour relations and the implementation of labour market reforms. These were reflected in a decrease in the number of strikes from 497 in 1985 and 265 in 1990 to 38 in 1998 (Ioannou, 1999).

The EES and the Lisbon Strategy remained crucial in the promotion of competitiveness and restructuring, new forms of labour, investment in the private sector, SME’s integration to the market and effective intervention to the labour market (Ministry of Labour and Social Security, 1998: 6–7). However, class struggle intensified in the turn of the century, preventing the full implementation of labour market reforms.

Labour market reforms: On the way to the consolidation of neoliberalism

The rise and consolidation of neoliberal economic relations accompanied the attempts to increase economic competitiveness by the implementation of labour market reforms to diminish labour rights and make production more productive and profitable. However, GSEE, ADEDY and PAME resisted neoliberal reforms, and even SEV did not insist on their implementation. Thus the escalating class struggle limited their implementation. In the global competitiveness index for the period of 2012–2013, Greece ranked 96 among 144 countries whereas Germany ranked 6 and the UK 8 (World Economic Forum, 2012: 13).

Deunionization and suppression of collective bargaining rights were initially intended to diminish the organizational capacity of labour. These policies were executed by a civilian government and legitimized by the EU policy priorities, but they remained relatively limited. Trade union density was reported as 28 percent in 2013 (Stamati, 2013). Collective bargaining has remained significant, winning the main advances in labour rights. Given the limited extent of de-unionization, labour could sustain effective resistance against successive reform attempts. Hence the implementation of deregulation and flexibility under the influence of European market regulations remained rather partial. These policies accelerated in the 1990s and 2000s, but the anticipated scope of reforms was not achieved because of intense class struggle involving a large number of strikes.

However, social security and pension reforms strikingly altered the labour market. From the early 2000s onwards, these were prioritized in order to diminish state responsibility and expenditure. They were first put on the agenda in 2001; several attempts to reform the social security system in 2001 and 2007 and the pension system in 2002 and 2006 were postponed after intensive labour resistance. In the period 2005–2008, public social spending in Greece as a proportion of GDP has not radically changed, and remained around 21–22 percent (OECD, 2012). Nevertheless, social security system reform was implemented in 2010 and pension reform in 2008. This included an increase in the retirement age to 60, and a reduction in social insurance funds from 133 to five primary funds, six supplementary funds and two provident funds (Tikos, 2008). These policies have been further accelerated during the economic crisis.

The rise of neoliberalism in Turkey

Turkey experienced a political and economic crisis in the late 1970s, and the country faced an economic breakdown. Intense class struggle had dominated domestic politics
for more than a decade, and the state introduced a Stabilization Programme in January 1980, a demonstration of a turn to neoliberalism. Political and trade union resistance prevented the implementation of the Programme, and in September 1980, there was a military coup d’état. The Programme was then imposed under military rule. The military regime eliminated all political opposition, imposing strict controls on political movements, trade unions, universities and the press.

The Stabilization Programme involved exchange rate liberalization and tight labour market regulations with stricter monetary control; private foreign investment was encouraged and central planning was abandoned. Liberalization of trade and capital accounts was introduced in order to attract foreign capital investment (Kopits, 1987: 12; Öniş, 1991: 29–30).

The early 1980s witnessed striking reforms in labour relations. The 1982 Constitution and 1983 Labour Law imposed restrictions on labour rights, such as the prohibition of political trade union activities, collective bargaining in the public sector, general strikes and strikes and lock-outs connected with collective bargaining. These were abandoned in the following decades (Özveri, 2006: 75–116). The core of neoliberalism, competitiveness, was also secured by policies of wage restraint, designed to minimize production costs and domestic consumption (Şenses, 1993: 106). The neoliberal agenda was reinforced after the economic crisis in 1994 by the implementation of a set of structural reforms (Cizre and Yeldan, 2005: 388), and consolidated from the early 2000s under the pro-Islamic conservative government of the Justice and Development Party (Adalet ve Kalkınma Partisi, AKP).

Since the military takeover temporarily banned trade union activities and also depoliticized them, the rise of neoliberalism in Turkey has not witnessed serious opposition from labour. Unlike in Greece, trade unions have been seriously divided by their ideological roots, and membership has remained very low: union density was only 6 percent in 2010 (OECD, 2013). The Confederation of Turkish Trade Unions (Türkiye İşçi Sendikaları Konfederasyonu, Türk-İş) was formed in 1952. The Confederation of Progressive Trade Unions of Turkey (Türkiye Devrimci İşçi Sendikaları Konfederasyonu, DİSK) emerged as a left-wing breakaway from Türk-İş in 1967. The Turkish Confederation of Righteous Trade Unions (Türkiye Hak İşçi Sendikaları Konfederasyonu, Hak-İş) is an Islamic organization created in 1976. All compete to represent workers in the private sector. Türk-İş has generally maintained good relations with governments, whereas DİSK has often been subject to suppression. Hak-İş, on the other hand, with its Islamist-conservative roots, has the support of political parties sharing this ideology. The military regime forced DİSK to close down, and it could not recommence until 1992. In the public sector, the Confederation of Trade Unions of Civil Servants of Turkey (Türkiye Kamu-Sen), the Confederation of Civil Service Trade Unions (Memur Sendikaları Konfederasyonu, Memur-Sen) and the Confederation of Public Employees’ Unions (Kamu Emekçileri Sendikaları Konfederasyonu, KESK) compete; all were formed in the 1990s after the legalization of public service trade unionism. KESK is the most militant. This fragmented structure has also shaped the content and scope of class struggle in Turkey. All confederations other than DİSK and KESK have collaborated with governments, limiting resistance against neoliberal reforms. On the employers’ side, the Turkish Industry and Business Association (Türk Sanayicileri ve İşadamları Derneği, TÜSİAD)
and the Independent Industrial and Business Association (Müstakil Sanayici ve İşadamları Derneği, MÜSİAD), have both actively supported neoliberalism.

Collective bargaining in the private sector is severely restricted: there is a membership threshold of 10 percent in each sector and 50 percent at company-level before a union is entitled to negotiate (though this law was relaxed in 2012). Hence bargaining coverage is very low. In the public sector, collective bargaining is a largely bureaucratic procedure between the government and its favoured unions to set wage rates.

Turkey’s relations with the EU have also played a crucial role. The 1963 Ankara Agreement created an Association with the then EEC, intended as a first stage towards full membership. A second Ankara Agreement in 1995 established a Customs Union, and Turkey gained candidate status in 1999. In 1995 the government created a tripartite Economic and Social Council (Görmüş, 2007: 126–127), which has provided legitimation for further labour market reforms. Although Turkey as an accession candidate is not directly constrained by European market regulations and restrictions, the instruments and mechanisms applied during the accession process have had a significant impact. The Maastricht EMU criteria and the Copenhagen accession criteria required a functioning market economy able to cope with competitive pressures and market forces, and this legitimized a neoliberal strategy to deregulate the economy.

Relations with the EU deepened with the definition of the conditions for accession negotiations in 2004 and formal opening of the negotiations in 2005. With the start of the process, 14 chapters out of 35 were opened, one of which has already been provisionally closed. Even though negotiations for Chapter 19 of the acquis, Social Policy and Employment, have not yet commenced, developments in this area were particularly highlighted in April 2013 at a meeting between the relevant EU Commissioners and the Turkish Ministers for EU Affairs and Labour and Social Security. Commissioners appreciated the progress achieved regarding trade union rights for the public and the private sector with the adoption of two laws in 2012 (European Commission, 2013a). It was agreed to ‘work in close cooperation on further alignment of the Turkish legal framework with EU standards and the opening benchmarks for Chapter 19’ (European Commission, 2013a). However, convergence between Turkey and the EU on social and employment policy was assessed as ‘limited progress’ in the 2009 and 2011 Progress Reports and ‘some progress’ in 2010 and 2012.

**Labour market reforms: On the way to the consolidation of neoliberalism**

Turkey differs from Greece in the sense that neoliberal policies and labour market reforms have been comprehensively implemented since the beginning of the 1980s. DİSK and KESK offered relatively active opposition, but this was diluted by the collaborationist approach of Hak-İş, Türkiye Kamu-Sen and Memur-Sen. The rare exceptions were the formation of the Democracy Platform (Demokrasi Platformu) and Labour Platform (Emek Platformu), and also the 78-day long resistance of workers in the privatized Tekel company to attacks on jobs and conditions in 2010. In a dialectical relationship with the inert structure of trade unions in Turkey, TÜSİAD and MÜSİAD have insisted on the implementation of neoliberal reforms. Hence the limited strength of
workers’ resistance has provided suitable conditions for the implementation of deregulation and flexibilization, degrading working conditions.

As a result of restrictions on labour rights and enforced wage restraint, deregulation and flexibilization policies were imposed by ‘power-repression mechanisms’, and internationalization of capital also helped to control labour (Ercan, 2006: 401–403). Labour productivity increased by 18 percent and wages decreased by 27 percent in the early 1990s (Boratav, 1995: 134). Part-time employment increased to 12 percent in 2010 (European Commission, 2012a: 239), while the rate of unregistered work reached 44 percent (Turkish Statistical Institute, 2010). The competitiveness of the Turkish economy was increased at the expense of the workers: in the global competitiveness index for 2012–2013, Turkey ranked 43 whereas Greece ranked 96 out of 144 countries (World Economic Forum, 2012: 13).

Social security and pension system reforms were placed on the agenda in 1999, 2003 and 2006, in order to reshape the public–private boundary along neoliberal lines. They have provoked serious resistance in comparison to the previous labour market reforms. In the period 2005–2008, public social spending as a proportion of GDP did not change significantly, remaining around 10 percent (OECD, 2012). However, a further reform proposal was enacted in 2008, increasing the retirement age to 65 and merging three insurance funds under Social Security Institution.

Further neoliberalization during the economic crisis

The economic crisis has threatened both national economies with slowdown or collapse. In response, governments have viewed the crisis as an opportunity to implement further reforms, both to overcome the crisis and to make the economy more competitive within the world market. This is in line with a much broader pattern. As Hay argues in the case of Britain, the ‘firmly established’ crisis discourse played a ‘paradigm-reinforcing’ role in policy-making and implementation processes (2013: 23). Incentives and tax exemptions have been implemented in order to enhance the comparative advantage of national industries, whereas marketization, privatization and austerity measures have been pursued in order to increase public revenues and decrease public expenditure. Additionally, labour market reforms have played a crucial role in the deterioration of working conditions, wages and pensions, and social rights such as health and education. In the cases of Greece and Turkey, the scope of policy responses to the economic crisis provides an indicator of its impact.

Labour market reforms during the economic crisis in Greece

The crisis had a dramatic impact on the Greek economy, which already displayed structural weakness; by the end of 2009 the country was in the throes of ‘an unprecedented fiscal and sovereign debt crisis’ (Monastiriotis, 2011: 45). In March 2009, the government announced cuts in public spending; it protected the education and health services but imposed cuts in the budgets of most of the ministries, reduced spending on contract workers, froze appointments in the public sector and cut wages (Kathimerini, 2009a, 2009b).
In January 2010, the government submitted its Stability and Growth Programme for fiscal consolidation, involving curbs on tax evasion and evasion of social contributions, levies on profitable companies, cuts in government expenditure, a recruitment freeze and the termination of short-term contracts in the public sector, and cuts in social security and pension funds (Kouretas, 2010: 397). The Programme was followed by a rescue plan, and it involved measures on increasing direct and indirect tax revenues and cuts on government expenses to public sector employees, pensioners and education sectors (Kouretas, 2010: 397–398).

A revised rescue package covered further regulations on tax revenues, structural austerity measures, labour market reforms and social security system reform, and was supported by €110 billion bailout package from the International Monetary Fund (IMF) and the EU in May 2010. Following an initial audit in September 2010, the Troika released further instalments of the credit, conditional on the implementation of structural reforms such as standardization of wages in the public sector and liberalization of closed professions and the energy market.

The IMF approved payment of a €3.2 billion tranche of the bailout package in July 2011, but insisted that durable fiscal adjustment, privatizations and, most importantly, productivity-enhancing reforms such as reducing administrative barriers to investment still remained to be implemented (Kathimerini, 2011a). The European Commission established a task force to monitor the reform process (Kathimerini, 2011b). However, these austerity measures and structural reforms could not all be implemented because of intensive resistance by labour, and the next instalment of credit was postponed in October 2011 (Kathimerini, 2011c).

The Papandreou government had proved unable to implement structural reforms demanded. Moreover, the announcement of ‘a tripling of the level of government debt’ for 2009 was a primary cause of the fiscal shock and the credibility crisis in Greece (Featherstone, 2011: 199). Under the circumstances of economic and political crisis, a technocratic government was formed in November 2011 under Prime Minister Papademos, a former ECB official. The new government intended to depoliticize the structural reforms and austerity measures. Implementation of labour market reforms has gained pace under Papademos, and has been continued by the coalition government which took office after the elections of June 2012, involving New Democracy (Νέα Dimokratia, ND), the Pan-Hellenic Socialist Movement (Panellinio Sosialistikó Kínima, PASOK) and Democratic Left (Dimokratikí Aristerá, DIMAR) under Prime Minister Samaras.

Public sector reform has been ‘a key part of the Troika’s Economic Adjustment Programmes’ for Greece (Ioannou, 2013: 295). Besides labour market reforms, ‘a highly ambitious privatization programme was announced’ in 2011, intended to raise up to €50 billion, equivalent to 25 percent of GDP, from privatization by 2015 (European Commission, 2012b: 31 and Monastiriotis, 2013: 2, quoted in Ioannou, 2013: 296). Massive privatization plans have been aggressively pursued. Hence the strategy for ‘stimulating growth’ has been transmuted into market liberalization and wage-depression policies, both of which serve to re-establish international competitiveness (Monastiriotis, 2011: 53). The economic crisis has been instrumentalized to restructure labour relations in order to increase competitiveness.
Labour market reforms during the economic crisis in Turkey

The economic crisis has also affected the Turkish economy, but this influence has been limited since the previous economic crises (1994, 1998–1999 and 2001) led to economic restructuring through bankruptcies; the surviving firms were in a comparatively strong position to face the current crisis. There was however a decline in industrial production and capacity utilization and an increase in unemployment. The government introduced recovery policies, including employment subsidies, rescheduling of credit loans and decreased interest rates, together with tax reductions (Müftüoğlu and Özgün, 2010: 158). The cost of these measures exceeded €17 billion. Labour market reforms also constituted a major part of the package.

In May 2008, an employment package was released to reduce labour costs and to institutionalize anti-labour regulations in the social security system (Bağımsız Sosyal Bilimciler, 2008: 59, 242). The package included increased part-time working allowance and employment subsidies (Müftüoğlu and Özgün, 2010: 159). There were new regulations on taxation, loan amnesties and flexible work. Moreover, the Unemployment Fund was amended to provide subsidies for short-term work. Overall, the recovery policies and structural labour market reforms served further neoliberalization of labour relations in Turkey.

Conclusion

This article has argued that neoliberalism is inherent in the EU and its social and employment policies. The policy mechanisms and instruments formed at the EU level and implemented in national labour markets throughout recent decades have assigned priority to economic competitiveness, which is the key element of the neoliberal strategy. Labour market reforms have served as the major instrument of increasing competitiveness, by deregulation and flexibilization policies and the restructuring of social security and pension systems. After the emergence of the economic crisis in Europe, neoliberalism in the EU and its social and employment policies was further consolidated by a new growth strategy.

Within the context of the EU as a neoliberal project, both member states and accession candidates were disciplined by specific policy mechanisms. However, national policy priorities and historical specificities such as particular class formations and distinctive forms and the legacies of class struggle played a significant role in the degree of conformity to overall EU policies. This has been demonstrated in the contrasting cases of Greece and Turkey, with significant emphasis on their historical backgrounds and class formations. The analysis indicates that the implementation of labour market reforms was comparatively limited in Greece but comprehensively executed in Turkey. Hence Turkish social and employment policies have been more closely aligned with the EU. The asymmetry in the impact of the economic crisis on the Greek and the Turkish economies is also evidence that neoliberalism had been more firmly consolidated in Turkey than in Greece. The implementation of large-scale detrimental labour market reforms can be interpreted as a step towards the consolidation of neoliberalism in Greece.
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Author biography

Özgün Sarımehmets Duman is Assistant Professor at İpek University, Ankara, Turkey.