

THE EVOLUTION OF THE SOCIO-ECONOMIC SYSTEM OF SOUTHERN EUROPE DURING THE EUROPEAN UNION MEMBERSHIP OF GREECE, PORTUGAL AND SPAIN

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Abstract. The three decades, which started with the accession of Greece, Spain and Portugal to the European Union and are ending with the global financial crisis we have experienced during last few years, have brought about significant changes in the welfare system of Southern Europe. Its present form is a direct result of economic, social, as well as political changes which occurred there in the second half of the 20th century. They were determined by crucial events which re-defined the role of a modern state and its institutions, social solidarity and dependencies occurring in free market economy. This article aims to present the influence of changes related to the process of European Union integration and the membership of Greece, Spain and Portugal on the evolution of the socio-economic system functioning there, which is unique in Europe.

Key words: Southern Europe, employment, welfare system, unregistered economy, European Union

INTRODUCTION

The last thirty years, which started with the accession of Greece, Spain and Portugal to the European Union and are ending with the largest global crisis we have experienced recently, have brought about significant changes in the welfare system of Southern Europe. Its present form is a direct result of economic, social, as well as political changes which occurred there in the second half of the 20th century. They were determined by crucial events which re-defined the role of a modern state and its institutions, social solidarity and dependencies occurring in free market economy. The changes resulted from the collapse of authoritarian systems in Greece, Portugal and Spain in the mid-1970s, the creation of democratic states, the subsequent economic crisis, the integration with structures of the European Union and the period of prosperity connected with developing the euro

zone. Changes in the demographic situation and the departure from the traditional roles of a working man and a woman taking care of the household also proved important. The factors shaping this part of Europe were complemented in an acute way by the consequences of the ongoing global financial crisis.

The pace of the changes which have occurred in the region after the reinstatement of the democratic system has been neck-breaking. Although the character of features of the welfare model employed in the Mediterranean countries has changed over that time, their basic set remains practically unchanged. Family, religion, state-controlled system of employment and an extensive gray economy still play the fundamental role in the lives of Greek, Spanish and Portuguese people. This is also due to frequent interactions between the public and private spheres, characterized by informal economic and political interdependencies, in which politicians take whole social groups under their protection in exchange for political support.

This paper aims to present the influence of changes related to the process of European Union integration and the membership of Greece, Spain and Portugal on the evolution of the socio-economic system functioning there, which is unique in Europe.

The paper uses publications issued by Spanish and EU institutions, as well as statistics databases of the Instituto Nacional de Estadística, EUROSTAT, and the annual macro-economic database of the European Commission's Directorate General for Economic and Financial Affairs (AMECO).

THE ROLE OF FAMILY IN THE WELFARE SYSTEM OF SOUTHERN EUROPE

In the welfare system functioning in this part of Europe, the role of family is particularly important, and changes in the state-family-market nexus have a significant influence on social and economic changes. It can be said that it is those changes that bring about the most significant transformations experienced by the welfare state in this area. In Greece, Portugal or Spain, the family performs two basic roles related to economy: firstly, a household functions as a guarantee of social security, family members support one another financially and spiritually, thus mitigating shocks caused by the ongoing social and economic changes; secondly, the family also pursues economic activities within the family business, creating an important source of employment in the analysed area [Matsaganis et al. 2003].

This essential and central position of the family in the welfare systems in Southern Europe, coupled with the strong sense of solidarity among family members, determines the way in which social and economic needs of citizens are satisfied, and thus influences the structure and functioning of the welfare state. Undoubtedly, strong family ties, together with the obligation to support each member, both in the form of protection and providing means of support, decisively lessen the pressure on state institutions to introduce tools dealing with specific problems. Therefore, the family in the Mediterranean countries becomes not only one of the participants of social and economic life, but also frequently takes over the state's duties. This in turn allows the public administrations to

save considerable amounts of financial resources as well as diminishes their responsibility despite e.g. the significant increase in women's economic activity rate. Taking care of dependents – the young, the sick and the elderly – remains the responsibility of women. However, the rise in women's employment imposes some changes with regard to the character of care provided to dependents. At present, the woman's role of taking care of the elderly is rapidly being taken over by paid caregivers, usually migrant workers. The employment of such a domestic help usually remain in the gray economy, and the scale of this phenomenon far exceeds what we observe in Western and Northern European countries. It should be emphasised that the necessity to look for alternatives for the care provided at home by women also stems from the minimalist approach of the state to its role in supporting its citizens in balancing family life and work.

This present-day central place of the family in the Mediterranean welfare states is closely related to the major role that religion continues to play in the family life of the communities living there [Naldini 2003]. Both the Catholic and Orthodox churches emphasise the role of marriage and family ties, which in turn affects the duties men and women perform in their work and family life. In the analysed countries, marriage has a more permanent and institutionalised form, particularly compared to Western and Northern European countries. As a result, the number of single person households is much lower there, and children leave their family home later in life.

Changes taking place in Southern Europe also have an influence on the fall of the fertility rate, which in the analysed countries is the lowest in the European Union [Castles 2003]. Its current level does not ensure demographic renewal. Whereas in the 1980s the fertility rate in the countries in question exceeded the average of 2.2 children per woman, in 2010 it fell to 1.32 in Portugal and 1.44 in Greece¹. The basic reason for this may be, on the one hand a lack of an effective pro-family welfare policy implemented by the state, and on the other hand the ever growing activity of women in the labour market, following from the simple calculation of the opportunity costs related to the lack of employment during maternity and parental leave. However, we should also point out the specificity of the analysed countries and the legacy of their authoritarian regimes in the 20th century. Those governments promoted and actively supported pro-family policies, and the present lack of such efforts and the low fertility rates are sometimes interpreted as a reaction to the policies of the past decades [Gal 2010].

This situation undoubtedly translates not only into the roles performed in the family, but also into the economic situation of both genders and their functioning in the labour market. Until recently, the Mediterranean countries were characterized by a very low rate of women's employment. Portugal was an exception in this respect, since the political and economic situation during the dictatorship of António de Oliveira Salazar contributed to a high rate of women's employment, which has continued until present day [Piecuch 2010]. In the other two countries, the low economic activity of women results from factors directly related to the functioning of the labour market. In comparison to the situation observed in well-developed EU economies, the percentage of flexible forms of employment, such as part-time jobs or telework, are still not very

¹ Eurostat, Fertility rates by age [demo_frate].

popular in this area. In the analysed countries, women are mostly employed full-time, which on the one hand presents a considerable complication for their role in the family, but on the other hand gives them access to full social security benefits [Trifiletti 1997]. It should be added, however, that recent years have brought about important changes in this respect. The traditional roles of man as breadwinner and woman as housewife are changing. These changes are reflected in the considerable fall in the number of married couples where the man is the sole worker while the woman remains at home [OECD 2001]. At present, in the times of growing economic problems, one employed person per household receives too low an income to satisfy the needs of the family. In this situation, women tend to take up employment more frequently. The growing economic activity of women in Southern European countries has increased the need for the state to provide care of the youngest children. Whereas in the model prevalent so far, based on one male breadwinner, it was the woman's role to care for children, now it is increasingly frequently the role of the state. In the three analysed countries, in the late 1990s and the early 2000s the system of support for a family with two working parents was still among the least developed in the group of the first fifteen EU members [Ray 1997, De Henau et al. 2004].

THE ROLE OF RELIGION AND CHURCH INSTITUTIONS

The Mediterranean nations are perceived as traditional and conservative. Religion continues to be a characteristic element of the identity of the populations of these countries. However, today we may point out a certain duality of relations between the inhabitants of Southern Europe and church institutions. They may take on two, completely different and alternative to each other, forms, which shape the welfare state and influence the character of the implemented social policies. On the one hand, as is the case in Greece or Portugal, religious faith with its underlying moral and cultural values plays an important role in initiating and creating the institutions of social assistance of the welfare state and in formulating the scope, character and identification of social policy objectives. On the other hand, it may be concluded on the basis of the example of Spain ruled by the socialists of Jose Luis Rodriguez Zapatero, that the present character of the welfare state is the result of a reaction of the post-Francoist society to the Catholic religion; a reaction strongly supported by public institutions and the government's policy as well as anti-religious social groups [Gal 2010].

In each of the analysed countries, religion has been and still is one of the most important sources of moral and ethical values. As a result, church institutions, which apart from moral authority also have a real, albeit unofficial, influence on political decisions, effectually participate in creating the ultimate shape of the welfare state. Contemporary Spain is an exception, where the last years of the rule of the Spanish Socialist Workers' Party (PSOE) brought about a sudden move away from the religious values and institutions connected with the Roman Catholic Church. However, the Church also influences social policy in Spain, although more as a counterpoint and an object of contestation than a determinant of the direction of development.

THE SYSTEM OF EMPLOYMENT

The significance of the state for the labour market may be seen from the perspective of two types of activities pursued to fight unemployment (active and passive role). The first activity is based on using a set of economic tools aimed at improving the effectiveness of the functioning of the labour market and restricting the level of unemployment [Kluve 2006].

The passive role of the state in the labour market is quite different. It is limited to providing a number of various forms of financial aid for the unemployed. Both those functions of the state are implemented, to a larger or smaller extent, in all countries of the European Union, including the analysed Mediterranean countries. However, the social assistance programmes implemented in the analysed area do not have a wide range and, in the case of the unemployed, are often inefficient. As a result, unemployed individuals, without sufficient income, must, as has been said above, rely on the assistance of their own family; the state's insufficient involvement in this area leads to an aggravated problem of poverty. Spain has seen the most adverse changes; in 1995–2010 the percentage of poor families increased by almost 40 per cent to the level of over 23 per cent of all families (Table 1).

It is not only the state's care system for the unemployed that is insufficient. The situation is similar in the case of the state's active policy in the labour market. The system of vocational training and employment promotion was insufficient for years. The situation was somewhat improved by those elements of the EU structural policy which were aimed at improving the quality of labour resources. With the development of cohesion policy and the allocation of enormous funds to implementing its priorities, the related activity of the Mediterranean countries also grew. Nevertheless, for years public institutions in the analysed countries were subject to permanent criticism for their low effectiveness in performing the duties of a welfare state.

Table 1. At-risk-of-poverty rate in the Mediterranean states in 1995–2010 (%)^a

Specification	1995		2000		2005		2010	
	Households (2+2)	Single-person households	Households (2+2)	Single-person households	Households (2+2)	Single-person households	Households (2+2)	Single-person households
EU 15 ^b	13.0	25.0	13.0	23.0	13.4	23.6	14.3	25.0
Greece	16.0	31.0	15.0	29.0	18.2	27.9	20.3	27.2
Spain	17.0	15.0	20.0	20.0	22.7	33.7	23.3	25.7
Portugal	16.0	48.0	18.0	42.0	23.9	37.1	17.1	30.1

^a Persons living in households in which disposable income is under the poverty threshold established at 60 per cent of the income median.

^b 15 member states of the European Union.

Source: A. Atkinson, E. Marlier (Eds), *Income and living conditions in Europe*, Eurostat, Luxembourg 2010, Eurostat, At-risk-of-poverty rate by poverty threshold and household type (SILC database) [ilc_li03].

Another important feature of the labour market in the analysed countries, which sets them apart from the whole grouping, is the difference in the level of economic activity. The rate of men's economic activity is decisively higher than in the other groups of the work force: women, immigrants, and young individuals under 24 years of age. Men's places of employment are additionally characterised by stability and protection provided by the state system, whereas the other groups mentioned earlier are characterised by a high unemployment rate and the necessity to look for irregular employment in the gray economy. The observed tendency to labour market segmentation results in persistent inequalities both with regard to employment and social protection.

With the continued large share of agriculture in the value of the domestic product, there is also continued high level of employment in the first sector. Since the accession, there has been an increase in the dynamic of change in this regard, but the percentage of individuals employed in agriculture is still higher than the average values in the other EU countries. This situation largely determines social and economic changes in many regions of Spain and Portugal and virtually all of Greece. Undoubtedly, a distinguishing feature of the situation in the labour market in the analysed area, as compared to the other EU countries, is the percentage of self-employed workers, which is also much above the EU average.

CLIENTELISM OF THE WELFARE STATES IN SOUTHERN EUROPE

A characteristic feature of the functioning of the Mediterranean welfare states is also extensive clientelism and overlapping of the public and private spheres. In the analysed countries, politics is largely dominated by relations between the patron, usually a political party, and a client, i.e. a social or trade group. This dependence leads to the provision of material or monetary benefits in exchange for political support. It also has an influence on the development of economies in the macroeconomic scale, by underlying political cycles determining economic and social decisions.

It can be said that Southern Europe is characterised by a double deficit of the welfare state. On the one hand the area is characterised by a low level of penetration of the state welfare institutions. On the other hand public authorities in these countries are very susceptible to pressure and manipulation from their supporters. Therefore, the way the welfare state functions there is different from other parts of Europe and often takes the form of political corruption with considerable influence on the allocation of the limited resources. Most frequently, however, balancing on the edge of the law takes the form of political clientelism, where entities of economic democracy offer certain favours in exchange for support (e.g. voting for a party). The connection between an improved economic situation of certain social groups and voting in Southern European countries is particularly conspicuous when political parties take advantage of an unstable political situation in the labour market. Using the fluctuations of the level of employment and the employees' drive for stabilisation, ruling parties offer, and the opposition promises, financial transfers and beneficial changes in the law in exchange for votes in the elections. Trade unions are often mediators in such "transactions" and activate voters among their members [Ferrera 1996].

The analysed interdependency between groups of political interest and voters is particularly visible in the case of agriculture. Farmers' income is still dominated by state subsidies, despite the many years of the sector's evolution in the EU and despite its restructuring being supported with EU funds. This situation presents a great opportunity for the development of the patron-client relations. A low income, hidden unemployment and a lack of social security contribute to the decision about an "exchange" of votes for favours offered by the patron. They may, for instance, take the form of benefits for disabled persons who will in exchange vote for their patron. Indeed, the value of such benefits has been systematically growing in recent years. The largest increase in basic prices in 2000 occurred in Greece and reached almost 60 per cent. The changes in Spain reached 40 per cent, whereas the situation in Portugal did not change during the last decade.

Laws which regulate Southern European welfare states are not clear, universal or based on a political culture built for decades. They are based on a hermetic culture founded on particularist interests replete with the patron-client logic, which is still perceived as a characteristic feature of this part of Europe [Ferrera 1996]. In years of financial crisis, such a structure of dependencies and decision-making processes also leads to a low effectiveness of the analysed economies, and at the same time makes it more difficult to take the necessary steps to combat social and economic problems.

UNREGISTERED ECONOMY

The Mediterranean countries form an area characterised by the most extensive unregistered economy out of all the economies in the euro zone [Karamessini 2007]. Estimates show that at the time the euro zone was built, in the analysed countries the share of services and production produced in informal economy reached 30 per cent of the GDP, which to a large extent determined the economic policy of those countries and the amount of structural funds they received. Despite attempts to liberalise and improve the flexibility of the labour market, the law remains restrictive, which does not encourage large employers to increase employment. As a result, small and medium-sized companies and one-man businesses remain the dominant form. For smaller companies it is easier to evade regulations and they conduct a large part of their activity in the gray market much more frequently (Table 2).

The situation is further complicated by the ongoing deep economic recession which forces employees to look for work outside formal employment and forces employers to minimise their expenses, often by means of breaking the law [Schneider and Enste 2000].

The present macroeconomic situation of the Southern European countries indicates that the gray economy may be much more extensive at present than it was ten years ago. It should be added that such an enormous extent of the gray economy in the analysed countries is also influenced by other, non-economic, factors. The most important ones include: the high cost of conducting business, the ever-present and complicated regulations, the restrictiveness of the legal and tax systems, the considerable share of the public sector in the GDP, the susceptibility of the administration and public institutions employees to corruption, and the patron-client relation [Katsios 2006].

Table 2. Share in GDP of unregistered economic activity in developed free-market economies at the turn of the 20th and 21st centuries

Countries	Share of gray economy in country's GDP [%]
Greece, Italy	27–30
Spain, Portugal, Belgium	20–24
Ireland, France, The Netherlands, Germany, United Kingdom	13–16
Japan, USA, Austria, Switzerland	8–10

Source: S. Katsios, *The Shadow Economy and Corruption*, *South-Eastern Europe Journal of Economics* 1/2006.

As in the case of the labour market, the other elements of the functioning of the free market are also highly regulated by the state. A great number of laws and directives, licenses and certificates, leads to a considerable increase of the cost of labour and production in the official economy. The high level of regulation not only increases the businessman's expenditure and restricts the opportunities to find employment in the official sphere, but is also conducive to corruption in public institutions. Additionally, the influx of illegal immigrants has an important influence on the gray economy in Southern European countries. They arrive to the European Union mostly from North Africa and former socialist Balkan states. In the case of Spain and Portugal, there is also a significant influx of immigrants from former South American colonies.

It should also be noted that employment in the gray economy is very frequently combined with obtaining additional income transferred under the state's passive labour market policy. Financial tools of supporting the unemployed are often an additional source of income for persons whose employment is not registered by public institutions [Bryant, Garganas and Tavlas 2001].

THE INFLUENCE OF THE PERIOD OF AUTHARITARIAN RULE ON SOCIAL AND ECONOMIC CHANGES IN THE SECOND HALF OF THE 20th CENTURY

The last, but equally important factor influencing the specificity of the Mediterranean countries is their 20th century history, in particular the period of authoritarian rule, which contributed to complicating the processes of modernisation and democratisation in Greece, Portugal and Spain. In all these cases, the years of authoritarian rule left behind an influential legacy, whose most important impact on the present-day situation in the analysed countries follows from:

- the situation of left-wing parties; for years excluded from governing the state, in the period of democratisation in the 1970s and 1980s they were characterised both by a lack of experience, low qualifications and the radicalism of their postulates;
- the resilience of institutional traditions established during authoritarianism – corporatism and the dominant role of the state in the economic and social sphere;
- reactions against the policies of the authoritarian period; today, this reaction results e.g. in a lack of a strong family policy in Spain, characteristic for the regime of

Francisco Franco. The move away from religion, observed for many years, is also an effect of the church's significant role during the regime [Rhodes 1997].

CONCLUSIONS

The democratic change which occurred in the discussed countries in the mid-1970s left its mark on the character of the welfare states which were emerging at the time. The takeover of power by left-wing parties, which had been in opposition during the respective regimes, coincided in time with the growing economic crisis, which considerably restricted the scope of reform in the analysed countries. As a result, the countries opened up to the ideas and postulates of the neo-Liberal movement, which combined with the economic crisis and growing budget deficit and was reflected in the shape of the emerging welfare states in this area. Even today, the Mediterranean states very often forfeit their previous traditional obligations and delegate their tasks to other entities functioning in the social and economic life, such as the family or charitable organisations, often connected with the church. These tendencies grow with the increasing economic problems related to the economic recession in the euro zone, and as a result present-day state structures in Southern Europe are unable to retake the role of decision-making centres, drifting along, at this time of the deepest economic crisis for decades, to the beat of instructions coming from international financial institutions, whose representatives are unable or unwilling to understand the social and economic distinctness of this area.

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EWOLUCJA MODELU SPOŁECZNO-EKONOMICZNEGO EUROPY POŁUDNIOWEJ W OKRESIE CZŁONKOSTWA GRECJI, PORTUGALII I HISZPANII W UNII EUROPEJSKIEJ

Streszczenie. Mijające trzy dekady, które zapoczątkowała akcesja Grecji, Hiszpanii i Portugalii do Unii Europejskiej, a kończy największy od dziesięcioleci globalny kryzysu, przyniosły istotne zmiany w systemie społecznym Europy Południowej. Jego dzisiejszy kształt wynika bezpośrednio z przemian gospodarczych, społecznych, ale także politycznych, które dokonały się na tym obszarze w drugiej połowie XX wieku. Zdeterminowały je przełomowe wydarzenia, które na nowo formowały rolę nowoczesnego państwa i jego instytucji, społeczną solidarność, oraz zależności zachodzące w gospodarce wolnorynkowej. Celem pracy jest przedstawienie wpływu zmian związanych z procesem integracji i członkostwa Grecji, Hiszpanii i Portugalii w UE, na ewolucję wyjątkowego w skali Europy systemu społeczno-ekonomicznego, funkcjonującego na tym obszarze.

Słowa kluczowe: Europa Południowa, zatrudnienie, system gospodarczy, Unia Europejska

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