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Social protection and the Greek Diaspora: International portability of pension rights as a lifecycle bridge

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Abstract

As migration fragments people's lives, so the portability of social rights restores continuity. It thus could affect links between the diaspora and the homeland. Greece, with both an 'Old' and a growing 'New Diaspora', should have much to profit by employing portability as policy lever. Yet, this never happened. In this paper this paradox is tackled by appealing to both the theory of pensions, and the course of social insurance in Greece. As different kinds of pensions follow different logics, effective communication between different national systems presupposes clarity and demarcation of purpose. However, fragmentation and reform postponement promoted persistent ambiguity. So, in the past *á la carte* solutions were implemented to *ad hoc* problems, whether to deal with 'returning diasporas' from Egypt, circular migration in Europe, or transcontinental migration to Australia. As globalisation 'regularises' migration, and interventions are coordinated by the EU, the new post-crisis Greek pension system needs to be 'future proofed'. When more systems internationally rely on individual accounts, countries that do not possess equivalent savings vehicles hinder rights transfers. In this way, the new Greek pension system could place obstacles to links with the old diaspora and disincentives to return for the new.

Keywords: Greece, diaspora, pensions, migration, ageing

Introduction

Time and distance divide lives, making islands of individuals' life stages. Holdings of wealth link these stages, restoring continuity to individual biographies. The average citizen in advanced countries entrusts his wealth in two assets: the family home, and the rights to a pension (Kay, 2015). These act as the two pillars of a bridge linking different stages of life. As lives are becoming longer and more diverse, these links become more important. In recent years, the financial crisis has cast doubt on the solidity of these foundations: housing is affected by price bubbles, and in Greece, and elsewhere, by property taxation. The subjective value of pension promises is also threatened: private pensions are hurt by asset price volatility and public ones by pension reforms. As longevity grows, insecurity spreads beyond finances; access to long term care services poses an additional and growing threat to personal independence in older age.

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A decision to cross borders places both asset pillars at risk. In pre-globalisation decades restrictions on capital movements and exchange rate volatility were the principal threat to the ability to realise and transfer savings locked in the home. As financial risks recede, the pension pillar accounts for a growing share of uncertainty. Indeed, public pension rights, being linked to social policy, operate at some remove from the market and are subject to different risks. It is thus important to understand issues around pension rights portability. Does social protection help or hinder movement *away* from the place of birth? Once movement takes place, does it encourage or block the probability and timing of return?

The transferability of social protection rights is a live issue worldwide, linked to discussions about the demarcation of social policy and markets. Greece should take special interest. For the 'old diaspora' transferability affects the nature of links with the homeland – whether in the form of employment episodes, entrepreneurial initiatives, or simply as a place to retire. For younger groups, social protection affects the intention of prospective migrants to consider work abroad, but also the nature of links of the 'new diaspora'. Finally, as Greece is itself becoming a migration destination, social protection meshes with the discussion on the status of foreign workers. These considerations apply most obviously to pensions; however, providing care to parents 'stranded' in Greece may worry younger migrants, while their own long term care may weigh on the minds of older people considering return.

With so much at stake, Greece would have much to profit from policy levers around rights portability; Greek social protection should act as a lifecycle bridge and not a chasm. Yet, as this paper will show, international portability was never central to system design. This paper tries to tackle this paradox: looking at the past, we explain how it came about, and with an eye to the future we explore how it may be tackled.

The second section introduces some necessary context. Pension theory is used to explain that pensions can pursue different 'logics'. The key problem of the Greek system is that it never succeeded in coordinating these 'logics', resulting in fragmentation and a tendency to promote sectional interests over efficiency. The practice of dealing with each case in an *ad h*oc manner characterised the period before the crisis, the object of the third section. Decisions on international portability resulted from a shifting interplay between factors such as: international and domestic, collective and individual, pensions and wider social protection, in- and out-migration. The *general* question of how international movement *ought* to be accommodated was never posed.

The pension reform implemented during the bailout means that there is now a new social protection system designed for the long term. We can thus speculate on how it can respond to challenges ahead and whether it is fit for purpose. The next section ponders whether path dependence poses obstacles to deal with longevity and challenges linked to the future of work. The paper concludes by speculating what a migration-friendly system could look like, and whether such a system is feasible for Greece.

The logics of social protection: how do they accommodate mobility?

Social protection systems, in Greece and to a lesser extent elsewhere, are dominated by pensions. Pension systems follow three 'logics': saving, employment or social policy. Each carries different implications on the prevalent mode of finance, but also on how to understand the nature of accumulated rights of mobile individuals (Barr, 2012; Mackenzie, 2010; Tinios, 2019). Problems in transferability arise when movement occurs between those jurisdictions following different logics.

First, pensions can be seen as part of longevity planning, **as life cycle saving**. The social insurance paradigm was explicitly modelled on private insurance and encouraged participants to think of their accumulated entitlements as an item of wealth. If that is the case, the portability of such rights would follow– subject to similar consideration as international capital movements.

Second, pensions can be understood as a **prolongation of employment**, forcing an enterprise logic, most common in occupational pensions. In such pensions, the employer has an incentive to bind workers to the firm, and hence to limit movement; vesting rules limit or reduce rights, should the worker move 'prematurely'. Public intervention is frequently necessary to limit obstacles to movement.

Third, pensions can operate as **social policy** – as the old age component of the safety net. The dominant logic follows need, or the prevention of poverty, through means testing or the universality of benefits (e.g. a 'national pension'). Under this logic, rights are frequently tied to minimum residence to limit 'welfare tourism'; their portability is often limited both in an *ex ante* sense (before retirement) and *ex post* (entitlements *after* retirement).

The **state** plays a key role, whether as a referee between systems, or as a key direct provider in pensions. State involvement is central in social policy, as redistribution cannot be financed without compulsion. However, the state's influence extends well beyond social pensions. This is rationalised, as individuals left to themselves would save 'too little', due to myopia, indecision or systematic inconsistencies in planning[2]. The irony was that once the state assumed responsibility for pensions, it often exhibited the same shortcomings for which it had indicted individuals – a tendency especially marked in Greece (Tinios, 2019). Prevarication and indecision about reforming pensions meant that the process of pension reform entered the equation as an independent variable. Pension finance dealt with aggregates and was handled by Ministries of Finance; defining individual entitlements remained a task for Ministries for Social Insurance. The two different viewpoints, collective and individual, characterise an incipient tension between social insurance and fiscal considerations, a feature of pension debate almost everywhere (Barr & Diamond, 2010; Tinios, 2010).

[2] The first translates technically to high discount rates; the other objections were added by behavioural economics. 'Hyperbolic discounting' would mean that people will have to reprogram their lives as time rolls on, without the intervention of new developments or facts.

In advanced countries, the three views of pensions and their attendant logics coexist. Responsibility for longevity planning is shared between the state, the market, the individual, the family, whose respective roles need to be demarcated. The 'three pillar system' keeps relations transparent by distinguishing three distinct cycles of solidarity: the first pillar is provided and financed by the state and looks after societal solidarity. The second pillar is assigned occupational solidarity on an employment basis. The third pillar is built around the individual and consists of contractual saving (Panageas & Tinios, 2017).

Where does Greece stand in this schema? Greek social protection institutions appear deceptively familiar in international terms. IKA, the main pension provider was set up a few months before US Social Security[3]. Both were state of the art 1930s-style social insurance institutions, designed as unique providers of Pay-as-you-go pensions. However, the unitary logic of IKA fell victim to clientelistic politics, as fragmentation of pension arrangements 'bought' influence for occupational groups. (Panageas & Tinios, 2017). In the Greek system, legal descriptions were often at odds with actual operation. For example, the legal retirement age of 65 was only followed by 15% of pension applicants. The majority (85%) used a more favourable loophole; the median pension applicant retired around 60, while a large minority quit work before 55. Contributions are paid as a proportion of earnings, as in social insurance; yet two thirds of pensioners in IKA collected the minimum pension, as if it was a social pension. The ubiquity of special legislation meant that fragmentation and clientelism prevailed over general rules. In such a system an influential 'patron' was important, especially to put the case for a particular diaspora community (Tinios, 2019).

In Greece, as elsewhere, all pension logics coexisted. Pension arguments could cite "*Pensions are our own money*" (Social insurance[4]); "*We deserve pensions after years of hard work"* (Employment); or "*My needs must be met!'* (Social policy). The difference was that fragmentation enabled the mixing of narratives of different provenance to serve political needs. For example, high minimum pensions were introduced for urban providers after the late 1970s, without thought of finance[5]. Clientelistic logic meant that the social protection system as a whole operated as a patchwork, leaving extensive gaps to the family. The emphasis on pensions meant no functioning safety net for social risks other than old age; the family operated as a kind of social protection anchor.

In the day-to-day management of the system, issues were dealt with as and when they appeared. *Ad hoc* problems were served by *á la carte* solutions, depending on the political climate, or the influence of interested parties. In the case of migration, issues were seen as

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[3] The law governing IKA was passed in 1934. It started operating in 1937 and was refounded in 1951. US Social Security started in 1936.

[4] Even though all pensions are financed through Pay-as-you-go principles, that is, without the accumulation of reserves.

[5] Or even of combatting poverty, as the poorest - rural pensions and uninsured - were excluded. High minimum pensions granted without a means test benefited many well above the poverty line and encouraged contribution evasion. They were thus instrumental in creating and maintaining pension deficits.

'solving the problem' of X or Y diaspora, the priority determined by political mobilisation and connections of that group.

Pension reform to consolidate, clarify and define general rules was pending from the 1950s. As that was repeatedly postponed, pension deficits spread, acquiring fiscal significance from the 1980s. From that time on, pension deliberations were marked by reform episodes driven by fiscal exigencies. While 'structural reform' was still pending, the pension system was bankrolled by rising direct grants from the government. As fiscal considerations rose in importance, so did the influence of the Economy ministry in relation to the Labour ministry, restricting the leeway of individual considerations. This also went hand-in-hand with a greater role for the EU, certainly in finance but also increasingly in matters affecting intra-EU mobility. Reform was finally imposed through the involvement of the 'troika' between 2010 and 2019. Consequently, Greece after the bailouts is facing a different pension landscape than before (Tinios 2019).

Indecision on pensions meant that developments in *other* social protection fields had to wait their turn, even when they are also linked to ageing. Despite declarations in the 1990s that the 'recalibration of the welfare state' was essential to relieve the family, this did not yield fruits (Tinios, 2017). The result was a Long-Term Care landscape dominated by the family buying in care services from the open market. Lyberaki and Tinios (2018), examining survey data spanning the crisis, conclude that easy generalisations that austerity led to increasing gaps of care were off the mark. Despite falling incomes, Greek households managed to fill care gaps through greater reliance on the unregulated open market. In the meantime, the spread of promising new initiatives such as the Health at Home programme run by municipalities was hampered by the lack of credible sources of finance (Tinios, 2016).

To recap, examining how Greek pensions dealt with international mobility, it is important to distinguish two periods: the past, dominated by *ad hoc* solutions to problems as they emerged, and the present, speculating on whether the new Greek system can track future developments effectively.

The past: Á *la carte* solutions to *ad hoc* problems

In the post-war period, Greece had to contend with virtually all types of migration: outgoing, incoming, circular; return of diasporas; transcontinental (life-cycle) migration. The international portability issues each raised were faced as they appeared. After the 2000s, the EU made its presence felt by regulating directly (through hard law) and coordinating responses (through soft law)[6].

So, in line with domestic pension matters, issues raised by different types of migration were met separately in different and sometimes inconsistent ways. Reaction depended on circumstances, geopolitics, but also the extent of organisation (and political influence) of

[6] Stergiou (2017) is a general legal reference on Greek pensions. Chapter 4 deals with transferability issues.

groups affected. The preponderance of pensions in domestic social protection imposed its own blind spots by obscuring rights in areas not developed in Greece such as formal provision of long-term care.

Certain other features of pensions were important in determining how international issues were dealt with at different times. The fragmentation of the domestic system and its isolation from public finance before the mid-80s, meant that public finance considerations originally took a back seat. As cash problems intensified after 1990, arrangements understood to lead to capital inflows were accorded priority. Thus, bilateral agreements opening the door to relocating were prioritised; cases where payments would have been in the opposite directions, were left aside.

The US and (to a lesser extent) Australian diaspora had matured to the extent that earlier emigrants had retired and wanted to spend their retirement in Greece. Bilateral agreements gave priority to safeguarding and facilitating foreign pension payments to Greek residents. This was easier in the case of the US, which defined rights following a social insurance logic, rather than Australia where the public system follows needs, in a social policy logic. A bilateral agreement with Australia took much longer and concentrated in facilitating the relocation of Australian system beneficiaries, rather than in transferring earned rights to Greece, or even allowing the return for employment purposes.

The obverse, the transferability out of Greece of rights of working emigrants, was accorded lower priority. This was the case of the first large group of foreign workers in Greece, the Filipinos. Philippine citizens worked in large numbers in Greek-owned ships from the 1970s on and were paying contributions to NAT, the sailors' pension provider; another group were Filipina nurses and (later) homeworkers, insured in IKA. The non-existence of a bilateral social security treaty with the Philippines meant that accumulated rights were either lost altogether or necessitated the continued presence of the individual concerned in Greece[7]. Employment of Filipinos ended up subsidising the wider social security system, as part of a pervasive tangle of cross-subsidies[8].

The extent to which pensions were treated as social policy, or as matters of intergovernmental agreement, also depended on circumstances. In the early period, when the presumption of state involvement held widely, international transfers of capital were rigidly regulated and severely discouraged by volatile exchange rates. In consequence, negotiated bilateral agreements were the preferred mode of dealing with mobile individuals.

From the 1990s Greece became a destination country for migrants; from the 2000s it became an important node in migration routes into Europe. In this way, from implicitly seeing transferability as a one-way-game to help the Greek diaspora retain links with the mother country, Greece began to join the mainstream of advanced countries, taking part in more

[7] The sailors were in a worse position, as in their case social insurance contributions were not even individually credited.

[8] Greek pensions had high vesting requirements, leading to many women not being entitled to a pension, if they had less than 15 years' contributions or had no active links with the labour market at retirement. These 'coverage gaps' were tantamount to a tax imposed on women to finance male retirement (Betti et al, 2015).

general discussions about the international treatment of pensions[9]. Entry into the mainstream was complete once the new, intra-crisis, diaspora began to take hold; henceforth, outgoing migration and its attendant concerns entered the Greek policy radar.

In a parallel development in the EU, where the majority of the new migrants headed to, portability was increasingly seen as important. Free movement of labour is a cornerstone of the EU. Those pensions which were, in law, a continuation of the employment relation, could be protected by 'hard' EU law. This applied to 'second pillar' occupational pensions, where starting from 2000 several directives regulated vesting and international portability. However, all other pensions remained within national jurisdiction – as lying within the realm of subsidiarity (Amitsis, 2010; Tinios, 2012). As 98% of total pensions in Greece were deemed part of the 'first pillar' and were provided by state bodies, they were outside the reach of EU directives. The importance of public pension portability for free movement was recognised early on: however, EC Regulation 1408/1971 was not finalised until 31 years later, when it came into force as Regulation 987/2009. In the meantime, portability issues were mostly dealt with by bilateral agreements. General pension coordination issues were consigned to the Open Method of Coordination, where moral suasion and peer pressure were supposed to promote transferability as one of several 'modernisation' desiderata, complementing viability and adequacy. If a member state chose to ignore recommendations, as Greece did in 2006, there was little to be done[10].

In the period before 2000, issues raised by *collectivities* (hardly ever individuals) were dealt with separately. The presumption was that pensions everywhere were a state responsibility. Pension rights were approached as flows and not as stocks; actuarial calculations that aggregate fiscal costs were hardly ever used[11]. Bilateral agreements had to cope with differences in systems between Greece and other countries. Systems prioritising need, rather than accumulated insurance rights (such as Australia), posed the greatest difficulties; if needs were central, and these are altered by relocating, there would be a difficult to define what to transfer. Intergovernmental agreements had to accommodate three different types of migration:

1. **Resettlement of 'Returning' Diasporas**. This covered the, more or less forced, migration of Greeks who had settled abroad in the previous great globalisation episode in the latter half of the nineteenth century. Their continued presence in countries such as Egypt, Sudan or Ethiopia was seen as a persistence of colonisation and was swept in the 'decolonisation narrative' of the indigenous population regaining access to key assets or control the economy. The exodus of the Greek community of

[9] Lyberaki (2011) notes the impact of 1990s female immigration into Greece allowing Greek women to enter the paid labour market, in a manner similar to that studied by Bettio et al 2006.

[10] Greece was the only country not to send pensions projections to the EU in 2006, despite being the member state with the highest expected fiscal deterioration (Tinios, 2012).

[11] This led to domestic commentary (also not backed by actuarial calculations) that 'gifts' were extended to particular sectors, usually returning diasporas, such as Greeks from Egypt or Romania.

Egypt, started in 1952 and was more or less complete by the mid-1960s. Similar considerations applied to the exodus from Istanbul after the 1950s, which was seen in Turkey as completing a process begun in the 1920s. Greeks from Egypt and Istanbul had middle-class characteristics and arrived at a time when the economy was booming and the social insurance system was still growing and appeared financially robust. It was, thus, no surprise that their case was seen chiefly as a social insurance issue to be integrated into IKA. Pension rights, in their case, were 'recognised' as equivalent to IKA. Periods of employment in the origin countries could be bought into and recognised as periods of IKA contributions, allowing disrupted careers to resume; this is what Law 1595/86 did, amending earlier legislation dating from 1963. This buying in was done at concessionary rates (linked to the minimum wage) and no funds were ever transferred from the origin countries. This gave rise to accusations of privileged treatment; as IKA pensions amounts were determined by the last two year's salary only, low 'bought in' contributions could lead to relatively high pensions. However, this lack of reciprocity was a feature of the system exploited by many others and was not unique to returning diaspora members.

The absence of a unifying approach and the influence of conjunctural factors can be appreciated by comparing the 'homecoming' of Pontians in the 1990s. The exodus from the Caucasus and other places in former Soviet Union after the collapse of the regime shared some features with the earlier cases in being forced, at least in the early years of migration, and being caused by a geopolitical shift. Characteristic was the case of the Greeks in Abkhazia, whose rescue necessitated the dispatch of a ship to collect a large number of them for resettlement in Greece. The Pontians' case, however, was treated as a social, rather than a social insurance, problem. Migrants were given Greek nationality and entitled to OGA social pensions at age 65 (subject to means test). This created a template that was used by individuals of Greek descent from the former Soviet Union (including economic migrants), allowing them a foothold in the labour market, but not fully integrating them in social insurance.

'Forced' migrations were treated as one-off historical events. They were seen as a part of a pre-globalisation process where vestiges of the pre-WWI system were giving way to a set of national economies, most notably through decolonisation. Social insurance rights were understood to involve collectivities. The priority was to secure pension disbursement to Greece, rather than rights going the other way[12]. In this way, social insurance rights transfer was understood as closing a chapter, a legacy issue not to be repeated. The situation where mobile individuals are a 'normal' phenomenon in a globalised world, and the principles of rights portability that are necessitated were never considered or even discussed.

[12] Psilos (1998) surveys intergovernmental agreements.

2. **Circular Migration.** It is ironic that Greece turned out to be a pioneer in exactly such movements of labour. West Germany recruited directly from Greek villages in the 1950s – *the Gastarbeiter system*. This was understood, both in Germany and in Greece, as temporary circular migration, different in substance from long-term permanent transcontinental migration. If so, as an individual career would contain periods of work in both countries, it was important to be able to 'mix' systems. Indeed, from the 1980s, Germany tried to reverse the flow, encouraging the return to Greece. Germany gave returning emigrants the choice *either* to receive contributions paid as a lump sum (and hence sever links with Germany), *or* to retain rights to (partial) German pensions. Most opted for lump sums (commonly invested in real estate).

   Similar bilateral agreements were made with other European countries hosting Greek workers (Sweden, Belgium, France). These differentiate between (a) people who returned *before* retirement and (b) those who resided in Greece with a foreign pension. Bilateral agreements were called to bridge underlying differences in pension systems (e.g. social pensions; residency requirements; adding of periods worked in different jurisdictions; the legal equivalence of different providers). As a result, negotiations could stretch for a long time, leaving many individuals in legal limbo. These negotiations proceeded in parallel with discussions in the EU towards system coordination, before these finally came to fruition in 2009.

3. **Transcontinental migration**. Migration to the US, Australia, South Africa, Canada, Brazil, Argentina was treated as life-cycle migration and frequently involved family unification. The chief concern on the Greek side was the ability of migrants to be able to reside in Greece *after* the pension was awarded, which then could be paid in Greece. The recognition of rights 'mixing' systems to enable labour mobility was given smaller (or no) priority.

   Negotiation of bilateral agreements could stretch into decades[13]. It was particularly difficult, where the prevailing logic of state systems followed different principles. For example, Australia relies on a generous state system based on needs through means tests; how to transfer this when a claimant moves is hard to define, especially when Australian policy aims to curtail 'double dipping' – the policy of running down assets to extend means-tested eligibility for Age Pensions. Residency rules for some social pensions often control the residence of the entitled person, specifying a minimum number of years necessary. For example, Canada requires a minimum of ten for an old age pension; Australia adds that there need to be five years of consecutive residence, which in New Zealand need to be after age 50 (SSA 2019). Where, as is common, a greater part of the total entitlement derives from occupational pension providers (such as 401(k) pensions in the US or Superannuation

[13] Examples of bilateral agreements US L2186/94, Quebec L1317/83, New Zealand 2584/94, Revised Canada 2492/97, Australia 3677/08, Poland L1601/1986, Switzerland L20/74, Argentina 1602/80,

pensions in Australia), there are frequently problems in defining what their Greek counterpart is. Bilateral agreements, especially older ones, see international labour mobility as a secondary issue, if at all. Mobile executives often rely on company pensions and special arrangements, implying the system as a whole could exacerbate inequalities.

Portability of social rights as a European issue

The European Union and the single market are built around the free movement of goods, services, labour and capital, the fundamental 'four freedoms' of the EU (Article 45 TFEU). As losing accumulated pension rights impedes labour movement, and given that Greece has been a member since 1981, it is paradoxical that the EU has only played a marginal role in our story so far.

We saw that the EU can intervene where pension rights are an extension of employment and hence part of remuneration, i.e. in 'second pillar pensions'. It also can regulate personal pensions ('third pillar pensions'), under its remit of safeguarding mobility of capital or perhaps of services. In practice, however, even occupational and personal pensions operate as if the EU were a collection of 28 independent jurisdictions, rather than a single market for labour and services. Indeed this is precisely the rationale of the EU Presidency's 2019 initiative to launch a 'Pan European Pension Product' (PEPP) on its own rather than rely on the interoperability of national systems. (European Commission 2017; 2019). These developments would leave Greek state pension contributors unaffected, though they may, in time, benefit the 'new diaspora'.

The underlying reason behind non-portability of pensions in the EU is the dominance of state, i.e. of 'first pillar' pensions. It is one of the fundamental rules of the EU that social protection – meaning whatever entails some redistribution in finance[14] - is outside the ambit of EU regulation. Given that in Greece 98% pension rights are provided by state bodies (Tinios, 2010), the direct influence of the EU is minimal. Despite the legal precedence of member states, the EU still had to contend with three facts:

a. Bilateral agreements were becoming increasingly dated. As pension systems reform after the 2000s, bilateral agreements can struggle to catch up. This is especially so, if (as in Greece) agreements originally presumed flows operate in one direction only (towards destination countries).
b. The rise in intra-EU migration after the 2004 enlargement introduced new political urgency in defining rights of migrants, especially given that bilateral agreements often did not exist or had not caught up with structural change.

[14] For example, if the State pays contributions lost due to parental leaves, this would be sufficient to exclude an occupational scheme from being under EU jurisdiction.

c. The Eurozone as a single currency area created an asymmetry: if labour moves from high to low unemployment countries, then social insurance revenue is generated in the destination country, whereas the underlying social risk remains in the source. Some structural funds projects in the EU periphery could be interpreted as addressing *permanent* migration. Circular or temporary migration raises different issues. These could motivate EU-wide unemployment insurance (Beblavy et al, 2017), which would *inter alia* act as a macroeconomic stabiliser.

So, the EU early on realised the importance of coordination between systems to safeguard rights of mobile workers. Negotiations between member states started as a matter of urgency in 1971. The problems that subsidiarity gives to rise can be illustrated by the progress of Regulation 1408/71, which was finally agreed after 31 years – as EU regulation 803/04, and amended as 987/2009; it finally came into force as the "modernised coordination" of social security systems in 2010 (Stergiou, 2017; Tsotsorou, 2012). Apart from reconciling conceptual differences, the regulation must answer immense administrative problems necessary to ensure interoperability of very diverse information and provision systems (European Commission, 2019b). Despite almost ten years' experience, an individual seeking to transfer rights within the EU still faces a maze of uncertainty; this is greater for young workers a long way away from vesting a pension.

The fact that EU as a body had its hands tied by subsidiarity, meant that more effort was expended to bring member states in sync by 'soft law' – the voluntary alignment of policies based on common declarations of intent and founded on 'open coordination'. The 'Open Method of Coordination' for pensions was launched in 2002 (Tinios, 2012). The Member States balance three objectives: sustainability (finance ageing-related rises in expenditure), adequacy (maintenance of living standards and prevention of poverty) and modernisation. The latter includes, among others, labour mobility both between occupations in a single country but also between countries. So, the institutional apparatus to discuss portability issues exists; the fact that it has still not yielded fruit, is probably due to its being swamped by other, more pressing, priorities.

As ageing spreads, there is a dawning realisation that well-being at older ages is not simply a matter of pensions and income security. For some older people (especially for the fastest growing group aged 80+), chief among which is access to Long Term Care (LTC) services is arguably more important. The EU Commission published the Pillar of Social Rights composed of 20 principles. Following old age income and pensions is long term care[15]. Though this does not give rise to actionable rights, it is important as signalling a general policy drift.

The need for coordination is evident from the following observation: as some EU countries integrate LTC in the social risks covered by social protection, for instance, through social insurance in Germany, they limit costs by controlling eligibility. Cross border

[15] "Everyone has the right to affordable long-term care services of good quality, in particular home-care and community-based services".

movements are an obvious target[16]. Denial of LTC and associated benefits introduces a new obstacle in border movements.

Given that majority of members of the 'new diaspora' are young, they will not be *directly* affected, at least at present. However, given that LTC in all countries, but especially in Greece, is in practice supported by informal care (Tinios, 2017), which is provided by women family members, LTC regulations could limit the travel of migrants' *parents* after a point. For the older diaspora, if Greeks from Germany relocate in their retirement, they would lose their LTC entitlement (Reinhardt, 2019). As movements of older citizens across Europe are becoming more commonplace, these type of limitations in non-pension social rights, in their availability, finance and possible international transfer, are acquiring significance.

Overall, it is difficult to avoid the conclusion that transferability of social rights in Greece was ever treated as more than an incidental issue of little intrinsic importance. The solutions given resulted from the interaction of structures not designed to accommodate the special circumstances of mobile individuals. Migration was seen as an exception; it was even possible that policy makers thought that their duty was to encourage capital imports and that, hence, they had to discourage outward movement. The chief explanation for this state of affairs was that the Greek pension system itself was a work in progress. If one couldn't be certain of which way the next reform would take things, what was the point of thinking ahead for migrants?

The future: Can the *new pension* system join the global mainstream?

The financial crisis brought the pension reform debate to Greece with a vengeance. This took place between 2010-2019, as a series of confused steps, with the troika initiating and Greek governments, in blame-avoidance mode, resisting. Nevertheless, by 2019 a brand-new system is in place. This new system has five characteristics (Nektarios & Tinios, 2019; Tinios, 2019):

i. A new 2-tier pension system: a flat-rate National Pension is combined with a pension proportional to contribution years. For 40 years' work the promised replacement rate is at the top range of the EU, around 80% of income[17]. This system applies to everyone, even to pensioners retroactively.
ii. High contribution rates (27% for pensions; they can rise to 38% in total).
iii. A single primary pension provider. The entire system is financed by current contributions without accumulating reserves (Pay-as-you-go finance).
iv. High and inflexible retirement ages (67) for all who did not retire by 2016.
v. Little or no explicit role for non-state providers and non-state pillars.

[16] A recent decision of the European Court declared that moving from Germany to Austria in the same border village was sufficient to disqualify a beneficiary from LTC insurance.

[17] If entitlements are calculated at the current average career history of 23 years, the new system yields lower pensions. However, short careers are a side-effect of the current system which should stop in the medium term.

Compared to its peers in Europe, the *new* Greek system is relatively generous[18], exclusively state-run, and rather rigid. Financing pensions exclusively from current contributions, it resembles a 1960s-type state-run system and is essentially backward looking. While it has overcome the 'original sin' of fragmentation, it responds to ageing chiefly by increasing contributions. Though domestic occupational mobility is no longer discouraged, international portability is not addressed. Internationally mobile individuals would have to operate as before: when they depart, they will have no idea what entitlements (if any) they are leaving behind. If they come back, they will be in the dark about what to do with rights earned abroad. If, as is increasingly the case, old age provision is in the form of an individual savings account, there would be no Greek counterpart in which to affiliate.

Younger, mobile individuals are hardest hit by non-wage cost increases; avoiding punitive contributions is commonly cited as a reason for emigration. Before the 2016 reforms, younger workers could avoid the high contribution rates levied on salaried employees by being classified as self-employed freelancers[19]. The reforms treated all 'gig economy' work as 'bogus self-employment' and taxed it as salaried work[20].

Social protection systems need to be 'future-proofed', in the sense that they should be able to cope with issues of the future – which younger workers will be most exposed to. In what ways will future issues differ?

The primary challenge for an individual perspective is longevity. The main problem is that state pension systems, in Greece and elsewhere, plan for a length of life that is 'too short'. This means that individuals must make greater provision for themselves and be more flexible. The adjustment could well include migration episodes as common features of an evolving 'multi-stage' life (Gratton & Scott, 2016). This model already appears to be spreading from the EU outwards. A longevity consequence is the movement of retirees from Northern Europe, which could lead to Greece following the example of Florida for the US (Doxiadis & Tountas, 2019).

The second main challenge would come from the **future of work[21]**. Globalisation and technology are changing the relation between the global and the local. Migration will follow trends in the labour market, where opportunities grow at the top and bottom but not in the middle. At the top end, opportunities for cross-border careers will drive migration. At the

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[18] In this case, generosity means a high replacement rate, which for a full career is over 80%. Given the two-tier structure of the new system, replacement rates are higher for low earnings. Whether they are high relative to the contributions paid depends largely on the assumptions used in the actuarial model, and the extent of additional central finance (see Nektarios et al, 2017).

[19] Of course, being freelancers, they were entitled to fewer social benefits. As these were very heavily weighted towards pensions, their value to younger workers was limited. A further issue of importance was that social contributions were calculated using minimum wages as a floor; for those working for less than the minimum, this is equivalent to a higher (regressive) poll tax.

[20] In 2019 the lower 'sub-minimum' wage for under-25s was discontinued, implying a 33% raise in minimum wages and their corresponding social contributions for those workers.

[21] Gratton and Scott 2016, See also the OECD future of work forum http://www.oecd.org/employment/future-of-work/

same time, we may see the spread of what may be called 'shock migration' – migration reacting to a common 'shock' in the origin country. Such shocks can be political, economic or environmental; indeed, the wave of new migrants in Greece after the crisis could be an example of such a movement[22]. Many think that shock migrants, unlike economic migrants, will only stay temporarily; this, however, may prove to be wishful thinking to sidestep the problem.

As underlying conditions change, it is important to 'keep with the flow' of the mainstream of social protection systems worldwide. Only if systems follow a consistent logic will systems remain in lockstep. As we have seen, bilateral agreements can become dated, becoming a hindrance. These general considerations bode ill for the new Greek system. As a 1960s-era system, it presumes a world of steady work, with long-lived enterprises guaranteeing uninterrupted careers. Such systems tolerate labour mobility as exceptions; in a globalised world, the lack of flexibility could prove an important obstacle.

In addition, Greece must deal with specific migration issues. The new diaspora, encouraged by the long crisis, is already part of a mechanism siphoning both capital and labour out of the country. The opposite mechanism where migrants' return rewards the recovery could be a factor for a growth rebound; if this is hindered by portability of social rights this could have an impact beyond social policy. The marginal role accorded to savings in the new pension system implies that accumulated balances of returning migrants will have nowhere to go, and they may well remain abroad. Difficulties in exercising social rights when crossing borders could also hinder attracting relocating pensioners from the North of Europe. For them, the question is wider than the issues covered by pension bilateral agreement; in contrast, Portugal tries to attract such individuals by ensuring consistency of social protection rights

Finally, at the other end of the scale, is the treatment of low-skilled migrants entering Greece. As Greeks leave, their place is taken by third country' immigrants. This is especially noticeable in Long Term Care, where the supply of carers relies on migrants (Lyberaki, 2011). Social administration is concerned to make these people pay contributions; it is less worried about whether the rights collected can be exercised. For migrants, social contributions are often a one way bet – where they pay, but are unlikely to ever collect. As demand for personal care rise, the supply is drying up.

Could there be a migration-friendly pension system for Greece?

We have seen that the interests of prospective emigrants, emigrants and prospective returnees were served through incidental effects of structures introduced for other purposes. Migration concerns were never explicitly incorporated as organic features in a proposal. Could such a migration-friendly system exist? Would it be feasible for Greece?

[22] As would migrations from Venezuela to Spain or Argentina to Italy.

Greece could certainly gain from such a pension system:

- It is lacking private savings to finance investment; that has been negative since 2008. Growth policy is reduced to waiting for foreign investment. (Lyberaki & Tinios, 2017).
- In contrast to the 1950s, labour migration is linked to capital *export*, as migrants take their parents' savings with them. If their reasons for leaving are linked to high non-wage costs, then the possibility of return is *endogenous* to the social protection model.
- Conversely, return of migrants increases labour, skills and capital and can serve as a growth impetus.

The availability of savings vehicles that can attract and absorb savings of migrants – both before and after their return - is a feature of structures that look forward, rather than mainly protecting incumbents. At the root of the problem is a pension system which sees social protection simply as an unproductive fiscal outflow. Social insurance, however, can be approached as a service provided to the working generation, and not simply as a means of unproductively distributing money after retirement. In other words, we can see social reform as social investment, *preparing* structures for future issues, rather than *repairing* problems after the fact (Hemerijk, 2015). If we were to see pension finance as a lifecycle bridge for mobile individuals, what would such a system look like?

A migration-friendly pension system should, above all, provide clarity to allow lifecycle planning. It should be based on trust, buttressed by regular actuarial checks. It should mesh with other countries' social protection systems tracking changes over time. Finally, once having established contact with contributors, it should keep communications open, providing full information of individual balances.

The main alternative to the current situation is a three-pillar system. Such is proposed by Nektarios et al (2018). The proposal involves the rapid introduction of a new 3-pillar system for all under the age of 45. Contributions to primary pensions are to be cut by half, to make room for a new, prefunded occupational pension. Individual accounts managed professionally will allow the build-up of reserves to finance investment. Finances of the system must divorce from legacy costs; pensioners and over 45s will receive guarantees financed from general revenue[23].

The macroeconomic features of this system are akin to social investment; it increases current deficits (for legacy costs) in exchange for raising growth potential by allowing a virtuous circle, building on incentives to work and to save[24]. More specifically, the new system would be more friendly to mobile individuals.

- It is aligned with the prevailing tendency of pension systems in destination countries.
- Information on personal accounts can be communicated annually to all.
- Ascertaining the value of accumulated rights of individuals will be easy.

[23] The fiscal gap that will be created will be filled by general revenue. This is tantamount to shifting the overall tax system away from taxes on labour.

[24] Christodoulakis et al 2018 place a variant of this reform in a wider reform proposal and place it in a macroeconomic model.

- Personal accounts allow the easy addition of rights from different jurisdictions.
- Migrants can contribute to savings accounts even when not residing in Greece.

The overview of portability of rights has highlighted that the existing parochial viewpoints of most social systems increasingly pose obstacles to the operation of a globalised economy. The case of Greece is interesting as, in possessing a diverse 'old diaspora' at the same time as a vibrant 'new diaspora', it serves as an illustration of both pitfalls and opportunities in the way ahead. This issue was examined mainly as a legal question, or as one of administrative interoperability – how to make existing systems communicate. A cross-disciplinary approach would turn the question on its head by starting from what is needed to support mobility and working 'inwards'. In this context, a comparative study of bilateral treaties could produce a set of good practices, which could be introduced to Greece. As part of diaspora studies, the influence of bilateral and other treaties, but also differences in tax regimes, in promoting particular kinds of interactions could also be an area of further study. The influence of social rights beyond pensions, such as health and long-term care, could also benefit from closer scrutiny.

Seen in more general terms, national policy should address social risks in a manner that can aid smooth transitions between lifecycle stages. In a world where migration could become a normal life stage, portability of social rights would not only be a service to migrants themselves, but an important addition to individual liberty.

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The Greek Diaspora Project at SEESOX

Mission statement

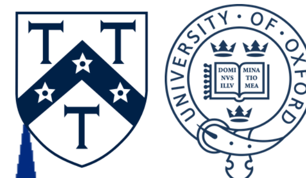
The Greek Diaspora Project (GDP) was set up at SEESOX with the overall aim to serve as a nexus between academic research and policy, and to help identify ideas to maximise the developmental impact of the Greek diaspora on contemporary Greek politics, economy and society. The project studies the relationship between Greece and its diaspora within the context of the current economic crisis and beyond.

Project objectives

- Become the preeminent forum for debate between the wider diaspora scholarship and scholarship dedicated to the Greek diaspora;
- Relate Greece and its diaspora to other similar countries and conduct in-depth comparative studies;
- Be a port of call for anyone interested in contemporary aspects of the Greek diaspora, in terms of its library and archival resources, activities, institutional affiliations, policy relevant research;
- Analyse the new trends characterizing the current Greek diaspora in conjunction to the historical context, socio-economic change, varieties of cultural affinities;
- Assess the developmental impact of the diaspora on the Greek economy and identify policies that can maximize its contribution;
- Inform Greek public debate and Greek policy makers on the Greek diaspora, its evolution and the policy implications of actual and potential interactions between the diaspora and Greece;
- Secure funding and research opportunities for a young generation of scholars dedicated to the study of the Greek diaspora.

About SEESOX

South East European Studies at Oxford (SEESOX) is part of the European Studies Centre (ESC) at St Antony's College, Oxford. It focuses on the interdisciplinary study of the Balkans, Greece, Turkey and Cyprus. Drawing on the academic excellence of the University and an international network of associates, it conducts academic and policy relevant research on the current multifaceted transformations of the region. It follows closely regional phenomena and analyses the historical and intellectual influences which have shaped perceptions and actions in the region. In Oxford's best tradition, the SEESOX team is committed to understanding the present through the *longue durée* and reflecting on the future through high quality scholarship.



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