

The European Union's Response to the  
Sovereign Debt Crisis: Its Effect on Labor  
Relations in Greece

Joanna Pagonis\*

\*Fordham University School of Law

Copyright ©2013 by the authors. *Fordham International Law Journal* is produced by The Berkeley Electronic Press (bepress). <http://ir.lawnet.fordham.edu/ilj>

# THE EUROPEAN UNION'S RESPONSE TO THE SOVEREIGN DEBT CRISIS: ITS EFFECT ON LABOR RELATIONS IN GREECE

*Joanna Pagones\**

INTRODUCTION.....	1518
I. GREECE AND THE EUROPEAN SOVEREIGN DEBT CRISIS.....	1523
A. European Union Treaties and Economic Policies Determine Whether Member State Bailouts and Austerity Measures Are Permissible .....	1524
1. Treaty on the Functioning of the European Union.....	1524
2. Treaty on European Union .....	1526
3. Stability and Growth Pact .....	1527
B. Disclosures by a Newly Elected Greek Government Incite the Debt Crisis in Greece .....	1528
C. International Markets React to the Greek Debt Crisis and Spread A Fear of Contagion Throughout Europe .....	1531
D. European Union Agrees to Bailout Greece, Ireland, Portugal, and Spain in Exchange for Austerity Measures .....	1534
II. GREEK LABOR RELATIONS .....	1536
A. Pre-Crisis Legal Framework of the Greek Labor Relations System.....	1536
B. The European Union's Effect on Greek Labor Law .	1543

---

\* J.D. Candidate, 2014, Fordham University School of Law; B.S. Industrial and Labor Relations, 2010, Cornell University. The Author would like to thank her friends and family for their help in translating and selecting this topic, as well as for their patience and understanding. She would also like to thank Professor Eleni Patra for her endless support in the drafting process. Finally, the Author would like to thank the XXXVI *International Law Journal Board*, especially Alex Paslawsky, for its support.

III. THE EUROPEAN UNION LACKS THE AUTHORITY TO TRANSFORM GREECE’S LABOR RELATIONS SYSTEM ..... 1548

    A. Neither The Founding Treaties of The European Union Nor Subsequent Economic Policies Grant the European Union Authority To Demand Changes To Member State Labor Law ..... 1548

        1. Formation of the European Monetary Union Did Not Relinquish Member State Sovereignty Over Labor Law..... 1549

        2. Stability and Growth Pact Preserves Member State Sovereignty Over Labor Law ..... 1550

    B. The European Union’s Imposed Labor Law Reform Creates a Power Balance in Favor of the Employer ..... 1550

    C. The European Union’s Labor Law Reform is Misguided..... 1552

CONCLUSION ..... 1553

*INTRODUCTION*

Tens of thousands of people are vehemently shouting.<sup>1</sup> No more sacrifices!<sup>2</sup> No to the prosecution of the working class!<sup>3</sup> They are demanding that their government thwart its wage decreases, pension cuts, and tax increases.<sup>4</sup> Police officers,

---

1. See, e.g., Raphael Minder, *Workers Across Europe Synchronize Protests*, N.Y. TIMES, Nov. 15, 2012, at A8 (explaining that protests occurred in, Greece, Italy, Portugal, and Spain, as well as France and Belgium); *Protests Against Cuts Roil Dozens of Cities Official*, WASH. POST, Sept. 30, 2010, at A8 (stating that protests took place across Europe against austerity measures).

2. See, e.g., *Greek Protestors Gather in Thousands Outside of Parliament*, BBC NEWS, May 6, 2010, <http://news.bbc.co.uk/2/hi/europe/8665904.stm> (broadcasting one of the many protests that took place in Athens, Greece); *Spain Protests Turn Violent*, CNN, Sept. 30, 2012, <http://www.cnn.com/video/#/video/world/2012/09/30/goodman-spain-protest.cnn> (reporting on the Spanish protests).

3. See *supra* note 2 and accompanying text (providing examples of Europeans chanting to oppose austerity measures).

4. See, e.g., *The Economic Adjustment Programme for Greece 12–25* (Directorate-General for Economic and Financial Affairs, Eur. Comm’n, Occasional Paper No. 61, 2010), available at [http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2010/pdf/ocp61\\_en.pdf](http://ec.europa.eu/economy_finance/publications/occasional_paper/2010/pdf/ocp61_en.pdf) (outlining the austerity measures agreed to by the Greek government to receive a bailout); *The Economic Adjustment Programme for*

dressed in riot gear and armed with tear gas, gather to maintain the peace.<sup>5</sup> Some protestors begin to throw rocks at the officers, and the police respond by drenching the protestors with tear gas.<sup>6</sup> Within minutes, groups of individuals dressed in black hooded sweatshirts infiltrate the demonstration to wage a street battle against the police.<sup>7</sup> They throw Molotov cocktails, smash store windows, and torch street benches.<sup>8</sup> Eventually the riot ends and the tens of thousands of peaceful protestors resume their chanting.<sup>9</sup>

This image is not exclusive to one country.<sup>10</sup> The European sovereign debt crisis has incited hundreds of demonstrations across Europe.<sup>11</sup> These types of demonstrations first began in Greece—the catalyst for the outbreak of the European sovereign debt crisis.<sup>12</sup> Spreading from one vulnerable Eurozone country

---

*Ireland* 23–37 (Directorate-General for Economic and Financial Affairs, Eur. Comm’n, Occasional Paper No. 76, 2011), available at [http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2011/pdf/ocp76\\_en.pdf](http://ec.europa.eu/economy_finance/publications/occasional_paper/2011/pdf/ocp76_en.pdf) (providing the requirements for receiving the bailout); *The Economic Adjustment Programme for Portugal* 18–28 (Directorate-General for Economic and Financial Affairs, Eur. Comm’n, Occasional Paper No. 79, 2011), available at [http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2011/pdf/ocp79\\_en.pdf](http://ec.europa.eu/economy_finance/publications/occasional_paper/2011/pdf/ocp79_en.pdf) (stating the austerity measures that must be implemented)

5. See Nicole Itano, *Greek Austerity Measures Spark Rising Protests*, TIME, Mar. 11, 2010, <http://www.time.com/time/world/article/0,8599,1971491,00.html> [hereinafter *Itano-Protests*] (discussing the peaceful demonstrations taking place outside of the Greek Parliament where “groups of masked and hooded youths” clash with the police); *Greece Tightens its Belt to Obtain Rescue Loans*, WASH. POST, May 7, 2010, at A20 (illustrating the violent protests that erupted).

6. See *Itano-Protests*, *supra* note 5 (illustrating the violence that occurred when “groups of masked and hooded youths” joined the demonstration); *Spain Protestors Turn Violent*, *supra* note 2 (presenting the conflict between Spanish police and protestors).

7. See *Itano-Protests* *supra* note 5 and accompanying text (providing a description of the protests).

8. See *id.*

9. See *supra* note 2 and accompanying text (showing that protestors peacefully assembled outside of government buildings).

10. See *supra* note 1 and accompanying text (discussing the protests occurring throughout Europe).

11. See *supra* note 1 and accompanying text (noting that demonstrations have occurred in Portugal, Greece, and Italy, as well as France and Belgium).

12. See Loukas Tsoukalis, *Greece in the Euro Area: Odd Man Out, or Precursor of Things to Come?*, in *RESOLVING THE EUROPEAN DEBT CRISIS* 19, 19 (William R. Cline & Guntram B. Wolff eds., 2012) (“Greece has acted as a catalyst for the outbreak of the crisis of the Euro area, following the bursting of the big bubble in the Western financial system.”); see also Elizabeth Espinosa, *The European Sovereign Debt Crisis: How the EU Legal Structure Limits and Shapes Responses* 7–13 (Stanford-Vienna Transatlantic

to the next, Greece's financial distress developed into the European sovereign debt crisis.<sup>13</sup>

As the credit agencies downgraded Greece, Ireland, Portugal, Spain and Cyprus' credit ratings, it became impossible for these countries to access international markets.<sup>14</sup> As a result, these countries could not manage their respective debts and deficits.<sup>15</sup> To avoid the collapse of the Eurozone, Greece, Ireland, Portugal, Spain, and Cyprus needed financial assistance from the European Union.<sup>16</sup> Thus, in April 2010, Greece

---

Technology Law Forum, European Union Law Working Paper No. 6, 2012), *available at* [http://www.law.stanford.edu/sites/default/files/child-page/205024/doc/slspublic/espinosa\\_eulawwp6.pdf](http://www.law.stanford.edu/sites/default/files/child-page/205024/doc/slspublic/espinosa_eulawwp6.pdf) (discussing how the sovereign debt crisis spread from Greece to Ireland, Portugal, and Spain).

13. See *The Economic Adjustment Programme for Greece*, *supra* note 4, at 11 ("Financial distress in Greece spreads to other [E]uro-area Members (Portugal, Spain and Ireland) mainly through an increase in investors' perception of sovereign risk.")

14. See, e.g., Pedro Lourtic, *Understanding Portugal in the Context of the Euro Crisis*, in *RESOLVING THE EUROPEAN DEBT CRISIS* 51, 86 (William R. Cline & Guntram B. Wolff eds., 2012) (summarizing that international market investors reacted badly to political instability and began lowering Portugal's rating, which caused interest rates for Portuguese bonds to soar); Aristeia Koukiadaki & Lefteris Kretsos, *Opening Pandora's Box: The Sovereign Debt Crisis and the Labour Market Regulation in Greece*, 41 *INDUS. L.J.* 276, 281-82 (2012) (explaining that Greece could not access international bond markets after the lowering of its credit ratings); Caoimhín MacMaoláin, *Ramifications of the EU/IMF Loan to Ireland for the Financial Services Sector and for Irish Law and Society*, in 17 *EUR. PUB. L.* 287, 389 (Patrick J. Birkinshaw ed., 2011) (noting that the Irish housing bubble caused the credit rating agencies to downgrade Ireland, which "in turn made the cost of borrowing to pay existing debts more expansive and ultimately unaffordable"); *Cyprus Credit Ratings Cut by Fitch on Greek Debt Fears*, *BBC NEWS*, May 31, 2011, <http://www.bbc.co.uk/news/business-13598585> ("Fitch cut Cyprus's rating to A- from AA- on concerns that its banks may face losses on the money they lent to Greece.")

15. See *supra* note 14 and accompanying text (explaining the repercussions of the credit agencies' downgrades).

16. See *The Economic Adjustment Programme for Greece*, *supra* note 4, at 14 (indicating that the European Union must bailout member states because the fear of contagion spreads to other Eurozone countries and raises doubts about the sustainability of the euro). The Eurozone is the group of European member states that have adopted the Euro as their currency; see also Roger J. Goebel, *Economic Governance in the European Union: Should Fiscal Stability Outweigh Economic Growth in the Stability and Growth Pact?*, 31 *FORDHAM INT'L L.J.* 1266, 1266-76 (2007) (defining the term Eurozone); Rosa M. Lastra, *The Evolution of the European Central Bank*, 35 *FORDHAM INT'L L.J.* 1260, 1261 (2012) ("The [E]uro area or Eurozone comprises the EU Member States whose currency is the [E]uro and in which a single monetary policy is conducted by the ECB [European Central Bank].").

requested a bailout, followed by Ireland in November 2010, Portugal in April 2011, and Spain and Cyprus in June 2012.<sup>17</sup>

Prior to the sovereign debt crisis, the Eurozone had existed for eleven years without being involved in a bailout.<sup>18</sup> In fact, there was “no rulebook for how [a bailout] should be done.”<sup>19</sup> Nonetheless, to save the Euro, the European Commission (“EC”), the European Central Bank (“ECB”), and the International Monetary Fund (“IMF”), commonly referred to as the troika, agreed to bailout Greece, Ireland, Portugal, Spain, and Cyprus.<sup>20</sup> In exchange for the loan, each country signed Memoranda of Understanding (“MoU”), agreeing to implement severe austerity measures.<sup>21</sup> These MoU demanded significant

---

17. See Kevin Featherstone, *The Greek Sovereign Debt Crisis and EMU: The Failing State in a Skewed Regime*, 49 J. COMMON MKT. STUD. 193, 202 (2011) (stating that Greece asked for a bailout on April 23, 2010); *The Economic Adjustment Programme for Portugal*, *supra* note 4, at 4 (acknowledging that Portugal requested a bailout on April 7, 2011); *The Economic Adjustment Programme for Ireland*, *supra* note 4, at 5 (reporting that Ireland requested a bailout on November 21, 2010); Raphael Minder & Dan Bilcfsky, *Spain and Cyprus Seek Rescue for Ailing Banks*, N.Y. TIMES, June 26, 2012, at B3 (identifying Spain and Cyprus as the fourth and fifth countries to request a bailout in June 2012); Jonathan House & Alkman Granitsas, *Spain and Cyprus Request Bailout Aid*, June 26, 2012, WALL ST. J., at A11 (stating that Spain and Cyprus requested a bailout on June 25, 2012); Niki Kitsantonis & Matthew Salmarsh, *Greece, Out of Ideas, Requests Global Aid*, N.Y. TIMES, April 24, 2010, at B1 (“Describing his country’s economy as ‘a sinking ship,’ Greece’s [P]rime [M]inister formally requested an international bailout on Friday [April 23, 2010], creating the biggest test so far to the European monetary union.”).

18. See Henry Farrell & John Quiggin, *How to Save the Euro—and the EU*, 90 FOREIGN AFF. 96, 96 (2011) (explaining that the European Union created the European Financial Stability Facility to bailout Greece and other troubled Eurozone states to stop the contagion from spreading); Nicole Itano, *Europe Talks Bailout Plan for Greece—and the Euro*, TIME, Feb. 10, 2010, available at <http://www.time.com/time/world/article/0,8599,1963410,00.html> [hereinafter Itano, *Bailout*] (“If a bailout is agreed upon, it would be the first time in the 11-year history of the [E]urozone this has happened — and there’s no rulebook for how it should be done.”). In 2012, the European Stability Mechanism (“ESM”) replaced the European Financial Stability Facility. See Treaty Establishing the European Stability Mechanism, 2012 T/ESM [hereinafter ESM].

19. Itano, *Bailout*, *supra* note 18.

20. See Koukiadaki, *supra* note 14, at 276 (identifying the troika as European Commission (“EC”), the European Central Bank (“ECB”), and the International Monetary Fund (“IMF”)); Horen Voskeritsian & Andreas Kornelakis, *Institutional Change in Greek Industrial Relations in an Era of Fiscal Crisis* 1 (Hellenic Observatory London School of Economics, Paper No. 52, 2011) (stating that the troika—the EC, ECB, and IMF—provided the bailout funds).

21. See generally *The Economic Adjustment Programme for Greece*, *supra* note 4; *The Second Economic Adjustment Programme for Greece* (Eur. Comm’n, Occasional Papers No. 94, 2012), available at [http://ec.europa.eu/economy\\_finance/publications/](http://ec.europa.eu/economy_finance/publications/)

changes to member state labor law, in addition to several other structural reforms.<sup>22</sup>

As the first bailout country, Greece initiated the protest movement against the MoU's wage decreases, pension cuts, and tax increases.<sup>23</sup> The MoU, however, will have a greater effect on the working class than most protestors understood at the time.<sup>24</sup> The MoU's demand for labor law reform threatens the workers' right to bargain collectively for fair wages and better benefits.<sup>25</sup>

---

occasional\_paper/2012/pdf/ocp94\_en.pdf; *The Economic Adjustment Programme for Ireland*, *supra* note 4; *The Economic Adjustment Programme for Portugal*, *supra* note 4; *The Financial Sector Adjustment Programme for Spain 2* (Directorate-General for Economic and Financial Affairs, Eur. Comm'n, Occasional Paper No. 118, 2012), available at [http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2012/op118\\_en.htm](http://ec.europa.eu/economy_finance/publications/occasional_paper/2012/op118_en.htm); *The Economic Adjustment Programme for Cyprus* (Directorate-General for Economic and Financial Affairs, Eur. Comm'n, Occasional Papers No. 149, 2013), available at [http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2013/pdf/ocp149\\_en.pdf](http://ec.europa.eu/economy_finance/publications/occasional_paper/2013/pdf/ocp149_en.pdf).

22. See Catherine Barnard, *The Financial Crisis and the Euro Plus Pact: A Labour Lawyer's Perspective*, 41 *INDUS. L.J.* 98, 98 (2012) ("[I]n the case of states which have received a 'bail-out' (Greece, Ireland, and Portugal): the accompanying Memoranda of Understanding (MoU) make it clear that key reforms of labour law are necessary as a condition for receiving financial assistance from the [European Union] and the [International Monetary Fund]."); see generally *The Economic Adjustment Programme for Greece*, *supra* note 4; *The Economic Adjustment Programme for Ireland*, *supra* note 4. The European Union did not demand changes to Spain's labor law, as the MoU only involved restricting of its banking structure. See generally *The Financial Sector Adjustment Programme for Spain*, *supra* note 21.

23. See *Greece Tightens its Belt to Obtain Rescue Loans*, *supra* note 5 (describing the protests that took place in Athens, Greece in response to Parliament's approval of the austerity measures); Demetris Nellas, *May Day Protests in Greece Erupt in Violence: Demonstrations Target Anticipated Cuts and Tax Hikes*, *BOSTON GLOBAL*, May 2, 2010, at A3 (illustrating the violent protests that erupted on International Labor Day—May 1—in 2010 against the anticipated spending cuts that Parliament would announce "to win support" for the bailout).

24. Compare *Greece Tightens its Belt to Obtain Rescue Loans*, *supra* note 5, and Nellas, *supra* note 23 (stating that the Greeks protested against the anticipated spending cuts and tax increases), with *The Economic Adjustment Programme for Greece*, *supra* note 4, at 68 (demanding that Greece transform its labor relations system to provide employers with greater power to set wages).

25. See Nomos (2011:4024) Suntaksiidotikes ruthmiscis, eniaio mishthologio-vathmologio, ergasiaki efedreia kai alles diatakseis efarmogis tou mesoprothesmo plaiiou dimosionomikis stratigikis 2012-2015 [Pension arrangements, single payroll, job redundancy and other provisions for the implementation of the medium-term fiscal strategy framework for 2012-2015], *EPHEMERIS TES KYVERNESEOS TES HELLENIKES DEMOKRATIAS* [E.K.E.D.] 2012, A:226 (Greece) (implementing the labor law reform policies of the Memoranda of Understanding ("MoU") to eliminate the employee-friendly labor relations system that previously dominated in Greece for twenty years).

This Note analyzes the European Union's response to the sovereign debt crisis and its effect on Greek labor law. This Note recognizes that by signing the MoU, Greece agreed to implement the proscribed labor law reform to receive the IMF and European Union ("EU") bailout.<sup>26</sup> The issue that this Note seeks to explore is whether the European Union has the authority to demand labor law reform on a member state, as well as the effect of labor law reform on Greece.

Part I of this Note summarizes the EU treaties and economic policies that determine the European Union's scope of authority for imposing austerity measures in exchange for bailouts, in addition to describing the ignition of the European sovereign debt crisis. In Part II, this Note explains how the European Union's bailout measures transformed the Greek labor relations system. Finally, Part III argues that the European Union lacks the authority to demand changes to Greek labor law, in addition to concluding that the labor relations system imposed by the MoU is not only a misguided austerity measure but it also creates a power imbalance in favor of Greek employers.

### I. GREECE AND THE EUROPEAN SOVEREIGN DEBT CRISIS

Part I provides the background for exploring the European Union's authorization of imposing austerity measures as a condition for the bailouts. First, Part I.A summarizes the fundamental EU treaties and economic policies that determine the scope of the European Union's authority. Part I.B discusses the development of the sovereign debt crisis in Greece. Next, Part I.C explains how the Greek debt crisis spread to Ireland, Portugal, Spain, and Cyprus. Finally, Part I.D addresses the severe austerity measures imposed by the European Union on the five bailout countries—Greece, Ireland, Portugal, Spain, and Cyprus.

---

26. See *supra* notes 21–22 and accompanying text (acknowledging that Greece voluntarily signed the MoU with the European Union and the IMF to change its labor law in exchange for a bailout).



*A. European Union Treaties and Economic Policies Determine Whether Member State Bailouts and Austerity Measures Are Permissible*

Prior to enduring the effects of the European sovereign debt crisis, each Eurozone country signed the Treaty on the Functioning of the European Union and the Treaty on European Union to eventually establish the Economic and Monetary Union.<sup>27</sup> After several countries adopted the Euro, the Eurozone countries also agreed to uphold the economic policies of the Stability and Growth Pact.<sup>28</sup> These fundamental treaties and policies govern the scope of the European Union's authority.<sup>29</sup> The Treaty on the Functioning of the European Union determines whether the European Union has the authority to bailout a member state.<sup>30</sup> If such authority exists, the Treaty on European Union and the Stability and Growth Pact determine whether the European Union has the authority to impose changes to member state labor law in exchange for a bailout.<sup>31</sup>

1. Treaty on the Functioning of the European Union

Following the ratification of the Treaty of Lisbon in 2007, the European Union created the Treaty on the Functioning of the European Union ("TFEU").<sup>32</sup> TFEU Article 122 and 125

---

27. Consolidated Version of the Treaty on the Functioning of the European Union, 2010 O.J C 83/47 [hereinafter TFEU]; Consolidated Version of the Treaty on European Union, 2010 O.J C 83/13 [hereinafter TEU post-Lisbon].

28. Council Resolution of 17 June 1997, 1997 O.J C 236/1 (Stability and Growth Pact).

29. See generally TFEU, *supra* note 27, 2010 O.J C 83; TEU post-Lisbon, *supra* note 27, 2010 O.J C 83; Council Resolution of 17 June 1997, *supra* note 28, 1997 O.J C 236/1.

30. TFEU, *supra* note 27, arts. 122, 125, 2010 O.J C 83, at 98–99.

31. See *infra* Part I.A 2–3 (discussing the European Union authority under the Treaty on European Union ("TEU") and the Stability and Growth Pact ("SGP")).

32. See Boris Rykin, *Saving the Euro: Tensions with European Treaty Law in the European Union's Efforts to Protect the Common Currency*, 45 CORNELL INT'L L.J. 228, 233 (2012) (identifying the TFEU as one of the two fundamental EU treaties); *Treaty on the Functioning of Europe*, EUROFOUND, <http://www.eurofound.europa.eu/arcas/industrialrelations/dictionary/definitions/treatyonthefunctioningoftheeuropeanunion.htm> (last updated Feb. 7, 2012) (stating that the Treaty on the Functioning of the European Union ("TFEU") came into force on December 1, 2009 following the ratification of the Treaty of Lisbon, which made

determine whether the European Union has the authority to bailout a member state.<sup>33</sup> TFEU Article 122 authorizes a bailout if a member state “is in difficulties or is seriously threatened with severe difficulties caused by natural disasters or exceptional occurrences beyond its control.”<sup>34</sup> Article 125, on the other hand, forbids the European Union from “assum[ing] the commitments of central governments.”<sup>35</sup> Consequently, the TFEU creates some tension regarding member state bailouts. While Article 125 seems to prohibit member state bailouts, Article 122 authorizes bailouts under certain conditions.<sup>36</sup>

Once the European sovereign debt crisis emerged, however, the European Council amended the TFEU to grant Eurozone states the ability to establish a mechanism for providing bailouts.<sup>37</sup> The European Council amended TFEU Article 136 as follows: “The Member States whose currency is the [E]uro may establish a stability mechanism to be activated if indispensable to safeguard the stability of the [E]uro area as a whole. The granting of any required financial assistance under the mechanism will be made subject to strict conditionality.”<sup>38</sup> Faced with an unprecedented financial crisis, the seventeen Eurozone states utilized Article 136 to establish the European Stability Mechanism (ESM) to bailout Eurozone states.<sup>39</sup>

The ESM required that financially distressed Eurozone states seeking bailouts sign MoU detailing the conditionality of their loans.<sup>40</sup> Upon review of the ESM in *Thomas v. Ireland*, the European Court of Justice (“ECJ”) held that the ESM is consistent with TFEU Article 125’s no bailout provision.<sup>41</sup> The ECJ reasoned that Article 125’s aim is “to ensure that the [m]ember [s]tates follow a sound budgetary policy.”<sup>42</sup> The ECJ

---

amendments to the Treaty on European Union and the Treaty establishing the European Community).

33. TFEU, *supra* note 27, arts. 122, 125, 2010 O.J C 83, at 98–99.

34. *Id.* art. 122, at 98.

35. *Id.* art. 125, at 99.

36. *See* TFEU, *supra* note 27, art 122, 125, 2010 O.J C 83, 98–99 (presenting the tension between TFEU Articles 122 and 125).

37. Council Decision No 2011/199/EU (Stability Mechanism), 2011 O.J L 91/1.

38. *Id.*

39. *See generally* ESM, *supra* note 18.

40. ESM, *supra* note 18, art. 13(3), 2012 T/ESM, at 29.

41. *Thomas Pringle v. Ireland*, Case C-370/12, [2012].

42. *Id.* ¶ 135.

explained that Article 125 is “not intended to prohibit either the [European] Union or the [m]ember [s]tates from granting any form of financial assistance . . . to another [m]ember [s]tate[.]” as this would be inconsistent with TFEU Article 122.<sup>43</sup> The ECJ, therefore, concluded that the European Union has the authority to bailout a member state.

## 2. Treaty on European Union

Once the TFEU authorized member state bailouts, the Treaty on the European Union (“TEU”) then applies to determine whether the European Union has the authority to demand changes to member state labor law as a condition of the bailout.<sup>44</sup> EU member states signed the TEU on February 7, 1992, agreeing to “establish an economic and monetary union whose currency will be the [E]uro.”<sup>45</sup>

For a member state to adopt the Euro, it needed to satisfy the European Monetary Union (“EMU”) convergence criteria: (1) high degree of price stability, (2) sustainable government finances, (3) proper exchange rates, and (4) long-term interest rates.<sup>46</sup> As explained by Professor Roger Goebel, a well-recognized academic in EU law, no aspect of the TEU is of greater importance than the EMU provision; “it bound together in an unprecedented way the destinies of many European nations.”<sup>47</sup>

More specifically, member states agreed to transfer parts of their sovereignty to the European Union in order to achieve economic integration.<sup>48</sup> To prevent the complete elimination of

43. *Id.* ¶ 130.

44. TEU post-Lisbon, *supra* note 27, arts. 3, 5, 2010 O.J.C 83, at 17–18.

45. TEU post-Lisbon, *supra* note 27, art. 3, 2010 O.J.C 83, at 17.

46. Consolidated Version of the Treaty Establishing the European Community art 121, 2002 O.J.C 325/33, at 85 [hereinafter EC Treaty].

47. Franco Pavoncello, *One for All, All for One: The Euro Crisis*, 174 *WORLD AFF.* 59, 59 (2011); See MATTHEW LYNN, *BUST: GREECE, THE EURO, AND THE SOVEREIGN DEBT CRISIS 19-20* (2011) (noting that Maastricht, the city where the TEU was signed, is best known as the city in which the Euro was born); Andrej Fatur, *What Challenges Do the Central European and Mediterranean States Face in Trying to Join the Third Stage of the European Union?*, 28 *FORDHAM INT’L L.J.* 145, 153 (2004) (noting that Fordham Professor Roger Goebel wrote that the EMU is the most important provision of the TEU).

48. TFEU, *supra* note 27, art. 3, 2010 O.J.C 83, at 51 (listing the areas of exclusive European Union competence, where the member states have agreed to relinquish

member state sovereignty, the TEU established the principle of subsidiarity.<sup>49</sup> Under this principle, the European Union may act in areas outside of its exclusive competence only if the “objectives of the proposed action cannot be sufficiently achieved by the [m]ember [s]tates . . . but can rather, by reason of scale or effects of the proposed action, be better achieved at the [European] Union level.”<sup>50</sup> The TFEU does not list labor law as an area of exclusive competence.<sup>51</sup> To authorize changes to member state labor law, the European Court of Justice must, therefore, conclude that labor law is best determined at the EU level.<sup>52</sup>

### 3. Stability and Growth Pact

When eleven member states in 1997 satisfied the EMU convergence criteria and adopted the Euro as their joint currency, Former German Chancellor Helmut Kohl negotiated the Stability and Growth Pact (“SGP”).<sup>53</sup> Among other provisions, the SGP requires that the Eurozone states meet certain fiscal obligations to ensure that states maintain budget discipline to avoid excessive deficits.<sup>54</sup> More specifically, the SGP

---

sovereignty); see Kees Van Kersbergen & Berjan Verbeek, *The Politics of Subsidiarity in the European Union*, 32 J. COMMON MKT. STUD., 215, 218 (1994) (explaining that joining the European Union required transferring bits of member state sovereignty over to the European Union because certain tasks could no longer be performed efficiently by national governments).

49. See TEU post-Lisbon, *supra* note 27, art. 5, 2010 O.J C 83, at 18.

50. *Id.* The areas of exclusive competence are listed as the following: customs union, establishing of the competition rules necessary for the functioning of the internal market, monetary policy for the member states whose currency is the Euro, conservation of marine biological resources under the common fisheries policy, and common commercial policy. TFEU, *supra* note 27, art. 3, 2010 O.J C 83, at 51.

51. See *supra* note 50 and accompanying text (listing the areas of exclusive competence).

52. *Id.* (citing the TEU to explain when the European Union may act outside its area of exclusive competence).

53. Council Resolution of 17 June 1997, *supra* note 28, 1997 O.J C 236/1; see Goebel, *supra* note 16., at 1267–68 (explaining that Chancellor Kohl negotiated the SGP) because Germany was concerned that “some states that joined the Eurozone in the final stage of the Monetary Union might subsequently adopt lax budgetary policies that would harm the overall monetary stability of the Eurozone”); Ryvkin, *supra* note 32, at 227 (emphasizing that Chancellor Kohl convinced German voters to join the Euro by negotiating the SGP).

54. Council Resolution of 17 June 1997, *supra* note 28, 1997 O.J C 236/1 (establishes that Eurozone states must send an annual stability/convergence report to the European Commission, in addition to prohibiting Eurozone state budget deficits

prohibits member state budget deficits from exceeding three percent of Gross Domestic Product (“GDP”).<sup>55</sup> If a member state’s budget deficit exceeds three percent of GDP, the SGP requires that each member state—not the European Union—“take[s] the corrective budgetary action *they deem necessary* to meet the objectives of their stability or convergence.”<sup>56</sup>

To join the Eurozone, each Eurozone country agreed to the provisions of the TFEU, the TEU, and the SGP.<sup>57</sup> These fundamental treaties and economic policies, therefore, govern the scope of the European Union’s authority.<sup>58</sup> As a result, these agreements determine whether the European Union has the authority to alleviate the effects of the European sovereign debt crisis by requiring changes to member state labor law in exchange for a bailout.<sup>59</sup>

#### B. *Disclosures by a Newly Elected Greek Government Incite the Debt Crisis in Greece*

The European sovereign debt crisis broke out on October 20, 2009, when Greece’s newly elected government, led by George Papandreou of the Panhellenic Socialist Movement (“PASOK”), announced that the previous conservative government, New Democracy, severely misrepresented the country’s 2009 fiscal statistics to the European Union.<sup>60</sup> The

from exceeding three percent of GDP); see Patrick M. Crowley, *The Stability and Growth Pact: Bad Economics and/or the Politics of Least Resistance?* 2–3 (Mar. 2005), available at <http://aci.pitt.edu/317/1/SGP>3-06.pdf> (“On one level the SGP is clearly a set of procedures for monitoring fiscal policies of member states so that coordination can take place in the context of the economic inter-dependencies within EMU, but on another level the pact contains explicit rules governing limits for the outcome of macroeconomic policy to more clearly define the excessive deficit procedure contained in the Maastricht Treaty (of the European Communities (1992)) which was part of a set of criteria to foster economic convergence before EMU.”).

55. Council Resolution of 17 June 1997, *supra* note 28, 1997 O.J.C 236/1, at 1–2.

56. Council Resolution of 17 June 1997, *supra* note 28, 1997 O.J.C 236/1, at 1–2 (emphasis added).

57. See *supra* notes 27–28 and accompanying text (citing the TFEU, the TEU, and the SGP).

58. See *supra* notes 27–28 and accompanying text (referring to the European Union fundamental treaties and economic policies).

59. See *supra* Part I.A.1–3 (discussing the European Union’s scope of authority).

60. See Featherstone, *supra* note 17, at 199 (stating that George Papakonstantinou, the newly elected Panhellenic Socialist Movement (“PASOK”) finance minister,

deficit for 2009 was increased from 3.7% to 12.5%, and eventually to an overwhelming 15.8% of GDP, adding to an already large public debt of 114.7% of GDP.<sup>61</sup>

Greece's economic distress partly stems from the government's irresponsibility.<sup>62</sup> When Greece adopted the Euro in 2001, public spending soared, as the government exploited its access to low interest rates.<sup>63</sup> In fact, public sector wages increased by approximately a hundred percent between 2000 and 2008 to €27,480 million—11.4% of GDP.<sup>64</sup> While public spending increased during this period, widespread tax evasion occurred.<sup>65</sup> Reports state that the total amount of unpaid taxes

announced a tripling of the 2009 debt); Manos Matsagonis, *Social Policy in Hard Times: The Case of Greece*, 32 CRITICAL SOC. POL'Y 406, 406–07 (2012) (emphasizing the size of the fiscal statistical error reported by the previous conservation government).

61. See EUROPEAN COMMISSION, REPORT ON GREEK GOVERNMENT DEFICIT AND DEBT STATISTICS 3 (2010), available at [http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/COM\\_2010\\_REPORT\\_GREEK/EN/COM\\_2010\\_REPORT\\_GREEK-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/COM_2010_REPORT_GREEK/EN/COM_2010_REPORT_GREEK-EN.PDF) (criticizing the unreliability of Greek fiscal reports by explaining how Greece revised its 2009 deficit from 3.7% to 12.5% of Gross Domestic Product ("GDP")); Bank of Greece, *Summary of the Annual Report*, 34 (2011), available at [http://www.bankofgreece.gr/BogEkdoseis/Summary\\_Annrep2011.pdf](http://www.bankofgreece.gr/BogEkdoseis/Summary_Annrep2011.pdf) [hereinafter Bank of Greece 2011 Report] (increasing the 2009 deficit to 15.8% in 2011). Compare Bank of Greece, *Summary of the Annual Report*, 43 (2009), available at [http://www.bankofgreece.gr/BogEkdoseis/Summary\\_Annrep2009.pdf](http://www.bankofgreece.gr/BogEkdoseis/Summary_Annrep2009.pdf) (reporting the 2009 consolidated debt of the general government at 114.7% of GDP), and Bank of Greece, *Summary of the Annual Report* 36 (2010), available at [http://www.bankofgreece.gr/BogEkdoseis/Summary\\_Annrep2010.pdf](http://www.bankofgreece.gr/BogEkdoseis/Summary_Annrep2010.pdf) (increasing the 2009 consolidated debt to 216.8% of GDP), with Bank of Greece 2011 Report, *supra* note 61 (raising Greece's 2009 public debt to 129.4% of GDP).

62. See LYNN, *supra* note 47, at 115–16 (discussing Greece's fiscal irresponsibility upon joining the Eurozone); Tsoukalis, *supra* note 12, at 23–24 (identifying Greece's irresponsibility as a primary cause of the debt crisis). Greece's economic distress is also partly caused by the European Union's failure to implement an adequate economic surveillance system. See Tsoukalis, *supra* note 12, at 24 (recognizing that EU institutions also caused the debt crisis); Paul Krugman, *Greece as Victim*, N.Y. TIMES, June 18, 2012, at A23 ("So Greece, although not without sin, is mainly in trouble thanks to the arrogance of European officials, mostly from richer countries, who convinced themselves that they could make a single currency work without a single government. And these same officials have made the situation even worse by insisting, in the teeth of the evidence, that all the currency's troubles were caused by irresponsible behavior on the part of those Southern Europeans, and that everything would work out if only people were willing to suffer some more.").

63. See *supra* note 62 and accompanying text (explaining that public spending drastically soared when Greece adopted the Euro).

64. *The Economic Adjustment Programme for Greece*, *supra* note 4.

65. See LYNN, *supra* note 47, at 120 (providing an example of how Greece contributed to the crisis by failing to implement an effective tax system—only 324 residents paid swimming pool taxes in a prosperous suburb of Athens, compared to the

accumulated to approximately twenty-five percent of Greece's GDP.<sup>66</sup> After years of overspending and failing to implement an effective tax collection system, Greece's budget deficit—the difference between government spending and income—spiraled out of control.<sup>67</sup> When Lehman Brothers collapsed in 2008 causing a global financial crisis, however, Greece could no longer hide its deficit and debt levels.<sup>68</sup>

The corrections in Greece's fiscal reports caused investors in international markets to fear that Greece was dangerously close to defaulting on its foreign borrowing.<sup>69</sup> The credit agencies, starting with Fitch, began downgrading Greece's credit rating.<sup>70</sup> By early 2011, all three agencies had downgraded Greece's credit to junk status.<sup>71</sup> Consequently, the international

16,974 residences who owned pools when viewing a satellite image of the area); *Finance And Economics: Dues and Don'ts*, *ECONOMIST*, Aug. 14, 2010, at 62 (recognizing that Greece, as well as Italy, Portugal, and Spain, experience tax evasion).

66. See James Surowiecki, *Dodger Mania*, *NEW YORKER*, July 11, 2011, at 38 (stating that tax evasion amounted to a little over twenty-five percent of GDP); Liz Alderman & Rachel Donadio, *Greek Tax Scandal Diverts Attention From the Country's Shortfall in Collections*, *N.Y. TIMES*, Jan. 6, 2013, at A6 (“[T]otal unpaid taxes amounted to nearly €70 billion, about 25 percent of Greece's gross domestic product.”).

67. See *supra* notes 61–64 and accompanying text (stating the statistics and causes of Greece's deficit and debt levels).

68. See George Soros, *Does the Euro Have a Future?*, in *RESOLVING THE EUROPEAN DEBT CRISIS* 257, 257 (William R. Cline & Guntram B. Wolff eds., 2012) (pointing to the collapse of Lehman Brothers as the cause of the European sovereign debt crisis); *COSTAS LAPAVITAS ET AL., CRISIS IN THE EUROZONE* 5–6 (2012) (explaining that the collapse of Lehman Brothers caused speculators to focus on Greek debt).

69. See Norris Floyd, *A Greek Bearing Promises*, *N.Y. TIMES*, Dec. 18, 2009, at B1 (reporting that investors in the international markets have lost confidence that Greece will be able to pay its debts); *Greece Warned About Credit Rating*, *BBC NEWS*, Dec. 7, 2009, <http://news.bbc.co.uk/2/hi/business/8400773.stm> (“Greece's new government has acknowledged growing fears about its ability to pay its debts . . .”).

70. See JoAnne Norton, *Fitch Downgrades Greece to BBB+; Outlook Negative*, *BLOOMBERG*, Dec. 8, 2009, <http://www.bloomberg.com/apps/news?pid=newsarchive&sid=awPIoN5irEKE> (reporting that Fitch downgraded Greece to BBB+ from A-); *Standard and Poor Downgrades Greece*, *WASH. TIMES*, Dec. 17, 2009, <http://www.washingtontimes.com/news/2009/dec/17/s-and-p-downgrades-greece/?page=all> (reporting that Standard & Poor's downgraded Greece's credit rating on December 16, 2009); *Greece's Debt Rating Downgraded by Third Agency*, *BBC NEWS*, Dec. 27, 2009, <http://news.bbc.co.uk/2/hi/8426085.stm> (explaining that Moody's, the third of the three credit agencies, downgraded Greece on Dec 22, 2009).

71. See *Greece Credit Status Downgraded to Junk*, *BBC NEWS*, Apr. 27, 2010, <http://news.bbc.co.uk/2/hi/8647903.stm> (reporting that Standard & Poor's downgraded Greece's credit to junk status on April 27, 2010); *Moody's Downgrades Greek Debt to Junk Status*, *WASH. TIMES*, June 14, 2010, <http://www.washingtontimes.com/news/2010/jun/14/moodys-downgrades-greek-debt-junk-status/> (noting that Moody's

markets stopped investing in Greece, as it was considered too highly indebted.<sup>72</sup> Investors' fear of investing in a highly indebted country would potentially create a vicious circle: if investors stopped purchasing Greek bonds, Greece would be unable to pay creditors to reduce its budget deficit, which would harm investor confidence.<sup>73</sup>

*C. International Markets React to the Greek Debt Crisis and Spread A  
Fear of Contagion Throughout Europe*

While Greece may have created its debt crisis by acting fiscally irresponsible, the Greek economy was not in a unique position in 2009.<sup>74</sup> Several other Eurozone countries were also suffering from high budget deficits.<sup>75</sup> In 2008, Ireland had experienced a housing bubble and credit burst, which forced the Irish government to bailout the private banks.<sup>76</sup> As a result,

---

downgraded Greece to junk status on June 14, 2010); *Third Rating Agency Downgrades Greece Sovereign Debt to Junk*, GUARDIAN (U.K.), Jan. 14, 2011, <http://www.guardian.co.uk/business/2011/jan/14/ratings-agency-downgrades-greek-sovereign-debt-junk> (reporting that Fitch downgraded Greece to junk status on January 14, 2011).

72. See LYNN, *supra* note 47, at 2 (explaining that "capital markets were no longer interested in buying Greek bonds" because Greece was too highly indebted); Koukiadaki, *supra* note 14, at 281 (indicating that Greece could not access the international bond market due to the lowering of its credit rating).

73. See *Eurozone Crisis Explained*, BBC NEWS, Nov. 27, 2012, <http://www.bbc.co.uk/news/business-13798000> ("If Greece does not repay its creditors, a dangerous precedent will have been set. This may make investors increasingly nervous about the likelihood of other highly-indebted nations, such as Italy, or those with weak economies, such as Spain, repaying their debts or even staying inside the euro. If investors stop buying bonds issued by other governments, then those governments in turn will not be able to repay their creditors - a potentially disastrous vicious circle.").

74. See *supra* notes 62–66 and accompanying text (stating the causes of the Greek debt crisis); see also *The Economic Adjustment Programme for Greece*, *supra* note 4, at 11 (identifying Spain and Ireland as having large debts and deficits, in addition to recognizing financial distress in Portugal); Tsoukalis, *supra* note 12, at 35 ("Euro leaders hoped in May 2010 that Greece would be a unique case requiring special treatment. They were proved wrong a few months later, when other countries followed Greece asking for European support. . . . Many of the problems Greece is facing are far from unique.").

75. See *supra* note 14 and accompanying text (recognizing the financial distress throughout Europe).

76. See Alan Ahearne, *Political-Economic Context in Ireland*, in RESOLVING THE EUROPEAN DEBT CRISIS 37, 37, 42 (William R. Cline & Guntram B. Wolff eds., 2012) (explaining that the Irish housing bubble and related credit boom that occurred in 2008 resulted in a bailout of the banking sector); MacMaoláin, *supra* note 14, at 388–89



Ireland's budget deficit significantly increased.<sup>77</sup> Unsettled by the Greek crisis, international market investors became concerned with Ireland's high deficit and caused "yields on Irish government debt [to rise] to unsustainable levels."<sup>78</sup>

The European sovereign debt crisis then spread to Portugal, where the deficit increased to 9.3% of GDP in 2009.<sup>79</sup> In response to the Greek crisis, Portugal implemented several austerity measures to lower its deficit.<sup>80</sup> When the government rejected the fourth austerity package, the credit agencies began downgrading Portugal's credit ratings, causing Portuguese interest rates to soar.<sup>81</sup>

Similar to Ireland, Spain experienced a housing bubble burst, which caused its budget deficit to increase to 11.2% of GDP in 2009.<sup>82</sup> To avoid suffering the fate of Greece, Ireland, and Portugal, Spain implemented several austerity measures.<sup>83</sup>

(noting that the "majority of debt now owed by Ireland previously belonged to private banks and building societies," as Ireland "guaranteed all of the obligations of the main banks" in September 2008 after the housing bubble burst).

77. See Ahearne, *supra* note 76, at 37 (stating that Irish economic activity has slumped since 2008 due to the housing bubble deflation, which caused the deficit to rise to over ten percent of GDP); see also Espinosa, *supra* note 12, at 12 (recording that the deficit rose to over ten percent of GDP).

78. Ahearne, *supra* note 76, at 38; see Espinosa, *supra* note 12, at 12 (Ireland's "cost of borrowing soared to levels only surpassed by Greece.").

79. See Lourtie, *supra* note 14, at 87 (recording the public deficit at 9.3% of GDP); see also Jorge Miguel Fernandes, *The 2011 Portuguese Election: Looking for a Way Out*, 34 W. EUR. POL. 1296, 1297 (2012) (identifying the budget deficit at ten percent of GDP — the highest in the last 160 years).

80. See Espinosa, *supra* note 12, at 13 ("When the debt crisis hit, Portugal's interest rates began to rise and its government enacted several rounds of austerity cuts while the economy fell into a recession."); Fernandes, *supra* note 79, at 1297 (indicating that the Portuguese government had implemented three austerity packages prior to requesting a bailout).

81. See Lourtie, *supra* note 14, at 86 ("[M]arkets . . . reacted badly to political instability, and interest rates for Portuguese bonds soared."); Fernandes, *supra* note 79 (explaining that Portugal was forced to request a bailout, as it was faced with the risk of not meeting international debt obligations).

82. See Guillermo de la Dehesa, *Spain and the Euro Area Sovereign Debt Crisis*, in *RESOLVING THE EUROPEAN SOVEREIGN DEBT CRISIS* 109, 120–22 (William R. Cline & Guntram B. Wolff eds., 2012) (criticizing the Spanish government for failing to prevent the housing bubble); Espinosa, *supra* note 12, at 13 (reporting Spanish deficit at 11.2% of GDP in 2009).

83. See Dehesa, *supra* note 82, at 120–21 (describing the different types of structural reforms pursued by Spain); Espinosa, *supra* note 12, at 14 ("The Spanish Prime Minister, Jose Luis Zapatero, passed an austerity package designed to cut the deficit to six percent in 2011.").

Spanish interest rates, however, continued to increase across international markets.<sup>84</sup>

Cyprus, on the other hand, experienced “a long period of high growth, low unemployment, and sound public finances” prior to 2008.<sup>85</sup> It was unfortunately directly affected by the Greek debt crisis.<sup>86</sup> Cypriot banks had made loans to Greek borrowers worth 160% of GDP.<sup>87</sup> When the value of the debts owed by the Greek government was decreased due to the debt crisis in Greece, the Cypriot banks were hit hard.<sup>88</sup>

Once the investors in international markets discovered the financial vulnerability in the Eurozone, a “fear of contagion” spread throughout Europe.<sup>89</sup> Many theorized that if Greece were forced to declare bankruptcy, this would result in a domino effect, where the sovereign debt crisis would spread from one vulnerable Eurozone country to another, ultimately jeopardizing the future of the Euro.<sup>90</sup> To thwart this fear, on February 11,

84. See Espinosa, *supra* note 12, at 14 (stating that Spanish interest rates continued to rise, even though the government passed austerity packages); *Spain's Borrowing Costs Hit 14-Year High*, BBC NEWS, Nov. 7, 2011, <http://www.bbc.co.uk/news/business-15771776> (“Spain has to pay an interest rate of 6.975%, the highest since 1997.”).

85. Paul Krugman, *The Conscience of a Liberal*, N.Y. TIMES, Mar. 18, 2013, available at <http://krugman.blogs.nytimes.com/2013/03/18/island-nightmares/>; see *Q&A: Cyprus Bailout*, BBC NEWS, Mar. 23, 2012, <http://www.bbc.co.uk/news/world-europe-21817197> (referring to the IMF's report on Cyprus).

86. See *What Has Been Agreed in Cyprus?*, CNN, March 27, 2013, <http://edition.cnn.com/2013/03/18/business/cyprus-bank-levy-explainer> (noting that Cypriot banks lost money and need refinancing when Greece took a haircut); *Q&A: Cyprus Bailout*, *supra* note 85 (stating that the Greek crisis created vulnerabilities in the Cypriot economy).

87. *Q&A: Cyprus Bailout*, *supra* note 85; Richard Barley, *A Cyprus Bailout Is Harder Than It Looks*, WALL ST. J., Jan. 12, 2013, at B16 (“Cyprus's banking sector is five times the size of its economy and held Greek debt valued at 160% of gross domestic product in 2011.”).

88. See *supra* notes 85–86 and accompanying text (summarizing Cyprus economic crisis).

89. See *Greece's Sovereign Debt Crunch: A Very European Crisis*, ECONOMIST, Feb. 6, 2010, at 75–77 (discussing the “fear of contagion”); *The Economic Adjustment Programme for Greece*, *supra* note 4, at 11 (justifying the Greek bailout as the only method to prevent contagion).

90. See Pavoncello, *supra* note 47, at 59 (“When the Greek government suddenly revealed in late 2009 that it might not be able to honor its debts, a wave of panic spread through the European market: Other countries in distress—Ireland, Spain, Portugal—could suffer the same fate, and the Euro and Eurozone themselves could possibly collapse.”); *Fear of Fear Itself: Financial Contagion*, ECONOMIST, June 25, 2011, at 33–34

2010, the European Union pledged to rescue Greece if necessary.<sup>91</sup> EU President Herman Van Rompuy declared that the sixteen Eurozone countries had a “shared responsibility” for economic stability and would take “determined and coordinated” action to safeguard financial stability.<sup>92</sup>

*D. European Union Agrees to Bailout Greece, Ireland, Portugal, and Spain in Exchange for Austerity Measures*

Although the Papandreou Administration enacted several austerity measures in an attempt to regain international investors’ trust and avoid a bailout, Greece (followed by Ireland, Portugal, Spain, and Cyprus) was forced to call upon the European Union “to send the lifeboat they [had] been promising.”<sup>93</sup> On May 2, 2010, the European Union and the IMF agreed to €110 billion in bailout loans to help the government pay its creditors—€80 billion from the EC and ECB and €30 billion from the IMF.<sup>94</sup> In exchange for this loan, Greece signed the Memorandum of Understanding of Economic and Financial Policies and the Memorandum of Understanding on Specific Policy Conditionality, together referred to as the Memoranda of Understanding (“MoU”).<sup>95</sup> The European Union assumed that

---

(explaining that a Greek default may spread to other vulnerable Eurozone countries with high public debts, such as Ireland, Portugal, Spain, and Italy).

91. See Lourtic, *supra* note 14, at 75 (noting that the meeting that took place on February 11 was chaired by Herman Van Rompuy who conveyed the message that the “[E]uro area member states would take determined and coordinated action, if needed, to safeguard financial stability in the Euro area as a whole”); Leo Cendorwicz, *E.U. Comes to Greece’s Rescue, with Strings*, TIME (Feb. 11, 2010), (reporting that the European Union pledges to financially assist Greece if called upon to do so).

92. See *supra* note 91 and accompanying text (summarizing the European Union’s pledge to preserve the Euro).

93. Nicole Itano, *Greece Asks for a Bailout, But at What Cost?*, TIME, Apr. 23, 2010; see LYNN, *supra* note 47, at 140 (explaining that Greece attempted to combat the crisis until April 2010 when the Papandreou Administration threw in the towel and asked for a bailout); Apostolis Kapsalis, *Government Adopts Extraordinary Measures to Tackle Economic Crisis*, EUROFOUND, <http://www.eurofound.europa.eu/ciro/2010/03/articles/GR1003029I.htm> (last updated May 4, 2010) (“[T]he [Greek] government has taken extraordinary economic measures to reduce both the deficit and debt.”).

94. See *The Economic Adjustment Programme for Greece*, *supra* note 4, at 26 (explaining that the program’s financing will come through bilateral lending from the IMF and the Euro area member states, where the EC will “coordinate and implement the programme” and the ECB will manage the account).

95. See generally, *The Economic Adjustment Programme for Greece*, *supra* note 4.

the €110 billion loan would not only allow the Greek government to pay its creditors but it would also encourage international investors to regain confidence in Greece.<sup>96</sup>

Within a few months, Ireland signed MoU with the European Union and the IMF on February 2011 for €85 billion, while Portugal followed shortly thereafter and signed MoU in May 2011 for €78 billion.<sup>97</sup> It soon became apparent that Greece needed more aid.<sup>98</sup> On March 13, 2012, therefore, Greece received a second bailout for an additional €130 billion.<sup>99</sup> Spain then joined Greece, Ireland, and Portugal on July 2012 and signed MoU for €100 billion.<sup>100</sup> More recently, Cyprus sign MoU in May 2013 for €10 billion.<sup>101</sup>

These MoU stipulate that the loans would be disbursed in installments, on the condition that Greece, Ireland, Portugal, Spain, and Cyprus meet the time-specific commitments detailed in the MoU.<sup>102</sup> In other words, to receive an installment of the

96. See *The Economic Adjustment Programme for Greece*, *supra* note 4, at 10 (identifying restoring Greece's credibility for private investment as an EU objective for the Greek economic program).

97. See *The Economic Adjustment Programme for Ireland*, *supra* note 4, at 5 (stating that the European Union approved an €85 billion loan to Ireland in February 2011); *The Economic Adjustment Programme for Portugal*, *supra* note 4, at 4 (explaining that the European Union agreed to a Portuguese financial program in May 2011 for €78 billion).

98. See Matsagonis, *supra* note 60, at 407 ("It gradually became clear that more aid was needed."); see generally *The Second Economic Adjustment Programme for Greece*, *supra* note 21.

99. See *The Second Economic Adjustment Programme for Greece*, *supra* note 21, at 4 (stating that the European Union, along with the IMF, agreed to an additional €130 billion loan).

100. See *The Financial Sector Adjustment Programme for Spain*, *supra* note 21, at 2 (reporting that the European Union agreed to a Spanish financial package of €100 billion).

101. See *The Economic Adjustment Programme for Cyprus*, *supra* note 21, at 7 (explaining that European Union, the IMF, and Cyprus agreed to €10 billion in May 2013).

102. See Koukiadaki, *supra* note 14, at 282 n.25 ("It has to be stressed here that the loan was to be disbursed in installments, on condition that the Greek government met a number of commitments to service the loan according to a number of agreed conditions and to implement the time-specific measures set out in the Memoranda."); *The Economic Adjustment Programme for Ireland*, *supra* note 4, at 59–73 (indicating the Irish reforms that need to be completed for each quarterly review); *The Economic Adjustment Programme for Portugal*, *supra* note 4, at 58–93 (specifying the Portuguese reforms that must be implemented for each quarterly review); *The Financial Sector Adjustment Programme for Spain*, *supra* note 21, at 65–66 (outlining the agenda for refinancing the banking sector from July 2012 to June 2013).

loan, these countries needed to implement “sweeping spending cuts, steep tax increases, and an ambitious programme of structural reforms.”<sup>103</sup> More specifically, the MoU demanded that Greece make significant changes to its labor law.<sup>104</sup>

Although Greece experienced incomparable financial distress beginning in 2009, severe economic conditions also forced Ireland, Portugal, Spain, and Cyprus to seek financial assistance.<sup>105</sup> In exchange for these loans, the European Union, together with the IMF, developed country-specific austerity packages to save the Euro.<sup>106</sup> The fundamental treaties and economic policies of the European Union govern whether the European Union has the authority to require austerity measures, such as transforming a member state’s labor relations system, in exchange for a bailout.<sup>107</sup>

## II. GREEK LABOR RELATIONS

Part II discusses how the European Union’s efforts to resolve the European debt crisis have transformed Greek labor relations. Part II.A summarizes the Greek labor relations system prior to the sovereign debt crisis. Part II.B identifies the EU bailout measures that significantly affected Greek labor law, in addition to noting that the implementation of the bailout measures transformed Greek labor relations into a decentralized system.

### A. *Pre-Crisis Legal Framework of the Greek Labor Relations System*

Prior to the economic crisis, the Greek Constitution, supplemented by Law 1876/1990, created the legal framework

---

103. Matsagonis, *supra* note 60, at 407; *see generally* *The Economic Adjustment Programme for Greece*, *supra* note 4.

104. *See* *The Economic Adjustment Programme for Greece*, *supra* note 4, at 21 (outlining the labor reform policies that the Greek government must implement).

105. *See supra* notes 97–100, 102 and accompanying text (explaining the Irish, Portuguese, and Spanish MoU).

106. *See supra* notes 102–103 and accompanying text (summarizing the MoU austerity measures).

107. *See supra* notes 42–43, 51–53, 55–56 and accompanying text (discussing the TFEU, TEU, and SGP).

for the Greek labor relations system.<sup>108</sup> Article 22 of the Constitution grants the federal government the power to determine general working conditions by law.<sup>109</sup> It also protects a worker's right to supplement such laws with collective labor agreements.<sup>110</sup> These agreements are either contracted through collective bargaining, or, in the case of impasse, by arbitration.<sup>111</sup> Moreover, Article 23 protects the right of labor organizations to regulate their terms and conditions of employment.<sup>112</sup>

In addition to the Constitution, Law 1876/1990 structures the labor relations system in the private sector.<sup>113</sup> It creates four types of collective labor agreements: (1) the national agreement, (2) sectoral agreements, (3) occupational agreements, and (4) firm agreements.<sup>114</sup> The national agreement, referred to as the

---

108. See Yota Kravaritou, *Greece*, in HISTORICAL, ECONOMIC, AND SOCIAL BACKGROUND IN EMPLOYMENT AND INDUSTRIAL RELATIONS IN EUROPE 91, 91–93 (Michael Gold & Manfred Weiss eds., 1999) (explaining that the Constitution and Law 1876/1990 established the labor relations system in Greece); Eleni Patra, *Social Dialogue and Collective Bargaining in Times of Crisis: The Case of Greece* 5–6 (International Labour Organization, Working Paper No. 39, 2012) (summarizing the pre-crisis legal framework by focusing on the Greek Constitution and Law 1876/1990).

109. 1975 SYNTAGMA [SYN.] [CONSTITUTION] 22 (Greece) (“General working conditions shall be determined by law, supplemented by collective labor agreements contracted through free negotiations and, in case of the failure of such, by rules stipulated by arbitration.”).

110. *Id.*

111. *Id.*

112. *Id.* at art. 23 (“The State shall adopt due measures safeguarding trade union freedom and the unhindered exercise of related rights against any infringement thereon with the limits of the law.”).

113. Nomos (1990:1876) *Elcutheres sullogikes diapragmatcuscis kai alles diatakscis* [Free collective bargaining and other provisions], EPHEMERIS TES KYVERNESEOS TES HELLENIKES DEMOKRATIAS [E.K.E.D.] 1990, A:27, art. 4, 16–17 (Greece) [hereinafter Law 1876/1990]. It is important to note that collective labor agreements in the public sector are prohibited; the government sets wages and salaries. See Patra, *supra* note 108, at 11 (stating that wages are set by the government in the public sector); THEODORE KONIARIS, *LABOUR LAW IN HELLAS* 230–31 (2002) (“It should be mentioned that in [Greece] the right to conclude collective agreements has been denied to civil servants by all Hellenic governments.”).

114. Law 1876/1990, *supra* note 113, art. 3.1 (“Collective agreements are distinguished into: a. national general agreement covering all workers, b. sectoral collective agreements covering employees of more identical or closely similar enterprises or firms of a certain city or area or the whole of the country, c. firm agreements covering employees of a company, d. national occupational agreements covering those employees of a certain occupation in the country, e regional collective agreements covering employees of a certain occupation in a city or region of the country.”). See Patra, *supra* note 108, at 6–7 (identifying four types of agreements in Law 1876/1990: (a) the National General Collective Agreements (Εθνική Γενική

National General Collective Agreement (Εθνική Γενική Συλλογική Σύμβαση Εργασίας (“EGSEE”)), sets the minimum work standards applicable to all private sector workers.<sup>115</sup>

The agreement is reached at the national level by the General Confederation of Greek Workers (“GSEE”), which represents private sector workers, and the Hellenic Federation of Enterprises (“SEV”), Hellenic Confederation of Professionals, Craftsmen and Merchants (“GSEVEE”), and National Confederation of Hellenic Commerce (“ESEE”), which represent private sector employers.<sup>116</sup>

Sectoral agreements cover workers in the same industry.<sup>117</sup> Occupational agreements cover workers in the same occupation.<sup>118</sup> For example, a sectoral agreement may cover all workers in the hotel industry, including accountants, cleaning staff, event planners, *et cetera*.<sup>119</sup> An occupational agreement, on

Συλλογική Σύμβαση Εργασίας), (b) sectoral collective agreements, (c) occupational collective agreements, and (d) firm collective agreements); *see also* Voskeritsian, *supra* note 20, at 11 (explaining the four types of collective agreements).

115. Law 1876/1990, *supra* note 113, art. 3.1 (“Collective agreements shall be classified as follows: a national general labor agreements applicable to all workers.”).

116. Kravaritou, *supra* note 108, at 93 (“The employers’ organizations and the trade unions are represented at [the] national level on the employers’ side by the Federation of Greek Industries (SEV), the General Confederation of Greek Small Businesses and Trade Unions (GSEVEE) and the Federation of the Commercial Associations of Greece (ESEE), and on the employees’ side by the Greek General Confederation of Labour (GSEE.”); Patra, *supra* note 108, at 6, 9-10 (explaining that the National General Collective Agreement (“EGSEE”) is negotiated on the employees’ side by the General Confederation of Greek Workers (“GSEE”) and on the employers’ side by the Hellenic Federation of Enterprises (“SEV”), the Hellenic Confederation of Professionals, Craftsmen and Merchants (“GSEVEE”), and the National Confederation of Hellenic Commerce (“ESEE”).

117. Law 1876/1990, *supra* note 113, art. 3.1 (“Collective agreements are distinguished into: . . . b. sectoral collective agreements covering employees of more identical or closely similar enterprises or firms of a certain city or area or the whole of the country . . .”).

118. *Id.* art. 3.1 (“Collective agreements are distinguished into: . . . d. national occupational agreements covering those employees of a certain occupation in the country . . .”).

119. KONIARIS, *supra* note 113, at 230 (explaining that sectoral collective agreements cover employees of closely similar firms of a certain city or area of the country, whereas occupational collective agreements cover employees of a certain occupation); Patra, *supra* note 108, at 6 (identifying two of the four collective agreements as “[s]ectoral collective agreements, which cover employees in the same sector . . . [and] [o]ccupational collective agreements (crafts), which cover employees of the same or related occupation(s) or trades . . .”).

the other hand, covers only workers in a specific craft, such as tour guides.<sup>120</sup>

Lastly, firm agreements apply to workers within a company.<sup>121</sup> Firm agreements are bargained for by local unions.<sup>122</sup> To exercise collective bargaining rights, the firm must employ more than fifty workers.<sup>123</sup>

Firm agreements provide a decentralized option in the Greek labor relations system by giving individual employers the option to engage in collective bargaining.<sup>124</sup> Firm agreements, however, are not common in Greece.<sup>125</sup> According to data available since the enactment of Law 1876/1990, only 150 companies have signed collective agreements.<sup>126</sup> This occurs because Law 1876/1990 did not afford Greek employers the

120. See *supra* notes 117–19 and accompanying text (comparing sectoral and occupational agreements).

121. Law 1876/1990, *supra* note 113, art. 3.1 (“Collective agreements are distinguished into: . . . c. firm agreements covering employees of a company . . . .”); see KONIARIS, *supra* note 113, at 230 (referring to firm agreements as “single-enterprise collective contracts: for employees of an enterprise”); see also Patra, *supra* note 108, at 7 (defining firm agreements as collective agreements that cover all employees of a certain company).

122. Law 1876/1990, *supra* note 113, art. 3.5 (“Enterprise agreements shall be concluded by the enterprise unions representing all the workers concerned, irrespective of their occupational category, job or area of specialisation; where no such union exists, the said collective agreements shall be concluded by union organisations at the first level in the sector concerned and by the chief executive of the enterprise.”).

123. Law 1876/1990, *supra* note 113, art. 6, 1, b (“The following shall be legally entitled to conclude collective agreements: . . . b. any employer employing fifty (50) workers at least.”).

124. TOKE AIDT & ZAFIRIS TZANNATOS, UNIONS AND COLLECTIVE BARGAINING: ECONOMIC EFFECTS IN A GLOBAL ENVIRONMENT 28–29 (2002) (identifying centralized collective bargaining as occurring “when the national union confederation and the national employers’ organization can influence and control wage levels and patterns across the economy.”); Jesus Ferreiro, *Decentralized Versus Centralized Collective Bargaining: Is the Collective Bargaining Structure in Spain Efficient?*, 26 J. POST KEYNESIAN ECON. 695, 697 (2004) (explaining that decentralized collective bargaining involves setting wages at the firm level).

125. Yiannis Kouzis, *The Impact of the Crisis and Labour Relations and Collective Agreements in Greece*, 3(2) INT’L LAB. RES. 245, 249 (2011) (“According to the data available, some 4,000 private sector enterprises enjoy this right, out of the 900,000 firms registered in Greece And yet, only 150 of them have signed collective agreements since 1990, when the law came into force.”); Adreas Nikolopoulos & Eleni Patra, *Current Situation and Future Trends of the Industrial Relations System and Trade Unions in Greece*, 23 INT’L REV. MGMT. STUD. 353, 356 (2012) (explaining that employers did not take advantage of Law 1876/1990 to get involved in labor-management relations).

126. Kouzis, *supra* note 125, at 249 (citing statistics on collective labor agreements).



opportunity to bargain at the firm level.<sup>127</sup> Law 1876/1990 required that companies employ at least fifty workers to exercise collective bargaining rights.<sup>128</sup> In a country where approximately ninety-eight percent of companies employ less than ten workers, it was inevitable that centralized bargaining would dominate.<sup>129</sup>

Under this labor relations framework, most workers are covered by more than one collective labor agreement.<sup>130</sup> For example, an accountant in the hospitality industry may be covered by all four types of agreements.<sup>131</sup> As mandated by Law 1876/1990, the EGSEE (the national agreement) applies to an accountant, as it covers all workers.<sup>132</sup> Additionally, an accountant may be covered by a sectoral agreement that applies to all workers in the hospitality industry.<sup>133</sup> There may also be an occupational agreement that covers all accountants, regardless of where they are employed.<sup>134</sup> Lastly, an accountant may work for a company where the employer has negotiated a firm agreement with his/her employees.<sup>135</sup> Law 1876/1990's favorability principle establishes that the labor agreement containing the most favorable terms to the employee prevails.<sup>136</sup>

---

127. *See supra* notes 121–23 and accompanying text (quoting Law 1876/1990's requirement for firm collective bargaining).

128. *See supra* note 123 and accompanying text (citing the requirements for firm collective bargaining).

129. *See Voskeritsian, supra* note 20, at 22 (“In a country where 98% of its companies employ less than less than ten employees . . . it is fairly obvious that a vast majority of the labour force never had any experience of firm-level collective processes.”) (internal citation omitted); *see also* Kravaritou, *supra* note 108, at 100 (“The structure of collective agreements has traditionally been strictly centralized and hierarchical, and their content exceptionally limited in comparison with the situation in other European countries.”); *supra* note 125, at 354 (identifying Greece as a heavily centralized system by noting that “considerable government intervention” and a “lack of initiative by the Greek ‘employers’” dominates the industrial relations system).

130. *See supra* note 114 and accompanying text (identifying the four types of collective labor agreements).

131. *See id.* (describing the types of collective labor agreements).

132. *See supra* note 115 and accompanying text (discussing the EGSEE).

133. *See supra* notes 117–18 and accompanying text (comparing sectoral and occupational agreements).

134. *See supra* notes 117–18 and accompanying text (distinguishing occupational agreements from sectoral agreements).

135. *See supra* notes 121–22 and accompanying text (discussing firm agreements).

136. Law 1876/1990, *supra* note 113, art. 10 (“Where an employment relationship is governed by more than one collective agreement in force, the agreement containing the terms most favourable to the workers shall prevail.”); *see Patra, supra* note 108, at 7 (stating that even though an employee may be covered by more than one collective

Moreover, Law 1876/1990 establishes that sectoral, occupational, and firm agreements cannot contain any provisions less favorable than the EGSEE.<sup>137</sup>

Law 1876/1990 also establishes a dispute resolution mechanism referred to as the Organization for Mediation and Arbitration (Οργανισμός Μεσολάβησης και Διατησίας (OMED)).<sup>138</sup>

Under Law 1876/1990, if the parties reach an impasse during collective bargaining, they may call the OMED.<sup>139</sup> The parties first proceed with mediation.<sup>140</sup> If the parties fail to reach an agreement, the mediator has the authority to submit a written proposal to the parties.<sup>141</sup> A dispute can only proceed to

agreement, the agreement containing the most favorable terms prevails); *see also* Voskeritsian, *supra* note 20, at 11 (explaining that the favorability principle “established a hierarchy among these difference kinds of agreements, according to which the more decentralized agreements overruled the more centralized agreements if, and only if, the former’s terms and conditions of employment were better than the latter’s.”).

137. Law 1876/1990, *supra* note 113, art. 3.2 (“Firm, sectoral, and occupational collective agreements may not contain unfavorable working conditions below the National General Collective Agreement.”).

138. *Id.* arts. 14–16.

139. *Id.* art. 14.1 (“If collective bargaining fails, the interested parties have the right to request mediation services or to apply for arbitration.”). *See* Patra, *supra* note 108, at 7 (“In the case of an impasse during the negotiations towards a collective agreement, the parties may resort to the Organization for Mediation and Arbitration (OMED) for resolution through mediation and arbitration.”); Nikolopoulos, *supra* note 125, at 356–57 (explaining that the parties may proceed to mediation and arbitration in the case of impasse).

140. Law 1876/1990, *supra* note 113, art. 16.1 (identifying arbitration as an “appeal” procedure). *See* Patra, *supra* note 108, at 7 (explaining that mediation is the main service offered when parties reach an impasse during negotiation, as it is considered an extension of collective bargaining).

141. Law 1876/1990, *supra* note 113, art. 15.6 (“If the parties do not conclude an agreement within twenty (20) working days from the day after the mediator has assumed his duties, the mediator has the right to submit to them his own proposal (b) If the parties do not announce in writing the acceptance of the mediator’s proposal, within five (5) working days from its communication, the proposal is considered to be rejected The acceptance or rejection of the proposal is announced to the other party as well The proposal of the mediator can be made public by the mediator himself in the daily press or in periodicals.”). *See* Patra, *supra* note 108, at 7 (“If the negotiating parties fail to reach an agreement, the mediator has the right to submit a written proposal, which may become the text for the collective agreement if the parties accept it.”); Ioannis D. Koudiakos, *General Characteristics of the Greek Labor Law*, 30 COMP. LAB. L. & POL’Y 145, 157 (2008) (explaining that “the mediator’s role expires: (a) with an agreement that is considered a collective work agreement; (b) by certifying the failure of mediation; or (c) through submission of his own proposal upon failure if he judges that the dispute should be the subject of arbitration”).

arbitration in the following scenarios: (1) by mutual consent of the parties, (2) unilaterally if the other party refused mediation, (3) unilaterally by the workers' organization, as long as the mediator's proposal was accepted by the workers' organization and rejected by the employer, or (4) by the party that accepted the mediator's proposal, as long as it involved a firm agreement.<sup>142</sup> Some commentators note that these restrictions create asymmetry, where unions have a unilateral right to compel arbitration when the employer either rejects the mediator's proposal or fails to participate in the mediation.<sup>143</sup> Parliament legislated for asymmetry to mitigate the power imbalance between unions and employer organizations fostered under Law 3239/1954—the previous labor relations legislative framework.<sup>144</sup> Under Law 3239/1955, any negotiation that did not result in an agreement resorted to arbitration.<sup>145</sup> To encourage social dialogue and good faith collective bargaining,

---

142. Law 1876/1990, *supra* note 113, art. 16.1 (“An appeal to arbitration can occur: a) by mutual consent of the parties, b) unilaterally if the other party refused mediation, c) unilaterally by the workers' organization, as long as the mediator's proposal was accepted by workers' organization and rejected by the employer, or d) by the party that accepted the mediator's proposal, as long as it involved a firm agreement.”).

143. See Voskeritsian, *supra* note 20, at 13 (identifying the arbitration system as asymmetrical because unions are granted the unilateral right to compel arbitration); *The Economic Adjustment Programme for Greece*, *supra* note 4, at 68 (recognizing that Greece has an asymmetrical arbitration process by requiring that the government amend Law 1876/1990 “so that both parties can resort to arbitration if they disagree with the proposal of the mediator”).

144. See Voskeritsian, *supra* note 20, at 14–5 (“Given the power imbalance in the employment relationship, the legislator chose to benefit the trade unions with the right to unilaterally revert to arbitration if they encountered an unbendable employer's association, and the negotiations reached a deadlock. This right was, in other words, a ‘weapon’ at the hands of the unions to persuade the employers to take negotiations seriously and to approach the negotiating table in a cooperative way.”); Nikolopoulos, *supra* note 125, at 360 (stating that arbitration has operated in a liberal way, where wages have been approximately ten percent higher than the national general collective agreement).

145. Nomos (1955:3239) Peri tropou routhmiseos ton sillogikon diaforon ergasias, sustascos ethnikou Gnomodotikou Simvoulou Koinonikis Politikis kai tropopoiseos kai sumbliroseos diataksos diatakon enion ergatikon nomon [Measures to regulate collective disputes, national advisory and social policy recommendations, and amending and supplementing labor law provisions], *EPHEMERIS TES KYVERNESEOS TES HELLENIKES DEMOKRATIAS* [E.K.E.D.] 1955, A:834 (Greece) (providing no restrictions for appealing to the arbitration process when the parties reached impasse).

therefore, Parliament granted unions the unilateral right to proceed to arbitration.<sup>146</sup>

### B. *The European Union's Effect on Greek Labor Law*

The Greek labor relations system was significantly transformed when Parliament agreed to accept the EU bailout in exchange for implementing severe austerity measures.<sup>147</sup> The European Union's austerity measures insisted on reducing labor costs.<sup>148</sup> Specifically, the European Union outlined the following demands: (1) eliminate the principle of favorability, (2) remove asymmetry in the arbitration system, and (3) decentralize collective bargaining.<sup>149</sup> The European Union insisted that these labor law reforms were necessary to boost competitiveness in order to emerge from the crisis.<sup>150</sup>

To ensure receipt of the first loan installment, Parliament quickly enacted several statutes. On May 6, 2010, only a few days after signing the 2010 MoU, Parliament enacted Law 3845/2010.<sup>151</sup> Among other provisions, Law 3845/2010 directly responded to the European Union's demands for labor law reform by eliminating the favorability principle established in Law 1876/1990.<sup>152</sup> Law 3846/2010 and Law 3863/2010, on the

---

146. See *supra*, notes 144–46 and accompanying text (rationalizing arbitration asymmetry).

147. See generally, *The Economic Adjustment Programme for Greece*, *supra* note 4; *The Second Economic Adjustment Programme for Greece*, *supra* note 21.

148. See *The Economic Adjustment Programme for Greece*, *supra* note 4, at 22 (demanding labor reform “to curb undue wage pressure”); *The Second Economic Adjustment Programme for Greece*, *supra* note 21, at 3 (pointing to labor cost reductions as the primary goal for labor reform).

149. *The Economic Adjustment Programme for Greece*, *supra* note 4, at 68 (declaring that Greece “allow [occupational] pacts to set wage growth below sectoral agreements[,]” “amend regulation of the arbitration system[,]” and “adopt[] legislation to reform wage bargaining in the private sector.”); see *supra* notes 136, 143 and accompanying text (defining the favorability principle and asymmetry).

150. *The Economic Adjustment Programme for Greece*, *supra* note 4, at 48 (stating that Greece strengthen its structural policies “in order to boost competitiveness and emerge from the crisis quickly”).

151. Nomos (2010:3845) *Metra gia tin efarmogi tou mixanizou stiriksis tis ellinikis oikonomias apo ta krati-meli tis Zonis tou euro kai to Diethnes Nomismatiko Tameio* [Measures for the application of the support mechanism of the Greek economy by the Euro Member States and the International Monetary Fund], *EPHEMERIS TES KYVERNESEOS TES HELLENIKES DEMOKRATIAS* [E.K.E.D.] 2010, A:65 (Greece).

152. *Id.* art. 2.7 (“[T]he terms of occupational and company level agreements may deviate from the respective terms of sectoral collective agreements and national

other hand, only amended employment law.<sup>153</sup> More specifically, Law 3846/2010 amended employment law issues, such as part-time work, and Law 3863/2010 concentrated on pensions and social security.<sup>154</sup> Although Greece recognized that it needed to implement the European Union's demands for labor law reform to receive the loan, Parliament primarily focused on employment law to avoid transforming its labor relations system.<sup>155</sup>

In August of 2010, the European Union in its first quarterly review expressed its disappointment in the lack of labor law reform.<sup>156</sup> Even though the European Union recognized that Greece was ahead of the December 2010 deadline, it requested further improvements and emphasized that "labour market rules could be brought further into line with the best practices in other European countries and the common principles of flexicurity."<sup>157</sup> The European Union insisted on labor law

---

general collective agreements and the terms of sectoral collective agreements may deviate from the respective terms of general collective agreements.").

153. Nomos (2010:3846) Egguiseis gia tin ergasiaki asfalcia kai alles diatakseis [Guarantees for employment security and other provisions], *EPHEMERIS TES KYVERNESEOS TES HELLENIKES DEMOKRATIAS* [E.K.E.D.] 2010, A:66 (Greece) [hereinafter Law 3846/2010]; Nomos (2010:3863) Neo Asfalistiko Sustima kai sunafeis diatakseis ruthmiscis stis ergastikes shescis [New Public Insurance System and other provisions, arrangements in labor relations], *EPHEMERIS TES KYVERNESEOS TES HELLENIKES DEMOKRATIAS* [E.K.E.D.] 2010, A:115 (Greece) [hereinafter Law 3863/2010].

154. *Id.* art. 2 (entitled "Part-time Work"); Law 3863/2010, *supra* note 153 (outlining the provisions of pension reform).

155. See *supra*, notes 153–55 and accompanying text (explaining how Parliament, with the exception of Law 3846/2010, attempted to satisfy the European Union's demand by amending employment law).

156. See *The Economic Adjustment Programme for Greece: First Review – Summer 2010* 42 (Directorate-General for Economic and Financial Affairs, Eur. Comm'n, Occasional Paper No. 68, 2010), available at [http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2010/pdf/ocp68\\_en.pdf](http://ec.europa.eu/economy_finance/publications/occasional_paper/2010/pdf/ocp68_en.pdf) (suggesting that Greece implement labor reforms to (1) extend probationary periods for new jobs to one year, (2) facilitate the use of temporary and part-time contracts, (3) provide a clearer legal framework for firm agreements that allows firm agreement to prevail over other levels, and (4) reform the arbitration system by guaranteeing non-interference from the government).

157. *The Economic Adjustment Programme for Greece: First Review – Summer 2010*, *supra* note 156, at 42. Flexicurity is a concept coined by the European Union to establish an optimal balance between labor market flexibility — easy hiring and firing mechanisms — and security for employees against labor market risks. See *Flexicurity*, EUROFOUND, <http://www.eurofound.europa.eu/arcas/industrialrelations/dictionary/definitions/FLEXICURITY.htm> (last updated June 5, 2008) (defining flexicurity as the

reform—eliminating arbitration asymmetry and decentralizing collective bargaining.<sup>158</sup>

Despite the European Union's demands for labor law reform, Parliament enacted Law 3871/2010 on August 17, 2010 to amend employment law.<sup>159</sup> Law 3871/2010 froze wages for 2010 and the first month of 2011.<sup>160</sup> As expected, the European Union was not pleased with Greece's refusal to reform its labor law.<sup>161</sup>

In its second review, the European Union, once again, demanded arbitration reform and collective bargaining decentralization.<sup>162</sup>

After several months of avoiding labor law reform, Parliament enacted Law 3899/2010 on December 7, 2010 and initiated the first move toward decentralizing collective bargaining.<sup>163</sup> First, Parliament legislated that associations of persons (ενώσεις προσώπων) may collectively bargain at the firm level, where a local union does not exist.<sup>164</sup> Second, Parliament introduced special firm-level collective agreements

“optimal balance between labour market flexibility and security for employees against labour market risks”).

158. See *supra* note 149 and accompanying text (discussing the European Union's labor reform demands).

159. Nomos (2010:3871) Dimosionomiki Diaheirisi kai Euthuni [Fiscal management and responsibility], EPHEMERIS TES KYVERNESEOS TES HELLENIKES DEMOKRATIAS [E.K.E.D.] 2010, A:141 (Greece) [hereinafter Law 3871/2010].

160. *Id.*

161. See *The Economic Adjustment Programme for Greece: Second Review – Autumn 2010* 29 (Directorate-General for Economic and Financial Affairs, Eur. Comm'n, Occasional Paper No. 72, 2010), available at [http://ec.europa.eu/economy\\_finance/publications/occasional\\_paper/2010/pdf/ocp72\\_en.pdf](http://ec.europa.eu/economy_finance/publications/occasional_paper/2010/pdf/ocp72_en.pdf) (explaining that two key items are in the short-term agenda: (1) reforming the arbitration system to introduce symmetric access, and (2) reforming the wage bargaining system to enable firm agreement to prevail over all other agreements).

162. See *supra* notes 149, 156–59, 161 and accompanying text (stating that the European Union pushed for labor reform in the MoU, the first quarterly review, and the second quarterly review).

163. Nomos 2010:3899 Epigonta metra cfarmogis tou programmatos siriksis tes ellinikis oinomomias [Urgent measures for implementing the support program for the Greek economy], EPHEMERIS TES KYVERNESEOS TES HELLENIKES DEMOKRATIAS [E.K.E.D.] 2010, A:212 (Greece) [hereinafter Law 3899/2010]; see Voskresitsian, *supra* note 20, at 11 (“The importance of the new law for the institutions of collective bargaining cannot be overstated, as it brought fundamental changes to the existing system of collective bargaining and constituted the first actual attempt for the push towards its decentrali[z]ation.”).

164. See Law 3899/2010, *supra* note 163, art. 13.3.

(“SFLCAs”).<sup>165</sup> This new type of collective agreement allowed any company to create a collective labor agreement, as long as the Council of Social Enforcement of the Labor Inspectorate had confirmed that the company was facing serious financial problems.<sup>166</sup> Contrary to the European Union’s demands, SFLCAs did not completely decentralize collective bargaining, as they were only permitted in companies facing serious financial problems.<sup>167</sup>

Lastly, Law 3899/2010 eliminated asymmetry in the arbitration system.<sup>168</sup> In other words, both parties had the authority to unilaterally compel arbitration.<sup>169</sup> This contradicts Parliament’s intent to encourage social dialogue and good faith collective bargaining, as unions *and employers* now have the unilateral right to request arbitration under Law 3899/2010.<sup>170</sup> Nonetheless, the European Union was still not pleased with Greece’s efforts to decentralize collective bargaining.<sup>171</sup>

---

165. See *id.* art. 13.3 (“To implement the provisions of paragraph one [the special firm collective agreement], the Parties shall jointly submit a report to the Council of Social Enforcement of the Inspectorate of Labor indicating the reasons for their intention to prepare a special operational collective agreement.”).

166. See *supra* note 165 and accompanying text (defining special firm-level collective agreements (“SFLCAs”).).

167. See *The Economic Adjustment Programme for Greece: Third Review – Winter 2010* 32-34: (Directorate-General for Economic and Financial Affairs, Eur. Comm’n, Occasional Paper No. 77 2011) (explaining that the European Union disapproved of the SFLAs, as they were only limited to companies with financial difficulty instead of applying to all companies) ; Voskeritsian, *supra* note 20, at 12 (“[T]he law adopted a more social perspective by not legalising the move towards the complete decentralisation of collective bargaining”).

168. Law 3899/2010, *supra* note 163, art. 16 (“Proceedings may be brought to arbitration unilaterally in the following cases: a) by any party, if the other party refused to mediate, or b) by any party after the submission of the proposal mediation if both parties attended and participated in the mediation.”).

169. See Patra, *supra* note 108, at 18 (translating the new terms for proceeding to arbitration and indicating that both parties may proceed to arbitration); Voskeritsian, *supra* note 20, at 13-14 (“Under the auspices of the new law, the asymmetry was lifted, thus making it possible for any negotiating party to resort to arbitration.”).

170. See *supra* notes 144–46 and accompanying text (discussing the rationale for asymmetry).

171. See *The Economic Adjustment Programme for Greece: Third Review – Winter 2010*, *supra* note 167, at 32–34 (indicating that Greece needed to take further steps to decentralize collective bargaining).

In its third review, the European Union criticized the SFLCAs.<sup>172</sup> The European Union noted that the SFLCAs should not be limited to companies facing serious financial problems.<sup>173</sup> It emphasized that they should be used as a “powerful instrument to increase employment and improve competitiveness.”<sup>174</sup>

In response to the European Union’s third review, Greece enacted Law 4024/2011 to truly decentralize collective bargaining.<sup>175</sup> Law 4024/2011 not only eliminated the SFLCAs but it also enabled firm agreements to prevail over sectoral agreements.<sup>176</sup> As a result, any employer who chooses to engage in collective bargaining may now create a collective labor agreement that prevails over all sectoral and occupational agreements.<sup>177</sup> Moreover, Law 4024/2011 also permits associations of persons to bargain firm agreements, if no local union exists.<sup>178</sup>

The European Union’s response to the sovereign debt crisis has altered labor relations in Greece. Prior to the debt crisis and the MoU, the Greek Constitution and Law 1876/1990 created a legislative framework where workers benefited from (1) a centralized collective bargaining system, (2) the favorability principle, and (3) arbitration asymmetry.<sup>179</sup> To receive the European Union loan, however, Greece transformed its labor relations system.<sup>180</sup>

---

172. *See id.*, at 33 (criticizing the SFLAs for limiting their applicability to only companies in financial difficulty).

173. *See id.*, at 33 (“The government tends to see the new law and the special firm-level collective agreements [] as a tool for only limited wage decentralisation targeted to firms in difficulty, rather than promoting it as a powerful instrument to increase employment and improve competitiveness.”).

174. *See id.*, at 33.

175. *See* Law 4024/2011, *supra* note 25.

176. *Id.* art. 37.5.

177. *See supra* notes 114, 137 and accompanying text (explicating the four types of collective labor agreements and the principle of favorability).

178. *See* Law 4024/2011, *supra* note 25, art. 37.

179. *See supra* notes 114–24 and accompanying text (summarizing the Greek labor relations framework prior to the crisis).

180. *See supra* note 149 and accompanying text (addressing how the European Union’s austerity measures transformed Greek labor law).



### III. *THE EUROPEAN UNION LACKS THE AUTHORITY TO TRANSFORM GREECE'S LABOR RELATIONS SYSTEM*

This Part argues that the European Union, as the primary bailout lender, lacks the authority to transform Greece's labor relations system. Part III.A concludes that the fundamental treaties of the European Union do not grant it the authority to demand changes to member state labor law. Part III.B argues that the European Union's demand for labor law reform creates a power imbalance in the employer's favor. Lastly, Part III.C argues that labor law reform is a misguided austerity measure.

#### *A. Neither The Founding Treaties of The European Union Nor Subsequent Economic Policies Grant the European Union Authority To Demand Changes To Member State Labor Law*

Even if the TFEU authorizes member state bailouts, the European Union lacks the authority to demand changes to member state labor law.<sup>181</sup> Prior to enduring the unfortunate effects of the debt crisis, Greece joined the European Union and the Eurozone by agreeing to the provisions of the European Union's founding treaties and the subsequent economic policies.<sup>182</sup> In these agreements, Greece did not relinquish sovereignty over its labor law.<sup>183</sup> The formation of the EMU in the TEU did not transfer sovereignty over member state labor law to the European Union.<sup>184</sup>

Moreover, the SGP did not grant the European Union authority to impose changes to member state labor law to meet fiscal requirements.<sup>185</sup>

---

181. See *infra* Part III.A.1–2 (discussing the TEU and the SGP).

182. See *supra* notes 27-31 and accompanying text (explaining the conditions in which Greece joined the European Union and the Eurozone)

183. See *infra* Part III.A.1–2 (concluding that the establishment of the EMU in the TEU and the SGP economic policy do not grant the European Union the authority to demand changes to Greece's labor law).

184. See *infra* Part III.A.1 (arguing that member states did not transfer sovereignty over their labor laws by agreeing to the TEU's EMU provisions).

185. See *infra* Part III.A.2 (stating that the SGP includes no provision limiting a member state's sovereignty over its labor laws).

### 1. Formation of the European Monetary Union Did Not Relinquish Member State Sovereignty Over Labor Law

With the formation of the EMU, member states agreed to transfer parts of their sovereignty to the European Union in order to achieve economic integration.<sup>186</sup> No member state, however, agreed to relinquish sovereignty over its labor laws.<sup>187</sup> Under the principle of subsidiarity, the European Union may act under two circumstances: (1) in an area of its exclusive competence or (2) if the proposed action is best achieved at the EU level.<sup>188</sup> Labor law is not listed as an area of exclusive competence in the TFEU.<sup>189</sup> Moreover, the European Union has legislated that labor law is not best determined at the EU level.<sup>190</sup> According to Article 156 of the TFEU, the European Union only has the authority to encourage cooperation between member states by “making studies, delivering opinions[,] and arranging consultations” to improve working conditions.<sup>191</sup> Member states, therefore, retain sovereignty over national labor law.<sup>192</sup>

Additionally, the economic policies enumerated in the TFEU do not relinquish a member state’s sovereignty over labor law.<sup>193</sup> In fact, Article 126 ¶7 states, “Where . . . an excessive deficit exists, [the EU] shall adopt . . . recommendations addressed to the member state.”<sup>194</sup> Therefore, no provision in

---

186. See *supra* note 50 and accompanying text (identifying the areas of exclusive EU competence).

187. See *supra* note 50 and accompanying text (noting that labor law is not an exclusive area of EU competence).

188. See TEU post-Lisbon, *supra* note 27, art. 5, 2010 O.J C 83, at 18.

189. See TFEU, *supra* note 27, art. 3, 2010 O.J C 83, at 51.

190. See *id.* art. 156, at 117 (stating that the European Commission “shall encourage cooperation between the [m]ember [s]tates and facilitate the coordination of their action in . . . labour and working conditions”). The TFEU states that the European Union shall encourage cooperation “by making studies, delivering opinions[,] and arranging consultations both on problems arising at the national level and on those of concern to international organisations.” *Id.*

191. See *supra* note 190 and accompanying text (quoting TFEU Article 156); TFEU, *supra* note 27, art. 151, 2010 O.J C 83, at 114 (explaining that the European Union and member states “shall have as their objectives the promotion of employment, improved living and working conditions”).

192. See *supra* notes 188–89 and accompanying text (clarifying the European Union’s involvement in member state labor law).

193. See TFEU, *supra* note 27, art. 126, 2010 O.J C 83, at 100.

194. *Id.* art. 126, at 100 (emphasis added).

the TFEU authorizes the European Union to demand specific changes to a member state's laws.<sup>195</sup>

## 2. Stability and Growth Pact Preserves Member State Sovereignty Over Labor Law

The European Union's economic policy, specifically the SGP, also fails to grant authority to demand changes to member state labor law.<sup>196</sup> Even though the SGP explicitly prohibits member state budget deficits from exceeding three percent of GDP, the SGP allows member states "to take the corrective budgetary action *they deem necessary* to meet the objectives of their stability or convergence."<sup>197</sup> In other words, the SGP does not authorize the European Union to demand legislative changes to member states failing to meet the proscribed fiscal criteria.<sup>198</sup>

### *B. The European Union's Imposed Labor Law Reform Creates a Power Balance in Favor of the Employer*

The European Union's disregard for Greece's sovereignty has severely transformed the country's labor relations system.<sup>199</sup> By demanding that Greece decentralize collective bargaining, eradicate the favorability principle, and eliminate asymmetry in the arbitration system, the European Union has created a power imbalance in the employer's favor.<sup>200</sup> In legislating Law 1876/1990, the pre-crisis labor relations framework, Parliament did not intend to create such a power imbalance.<sup>201</sup>

---

195. See generally TFEU, *supra* note 27, 2010 O.J C 83.

196. See Council Resolution of 17 June 1997, *supra* note 28, 1997 O.J C 236/1, at 1–2 (stating that member states must meet the fiscal criteria through measures decided by each member state- not the European Union).

197. Council Resolution of 17 June 1997, *supra* note 28, 1997 O.J C 236/1, at 1–2 (emphasis added).

198. See *supra* note 54–57 and accompanying text (discussing the SGP's requirements).

199. See *supra* note 149 and accompanying text (comparing the differences between Greek labor relations before and after the debt crisis).

200. See *supra* note 149 and accompanying text (discussing the European Union's demand for labor law reform).

201. See *supra* notes 144–47 and accompanying text (summarizing Parliament's intent).

Decentralizing collective bargaining and eliminating the favorability principle creates a power imbalance, as it forces inexperienced workers to organize and negotiate with their employers for the first time.<sup>202</sup> Until Greece signed the MoU, the labor relations system was strictly centralized.<sup>203</sup> There was almost no opportunity for firm collective bargaining because Law 1876/1990 only permitted firm agreements in companies employing fifty or more workers.<sup>204</sup> Since ninety-eight percent of Greek companies employ less than ten employees, workers have had little or no experience in organizing or advocating for their rights at the firm-level.<sup>205</sup> Workers, therefore, historically depended on sectoral and occupational collective agreements.<sup>206</sup> With the elimination of the favorability principle and the decentralization of collective bargaining, employers now have the opportunity to implement collective bargaining agreements and exploit the working class during negotiations.<sup>207</sup>

To avoid enduring drastic wage decreases and benefit reductions during the debt crisis, workers must quickly organize and learn how to negotiate a favorable collective labor agreement.<sup>208</sup>

Eliminating asymmetry in the arbitration process also shifts the balance of power to the employer.<sup>209</sup> To encourage social dialogue and good faith collective bargaining, Parliament enacted Law 1867/1990 to grant unions the unilateral power to compel arbitration if negotiations reached a deadlock.<sup>210</sup> In

---

202. See *supra* notes 125–30 and accompanying text (stating the limited use of firm agreements).

203. See *supra* note 129 and accompanying text (explaining that centralized collective bargaining has dominated in Greece).

204. See Law 1876/1990, *supra* note 113, art. 6, 1, b.

205. See *supra* notes 125–30 and accompanying text (discussing the lack of firm agreements).

206. See *supra* note 129 and accompanying text (explaining that centralized collective bargaining has played a dominant role in Greek labor relations).

207. See *supra* notes 121–24 and accompanying text (defining firm agreements).

208. See *supra* notes 125, 129 and accompanying text (noting that workers relied on sectoral and occupational agreements, as firm agreements were not common in Greece).

209. See *supra* notes 142–46 and accompanying text (explaining 1876/1990's asymmetry in arbitration and its purpose).

210. See *supra* note 142 and accompanying text (explaining the conditions under which parties may resort to arbitration prior to Greece implementing the MoU's demands).

essence, Parliament sought to create a weapon for unions to use to persuade employers to bargain in good faith.<sup>211</sup> Without asymmetry, employers have the power to avoid good faith collective bargaining by immediately compelling arbitration.

*C. The European Union's Labor Law Reform is Misguided*

The European Union's demand to reform labor law as a condition for receiving the bailout is misguided.<sup>212</sup> The European Union's demand fails to recognize that public sector spending—not the private sector—caused the debt crisis, along with institutional failures in the European Union.<sup>213</sup> Greece's budget deficit and debt amounted to 15.8% and 114.7% of GDP, respectively, mostly due to irresponsible government spending.<sup>214</sup> Upon joining the Eurozone in 2001, Greece exploited its access to low interest rates by heavily increasing public spending.<sup>215</sup> Between 2000 and 2009, for example, public sector wages increased by approximately a hundred percent — 11.4% of GDP.<sup>216</sup> Since the labor relation system sets wages in the private sector, labor law reform will not reduce public spending or cut the budget deficit.<sup>217</sup> Therefore, the European Union's demand for labor law reform is misguided because it will not affect Greece's ability to emerge from the crisis.<sup>218</sup>

This, however, does not imply that implementing austerity measures in the public sector will enable Greece to emerge from the crisis.<sup>219</sup> Several prominent economists argue that austerity

---

211. *See supra* notes 144–46 and accompanying text (explicating the purpose of arbitration asymmetry).

212. *See supra* notes 62–63 and accompanying text (stating that irresponsible government spending, as well as failed EU institutions, caused the crisis).

213. *See supra* notes 62–63 and accompanying text (indicating the causes of the crisis).

214. *See supra* note 61 and accompanying text (reporting the 2009 budget deficit and debt statistics).

215. *See supra* notes 62–63 and accompanying text (discussing the causes of the debt crisis).

216. *See supra* notes 63–64 and accompanying text (providing statistics on public sector wages).

217. *See supra* note 113 and accompanying text (summarizing Greek labor law).

218. *See supra* note 113 and accompanying text (stating that Greek labor law only applies to the private sector).

219. *See supra* note 62 and accompanying text (identifying the failure of EU institutions as another major cause of the European debt crisis).

measures will not work to resolve the European debt crisis.<sup>220</sup> In fact, the empirical study developed by Harvard University economists Carmen Reinhart and Kenneth Rogoff to argue for austerity has been criticized for making an Excel spreadsheet error, which ultimately raises doubt as to the validity of the study's finding: that economic growth severely suffers when a country's public debt level reaches ninety percent of GDP.<sup>221</sup> Moreover, the IMF released a study where it argues that upfront debt restricting in 2010 would have been more desirable than austerity.<sup>222</sup> Regardless, the European Union's decision to reform labor law in the private sector is misguided.<sup>223</sup>

### CONCLUSION

There is no dispute that by signing the MoU, Greece agreed to implement the prescribed austerity measures to receive the desperately needed loans from the IMF and the European Union.<sup>224</sup> The issue is whether the European Union has the authority to impose such austerity measures on a member state enduring an unprecedented economic crisis.<sup>225</sup> To answer this

---

220. See Paul Krugman, *The Big Fail*, N.Y. TIMES, Jan. 7, 2013, at A19 ("The crisis in Greece was taken, wrongly, as a sign that all governments had better slash spending and deficits right away. Austerity became the order of the day, and supposed experts who should have known better cheered the process on, while the warnings of some (but not enough) economists that austerity would derail recovery were ignored."); Joseph Stiglitz, *Austerity Not the Way to Go for Europe*, BBC NEWS, Oct. 3, 2011, <http://www.bbc.co.uk/news/business-15110053> (arguing that limiting fiscal deficits through severe austerity measures will not end the debt crisis).

221. See Brad Plumer, *Is the Evidence for Austerity Based on an Excel Spreadsheet Error?*, WASH. POST, Apr. 16, 2013 (discussing the excel error made by Carmen Reinhart and Kenneth Rogoff, well-known Harvard economists, in their famous 2010 study); Eamon Murphy, *Math in Time of Excel: Economists' Error Undermines Influential Paper*, DAILY FINANCE, Apr. 19, 2013 ("Now the most influential product of [Reinhart and Rogoff's] collaboration—an argument widely considered to have helped lay the basis for the West's recent shift toward austerity economics – has been shown to rest in large part on a simple error, a spreadsheet coding mistake . . .").

222. See International Monetary Fund, *Greece: Ex Post Evaluation of Exceptional Access under the 2010 Stand-By Arrangement*, at 26–28, IMF Country Report No. 13/156 (June 2013) (arguing that debt restructuring should have been pursued in Greece).

223. See *supra* notes 213–17 and accompanying text (explaining that the Greece's economic crisis partially stems from political irresponsibility in the public sector).

224. See generally *The Economic Adjustment Programme for Greece*, *supra* note 4.

225. See *supra* notes 27–31 and accompanying text (summarizing the scope of the European Union's authority under the TFEU, TEU, and SGP).

question, we must look to the conditions under which Greece joined the Eurozone—prior to the crisis.<sup>226</sup> Greece adopted the Euro as its currency according to the policies prescribed in the TEU and the TFEU.<sup>227</sup> These fundamental EU treaties, along with the economic policies that followed, do not authorize the European Union to infringe upon Greece's sovereignty to save the Euro.<sup>228</sup>

Unfortunately, Greece's dire economic situation has prevented the Greek government from pursuing any course of action that may jeopardize receiving the next installment of the loan.<sup>229</sup> As a result, Greece has adopted the European Union's persistent demands to reform its labor law by decentralizing collective bargaining, eradicating the favorability principle, and eliminating asymmetry in the arbitration process.<sup>230</sup> Considering Greece's historically centralized labor relations system, the sovereign debt crisis and the European Union's demands may severely limit the Greek working class' ability to bargain collectively.<sup>231</sup> Reacting to these unfortunate circumstances, the Greek people, along with several other European citizens, will demonstrate outside of their parliaments.<sup>232</sup> No to the prosecution of the working class!<sup>233</sup> No more sacrifices!<sup>234</sup>

---

226. *See supra* notes 27–31 and accompanying text (noting the conditions under which Greece joined the Euro prior to the economic crisis).

227. *See supra* notes 30–31 and accompanying text (referring to the TEU and the TFEU).

228. *See supra* notes 27–31 and accompanying text (discussing the European Union's scope of authority).

229. *See supra* note 102 and accompanying text (noting that Greece needed to follow the MoU quarterly requirements to receive each installment of the loan).

230. *See supra* note 149 and accompanying text (explaining the transformation of Greek labor relations).

231. *See supra* notes 108–19 and accompanying text (describing Greece's centralized labor relations system).

232. *See supra* note 1 and accompanying text (illustrating the demonstrations occurring throughout Europe).

233. *See supra* notes 2–3 and accompanying text (showing the anti-austerity chants).

234. *See supra* notes 2–3 and accompanying text (reporting on the European protests).