

**LABOUR MARKET REGULATION IN GREECE – ASSESSING  
IMPACTS OF HUMAN RESOURCES MANAGEMENT PRACTICES AND  
OUTCOMES USING A WORKPLACE SURVEY**

by

**ACHILLEAS ANAGNOSTOPOULOS**

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## SYNOPSIS

My thesis contributes to research on the consequences of labour market institutions for employment using an original Greek dataset I have constructed, the TERS. This survey gives a representative sample of micro-enterprises as well as small and medium enterprises. I investigate whether firms use temporary (and family) employment as “escape” routes from mandated wage floors (corporate collective wage agreements) and working conditions floors (employment protection legislation (EPL) monitored by the Labour Inspectorate). My basic hypothesis is thus that temporary and family work are forms of insurance for the poorer firms which cannot cope with EPL coupled with wage floors.

I find significant wage floor effects, in particular, where firms have many workers at the minimum (or below it – in the case of “grey” market firms), they are more likely to employ temporary workers. The implication is that where firms have many workers on the minimum they are likely to worry about the possibility of a rise in the minimum, and hence will employ on a more temporary basis. Wage floors thus matter.

I also find significant EPL effects. In particular, firms whose managers believe that temps have low EPL are more likely to employ temps, *ceteris paribus*. My result thus shows that an advantage of employing temps is quite simply their low EPL.

My findings for family worker employment are similarly confirmatory. Workplaces in the “grey” category, paying low wages probably below nationally agreed rates, are much more likely to employ a high percentage of family workers, other things equal– they are easy to layoff, and less likely to complain about low wages. The policy implication of my research is therefore that Greece’s wages and working conditions floors indeed appear both to promote precarious temporary employment, and also small-scale family business, which is not the way to grow and prosper.

## **DEDICATION**

*To my children, Sophia, Dimitris and Loukas  
To the memory of my cousin Theologos*

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## **-LIST OF ABBREVIATIONS**

ACAS	Advisory and Conciliation Services
ADEDY	Confederation of Public Servants
ALMPs	Active Labour Market Policies
EC	European Community
EE	Special Partnership
EEOR	European Employment Observatory Review
EFTA	European Free Trade Association
EGSSE	National General Collective Agreements
EIRO	European Industrial Relations Observatory
EMIRE	European Employment and Industrial Relations Glossaries
EOS	Executive Opinion Survey
EPL	Employment Protection Legislation
ER	Employment Relations
ESEE	National Confederation of Greek Commerce
ESF	European Social Fund
EU	European Union
FeDEE	Federation of European Employers
GDP	Gross Domestic Product
GSEBEE	General Confederation of Greek Small Businesses and Trades
GSEE	Greek General Confederation of Labour
GSEVEE	General Confederation of Professionals, Craftsmen and Traders

HR	Human Resources
HRM	Human Resources Management
IBDR	Inter-Departmental Business Register
ICAP	Greek Financial Database
IKA	Social Security Organisation
ILO	International Labour Office
IMF	International Monetary Fund
INE/GSEE	Labour Institute of Greek General Confederation of Labour
IOE	International Organization of Employers
ISIC	International Standard Industrial Classification
LFS	Labour Force Survey
LI	Labour Inspectorate
EPE	Limited by Shares
NACE	Nomenclature Statistique des Activités Economiques dans la Communauté Européenne
NGCAs	National General Collective Agreements
NSCAs	National Sectoral Collective Agreements
NSSG	National Statistical Service of Greece
OAED	Public Employment Services
OCH	Organisational Council House
OE	General Partnership
OECD	Organisation for Economic Cooperation and Development
OIYE	Federation of Greek Private-Sector Employees
OLS	Ordinary Least Squares

OMED	Organisation for Mediation and Arbitration
PAEP	Employment Observatory Research Informatics S.A.
PD	Presidential Decree
PES	Public Employment Services
SA	Societe Anonyme
SELPE	Retail Business Greece
SEPE	Labour Inspectorate
SESME	Association of Greek Supermarkets
SEV	Federation of Greek Industries
SIC	Standard Industrial Classification
SMEs	Small and Medium-Sized Enterprises
STAKOD	Statistical Classification of Branches of Economic Activity
TAW	Temporary Agency Work
TEI	Technological Education Institute
TERS	Thessaly Employment Relations Survey
TWAs	Temporary Work Agencies
UK	United Kingdom
US	United States
WEF	World Economic Forum
WERS	Workplace Employment Relations Survey
WIRS	Workplace Industrial Relations Survey

## CHAPTER ONE: INTRODUCTION

*“The Greek economy exhibits a number of costly institutional frameworks that prevent speedy adjustments to external changes and market signals. These include inefficient regulatory regimes in key sectors, ... a relatively rigid labour market environment due to the high cost of labour dismissals...and a surge in pension expenditures from 6% of GDP in the mid-1970s to 13% in 1999” (OECD, 2001, 29).*

*“This poor labour market performance in Greece...is principally due to rigidities in labour market institutions. Minimum labour costs are likely to have negative consequences on vulnerable groups” (OECD, 2007, 98). “Unemployment remains high, particularly among first-time labour market entrants (mainly the young) and re-entrants (mainly women), while the long-term unemployed account for a high share of the total” (OECD, 2007, 85). “Greece needs to pursue structural reforms on labour and goods markets to stimulate competition and while boosting participation rates and reducing unemployment” (OECD, 2009, 45).*

*“Greece has the second highest rate of temporary employment among the EU countries, a fact that can partly be explained by the extensive use of fixed-term contracts, a practice that has existed since 1925 as a means of circumventing one of the most rigid legislative regimes concerning employment protection” (Voudouris, 2004, 132).*

*“Greece is the last Soviet-style economy in Europe” ... “Every stone you turn here, there are regulations.” Stournaras Y., Governmental Economic Advisor and Director of the Athens-based Foundation for Economic and Industrial Research (The New York Times, October 14, 2010).*

*As Jean-Claude Juncker, prime minister of Luxembourg and President of Euro Group, said memorably in 2007: “We all know what to do, but we don’t know how to get re-elected once we have done it” (The Economist, July 8, 2010).*

## **1.1 The Research Hypothesis and the Objectives**

### The Rationale

Labour markets, in the international context, have been going through dramatic changes over the post-war period. European countries' aim of building a social model try to achieve "fair working conditions as regards pay and hours" can be traced back to the European Social Charter in 1961. During those years, employment security provisions were launched in the majority of continental European countries. Many economists argue that the resulting labour market rigidities are responsible for high unemployment in Europe (Saint Paul, 1996). In particular, they link unemployment to factors such as employment protection legislation, wage-setting institutions, welfare schemes and labour taxes.

Many studies have been carried out in order to examine comparative measures of the labour regulation strictness across different countries (Emerson, 1988; Bertola, 1990; Lazear, 1990; Addison and Grosso, 1996; Grubb and Wells, 1993; OECD, 1999; Blanchard and Wolfers, 2000). Empirical evidence as to the effects of labour rigidities also comes from a plethora of scholars (Nickel and Layard, 1999; Siebert 2002 and 2005; Nickel et al., 2005; Feldmann, 2009, Kahn 2007 and 2010). In this study, researchers have emphasized on the insider-outsider dichotomy, with outsiders being the long-term unemployed, female workers, the young and the inexperienced.

Greece has followed the European path of social and employment protectionism. Its industrial relations are subject to a comprehensive and

complex framework of legal regulation (Kritsanonis, 1998:520). In addition, Greece's labour monitoring system is thorough, with the Labour Inspectorate given the right, for example, to receive all the necessary information about a business's new hires within 15 days. Duties between governmental monitoring organizations (e.g., the Labour Inspectorate and the Public Employment Service) also overlap and create administrative and legal burdens to the employment, as I will further present you.

It is worth noting that regulation on product markets as well as employment is applied to many aspects of the Greek economy. More than 150,000 Greeks are self-employed in about seventy closed-shop professions such as pharmacists, engineers, lawyers and several others (The Economist, 2010). These vested interest groups are protected from competition by a "byzantine tangle" of regulations and licensing requirements; that results in job barriers in the labour market, high prices for consumers – but a reliable living for insiders (The New York Times, 2010).

Organised labour groups naturally take advantage of the insider-outsider dichotomy. Unions in public sector and workers/unions in large scale firms use their voting power to influence politicians against reforming the law. Thus, they enjoy better working conditions and higher wages compared to those who work in "atypical" employment or in micro firms where unionism is not possible.

My basic hypothesis is that Greek firms resort to temporary and family work when they feel pressurised by the law. Temporary and family work are thus forms of insurance for the poorer firms, which cannot cope

with the wage and working conditions floors enforced by strict labour regulation. My hypothesis follows what has become a standard line of argument (see, e.g., Kahn 2007, 2010a, 2010b). It is true that the link between regulation and temporary employment has not always been clear (see Addison and Teixeira, 2003) when using panels of country aggregate data (though Kahn 2007 has recently offered a stronger result). However, my thesis aims to test this hypothesis, using a different approach based on firm-level data collected after a special survey in 200 businesses in Thessaly and described in detail in the following chapters.

### The Objectives

The first aim is to describe and analyse the Greek labour market framework, given that the purpose of this thesis is to create a better understanding of the current labour market situation in Greece. Ultimately we wish to understand why businesses remain so small, and hiring rates so low – and unemployment, particularly among the young, so high. Therefore, a comparative picture of labour market indicators, among OECD countries, is also given in order to understand Greek labour market performance in the international context.

The second aim is to analyse the effects of labour market institutions on job creation. My main research question is whether – and how – Greek firms feel constraints by the wage and working condition floors, imposed by labour regulation. As far as the wages are concerned, I investigate whether centralized wage-setting institutions give rise to high

minimum wages and discourage employment among poorer firms in provincial labour markets such as Thessaly. On the working conditions side, I examine, for example, firms' opinions about EPL law, and the role of the labour inspectorate, and link these opinions to their temporary worker hiring decisions.

The central empirical contribution of my thesis focuses on the estimation of the determinants of temporary and family work among the firms in Thessaly. I put emphasis on this point, since Greece has high regulation which protects permanently employed insiders at the expense of outsiders such as temporary workers and family workers. I hypothesise that temporary (and family) work is resorted to when there is heavy regulation, other things being equal.

Previous research in Greece has investigated small and medium enterprises, but studies on flexible working practices are limited and remain primarily descriptive (see Papalexandris, 1997; Kufidu and Michail, 1999; Michail, 2003; Voudouris, 2004). Some of the above mentioned investigations refer only to part-time and temporary contracts, while others examine only the use of independent contractors and subcontractors as forms of flexible employment. The strong point of my empirical research is that it includes a representative sample of micro-enterprises as well as small and medium enterprises, taking into consideration both temporary and family work, as types of flexible employment.

## 1.2 The Structure of the Thesis

### Structure

This thesis is structured as follows. Chapters 2 and 3 investigate Greek labour market regulation in an international context, providing comparisons with OECD countries. The design and the conduct of the survey together with the preliminary descriptive results are discussed in Chapter 4. Chapter 5 then focuses on the empirical analysis of temporary and family employment and Chapter 6 concludes. Let us look at these chapters in turn.

One of the main tasks of the thesis is to describe and analyse the Greek labour market framework which is done in Chapter 2. To begin with, the historical background - since the birth of the Greek state - and labour law evolution is explored. Botero et al. (2004), argue that Greece's law is based on the French legal model, which might explain the regulatory tendencies of Greek labour market law. Two further background characteristics (perhaps themselves a consequence of regulation) also affect the Greek labour market: its many micro-sized family-run firms and its quite large public sector.

Chapter 2 then takes up the collective bargaining system and Greece's centralised wage setting institutions. These obviously affect business hiring decisions and form an important part of the Thessaly business questionnaire, on which my research is based (see Chapter 4). I describe the different levels of collective agreements as well as the legislation on trade union structures. Finally, I describe the Greek labour

market monitoring organizations: the Labour Inspectorate, the Public Employment Services, and the Social Security Organisation. The Labour Inspectorate is central, but the fact that it is small, relative to the number of businesses, means it cannot be pro-active; instead it exerts more a “negative” power to prevent change.

In Chapter 3, I turn to discussion of the causes and the consequences of labour regulation, in theoretical terms. The main question in this chapter, is why labour regulation is stricter, mainly, in continental European countries and whether this strictness underlies the persistence of European unemployment. As part of this discussion, I take up the various approaches to measuring labour rigidities. In addition, I present the political insider-outsider theory of labour regulation, and observe the predictions of this model, regarding the case of Greece. Basically, the main argument is that Greek workers with job security (insiders) obtain and use their union and public sector power at the expense of outsiders. Such regulation of standard employment is then hypothesized to force employers to find “escape” routes, such as temporary employment which is more flexible, particularly where, minimum wages are also imposed (see Kahn, 2007, for a recent description of this model). This hypothesis is the main subject of my Thessaly Employment Relations Survey (TERS) which begins in Chapter 4.

In Chapter 4, I describe the procedures followed to implement the TERS. The TERS, which is based on the UK’s Workplace Employment Relations Survey (WERS), was conducted in Thessaly, the main business

region of Central Greece, over the period 2006-2007. 226 enterprises belonging to 10 major economic groups were interviewed; public sector enterprises being excluded. Empirical research on Greek industrial relations is limited (Michail, 2003 and Voudouris, 2004) while it mainly applies on large scale establishments, so my survey is more representative.

In the second section of this chapter I describe the design and the conduct of the survey, including the selection of the sampling frame, the weighting and the sampling procedures, the development of the questionnaire, the pilot survey and the fieldwork. Obviously, these procedures are important in ensuring the results, since they are representative of the region's population. The Chapter ends with a discussion of basic descriptive statistics from the Survey. One of the preliminary findings here is how small businesses appear to achieve flexibility, primarily through their family members. Large businesses on the other hand appear to use temporary employment as a major source of flexibility.

In Chapter 5, I continue examining whether rigidities in the Greek labour market promote temporary and family employment using multivariate analysis. At this point of my research, I follow in the footsteps of others Greek scholars including Voudouris (2004:136) and Mihail (2003) who studied flexible employment types including temporary and subcontracting work in small samples of large firms. My sample is more representative, since I put emphasis on different aspects, aiming to isolate the effects of legal constraints on employment.

## Conclusions

As it will be seen, I find significant wage floor effects, in particular, where firms have many workers at the minimum (or below it – in the case of “grey” market firms), they are more likely to employ temporary workers. The implication is that where firms have many workers on the minimum they are likely to worry about the possibility of a rise in the minimum, and hence they will employ on a more temporary basis. Wage floors thus matter.

I also find significant EPL effects. In particular, firms whose managers believe that temps have low EPL are more likely to employ temps, *ceteris paribus*. This result surely must be taken at its face value: an advantage of employing temps is simply their low EPL. In fact, my findings using firm-level data accord with Kahn’s (2007) recent findings based on cross country data, that strict EPL means women, the less skilled and young workers are more likely to hold temporary jobs relative to otherwise similar prime-age men, and these effects increase with collective bargaining coverage. Thus the TERS evidence is consistent with the hypothesis that temporary work is resorted to when there is heavy regulation, other things being equal.

Findings for family worker employment are similarly confirmatory. Workplaces in the “grey” category, paying low wages probably below nationally agreed rates, are much more likely to employ a high percentage of family workers, other things equal. As was the case for temp workers, I

conclude that family workers are favoured because they are easy to layoff, and less likely to complain about low wages. Admittedly, I do not find so much effect for the labour regulation variables. Still, there is a positive dummy for feeling temps have low EPL, indicating that firms that employ family workers are conscious of EPL. In general, I find substitutability between temps, family workers and part-time workers, which is reasonable, since these groups represent alternative pathways to flexibility.

Overall, then, my findings support the opening quotations' gloomy view of the consequences of current Greek labour market regulation. The regulation appears to promote precarious temporary employment, and to promote small-scale family business employment. Since these findings have a robust microeconomic basis, coming from analysis of a representative sample of provincial businesses, they need to be taken seriously.

## **CHAPTER TWO: DEVELOPMENT OF GREEK LABOUR MARKET REGULATION**

### **2.1 Introduction**

This chapter will report the development of Greek labour market regulation and analyse the labour market framework in Greece. First, the historical foundations of labour regulation in Greece will be considered as well as the evolution of labour law after the post-war period in Greece. Then, two important characteristics which play a significant role in the Greek labour market will be investigated, the small-sized firms which comprise the vast majority of firms in Greece as well as the quite large public sector.

Furthermore, we will observe Greece's labour market performance in the European context. An analysis of the employment protection legislation (EPL) on dismissals and other restrictions will be made to determine whether difficulties arise in businesses when hiring and firing employees under regular employment contracts. Then, labour laws, concerning flexible forms of employment such as part/temporary-time as well as family employment will be examined. These are particularly important in Greece where a high number of small firms exist.

Moreover, a thorough analysis of the collective bargaining system which determines Greek wages is provided in this chapter. Legislation on trade union structure as well as the significance of trade union density in the public and private sector is described. The different levels of collective agreements (central, sectoral, occupational, enterprise) are also investigated here along with collective bargaining coordination and centralization

indicators. A comparative analysis with other OECD countries depicts the Greek reality within an international industrial relations context.

The final section of this chapter gives a description of the Greek labour market organizations and their involvement in regulation and public policy making. We explore how the three main organizations – the Labour Inspectorate, the Public Employment Services, and the Social Security Organisation - apply and enforce policies which create obstacles in the Greek firms

The Chapter ends with a concluding section which draws together the implications of the Greek labour market institutions described. In particular, we will see that Greek labour market regulation comes from a tradition of strict regulation – and that this regulation has tended to become yet stricter over time. High and increasing regulation has had consequences for business development. Business tend to remained small to avoid regulation, and workers continue being hired on an increasingly temporary basis. In the following chapters we draw out hypotheses about how businesses might react to regulation, and then subject some of these hypotheses (in particular the issue of temporary vs. permanent work) to test in the empirical work to follow.

## **2.2 Labour History**

Greek labour laws have mainly followed the labour legislation of other major European countries during the last century. Botero et al. (2004)

examine the employment laws in 85 countries and conclude that “a country’s approach to regulation is shaped by its legal tradition”. According to Botero et al., most countries in the world have inherited their basic legal traditions from their colonizers. Admittedly, in the Greek case, the position is complicated; Greece was occupied by Ottoman Empire and Turkey, until removed from that position in 1832, after the Greek war of independence against Turkey with the assistance of France, Britain and Russia. France, being the nearest Great Power then developed much influence – enough for Botero et al. (2004) to characterize Greece as a country with a French legal origin. Dacoronia (2002) also claims the adoption of the French legal model “when parts of the French commercial code of 1804 had been translated into Greek and were in use among Greek merchants” since the first years of independence of the Modern Greek state. Nevertheless, we should note that Dacoronia (2002) also states that apart from the French influence, civil laws were also influenced by German laws (with the arrival of Bavarian King Otho in 1833) as well as by Byzantine laws, so that to take Greece’s regulatory tradition as being an outgrowth of the Napoleonic Code is perhaps over-simple. Compared to EC Member States, which became industrialized earlier, labour law in Greece developed rather belatedly (European Employment and Industrial Relations Glossaries (EMIRE) - Labour Law). As reported by Federation of European Employers (FedEE web page), the first comprehensive legal codifications during the modern era were enacted in France during the nineteenth century, with Napoleonic Law and in the newly unified state of Germany in 1900 in the form of the

German Civil Code. Building on this foundation, the process of labour regulation in Greece continued in the 20<sup>th</sup> century (EMIRE, Labour Law), when the Venizelos government commenced a major political reformation of the country. The ratification by the Greek parliament followed, as early as 1920, of the International Labour Conventions adopted during the first International Labour Conference held by the ILO in Washington, DC in 1919.

A set of protective laws, particularly in two areas was enacted by the Venizelos government: the agricultural sector and employment. This liberal government enacted provisions to promote “secure” jobs for civil servants, provide for the control and improvement of working conditions concerning health and safety issues in the manufacturing sector, as well as regulating children’s and women’s employment and labour dispute arrangements (Avdela, 1997).

Legislation on individual labour focused on dismissals which have been regulated since the 1920s together with a number of the most significant Greek laws (Act No. 2112 of March 11, 1920; Royal Decree of July 16, 1920; Legislative Decree of April 21, 1926 & Law No. 4558 of 1930) (Schwenning, 1932). These are characterized by the Greek law as “termination of employment contracts of indefinite duration from the employer”. This was the first time that employers experienced state intervention in a common-law regulated field in Greece (Apostolakou 1997).

Avdela (1997) emphasises on the “Europeanization” of Greece in those years, when Venizelos was probably seeking assistance in the enlargement of the weak Greek state. During his leadership (1910 - mid 1930s including some intervals) Venizelos tried to harmonise European labour laws for the Greek state. However, the Greek employment map received a shock when the country’s population increased by 20 % almost overnight as a result of the population exchange between Greece and Turkey, propertyless, desperate people, willing to work for any wage; unsurprisingly, the 1920s coincide with the first wave of industrialisation in Greece (Pirounakis N., 1997). Although the period between the wars saw the first legal provisions for collective agreements, the period of the Metaxas dictatorship (1935-41) did not favour the development of collective labour law in the context of trade union freedom any more than the periods which followed it, i.e. the German Occupation and the 1946-49 Civil War (EMIRE, Labour Law).

Between the 1950s and 1960s many Greeks migrated, nearly one million between 1945-1973 mainly to North America, Europe and Australia (Cohen 1995), changing once again the employment map of the country. However, from 1958 to 1973 the Greek economy experienced high growth rates; in fact, the second highest in the OECD after Japan (Pirounakis, 1997). The beginning of decline in the post-war Greek economy coincided with the two oil shocks, in 1973 and 1979. As reported by Katsanevas et al. (2004), unemployment was not an issue until the beginning of the 1970s, when basically other European countries faced similar problems. At the end

of 1974, after the seven year military dictatorship which had suppressed union activity, wages increased dramatically in both the government and private sectors while the unemployment rate was at a low of about 3 percent. However, during the 1980s and early 1990s, the Greek labour market performed badly, thus Greece's unemployment rate accelerated after those years and for the last 15 years has become one of the highest in Europe. While other countries faced similar problems, Greece seems to have suffered more, perhaps due to heavier labour regulation, as we will discuss below. "Labour market flexibility" was generated as a new concept which attracted much interest in the mid-80s (Burgess, 1992). This concept was created since unemployment had risen especially in the European Community (EC), more than anywhere else, from 3 to 11 %, between 1973 and 1986 (Layard et al., 2005) and new ideas were developed to solve this problem. Blanchard and Wolfers (2000), for example, claim that an explanation for the persistence of high unemployment can be based on labour market rigidities. This type of argument will be furthered discussed later in chapter 3. In fact, flexibility may have become more important since the early 1980s due to rapid technological change and increased integration of the world's economies. Although the United States has arguably been able to rely on its flexible markets for the accommodation of this change, European countries suffered from anachronistic institutions that slowed down this change (Pissarides, 2001). Under these circumstances, the OECD (Jobs Study 1994, Employment Outlook 1999,

2004) encouraged European countries to increase flexibility in their labour markets by reducing employment protection.

Even though other EU countries followed the OECD guidelines, “flexible” measures in the Greek labour market have been delayed in application– for example, temporary employment (till 2001) agencies were not recognized by law, but were permitted for job counselling only (Storrie, 2002). Gavroglou et al. (2001) report that flexible forms of employment were later introduced to the Greek labour market, in an effort for the Greek state to keep up with the tendencies that prevailed in the rest of Europe. Based on the EIRO study (1997) the delay in expanding employment flexibility is due to (i) Greece’s effort to promote internal and functional flexibility with an emphasis on training and (ii) significant increases in illegal flexibility in conjunction with an increase in the “informal” or “submerged” economy. Reports on Greece by international organizations conclude that flexibility is still a vital issue for the Greek labour market. To begin with, the OECD (Economic Survey, Greece, 2007) mentions that “much of the poor labour market performance can be explained by relatively rigid labour market institutions”. Greece is considered the fourth strictest in EPL out of the 26 OECD countries (Employment Outlook, 2004). Moreover, the IMF (2007) states that broader labour market reforms are essential for regaining lost competitiveness and reducing the unemployment rate (which still remains among the highest among OECD countries).

All the above mentioned provide us with a general outline of the Greek labour market in the European framework since the birth of the Greek state. We now consider in more detail labour legislation in regular employment as well as the regulations on individual and collective dismissals, working hours and wage rigidities (the National and Sectoral Wage Agreement system). Additionally, regulations on flexible employment will be reported regarding part-time, temporary time (fixed-term contracts, seasonal workers, temporary work agencies), subsidized employment as a field of active labour market policies and family workers in mainly family-owned firms. Moreover, Labour Management Organizations which enforce and implement the law will also be studied. These Organizations are actively involved in public policy-making and enforcing hiring and firing regulations (the Labour Inspectorate) and high labour taxes (the Public Employment Services and the Social Security Organisation).

## **2.3 Significant Characteristics of the Private and Public Greek Labour Market**

### **Industry and Firm-size**

Before considering Greek employment, it is essential to explore its relationship with the Greek businesses structure which is characterized by a combination of micro-enterprises and self-employment. Small and micro-

enterprises are relevant for my inquiry, because this type of firm structure might itself be a response to strict labour regulation, since small firms can more easily avoid regulation – and family firms also. An overwhelming majority of 98 percent of businesses<sup>1</sup> have less than ten employees (General Secretariat of Statistical Service of Greece (NSSG), 2002).

In fact, micro-enterprises account for 63 percent of total employment in Greece, while enterprises with more than 50 persons employed account for only around 11 percent of total employment (Kikilias, 2005). Even the manufacturing sector is dominated mainly by “small businesses”; mainly small and family-owned processing plants with a low number of workers. Almost ninety-five percent of manufacturing plants employ less than 10 workers (NSSG, 2002). More than 20 percent of the workforce in the manufacturing sector is employed in food products and beverage processing firms, while another 20 percent is divided almost equally among clothing, furniture and other wood manufacturing plants (our calculations were based on Labour Force Survey (NSSG-LFS, 2005).

Based on the above observations, the Greek labour market may be categorised into the two types:

(a) The “Athenian or central” labour market, which centralised wage agreements are based on union–employer negotiations and affect the provincial labour markets which our TERS survey analyses

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<sup>1</sup> For comparisons with other EU countries see on *Observatory of European SMEs, No 7 - SMEs in Europe 2003*, at Table 3.2: Roles of SMES in European Countries, 2003, p. 29 - See more on web page: [http://ec.europa.eu/enterprise/policies/sme/files/analysis/doc/smes\\_observatory\\_2003\\_report7\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/files/analysis/doc/smes_observatory_2003_report7_en.pdf)

(b) The second category is the provincial labour markets which incorporate the rest of Greece, including the Thessaly region centred on Larissa to which my empirical study below relates.

### **Employment in the public sector**

Employment in the public sector is important for discussion of private sector employment, because wage setting in the public sector arguably influences wages in the private sector (to which my TERS survey relates). Unions in the public sector are powerful, set their own national agreements, and may also influence private sector agreements (which are naturally determined in Athens, where unions are strongest) as discussed below. The public sector in fact is by far the largest employer in corporate Greece (Michail, 2003). According to the government budget report (2008) - coming from the Greek Ministry of Economy and Finance, the number of employees in public administration is just more than a half million (Table 3.15, p.89). However, based on personal contact with a Greek officer of the Ministry of National Economy<sup>2</sup> we have to take into consideration (a) more than two hundred thousand additional public servants, who are employees of the national services, the local governments and the public entities and (b) more than two hundred thousand public servants under indetermined or fixed-term contracts. All things considered, employment in public sector amounts to 20% of the country's total employment.

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<sup>2</sup> Telephone contact on 18<sup>th</sup> September 2008 with officer Mr. Giannakopoulos Christos, General Accounting Office

The above outline shows that the Greek labour market has a “dual” character, with a large and more protected government sector, and a less protected private sector. This private sector is dominated by tourism and retail/wholesale distribution, while the manufacturing industry remaining underdeveloped. At the same time, collective agreements covering this sector are determined in the central Athenian labour market, where trade union influence is also high. Wages set in this way are arguably too high for the rest of the country. However, the private sector is formed mainly of micro-enterprises characterized by family ownership. Such enterprises are quite difficult to regulate; for example, wages are difficult to monitor in family enterprises, which gives the Greek labour market a form of flexibility, as we will see. Let us turn next to a more detailed discussion of the Greek labour law framework.

#### **2.4 The Legislation on Regular Employment in the Greek Labour Market**

One of the main rigidities that causes unemployment (see numerous OECD reports) – is restrictions on dismissals. Greece is a country where individual, as well as collective dismissals, face restrictions (Karantinos, 2006). Employment protection in Greece made its first steps with the regulation of dismissals in the 1920s as mentioned in section 2.1. It is also worth mentioning here that apart from a few modifications - with a number of ministerial fiats and laws - the overall picture of dismissal regulations

has remained relatively unchanged and anachronistic in Greece. This section will mainly focus on the issue of individual dismissals of regular and temporary workers.

The OECD's Employment Protection Legislation (EPL) Index is a frequently used labour market indicator (see further in chapter 3). In our case, we examine the EPL-version 1 which refers to (a) the strictness of labour regulation on regular employment and (b) the temporary contracts. Both types of employment are relevant in our TERS survey chapter and are also used in our regressions chapter, as we will see below. Another version is also used by the OECD (EPL-version 2) which takes collective dismissals into consideration. Since dramatic fluctuations are not evident within a single year, all figures given represent five-year averages. Data for Greece were calculated according to OECD methodology (developed in chapter 3) for the last 30 years (early 80s - late 00s - from 2003 onward the figures were estimated by the author). In the following paragraphs, an analysis of the Greek EPL is given:

As it will be discussed in Chapter 3, EPL is likely to have consequences on hiring, for example, prompting the hiring of less skilled workers, and also of temps. We aim to test these consequences in the TERS work, and therefore need a good understanding of Greek EPL.

## **The Individual Dismissal Mechanism in Greece**

There are two main costs of dismissal procedures according to the OECD's sub-index of EPL on regular employment: (a) administrative dismissal procedures, which create bureaucracy and (b) firing costs, which mainly take severance payment/notice period into consideration.

In Greece, the administrative difficulties which a firm faces in individual dismissals are the following: (i) written statement to employee (ii) additional notification to the local office of Public Employment Services (OAED) within eight days and (iii) additional restricted reasons for unfair dismissals. Flexible procedures take place at this stage, since the employer may notify a temporary employee of dismissal within a shorter period of time and without being obliged to justify or state the reasons for dismissal. However, a dismissal is automatically characterised as unfair in some cases - when applied to (a) trade union representatives and work council members, (b) employees during their annual leave and (c) recent mothers returning to their workplace. In addition, reasons of pregnancy and discrimination (to vulnerable group members) are considered as unfair dismissals. An important consideration for a firm is also the time spent on these disputes - longer than one year may be required in court, and if the case goes to higher courts the final ruling often takes more than two years. (EIRO, 2004). Thus, EPL is a potentially expensive factor which employers have to take into account, as we will see below when analysing the TERS.

In terms of severance payments, three main characteristics are taken into consideration: (a) the length of service (tenure) of the employee, (b) the employee's status (wage earner or salary earner) and (c) the notice period. The employee's tenure is the main factor in dismissal. The length of service defines the period of notice of termination of the employment contract. In other words, the more years someone is employed worked for the same employer, the earlier the notification necessary for a forthcoming dismissal (this is only applied to white-collar employees). In addition, the employee's status plays a significant role in dismissal. In Greece as well as in some other EU countries white-collar employees “are more protected” than blue-collar employees in the dismissal procedure. Furthermore, only white-collar employees must be notified about a forthcoming dismissal in advance and the severance payment is much higher for salaried employees compared to wage earners. For white-collar workers, in cases of dismissal with due notice, severance pay amounts to half of the pay corresponding to the period of notice (Law 3198/1955, Article 4).

In cases of dismissal without the due period of notice (Table 2.1), severance pay is calculated by multiplying the employee's monthly pay by the number of months of notice that should otherwise have been observed by the employer, subject to a maximum of 24 months' pay (minimum 1 month's pay), when the length of service is 28 years or more. For manual workers, maximum severance pay is set at 165 days' wages (while

minimum are 5 days' wages), when the length of service exceeds 30 years (Table 2.2).

**Table 2.1: Severance Payment for White Collar**

Dismissal without notice period		Dismissal with notice period	
Employees' length of service to the same employer	Severance Pay (in months)	Notice Period before the Dismissal (in months)	Severance Pay (in months)
2 months – 1 year	1	1 month	½
1 – 4 years	2	2 months	1
4 – 6 years	3	3 months	1 ½
6 – 8 years	4	4 months	2
8 – 10 years	5	5 months	2 ½
10 years	6	6 months	3
Over 10 years	1 month's salary per yr of service (up to 24 months)	Over 6 months	1/2 month's salary per month of service (up to 12 months)

**Sources:** Law 2112/ 1920 (FEK 67A/1920) and Law 3198/1955 (FEK 9A/1955)

**Table 2.2: Severance Payment for Blue Collar\***

Dismissal without notice period	
Employees' length of service To the same employer	Severance Pay (in days)
1 – 2 years	7
2 – 5 years	15
5 – 10 years	30
10 – 15 years	60
15 – 20 years	100
20 – 25 years	120
25 – 30 years	145
Over 30 years	165

**Source:** Royal Decree 18/1920, Law 3198/1955, Law 2849/1989.

Also based on modifications which have been signed for the National General Collective Agreements between 1989 -2006.

**Notes:** \*Blue collar workers cannot be notified of a dismissal in advance.

It should be noted that an employer is obliged to pay compensation only when an employee has been working for the company for a period of over two months from the date of recruitment (Seferiades, 2003). If the actual sum is not paid, the termination of the contract of employment is rendered null and void (Law 3198/1955, Article 5). This severance pay is always payable irrespective of the reason for termination of the contract, i.e. even in cases where the reasons are relating to the employee's individual person or behaviour (incompetence, unsuitability, failure to fulfil contractual obligations, etc.). We consider below how Greece's EPL strictness compares with other countries, however, first let us bring in the Greek debate on EPL.

### **Debate on Severance Payment and Employment Protection Legislation**

A debate on severance payment takes place between the Greek General Confederation of Labour (GSEE) and the Employers' Associations, usually during the bargaining process, prior to signing the National General Collective Agreement. The main point of discussion generally focuses on increasing blue-collar workers' severance pay to the same levels as those of white-collar employees. Predictably, the GSEE generally argues for the application of a new law on the abolition of discriminatory differences between blue-collar and white-collar workers and the harmonization of unified employee status under the dismissal mechanism. The GSEE believes that this distinction is unfair since "there is

no longer labour which is purely intellectual or purely manual” (EIRO, 2004) and every employee has the same living needs. For example, a white-collar employee with tenure of more than 28 yrs enjoys more than 7 times higher amount of compensation than a blue-collar employee with comparable tenure (Tables 2.1 & 2.2). Other European Union countries (Austria, Belgium, Denmark and Italy) similarly have different regulations for dismissals of white and blue-collared employees. However, the differences in severance pay for Greece are remarkable.

On the other hand, OECD reports call for white collar workers’ severance payments to be reduced and aligned with those of blue collar workers. The Economic Survey of Greece (OECD, 2007:94) mentions that “this unusual feature of the EPL in Greece impedes labour turnover, and this is the main reason why Greek labour market turnover is among the lowest in OECD countries”.

It is also important to note that according to the OECD Employment Outlook (2004) index of dismissals, Greece has one of the highest scores (second highest score in notice period for the scale of 20 years tenure; see more on Table 2.3, third column) among OECD countries, though the score regarding the other time scale categories (9 months and 4 years) follow the average OECD level.

**Table 2.3: EPL for dismissals in Greece & selected OECD countries  
(2008)**

Country	Overall EPL Index*	Length of notice period for 20 years of tenure
Spain	3,11	1
France	3,00	1
<b>Greece</b>	<b>2,97</b>	<b>4</b>
Portugal	2,84	1
Norway	2,65	2
Germany	2,63	4
Belgium	2,61	6
Italy	2,58	1
Austria	2,41	1
Poland	2,41	2
Czech Republic	2,32	1
Finland	2,29	3
Netherlands	2,23	1
Korea	2,13	1
Slovak Republic	2,13	2
Hungary	2,11	2
Sweden	2,06	3
United Kingdom	1,09	2
Canada	1,02	1
United States	0,85	0

Source: OECD - [www.oecd.org/employment/protection](http://www.oecd.org/employment/protection)

Notes: \* Weighted sum of version including 3 sub-indicators for regular contracts, temporary contracts, and collective dismissals (version 2)

Since 1989, several modifications have taken place and changed the severance payments of blue-collar workers. Many of them, introduced between the years 1994-2006, are included as separate articles on National General Collective Agreements (NGCAs) and have revised past laws.

These changes have narrowed the distinction between dismissal compensation for blue and white-collar workers and have generally increased EPL for blue collar workers:

- an increase in compensation (actual amount) for blue-collar employees with tenure between 10-20 years
- an introduction of three new categories of severance payment for manual workers with tenure between 20-30 years
- an escalation in the OECD-EPL sub-index in severance payment in Greece. In other words, in the late 80's manual workers with 10 years tenure and over were given 65 daily wages as severance pay in case of dismissal, while nowadays the severance payment is 100 daily wages for the same case.

On the other hand, severance payment for white-collar employees remains stable. However, it is worth mentioning that there is still a significant difference between the severance of blue and white collared workers.

### Collective Dismissals

Restrictions are imposed in individual dismissals as well as in collective ones. Procedures on collective dismissals were regulated (by law 1387) in 1983 and implemented the European Directive in 1975 (1975/129/EEC), however some modifications were made in 2000 (2874/2000, article 9, paragraph 2). These laws introduce the right of

compulsory prior consultation between employers and employee representatives, on the reasons of dismissals and the number of employees to be affected (Katsanevas, 1985). In addition, collective redundancies take place when enterprises employing 20 or more employees dismiss a specific number of employees within the period of one calendar month. In addition, employers have to notify (a) the employees' representatives about the planned dismissals (b) the local office of the Labour Inspectorate and (c) the Head of the Prefecture with a request for approval.

According to the international standards (OECD sub index for employment protection law), Greece's regulation for collective dismissals is ranked among the top 10 most rigid OECD countries (see more OECD Database web page<sup>3</sup>). Admittedly, this law is applied only to enterprises with more than 20 employees which represent a small minority on the Greek business map, as we already presented. However, a number of these firms have been included in our TERS survey (see further in Chapter 4), and thus the collective dismissals provisions also have relevance.

### **Working Hours**

Another aspect of regulation in Greece's employment framework is the restrictions on working hours. Their relevance to the topic of labour flexibility in Greece, because the law has limited both long hours and short hours (part-time) work which is important in my empirical work. As can be seen from Table 2.4, the average hours worked are in fact longer in Greece

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<sup>3</sup> <http://stats.oecd.org> – Dataset: LFS - Strictness of EPL – collective dismissals

than the average for the OECD. The implication is that the maximum working hours (see below) are not enforced. On the other hand, the low proportion of part-timers in Greece (see below) implies that laws limiting short and part-time working hours are enforced.

In all countries, hours of work are affected by regulations and collective bargaining. However, France, Portugal and Spain are three countries in which the influence of legislation is particularly strong; in Denmark, Germany, and Italy collective bargaining is considerably more important; in Belgium, Greece, Ireland and the Netherlands, the system is best described as mixed (Pissarides et al., 2009). In the UK and the US and similar Anglo-American-influenced economies, freedom of choice is more important.

Historically, working time has generally been regulated by the law in Greece which imposes the 8-hour day and the 48-hour week with the Presidential Decree of 1932 (Koukiadis, 2009). However, the first collective agreement which reduced working time was the National General Collective Agreement in 1975, after the fall of the military government. Under this agreement (article 3-paragraph 1), weekly working time was fixed at 45 hours, without any reduction in pay. An additional modification was introduced by the National General Collective Agreement in 1984; it extended the 40-hour work week to all employees in the private sector (article 6)

According to the OECD (<http://stats.oecd.org>), in the large majority of OECD countries, hours worked have fallen over the period from 1994 to 2007. However, Greece presents the largest number of working hours per year with a significant difference from the OECD average.

**Table 2.4: Average annual hours actually worked per worker in employment in Greece & selected OECD countries (2009)**

Country	Total Employment	Dependent Employment
<b>Greece</b>	<b>2119</b>	<b>1777</b>
Hungary	1989	1749
Poland	1966	1938
Czech Republic	1942	1879
Italy	1773	...
United States	1768	1776
OECD countries	1739	..
Portugal	1719	1664
Canada	1699	1699
Spain	1654	1615
Finland	1652	1555
United Kingdom	1652	1638*
Austria	1621	1436
Sweden	1610	..
Denmark	1563	1547
France	1554	1469
Belgium	1550	1453
Ireland	1549	1470
Norway	1407	..
Germany	1390	1309

**Source:** OECD.Stat Database - <http://stats.oecd.org>

**Notes:** Data are expressed in number of hours worked per year per employed in employment.

\* Data for UK comes from the year 2008.

Initially, it seems that Greek employees work far more hours than their counterparts in the OECD. However, there are important points which have to be taken into account in this measurement:

(a) the high percentage of self-employed (36 percent of the total civilian employment - OECD factbook 2008) in the Greek labour market who do not belong to collective bargaining and usually work more hours in all countries

(b) the extremely low percentage of part-time employment, a category also estimated in the methodology

More specifically, according to recent OECD data (see Table 2.4), if we take into consideration the number of working hours in dependent employment (thus excluding the self-employed), there is no gap between Greece and other OECD countries. Moreover, the PAEP (Employment Observatory Research Informatics S.A.) report (2006) indicates that differences are much smaller if we also exclude part-timers.

To sum up, Greece presents a picture where working hours are regulated, however, in reality the large number of self-employed workers (and family workers) do much as they please. At the same time, part-time work seems effectively discouraged. The implication is that businesses probably cannot vary hours as much as they would like to gain flexibility, and have to vary headcount – which in turn means relying on temp labour given the strict EPL. In my survey of employers in Thessaly (Chapters 3 and 4), I will examine strategies adopted by employers in more detail.

## **2.5 The Regulation of Flexible Employment in the Greek Labour market**

Apart from restrictions on regular employment, issues relating to flexible employment will also be examined in this section, in order to lay the basis for my later work with the TERS. What is the reality of flexible employment in Greek businesses? Can these forms of employment find ways to increase the employment percentages and expand businesses in Greece? Can businesses use these “atypical” employment forms without prevention of the labour law?

These questions are of high importance for Greek enterprises taking into consideration that international organizations such as OECD, IMF and some Greek organizations (Bank of Greece, Alpha Bank) argue with other organizations (Institute of Employment of General Confederation of Greek Labour) and many academics about the merits of labour flexibility in Greek enterprises. Flexible work (otherwise atypical or non-standard forms of employment) is a term which covers a wide range of work styles and employment practices. Broadly speaking, it is used to describe all kinds of employment, which differ from traditional 9-5 full-time work with a permanent contract (Avramidou, 2001), including part-time, shift work, temporary work, fixed term work, sub-contracting, seasonal work, teleworking, home working, and subsidized employment.

The majority of job openings in the EU in the 1990s have been part-time positions, rather than full-time (Voudouris, 2004). Thus, it seems that

the overall level of flexible work is clearly increasing. However, the pattern varies substantially across the EU due to differences in labour regulations, resulting in different forms of flexibility in different countries (Voudouris, 2004). Even though labour regulations may vary from country to country, there are certain issues in the EU that stand for all member countries, as they share a common goal.

Flexible forms of employment, however, were introduced to the Greek labour market later in an effort for the Greek state to keep up with the tendencies that prevailed in the rest of Europe (Gravoglou and Kikilias, 2001). That happened because the Greek employment protection legislation was drafted principally with permanent, full-time employees in mind (Michail, 2003). It seems that employment contracts outside regular employment were not used extensively or existed mainly in the grey market. Furthermore, in the early 90s, additional laws on labour relations and regulations made an attempt to provide better protection for atypical workers, while at the same time record the size of atypical employment. More analytical information about non-standard forms of employment is provided below:

### **Part-Time Employment**

Greece has very few part-time workers, males represent only 4% and females 12.9% (OECD Employment Outlook, 2007:261), which is quite different from the rest of the EU countries. Thus, while part-time employment as a proportion of total employment in the EU-15 has been

increasing during the last twenty years, reaching 18% of total employment, in Greece it has stagnated at about 7.5 percent (OECD 2007: 262)

Part-time employment should be possible in Greece based on the fundamental principle of freedom to conclude a contract (article 361, Civil Code). However, empirically, up until the end of the 1980s part-time employment contracts were rare in the labour market (Institute of Employment/Greek General Confederation of Labour ( INE/GSEE), 2002). In fact, it was only officially recognised in 1990 (under law 1892/1990, article 38). Two other additional laws in the late 90s (2639/1998 and 2874/2000) implemented an institutional framework for part-time work in Greece based on the guidelines of the European directive in 1997 (Council Directive 97/81/EC). These latter laws were introduced for “better social protection” of part-time workers as well as for the obligatory registration of this type of employment at the Labour Inspectorate for the better monitoring of the system.

Moreover, employers have to increase the remuneration of this category of part-time employees who work less than 4 hours per day (by 7,5%) and are paid minimum wage (article 6, 2874/2000). In the Bielenski et al. (2002) study, the part-time category was divided into marginal (up to 19 hours per week) and substantial (20 to 34 hours per week) part-time work. Based on these categories, it is obvious why Greece presents very low percentages in marginal rates. Additionally, when a part-time employee is gives his/her consent to work overtime (following employer's request) he/her is entitled to overtime pay increased by 10%. Employers are

discouraged from hiring part-timers since part-time work is regulated, especially in the marginal part-time category.

On the other hand it is also interesting to note that according to the Labour Force Survey Results (2001), 44 percent of the part-timers in Greece would prefer to have full time work but have settled with this type of employment because full-time jobs were not available. Thus, even though few workers are in part-time employment, those so employed are discontented. Finally, in 2003 a new law (3174/2003) allows public sector organisations to recruit unemployed people and other groups on a part-time basis or fixed-term contracts. The main characteristic of this law is that the candidates must be selected from vulnerable groups (long-term unemployed, people with disabilities).

### **Temporary Employment**

Temporary employment is important, because it is almost the only avenue of flexibility open to Greek labour market participants and represents 10,9 percent of the total workforce in Greece (EIRO, 2007). However, there is a lack of definition of temporary employment while the institutional framework in which it operates is not clearly established. According to the OECD (2002), the distinction between temporary and permanent jobs differs significantly between countries. This may be the reason why Greece does not have a clear legal framework for temporary employment. However, OECD (2002) considers as temporary jobs those forms of

dependent employment, which, by their nature, do not offer workers the prospect of a long-lasting employment relationship.

These temporary contracts can be separated into two categories: (a) fixed-term contracts and (b) temporary work agency employment.

(a) Fixed-term contracts are the most common form of temporary employment. A series of previous laws (law 2112/1920 and clauses in Chapter 180, Articles 648-680 of the Civil Code ) together with the new one 2639/98 define the fixed-term labour agreements. What is characteristic of these contracts is that the termination of this kind of job is determined by objective conditions. The EU directive (70/1999) was adopted by two presidential decrees of the Greek government in 2003 (PD 81/2003) and 2004 (PD180/2004). According to these, the longest duration of continuing contracts is two years or three successive renewals of their initial fixed-term contract. In any other case (over two years duration) the fixed-term contract is meant to be transformed into an indeterminate duration contract. Another important issue is that the new regulations lengthen the interval between two successive employment contracts to 45 days (EIRO, 2004), which in practice is very difficult to monitor.

A sub-category could be introduced at this point. Seasonal work “differs” from fixed-term contracts because it includes only the seasonal activity of a company in specific time periods of the year. Seasonal employment has high proportions in the Greek tourism industry (restaurants and hotels) and in the food-processing industry, trying to cover the seasonal needs of the workforce.

(b) Temporary Agency Work (TAW) is the other category of temporary employment in Greece. The state passed a law (2956/2001) in 2001 which for the first time laid down specific rules on the establishment, operation and obligations of temporary work agencies (EIRO, 2001). However, it seems that its development is limited, since as we will see below, TAW is clearly a regulated form of employment in Greece. One of the main characteristics of this type of employment is the maximum limit of an eight month contract with the possibility of only one renewal while the total length of the contract cannot exceed sixteen months.

Furthermore, two ministerial decrees (30342 and 30343/2002) in 2002 filling in the gaps of the previous legislation (EIRO, 2008) together with law (3144/2003) provide a heavier regulatory framework for this type of employment. Mainly, issues deal with strict requirements in setting up a temporary working agency which has to be in the form of a *société anonyme* with share capital of at least 176.000€. In addition, in order to get an operating licence one is required to (a) submit to governmental organisations two letters of financial guarantee of 200.000€ which need (b) to be authorised by the special Temporary Employment Monitoring Committee.

These reforms are a part of a general “reform” strategy which took place in many countries of continental Europe between the years 1990-2003, with the apparent aim of making room for more flexible – while

leaving the EPL protection of permanent workers. According to Ochel (2008:2) “governments introduce reforms to the margin of the core labour market ... while keeping the institutional arrangements for incumbent workers virtually intact”. Greece appears to be no exception here, and so we can take it that incumbent workers’ protection remains quite strict currently for the period to which my TERS relates.

### **Subsidised Employment**

In the field of active labour market policies, the main types of intervention continue to be subsidised employment (wage subsidies and start-up incentives) and training. Such employment provides another avenue of flexibility, and is thus relevant for my inquiry. The management and the application of these subsidised employment schemes come from the Public Employment Services (OAED) under the supervision of the Ministry of Employment and Social Protection. This is characterized by a highly centralized structure; however, recently other governmental departments have been involved both in the engagement and the delivering of pro-active labour market policies (Karantinos, 2006).

Wage subsidies as a category of subsidised employment which is investigated in this TERS survey - was initially applied in 1982 in Greece under a programme called Subsidies of the New Posts while in 1998 a new measure of employment, the so-called Stage, was introduced (acquisition of professional experience for post-secondary and tertiary education graduates). Both measures are occasionally offered and announced by the

government to the participants (businesses and the unemployed). The goal is to try to motivate businesses to hire new employees (under this flexible employment) for a specific duration. Thus, unemployed people (especially long-term or other members of vulnerable categories) gain work experience and become more competitive in the labour market. In addition, Public Employment Services (OAED) offers wage subsidies under trainee schemes for the work placement or internship of students of technical high schools or tertiary education institutes.

### **Family Employment**

Family workers are important in Greece, as we have seen, and provide another method of flexibility for Greek enterprises as we will see in Chapter 5's empirical work. These include parents, siblings and extended family-members working in family businesses (Sardeshmuck, 2005). They are mainly females, especially housewives and the workplace in these Greek businesses is considered as a kind of extension of the family relationship (Vaiou, 1997). These workplaces are mostly micro-enterprises with a strong family character.

According to the law (1846/1951) on "Social Security" - which determines the regime of Social Security in Greece - in 1951, family members who worked in a family business were not clearly specified as persons to be subject to social security tax contributions. However, this tax was introduced later, in 1988, (law 1759/1988 – KAMO articles 1-7), when

family members, such as spouses or relatives of the first and second degree, were obligated to be registered just as any other type of employee under depended employment contract. Furthermore, a number of circular ministerial letters clarify and enable those businesses with individual legal status - and not any other legal type of business - who have hired family workers to pay lower labour costs (less employer and employee contributions at 8%) and some other conveniences.

However, this type of employment admittedly is still considered grey. The main question arising is whether family workers are paid the legally-required nationally agreed rates. According to the European Employment Observatory Review (EEOR -2004) undeclared work (paid or unpaid) in Greece is bound to be higher in activities with a high incidence of family workers and the self-employed. Moreover, the same report also mentioned that a large number of family workers are also found – apart from agricultural activities - in distributive trades, tourism, manufacturing activities and construction (EEOR, 2004:89) – exactly the economic sectors being investigated in the TERS survey.

It is important to note, that taxation is more lenient for family enterprises, as it was formerly mentioned (which might explain why they comprise the majority of businesses in Greece). The controls from IKA officers or Labour Inspectors in these family businesses -sole proprietorship status - are not as rigidly enforced as with larger businesses. It is common not to give a penalty to the employer when officers find a family member working in the workplace and s/he is not insured (my interviews with IKA

officials – see also OECD, *Regulatory Reform in Greece*, 2001, p 33). The implication is that this favourable tax treatment of the family business could itself contribute to unemployment, since large-scale enterprise in Greece is discouraged.

## **2.6 The System of Collective Bargaining & Trade Unions in Greece**

Collective bargaining is quite centralised in Greece, and is also intended to be legally enforceable. Wages are of course an important determinant of employment. To the extent that the collective agreements are observed (which will be examined in analysis of the TERS in the next chapters), it is possible that high wages – suitable for Athens, but too high for provincial labour markets – cause businesses not only to resort to temp employment, but also to remain small and family-based. Entrepreneurship is discouraged. In these ways, centrally-set wages arguably raise Greek unemployment. The workings of the Greek collective agreement system are therefore clearly important, and we now describe it.

### **Trade Unions**

Historically, the trade union movement in Greece has followed the development of industry in Greece, which has lagged behind industrially developed Europe (Robolis, 2008). Based on a recent report (GSEE, 2008), Greek Trade Unions appeared in the last quarter of the 19th century (1875

and later) with the increasing movement of population from the countryside to the urban centres.

The historical development of Greek Trade Unions is separated into five periods by Ioannou (2000). However, since the Greek state faced many obstacles (due to wars and military dictatorship) in its development we will focus on the last phase (1974 and after) with the fall of the military dictatorship and the establishment of parliamentary democracy. After this year, Greek trade unions emerged more as a more powerful social labour movement (Fakiolas, 1978). In this period, new labour movements such as the factory movement in industry and the federations movement in state-owned companies (public sector utilities) (Ioannou, 2000) were developed.

With the election of a socialist government in the early 1980s, a new law was launched "regarding the democratisation of the trade union movement and the safeguarding of workers' trade union freedoms" (Law 1264/1982 (Article 7)). This legislation provides the structure of trade unions on three levels (EIRO, 1998):

- primary organisations are the local organisations of unions with a broader coverage, formal enterprise unions, and more informal employees' associations in small enterprises;

- secondary organisations consist of at least two primary organisations. They may be labour centres, which are local in nature, or union federations, which are mostly sectoral, though may be occupational; and

- tertiary organisations are made up of at least two secondary organisations. The two-non rival tertiary organizations are: (a) the Greek General Confederation of Labour (GSEE), which represents the private and broader public sector, and (b) the Confederation of Public Servants (ADEDY) which represents public administration.

These two types of tertiary organizations – according to recent data – present remarkably different trade union density rates, with unions in the public sector representing almost 64 percent of the employees while unions in the private sector just 19 percent (Matsaganis, 2007). However, this difference has been evident in many countries over the last decades, since trade unions have found it easier to organize employees in the public than in the private sector (OECD, 1994).

It is important to note here that trade unions are not financially dependent; apart from symbolic yearly members' subscriptions they rely on compulsory contributions (since Metaxas dictatorship 1936-1940) from the state social welfare system: more particularly the Organisational Council House (OCH) (Ioannou, 2005:153, Kritsanonis (1998) and Koukoules, 1984). This institution is funded - as we will see below - by the social security contributions of employers and employees (through the IKA organisation). In 2002, the GSEE Congress demanded that the government increase the OCH funding from the current level of 25 % of its annual budget to 30 percent, to meet increasing costs and falling revenues from members (Ioannou, 2005:154).

Over the past 30 years, the overall trade union density in Greece has dropped from almost 35 percent of the workforce in the early 80s to less than 25 percent in late 2000s. This decline is shown in Table 2.5, where Greece has followed the OECD trend (OECD, 2004).

**Table 2.5: Trade Union Density (%) in Greece and selected OECD countries**

<b>Country</b>	<b>1990</b>	<b>2008</b>
Sweden	80	68,3
Denmark	75,3	67,6
Finland	72,5	67,5
Norway	58,5	53,3
Belgium	53,9	51,9
Italy	38,8	33,4
Ireland	48,5	32,3
Austria	46,9	28,9
Canada	34	27,1
United Kingdom	38,2	27,1
<b>Greece</b>	<b>34,1</b>	<b>24</b>
New Zealand	49,5	20,8
Portugal	28	20,4
Germany	31,2	19,1
Netherlands	24,3	18,9
Australia	40	18,6
Switzerland	22,7	18,3
Japan	25,4	18,2
Poland	54,8	15,6
Spain	12,5	14,3
Korea	17,2	10,3

**Source:** OECD.Stat Database - <http://stats.oecd.org>

**Notes:** Data are expressed in percentages. Density is calculated using survey data, wherever possible, and administrative data adjusted for non-active and self-employed members.

This fall in density has also been influenced by a number of economic and political factors. For instance, large-scale foreign industries, which had helped the expansion of the country during the after-war period, left Greece as it became a higher cost location after the mid-80s (Fillipaios, 2006). Furthermore, Greece's family business structure does not contribute to unionism. It is important to mention here that for employees to set up work council in a firm, 21 employees are needed (Law 1767/1988). Because of the small size of businesses in Greece, union activity is naturally low since trade unions are favored by large workplaces (Kouzis, 2005).

On the other hand, union membership in the public sector is high in part due to high employment security (permanent or indeterminate contract). In addition, there is a strong link in political and financial terms among trade unions and the state as it already noted. Many scholars (Zambarloukou, 2006, Kouzis, 2005) argue that the Greek state has succeeded in intervening to control union leadership. A further reason for union decline is the rise of the flexible workforce. Matsaganis (2007) refers to the typical "active" Greek unionist as a Greek national who is a highly-tenured, middle-aged, male employee (under permanent contract). The representative picture of Greek employment is contradictory, since the typical worker in Greece is young (many are in the flexible workforce) and increasingly female.

## **Basic Characteristics in Collective Bargaining**

Since trade union density is one of the foundations of the wage-setting process in Greece, the importance of collective bargaining coverage in the last decades is certainly important. There are two main concepts in bargaining coverage; the unadjusted and the adjusted rate (see on Traxler, 2001) In the Greek case, it is remarkable that no surveys on collective agreements take place, nor are similar questions included on labour force surveys, so no reliable data on coverage at a national level are available..

In the TERS I will consider de facto coverage of collective agreements, but given the complexity of the position, it is worth looking at the de jure position which is as follows. First, free collective bargaining and General National Collective Agreements are regulated by law 1876/90 (Article 1) which concerns free collective bargaining “to all those workers employed on the basis of a private-law employment contract by any domestic or foreign employer, firm, operation or service of the private or public sector of the economy”. In other words, in the collective bargaining process (EIRO, 2007), workers who have the right to participate are members of any trade union represented at the national level through the GSEE structure. An outcome of successful collective bargaining is the signing of a National General Collective Agreement (EGSSE) between the GSEE on the employee side and Federation of Greek Industries (SEV), General Confederation of Greek Small Businesses and Trades (GSEBEE), and Federation of Greek Traders (ESEE) on the employer side. This type of

agreement sets up the basic minimum wage floor for the whole country – affecting primarily unskilled workers.

Second, there are different levels of agreements and also an extension mechanism for collective agreements. These other types of agreements -sectoral, industry, company and occupational at the national or local/regional level - act as a supplement to the National General Collective Agreement. These agreements define minimum wages for more skilled workers, taking into consideration tenure, age and occupation (see the Chapter Appendix for details of an actual sectoral agreement) At this point it is important to note that any enterprise agreement which improves on the terms of the Sectoral Wage Agreement applying to the enterprise is permissible. Let us also note that sectoral/occupational agreements can be extended to all employees in the industry or occupation. An agreement is strictly applied to employees who are union-members (in other words the number of voting members at the last union elections, as mentioned in the previous section).

Moreover, a sectoral/occupational collective agreement may be extended if it represents 50 percent or more of the employees working in the particular sector/occupation (OECD, 2004). This extension of agreement has to be submitted to the Greek Ministry of Labour by the appropriate trade union or employers' organization through an application. Following the approval of the Minister, a collective agreement (industrial, sectoral) covers all employees who are not members of its signatory parties.

#### c) Collective bargaining in public administration

Strangely, given the public sector union strength, there is no right to bargain in the public sector in Greece - “all salaried public servants under public-law employment relationships, including employees of public entities” have no right to bargain over pay issues. Even though a new law 2738/1999 was introduced in 1999 regarding "collective bargaining in public administration, permanent status for workers employed under open-ended contracts and other provisions" public employees are still excluded from formal bargaining on pay and pensions. This law however gives public servants the statutory right to negotiate their terms and conditions of employment (for instance, education and training issues as well as health and safety measures and matters related to leave) (EIRO, 1999 & Law 2738/1999). Based on the Greek Labour Force Survey – unfortunately only a few recent years provide us with reliable data – the proportion of public employees (under a full public law employment relationship, not temps) is approximately 12 percent (NSSG-LFS data, 2001-2007- B' quarter).

#### d) Coverage of collective agreements in atypical employment

According to the law, part-time work and any kind of temporary employment (fixed-term, seasonal etc.) is covered by the National Collective Agreement since these employees are under a private-law employment contract. Furthermore, there is family employment, a “grey”

employment category where employees have the right to bargain, though in practice they do not.

Initially, it seems that all Greek employees are covered in law (if not in practice – see below) by collective agreements at some level, since the extension mechanism forces the application of any collective agreement to all employees in the total economy – and in any case the National General Agreement is almost applicable to everyone. By following the methodology<sup>4</sup> which has been used by previous scholars we conclude that some employment groups are excluded from our estimation. As I formerly mentioned above, the public employees “under public-law employment relationships” and family members who work in family-run businesses are both excluded from the right to wage bargaining.

**Table 2.6: Collective Bargaining - "Legal" Coverage (%) in Greece and selected OECD countries (2000)**

Country	Coverage rate (%)	Ranking
Austria	95+	1
Belgium, France, Finland, Sweden, Portugal	90+	2
Denmark, Australia, Netherlands, Italy, Spain	80+	7
Greece*	70+	12
Germany	68	13
UK, Canada (32)	30+	14
New Zealand	25	16
United States, Japan (15)	14	17

**Source:** Employment Outlook -Table 3.3 (OECD, 2004)

**Notes:** \* Greece's rate is calculated by the author (however, this is de jure coverage, which does not necessarily hold in practice).

<sup>4</sup> Personal contact has been made with Professor Traxler F. in order to clarify some estimation issues.

Table 2.6, shows that according to data from the Labour Force Survey (NSSG-LFS, 2001-2007), the overall percentage of employees (from the above categories) which are not covered by collective agreements is about 25 percent, thus the collective adjusted de jure coverage for Greece is just above 70 percent. These figures put Greece at about the middle of the 26 OECD member countries, which is still high given the low Greek trade union density of under 20% for private sector workers (who are all relevant for coverage). In fact, as we will see in the next chapter, there is a large difference between de jure and de facto

### **Collective Bargaining Centralisation & Coordination**

Two other important bargaining indicators are bargaining centralisation and coordination (see the classic paper by Calmfors et al., 1988), which are relevant for my TERS study, since Greece's comparatively high centralisation (see below) might confer advantages if it makes for more "responsible" bargaining. Coordination might be seen as a stronger measure of centralisation, since even decentralised systems such as Japan's might be coordinated (Flanagan, 1999:1159). Admittedly there is no consensus as to the effects of either variable (OECD-2004:170). However, it is still necessary to acknowledge that collective bargaining need not necessarily result in over-high provincial wages – it could help both workers and employers, and I will test for this effect later.

While official data/surveys have never been conducted, I make an indicative attempt to estimate centralisation and coordination in Greece. Centralisation is said to describe the “locus of the formal structure of wage bargaining” (OECD- Employment Outlook, 1997). The most important element which defines the degree of centralisation is the level of negotiation which is structured across OECD countries. Three main levels have been distinguished; (a) the national level (central wage bargaining), (b) the industry or sector level (intermediate wage bargaining) and (c) the firm-establishment level (decentralised wage bargaining) (OECD, 1997 & Soskice 1990). However, the classification of countries by bargaining level is complicated by the fact that in many countries bargaining occurs at multiple levels (OECD, 2004).

On the other hand, coordination focuses on “the degree of consensus between the collective bargaining partners” (OECD- Employment Outlook, 1997). Soskice (1990) initially scored this concept, and his scores have been updated<sup>5</sup>. Consequently, the final score version was reached and is analysed below.

The conventional method is to assign various bargaining characteristics a value between 1 and 5 which includes multiple types of centralisation and coordination. In terms of centralisation, a score of 1 indicates the most decentralised bargaining (company and plant level predominant) and moves to a score of 5 which indicates the most

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<sup>5</sup> Richard Layard, Stephen Nickell, and Richard Jackman and more recently Peter Hall and Robert Franzese have updated the Soskice scores on wage coordination

centralised bargaining (central level agreement of overriding importance). Related to coordination, there are also five different levels, according to the same methodology; score 1 indicates fragmented bargaining at the company/plant level, with little or no coordination by upper-level associations up to score 5 which refers to countries with high-coordination bargaining (either informal between bargaining partners or by government imposition).

**Table 2.7: Bargaining Centralisation & Coordination Index<sup>6</sup> (1970-2008)**

GREECE	1970-74	1975-79	1980-84	1985-89	1990-94	1995-99	2000-04	2005-08
Centralisation	3.5	2.5	3	3	3.5	3	3	3
Co-ordination	4.5	2	4	4	3	4.5	2.5	2.5
							OECD average =2	
							OECD average=2.4	

Source: Employment Outlook -Table 3.5 Wage -setting institutions in OECD countries (OECD, 2004)

<sup>6</sup> \*Centralisation:

1 = Company and plant level predominant.

2 = Combination of industry and company/plant level, with an important share of employees covered by company bargains.

3 = Industry-level predominant.

4 = Predominantly industrial bargaining, but also recurrent central-level agreements.

5 = Central-level agreements of overriding importance.

\*\* Co-ordination:

1 = Fragmented company/plant bargaining, little or no co-ordination by upper-level associations.

2 = Fragmented industry and company-level bargaining, with little or no pattern-setting.

3 = Industry-level bargaining with irregular pattern-setting and moderate co-ordination among major bargaining actors.

4 = a) informal co-ordination of industry and firm-level bargaining by (multiple) peak associations;

b) co-ordinated bargaining by peak confederations, including government-sponsored negotiations (tripartite agreements, social pacts), or government imposition of wage schedules;

c) regular pattern-setting coupled with high union concentration and/or bargaining co-ordination by large firms;

d) government wage arbitration.

5 = a) informal co-ordination of industry-level bargaining by an encompassing union confederation;

b) co-ordinated bargaining by peak confederations or government imposition of a wage schedule/freeze, with a peace obligation.

Applying these methods in Greece, we derive data from personal interviews with officers in the Institute of Employment/Greek General Confederation of Labour (INE/GSEE) as well as the mediation and arbitration organisation (OMED) and the Labour Force Survey.

Table 2.7 confirms that Greek bargaining centralisation is above average. As we can see, during 2000-04, the index is 3 for Greece, compared to an OECD average of 2.0. On the other hand, the coordination index for Greece is 2.5, which is about equal to the OECD average; thus, collective bargaining in Greece appears not to be particularly coordinated. At the same time, Greece is more centralised and coordinated than the Anglo-American pattern (both countries have coordination and centralisation indices of unity, see OECD 2004, Table 3.3). Therefore, according to these indices we expect centralised collective bargaining to be important in determining Greek wages (at least de jure), but not to be particularly coordinated or “responsible” – and will address this issue in the empirical work that follows.

## **2.7 Greek Labour Market Organisations**

Greek labour market organizations – as we mentioned above- are very much involved in public policy-making: monitoring hiring/firing and hours (eg., part-time) regulations (the Labour Inspectorate), and high labour taxes (the Public Employment Service OAED, and the Social Security Organisation, IKA). We now describe these organisations in more detail.

## **The Labour Inspectorate (SEPE)**

### The evolution of the Labour Inspectorate

Labour Inspector numbers are not large relative to the number of enterprises, and the question arises of how much power they really have. As we will see, they receive considerable information, and can at least exert a sort of negative or delaying power. The recent history of the Labour Inspectorate has to deal with its “decentralization” issue. The argument - between unions and the state - whether the Labour Inspectorate will be under local or central government supervision has taken place in the last decades. Its “poor” performance and its decreasing power in monitoring Greek workplaces on labour issues was the main reason of union complaint.

It was estimated, in 1985, that labour management organizations (Labour Inspectorates, Social Security Organisation and Public Employment Services) made 163,374 inspections on employment issues on businesses all over Greece, in contrast with 1994 whereby the number of inspections had fallen to 85,446. A lot of consultants on labour issues claimed that during the decade between 1985 and 1994 there were not enough inspections , which were in any case bureaucratic and inefficient (Eleftherotopia, 1996).

During the period of decentralization in Greece in 1994, by law (2218/94), Labour Inspectorates were removed from the Ministry of Employment and Social Security and placed under the control of local governments. However, the social partners disagreed with this decision and complained, even to the International Labour Office on the grounds that

this decentralisation did not uphold the basic principles of Labour Inspection Convention 81.

The General Confederation of Greek Workers (GSEE) also argued that Labour Inspectorate offices approached the ‘zero point,’ referring to its poor record in enforcing labour regulations because of the small number of Inspectors overall in Greece. Furthermore, the Ministry of Employment cannot intervene in the operation of the Inspectorate because of this decentralization law. Thus, according to these arguments, the Labour Inspectorate was unable to overcome problems created in the framework of the operation of the office in local governments.

However, as we will see below, although there are few inspectors, businesses still have to obey them and provide detailed employment information. The inspectors have a sort of delaying or “negative” power which is likely to increase unemployment. While conducting the TERS, we ask questions about firms’ experience with the Inspectorate and find that no less than 50% of firms believe that the hiring and firing laws enforced by the Inspectors are an obstacle to recruitment.

#### New Law of Labour Inspectorate – Legal Rules in Enterprises

In response to this feedback, the Greek government in 1998 brought the Labour Inspectorate (SEPE) under the auspices of the Ministry of Employment and Social Security, through the law 2639/98, on “Regulation of Labour Relations, The establishment of a Labour Inspectorate and other

provisions”. Based on article 1 of this law, the new body would be directly accountable to the labour minister. Thus, a monitoring mechanism was created whose main task is to monitor the implementation of labour legislation in respect to: terms and conditions of employment (such as working time limits and pay issues); the legality of employment; the investigation of workers' social insurance coverage; and workers' health and safety conditions (EIRO, 2001). Additional tasks included monitoring workers' social insurance contributions and providing information and advice to employers and employees on the statutory provisions in force.

#### Rules in enterprises

Once a year, according to the law, each employer must submit (from 15<sup>th</sup> Sept-15<sup>th</sup> Nov.) at least two copies of the personnel records of its enterprise to the local Labour Inspectorate-Dept. of Social Inspection. These records include:

- a list of all the employees personal data
- the type of labour contract, the occupational specialty of each employee, the recruitment date and any previous work experience in the specialty
- the number of recruitment card from the Public Employment Services, the registration number of the Social Security Organisation
- the personal data and working hours of technical safety employee and the doctor of workplace (if the enterprise employs more than 50 workers)

- the daily working hours (beginning and ending time), the daily break time, the weekly day-off (if enterprise operates on Saturdays and Sundays)
- the number of workers who come from a non- Greek ethnic group
- the wages and any other bonuses of all employees

In addition, this document is required to include all the data of the company, including the registered name of the company, postal address, type of organisation, legal status, and geographical location of the enterprise as well as its taxation number. It is the responsibility of the owner and the accountant of the enterprise (both of them are signatory to this document) for the correctness and reliability of data which is submitted to the Labour Inspectorate. The latter seal the document (which means that it is valid) and send it back to the enterprise while the other copy remains in the Labour Inspectorate records. The Social Security Organisation can have easy access and check these documents in any case.

In addition to all the above, the employer has to pass contract details of every new hiring to the Public Employment Services (OAED) within eight (8) days. These same details then have to be passed to the Labour Inspectorate within fifteen (15<sup>th</sup>) days.

Some other commitments of the company are that, if there are any changes which affect the content of the document, such as legal representation of the enterprise, working hours, and of course any new hiring, the enterprise has to additionally submit the new data within 15 days of any change. Moreover, if an establishment operates shifts, they have to submit personnel record documents twice per year (once per six months),

while a seasonal establishment has to submit personnel records documents one month before the operation of the seasonal period.

Some other requirements that business have to report to the Labour Inspectorate are the following: (a) the employer has to keep a "book" and fill in the overtime working hours of each employee (b) before that, the employer has to submit the overtime for approval to the Labour Inspectorate, in addition to working on a Sunday or public holidays (c) the employer has to record employee holidays and records for the weekly days-off (d) an enterprise which hires employees on a part-time basis must also attach personnel records which document the individual contract.

A further part of the legislation is that employees have the right to contact the Labour Inspectorate and find out information about their employment rights and commitments. More specifically, the Labour Inspectorate can provide information to the employees regarding:

- wages and salaries (monthly, daily, hourly)
- holiday entitlements, (holiday bonus)
- bonuses for Christmas and Easter periods
- termination of an employment contract – compensation
- working hours (plus overtime)
- employment on Sundays and bank holidays
- night/shift- work
- benefits (child and spousal, maternity)

As can be seen, these requirements are extremely detailed, and businesses cannot deal with the processes without an accountant or lawyer always on

call. These professionals in themselves raise costs, quite apart from the delays in decision-making which the laws bring about – and reduce numbers that businesses want to hire. There are likely to be pressures to employ labour on an unreported “grey” basis, and on a temporary rather than a permanent basis – hypotheses that I address in the TERS.

### Practical Experience

Admittedly, the number of Inspectors is low, but, as noted above, their presence still raises costs, and causes delay. For efficiency, the Ministry of employment ideally requires labour inspectors to have relevant practical experience (as I have found during my interviews<sup>7</sup>). Moreover, inspections are targeted since Inspectors mainly investigate cases in which there has been notification or complaint from employees. Still, for example, in the Thessaly region, it is impossible for 22 Social Inspectors to ensure compliance from 30,000 enterprises with personnel. It is clear that the law cannot be enforced consistently under these conditions – the threat to businesses remains, however, since they do not know what will happen.

There is a debate about these procedures, aiming to, at least, reduce the bureaucracy. At the moment, a business can be inspected both by the Labour Inspectorate, and the Social Security Organisation (IKA), and indeed the Public Employment Services (OAED). A major objective, that the Director of the Larissa Labour Inspectorate branch claimed (in my interviews), is to codify the labour regulations, so that businesses would not confront such difficulties on a daily basis. The next step would be the

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<sup>7</sup> Personal interview with the Director of Labour Inspectorate Office, Larissa branch, at October 26, 2005.

creation of a common database of these organizations. In addition, enterprises/organizations could have access to this system and more easily inform the public organizations about changes (hiring, firing etc.) – reducing costs somewhat. However, it is doubtful whether these measures would do much to reduce the inspectorate’s effects, both in delaying change, and causing uncertainty.

### Statistical Data

The tables below present data on Labour Inspectorate activities during the last years. As can be seen from Table 2.8, there is quite a lot of activity, with about 32,000 inspections (remembering that Greece only has about 30,000 businesses employing more than 5 workers – NSSG- 2002).

**Table 2.8: Social Labour Inspectorate activity, 2003\* - 2008**

<b>Country</b>	<b>2003</b>	<b>2008</b>
Inspections conducted	31,765	28,540
Complaints filed by inspectors	10,349	7,720
Fines levied by inspectors	8,013	5,440
Total value of fines	6,662,070 €	9,814,000 €
Labour disputes:	15,781	15,898
Number of staff lists recorded:	646,344	786,488
- <i>number of staff entered on lists</i>	2,672,498	2,442,573
Permits issued to work overtime exceeding maximum working hours:	26,838	18,571
- <i>total staff involved</i>	369,538	296,711
- <i>total number of hours of overtime</i>	20,130,172	18,587,905
Permits issued to work on Sundays:	8,426	9,505
- <i>total staff involved</i>	122,173	150,987

**Source:** Data from Labour Inspectorate (SEPE) 1998 and 2008 annual reports.

\*Table for the year 2003 based EIRO (2004) document

Also, it shows that the Inspectorate probably reaches into every business (that has employees, remember the large numbers of micro-enterprises in Greece), because its database includes nearly 2.5 million workers.

The Inspectorate also watches working hours closely. As regards overtime, Table 2.8 shows that the Inspectorate controls 300,000 workers. This control has some effect, because in our survey of businesses in Thessaly, we found that the overtime hours worked were 30% lower than in the UK's WERS for comparably sized firms. Moreover, as regards shift-work, our survey shows that this is three times higher in the UK's WERS than in firms of comparable size in Greece.

### **Public Employment Services (OAED)**

The Public Employment Services (OAED) in Greece is the main body of implementation of governmental active/passive employment policies in the country.

Although active/passive employment policies do not directly affect employed workers which are my focus in the TERS, there is some scope for employers to use subsidised employees as a channel of flexibility, as we will see.

In the mid 80s, under a socialist government, a legal framework of active and passive labour market policies (unemployment benefits, subsidised employment programmes) was introduced (law 1545/1985). The

basic aim was to protect the workers and the unemployed. These policies have become quite numerous over the years, with ALMPs amounting to about 0.5% of GDP (OECD Employment Outlook 2004, Table H) compared to only 0.3% for the UK. In the last decade (since 1998), OAED has introduced new subsidised employment programmes (stages) which are addressed to enterprises for the employment of different vulnerable groups as mentioned before (see more in the subsidised employment section).

Finally, related to the monitoring of businesses, OAED may proceed to inspections of those businesses that may benefit from any subsidised employment programmes. In addition, as mentioned, all businesses have to inform OAED of any hiring or dismissal of employees in order to monitor vacancies and inflows into the labour market. OAED seems to be an organization which provides national employment polices but its role is limited and presents less of a threat (compared to the other labour organizations) in creating difficulties for businesses. (take a look of firms' reaction on TERS). However, since the beaurocratic system of monitoring and controlling workplaces on labour issues overlap in their activities; sometimes obstacles to businesses are created.

### **The Social Security Organization (IKA)**

The Social Security Organisation (IKA) comes into my story, because it collects the employment taxes which all businesses have to pay. According to their web page (<http://www.ika.gr>), IKA is the largest

organisation in Greece and covers 5,530,000 insured members and provides 830,000 pensioners with retirement pensions. The law (1846/1951, chapter 3), in 1951, designates the Social Security Entity and the Organisation of Social Security (IKA) which constitutes an independent Legal Person governed by Public Law. The same chapter also regulates the funds of the Institute (article 24), which mainly are consisted of the contributions of insured employees, as well as the contributions of employers (labour taxes).

Moreover, with this law (1846/1951- article 2) family members - as it mentioned - who worked in a family business (self-proprietorship) were in a mixed status, related to whether they are be subject to social security tax contributions till 1988. Even though when these labour taxes launched later, in 1988, (law 1759/1988 – KAMO articles 1-7 and ministerial fiat 93/10.12.96), we have to admit that these family employees still belong to the "grey" employment.

These taxes are high, because Greek pension expenditures have surged. Currently, they amount to about 13% of GDP, doubling over 20 years (OECD, Regulatory Reform in Greece, 2001, p 29). The relevance of unemployment for the Social Security Organisation is this tax burden which might cause difficulties for job creation. Through the appropriate insurance scheme, employees are entitled to a range of benefits from both the Social Security Organisation and other Organisations. As we see, Table 2.9 gives the details, from which we see that the sum of non-labour costs is nearly 35% of the total wage.

**Table 2.9: Employee/Employer Contributions (%) to Social Security Organisation (IKA)**

Type of Contribution	Insured	Employer	Total
Medical care in services and payments	2.55	5.1	7.65
Cumpolsury pension scheme (IKA)	6.67	13.33	20
Occupational hazard	-	1	1
Supplementary pension scheme (IKA-TEAM)	3	3	6
<b>Total*</b>	<b>12.22</b>	<b>22.43</b>	<b>34.65</b>

**Source:** Web page: [www.ika.gr](http://www.ika.gr) / Approved by IKA Administration, Act 75 / 95

**Notes:** If the worker's occupation is classified to heavy and health-hazardous occupations category an extra fee rate needs to be added (total 5,6%)

**Table 2.10: Employee/Employer Contributions (%) to Various Organisations**

Type of Contribution	Insured	Employer	Total
Public Employment Services (OAED)	2.43	5.53	7.65
Organization Council Houses (Ergatiki Katoikia)	1	0.75	1.75
Labourer's Union (Ergatiki Estia)	0.25	0.25	0.50
<b>Total</b>	<b>3.68</b>	<b>6.53</b>	<b>10.21</b>

**Source:** Web page: [www.ika.gr](http://www.ika.gr) / Approved by IKA Administration, Act 13 / 95

Considering contributions to various organizations, such as the Public Employment Services (OAED), the Organizational Council Houses (Ergatiki Katikia) which also funding the trade unions, as noted earlier and Labourer's Union (Ergatiki Estia); the total taxes for these organizations in fact amounts to about 10% of pay on average (see Table 2.10), receiving the employer and employee contributions together (by IKA Administration, Act 13 / 95).

The total labour tax bill is high in Greece, and breaks down as follows. For the employee, Table 2.10 gives a detailed description of the

contributions to various organizations, and we see here that the total is more 10%.

## **2.8 Conclusions**

At the beginning of the chapter we saw that Greece's labour market has been regulated almost since its inception following a French legal model. A combination of Greek laws and EC directives, plus a number of presidential fiats and circular ministerial letters comprise a complicated—and also sometimes grey - legal framework for Greek labour relations. We see that in regular employment the EPL is strict and businesses find flexibility in those forms which are less regulated or where the legal framework is not clear. Furthermore, during the last decade, the state has also made an attempt to regulate - again based on the European Directives - atypical work, employment forms which provide flexibility to businesses, though paradoxically these forms have become more important.

The role of government labour organisations in enforcing labour law was also examined in this chapter. I have covered the Labour inspectorate in most detail, because Greek EPL seems to be higher than in most other developed countries. The question that is often raised, for example, by trade unions, is whether there are enough inspectors to enforce the laws which, as we have seen are quite strict. In particular, the requirement to inform the inspectorate of all new staff and of changes in staff within 15 days (and the Public Employment Service within 8 days)

appears bureaucratic. In fact, the inspectors seem to be quite active, and, in any case, they might have a sort of negative “delaying” power which is adverse for employment.

We have also considered the Public Employment Service and the Social Security Organisation, looking briefly at their tasks, and how much they cost in terms of taxes and management compliance time. The tax costs are high, certainly. Whether the ALMPs and job placement services mounted by these bodies are effective is again a matter for more research. The compliance costs are also high - a consolidated framework is needed since employers have a registration number in all three organizations a fact which increases red tape. Finally, the collective bargaining system was considered, which is quite centralised in European terms. The question is whether the centralised bargaining system gives rise to wages that are too high for provincial businesses easily to pay – so that they react by hiring on a temporary rather than permanent basis. Not much is known about the effects of wage setting in Greece, but the results of our survey of business in Thessaly are discouraging, as we will see.

## **Appendix**

### **2.1 Sample of the Sectoral Collective Agreement - Outline**

*Sectoral Collective Agreement for the pay and working conditions of  
workers in commercial enterprises throughout the country, years 2006-  
2007*

In Athens today 7.9.2006,

the undersigned, on the one hand: the President of the National Confederation of Greek Commerce (ESEE), the President and General Secretary of the General Confederation of Professionals, Craftsmen and Traders (GSEVEE), the President of the Association of Greek Supermarkets (SESME), the President of the Retail Business Greece (SELPE) and on the other hand: the President and General Secretary of the Federation of Greek Private-Sector Employees (OIYE), all duly authorized by the organizations they represent, agree as follows:

#### Article 1

##### Scope

A. This Sectoral Collective Agreement is addressed to workers employed in the following commercial businesses across the country:

- a) commercial shops (wholesale and retail)
- b) super markets and food stores
- c) pastry shops and stores with relevant commercial activities;

d) businesses selling cigarettes (retail and wholesale)

B. and belong to the following occupational groups:

1. Salesmen (In personal selling supermarket; includes vendors, sellers of meat products, poultry, cheese - sausage, vegetables, fish, clothing, household goods, camping goods, etc.).
2. Executive Secretaries.
3. Office clerks
4. Accountants and accountant assistants.
5. Cleaners.
6. Guards- night guards - gatekeepers.
7. Truck Drivers and drivers who transport company personnel.
8. IT personnel (programmers, analysts, operators).

Furthermore, in the present sectoral collective agreement the following occupational groups are also included:

1. Manual workers, whose minimum wages are based on the terms of the General National Wage Agreement, however, are subject to any increases and allowances from the present sectoral agreement.
2. Decorators
3. Computer Technicians (Hardware)

C. This Sectoral Wage Agreement only applies to all employees who are members of the primary organizations of unions and belong to the Federation of Greek Private-Sector Employees (OIYE). Membership is proven with a certified-letter issued by the primary organizations for the OIYE.

## Article 2

### Minimum Wages

2.1. Minimum wages and salaries which are based on the previous agreement (2004) will be raised by 3% starting on 01/01/2006.

2.2. Then, minimum wages (based on article 2.1) will be further increased by 3% since 1.9.2006.

2.3. Further, another increase will take place in minimum wages and salaries (based on article 2.2) by 2.7% since 1.1.2007.

2.4. Moreover, an additional increase (based on article 2.3) by 3% since 1.9.2007.

### Article 3

#### Married Couple's allowance for blue-collar workers

The marriage allowance, 10%, based on the National Collective Agreement, will be calculated on the daily salary plus the tenure years of the employees.

### Article 4

#### "Balance Sheet" Allowance for accountants and assistant accountants

This allowance is based on previous similar arrangements but starts from 1.1.2006 to 73% and calculates the total legitimate earnings of the employee.

### Article 5

#### Bank Holiday Monday "Koulouma"

### Article 6

#### Special days of Annual Leave for representatives of the Committee Board

### Article 7

#### Computer Technicians (Hardware) - Recognition from graduates of vocational

training organizations (public and private)

## Article 8

### Severance Payment for blue-collar workers

Severance Payment, as initially launched with the law in 1920 and then with the modifications of the National General Collective Agreements, 1989 - 2005, is increased by five (5) daily wages, where workers belong to the tenure category between twenty-five (25) to thirty (30) years and five (5) wages when they have completed thirty (30) years or more.

After these improvements, the severance payment is increased, depending on the tenure of the employee, according to the following:

- 2 months to 1 year: 5 daily wages
- 1 year to 2 years: 7 daily wages
- 2 years to 5 years: 15 daily wages
- 5 years to 10 years: 30 daily wages
- 10 years to 15 years: 60 daily wages
- 15 years to 20 years: 100 daily wages
- 20 years to 25 years: 120 daily wages
- 25 years to 30 years: 145 daily wages
- 30 years and over: 165 daily wages

## Article 9

### Agreement on Tele-work

The partners agree to harmonise to the European agreement for the application-framework of tele-work as European partners have agreed.

## Article 10

Taxes on Severance Payment

The partners accept the remission from tax payments in the severance pay when the employment contract is terminated.

Article 11

Support of family life & female participation in the labour market

Article 12

Future Trends in the Educational and Training Needs of Employees

Article 13

Educational Leave of Absence for Studies in the Development Centre of Educational Policy /Greek General Confederation of Labour

Article 14

Final Arrangements

Only wages above the minimum according to the NGCAS are legally valid.

Article 15

Validity

The validity of this Sectoral Collective Agreement commences on January 1, 2006 and lasts for two years.

## **CHAPTER 3: THE LABOUR MARKET REGULATION THEORY AND OUTCOMES**

### **3.1 Introduction**

In this chapter, the causes of labour regulation and their outcomes on labour market performance will be presented. The floors to specific aspects of labour regulation such as wages and working conditions are of great interest. In the first section, characteristics of labour regulation will be provided. Then, the historical background and the evolution on labour regulation mainly at the European level will be investigated.

The debate on the persistence of European unemployment has led many authors/organizations to introduce labour market indicators - which are presented here - in order to measure the employment performance of countries using different methodologies. The question of whether labour regulation causes changes in employment, temporary employment and unemployment particularly of the unskilled inevitably results.

Moreover, another issue of high significance dealt with in this chapter is the insider-outsider theory which suggests that instead of helping outsiders (mainly unemployed or temporary workers), workers with permanent contracts and high job security use their insider market power and political influence to underbid the outsiders.

Furthermore, the outcomes of labour regulation on the Greek employment framework are indicated. A number of tables are provided here which deal mainly with "vulnerable" employment groups: the long-term unemployed, youth and females.

Finally in this chapter, we show that labour market institutions in the majority of EU countries affect the unemployment by duration and on specific demographic groups, which are more vulnerable to entry to the labour market; women, youth and the inexperienced (and the long-term unemployed).

Moreover, the economics of politics play a central role of the unemployment persistence in Greece. The inside-outside dichotomy together with the strong familialistic welfare regime in Greece make the situation more complex increasing the long-run unemployment especially in the youth and the women. The members of these groups are perhaps protected by strong family ties but harmed by centralised collectively bargained wage floors, and by working conditions floors such as employment protection laws (EPL).

### **3.2 Causes and Effects of Labour Regulation**

Labour markets are more or less tightly regulated in all industrialized countries (Bertola, 2004). However, it is important to realize the degree of regulation and how it affects employers and employees. Broadly speaking, the term regulation is defined by Chang (1997) as when the government (or the state) directly prescribes and proscribes what private sector agents can and cannot do, so that their actions do not contradict the 'public interest'. Moreover, in economic terms, Boeri et al. (2000) states that “economic regulation is broadly defined as the use of coercive power by the

government to restrict the decisions of economic agents”.

In addition, Cortes et al. (1993:391) argues that the labour market is regulated by the state, but also by economic mechanisms (namely, the level of unemployment) and social institutions (family, worker and employer organisations), cultural norms and ideologies. Thus, here labour regulation is defined as a set of political and legal policies intervened by the state which address the population and its living standards (Cortes et al., 1993).

Another interesting definition comes from scholars Grubb and Wells (1993:9) who consider that labour regulation exists “when an individual employer cannot, even by agreement with his or her own employees, use particular working arrangements or forms of employment contracts, without risking legal sanctions or the invalidity of the relevant provisions in the contract”. In our point of view, regulation is considered as the set of rules determined by the government or any other institution which significantly affects the decisions of firms in human resource management practices.

### History and Evolution

Bertola (1999) and Hepple (1986) claim that “regulation and legislation aimed at protecting workers from “unfair” labour market shocks have had a long history” proceeding with the industrial revolution. Moreover, as Bertola (1999) also mentions, economic power, once concentrated at the family or village level moved to employers and informal arrangements were abandoned. As a result, national policymaking

authorities introduced many aspects of protection (health, unemployment, old-age pensions) to labour legislation and regulation.

Furthermore, in the second half of the 19th century, a number of proposals to promote international regulation of labour matters were made in the French and German parliaments (ILO, web page). Then, with the end of the Second World War, with its Declaration in 1944, the ILO defined a number of specific objectives focusing on (to create conditions for) full employment and the raising of living standards. Moreover, Tolda et al. (2006), with this goal in mind, argue that the European Union chose a path of social protectionism to the point that its labour market is considered much more inflexible than that in North America and the UK.

This path started with the first steps of the European Community - and the signing of the European Social Charter in 1961 - in order to achieve social and employment protection. Consequently, most employment security provisions were introduced in the 1960s, and reinforced during the late 1960s and early 1970s, after some years of social unrest (Bentolila and Bertola, 1990:394). Siebert (1997) considers that, during those years, changes in labour market institutions occurred in the major European countries making the labour market more rigid. Moreover, Blanchard and Wolfers (2000) argue that the increase of unemployment in Western Europe since the early 1970s is the result of the combined effects of for the most part previously introduced labour market regulations and the shocks experienced in the 1970s and 1980s.

However, Emerson (1988) mentions that - during the 80s - some

European countries reformed to more liberal employment protection laws on fixed-term contracts. Nevertheless, as Addison and Siebert (1991:623) claim, the move towards deregulation observed in a number of European countries in the early-to-middle 1980s remained only for a short time. They also maintain that in the second half of the 1980s things changed and Europe entered a “re-regulation phase”. This phase was implemented with the adoption of the Community Charter for the fundamental social rights of workers by the declaration of all EC members (except the UK) in 1989.

The aforementioned charter “established the major principles on which the European labour law model was based and shaped the development of the European Social model in the following decade” (see more on Eurofound web page). Moreover, this Charter included later in the consolidated version of EC Treaty (2006 - articles 136-139), defined the minimum requirements with measures on (a) working conditions, (b) social security and the social protection of workers, and (c) ordinary basic or minimum wages (article 141), issues which will be discussed extensively in this chapter.

In the course of the 1990s, - according to Visser (2000:422) - the reassessment of the standards for social and employment protection in national labour markets and welfare states became the central element in a Europeanized employment and activation strategy. Siebert (2006:3) claims that this was born out of a concern that the increased competition resulting from the completion of the single market in 1992 would lead to a race to the bottom in labour standards.

### The current framework in the EU

In the late 1990s and early 2000s, a new "regulation wave" was introduced; this time the EU regulating labour framework was extended to non-regular forms of employment. Furthermore, according to EIRO (2004), the overall thrust of EU regulation was to achieve equal treatment between "atypical" and "typical" workers, as far as this was possible. A number of Directives, based on social partner agreements regulated the following part-time work (1997/81/EC), fixed-term work (1999/70/EC), teleworking (2002 - framework agreement), temporary and agent workers (proposed in 2002, and finally agreed in 2008/104/EC). Moreover, the working time directive (updated in 2003/88/EC) also created minimum restrictions on the working hours per week, holidays and night work. Thus, all member states had to legislate the above EU directives at the national level in order to harmonize their laws across the common market. Moreover, they had to implement and guarantee similar levels of employment and social protection, even countries which formerly had no regulation in this area. Greece adopted these aspects of employment and social protection regulation which were exercised by the EU with significant influence. For instance, a new form of work was permitted in 2001, the temporary agency workers. However, it was accompanied by the establishment of heavier national regulation (ministerial decrees), which in practice made this form of employment almost inactive.

Apart from the Directives, the main EU employment policy in the last decade (2000-2010) was based on the Lisbon Strategy and the European Employment Strategy. Their main objectives until the end of 2010 were (a) full employment, (b) the raising of employment rates with quantified targets (70% on average and 60% for women and (c) an annual growth of three percent (Goetschy, 2001). However, the Lisbon Strategy was widely criticised; the well-known Kok Report (2004) characterised its progress as unsatisfactory and proposed that the EU needed institutional reforms and better employment prospects. More specifically, it argues that the EU's aim should be to facilitate adjustment into new employment rather than the protection of existing jobs (Kok, 2004:49).

Then the Lisbon Strategy was relaunched (2005), with a focus on growth and jobs. An attempt is made through the "Better Regulation Agenda"<sup>8</sup> (2005), where strategies directed at simplifying legislation and reducing the administrative burdens that businesses face, were also proposed in order to create jobs and increase employment. However, no institutional reforms took place on labour law issues<sup>9</sup> such as fixed-term work, part-time work and working time. Recently, the European Commission has focused on "Consultation on Smart Regulation" as instrumental in achieving the ambitious objectives of "Europe strategy 2020"<sup>10</sup>.

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<sup>8</sup> see more on [http://ec.europa.eu/enterprise/policies/better-regulation/index\\_en.htm](http://ec.europa.eu/enterprise/policies/better-regulation/index_en.htm)

<sup>9</sup> see more on [http://ec.europa.eu/governance/better\\_regulation/documents/screening\\_2009/empl.pdf](http://ec.europa.eu/governance/better_regulation/documents/screening_2009/empl.pdf)

<sup>10</sup> see more on [http://ec.europa.eu/eu2020/index\\_en.htm](http://ec.europa.eu/eu2020/index_en.htm) - A strategy which focuses on fostering a high-employment economy with the first (of five) headline target being that 75% of the population aged 20-64 should be employed by 2020.

It is clear that the EU guidelines to regulate employment since its birth have made the labour market rigid in the majority of the EU member states. The regulation has extended the last decades to flexible forms of employment. The goals of EU - including those in the employment field - were not successful and criticized widely, leading the Lisbon Strategy for revision and introducing a number of strategies who focus on less regulation; however few significant reforms have been introduced until now and unemployment is still high.

#### Measures and Empirical Evidence of Employment Regulation

Many scholars claim that the European labour regulation presented above coincides with high unemployment rates in European member countries. Thus, one of the most controversial issues during the course of more than 30 years is to explain why European unemployment is high; although, Nickel (1997) has mentioned that differences within Europe are much greater than is the difference between the European average and North America. However, the typical debate appears here, whether differences between continental Europe and the US labour market either in terms of institution or in terms of performance are very important (Wasmer, 2002). Bentolila and Bertola (1990:381) note that generous unemployment benefits, restrictions on hiring and firing, and restrained wage competition are thought to have led to rigid, "Eurosclerotic"-as dubbed by Giersch (1985)-economies, which were not able to cope with the big shocks of the

1970s. Moreover, Burgess (1992:75) notes that Eurosclerosis developed as a term referring to the mass of rules and regulations governing many aspects of behavior in European labour markets and related markets.

This debate has “forced” many researchers and international organizations to make an attempt to measure the labour market performance worldwide introducing different approaches and methodologies or researching the existing ones. As we will see below, many researchers have constructed summary indicators to describe the employment regulation on aggregate employment and unemployment in each country.

To begin with, Emerson (1988) pointed out in his qualitative description, the significance of obstacles to the termination of employment contracts in European countries in contrast with the United States hiring and firing practices which are unregulated by public law. He assessed different policy options that refer to employment protection regulations and negotiated practices. Emerson used different resources for his research based mainly on surveys - from Commission’s European Community (EC, 1985) and the International Organization of Employers (IOE, 1985) as well as from Eurostat and OECD resources.

Greece is included in a number of Emerson’s tables giving some comparative outcomes with EU countries in late 80s. In the "dismissals indicator", Greece has the 2nd lowest percentage (37%) of dismissals,

following Italy. This - according to Emerson – indicates relatively severe regulations or practices restraining dismissals. Moreover, he notes that Greek firms (67%) face obstacles in employing more staff considering insufficient flexibility in hiring and shedding labour. Following his analysis, Greek employers (75%) also report that rules restrain the termination of employment contracts and ranked Greece as the 2nd strictest country after Italy. Furthermore, Greece is characterised as one of the top-three countries where its employers reply that a reduction in its redundancy payments would have a positive employment impact. Finally, Emerson mentions that Greece is reported by industrialists to have problematic regulations from the point of view increasing employment.

Bertola's (1990) empirical analysis of ten countries (Greece not included) over the period 1962-1986 is based on Emerson's information described above. The Bertola index also comes from the IOE/EC surveys results together with other institutional details contained in Emerson (Addison and Teixeira, 2003). Bertola's evidence finds no effect on employment and unemployment. Furthermore, as Bertola concludes (1990:877) "job security provisions neither bias the firm's labour demand towards lower average employment at given wages, nor bias wage determination towards higher wages and lower employment".

Moreover, in their model Bentolila and Bertola (1990) use realistic parameter values from the industrial production index of the four European

countries and also define two distinct “regimes” (durations between regimes were the periods of 1961-1973 and 1975-1986). They argue (1990:381-382) that high firing costs can rationalize the dynamic behaviour of European employment in the 1970s and 1980s, and (given slow wage adjustment) can explain the persistence of unemployment in those countries. They find that “firing costs do not have large effects on hiring decisions, nor do high firing costs reduce the average level of employment”. In other words, they conclude (p 398) that the magnitude of dismissal costs affects the firing policy of the firm much more dramatically than its hiring policy or its average employment levels and finally (slightly) increase average long-run employment.

One of the pioneering studies comes from Lazear (1990) which argued that laws protect workers from unjust termination by employers and focused on the effects of dismissals on employment. Lazear studied 22 developed countries over a 29-year period (1956-1984) and he estimated “firing costs as the amount (in multiples of monthly wages) owed to a worker who is dismissed after ten years of service” (Heckman and Pages, 2000:8). Lazear notes that severance pay legislation - where employers give notice - has no effects in an economy where wages are flexible so that parties can “contract around” the laws. Empirically, however, his evidence shows that there are significant effects of severance payments on the labour market since workers who cannot obtain jobs quickly may be discouraged out of the labour force which finally can increase unemployment rates.

Lazear's study has been criticised by Addison and Grosso (1996) who revised his data and found important differences. Having corrected Lazear's job protection measures, Addison and Grosso (1996:598) "found support for the directional influence of severance pay in respect of three of the four outcome measures"; however, there was little evidence to suggest that severance payment raised unemployment. Furthermore, Addison et al. (2000) re-estimated Lazear's model using corrected data. In their more detailed analysis they conclude (p. 118) that the adverse labour market consequences of more generous severance pay detected by Lazear were not confirmed. Moreover, Addison and Teixeira (2005) - based on Lazear's data - extend his sample period and add a variety of labour market institutions provide a comprehensive measure of employment protection. Their results indicate that the "positive effect of severance pay on unemployment garners some support" (p. 345) , but the outcomes related to employment and long-term unemployment are much weaker than in Lazear's study.

The Grubbs and Wells (1993) methodology developed an alternative cross-country index, scoring 11 European countries (including Greece) according to the "strictness" of their employment protection legislation in the late 80s. In order to show an overall indicator for the strictness of different aspects of labour regulation they used the rank-average-rank procedure. Their index widens the work of Lazear (1990). It initially measures "employers' freedom to dismiss" dealing with individual

workers with regular contracts. In addition, it also takes into account regulations related to fixed-term contracts and the supply of labour through TWAs. A third point of measurement is the regulation on working time, including limits on overtime as well as restrictions applying to weekends and night work. Finally, they take into account “atypical” work patterns such as part-time employment, self-employment, unpaid family workers and workers with multiple job holdings and compared them with typical work patterns.

In fact, Grubbs and Wells (1993:34) found that, although employment in southern European countries tends to be strictly regulated while employment in the United Kingdom is relatively unregulated, in other EC countries the situation is more complex. Thus, Greece belongs to the “Mediterranean” group and presents one of the higher rankings related to the strictness of protection against dismissal. Moreover, Greece’s regulation on working time scored it as the second strictest country in restrictions on overtime, flexible, weekend and night work and also TWA since until the early 00s they were illegal<sup>11</sup>.

In addition – in terms of atypical forms of employment- Greece can be seen to be a country with higher percentages in self and family employment as well as the lowest percentage in part-time employment (as are other southern EC countries). These forms of employment can also be seen as “escape routes”, and consequently will be thoroughly investigated in the TERS in later chapters.

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<sup>11</sup> Table 2.3: Regulation of Temporary Employment, OECD Employment Outlook, 1999

The OECD then extended the Grubbs and Wells' methodology, but emphasising the EPL indicator (The OECD Jobs Study - 1994). EPL measurements related to regular employment focus on (a) the regular procedural inconveniences faced by employers, (b) the three different durations of notice periods and severance payments and (c) the difficulty of dismissal. Moreover, they also use the same methodology for temporary employment with (a) fixed-term contracts and (b) TWA employment. However, Addison and Texeira (2003) indicate three basic differences between these measurements: (a) the OECD extended the rankings to EFTA countries (Austria, Finland, Norway, Sweden and Switzerland) in the late 80s (OECD 1994:70), (b) even though the TWA employment indicator is taken into account, in the end it is not measured on the overall assessment (OECD 1994:73, Table 6.7), and (c) the indicator on restrictions of working hours is not included in the OECD index. Finally, in the late 90s, the indicators of collective dismissal were incorporated and provide the most comprehensive measure of EPL, version 2 (OECD, 1999) which is used extensively by scholars.

### Some Contemporary Developments

Let us turn now to the more recent measurements, beginning with Botero et al. (2004) who - as mentioned in chapter 2 - claim that nearly all governments intervene in their labour markets, since they are considered as imperfect, with an aim to protect workers from employers. They measured

labour regulation considering three broad areas: (a) employment laws (b) collective relations laws and (c) social security laws. Their indices refer to 85 countries and they conclude that “a country’s approach to regulation is shaped by its legal tradition”. Greece in fact belongs to the group of countries with extensive regulation following its French legal origin as mentioned in chapter 2.

Another measurement is provided by the World Bank's latest "Doing Business Report" (World Bank 2010) which is based on Botero's work (see above). In this report, 11 indicators are provided in order to rank the countries on their ease of doing business. In other words, countries are ranked on whether the regulatory environment is more conducive to the starting and operation of a local firm. Among others, the employment index of rigidity is also provided, where Greece is ranked as the 147<sup>th</sup> strictest country among 183 countries with regard to the employing workers indicator. This indicator focuses on difficulties in (a) hiring and (b) redundancy indexes, rigidities of (c) working hours and (d) employment indexes and (e) redundancy costs.

A weakness of this “leximetric” (Deakin et al., 2007) approach is that the indicators are based on the laws and regulations in each country, and therefore might suffer from the fact that the laws are not enforced. Moreover, the survey was completed by local lawyers and public officials, thus primary data are not collected from employers. Another weakness observed is that data refer to enterprises over 60 employees . However, as

mentioned, since the majority of Greek businesses have less than 10 employees, the sample is not representative.

On the other hand, the Global Competitiveness Report 2010-2011 - by the World Economic Forum (WEF, 2010) - collected a sample of 13000 surveys from 133 countries based on business executives' views (100 responses per country). Survey data comes from an Executive Opinion Survey; however, international hard data sources are also used here. This report provides a comprehensive assessment of the strengths and weaknesses of national economies by measuring their competitiveness. The 7th out of the total 12 pillars (indicators) focuses on labour market efficiency which is categorised by 9 sub-indices. In reference to Greece, for 5 sub-indices which deal mainly with the rigidity of employment, hiring and firing practices, pay and production and wage flexibility, Greece performed very badly (ranked among the 20 worst positions). For this reason, “restrictive labour regulations” is considered the second highest problematic factor of doing business in Greece.

Two other organizations, the Fraser Institute's Economic Freedom of the World index (Gwartney et al., 2010) as well as the Heritage Foundation's Index of Economic Freedom (Heritage, 2010) provide some aspects of labour regulation. Both sources mainly use secondary data, but might add further value through their associated indicators.

Feldmann (2009) examines five types of labour market regulation: statutory minimum wages; hiring and firing regulations; collective bargaining; unemployment benefits; military conscription. His measurement is based on the component “labour market regulations” of the Economic Freedom of the World Index. The indicators were calculated using the results from the WEF Survey (2010:519) in order to measure the impact of labour market regulations in 70 countries through senior management.

Our survey (TERS) - which is based on the British WERS, analysed in chapters 4 and 5 focuses on Greek employers’ responses and investigates whether labour regulation creates constraints on enterprise flexibility. Taking into consideration the majority of the measurements mentioned above we make a first attempt at the Greek level to measure its labour regulation. As we will see, the main form of flexibility comes from temporary and family employment. The effects of working conditions (employment protection, labour regulation in general) and wages (types of collective agreements, minimum wages,) in Greek businesses are studied. Therefore, the extent to which Labour Market Organizations enforce labour regulation and constrain enterprises to become more flexible is investigated as is employment performance.

To sum up, many authors study the labour regulation and investigate its relation with unemployment especially in the European

countries. Scholars and international organizations introduced - or revised the existing - methodologies in order to measure the level of labour rigidity per country. The main labour aspects which investigated here, are the wage setting institutions (including taxation), and employment protection.

### Effects of Labour Regulation

After having presented the measurements on labour regulation and the ensuing methodologies by authors/organisations, this section will now focus on their impact on employment practices. In practice, scholars disagree on the extent to which there is an impact of labour market institutions on unemployment.

To begin with, Edwards (1996) argues that labour regulations should ideally exist to facilitate voluntary agreements between employers and workers, helping to reduce transaction costs. But, most often, labour regulations do exactly the opposite, discouraging the creation of jobs. Furthermore, Siebert (2006) contends that labour regulation obviously helps the workers “but at the expense of reduced job opportunities for outsider groups: the young, the old and the inexperienced”. Nickel and Layard (1999:3079) on the other hand claim that there is no evidence that stricter labour standards or employment protection lead to higher unemployment. However, they agree that employment protection raises long-term unemployment and lowers short-term unemployment.

Blanchard and Wolfers (2000:c13) also find disemployment effects. They construct a good dataset based on a time-series of EPL strictness for

OECD countries since 1960, based on OECD (1999) and Lazear (1990) data. They find that employment protection both decreases the flow of workers through the labour market and increases the duration of unemployment. Finally, they conclude that countries with high unemployment rates typically have less employment-friendly institutions.

Siebert (1997) also states that labour market rigidities are the root of high unemployment. He further argues that institutional arrangements have negatively affected Europe's labour markets over the last 25 years and this has ultimately resulted in Europe's poor labour market performance. He also stresses that the combination of competition in a global economy and of labour-saving technical progress requires flexibility in wages; however this flexibility is prevented by institutional conditions. These institutional phenomena, he claims, have led to a dual labour market in most European countries.

An important point is made by Dickens (2004) who argues that strict regulations on standard workers encourage employers to use certain forms of flexibility such as temporary workers. Thus, firms create jobs outside the regulated area, either in forms such as temporary work or self employment, which do not enjoy the same level of protection as standard work, or resort to the informal, unregulated sector. In fact, Addison and Teixeira (2003) note that Grubb and Wells first used simple correlations to establish a link between temporary work prevalence and EPL, but note that multivariate work by the OECD (1999) does not support the link. In fact,

more recent work by Kahn (2007) using cross-sectional data for 7 OECD countries does find a link. For example, Kahn (2007, F347) finds that raising regular worker EPL from US to Netherlands levels raises the permanent employment gap between 46-55 year olds and 26-25 year olds by 12.6 percentage points, which is 95% of the actual US-Dutch gap (and effects are larger with high collective bargaining coverage). This temporary worker vs. EPL hypothesis is important for the Greek situation, where temporary work and family-owned company work appear to provide the means for achieving flexibility, as we will test in the empirical work on the TERS in later chapters.

Finally, empirical evidence show us that labour rigidities affect unemployment but mainly in the long run and also create severe obstacles on specific demographic groups to entry to the labour; the women, the youth and the inexperienced who have less skilled. The question is why these groups are suffering more than others and considered as outsider groups analysed in the next section of inside-outside dichotomy.

### **3.3 Insiders versus Outsiders**

Insider-outsider theory argues that “insiders” often enjoy more favourable employment opportunities than “outsiders”. More specifically, the main difference is that insiders have protected jobs while outsiders have temporary positions in formal or informal employment or are unemployed. Hence, insiders have bargaining power and demand high wages while there

are unemployed outsiders queuing for jobs (Gottfries et al., 1999). Many researchers examine the distinction between insiders and outsiders and its effect on employment, unemployment and other macroeconomic activities. This section will investigate whether the insider-outsider model can be applied to the Greek labour market reality? Does labour regulation help insiders at the expense of outsiders and encourage temporary and family employment because these types of employment are not effectively protected?

#### The Significance of Inside Market Power

One of the main characteristics which plays a vital role on the inside-outside model is the inside market power which comes from being an incumbent worker. Blanchard and Summers (1986) explore the implications of inside power in employment dynamics. They consider that membership in the ‘insiders’ group influences bargaining strategy and helps raise the insiders’ wages; however, insider power is not crucially dependent on the presence of unions. Similarly, Lindbeck and Snower (2002: 39) argue, that any employee may take advantage of inside market power – though admittedly unions may give extra leverage.

Another issue which is of significant importance in the insider-outsider distinction has to deal with political economic implications. Saint-Paul (1996) notes that many of the rigidities are a direct result of the power political influences exerted by the people who have jobs, which is described

as the political insider-outsider model. His main idea states that: since the employed are more numerous and better organized than the unemployed, labour market institutions are determined by the interests of the former (1996:266) which is similar to the insider-outsider dichotomy.

Moreover, one view of Elmeskov et al. (1998) claims that the policy settings that influence unemployment are determined by political-economy considerations. This may explain why it is so difficult to introduce policy reforms that will reduce unemployment (1998:230). According to their argument, insiders may oppose reforms that lead to an increase in outsider employment. In other words, the incumbents are interested in raising labour rigidities in order to boost their bargaining power in wage negotiations. Consequently, insiders who benefit from strict EPL may exert pressure for an administrative extension of wage agreements as a protection against the underbidding of their wages by outsiders

### The Greek Case

Based on the arguments of the inside-outside model presented above, the Greek reality will be investigated. As mentioned in chapter 2, Greece's labour market is characterised as dualistic. Tsakloglou et al. (2005) argue that, this duality consists of two groups: (a) the low-skilled, self-employed or those employed in small firms, who receive low wages, work in unstable and precarious conditions, and face a highly competitive

environment; and (b) those who work either in the highly unionised public sector or in large private sector firms, and who receive relatively high wages and enjoy far better working conditions. Moreover, other Greek scholars agree with the inside-outside dichotomy in Greece's labour market (Labrianidis and Lyberaki, 2001; Iosifidis, 2001; Matsagannis, 2007; Kouzis, 2008; Lyberaki; 2009). Within this framework, the aforementioned authors also characterise females, youth and the long-term unemployed as the main disadvantaged groups which suffer more from unemployment as an outsider group. This is compatible with this section of the inside-outside dichotomy.

An interesting analysis on different sources of Greek unemployment persistence comes from Miaouli (1998). She emphasizes the crucial role of labour adjustment costs. Regulations (hiring and firing practices), government intervention and union pressure are the most obvious reasons for high adjustment costs (Miaouli, 1998:107). She argues that the Greek labour market will improve its efficiency and the speed of adjustment when institutional changes take place.

Furthermore, Koutsorgeopoulou (1994) proceeds to an empirical investigation (primary data from Social Security Organisation) of the impact of minimum wages on industrial employment over the period 1962-87. Koutsorgeopoulou (1994:90) believes that the relatively high value of the minimum wage in Greece as set by the National General Collective Agreement (NGCA), its frequent revision, its automatic uprating since

1982 and its extensive coverage, seem of crucial importance in light of the increasing rates of unemployment in those years. As noted in Chapter 2, the NGCA has very high de jure coverage. In fact, I analyse the NGCA extensively in Chapters 4 and 5 below, and find that contrary to the de jure position, de facto coverage is low, particularly for outsider groups. However, while Greek minimum wage-setting may be widely ignored, it can still create a “fear factor” which leads to expansion of the outsider group which is less likely to complain. Another issue for discussion regarding the Greek dual labour market arises from high "rent-related" costs. These costs arise when there is a significant connection at the political and financial levels among trade unions and the state (see more in chapter 2: Zamparloulou, Ioannou, Kouzis analysis). Moreover, as Matsagannis (2007) argues, the process of selecting union leaders further distorts representation. He considers that the primary and sectoral determinant of most congress delegates’ vote is party-political affiliation. On account of that bias, Greek unions are incapable of pursuing encompassing interests; therefore, they are prone to defending the status quo and the acquired rights of a shrinking minority of over-protected insider employees (Matsagannis, 2007:551).

The situation in Greece seems to conform quite well with the political insider-outsider approach since several authors attribute the failure of reforms in Greece to the political-economy level. In surveying the literature, Monastiriotis et al. (2009) identify the failure of Greece's

reforms: those who highlight the lack of political will, the fragmentation of organised interests, the extent of rent-seeking and the absence of positive-sum exchanges between the interested parties (Ioannou, 2000; Featherstone et al., 2001; Pagoulatos, 2003; Sotiropoulos, 2004); and those focusing more on socio-cultural and socio-political characteristics such as the history of clientelism, corruption and ‘inefficient bureaucracy’, and low social capital (Lyberaki and Tsakalotos, 2002; Lavdas, 2005; Zambarloukou, 2006; Featherstone, 2008). Focusing on labour reform, Spanou (2008) argues that the Greek state does not have a comprehensive reform vision and labour flexibility has not increased because of systematic weaknesses and corporatist reactions by labour unions.

### **3.4 Employment and Unemployment Outcomes – Comparisons with OECD countries**

In this section I present the Greece's labour market performance based on the effects of labour regulation which analysed above. The picture of Greece's labour market is poor; naturally the labour rigidities affect mainly outsiders): the youth, the females and the long-term unemployed as we see below. Based on available data<sup>12</sup> (1983-2006), we provide a number of employment/unemployment figures in order to give a factual,

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<sup>12</sup> Data are available in unemployment/employment rates since 1960s, however comparability of the data with that since 1982 has been questioned. For instance, the OECD (Economic Survey of Greece 1981/1982, pp: 19-20) notes that the Greek unemployment rate is difficult to assess. Moreover, Katsanevas (1984 - *Economikos Taxydromos*, issue 49, 6/12/1984, pp. 27-28) argues that comparisons before and after the year of 1982 are not valid. In 1982, measurement of labour force statistics was changed in order to harmonize the methodology according to European measurement and the ILO definitions. Additionally, treatment of unemployment in rural areas was changed. Consequently, we decided to provide Greek data and comparisons with other OECD countries after the year of 1983.

comparative basis to the Greek employment framework which is analysed in more detail in later chapters.

Greece has suffered from high unemployment during the last 25 years – especially long-term unemployment which is analysed further below – while its overall rate during this period never fell below 7.0 percent. More specifically, in the beginning of 1990 - when the re-regulation phase in EU started (Addison and Siebert: 1991) - unemployment increased to a rate higher than that of the OECD average which situation has persisted. In most OECD countries, unemployment rates that rose in the early part of the 1990s but have been falling since. Greece, on the other hand, seems to follow a different path than the OECD average, and employment rates for youth (aged 15-24) in particular are remarkably low compared with the OECD average.

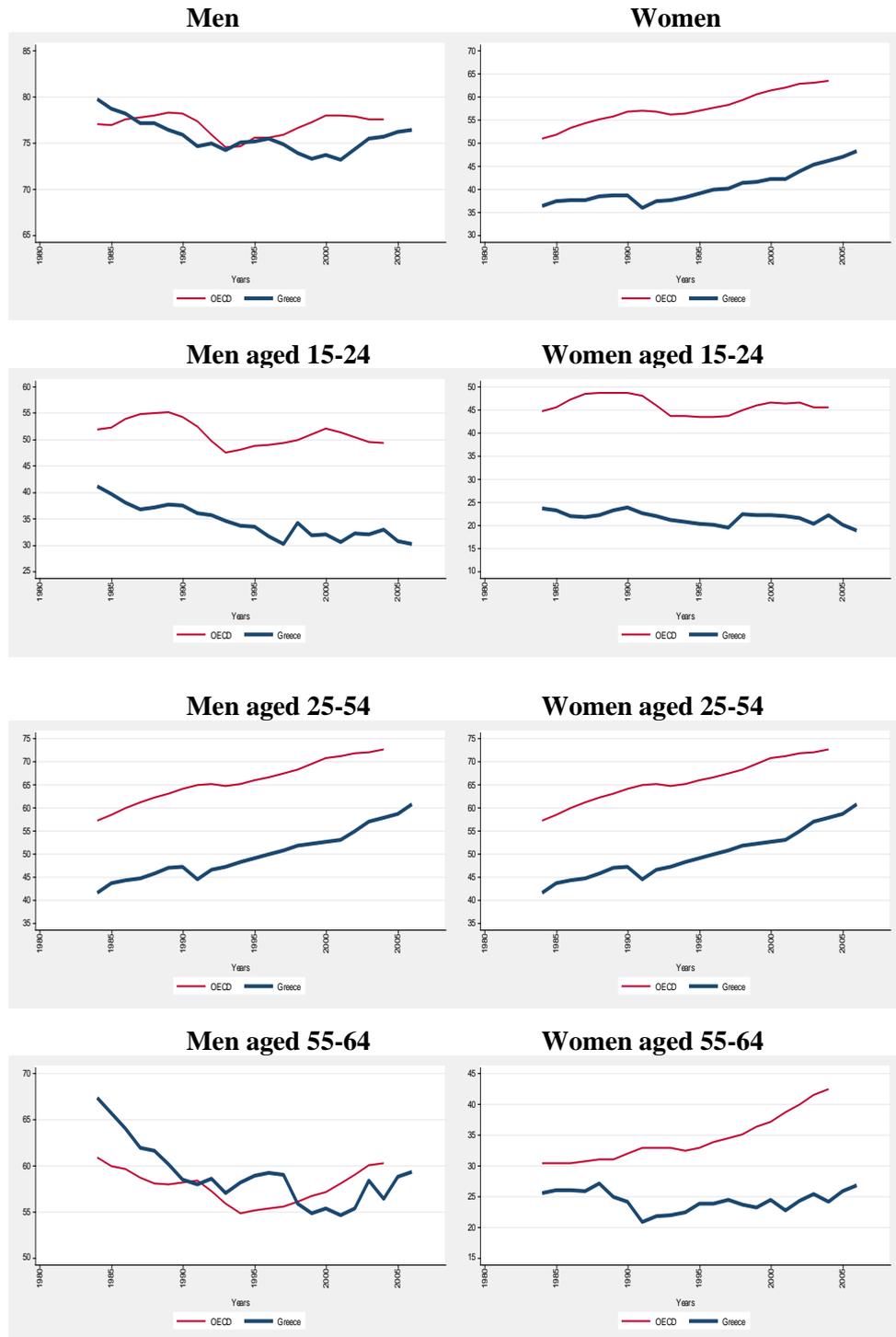
### Gender

Let us begin with the Greek employment rate for women, which is low (50 percent) compared to the EU target (based on the Lisbon Strategy, see on EWCO, 2010) which aims to achieve an average female employment rate of 60 percent by 2010. By contrast, the rate for men performs as well as the OECD average with a 75 percent employment rate (Figure 3.1).

As far as the unemployment rate is concerned, the male unemployment rate has gradually decreased over the last decade as shown in Figure 3.2. This is

an exception to its overall unemployment picture and vis-à-vis other OECD countries. Moreover, the male unemployment rate in Greece is slightly below the OECD average. Greece nowadays has rates similar to the UK (less than 6 percent) and seems to perform well in this unemployment category if we take into consideration that it does not follow the group of countries with high unemployment, such as Germany (almost double rates) and France.

**Figure 3.1: Employment rates (%) by sex in Greece & selected OECD countries (1983-2006)<sup>13</sup>**



<sup>13</sup> **Source** Data for Greece and selected OECD countries based on <http://stats.oecd.org> - Labour Force Statistics by Sex and Age / Twenty OECD countries Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Netherlands, Norway, New Zealand, Portugal, Spain, Sweden, Switzerland, United Kingdom, United States have been selected, based on earlier work on CEP-OECD Institutions Dataset-<http://cep.lse.ac.uk/pubs/download/dp0759.pdf>

**Figure 3.2: Unemployment rates (%) by sex in Greece & selected OECD countries (1983-2006)<sup>14</sup>**



<sup>14</sup> **Source:** Data for Greece and selected OECD countries based on <http://stats.oecd.org> - Labour Force Statistics by Sex and Age

On the other hand, the unemployment rate for women indicates a completely different view and presents much higher rates than that of males (around 13 percent). Greek women represent one of the highest disadvantaged groups in unemployment since their rate is almost double the OECD average. The situation is worse if we take into consideration the subgroup aged 15-24. Only 25 percent of young females participate in the labour market.

The female labour-force participation is much lower than that of males in many countries due to culture and social norms but also by reason of economic incentives (OECD, 2004). In the last decades, however, as can be seen, adult female participation rates have increased due to increased availability of consumer durables, developments in medicine and shifts in technology and social attitudes (Pissarides et al., 2003:15).

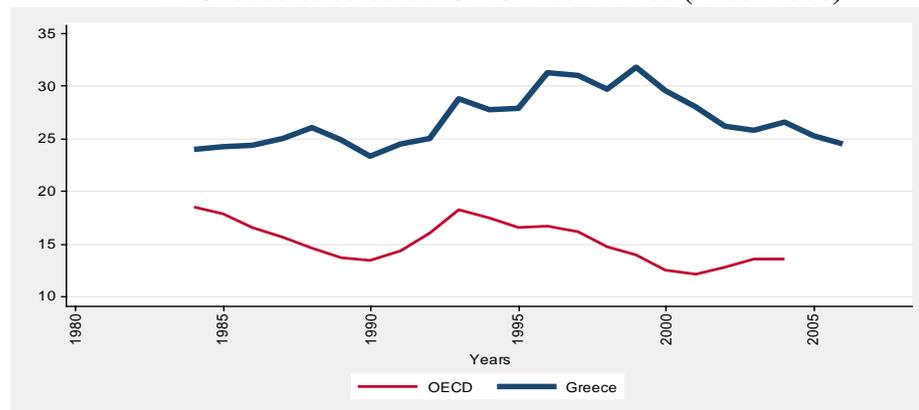
In the Greek labour market, the structure of small and family run businesses, which are headed by males, play a significant role in women's participation. Women have usually had a secondary role as a family unpaid member, an issue which is also considered in our TERS survey (more in Chapter 5). In the framework of technological and social changes, together with the EU directives, the Greek state introduced a number of gender-specific anti-discrimination reforms in the early 1980's. Lyberaki (2010) argues that even though patriarchal family law was abolished during this period, equality is still viewed through a patriarchal 'lens'. Moreover, she also points out that labour balance is constrained by labour market

rigidities, the insider/outsider dichotomy and the problem of non-implementation of legislation.

### Youth

In addition, unemployed youth are also susceptible to social and occupational exclusion. Youth workers – according to Siebert (2002) - are a typical outsider group, and have been the subject of other studies, as we see below. Their incorporation in the labour market is affected by their insufficient work experience, their young age and their lack of specialized knowledge. Youth unemployment in Greece is a long-standing social phenomenon and remains a chronic problem. The youth unemployment rate in Greece started to increase dramatically in the late 1980s (Figure 3.3). In the early 1990s it reached one of the highest levels among EU member states (Lazaridis et al., 2001). Its rise continued till the end of 1990s (almost 32 percent) but lately has fallen to somewhat under 25 percent. Young Greeks are twice as likely to suffer long term unemployment as their peers in most OECD countries and less likely to be in work (OECD, 2010). Moreover, employment rates for youth (aged 15-24) are remarkably low compared with the OECD average. These are three times lower for the 25-54 age group; focusing on young and females together, we will see that their employment rates are less than 20 percent.

**Figure 3.3: Unemployment rates (%) aged 15-24 in Greece & selected OECD countries (1983-2006)**



Source: See Figure 3.2

### Long-Term Unemployment

As mentioned above, long-term unemployment is one of the major unemployment problems in Greece. Generally, the long-term unemployment rate in Greece has behaved differently from OECD countries. During the last 25 years the incidence of Greek long-term unemployment rate for men has increased rapidly especially after the 1990s, lowering the gap between the two sexes. On the other hand, long-term unemployment rates in OECD countries have been moving together for both sexes (the gap between the two is not as large as in Greece) since the 1980s. Interestingly, the age group with the largest percentage of long-term unemployed is the 25-44 year olds an age group encompassing the most productive years of individuals (Krikeli et al., 2009).

Many authors (Scarpetta, 1996; Nickel and Layard, 1999; Nickel et

al., 2005; Siebert 2003 and 2005; Feldmann 2009) argue that labour regulation drives up long-term unemployment in particular. Countries like Britain, which have managed to reduce its incidence, have better-performing labour markets than those of Germany and Greece, where the share of the long-term unemployed has risen over the past decade (The Economist, 2007). In fact, Greece's long-term unemployment performance has been particularly poor, with around half of the unemployed in Greece over the last 20 years being categorised as long-term unemployed (OECD, Factbook 2010).

While Greek unemployment benefits started to develop towards the end of the 1980s, "converging towards the norms for other EU countries" (OECD, 2003), generous benefits cannot explain high long-term unemployment. Rather, strong family ties are the explanation. Greece is characterised as a familialistic welfare regime ( Esping-Andersen, 1999). In addition, Kotsadam (2009) indicates that the strong family care model (existing in Greece and also in Portugal, Spain and Italy) is characterised by a limited supply of social care services. It is clear that family will continue to play its role as the key provider of welfare support to its members (Papadopoulos, 2006) and it functions - in many cases - as a public employment service for the children. In other words, sometimes young people "enjoy" the family protection and other facilities and become inactive in terms of employment. These "family benefits" on the other hand, are known to the state and this may be the reason that Greece – as

noted before – has one of the lowest unemployment compensation benefits in the EU.

### **3.5 Conclusions**

In this chapter the theoretical underpinnings for analysing how the constraints of labour regulation might affect employment outcomes were provided. Moreover, we show that the EU Directives have promoted labour regulation. A number of studies presented here argue that such regulation causes poor employment outcomes (Kahn 2007) and more temporary employment in European member countries (e.g. as regards temporary workers, the OECD 1999) deny this conclusion. Others, however resist this interpretation.

A number of methods have been developed by many authors and international organizations to measure the coerciveness of labour market institutions. Examples include the centralisation of wage-setting institutions, the extent of employment protection and of welfare regimes which allegedly underpin long-term unemployment.

Then we turned to insider-outsider theory, which provides a clear explanation of how the rent-seeking activities provide inside market power to incumbent workers. We also investigated the Greek case which fits very well with the political insider-outsider theory. Greece - as a country which followed the French legal tradition - introduced several labour laws which reflected the interests of unions or sectoral groups (e.g. in the public sector) without taking into consideration other demographic groups which suffered

unemployment. "Real" reforms did not take place over the past 30 years because the Greek politicians could not oppose the median voter (the insider).

Finally, we considered the employment and unemployment experience of vulnerable groups which are affected most by the insider outsider dichotomy as well as the familialistic welfare regime. We found that the Greek experience for these groups, including females and young workers was even worse than the average for other OECD countries. In the next chapters, we aim to cast some light on the causes of this poor performance, surveying the reaction of 200 Greek firms to the wage and working conditions floors imposed by labour regulation.

## **CHAPTER 4: THE THESSALY EMPLOYMENT RELATIONS SURVEY**

### **4.1 Introduction**

The present chapter focuses on the survey structure with a detailed description of the sampling procedures and weighting. In addition, a thorough analysis of the descriptive statistics of the survey is investigated. This survey, called the Thessaly Employment Relations Survey (TERS) based on the U.K. Workplace Employment Relations Survey (WERS) was conducted in four prefectures of Thessaly, central Greece, between the years 2006-2007. 226 enterprises belonging to 10 major economic groups were interviewed. It was mainly conducted in the four major cities of Thessaly; however a significant number of interviews took place in industrial areas and provincial towns. As mentioned, the aim of the thesis is to discover the current situation of flexible employment in Thessaly in order to understand why employment creation in Greece is so low. A number of research issues need to be identified– before moving to the survey process – in order to provide a better understanding of the primary data analysis. Since the Greek labour market is investigated in this thesis, some related issues are important at this stage: (a) a summary of the prior empirical studies in the state (b) the relation and the importance of the Greek SME's to the survey. Moreover, due to the fact that the survey was conducted in a provincial labour market, (c) more information pertaining to the economic and business context is also introduced here (section 4.2).

Next, in section 4.3 issues focusing on the design of the survey are addressed. These include: (a) the specification of the body/organisation, considered as the provider of our dataset (b) the reconciliation of the population to the official statistical classification system, (c) the selection of the sample as well as the weighting and sampling procedures.

Section 4.4 has to do with the development and the conduct of the survey. A questionnaire was designed based on the UK WERS questionnaire. A number of issues such as training the interviewers and conducting a pilot-survey were considered in the preparation of the survey. The questionnaire consists of fourteen parts, mainly focusing on labour market flexibility and regulation issues. The next part of this section involves the fieldwork in which almost 300 businesses were contacted. The last section (4.5) of the chapter examines the preliminary findings of the survey while a thorough analysis of the descriptive statistics is also presented in this chapter.

## **Greek features related to the Survey**

### Prior empirical studies on Greek employment relations

The methodology used in earlier studies on employment relations and human resource practices in Greece will be examined before describing the survey process. It is known that studies on Greek employment relations based on empirical data are very limited (see Mihail (2003) and Karamesini et al. (2007)). However, an attempt to examine previous surveys or studies on the above subjects has been made in the last decade.

**Table 4.1: List of Surveys dealing with Human Resources Practices in Greek workplaces during the last fifteen years (1999-2009)**

Organisation	Author	Year	Sample Size	Comments
University of Macedonia-Dept of Business	Kufidu & Mihail	1999	22	Manufacturing firms (more than 200 employees)
Athens University of Economics & Business (Cranet Survey)	Papalexandris et al,	1993 1996 1999	156 (overall)	Private & semi-state firms (more than 150 employees)
Institute of Employment GSEE, Metron Analysis	Institute of Employment /GSEE	2002	2016	All main sectors employing at least 1 person
University of Macedonia-Dept of Business	Mihail	2003	30	Organisations from main sectors (more than 200 employees)
University of Macedonia-Dept of Business	Mihail	2004	16	Manufacturing & service SME's (fewer than 100 employees)
Athens University of Economics & Business	Voudouris	2004 2007	75	4 Manufacturing sectors (no restriction on workforce size)

Table 4.1 provides a list of earlier significant research studies on employment relations such as Kufidu and Mihail (1999) investigating twenty two manufacturing firms employing 200 or more persons. In addition, the Cranfield project (Cranfield Network on Comparative Human Resource Management (Cranet)) organised a study by Papalexandris et al.

(2000) which derived data studying flexible working practices from 156 large scale establishments which employed more than 150 workers. The Cranet project is one of the most representative independent surveys of HRM policies and practices in the world and Greece participated in 1993, 1996 and 1999. Furthermore, Mihail (2003) also surveyed – based on ICAP business database - thirty large-scale firms with more than 200 employees regarding atypical forms of employment through telephone interviews. Moreover, Mihail (2004) studied labour flexibility in sixteen SME's companies (manufacturing and services sector) that employ fewer than 100 employees. Finally, one of the recent studies, Voudouris (2004) was based on a random sampling from four manufacturing sectors drawn from the ICAP business database. She examined the use of temporary employees, independent contractors and subcontractors as forms of flexible employment and analysed data from 75 companies. She also studied the same firms in 2007 (Voudouris, 2007) in specific business sectors and focused on the flexibility in different employee classes.

Apart from academics, research bodies have also examined labour regulation and flexibility in the last decades. More specifically, the “labour market yearbooks” including both national and provincial surveys in Greece were created by the Research Employment Observatory - Public Employment Services. However, these yearbooks have a different orientation, trying to better understand the needs of the workforce as well as the lack of workforce skills in businesses. Finally, one of the most noteworthy studies on employment and industrial relations in Greece was

the nationwide survey conducted in 2002 by the Institute of Employment/ Greek General Confederation of Labour, along with the private market research company Metron Analysis. The sampling of this survey consisted of over than 2000 companies from private sector which employ at least one person (EIRO, 2002).

However, some weak points are evident on the methodologies of the studies in Table 4.1: (a) the number of workplaces interviewed is generally small, (b) the samples deal mainly with medium and large-scale enterprises, and (c) the range of economic sectors is limited (mostly manufacturing and service sectors). It seems as though scholars have preferred to investigate large scale enterprises in order to obtain a high volume of employees for their research instead of interviewing a large number of (more representative) micro-enterprises. Thus, in this case, the business samples were mainly derived by the largest Greek private financial directory (ICAP) which according to their web page “contains more than 20,000 companies (SAs, LTDs and others) which encompass the entire Greek state and all activity fields”. It is obvious that this number is not representative since this database includes mainly large scale companies.

Finally, the Cranet longitudinal survey uses standardised questionnaires across different countries and over different years. Consequently, comparative outcomes between years in the same country as well as between different countries are very obtainable. But while this comparative aspect is to be welcomed, it clearly limits the depth possible

for the questionnaire. The TERS is likely to mark a great improvement here, as will be seen.

#### The Study region: Thessaly periphery

The region of Thessaly is situated in the central eastern part of Greek mainland and has more than 750.000 inhabitants (Census, 2001). Its population represents almost 7 percent of the total population of the country and remains the third largest region in Greece in population size, following Attica (Athens area) and Central Macedonia (Thessaloniki area). The population of Thessaly enterprises contains about 6 percent of the total number of enterprises in the country. The regional economy is concentrated in the four major cities of Thessaly but generally we can differentiate between the western and eastern parts of Thessaly. Western Thessaly is the most agricultural part of the region, while in the eastern prefectures secondary sectors produce 80 percent of the industrial product of the whole region. The tertiary sector also displays a dynamic development and the most important economic activity is commerce, especially wholesale and retail trade activities. The commercial activity is dominated by the existence of family-owned businesses having either no additional personnel or employing less than 5 employees. Around 40 percent of the businesses are “one-person-enterprises” and constitute almost 9 percent of the total employment in Thessaly.

### Contribution of Greek TERS – Relation with WERS

Until recently, it was not common for researchers to study employment relations in SMEs (Forth et al., 2006). This lack of research in Greek micro-enterprises, which as mentioned represent the vast majority of overall Greek businesses, creates the potential for my further research in this field. These thoughts led me to seek a methodological tool on employment relations from the employer's perspective as used in other OECD countries in order (a) to get new information and (b) to apply to smaller firms in Greece. Thus, in order to fill this gap we tried to construct a questionnaire which could be compared with comprehensive research on employment relations in other European countries or worldwide. I realized that similar questionnaires have been available in several countries of the European Union such as the UK, France, Germany, the Netherlands, and Belgium as well as in some Anglo-Saxon countries (US, Canada, Australia) mainly since 1990s. In fact, the UK was the first country to create an inquiry, initially called "The Workplace Industrial Relations Survey" (WIRS), starting in 1980. Another four surveys took place in following years (1984, 1990, 1998, 2004) An issue worth mentioning here is that WERS - the largest survey of its kind conducted in the world (Cully et al., 1999) - used to apply only to larger-scale workplaces employing more than 50. However, it began to offer new opportunities in 1998 when the fourth survey "expanded its scope to include workplaces with 10-24 employees

for the first time” (Forth et al., 2006) and the fifth survey - in 2004 - expanded even more and included workplaces with 5-9 employees.

The fact that the international research community investigates employment in micro-enterprises is of significant importance. Such a tool drawn from the 2004 WERS, which as we have seen is also applied to small workplaces would provide a major contribution and better fit in our case. Thus, since a similar questionnaire and survey has not been carried out in Greece, I obtained funds jointly provided by the Greek Ministry of Education and the European Social Fund to create a similar questionnaire for Greece.

Taking these points into consideration, our research is substantial by Greek standards. The strong point of our study is the inclusion of micro-enterprises in the sample in contrast with almost all other Greek surveys which mainly focus on larger enterprises. Another strong characteristic is that our methodology is based on international standards and makes this survey unique since almost all Greek empirical studies have different methodologies. In addition, the idea of researching family workers (paid or not) with data mainly from our face-to-face interviews with micro-enterprises, is another strong point. Within this framework we succeeded in having a better overall image of the attitudes and conceptions of micro and family-run such enterprises, as 98% of businesses in the Thessaly region are made up of such enterprises.

## 4.2 The Design of the Survey

### Sources of Data

It is known that the first step for the implementation of any primary research is to identify the population group, which in our survey is represented by the total number of workplaces in the geographical area of investigation, the Thessaly region. A workplace was defined as the physical location of an establishment. This meant that all types of workplaces were surveyed: those which were large or small-scale business as well as those which were the head offices or branches of the establishment. We needed to generate a statistically representative random sample of Thessaly's workplaces.

The second step was the specification of the body/organisation, considered as the sampling frame for our data. In the UK, the WERS sponsors guarantee a ready-made sample of workplaces through the Departmental Business Register (IBDR) held by the Office for National Statistics. In our case respectively, a full list of the population of workplaces in Thessaly was needed. Based on research team knowledge, there are five organisations (four governmental and one private) which can contribute –see Appendix 4.1– to the estimation of the population of enterprises:

- (a) National Statistical Services of Greece,
- (b) Labour Inspectorate,
- (c) Social Security Organisation
- (d) Chamber of Commerce and Industry,

(e) ICAP business database –the largest private database in the whole country.

The Chamber of Commerce and Industry seemed to be the most suitable source of data for this study, even though there was a constraint in deriving the sample. The disadvantage was that multinational companies might not be included in their database, since these companies have to register in the first geographical place established, which is usually in the greater area of Athens. Thus, it is not obligatory for every enterprise to re-register in every geographical place it has activities. However, considering that these companies play a significant role in the regional economy studied due to the fact that a large number of employees work there, an additional representative number of businesses are included in this study. To overcome this constraint, an additional sample was derived from the ICAP database which includes all the types of businesses.

Another point which we had to take into account, at this phase, is that the business dataset from the Chamber of Commerce and Industry exclude a group of businesses that have to register at their local sectoral-occupational associations. These businesses - such as economists/accountants, engineers/architects, lawyers /advocates, doctors /dentists, etc. - have a self proprietorship type and mainly refer to one-person enterprises. The fact that a number of enterprises are excluded from our sample is positive since the majority of these enterprises have no employees. It helps our sample to exclude businesses without personnel. Another advantage of using the Chambers" database is the requirement that

every business is registered when it starts-up and deregistered when it closes. That means that the dataset is up to date.

### Selection of the Enterprise Sample

When conducting a survey, having a representative sample of the population is of significant importance. The sampling frame - as mentioned above – was to be drawn from the Chamber of Commerce and Industry in the four prefectures of the region. A first step was to ensure that the sampled workplace's economic activity could be compared with overall Greek national data. This objective required us to change the Chamber of Commerce and Industry's system to the Greek official statistical classification, called STAKOD-2003, which is similar to the NACE classification (NSSG, 2002). Our interest focuses on one digit classification, which in the STAKOD system comprises 17 categories of activities which are characterised by letters (one digit). Although a similar classification has been defined by the Chamber of Commerce and Industry dataset, recoding according the STAKOD classification was undertaken.

The Thessaly enterprise sample was thus based on the STAKOD 17 categories of economic activities. However, workplaces in sector A (Agriculture, Hunting and Forestry), sector B (Fishing), sector E (Electricity, Gas and Water Supply), sector L (Public Administration), P (Private Households with Employed Persons) and Q (Extra-Territorial Organisations and Bodies) were excluded. Sectors E and L were also excluded since public organisations and utilities were explicitly excluded

from this study. Consequently, the TERS sampling frame was initially divided into 10 broad sectors (one digit), as shown in Table 4.2.

Procedures for determining the appropriate industrial stratification are quite similar to the UK experience. WERS 2004 encompassed activities from Sections D (Manufacturing) to O (Other Community, Social and Personal Services) of the Standard Industrial Classification where the remaining sections were also excluded. (Forth et al., 2006). The UK Standard Industrial Classification of Economic Activities (UK SIC(92)) is used to classify business establishments and other statistical units by the type of economic activities in which they are engaged in. Even though the UK uses the SIC-2003, it should be noted that “both classification systems, the SIC and NACE, are based on the United Nations International Standard Industrial Classification (ISIC), and are identical at the two-digit level” (Hughes, 2008).

All Thessalian enterprises in the sampling frame were divided into strata based on STAKOD major sectors and within group strata, by geographical location (the four prefectures of Thessaly region). Admittedly, the WERS sample was stratified by workplace size (divided into seven strata employee categories) as well as major industry.

However, in our case, the Chamber of Commerce and Industry database has no estimation for workforce size per enterprise, consequently strata on workplace size was not possible in this phase. However, following extensive research, the workplace size variable was estimated by auxiliary resources.

**Table 4.2: Number of Enterprises per Prefecture & Group Economic Activity**

NACE	Economic Activity	Karditsa	Trikala	Larissa	Magnesia	Thessaly
D	Manufacturing	983	1,186	4,839	2,445	9,453
F	Construction	90	84	1,350	1,262	2,786
G	Wholesale & Retail Trade	3,291	3,371	5,400	6,345	18,407
H	Hotels & Restaurants	1,102	1,341	2,250	2,956	7,649
I	Transportations & Carriers	398	423	458	596	1,875
J	Financial Intermediation	30	37	82	49	198
K	Real estate & Business Activities	978	870	967	1,133	3,948
M	Education	371	294	1,125	307	2,097
N	Health & Social Work	9	25	43	49	126
O	Other Community, Social & Personal Services	398	489	375	459	1,721
	Total	7,650	8,120	16,889	15,601	48,260

**Source:** Thessalian Chamber of Commerce and Industry Databases & ICAP business database

**Table 4.3: Distribution of Thessaly Workplaces per Employment Size**

Employment Size	Greek Workplaces (%)	Thessaly Workplaces (%)	Thessaly Workplaces Population	Thessaly Workplaces with personnel	Thessaly Workplaces with personnel (%)
0-5	90,3	92,8	44,730	-	
0	-	42,7	20,600 <sup>2</sup>	-	
1-5	-	50,2	24,130	24,130	87,3%
6-10	5,9	5,8	2,800	2,800	10,1
11-50	3,4	1,2	580	580	2,1
50+	0,3	0,1	50	50	0,2
Total	100	100	48,260 <sup>3</sup>	27,600	100

**Notes:** <sup>1</sup>Workplace Distribution per Employment Size is based on Employment Observatory and National Statistical Services data

<sup>2</sup>Workplaces without employees is based on Labour Inspectorates Offices data

<sup>3</sup>Total numbers of Thessalian enterprises comes from Thessalian Chamber of Commerce and Industry

Since workplace size was not fully under our control in the sampling process, we then constructed weights to ensure that the sample was representative. Our objective was to replicate the distribution of workplace sizes shown in Table 3 Employment Observatory-Research Informatics (PEAP) survey (2003). Thus, based on this distribution in Table 3, four workforce size categories were determined in this table; (a) up to 5 employees (b) 6-10 employees (c) 11-50 employees and (d) 50 and over employees. Then, the research team faced another obstacle at the category (a) up to five employees; enterprises with no employees (called one-person-enterprises) were also estimated. In order to avoid including enterprises with no personnel, the local offices of the Labour Inspectorate were contacted. This time, fortunately, the LI officers were willing to help and provided to us with the number of businesses with personnel in every prefecture.

Finally, as can be seen from the final column of Table 4.3, data from all the above resources indicate that workplaces (a) with 1-5 employees account for 87.3 percent (24.1/27.6 with employees) of workplaces in Thessaly, (b) 6-10 employees account for 10.1 percent (c) 11-50 employees account for 1.2 percent and (d) 50 and over employees account for 0.1 percent. It is noted, that the Thessaly periphery presents similarities with the Greece as a whole in regards to the employment size of its businesses. Thus, almost 98 percent are defined as micro-enterprises (up to 10 employees) in Thessaly, while overall Greece has a little more than 96 percent. Differences were noted in the small-enterprises category (11-50

employees) where the national average has a percentage three times higher (3.4 percent) than the Thessaly region (1.2). It is clear that the presence of medium (50-250 employees) and large (250 and over) enterprises is very low in Greece as a country and also in the Thessaly region.

### Weighting the Cross-Section TERS Survey

Before moving on to the next step, weighting the survey, another feature of importance needs to be mentioned. This concerns the sponsorship of the survey. The TERS sponsors are the Greek Ministry of Education, the European Social Fund (ESF) and the TEI of Larissa, (Higher Education Institute). Thus, the funding determines restrictions on both the geographical location of the research as well as the number of visits to the enterprises. In other words, conducting fieldwork in almost 300 enterprises in the Thessaly region was “determined” by the budget of the survey.

The first 200 enterprises were chosen randomly based on the sampling frame provided by the Chamber of Commerce and Industry as noted above. An additional sample of 100 enterprises was collected from the private database of the ICAP group which mainly consists of businesses with more than 10 employees. This method resulted in an over-sampling of large workplaces relative to small ones which was expected.

It is common in business surveys to over sample larger firms. According to the World Development Indicators (World Bank, 2007:271) in enterprise surveys “because the distribution of establishments in most countries is overwhelmingly populated by small and medium-sized

enterprises, surveys generally over-sample large establishments”. It has also been noted, (Purdon et al., 2001) that when designing the WERS (1998 & 2004) a similar issue arose. In that case, the oversampling of larger workplaces was also selected in order “to improve the precision of estimates of employees within establishments”. In addition, they claimed that “it allows for separate reporting and analysis by size and economic activity” which is welcomed by policy makers.

Once the data was collected from the workplaces, we computed the weights, using a post stratification weighting method. Thus, a sample of 293 workplaces out of almost 27600 workplaces in Thessaly was selected, and of these, data were collected from 206 workplaces with employees, as shown in Table 4.4. The population of sampling units (workplaces) was divided by strata (workforce size). Consequently, a separate sample per strata was introduced. Since - as mentioned above – some sub-groups were over-sampled a methodology of disproportionate sampling was selected and differential sampling fractions were used according to the number of employees (workplace size). Therefore, the sampling fraction for the 1-5 employees" stratum was 331 (because  $331 \cdot 73 = 24,130$ ), the fraction for the 6-10 employees stratum was 53, the 11-49 employees stratum was 8 and the category of 50 and over stratum was 5.

### **4.3 The Development and the Conduct of the Survey**

#### Design of the Questionnaire

Our questionnaire for the TERS survey was based on the questionnaire used for the fifth WERS survey. In fact, the TERS Cross-Section Survey could be characterised as a mini-WERS since it has one main component, the Survey of Managers. In contrast, the UK WERS Survey (2004) consists of another three components: (a) the Survey of Employee Representatives, (b) the Survey of Employees and (c) the Financial Performance Questionnaire. This being an initial approach, a survey of employees was not included due to budget restrictions.

The research members of the design team participated in six meetings between April and May of 2006. The main point of the discussions focused on certain questions that could not be adapted to Greek standards. Initially, the first version of the questionnaire was written in English and then translated into Greek. We translated it and gave both the Greek and English versions to a team of academic and research staff of Higher Educational Institutes: the TEI of Larissa, Greece and the University of Birmingham, Britain for comments. It was very important to take into consideration that Greece has different labour market regulations than Britain or other countries which use similar questionnaires. In order to succeed in this area, some modifications were made in questions which could not be applied to Greek businesses for flexible employment. The final version of the questionnaire (see Appendix 4.4) was divided into fourteen sections: The first two (1 & 2) sections could be characterized as

introductory with background and general data of the company (economic activity, legal status, period of operation, employer union activity). Section three (3) examined the labour force data of each company that is, the number of employees, basic classification per form of employment, occupational group, age, sex, trade union density, etc. Section four (4) studied the recruitment and personnel selection policies of the last five years and analysed the needs in the workforce according to the type of employment and occupational group. Questions on equality (male and female) in the workforce arose in this section. Our next area (section 5) focused on pay determination. We asked employers according to which bargaining arrangement (national, sectoral, enterprises or individual) employees were paid: Sections six (6) to eleven (11) incorporated questions dealing with the types of employment and an analysis was made with careful consideration given to businesses with part-time, short time and temporary time. Family employees are also a vital area in our research. The main question here was to define their number, since a great number of family businesses were observed.

In addition, we covered any other form of employment such as sub-contractors, family members and home workers. Another section of high interest was that of subsidized employment. Overtime employment, working time arrangement and the reduction of employees (reasons and methods used) were also looked at our research. The latter is related to the performance of the company. Finally, section fourteen (14) was more

general, trying to get feedback on businesses, perspectives and attitudes towards labour flexibility.

### Fieldwork

Fieldwork was conducted between August 2006 and February 2007.

However, preparatory activities and pilot survey has taken into consideration (see Appendix 4.2 and Appendix 4.3). The research team decided to divide the fieldwork geographically into western and eastern Thessaly. West Thessaly consists of Karditsa and Trikala prefectures and survey took place in mid August and September of 2006. As mentioned, both of these regions are mainly agricultural and are considered less developed compared with the eastern part of Thessaly. Finally the whole survey was completed in February of 2007 (with a two-month delay), with a total of 226 questionnaires collected from businesses employing 3519 people.

The respondent-representative was a senior person, typically the owner of the enterprise, or the general manager responsible for the day-to-day responsibilities of the business (who has control and is probably a relative of the owner of the business) or the accountant who in most cases takes the place of the HR person. In large workplaces the respondent – as in many cases in WERS - was a senior employee dealing with the HR, employee relations or personnel matters. However, in the TERS survey, the majority of the respondents were the owners.

#### **4.4 Descriptive Analysis of the Survey**

This section presents the descriptive statistics of the survey providing tables which refer to the main issues of the sample. A number of variables were analysed in order to present the employment situation in Thessaly. Survey weights as mentioned have been used to calculate all percentages. The main variable which is used in almost all the tables is the workplace size. Significant differences were presented between small (less than 10 employees) and “large” (more than 10 employees) workplaces are reported below. Topics such as business legal entity, ownership and economic activity play a significant role in Greek employment relations, thus are reported here. Workforce data with demographic tables in the survey period are also studied; moreover a distribution of gender, age and ethnicity are included in this section.

##### Workplace Profiles

Details of the sample by workplace size are given in Table 4.4. The distribution of workplaces according to population is given in the first column, and the sample achieved in the second column. As the second column shows, a large majority of private sector workplaces in Thessaly population of firms are very small, 97% being under 10 employees in size.

**Table 4.4: Distribution of the Survey Sample by Workplace Size and Family Interest**

How many employees are there in this workplace?	Weighted base*(%)	Sample(%)	Employs family members	
			No	Yes
1-5	179 (87)	73 (35)	36	64
6-10	21 (10)	53 (25)	51	49
11-19	2 (1)	34 (16)	56	44
20-49	2 (1)	37 (18)	62	38
50-99	0.2 (..)	3 (1)	33	67
100+	0.2 (..)	6 (3)	67	33
Total	206	206	37	62

**Source:** Figures are from the Thessaly Employment Relations Survey (TERS).

**Notes:** Survey weights have been used to calculate the percentages of workplaces employing family members. The oversampling of larger workplaces in the TERS can be seen clearly here (e.g., workplaces of size 50+ form about 5% of the sample but only 0.4% of the provincial population).

In the third column, 126 sampled workplaces are micro firms with 1-10 workers; however, due to the large number of this business size it has been divided into two categories: (a) those up to five employees (1-5) in 73 workplaces, and (b) those with fewer than 10 employees (6-10) in 53 workplaces. The small-sized firms include 34 workplaces (11-19), while 37 are medium-sized firms (20-49). Finally nine (9) workplaces with 50 or more employees are considered as “large” scale firms.

A further aspect of Table 4.4 is the glimpse it provides into another important Greek institution, the family firm. Our questionnaire has a question on family ownership as well as a section on “family members” who are regularly employed. In Greece, when referring to family businesses most are SME’s. The family firm is treated leniently by the Social Security authorities – as are small firms generally (since there is a backlog of tax

audits, the government permits small firms to pay lower taxes in order to speed up the process (OECD, 2001:33). As can be seen, the employment of family members is common in all workplaces, only falling off in the very largest, 100+, category of employees.

Turning next to Table 4.5, this depicts the ownership of the surveyed enterprises. Ownership is said to be a particularly important element in determining the nature of the employment relationship in SMEs (Marlow et al., 2002; and Forth et al., 2006). The WERS survey separates ownership into private or the public sector. However, as mentioned, in our case all businesses are private and almost all of them belong to the SMEs category.

**Table 4.5: Distribution of the Survey Sample by Formal Status and Workplace Size and Family Ownership**

Formal Status	Percentage of Workplace Size		Family Ownership (%)
	Small, < 11	11 or more	All Firms
Self-proprietorship	56	13	92
General Partnership (OE)	27	23	95
Special Partnership (EE)	6	5	49
Societe Anonyme SA	9	49	62
Limited by shares (Ltd-EPE)	**	4	93
Other	2	6	94
Total	126	203	87

**Sources:** TERS 2006 -

**Notes:** \* Survey weights have been used to calculate all percentages.

Table 4.5 also analyses the relationship between legal status and workplace size. It is obvious that the preferred legal form for small workplaces is self-proprietorship (56 percent of the workplaces) followed

by partnerships of which a significant number of these types of enterprises are owned by a family or relatives. The self-proprietorship, as a single business entity, is mainly owned and operated by a married couple and has a strong family character. The main features of the self proprietorship are (a) a less regulated set up procedure and (b) an informal structure since the owner is able to control every aspect of the business and act fast and effectively.

Moreover, in Greece there are some other characteristics that make self proprietorship so “popular”. These mainly relate to the centralized character of business owner behavior. Low levels of trust as well as an extensive desire for autonomy and control are the main behavior elements of a typical Greek sole proprietor. Makridakis et al. (1997) state that the Greek business owner “wants to be involved in practically all decisions from the most important to the most trivial” adding that “he does not trust his or her executives whom he believes cannot match his own abilities and knowledge of his firm and industry”. In addition, family-owned and managed enterprises lag considerably behind in terms of professional management (Spanos et al., 2001; Georgas, 1993) which also indicates a centralised character with a strict hierarchy.

An important factor is weak state control mechanism in this type of businesses. Sole proprietors have realized their “power” and take advantage of the disorganized and ineffective monitoring system noted earlier. Recall for example that 6 Labour Inspectors in the Larissa region are responsible for 6,000-7,000 workplaces. Within this framework, very small businesses

can “avoid” taxes at any level. As a result, a strange phenomenon is observed in the Greek economy where the average income in 2008 for the self-employed (almost 10,000€) was lower than for wage employees and the retired (14,000€). (Kathimerini news, 2009).

**Table 4.6: Comparison of Industry Composition and Number of Employees**

Industry	Weighted Percentages*	Percentage of Employees
Manufacturing	9 %	28
Construction	6	11
Wholesale and Retail	50	23
Hotels and Restaurants	20	13
Transport and Communication	2	0.01
Financial and Other Business Services	3	0.5
Education and Health	1	11
Other Community and Personal Services	10	7
Total	100	100

**Sources:** TERS 2006 - **Notes:** See Table 4.5

Table 4.6 contains information about the identity of the composition of the industries in Thessaly as well as the number of employees per economic activity as implied by the survey. As can be seen, only about 9% of Thessaly's workplaces are categorised as manufacturing. However, they represent a significant percentage of the total workforce (28%). It is also obvious that the main characteristics are (a) the great representation of retail sector and hotels in Thessaly (70% of workplaces) with almost 23 percent of the total employees, and (b) the smaller representation of financial and other business services (3% of workplaces)

## Demographics and Equality Topics

The demographics of the workers in this survey are summarised . Initially Table 4.7 indicates the main types of employment by gender. Under full-time contracts - in the first three rows – we see remarkable differences between small and large workplaces. As mentioned in the context of the previous table, micro-enterprises enjoy high flexibility in their workplaces since only 46 % of their workforce are full-timers (under permanent contract).

**Table 4.7: Distribution of Employment Type and Gender**

Employment Category		Small, < 11	11 or more
Percentage of Workers in the Average Workplace:	Full-time	46	66
	Full-time Male	22	38
	Full-time Female	23	28
	Part-time Male	3	5
	Part-time Female	2	6
	Temp-time Male	5	9
	Temp-time Female	1.5	3
Sample numbers		126	80

**Sources:** TERS 2006 - **Notes:** See Table 4.5

**Table 4.8: Equal opportunity practices in workplaces**

Employee Group	Small, < 11	11 or more
Young (aged 20 or under)	3	2
Young Male	3	1
Young Female	**	**
Old (aged 51 or over)	9	6
Old Male	7	4
Old Female	2	2
Disabled	**	**
EU Employees	**	**
Non-EU Employees	3	3
Sample Numbers	80	126

**Sources:** TERS 2006 - **Notes:** See Table 4.5

\*\*Figures were smaller than 1%.

Regarding gender in flexible employment types observe the low proportions of females in part-time and temporary work related to the European norm. Moreover, labour flexibility in Thessaly seems to be an issue for males. Generally, the most important factor that plays a significant role even in gender participation in the Greek labour market is the size of a company and the family ownership.

Table 4.8 provides data on equal opportunity practices in the survey. We see the issue of poor youth employment opportunities starkly reflected in the first three rows in the percentage of young employed workers. It is clear that the figure is very low (less than 3 percent) in our survey. Even more, a combination of young and female seems to be a major problem in the Greek labour market because females present an extremely low percentage. This is one of the main puzzles of the overall performance of the Greek labour market. Greece still has one of the lowest female rates of employment among EU countries (Kanellopoulos et al., 2002) and also presents the third worst female unemployment rate out of 33 OECD countries.

In the next rows, employees aged over 50 have a better performance (three times higher) compared with the young. However, their rates are still considered low. People aged over 50 face similar obstacles to the young remaining into the labour market, as another outsider group. In addition, female participation in the older-aged category is once again very low.

Micro enterprises employ higher percentages of older employees than the large enterprises while large businesses prefer prime age workers. In micro-enterprises employees have a personal relationship with the owner. Apart from family members, the other employees are considered “skillful” and trustworthy and thus end up continuing to work for the same owner until retirement.. Employees with disabilities are very few and not considered in this study.

The employment of foreign employees in the Thessaly region is relatively low with only 2.6 percent, a rate lower than the official statistical data on Thessaly (LFS, 2007 and Kritikidis, 2008) with 3.9 percent. This difference in figures probably comes from a significant number of foreign employees who work in the agricultural sector which is excluded from our sample, as mentioned above. These non-EU workers mainly employed in the following economic activities: (a) manufacturing (including construction), (b) hotels and restaurants, and (c) wholesale and retail trade.

Finally, Table 4.9 explores gender discrimination in Thessaly workplaces. A few employers (in the first row) consider that individual wage agreements are a privilege of males. Moreover, in the second row, the majority of respondents believe that females are capable of filling all the job positions in the firm.

**Table 4.9: Gender Discrimination Topics**

Management Perceptions		Small, < 11	11 or more
Percentage Of workplaces:	Individual wage agreements are privilege to male	9	18
	Females can meet all the job positions in the firm	62	69
	Obstacles to hiring females	59	58
Main reasons mitigating against the female hiring	High familial needs	29	23
	Maternity leave	6	1
	Both reasons	13	13
Sample numbers		126	80

**Sources:** TERS 2006 - **Notes:** See Table 4.5

A contradiction is observed however, since in the next row, a high rate of businesses (almost 60 percent) admits that there are reasons that threaten the hiring of women. Atkinson (2000) argues that women's access to employment is significantly inhibited by the poor fit between arrangements for childcare and the way in which work is organized. Indeed, high familial responsibilities stemming from their role as mothers constitute the main obstacle in their being hired. Moreover, Anagnostopoulos et al. (2003) having based a Greek business survey (700 enterprises) on vulnerable employment groups, noted that only 5 percent of employers have positive attitudes towards hiring reintegrated women into the labour market. Moreover, employers rated their lack of skills and their outdated knowledge due to their lengthy absence from the labour market, as well as age as secondary obstacles in the hiring of these people.

## 4.5 Conclusions

Topics related to the survey area as well as features which deal with the Greek business context are analysed. The Thessaly region is the third region in Greece - based on its population - with a high rate of its agricultural workforce transferring to the services sector in the last decade. A detailed description of the design and the conduct of the survey in this region are reported here. The TERS survey is based on the WERS methodology of the UK, and comparisons between them have been reported in detail.

A number of descriptive tables are also produced in this chapter in order to provide the backdrop to the current overall situation of employment in Thessaly. Topics related to the business context, such as formal status, ownership, management and the economic activity of a business are of substantial importance in Greek employment relations. The family ownership of business and its operation dominate the structure of a typical Greek business. Demographics on the age, gender and ethnicity of the Thessaly labour force indicate low participation rates of females and poor performance of young people who constitute the outsiders in the Greek labour market.

It is immediately apparent that workplace size plays a significant role in labour market regulation and flexibility issues. Different views between small and large businesses are observed in a number of contexts: (a) recruitment and dismissal procedures, (b) obligations related to

employment (working hours, collective agreements and minimum wages) and (c) atypical employment.

More specifically, small businesses achieve flexibility through their family members. On the other hand, large businesses use temporary employment as the only source of flexibility. This is the main issue in the next chapter where regression analysis is provided with the basic argument being that strict labour regulation leads business owners to choose temp workers, which are less of a risk, and on which the laws might not be enforced.

## **Appendix**

### **4.1 Contacting Organisations for Permission of Population**

Below, we describe the steps followed on contacting organisations to obtain permission for the data in order to conduct the survey in the four prefectures:

- Having access to the official national statistical database is always a reliable source of information. Consequently, our first visit was to the headquarters of the National Statistical Services of Greece (NSSG) in Athens. During our meetings, the officers provided information on the business dataset first. The registration of enterprises by the NSSG last took place in 2002 and the dataset includes the number of businesses per main activity and prefecture, the number of employees, employment by field and place of employment. Then, detailed information on the TERS needed to be discussed since “no information related to individuals or companies are published or provided to any organisation or person by the NSSG” (law 2392/96). However in some cases for research purposes, public organisations have easier access to the statistical records with low rates or no rates at all. An attempt to take advantage of this process was made, since the TEI (University Polytechnic) of Larissa is a public higher educational institute. Two months after the meeting access to data was granted. However, the cost of retrieving this information was prohibitive.

- In the meantime, another attempt was made to collect data for our research by contacting the local offices of the Labour Inspectorate (SEPE) in every prefecture. After all, as we have seen, according to the law, each employer must submit annual copies of its personnel records to the local Labour Inspectorate-Dept. of Social Inspection. In addition, documents include all the data of the company, including the registered name of the company, postal address, type of organization, legal status, and geographical place of the enterprise as well as its taxation number. Thus, this body could provide data on all workplaces in Thessaly, with the advantage of focusing on enterprises with personnel, avoiding those without a workforce. Unfortunately, the officers informed us that there was no electronic database which could be provided to us - the process of implementing it was taking place at that time-. We had more success with the Chamber of Commerce and Industry. By law (N2081/92), the Chambers of Commerce and Industry in the capitals of the prefectures are defined as public sector entities, membership of which is required by all engaged in “commercial activities” whose central business address is within the region. During our first visit to the Larissa branch, officers informed us that their electronic database includes all the registered members-businesses (self proprietorship, general and private partnerships, limited liability companies, corporations, foreign companies, etc.). The issue of rate and data confidentiality was also discussed in the meeting. In some cases access to confidential data files may be granted for research purposes. After 3 weeks a positive reply

was given. Two important facts played a significant role in their decision: (a) the survey was organised by a Higher Education Institute (TEI of Larissa) of the region and (b) employment is definitely an issue of high importance for the Chamber of Commerce and Industry.

Finally, the last resource we considered was the ICAP database. This is the largest private consulting company which contains reliable data from its Greek directory of businesses. It covers the entire Greek domain (including our geographical area of our interest, Thessaly) for all sectors of economic activity. However, its main disadvantage was that the majority of businesses that had enrolled in this database had mainly more than 10 employees. However, as we will see below a supplementary sample was needed from this dataset.

#### **4.2 Preparation of Interview part**

Once the questionnaire was finalized, the data collection could begin. However, a number of preparatory activities were advised prior to the commencement of fieldwork. Thus, in order to conduct the TERS survey, one of the main tasks was to recruit interviewers who were motivated and able to assist us. Finally, since the fieldwork would be conducted in the Thessaly region, it was decided that interviewers (graduates or masters students) would be selected from the two Higher Education Institutes of the region, the TEI of Larissa and the University of Thessaly. In total, 10 interviewers were selected out of 23 candidates. Next, a three-day training seminar was organised. The seminar was divided into 3

sessions: (a) the first session dealt with the theoretical part of flexible forms of employment; (b) the next explained the questionnaire; and (c) and the third the interview methodology.

Sampling and weighting procedures and budget restrictions described for the TERS survey led us to the selection of an initial sample of 293 companies, each of which obtained a unique workplace identifier from W1 to W293. The workplace identifier was used to ensure the anonymity of these businesses. In addition, a letter was included after the number in each code. The letter implied the initial letter of the four cities that the questionnaire came from. Moreover, the use of the reserve sample, took place, when a company from the initial sample was no longer in operation, had changed economic activity or if an owner had refused to fill in a questionnaire. In these cases, a corresponding business from the reserve sample was chosen to replace in a questionnaire. These businesses were identified as R1 to R293 while the coding kept the same characteristics. To keep both samples random number generators were used. In the case that the use of the reserve sample was not used to replace a random questionnaire then this questionnaire was considered as a casualty of the sampling.

### **4.3 Pilot Survey**

One of the main preparatory activities prior to conducting the fieldwork was to conduct a pilot survey and test the questionnaire. 20 pilot face-to-face interviews took place for one week in July 2006. The businesses were chosen randomly. However, they covered all the economic

sectors mentioned above. After summarizing the results of the interviews and discussing them with some respondents, we decided to further modify certain questions in order to get the necessary information from the businesses. Once these modifications we made, the main survey could begin.

Following these interviews the questionnaire was evaluated. An important issue to be addressed was avoiding the distortion of data. The most common cause is the collection of data from a person who is not the most suitable person to be interviewed. For example, a person who is just an employee and not the owner or one of the managers of the enterprise is interviewed mainly because the owner/manager has no available time and has someone else interviewed. In this case, a partly mistaken picture of reality may be presented.

Moreover, questions including the Likert scale seemed difficult to reply to. Furthermore, some respondents did not have enough knowledge on certain flexible forms of employment. For instance, some did not know what short time was, thus an effort to be less formal by providing a formal definition of terms. Other employers could not separate, for example fixed term contracts from subcontracting in temporary employment. Furthermore, questions in section (5) concerning pay determination and wage agreements were difficult for respondents to reply to or were not received in a welcome manner.

The ignorance of employers/managers about the different categories of wage agreements may exist for two reasons. First of all, the owner of the

company has no knowledge of the labour legislation and an external consultant (accountant or lawyer) advises him or, secondly, the owner of the company does not keep him/herself updated on labour law and is afraid of getting involved with these issues.

In addition some practical concerns arose from the pilot interviews.

These included:

(a) Proper attention did not seem to be given to the questions and answers provided when correspondents received a blank questionnaire to fill out.

Some thought they were helping the interviewer by not asking for clarification while others simply moved to other questions without giving proper attention to their answers

(b) An interview was more likely to be successful (questionnaire was completed) when there was contact in advance and the interview with the owner/manager/accountant of the businesses had been arranged before visiting the company. Trying to conduct the interview without arranging ahead of time resulted in an increased possibility of refusal.

(c) A negative factor was that some employers were suspicious and hesitant to provide information in the interviews that they thought would be spread to the local community. This possibly created obstacles in collecting questionnaires and resulted in an increase in the number of non-respondents.

(d) Finally the size of the workplace seemed to be a barrier in conducting interviews. It was difficult for employers of small workplaces to answering questionnaires due to the pressures of work. On the other hand, in large

workplaces, we had difficulties reaching the respondent (mainly HR person or accountant) due to procedures with secretaries preventing direct contact.

Finally, after determining the sample, the last task was to set up the steps of communication with these companies. The fact that the telephone number was provided by the database from the Chamber of Commerce and Industry was very helpful. In some cases telephone directories were also used where telephone numbers were not available from the sample. Thus, the majority of enterprises selected (sample) were screened through telephone communication by the interviewers (a) to check whether the firm was in existence, (b) to identify the name of the appropriate management respondent and (c) to arrange an appointment for the interview.

## 4.4 Questionnaire (Annotated)

Questionnaire Code \_\_\_\_\_

**METHODOLOGICAL TOOL – QUESTIONNAIRE**  
**'FLEXIBLE FORMS OF EMPLOYMENT IN THESSALY REGION'**

**1. COMPANY DATA**

Name of Company : \_\_\_\_\_

Postal address : \_\_\_\_\_ T.K. \_\_\_\_\_

Telephone : \_\_\_\_\_ Fax : \_\_\_\_\_

E-mail : \_\_\_\_\_

Web page : \_\_\_\_\_

Surname of the owner/director (who participate in the interview): \_\_\_\_\_

Specialty/Specialization of owner: \_\_\_\_\_

Legal status of the company **LEGALSTATUS**

1. Individual.....	<input type="checkbox"/>	
2. General Partnership (O.E.).....	<input type="checkbox"/>	
3. Special Partnership (E.E.).....	<input type="checkbox"/>	
4. S.A company (A.E.).....	<input type="checkbox"/>	
5. Limited (Ltd) company (E.P.E.).....	<input type="checkbox"/>	
6. Co-operative company.....	<input type="checkbox"/>	
7. Other- pls specify _____	<input type="checkbox"/>	

**2. BACKGROUND OF THE COMPANY**

I would like to begin by asking you some general Questions about this establishment

Qst 2.1 Describe the main activities of your enterprise. \_\_\_\_\_

**NACE**

Qst 2.2 For how long has this establishment been operating? \_\_\_\_\_ yrs

*If part of a larger organisation in Greece*

Qst 2.3 How many establishments, including this one, are there within (name of organisation) in Greece \_\_\_\_\_

*If part of a larger organisation in Greece*

Qst 2.4 How many employees in total are there within [name of organisation] in Greece?

1. less than 4.....	_____	
2. 5 less than 10.....	_____	
3. 10 less than 19.....	_____	
4. 20 less than 49.....	_____	
5. 50 less than 99.....	_____	
6. 100 less than 249.....	_____	
7. 250 less than 499.....	_____	
8. 500 or more.....	_____	

Qst 2.5 Is this company:

1. Franchising company.....	<input type="checkbox"/>	
2. Member of holding companies..... <b>BUSCATEG</b>	<input type="checkbox"/>	
3. Multinational company.....	<input type="checkbox"/>	
4. None of these.....	<input type="checkbox"/>	

Qst 2.6 This enterprise (or the subsidiary) is a member of the following employer associations. *(multiple answer)*

	Yes	No	
<b>FGTA</b> 1. Federation of Greek Traders' Associations.....	<input type="checkbox"/>	<input type="checkbox"/>	
<b>CCSB</b> 2. General Confederation of Greek Small Businesses and Trades (GSEVEE).....	<input type="checkbox"/>	<input type="checkbox"/>	
<b>ATHI</b> 3. Association of Thessalian Industries.....	<input type="checkbox"/>	<input type="checkbox"/>	
<b>AIC</b> 4. Association of Industries in Central Greece.....	<input type="checkbox"/>	<input type="checkbox"/>	
<b>OPS</b> 5. Other/Pls state _____	<input type="checkbox"/>	<input type="checkbox"/>	
<b>NONE</b> 6. None of these.....	<input type="checkbox"/>	<input type="checkbox"/>	

Now, before we begin the more detailed Questions, I would like to obtain your views, as a manager at this workplace, about a number of employee relations issues.

Qst 2.7 I'm going to read out TEN statements, and for each of them, I'd like you to tell me what you think about these issues. Please use the following categories:  
 1= Strongly agree, 2= Agree, 3= Neither agree nor disagree, 4= Disagree, 5= Strongly disagree

1. Given the chance, employees at our workplace sometimes try to take unfair advantage of management.....	1	2	3	4	5	
2. Employees are led to expect long-term employment in this organization.....	1	2	3	4	5	<b>UNFAIR</b>
	<input type="checkbox"/>	<b>SECURE</b>				

**3. HUMAN RESOURCES**

Qst 3.1 How many employees are there within [name of organisation] in this establishment? Pls state specific number (if you know) *(otherwise use the following scale)*

1. less than 4.....	<input type="checkbox"/>	
2. 5 less than 10.....	<input type="checkbox"/>	<b>NOEMPLOYEE</b>
3. 10 less than 19.....	<input type="checkbox"/>	
4. 20 less than 49.....	<input type="checkbox"/>	<b>SCALEEMPLOYEES</b>
5. 50 less than 99.....	<input type="checkbox"/>	
6. 100 less than 249.....	<input type="checkbox"/>	<b>EMPLSCALE</b>
7. 250 less than 499.....	<input type="checkbox"/>	
8. 500 or more.....	<input type="checkbox"/>	

Qst 3.2 From the number you already mentioned – How many employees are

1. Family members employees.....	_____	
2. Trainee employees.....	_____	<b>FAME</b>
3. Employees paid by ALMP programme by PES.....	_____	<b>TRAE</b>
4. Agency employees.....	_____	<b>PESE</b>
		<b>EMPLAGEN</b>

Qst 3.3 Except the above, fill this card with the number of the rest of your employees:

		Male	Female
1. Full time (indeterminate duration contracts).....	_____	<b>FTM</b>	<b>FTF</b>
2. Part-time.....	_____	<b>PTM</b>	<b>PTF</b>
3. Short-time.....	_____	<b>STM</b>	<b>STF</b>
4. Temporary time.....	_____	<b>TTM</b>	<b>TFE</b>

*(Seasonal – Fixed Term – Subcontracting)*

Qst 3.4 Pls give the number of employees by occupational groups

		Male	Female
1. Managers, professional & technical occupations.....	_____	<b>MANM</b>	<b>MANF</b>
2. Clerical, secretarial, personal service & sales occupations.....	_____	<b>CLERM</b>	<b>CLERF</b>
3. Craft & skilled manual occupations.....	_____	<b>CRAEM</b>	<b>CRAFF</b>
4. Routine manual occupations.....	_____	<b>ROUTM</b>	<b>ROUTF</b>

Qst 3.5 Pls fill this card with the employee category

		Male	Female
1. Employees aged 20 or under.....	_____	<b>YOUNGM</b>	<b>YOUNGF</b>
2. Employees aged 51 or over.....	_____	<b>OLDM</b>	<b>OLDF</b>
3. Employees who have disability.....	_____	<b>DISADM</b>	<b>DISADF</b>
4. Employees who are from a non-Greek ethnic group	_____	<b>EU</b>	<b>EUEMPF</b>
		Non EU.....	<b>SUMNONED</b>

Qst 3.6 As you mentioned, the largest group of employees at this workplace is classified as [largest group]. *(except manag. positions)*

**LARGEEMP**

Qst 3.7 Can I just check, are any employees here members of a trade union or independent staff association?

1. Yes, _____ members.....	<input type="checkbox"/>	
2. No, no members.....	<input type="checkbox"/>	
3. There is no trade union.....	<input type="checkbox"/>	

Qst 3.8 Looking at this card, have you sought advice from any of these bodies on any employee relations issues during the last 24 months? *(multiple answer)*

1. Labour Inspectorate.....	<input type="checkbox"/>	
2. Public Employment Services.....	<input type="checkbox"/>	<b>LI</b>
3. Social Insurance Institute.....	<input type="checkbox"/>	<b>PES</b>
4. Chamber of Commerce & Industry.....	<input type="checkbox"/>	<b>SII</b>
5. Employers' Association.....	<input type="checkbox"/>	<b>CCI</b>
6. Lawyer.....	<input type="checkbox"/>	<b>EMA</b>
7. Accountant.....	<input type="checkbox"/>	<b>LAW</b>
8. Management Consultants.....	<input type="checkbox"/>	<b>ACC</b>
9. None of these (Question 4.1.).....	<input type="checkbox"/>	<b>MCO</b>
		<b>NONNACV</b>

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10. Other - Pls specify ADNORG-OPS
- Qst 3.9 Over what employee relations issues have you sought advice in the last 24 months? (multiple answer)
1. National (or sectoral) collective agreements... NCAS
  2. Disciplinary action... DISC
  3. Dismissals or redundancies (e.g., compensation or reinstatement)... DISM
  4. Labour taxes... LABTAX
  5. Fixed-term worker contract (e.g., new contracts, or renewals of current contracts)... FIXTERM
  6. Overtime working hours... OVRTIME
  7. Other aspects of employment law... OTLAW
  8. Other - Pls specify OTHLAW2

#### 4. RECRUITMENT & SELECTION

Now I would like to ask you some questions about employee selection

Qst 4.1 How many workers did you hire in the past two years?  
If YES - Pls specify the number HIRE-NUM   
If NO - (Question 4.4.) HIRE

Qst 4.2 How many of these are:

	Male	Female
1. Full time.....	<u>RFTM</u>	<u>RFTF</u>
2. Part-time.....	<u>RPTM</u>	<u>RPTF</u>
3. Temporary time.....	<u>RTTM</u>	<u>RTTF</u>
4. Subsidized employment.....	<u>RSEM</u>	<u>RSEF</u>

Qst 4.3 Please give the number of vacancies at this workplace in the past 2 years by occupational groups?

	Male	Female
1. Managers, professional & technical occupations.....	<u>RMWANM</u>	<u>RMANF</u>
2. Clerical, secretarial, personal service & sales occupations.....	<u>RCLERM</u>	<u>RCLERF</u>
3. Craft & skilled manual occupations.....	<u>RCRAEM</u>	<u>RCRAFF</u>
4. Routine manual occupations.....	<u>RROVM</u>	<u>RROVF</u>

Qst 4.4 If you employ females in your establishment Do you believe that female employees can meet all the job positions of your company?  
YES RFEJDB   
NO

Qst 4.5 Which of the following reasons threaten the hiring of female employees:

1. High familial needs.....
2. Maternity leave..... RFEJOBST
3. None of these.....
4. Other- Pls state.....
5. Both from the above.....

#### 5. PAY DETERMINATION & THE SECTORAL WAGE AGREEMENT (SWA)

Qst 5.1 I would now like to ask you about pay determination at this workplace. Looking at pay of employees in the largest group what proportion (%) are paid according to:

	%EMPL
1. National general wage agreements.....	<u>NGWAS</u>
2. Sectoral wage agreements.....	<u>SEWAS</u>
3. Enterprises wage agreements.....	<u>ENWAS</u>
4. Individual wage agreements.....	<u>INWAS</u>

Qst 5.2 Is there any pay increase higher than National Wage Agreement? Yes  INCRNWA No  (Question 5.3)

Was the decision over the most recent pay increase for [employees in the largest group] made at this workplace, at a higher level in the organisation or elsewhere?

1. Workplace.....
2. Higher level..... DECISCOM
3. Sectoral Collective Agreements.....
4. Enterprises Agreements.....
5. Not applicable.....

Qst 5.3 If workplace 5 years or older Has the importance of sectoral wages agreements in determining pay for [employees in the largest group] increased, stayed the same or decreased compared with five years ago?

1. Increased in importance..... IMDRTSWA

2. Stayed the same.....
3. Decreased in importance.....
4. Not applicable.....

Qst 5.4 If workplace 5 years or older And, what about negotiations with individual employees in determining pay for [employee in the largest occupational group] - has this increased, stayed the same or decreased in importance compared with five years ago?

1. Increased in importance.....
2. Stayed the same..... IMPORTIWA
3. Decreased in importance.....
4. Not applicable.....

Qst 5.5 Do you consider that individual wage agreements are privilege of male  
YES.....   
NO..... EQUALWAG

Qst 5.6 Pls fill this card with the number (or the percentage) of your employees who belonging the following categories:

1. Less than € 11.000 per year..... ELEVEN %
2. € 11.001 to less than € 13.500 per year..... WAGE2 %
3. € 13.501 to less than € 18.000 per year..... WAGE3 %
4. € 18.001 to less than € 23.000 per year..... WAGE4 %
5. € 23.001 to less than € 30.000 per year..... WAGE5 %
6. More than € 30.000 per year..... WAGE6 %

Qst 5.7 Now I would like to find your views on aspects of labour regulation. Please note the following categories:  
1= Strongly agree, 2= Agree, 3= Neither agree nor disagree, 4= Disagree, 5= Strongly disagree

1. The SWA sets a level of wages for my employees [in the largest occupational group] which my organization can afford to pay..... AFFPAY
2. The SWA's wages for my employees [in the largest occupational group] are important, and my organization rarely pays more..... IMPSPWA
3. Wages would be better suited to real conditions if the SWA of Thessaly was negotiated in Thessaly (rather than via a central agreement)..... NEGSWA
4. The current level of employer contributions are an obstacle to my organization hiring more people..... EMPCONT
5. The reason my organization prefers to hire workers on a temporary basis (rather than permanent) is because temporary workers are easier to fire..... TEMPWOR
6. It is easy to gain permission from the Labour Inspectorate to employ temporary workers..... LABINSP
7. The hiring and firing laws are an obstacle to employing more people..... HIRFIR

#### 6. PART-TIME & SHORT-TIME

Qst 6.1 If you employ part-time or flexitime workers (If NOT- Question 7.1) Pls give the number of part-time workers by occupational groups:

1. Managers, professional & technical occupations..... PTMANA
2. Clerical, secretarial, personal service & sales occupations..... PTCLER
3. Craft & skilled manual occupations..... PTCRAF
4. Routine manual occupations..... PTROUT
5. None of the above..... PTNONE

Qst 6.2 Are any of these part-timers doing work which five years ago would have been done by full-time employees of this establishment [or organisation]?

1. If Yes - Pls specify the number of employees..... NUMFTtoPT
2. No..... FTtoPT

Qst 6.3 How many from the part-timers work less than four hours daily?

1. Pls specify the number of employees..... NUMLESS4HRS
2. All part timers work more than four hours daily.....

Qst 6.4 Why are you hiring part-timers, Please choose from this card? Any others? (multiple answer)

1. Less labour cost..... PTLESSLC

- 2. Variability of demand for products/services **PTVARDEM**
  - 3. As a trial for a permanent job **PTTRIAL**
  - 4. Fewer employment rights (e.g., easier to dismiss) **PTFEWEMR**
  - 5. Freeze on permanent staff numbers **PTFRZEPR**
  - 6. Work harder **PTWKHARD**
  - 7. Other - PIs specify **PTOPS**
- Qst 6.5 Do you believe that part-time contracts will increase in the next two years in your establishment?
- 1. Will increase
  - 2. Stay the same
  - 3. Will decrease **PTINGRS**
  - 4. Not applicable

**7. TEMPORARY EMPLOYMENT**

- Qst 7.1 Are there any employees at this workplace who have temporary/seasonal/fix-term contracts for one year or more?
- 1. Yes
  - 2. No (Question 8.1) **TEMPS**

- Qst 7.2 PIs specify the number of temporary workers based on the following categories?
- 1. Fixed-term contracts (IKA) **TTFIXTC**
  - 2. Subcontracting (ΔΠΥ) **TTSUBCTR**
  - 3. Seasonal Employment **TTSEASDA**
  - 4. Temporary Work Agency **TTWAS**

- Qst 7.3 What's the regular temporary contract in your organization?
- TEMPCON** (in yrs)

- Qst 7.4 What proportion of all employees at this workplace are working on temporary-time?
- |                           |              |                                        |
|---------------------------|--------------|----------------------------------------|
| 1. Half or more           | 50%+         | <input type="checkbox"/>               |
| 2. A quarter up to a half | 25-49%       | <input type="checkbox"/>               |
| 3. Up to a quarter        | 10-24%       | <b>TTPROP</b> <input type="checkbox"/> |
| 4. A small proportion     | 5-9%         | <input type="checkbox"/>               |
| 5. Hardly any Less than   | Less than 5% | <input type="checkbox"/>               |
| 6. None                   | 0%           | <input type="checkbox"/>               |

- Qst 7.5 PIs give the number of temporary workers by occupational group
- 1. Managers, professional & technical occupations **TTMANAG**
  - 2. Clerical, secretarial, personal service & sales occupations **TTCLER**
  - 3. Craft & skilled manual occupations **TTCRAFT**
  - 4. Routine manual occupations **TTROUT**
  - 5. None of the above **TTNONE**

- Qst 7.6 Are any of these temporary employees carrying out work which used to be done by permanent staff?
- 1. Yes
  - 2. No (Question 8.1) **TTfromPT**

- Qst 7.7 Why are you using temporary employees, please choose from this card?
- 1. Spur to improved performance **TTIMPRPERF**
  - 2. Obtain specialist skills **TTSPESKIL**
  - 3. As a trial for a permanent job **TTTRIAL**
  - 4. Freeze on permanent staff numbers **TTNOPEHR**
  - 5. Temporary increase in demand **TTTEMPINCR**
  - 6. Cover for maternity leave / long-term absence **TTCOVABSC**
  - 7. Other - PIs Specify **TTOPS**

**8. SUB-CONTRACTORS / FREE LANCERS**

- Qst 8.1 Are any of the activities or services on this card carried out for this workplace by independent contractors?
- 1. Cleaning of building and premises **FLCLEAN**
  - 2. Security **FLSECURE**
  - 3. Catering **FLCATER**
  - 4. Building maintenance **FLMAINT**
  - 5. Printing/photocopying **FLPRINT**
  - 6. Payroll **FLPAYR**
  - 7. Transport of documents/goods **FLTRASP**
  - 8. Computer services **FLCOMPOT**
  - 9. Training **FLTRAIN**
  - 10. Recruitment **FLRECRT**
  - 11. Temporary filling of vacant posts at this workplace **FLTEMPAL**
  - 12. Accounting **FLACC**
  - 13. Lawyer **FLAW**
  - 14. Other - PIs specify **FLOPS**
  - 15. None of the above (Question 9.1) **FLNONE**

- Qst 8.2 Why was this activity or service contracted-out?
- 1. Cost savings **FLCOSTSAV**
  - 2. Improved service **FLIMPRSRV**
  - 3. Able to focus more on core business activities **FLFOCCA**
  - 4. Greater flexibility **FLGRFLEX**
  - 5. Other - PIs specify **FLOPS**

- Qst 8.3 Subcontracting covers permanent needs of the enterprise?
- 1. Permanent
  - 2. Temporary **SUBCON**
  - 3. Both of them
  - 4. Not applicable

- Qst 8.4 Do these activities or services cost you more, less or about the same as when they were undertaken by employees of this workplace?
- 1. Yes - pls specify the number of employees **SUBNOEMP**
  - 2. Will not increase **SUBCOST**
  - 3. Not applicable

- Qst 8.5 Do you believe that contractors will increase in the next two years in your establishment?
- 1. Will increase
  - 2. Stay the same **SUBINCR**
  - 3. Will decrease
  - 4. Not applicable

**9. FAMILY MEMBER EMPLOYEES**

- Qst 9.1 Are there any employees at this workplace who are family members? (paid or not)
- Yes
  - No (Question 10.1) **FAMEP**

- Qst 9.2 How many persons and what frequency?
- FAMEP** 1 person: **FAMEP2** 2 persons: **FAMEP3** 3 persons:
- |                                                                |                                                                |                                                                |
|----------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|
| Occasionally or high season <b>11</b> <input type="checkbox"/> | Occasionally or high season <b>21</b> <input type="checkbox"/> | Occasionally or high season <b>31</b> <input type="checkbox"/> |
| Once or twice per month <b>12</b> <input type="checkbox"/>     | Once or twice per month <b>22</b> <input type="checkbox"/>     | Once or twice per month <b>32</b> <input type="checkbox"/>     |
| Sometimes per week <b>13</b> <input type="checkbox"/>          | Sometimes per week <b>23</b> <input type="checkbox"/>          | Sometimes per week <b>33</b> <input type="checkbox"/>          |
| Every day <b>14</b> <input type="checkbox"/>                   | Every day <b>24</b> <input type="checkbox"/>                   | Every day <b>34</b> <input type="checkbox"/>                   |

- Qst 9.3 PIs give the number of family workers by occupational group
- 1. Managers, professional & technical occupations **FAMEMAN**
  - 2. Clerical, secretarial, personal service & sales occupations **FAMECLER**
  - 3. Craft & skilled manual occupations **FAMECRAF**
  - 4. Routine manual occupations **FAMEROUT**
  - 5. None of the above **FAMENON**

- Qst 9.4 Why do you employ family workers?
- 1. More trustworthy **FEMTRUST**
  - 2. Always available/on call **FEMONCALL**
  - 3. Lower wage demands **FEMLOWDEM**
  - 4. Other - Specify pls **FEMOPS**

**10. HOME WORKERS**

- Qst 10.1 Are there any people who do work for this establishment from their own homes, but who are not your employees?
- Yes
  - No (Question 11.1) **HOMES**

- Qst 10.2 Do any of these employees spend all or almost all of their normal working hours working from home?
- Yes **HOMESWORK**
  - No (Question 11.4)

- Qst 10.3 PIs choose from the card - what category?
- 1. Piece - work
  - 2. Tele - work **HOMECATEG**

- Qst 10.4 What proportion of all employees are working normal working hours working from home?
- |                           |        |                                          |
|---------------------------|--------|------------------------------------------|
| 1. Half or more           | 50%+   | <input type="checkbox"/>                 |
| 2. A quarter up to a half | 25-49% | <input type="checkbox"/>                 |
| 3. Up to a quarter        | 10-24% | <b>HOMEPROP</b> <input type="checkbox"/> |
| 4. A small proportion     | 5-9%   | <input type="checkbox"/>                 |

5. Hardly any Less than 5%   
 6. None 0%

**11. SUBSIDISED EMPLOYMENT**

Qst. 11.1 Are there any employees at this workplace who are 'subsidised'?

1. Yes  **SUBEMS**   
 2. No (Question 12.1)

Qst. 11.2 Please fill this card with the number of your 'subsidised' employees the last two (2) yrs

1. Traineeship (students Uni/TEI) **UNITEI**   
 2. Stage (PES) **STAGE**   
 3. Traineeship (Technical High School students) **TECHHS**   
 4. Other programme - PIs specify? **SUBOPS**

Qst. 11.3 How many times used the subsidised employment the last five (5) years?

**SUBUSE** Specify number:

Qst. 11.4 Was anybody hired after the work placement period?

1. Yes  **SUBAFT**   
 2. No - (Question 12.1)

Qst. 11.5 What employment category?

1. Full time **SUBFT**   
 2. Part-time **SUBPT**   
 3. Fixed-term contract (IKA) **SUBFTC**   
 4. Subcontracting (ΔΠΥ) **SUBSUB**

**12. OVERTIME EMPLOYMENT**

I now want to ask you about working time arrangements.

Qst. 12.1 What is the average duration of the normal working week for full-time [employees in the largest occupational group], including any overtime hours?

Write In Number Of Hours **OVTNRS**

Qst. 12.2 What proportion of [employees in the largest occupational group] at this establishment, if any, regularly work overtime or hours in excess of the normal working week, whether paid or unpaid?

1. All of them 100%   
 2. Almost all 80-99 %  **OVTPROP**   
 3. Most 60-79%   
 4. Around half 40-59%   
 5. Just a few 1-19%   
 6. None of them 0%

Qst. 12.3 Do you have any of the following working time arrangements for any non-managerial employees at this workplace?

1. Retail working hours (9.00-1.30 & 17.30-21.00) **RETNOR**   
 2. Flexi-time **FLEXI**   
 3. Shift working **SHIFTW**   
 4. None of these **NONENW**

Qst. 12.4 Are you going to apply the new law about the working time arrangement- directoral right. (Open Question)

1. Yes - State reason **WORTMR**   
 2. No - State reason **OVT-timatt**

**13. REDUCTION OF EMPLOYEES**

Qst. 13.1 Has there been any reductions in the number of employees in any section or sections of the workforce in the last 24 months?

1. Yes   
 2. No (Question 14.1)  **REDVEMP**   
 3. Not applicable (Question 14.1)

Qst. 13.2 What have been the main reasons for the workforce reductions?

1. Lack of demand for products/services **LACKDEM**   
 2. Voluntary redundancies **VOLRED**   
 3. Automation/mechanization **AUTOMA**   
 4. Reorganized working methods/relocation **RELOCA**   
 5. Improved competitiveness/cost reduction **IMPRCOM**   
 6. Industrial disputes **INDISPU**   
 7. Reductions in budget **REDBUDG**   
 8. Subcontracting of work **SUBCONT**   
 9. Impending closure of establishment **CLOSUS**

10. Staff shortage **STAFFSHOR**

Qst. 13.3 Were any of the following methods used to reduce a section or sections of the workforce?

1. Natural wastage **NATWAST**   
 2. Early retirement/Voluntary redundancies **EARLRET**   
 3. Compulsory redundancies **COMPRED**   
 4. Non of these **NONRED**   
 5. Other - pls specify **OPSPRED**

Qst. 13.4 Did you consult with the Labour Inspectorate before any reduction? **PROMPT** redundancy includes early retirement.

1. Yes  **REDLI**   
 2. No

**14. GENERAL INFORMATION**

Qst. 14.1 How much did you think the flexible forms of employment have developed in Greece?

1. Not at all - Question 14.3   
 2. A little  **FFE PEN**   
 3. Very much

Qst. 14.2 PIs specify employment category

1. Part-time **FFE-PT**   
 2. Short-time **FFE-ST**   
 3. Subcontracting employment (ΔΠΥ) **FFE-SUB**   
 4. Fixed-term employment (IKA) **FFE-FTC**   
 5. Subsidized employment **FFE-SUB**   
 6. Tele-work **FFE-TELE**   
 7. Piece-work **FFE-PIECE**

Qst. 14.3 Do you believe these forms will develop in the near future in Greece?

Yes  **FFE-FUT**   
 No

Qst. 14.4 Is your organization planning to hire employee-es with a "flexible" form in the next two (2) yrs?

Yes  **FFE-HIRE**   
 No

Qst. 14.5 If workplace 5 years or older

Compared with five years ago, has the use of the following categories of workers at this establishment gone up, gone down or remained about the same?

1= Gone up, 2= About the same, 3= Gone down, 4= Never used

Employee category	Gone up	About the same	Gone down	Never used
1. Fixed-term workers (IKA)	1	2	3	4
2. Subcontractors (ΔΠΥ)	1	2	3	4
3. Part-time workers	1	2	3	4
4. Short-time workers	1	2	3	4
5. Subsidized workers	1	2	3	4
6. Seasonal workers	1	2	3	4
7. Family member workers	1	2	3	4

14.5 Qst  
 1 = AGOFTC  
 2 = AGOSUB  
 3 = AGOPT → 4 = AGOST  
 5 = AGOSUBS  
 6 = AGOSEAS  
 7 = AGOFAME

## **CHAPTER 5: EMPIRICAL ANALYSIS OF TEMPORARY AND FAMILY EMPLOYMENT**

### **5.1 Introduction**

The Greek labour market is performing badly, as observed in previous chapters, which gives urgency to the search for causes. A comparative picture for labour market indicators among OECD countries is also given in a number of figures in Chapter 3. Here, based on my TERS survey introduced in Chapter 4, I will try to examine whether the rigidities in the Greek labour market create obstacles for employment. The aim of this chapter is to cast light on the issues using multivariate analysis.

The role of labour regulation in protecting insiders at the expense of outsiders is our main topic in this chapter since Greece provides a good case of heavy regulation. Section 5.2 will discuss determinants of temporary work among the firms in Thessaly. Temporary work is important, as we will see, because it – together with family employment – is the main avenue of labour flexibility open to Greek businesses. In concentrating on temporary work in Greece, I follow in the footsteps of Voudouris (2004:136) who studied temporary and subcontracting work in 75 large mainly manufacturing companies and Mihail (2003:473) who studied 30 large organisations, including the public sector. My focus will be on the legal constraints – particularly the national wage agreements and the employment protection legislation (EPL) – that businesses face, and I hypothesise that temporary work is resorted to when these regulatory

constraints bite, other things being equal. In other words, “poor” firms, which cannot afford the national wage rates or the EPL standards, attempt to escape these standards by employing temps. Alternatively, such firms may aim to employ more family workers, and I will test this hypothesis as well.

Then, I move to the section 5.3 which provides some descriptive statistics on temp, family and other forms of flexible work, as well as the regulatory environment which will be examined in the regressions later. Then, the main section (5.4) of the chapter focuses, first, on the empirical analysis of temporary employment. Then, second, we analyse family employment which is of significant importance since this is the other main escape route in Greece. No studies on this type of employment have been made; consequently mine is a first attempt to provide a realistic view of family employment in Greece.

## **5.2 Determinants of Temporary and Family Worker Hiring**

### **The labour market regulation floors and the temporary/family employment**

Labour regulation can be thought of as putting floors under wages and working conditions. These floors take many forms (Addison and Teixeira, 2003, and Siebert 2007, reviews; see also Feldmann 2009, Mufells and Luijkx 2008 and Kahn, 2010), but, in brief, the main floor under wages is provided by corporatist extended collective agreements. As

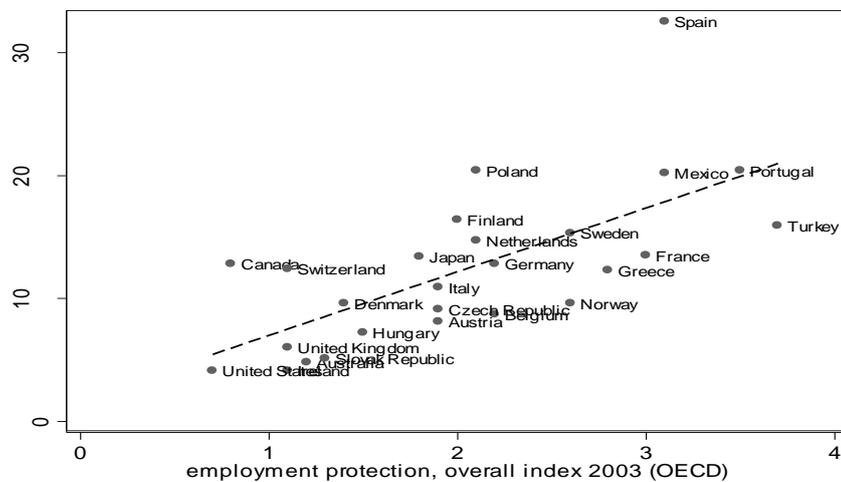
discussed in Chapter 2, Greece has had this type of system since the dictator Metaxas in the 1930s subsidised and subordinated the trade unions (Kritsantonis 1998:514; on recent “neo-corporatism see Sotiropoulos, 2004:273). The system takes the form of a national general agreement which is supplemented by sectoral (industry) extended collective agreements.

This type of centralised minimum wage-setting is important because it can act to prevent wages for low skilled workers – the unskilled and the long-term unemployed - flexing downwards if and when working conditions floors are raised. Therefore, one aim of this chapter is to ascertain to what proportion of workers in our sample of companies are paid the national and/or sectoral minimum wages. (In addition to objective information on pay rates, I also surveyed business views on the importance of national and sectoral agreements, but there were problems of missing values here due to difficulties of defining importance).

As regards floors under working conditions, these are many, including rules for compensation for individual and collective dismissals (EPL), for licensing overtime and shift-work, and for approving temporary and part-time contracts. The monitor of these rules is intended to be the local officials of the three labour management organisations; Labour Inspectorate, Social Security Organisation and the Public Employment Service, as discussed in Chapter 2. Below, we will test for the effects of the Labour Inspectorate in pushing up working conditions floors.

The idea of the link between firms' temporary contract decisions and labour regulation in the form of EPL can be gained from international data as shown in Figure 5.1.

**Figure 5.1: The Strong Link between Temporary Work and EPL**



Here, we plot OECD countries' temporary worker proportions against the OECD indicator of their strictness of EPL. As can be seen, there is a strong positive correlation, 0.677. This picture is a simple one, and as noted by Addison and Teixeira (2003), it is not so clear when a multivariate analysis is applied (e.g., by the OECD 1999). However, in recent work by Kahn (2007, 2010b), the link re-appears (though it is not so clear when country-specific time-trends are included). However, the picture remains useful as a motivator for my hypothesis.

This correlation exactly fits Voudouris's explanation for the high incidence of temp work in Greece, namely, that it is a way to avoid EPL

floors. It should be noted that the majority of temps are unskilled in the Thessaly case where of the 64 firms using temps in our sample of 206, only 8 use professional/managerial/technical workers in this role. For the unskilled worker, a temporary job is a precarious job, but this route into work is likely to be all that is available to the young workers, and the long-term unemployed. At the aggregate level, therefore, Greece indicates clearly the possibility that laws designed to improve employment security, when combined with wage rigidity, in fact do the reverse for unskilled outsider groups. Let us now consider whether our detailed survey results provide any basis for this gloomy view.

#### The Model and the Hypothesis

We now consider the determinants of temporary work and family work among our sample, since, as we have seen, these avenues of flexibility are the major ones open to labour market participants. For temporary work, our measure is the percentage of the workplace's workforce covered by fixed-term, subsidised and agency-work contracts. For family work, our measure is the proportion of family workers employed. A problem is that many firms do not employ temps or family workers at all. To circumvent this censoring problem, the estimation is carried out by means of a Tobit procedure (Enami and Mullahy 2008, review; see Batt 2002 for an application). A less demanding method which

we use is to construct a dummy for whether an organisation employs any temps (or family workers) or not, and use a probit method.

Our hypothesis is that temporary and family work is resorted to when regulatory constraints concerning wage and working conditions floors bite (see Kahn 2007), other things being equal. The legal aspect is analysed informally in Mihail (2003:484), whose questionnaire study of 30 large employers finds that employers do not feel particularly constrained by the laws, nor helped by them. Voudouris (2004), for her part, does not consider this aspect. We therefore provide here a first formal treatment for Greece. Basically, our test is based on the idea that if a firm feels constrained by EPL, or by national wage agreements, it is more likely to adopt flexible forms of employment which provide an escape route.

Our legal variables under the heading of wage floors are, first, a dummy (*minimum*) for whether the firm pays a majority below the minimum wage as set by the National General Collective Agreement (NGCA). While paying below is strictly speaking illegal, it is evident that “grey” economy businesses (see Table 5.10) do avoid the law. This variable (see Table 5.9) indicates a “poor” firm, and should be positively linked to temp and family worker employment since such marginal firms are always at the risk of changes in circumstance, for example, declines in product demand, or increases in legal requirements. A sensible way to reduce this risk is to employ workers who can be easily dismissed, that is, temps or family workers.

An alternative, second, variable is a dummy (*cbmaj*) for whether the business claims to pay a majority of its workers according to the National or Sectoral collective agreements. This variable appears to work in the opposite direction to the minimum wage variable (in fact, the correlation between the two is negative), perhaps since “rich” firms are able to pay a majority of their workers according to the collective agreements. To the extent that rich firms are less at risk if market conditions deteriorate, they will be under less pressure to employ temps and/or family workers. We therefore include both *minimum* and *cbmaj* as alternative wage floor determinants, leaving their sign to be empirically determined.

Under the heading of working conditions floors we have three variables. First, whether the management has taken legal employment relations advice. We predict a positive sign for temporary employment here, on the argument that taking legal advice is a necessary prerequisite for clearing the way for drawing up and/or renewing temp contracts. (This influence should presumably be less strong for employment of family workers which come outside the power of the Labour Inspectorate.) A second variable is the manager’s opinion of the Labour Inspectorate, specifically whether he/she considers the Labour Inspectorate no obstacle for employing temps, which should drive up the demand for temps, and hence enter positively in the equation. A third variable is whether the manager considers that temps have low EPL, which we expect to have a positive link with temp employment, since this variable should directly

pick up whether temps are being hired to provide the flexibility which EPL denies. We include all these variables in the family worker equation as well, even though the Labour Inspectorate has no direct interest in whether a business uses family workers. My reasoning here is that a business which feels constrained by the Labour Inspectorate might nevertheless feel it is safer to employ family workers.

Our estimating equation is then as follows:

$$temp = \alpha + \mathbf{legal}.\boldsymbol{\beta} + \mathbf{controls}.\boldsymbol{\gamma} + \varepsilon$$

where *temp* is the measure of temporary worker employment; **legal** is a vector of the five our legal variables, two relating to wage floors, and three to working conditions as discussed above; **controls** is a vector of controls which we discuss next;  $\varepsilon$  is the error term. A similar equation can be drawn up for family worker employment:

$$family = \alpha + \mathbf{legal}.\boldsymbol{\beta} + \mathbf{controls}.\boldsymbol{\gamma} + \varepsilon$$

where *family* is the measure of family worker employment.

### The Controls

Turning to the controls, here we will follow mainly Voudrouris (2004), who builds on the classic Abraham and Taylor (1996) specification. Our controls will be as follows:

- Controls for variability of demand which obviously increases the use of temps. This aspect relates to the “buffering” role of temps (and perhaps

family workers). Our variables under this heading will include an industry dummy for retailing/services, a sector which faces large changes both annually and weekly and changes which must be hard to cater for without a buffer. A counteracting factor here might be capital intensity which could link positively with the demand for temps – as a way of preventing capital being idle (Voudouris's (2004) Hypothesis 5). Retailing is not capital-intensive. Hires and redundancies over the period (we measure the past two years) might also indicate demand variability. Hence we include both these controls as well

- Controls for the specific training requirements of the job. The payoff to specific training of temps and family workers is low, so high training requirements should mean fewer such workers. Training requirements can be picked up by variables for the use of part-timers, and young and old workers, all of whom presumably have less training. On this argument, high proportions of young, old and part-time workers should all link positively to temp and family worker use. On the other hand, these groups, particularly part-timers, are to some extent substitutes for temps and family workers, which could give rise to a negative coefficient – we will see. Low paid workers are also likely to have less training, which gives an additional reason for the majority low-paid dummy (*minimum*) linking positively with temps.
- Controls for difficulties monitoring the job, for “know-how”, and for complex interactions with other people doing the work. These variables have been put forward by Voudouris (2004) as reducing the demand for

temps. To some extent these considerations conflict with the training variable for old workers – while older workers are not likely to be trained, many obviously have know-how. Hence the old worker variable could indicate task/monitoring complexity and be negatively associated with the demand for temps. Low-paid workers should also have less complex and easy-to-monitor tasks, reinforcing the positive link between this variable and temp demand. A further variable that comes under this heading is the commitment of the workforce, for which we have the manager's assessment. We would expect a highly committed workforce to go with fewer temps (see below for a related argument about manager trust in the workforce).

- A control for specific, non-routine tasks, for example, the technical worker on a special project. Our variable here is whether the firm uses any non-routine sub-contracting (“routine” being defined as cleaning, security, catering and maintenance).
- We also control for firm size on the argument that larger firms will face a greater variety of problems, and thus will need more solutions, of which temporary workers will be one. For family workers, large firms must necessarily employ a smaller proportion, since families are of a limited size. Hence we would expect large firms automatically to employ a smaller family worker proportion. - Manager attitudes might also be important. For example, managers offering employees long-term employment might be less likely to need flexible employees such as temps. Alternatively, they might be more likely to take on temps so

as to shield their core employees. Managers' trust in their workforce, as shown by beliefs about worker commitment should perhaps be linked to superior management abilities, and hence a richer firm with less need to worry about the consequences of the business cycle, and less need to hire temps/family workers to give flexibility.

- A final control we add is whether the firm has increased part-time or non-routine sub-contract work over the past 5 years. This variable can be thought of as indicating a management desire for change, or else a change in the firm's circumstances, both of which might link to employing more temps, and so should reasonably be held constant when judging the legal environment variables.

#### Other Determinants

In addition to the main regressions explaining temporary and family work, it is worth considering the determinants of other important variables, including whether firms pay wages at or below the minimum, and whether they observe the national and sectoral collective agreements. We have argued above that these variables indicate whether a firm is rich or poor, and so it is important to assess this argument. In particular, we would expect the richer firms to be larger and expanding (more hires, fewer redundancies)

Further regressions concern our working conditions floors variables, specifically, whether a manager has taken ER advice, whether he/she believes the Labour Inspectorate to be an obstacle to temp

employment, and whether he/she appreciates the advantages of temp workers having low EPL rights. Since we believe these legal variables have a part to play in the type of flexibility a business takes up, it is worth considering their determinants. In particular, we would expect the poorer firms (e.g., with a majority paid below the minimum) both to be nervous about the Labour Inspectorate, and to need temps to avoid EPL. Auxiliary regressions exploring these dimensions in detail are given in the Appendix, but in the text we will comment on these underlying results. Below, we test whether these expectations are borne out.

### **5.3 The Business Environment**

This section presents basic descriptive statistics from the TERS survey for the variables which will be used in the regressions later. Survey weights have been also used to calculate all percentages. Factors such as legal advice, wage agreements, minimum wages as well as labour management organisations (Labour Inspectorate, Public Employment Services) which enforce these laws and contribute to the strictness of Greek labour framework are examined.

#### Management Perceptions of Employees

We start our analysis with the managers' perceptions/expectations as revealed by the TERS. Greek managers have been accused (Krtisantonis, 1998, 511) of having an "autocratic and authoritarian" style, and our Table 5.1 bears on this question by drawing a comparison with the

same question for the small workplaces in the 1998 WERS. As can be seen, Greek managers, particularly in small firms, tend to be suspicious of their workers. No less than 30% of managers in small firms in Thessaly strongly believe that their workers will sometimes take unfair advantage of them. The corresponding UK figure is only 5%, and so many Greek managers do appear to feel concerned about the employment “atmosphere” in their businesses.

Tables 5.2 and 5.3 perform a similar exercise with two other important aspects of manager perceptions. Table 5.2 considers beliefs regarding employment security, an area which definitely relates to EPL legislation. Managers in Thessaly are more likely than in the UK to consider that their organisation offers long-term employment. The strict Greek EPL laws -analysed in chapter 2 - can be regarded as a success, then, in that they have been internalised by managers. Table 5.3 takes up the issue of worker commitment to the organisation, which might be thought of as indicative of modern “high commitment” management. Here we see that almost one third of the Greek managers (29%) do not believe in the commitment of their workers in firm’s values, compared to only 17% in the UK. This result indicates once again some signs of manager’s suspiciousness. These tables in general suggest that the environment of Greek business is not a happy one.

**Table 5.1: Management perceptions – workers take advantage?  
(Percent of Workplaces)**

Given the chance, employees at our workplace sometimes take unfair advantage of management	Small, < 11	11 or more	WERS, small workplaces, < 20
Strongly agree	30%	18%	5%
Agree	14	21	25
Neither agree nor disagree	19	26	11
Disagree	16	26	45
Strongly disagree	20	9	14
Total	100	100	100

**Sources:** TERS 2006 - **Notes:** Survey weights are calculated all percentages. The WERS 1998 provides a comparable question to the TERS, but only covers workplaces down to size 10, so the small category covers the 10-20 employee group.

**Table 5.2: Management belief that organization offers long-term employment? (Percent of Workplaces)**

Employees are led to expect long-term employment in this organization	Small, < 11	11 or more	WERS, small workplaces, < 20
Strongly agree	51	44	25
Agree	23	40	56
Neither agree nor disagree	13	12	10
Disagree	4	3	7
Strongly disagree	8	1	1
Total	100	100	100

**Sources:** TERS 2006 - **Notes:** See Table 5.1.

**Table 5.3: Management perception-workers committed to the organization's values? (Percent of Workplaces)**

Employees here are fully committed to the values of the organization	Small, < 11	11 or more	WERS, small workplaces, < 20
Strongly agree	45	26	23
Agree	30	45	60
Neither agree nor disagree	24	28	13
Disagree	1	1	4
Strongly disagree	1	0	0
Total	100	100	100

**Sources:** TERS 2006 - **Notes:** See Table 5.1.

## Flexible Employment

Table 5.4 sets out basic data on various aspects of flexible work, focusing on numerical flexibility. This type of flexibility is achieved with working arrangements such as part-time, short-time, temporary time (fixed-term contracts, seasonal, etc.), outsourcing, homework, telework (Michie et al., 2001), all of which are covered in the TERS.

**Table 5.4: Flexible employment**

		Small, < 11	11 or more	WERS	
				Small, < 20	20 or more
Percentage of workers in the average workplace:	Part-time employment ‡	5	11	33	31
	Temporary (seasonal, fixed-term, agency) employment	7	12	6.2	7.6
	Family employment	34	5	NA	NA
	Working any overtime‡‡	10	17	12	28
Percentage of workplaces:	Family-owned*	88	71	54*	53*
	with any shift-work	3	9	14	34
	changing to temps from perms	4	8	2.9	8.0
	Increasing part-timers over last 5 yrs	4	11	21.9	37.8
Sample numbers		126	80		

**Sources:** TERS 2006 - **Notes:** Survey weights are calculated all percentages.

‡ Part-time is defined when employees work shorter than the normal hours (40 hrs) per week

‡‡ The overtime figures are approximate, interpolated from categorical answers.

Note the WERS 1998 figures refer to a sample which excluded public limited companies which were not asked the family ownership question (whether a single individual or family has a controlling interest over 51% ownership over this company)

When looking at the Table 5.4 it is evident that the part-time percentage is low in Thessaly – comparable figures for the UK are over 30%. This is a general trend overall in Greece since it has one of the lowest proportions of part time workers in the European Union. This reflects the

“illegality” of part-time work in Greece as mentioned in Chapter 2 (Section 2.5). The next row shows the temporary/agency category which, will be analysed extensively below. Note that the agency worker component of this group is near-zero, since agency workers are strongly criticised by Greek unions as also noted in Chapter 2 (sec 2.5)

Family employment is considered in two rows of the Table 5.4. The third row gives family workers as a proportion of the total, and this figure is high, 34%, for the small Greek businesses, but only 5% for the larger ones. We analyse this variable below. The row below gives the figure for the proportion of family-owned businesses in the sample, and this figure is high as can be seen – 88% (71%) for the businesses employing < 11 (11 or more). The corresponding UK figure is lower, 53-54% (though family businesses are important in the UK too).

The next rows give further flexibility avenues. Starting with overtime and shift work, we see that employers in small Greek firms tend to work some overtime and shift-work, but less than in the more flexible UK. (Official figures for overtime and shift-work would be lower since both need Labour Inspectorate approval – see Chapter 2). The final rows give a view of changes, firstly to temporary from permanent contracts. Here we see similar trends to the UK, with larger workplaces more interested in this move. Secondly, we see some move towards part-time work in but this move is much smaller than has occurred in the UK, as might be expected given the greater importance of part-time work in the UK.

The general impression we would carry away from above table is that Greece has flexibility in temporary and family work. Due to obstacles put in place by Greek law on most aspects of flexibility – even temporary worker categories such as agency work - the temporary and family worker avenue seems the only one open. It is true that, enterprises with more than 10 employees have a low percentage of family members (5%). However, this figure is twice as high in percentages in part-time and temporary contracts. It seems that micro-enterprises use labour flexibility through the “hiring” of family members. On the other hand, large workplaces do not have the luxury of having many family members and introduce flexibility through part/temporary employment.

**Table 5.5: Subcontracting**

		Small, < 11	11 or more
Percentage of workplaces with subcontracting	Legal subcontracting (accountant + lawyer)	75	74
	Basic subcontracting (cleaning, security, catering, maintenance)	29	55
	Non-routine subcontracting (printing, payroll, training, recruitment etc.)	37	70
	Total subcontracting	47	76
Reasons for contracted out these services	Cost savings	26	28
	Improved service	56	58
	Greater flexibility	15	32
Needs that subcontracting covers in the enterprise	Permanent	52	38
	Temporary	6	8
	Both permanent and temporary	20	33

Sources: TERS 2006 - Notes: See Table 5.1.

Table 5.5 indicates on the extent of subcontracting which is relevant to investigation of flexibility, since buying in services is an alternative to hiring workers. “Legal” subcontracting is of significant importance to the majority of businesses (75% even of small companies hire an accountant or lawyer) and this will also be analysed in table 5.6. As expected, basic and non-routine forms of subcontracting in rows 2 and 3 have less importance for small businesses since these businesses have a simple structure. At the same time, non-routine subcontracting is extensive (37% of small companies and 70% of large). As can be seen, the most popular reason (56-58%) for contracting out was because the subcontractors offered a better service. However, a substantial minority (15-32%) explicitly used subcontractors for greater flexibility. Moreover, high proportions of employers (between 38 and 52%) believe that permanent workers would be hired if subcontracting was not used in their workplaces. In our regressions for temp/family worker hiring below, we make allowance for such subcontracting.

### Legal Issues

Tables 5.6 and 5.7 present the sources of advice, and employee relations issues covered, giving some idea of the pressure of labour regulation. From table 5.6 we can say that, in general, a high percentage of Thessaly workplaces seek advice on employee relations, particularly from external lawyers and accountants. Businesses feel under pressure since, apart from labour laws, ministerial decisions, decrees and fiats are continually being

issued. Under these circumstances, a highly regulated labour framework is made more complicated, and businesses face obstacles in following all these legal rules. As noted above in Chapter 2, the owner of a typical Greek business has to spend many working hours in order to collect information related to employee relations to meet the requirements of the law applied and to deal with the labour management organisations (Labour Inspectorate, Public Employment Services, Social Security Organisation). In an effort to categorize the sources of advice— following our referral to external private resources above - we focus now on public labour management organisations. It is basically through these bodies, the Labour Inspectorate, Public Employment Services (PES) and the Social Insurance Institute the labour laws are enforced in all businesses. We see that few companies from the small enterprise group deal with labour management organisations; this difference however is to be expected. Larger workplaces are especially likely to consult the Labour Inspector (58%) the main body which conducts monitoring and control activities with regard to labour issues.

Table 5.6 suggests that micro-enterprises (<11 workers) try to avoid or limit any “collaboration” with Public Labour Management Organizations while on the other hand, small and medium enterprises present much higher rates of communication. More specifically, if we rate these organizations according to business “fear”, we could say that the Labour Inspectorate is the most feared body since it can apply a variety of

penalties. Following, the Social Insurance Institute is less fearsome since it is only the collector of tax contributions.

**Table 5.6: Sources of Advice on Employee Relations**  
(Percent of Workplaces)

Sources on Advice on Employee Relations	Small, < 11	11 or more	WERS 1998- advice over past 12 months‡	
			Small, < 20	20 or more
Accountant	62	69	9	8
Lawyer	27	52	17	34
Management Consultants	4	17	2	6
Labour Inspectorate	20	58	NA	NA
Public Employment Services	37	49	NA	NA
Social Insurance Institute	24	44	NA	NA
Chamber of Commerce & Industry	21	19	NA	NA
Employers' Association	5	12	2	6
Advisory and Conciliation Service	*	*	12	24
No advice	21	15	58	41
Sample numbers	126	80	252	1454

**Sources:** TERS 2006 - **Notes:** Survey weights are calculated all percentages. Columns can sum to over 100%, since more than one source of advice may be used.

‡ The WERS 1998 provides a comparable question to the TERS, but only covers workplaces down to size 10, so the small category covers the 10-20 employee group.

Finally the PES is least feared since its services are limited to that of a controlling and monitoring mechanism body. Micro-enterprise respondents replies are consistent with this view, since they present very low rates of contact with the Labour Inspectorate and the Social Security Organisation (between 20 and 24 percent) while the larger-scaled businesses have much higher rates. To generalize the table we see that very

few companies have not sought labour advice and this indicates that an employer is constrained by the labour law.

**Table 5.7: Employee Relations Issues for which Advice Given**  
(Percent of Workplaces)

Issues for which advice sought	Small, < 11	11 or more	WERS 1998- issues raised with ACAS‡	
			Small, < 20	20 or more
National & Sectoral Agreements	26	53	Does not apply	Does not apply
Disciplinary action	7	19	30	11
Dismissal/redundancy compensation	20	54	49	32
Labour Taxes	34	56		
Temp Worker Employment	23	30	Does not apply	Does not apply
Overtime working hrs	11	26	Does not apply	Does not apply
Sample numbers	126	80	19	437

**Sources:** TERS 2006 - **Notes:** Survey weights are calculated all percentages. Columns can sum to over 100%, since more than one issue may be considered.  
‡ The WERS 1998 considers only the sub-sample of issues raised with the Advisory and conciliation service (ACAS).

As for the issues raised, Table 5.7 shows that significant percentages of larger workplaces seek advice on a wide range of legal issues, such as labour taxes (56% of workplaces), national/sectoral collective agreement (53%) and dismissals/redundancies (54%). The pictures in the above tables show that bigger businesses are more interested in getting the necessary information on these issues, apparently in order to obey the law. In general, as can be seen, workplaces in Thessaly take far more advice than those in the WERS, particularly from lawyers and accountants. This difference is to be expected if Greek laws bite. We will

test whether variables constructed from these data have any effects in the regressions below.

The pictures in the above tables show that bigger businesses are more interested in getting the necessary information on these issues, apparently in order to obey the law. In general, as can be seen, workplaces in Thessaly take far more advice than those in the WERS, particularly from lawyers and accountants. This difference is to be expected if Greek laws bite. We will test whether variables constructed from these data have any effects in the regressions below.

Tables 5.8, 5.9, 5.10 and 5.11 focus on the two main legal areas, the national/sectoral wage agreement system, and the Labour Inspectorate system. These areas correspond broadly to the wage floors – maintained by the national wage agreement(s) - and the working conditions floors – maintained by the Labour Inspectorate, referred to above. From Table 5.8 we see that national/sectoral wage agreements are apparently important for Thessaly workplaces, and manager-set or individual wage agreements are correspondingly less important. As can be seen from the top row, the workplaces claim a high coverage (59% to 82%) of collective bargaining via the sectoral wage agreements and the nationally set minimum wage.

**Table 5.8: Pay determination**  
(Percent of Workplaces)

		Small, < 11	11 or more	WERS 2004, private sector‡
Most important level of pay determination for largest occupational group:	Mainly national sectoral wage agreements‡‡	59	82	11
	Mainly manager-set/individual wage agreements	38	18	89
Rarely pays more than sectoral wage agreement to largest occupational group		23	27	NA
Pay of majority at or below nationally agreed minimum wage††		64	31	17
Managers support unions†		7	11	16
Union Density		Approximately zero		8

**Sources:** TERS 2006 - **Notes:** Survey weights are calculated all percentages.

‡ Two-way classification of level of pay determination in WERS is based on Kersley et al., 2006, p 20.

‡‡ More than 50% of workers covered by national or sectoral wage agreements

† Strongly agree or agree that unions help improve workplace performance.

†† For the TERS the figure is €11,000/year (= minimum wage + employer taxes); for the WERS it is £5/hour (the adult minimum was £4.50 until Oct 2004 when it changed to £4.85).

**Table 5.9: Wage Distribution of Employees** (in percentages)

Gross wage categories‡ (in 2006 Euros per year)	Small, < 11	11 or more
11,000 (paid at or below the nationally agreed minimum wage)	64%	36%
11,001 – 13,500	25	42
13,501 – 18,000	7	17
18,001 – 23,000	*	1.5
23,001 – 30,000	1.3	1.5
More than 30,000	1.5	*
Sample numbers	112	78

**Sources:** TERS 2006 - **Notes:** Survey weights are calculated all percentages.

‡ Figures are in Euros per year including employee social security contributions (16%)

\*Figures were smaller than 1%.

However, contradicting this picture is the high proportion of businesses which pay at or below the collectively agreed wage. More detail is given in Table 5.9, which tabulates the answers of managers in the sample to what proportion of their workforce falls in different pay categories. The table shows that on average 64% of workers in small businesses were paid at or below 11,000€ annually which is the lowest rate set by the national agreement in 2006. The figure was lower, 36%, in larger workplaces as might be expected. The rest of the distribution is close to 11,000€, with 90% (78%) of workers in small firms (11 or more) earning less than 13,500€. Thus, the minimum wage in Greece seems very high, and can only be possible for this system to continue because the minimum is not in fact paid, at least in provincial labour markets such as Thessaly. The Greek minimum wage thus seems to be widely ignored in practice.

Indeed, as noted in Chapter 2, the employees' social security contribution (16%) plus the employers' (28%) comes to 4,800€ (or 44% of 11,000€) on a minimum wage worker. This burden acts as an incentive for employers to avoid tax, either by hiring a family worker, or paying illegally below the minimum – which is easier to do if the worker is a temp or family worker, since these workers are less likely to complain. The large percentage of workers shown at or below the minimum in Table 5.9 points to underpayment especially among the smaller businesses.

**Table 5.10: Finding “Grey” Employers**

	Majority covered by NGCA or NSCA		
	No	Yes	Total
Paying all workers <= 11,000€	45	94	139
Paying some workers over 11,000€	16	51	67
Total	61	145	206

**Sources:** TERS 2006 - **Note:** Unweighted data are presented, for simplicity. The “grey” category comprises the 45 workplaces in the top left corner who state that the majority of their workforce is not covered by the NGCA or NSCA, which is only lawful in general if the uncovered workers have individual agreements paying more than the NGCA or NSCA – yet these firms also state that all their workers are paid at or less than 11,000€ (the normal NGCA/NSCA minimum).

More light on this “grey market” issue is given in Table 5.10 which cross-tabulates collective bargaining coverage by whether or not the workplace has all workers at or below the minimum (these are two different questions 5.1 and 5.6, see more on the annotated questionnaire). We see that 139 businesses have all workers at or below the minimum, and of these, 94 have a majority covered by collective agreements. Rationally, I expect businesses who state that they pay all workers at or below the minimum wages (11.000€) to also agree that the same workers are paid/covered according to the national or sectoral wage agreements. In practice, however, it seems that only 94 out of the 139 businesses pay the minimum in compliance with the collective agreement. The other 45 businesses state that they do not pay their workers according to the agreements. It is not possible for these businesses legally to pay their workers based on individual agreements<sup>15</sup> if they pay less than the

<sup>15</sup> Individual agreements are always above national/sectoral wage agreements which define the minimum wages in Greece. During the period of the survey the minimum wage was 11,000€ (for a single person who entry for the first time into the labour market)

collectively agreed minimum wage. Consequently, these 45 businesses seem to be in a “grey” category, paying below the minimum. In the regressions explaining temp and family work below, we will include variables picking up whether a workplace is paying many workers near the minimum, whether or not it is majority covered by collective agreements, and whether it falls into the “grey” category which is most likely to need temp and family worker flexibility.

**Table 5.11: The Labour Inspector**  
Percent of Workplaces

	Small, < 11	11 or more
Workplace consulted with Labour Inspector before workforce reduction (% of workplaces with reductions)	24	52
Hiring/firing laws are an obstacle to recruitment (% strongly agreeing/agreeing)	52	45
Labour Inspectorate easily gives permission to employ temps (% strongly agreeing or agreeing)	33	39
Given advice on Dismissals (% of workplaces asking advice from LI)	31	70
Given advice on Temps (% of workplaces asking advice from LI)	29	38
Sample numbers	126	80

**Sources:** TERS 2006 - **Notes:** Survey weights are calculated all percentages. Details of the sample by workplace size are given in Table 5.1. The distribution of workplaces according to the population is given in the first column, and the sample achieved in the second column. As the first column shows, the large majority of private sector workplaces in Thessaly’s population of firms (and in Greece generally) are very small, 98% being under 10 employees in size. Indeed, in the whole of Greece, only 0.3% of private workplaces employ more than 50 workers!

Turning to the Labour Inspectorate, Table 5.11 suggests that the Labour Inspectorate is influential – despite its small size as noted already. (Note that the Labour Inspectorate is not concerned with wage payment, or

tax contributions, which are the province of the IKA offices.). As can be seen, a high percentage of workplaces, particularly those employing 11 or more consult the Labour Inspectorate when making workforce reductions. Also, many (45 to 52%) see the hiring and firing laws (which are regulated by the Inspectorate) as negative for recruitment, and only a minority (33 to 39%) finds it easy to gain permission to employ temps. As might be expected, family workplaces (not shown) tend to be less affected by the Labour Inspectorate, though 50% even of these workplaces see the hiring and firing laws as problematic. Cross-tabulations (not shown) give the expected positive associations between seeking the Labour Inspectorate for advice (Table 5.6), asking about dismissal or fixed-term employment issues (Table 5.7), and - perhaps more unexpectedly - agreeing that it is easy to gain Labour Inspectorate permission to employ temps (this table).

#### Means and standard deviations in the regression analysis

Table 5.12 refers to the means and standard deviations of important variables. Mainly in this table variables have to deal with dummies which have been constructed and will be analysed in the regressions results later. Initially, we see the high percentage of temporary employment (12%) and very high percentage of family employment (62%). Both variables will be used as dependent variables in the next section's regressions. The two wage floor variables discussed above are also shown: first, whether a firm is paying the majority of its workers at or below the minimum wage (64%) and second, whether the majority of workers are paid according to a

collective agreement (53%). The unconditional, simple, correlation between these wage floor variables is negative, so that a workplace which pays low wages is also less likely to state that it pays according to the collective agreements<sup>16</sup>. In addition, we have the “grey” variable, which picks out the workplaces (38%) where all workers are low paid, and which state they are not covered by a collective agreement.

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<sup>16</sup> Admittedly, the conditional correlation (see Tables 5.15 and 5.16) is positive, holding constant variables indicative of a business’s prosperity, in particular, its size, and whether it has had redundancies over the past 2 years. However, for our argument in the text, business prosperity should not be held constant, since we are considering the wage floor variables as alternative measures of prosperity.

**Table 5.12: Means and Standard Deviations for Variables used in the Regression Analysis**

Means and Standard Deviations for Variables used in the Regression Analysis		Thessaly - TERS	
		Mean	Standard Deviation
Percent of workers temporary including fixed term contract and agency workers		12%	.25
Percent of family employees majority paid at or below the collectively agreed minimum wage (11,000€)		62%	.33
majority covered by national & sectoral wage agreement		.64	.48
“grey” category – all workers paid at or below the minimum, and majority uncovered by national or sectoral agreement		.53	.50
firm taking ER advice from both acc and law in last 2 yrs		.38	.49
dummy for managers feeling li no obstacle for temps		.25	.43
dummy for feeling temps have low epl and perms have high epl		.33	.47
any non-routine subcontracting		.10	.29
any redundancies in last 2 yrs		.38	.49
any hires in last 2 yrs		.19	.39
any part-time workers		.45	.50
percent old workers, >51		.16	.36
percent young workers, <21		.09	.20
dummy for increase in subcontract or part-time workers over past 5 yrs		.03	.13
dummy for expecting increase in subcontract or part-time over next 2 yrs		.34	.48
managers considers workers committed		.72	.45
	Manufacture	.09	.29
	Wholesale & retail	.49	.50
	Hotels & restaurants	.20	.40
	Transport	.02	.13
Industry dummy	small financial business	.01	.12
	real estate	.01	.11
	Education	.01	.09
	Health	..	.05
	Culture	.09	.29
	Construction	..	.23

**Sources:** TERS 2006 - **Notes:** All statistics are calculated using survey weights.  
‡ Low wage means at or below minimum wage plus employer taxes (11,000€/yr)

Table 5.12 also shows a number of legal variables we constructed; starting with a dummy for whether a manager felt the Labour Inspectorate easily gives permission to employ temporary workers. Another variable we constructed indicates that 25 percent of firms approached both a lawyer and accountant for employment relations advice in the past 2 years. We focus only on this legal advice from external resources for which specialised knowledge is needed and this is a sign that firms are likely to believe that EPL is an obstacle to employment. The last “legal” variable signifies whether “the firm prefers temps because they have low EPL” which directly links employment of temps to EPL legislation.

Two other dummy variables presented in Table 5.12 have to deal with flexibility in the workplace either in the past or the future. As noted above, these variables can be thought of as indicating a management desire for change, or else a change in the firm’s circumstances, both of which might link to employing more temps, and so should reasonably be held constant when judging the legal environment variables. We see that managers state that only 6% of the workplaces increased their subcontract or part-time workers over the past 5 years. On the other hand, 35% of the firms expect that flexibility in part-time or subcontracting will increase in Thessaly firms over the next 2 yrs, so a substantial minority of businesses expect change in the future, which might lead them to employ more temps.

## 5.4 Regression Results

Let us turn to the regression results, which are given in Tables 5.13-5.19. We mainly focus on explaining two dependent variables which deal with temporary work as well as the family employment. As regards weights, Cameron and Trivedi (2010, 113) advise that so long as the model has sufficient controls, and in particular includes determinants of the sampling frame, the most efficient estimator does not use weights. My sampling frame indicates over-sampling of larger workplaces, as discussed, but all my regressions control for workplace size, so it is reasonable to use unweighted regression. However, for completeness, I report both weighted and unweighted results, and as we will see, the weighted results are in fact somewhat stronger. Let us now look at the role of wage and working condition floors (e.g., the national wage agreements, and the labour inspectorate) in determining employment first of temporary workers, then of family workers. Finally, we will make various dimensions of the wage and working conditions floors themselves the dependent variable, and consider the characteristics of workplaces which are most affected.

### Results for Temporary Workers

We start analysing our results in Table 5.13 using equation (1) for temporary employment. This dependent variable includes all temporary employees including trainees and subsidised workers, and also seasonal workers. This broad definition captures all the temp-category including the

important seasonal category. For this reason we do not control for seasonal labour on the right hand side of the equation. However, even this broad definition still leaves many firms at zero, that is, employing no temp workers of any sort. The effect is that we observe only part of the normal distribution, the rest being censored. Ordinary least squares (OLS) in this case (Cameron and Trivedi, 2010, chapter 16) would produce biased estimates. To produce consistent estimates of the parameters, it is necessary to use a Tobit model, as given in the second and third columns. To estimate effect sizes of coefficients here (for an example, see Batt, 2002), we then multiply the tobit coefficients by the proportion of positive observations - in Table 5.13's case, we multiply by 0.32 (=59/187)

Taking the Tobit results (weighted and unweighted) (Table 5.13) and going down the rows, we start with the important wage floor variables, coverage by the 11,000€ minimum wage (which, as we have seen, is probably often not observed), and coverage by collective agreement.

As discussed above, the variable indicating that a majority of the workplace's workers is paid at or below 11,000€ can be taken to indicate a low-wage, "poor" firm. The tobit regression results show that if this variable changes from 1 to 0 (in other words comparing a low paying to a high paying business) the proportion temp increases by 6 (=0.32×19) percentage points; the effect is somewhat larger, about 9 points (=0.32×27) if we take the weighted result. This result fits with the argument that if a firm feels pressured by the minimum wage agreements, it employs on a temporary basis.

**Table 5.13: Regressions for Temporary Worker Employment**

<b>Dependent variable: Percent of temporary workers including seasonal workers</b>				
<b>Independent variable</b>	<b>Weighted Marginal Effects</b>	<b>Weighted Marginal Effects</b>	<b>Unweighted Coefficient</b>	<b>Unweighted Coefficient</b>
Majority paid at or below 11,000€ per year	.27***		.19**	..
Majority covered by national & sectoral wage agreement	-.25***		-.21**	..
“Grey” category – all workers paid at or below 11,000€, and majority not covered by national/sectoral agreement		.39***		.37***
firm taking ER advice from acc and law in last 2 yrs	-.03	.04	.09	.14*
dummy for managers feeling labour inspector no obstacle for temps	.22**	.09	.05	.02
dummy for feeling temps have low epl and perms have high epl	.33**	.19	.27**	.23*
any non-routine subcontracting	-.07	-.02	-.01	-.03
any redundancies in last 2 yrs	-.08	.01	-.19*	-.14
any hires in last 2 yrs	.23**	.25**	.32***	.34***
any family employees	.08	.05	.08	.03
any part-time workers	-.39***	-.40***	-.20*	-.22**
percent old workers, >51	-.26	-.59*	-.25	-.44
percent young workers, <21	.37	.54*	.28	.37
any increase in subcontract or part-time workers over past 5 yrs	.13	.24	.02	.07
Any planned increase in subcontract or part-time workers over next 2 yrs	.01	-.11	.15*	.12
Managers considers workers committed	-.19*	-.17*	.01	.06
Industry dummies (9)	YES	YES	YES	YES
number workers employed x 10	-.02	-.02	.02**	.02**
Constant	-.39	-.57	-.17	-.36
Observations	187, 125 left censored at 0	187, 125 left censored at 0	187, 125 left censored at 0	187 125 left censored at 0
pseudo R <sup>2</sup>	.22	.22	.30	.29

**Notes:** Tobit regression is required here to allow for the fact that many workplaces have zero temp work. Tobit coefficients have to be multiplied by the proportion of non-zero observations (0.32=59/187) to give effects conditional on being observed.

The next row might seem to be contradictory. We see that if the manager reports that the majority of workers are paid according to a collective agreement (and is thus directly subject to national wage agreements) the temp proportion decreases. In fact, if this variable changes from 1 to 0 (in other words comparing a business which pays a majority of its workers according to an agreement with one which does not) the proportion of temporary workers decreases by 7 ( $=.32 \times 21$ ) percentage points (8 points using the weighted results). As noted above, a possible explanation for this result is that high collective bargaining coverage indicates a law-abiding and rich firm, which is not driven to employ temps.

In regressions, shown in the Appendix below (Table 5.15) explaining wages, we find that if a firm pays a majority at the minimum 11,000€, this is associated with decline (ie, not hiring) and also with small size. These results support our argument that low wage firms are also weak firms. At the same time, for the collective bargaining coverage variable (Table 5.16), we find the opposite result, implying stronger firms, as we would expect. We also find that paying the majority at the minimum is linked with firms having difficulties with Labour Inspectorate (feeling that the Labour Inspectorate is an obstacle to hiring temps) – while firms having high collective bargaining coverage are less likely to have difficulties. In sum, the variable for paying the majority at the minimum 11,000€, appears to indicate poor firms and these kinds of businesses need to hire employees under temporary contracts, while the variable for high

collective bargaining coverage indicates law-abiding and more prosperous firms which do not need to hire temps.

As a test of this interpretation, we use the “grey” workplace category variable constructed in Table 5.10 above. This variable is meant to indicate the workplaces which are (illegally) paying their workers below the legal minimum, and which are therefore the least prosperous. (Essentially, it picks up the cross-product between paying workers the minimum, and being covered by collective agreements.) We expect these workplaces to feel most pressure from wage floors, and therefore to employ temps who are both easier to dismiss and less likely to complain about low wages. Results are given in the third column which gives a highly significant effect. A firm in the “grey” category has 11 ( $=.32 \times .37$ ) percentage points (12 points using the weighted result) higher temp employment.

We continue our analysis with our three variables relating to working conditions floors as monitored by the Labour Inspectorate. The first variable indicates legal difficulties with employment relations, that is, “whether the firm has approached a lawyer and accountant for employment relations advice in the past 2 years” (Table 5.17 in the Appendix gives detailed results for determinants of this variable.). This variable gains significance in the final column indicating that firms with legal difficulties with employment relations are more likely to employ temps. Admittedly, this result is not confirmed in the weighted regressions, but we do see signs that temporary workers are indeed a way of avoiding legal difficulties.

The second variable indicates that “the firm does not have difficulties with the Labour Inspectorate over hiring temps”. It is significantly positive in the first column. In other words, firms which feel that the LI is no obstacle to employing temps do so. This finding suggests that the LI does indeed form an obstacle to temp employment for some businesses. Moreover, in the Appendix (Table 5.18) we show that this variable is correlated with taking legal advice from accountant and lawyer which we have already seen is positively linked with hiring temps. Thus, it seems that legal advice is necessary for negotiating with the Labour Inspectorate and then employing temps, which is plausible.

The last “legal” variable signifies whether “the firm prefers temps because they have low employment protection legislation”. This variable is significantly linked (0.33) with employing temporary workers in the first column’s specification, though is smaller and does not quite attain significance in the second column (0.19) with the “grey” variable. Overall, these results suggest that temps are indeed employed because they are easy to fire.

The variable which indicates any hires that took place in the last two years indicates that firms which are hiring new employees are more likely to employ temps. The picture here is one of expanding firms using temp rather than permanent labour which is depressing and shows the uncertainty that the average Greek business feels these days (note that Greek businesses did not in the past employ many temps, because only 33% currently employ any temps, but the position is changing).

We turn next to variables linked to labour flexibility in the workplace. These are (a) the part-time variable, (b) the family employment variable and (c) the variable which investigates the possibility of the future flexibility in the workplace. The part-time variable indicates “whether the firm employs any part-timers”. We see that it is negatively related to the percentage of temporary workers, suggesting that part-timers and temps are substitutes or an alternative form of flexibility to temp workers, which is plausible. In other words, a business which has managed, with difficulty, to secure some part-time workers might not wish or need to go to the trouble of securing permission for temp worker contracts as well.

The family variable is based on “whether the firm employs any family members” (about half the firms do). We might expect family members to provide an alternative source of flexibility- rather as part-timers do. In fact, the family variable is insignificant. Nevertheless, in a regression in the Appendix (Table 5.16) explaining coverage by the national or sectoral wage agreements (NGCA/NSCA), family members are significantly linked negatively with coverage by the collective agreements which we have already seen impacts on temps. In other words, we may have already picked up the family worker effect via the collective bargaining coverage (or grey market) variables.

The last workplace flexibility variable indicates “the firm’s expectations for the future about increases in part-time, temp and subcontracting employment”. We see that expected future use of flexible forms of employment is only significantly linked with temporary work in

the unweighted regression (the third column). In other words, there are signs, but these are not strong, that current temporary employment indicates future temporary employment.

We also include other variables such as percentages of young and old employees. As we noted above, older workers might be associated with skilled work, which is more difficult for temps to do, and younger workers are the converse (young workers are also a typical outsider group, likely to be more associated with temps). In fact, we find some confirmation of this reasoning, which attains significance in the second column's specification. As can be seen, higher percentages of older workers are negatively linked with temp work and conversely for younger workers.

In addition, we include industry dummies to control for variability of labour demand (which increases the demand for temps) and, capital intensity (capital-intensive firms might need to prevent capital from being idle and therefore hire more temps). Finally, we include a variable for whether the manager believes the workforce is committed on the grounds that belief in worker commitment is perhaps more likely to mean investment in workers and therefore fewer temps. Indeed, this variable is significant in the expected direction in the weighted regressions (-0.19 in the first column, -0.17 in the second).

A final important variable to examine is the workplace size variable (number of employees). Here, the unweighted regressions in the third and fourth columns indicate that larger firms employ more temps (second and third column) which seems strange since, as we have already noted, large

firms are less likely to be low paying (see also Appendix Table 5.15), and more likely to observe collective agreements (Table 5.16) – both of which factors should promote a strategy of reducing temporary work. Fortunately, the weighted regressions in the first two columns overturn this result, and show signs of the expected negative link between firm size and temp employment. In fact, we prefer the weighted results which are more robust to the TERS over-sampling of large workplaces. Therefore we conclude that there are indications that larger, richer, firms indeed need temps less, as our insurance hypothesis predicts.

#### Analysis of Family Employment

We now use equation (2) with family employment as the dependent variable, based on the percentage of family workers employed in the workplace. On the right hand side, we use most of the same variables used in the temp worker regression. Of course, we control for firm size, which we expect to be important since larger firms will run out of family members to employ, necessarily causing the family percentage employed to decline.

Starting with the two wage floor variables, we see that family employment is not significantly linked to the majority on low pay variable, but is strongly negatively linked to the variable indicating coverage by national or sectoral wage agreements. This finding is in line with the temp worker finding that prosperous firms (which follow national agreements) are less likely to employ temps. Family workers are also a form of flexible

employment and richer firms which are less at the mercy of changes in the market consequently are less in need of family and temporary workers.

Backing up this argument, the “grey” category variable is strongly positive. Workplaces in the grey category, paying low wages probably below nationally agreed rates, are much more likely to employ a high percentage of family workers, other things equal. As was the case for temp workers, we conclude that family workers are favoured because they are easy to layoff, and less likely to complain about low wages.

**Table 5.14: Regressions on Family Worker Employment**

<b>Dependent variable: Percent of family workers</b>				
<b>Independent variable</b>	<b>Unweighted, Coefficient</b>	<b>Weighted, Marginal Effects</b>	<b>Unweighted, Coefficient</b>	<b>Weighted, Marginal Effects</b>
Majority paid at or below 11,000€ per year	.00	.07	..	..
majority covered by national & sectoral wage agreement	-.23***	-.14**	..	..
“Grey” category – all workers paid at or below 11,000€, and majority not covered by national/sectoral agreements	..	..	.35***	.29***
firm taking ER advice from acc and law in last 2 yrs	.02	.08*	.01	.01
dummy for managers feeling labour inspector no obstacle for temps	.06	.11*	.08	.13
dummy for feeling temps have low epl and perms have high epl	.15*	.28**	.14	.16
any non-routine subcontracting	-.01	.10	-.04	.06
any redundancies in last 2 yrs	.06	.04	.08	.05
any hires in last 2 yrs	-.06	-.08	-.11*	-.15**
percent of temps (excluding seasonals)	-.06	-.11	-.17	-.26*
any part-time workers	-.08	-.09	-.12*	-.13
percent old workers, >51	-.01	-.26	.03	-.03
percent young workers, <21	-.81**	-.82**	-.76	-.83**
any increase in subcontract or part-time workers over past 5 yrs	.05	.15	-.08	.15
Any planned increase in subcontract or part-time workers over next 2 yrs	-.07	-.17**	-.03	-.09
managers considers workers committed	-.07	-.19	-.09	-.14**
Industry dummies (9)	YES	YES	YES	YES
number workers employed x 10	-.04**	-.19***	-.04**	-.23***
Constant	.21	-.33	.21	-.16
Observations	187, 92 left censored at 0	187, 92 left censored at 0	187, 92 left censored at 0	187, 92 left censored at 0
pseudo R <sup>2</sup>	.32	.28	.37	.31

**Notes:** Survey weights have been used to calculate all percentages. Tobit coefficients have to be multiplied by the proportion of non-zero observations (approximately 0.5) to give effects conditional on being observed.

Turning next to variables which relate to employment regulation and labour inspectorate issues, we see some quite strong effects in the weighted regression in the first column. Thus, the dummies for taking ER advice (0.08), and for feeling that the Labour Inspectorate is no obstacle (0.11) are both positively linked to employing more family workers. Moreover, there is a strongly dummy (0.28) for feeling temps have low EPL. In other words, firms employing family workers certainly appear to be conscious of EPL, which could thus be a factor in their sticking to family workers for whom EPL does not apply.

Regarding variables which deal with hiring, and redundancy, we see that the hiring variable tends to be negative (and is significant in some specifications). This result indicates that firms that employ family workers are less likely to hire – they do not grow. Additionally, it is worth noting the large negative coefficient (-0.82 in the first column) on the percentage of young workers, which goes along with the conservative, non-growing nature of family firms in Greece.

As regards variables with a flexibility character, part-time employment and temporary employment, we see that both these variable have negative signs indicating substitutability, though significance depends somewhat on specification. We expect substitutability since temps, family workers and part-time workers appear to be alternative pathways to flexibility.

A final interesting point is that the variable for whether the manager believes the workforce is committed tends to be negative, and is significant (-0.14) in the second column. This finding goes along with the argument raised above, that belief in worker commitment is more likely to mean investment in workers. We have found above that this variable is negative and significant in Table 5.13, for temps. The indication of a similar result also for family workers in Table 5.14, suggests less investment in workers in these workplaces as well.

## **5.5 Conclusions**

The objective of this chapter was to assess whether the Greek legal labour framework creates obstacles to employment creation. In other words, we are interested in whether firms feel particularly constrained by labour law. The main issue focuses on the legal aspects which develop a rigid labour market environment and create barriers to employers introducing flexibility in their workplaces.

We have seen in Chapter 3 that the Greek labour market is performing badly, being third last in the OECD both for its high proportion of long-term unemployment (over 50%), and for its high youth unemployment (around 25%). We have seen that the Greek labour market is also highly regulated, with high wage and working conditions floors. It is hard not to conclude that these two facts are related. Indeed, at the aggregate level, comparing OECD countries (Figure 5.1) we see a good

link between precarious employment, as indexed by the proportion of workers on temporary contracts, and the strictness of EPL. While this simple picture can be disputed (Addison and Teixeira 2003), recent multivariate analysis (Kahn 2007) bears it out. My results using the TERS also bear it out.

This chapter has used a mini-WERS constructed for Greek conditions (the TERS), to show with greater precision how the legal constraints might affect firm decisions. The focus has been on temporary and family employment, because these types of employment are the main sources of numerical flexibility open to Greek business, given that EPL is strict and the part-time market not developed. The basic hypothesis is that firms resort to temporary and family work when they feel pressurised by the law. Temporary and family work are thus forms of insurance for the poorer firms which cannot cope with the wage and working conditions floors enforced by strict labour regulation.

As regards the determinants of the demand for temps, we have two important results. First, there is the significant positive sign of the minimum wage variable – or the “grey” category variable. This sign fits our hypothesis in that where firms have many workers on the minimum they are likely to worry about the possibility of a rise in the minimum, and hence will employ on a more temporary basis. Our second important result is the importance of labour regulation variables. We see positive

coefficients on the variables for feeling the Labour Inspector is no obstacle for employing temps, and for feeling that temps have low EPL. We take this result to signal both that employing temps is not easy (hence the need for knowledge about the Labour Inspector), and that their advantage is low EPL. Our results therefore suggest that labour law matters.

Findings for family worker employment are similar to temp worker employment in that the “grey” category variable is strongly positive.

Workplaces in the grey category, paying low wages probably below nationally agreed rates, are much more likely to employ a high percentage of family workers, other things equal. As was the case for temp workers, we conclude that family workers are favoured because they are easy to layoff, and less likely to complain about low wages. At the same time, we also find (in the weighted regressions, which are more robust) significant effects for the labour regulation variables. In particular, we find a large positive coefficient on the dummy for feeling temps have low EPL, indicating that firms that employ family workers are very conscious of EPL. In general, we find substitutability between temps, family workers and part-time workers, which is reasonable, since these groups represent alternative pathways to flexibility. In sum, therefore, our results support the hypothesis stated at the outset, namely, that “poor” firms, which cannot afford the national wage rates or the EPL standards, attempt to escape these standards by employing temps and/or family workers.

## **Appendix**

### **5.1 Analysis of Other Legal Variables**

Low Pay The first variable we research has to deal with low pay, in Table 5.15. Note that variable is a dummy where 1 indicates that a firm is paying the majority of its workers at or below the minimum wage (that is, 64% of small < 11 workplaces and 31% of large – Table 5.8). As we have explained, this variable therefore indicates a low wage, or “poor” firm, and it is interesting to look at the correlates of such low pay.

The first point from Table 5.15 is that the variable for whether the firm has a majority covered by the collective NGCA/NSCAs is insignificant in the unweighted regression, yet significant when weighted (the second column). Thus, firms can be poor (low paying) and also observe the national/sectoral collective agreements. In fact, as we have seen from Table 5.10, “poor” firms can be split into those which are more and those which are less likely to state that they are observing the collective agreements. It is primarily the group which states that it is less likely to pay the collective agreements (and hence falls into the “grey” category), which uses temporary and family work.

**Table 5.15: Determinants of Low Pay - Probit**

<b>Dependent variable: majority of workers paid at or below 11,000 €</b>		
<b>Independent variable</b>	<b>Unweighted, Coefficient</b>	<b>Weighted, Marginal Effects</b>
majority covered by national & sectoral wage agreement	.20	0.25**
firm taking ER advice from acc and law in last 2 yrs	-.25	-.08
dummy for managers feeling li no obstacle for temps	-.38*	-.16*
dummy for feeling temps have low epl and perms have high epl	.36	.07
percent family members	-.27	.08
any non-routine subcontracting	-.10	-.17*
percent of temps (excluding seasonals)	1.4***	.69*
any seasonal workers	-.29	.24**
any redundancies in last 2 yrs	-.45	-.28**
any hires in last 2 yrs	-.69**	-.23**
any part-time workers	.08	.14
percent old workers, >51	-.15	.78**
percent young workers, <21	-.59	-0.39
any increase in subcontract or part-time workers over past 5 yrs	-.02	-0.19
Any planned increase in subcontract or part-time workers over next 2 yrs	-.07	.010
managers considers workers committed	-.09	-0.19**
Industry dummies (9)	YES	YES
number workers employed x 100	-.01***	-.02**
Constant	.69	--
Observations	183	183
pseudo R <sup>2</sup>	.15	.256

**Notes:** In the second column, survey weights are used to calculate all percentages. Standard errors and t-values (denoted by the stars, \*\*\*, \*\*, \* for significance at the 1%, 5% and 10% levels) in the second column are calculated numerically using Stata's *mfx* command (Cameron and Trivedi, 2010, 343 ff)

Other interesting variables include whether the manager feels the labour inspector is no obstacle for employing temps, which can be taken as a dimension of being integrated into the legal system. In fact, low-paying

firms are more likely to feel the labour inspector is an obstacle, which displays low integration, as might be expected. We also see that hiring of temps is positively linked with low pay, as already noted in Table 5.13. Further interesting variables are hiring and redundancies, both of which are negatively linked with low pay. This result indicates that firms that are static (neither hiring nor firing) hiring are more likely to pay low wages, as might be expected. Finally the variable for firm size (workers employed) indicates that large firms do not pay low wages. This result is to be expected since large firms are generally law-abiding and more prosperous and can afford to pay more.

Collective agreements Another important variable which has to take into consideration is whether the firm believes that the majority of its workers are paid according to the NGCA/NSCAs, which we believe is linked to the firm's prosperity. This variable is analysed in Table 5.16.

On the right-hand side of the equation is the low pay variable which has already noted bears some linkage with collective bargaining coverage.

However we see that family employment is negatively linked with coverage, indicating that family firms are less likely to observe collective agreements. This result is to be expected as family firms tend to be involved in the grey market. Next, the temporary employment variable is negatively related to coverage, indicating that firms with many temps are less likely to observe collective agreements, again suggesting that temps are part of the grey market.

**Table 5.16: Determinants of Observance of National/Sectoral Collective Agreements - probit**

Dependent variable: Majority covered by national or sectoral wage agreement		
Independent variable	Unweighted, Coefficient	Weighted, Marginal effects
majority paid at or below the minimum wage	.18	.25**
firm taking ER advice from acc and law in last 2 yrs	.37	.09
dummy for managers feeling li no obstacle for temps	.39	.11
dummy for feeling temps have low epl and perms have high epl	.66	-.19
percent family members	-.54	-.18*
any non-routine subcontracting	.22	0.36***
percent of temps (excluding seasonals)	-1.2	-.70*
any seasonal workers	-.39	-0.05
any redundancies in last 2 yrs	.34	.28**
any hires in last 2 yrs	.67	.21*
any part-time workers	.05	-.22
percent old workers, >51	-1.6	-1.95**
percent young workers, <21	-3.2	-1.05*
any increase in subcontract or part-time workers over past 5 yrs	.20	0.26**
Any planned increase in subcontract or part-time workers over next 2 yrs	-.04	-.11
managers considers workers committed	-.28	-.33***
Industry dummies (9)	YES	YES
number workers employed x 100	.01	.02
Constant	-.05	--
Observations	171	171
pseudo R <sup>2</sup>	.24	0.40

**Notes:** As for Table 5.14.

Interestingly, firms making hires and redundancies in the last two years (growing firms, in other words) are significantly positively linked with observance of national agreements, which supports our view that observance is associated with prosperity and growth. Moving on down the

table, we also see that firms with higher percentages of both young and old workers are less likely to observe the agreements. In other words, firms which observe agreements employ mainly prime-age workers, which may go along with a career structure indicating size and relative prosperity.

A puzzling result is that the variable for whether the manager believes the workforce is committed tends to be negative and significant (-0.33 in the weighted column). Belief in worker commitment should be associated with investment in workers and firm prosperity – and presumably observance of collective agreements. That this correlation is strongly negative shows we need to be cautious about interpreting both the belief in worker commitment variable, and the observance of collective agreements variable. We will rely on the overall picture, rather than specific results.

Labour regulation: Dimensions of this area are considered in Tables 5.17, 5.18, 5.19. Table 5.17 takes the employment relations advice variable, which we see has the low pay and collective bargaining coverage variables taking opposite signs, as we have seen above for the temp workers variable. The “grey” variable (see table notes) also works well (negatively) here, denoting that “grey” workplaces work outside the legal employment relations system, as is to be expected. Other significant variables include whether the manager feels the labour inspector is no obstacle for employing temps, which can be taken as another dimension of being integrated into the legal system, in which case employment relations advice is worthwhile, and taken. Also, planning an increase in part-time or

subcontractor work clearly necessitates taking legal advice, hence the positive coefficient (.47 marginal effect).

**Table 5.17: Determinants of Employment Relations Advice - probit**

<b>Dependent variable: Firm taking ER advice from accountant and lawyer in last 2 yrs</b>		
<b>Independent variable</b>	<b>Unweighted, Coefficient</b>	<b>Weighted, Marginal effects</b>
majority paid at or below the minimum wage <sup>a</sup>	-.31	-.14*
majority covered by national & sectoral wage agreement <sup>a</sup>	.39	.12*
dummy for managers feeling li no obstacle for temps	.54**	.04
dummy for feeling temps have low epl and perms have high epl	.09	-.11*
percent family members	.15	.08
any non-routine subcontracting	-.37*	-.15**
percent of temps (excluding seasonals)	1.2**	.38
any seasonal workers	-.61	-.19***
any redundancies in last 2 yrs	-.42	-.19***
any hires in last 2 yrs	.32	-.05
any part-time workers	.16	-.002
percent old workers, >51	.97	.23
percent young workers, <21	.25	.40
any increase in subcontract or part-time workers over past 5 yrs	-.46	-.15***
Any planned increase in subcontract or part-time workers over next 2 yrs	.67***	.47***
managers considers workers committed	-.17	-.06
Industry dummies (9)	YES	YES
number workers employed x 100	-.00	.003
Constant	-.82	--
Observations	187	187
pseudo R <sup>2</sup>	.18	.429

**Notes:** As for Table 5.14.

<sup>a</sup> Replacing the minimum wage and collective bargaining variables with the "grey" variable gives a coefficient of -0.74, and t-value -2.22\*\*

**Table 5.18: Determinants of Opinion about Labour Inspector and Temporary Employment - probit**

Dependent variable: Dummy for managers feeling LI no obstacle for temps		
Independent variable	Unweighted, Coefficient	Weighted, Marginal effects
majority paid at or below the minimum wage	-.36	-.15*
Majority covered by national & sectoral wage agreement	.36	.12
Firm taking ER advice from acc and law in last 2 yrs	.56**	2.49**
dummy for feeling temps have low epl and perms have high epl	.07	-.23**
percent family members	.11	.14*
any non-routine subcontracting	.07	-.00
percent of temps (excluding seasonals)	-.40	.53*
any seasonal workers	.40	.04
any redundancies in last 2 yrs	.29	.01
any hires in last 2 yrs	.08	-.07
any part-time workers	-.18	.23*
percent old workers, >51	.06	.40*
percent young workers, <21	.38	.18
any increase in subcontract or part-time workers over past 5 yrs	.49*	.15
Any planned increase in subcontract or part-time workers over next 2 yrs	-.27	.07
managers considers workers committed	.02	-.00
Industry dummies (9)	YES	YES
number workers employed x 100	-.00	.00
Constant	-.69	--
Observations		
	187	187
pseudo R <sup>2</sup>	.11	.153

**Notes:** As for Table 5.14.

<sup>a</sup> Replacing the minimum wage and collective bargaining variables with the “grey variable gives a coefficient of -0.26, and t-value -0.88\*\*

Table 5.18 next considers determinants of manager opinions about the Labour Inspector in the area of whether he/she can be taken as an obstacle to taking on temp workers. The low pay and observance of collective

agreements variables take opposite signs, as for the employment relations advice case, suggesting that poorer firms do not see the labour inspectorate as an obstacle, and are perhaps outside the legal system (again, “grey” firms are significantly less likely to feel the LI is an obstacle, again perhaps because they ignore the system – see Table 5.18’s Notes). Backing this view up, we see that taking legal advice is positively linked to regarding the labour inspectorate as no obstacle (.56\*\* in the unweighted column, 2.49\*\* in the weighted), and we have already seen in Table 5.17 that poorer firms are less likely to take advice.

Table 5.19 further considers manager opinions about whether temps have low EPL, which we have already seen links to them being hired. The weighted marginal effects column does not show much, but the unweighted column shows some interesting patterns. Manager opinion about temp EPL is not apparently linked to how prosperous the firm is, as indicated by whether it pays low wages and/or observes collective agreements. The main determinants are whether the firm has seasonal and part-time workers, has experienced redundancies, and employs many young workers. These determinants suggest that firms which have had experience of unusual labour situations, such as redundancies, are more likely to appreciate the advantages of having low EPL for temps, which is reasonable.

**Table 5.19: Determinants of Feeling Temps Have Low EPL - probit**

Dependent variable: Dummy for feeling temps have low epl and perms have high epl		
Independent variable	Unweighted, Coefficient	Weighted, Marginal effects
majority paid at or below the minimum wage	.32	.00
majority covered by national & sectoral wage agreement	.73	-.00
Firm taking ER advice from acc and law in last 2 yrs	-.05	-.00
Dummy for managers feeling li no obstacle for temps	.11	-.00
percent family members	.50	.00
any non-routine subcontracting	.58*	.04
percent of temps (excluding seasonals)	.83	.01
any seasonal workers	1.2**	.26
any redundancies in last 2 yrs	.96***	.14
any hires in last 2 yrs	-.59	-.01
any part-time workers	.73**	.04
percent old workers, >51	-.76	-.02
percent young workers, <21	3.48*	.08
any increase in subcontract or part-time workers over past 5 yrs	-.23	-.00
Any planned increase in subcontract or part-time workers over next 2 yrs	-.09	-.00
managers considers workers committed	-.15	-.06
Industry dummies (9)	YES	YES
number workers employed x 100	-.00	.00
Constant	-2.38	--
Observations	187	187
pseudo R <sup>2</sup>	.27	.64

Notes: As for Table 5.14.

## CHAPTER SIX: CONCLUSIONS

How do Greek businesses react to a comprehensive and complex framework of labour regulation? What are their human resources management strategies for finding labour flexibility? These are the main research questions that I try to answer in this study. Ultimately this work will help answer the wider question of the role of labour market institutions in keeping the unemployment rate in Greece so high.

In the labour economics literature, there is a major debate related to the role of labour market institutions and policies in explaining labour market performance. Feldmann (2009:510) argues that this dispute has not been settled because the effects of labor market regulation are difficult to measure. In fact, Bertola et al. (2000:65) argue that it is almost impossible to translate laws and words into actual and expected costs. As Blanchard (2006:44) recently notes “It is one thing to say that labour market institutions matter, and another to know is which ones and how”. Still, these difficulties have not prevented a large empirical literature from developing (e.g., Scarpetta, 1996; Nickel, 1997; Belot and Van Ours, 2001; Bertola et al. 2002; Botero et al., 2004; Nickel et al., 2005; Feldman, 2009; Kahn 2007 and 2010). The role of labour market institutions has been increasingly emphasized: Blanchard (2006) points out that “the focus of researchers and policy makers was initially on the role of shocks; however

as unemployment remained high, the focus has progressively shifted to institutions”.

In the Greek case, as noted earlier, there has been limited research on the role of labour market institutions (see Kufidou and Michail, 1999; Michail, 2003; Voudouris, 2004). Thus, this thesis is the first attempt. Through the TERS survey - that covers a large number of firms (206 workplaces) – I investigate significant aspects of Greek labour regulation and flexibility from the employers’ perspective in Thessaly. More particularly, I focus on mandated wage floors (corporate collective wage agreements) and working conditions floors (rigidities in hiring/firing regulations, rules for flexible employment and monitoring by the Labour Inspectorate). My questionnaire is based on the UK’s WERS questionnaire, and hopefully scholars from the Greek and the international research community will profit from my results.

A significant point of my survey is that it covers the full range of business size, not just large businesses. Size leads to different labour flexibility decisions. I find that small firms (self-proprietorship) tend to search for flexibility by employing family members. On the other hand, large-scale firms – if only because they must run out of family employees - exhibit higher rates of temporary employment. It is obvious that both types of firms find different flexibility escape routes through the complex framework of labour law.

With these ideas in mind, let me summarise my theoretical and empirical findings, and consider implications for future research. In Chapter 2, I investigated the development of the Greek labour market framework. Greece has historically followed the French legal system, which might explain the early development of the concept of “secure” employment under Venizelos. Overregulation continued with the Europeanization strategy of Greece which adopted EC Directives into its national laws. Moreover, the plethora of presidential fiats and circular ministerial letters made the burden heavier. The current position is that Greece is considered the fourth strictest in EPL among 26 OECD countries (Employment Outlook, 2004). At the same time, Greece’s part time rate (Bielenski et al., 2002) is one of the lowest among OECD countries in part because of regulatory difficulties which discourage employers from hiring part-time. On the other hand, temporary employment is comparatively common (around 11%), and has become a major gateway to labour flexibility for firms. It is worth noting here that the legal framework for temporary employment is complicated in Greece, so employees and employers are able to take advantage of gaps in the law.

Another gateway to labour flexibility in Greek business, as I show, is family employment. Members of the family are always on call and provide high flexibility (however in many cases under “grey” conditions). The legal framework of tax registration for employed family employees is

again is not clear. What is undeniable is that businesses – under individual legal status – face lower labour costs if they employ family members.

Chapter 2 also includes a description of Greek labour market organizations. First, I track the development of trade unions and centralized collective bargaining in Greece which is important since it determines the minimum wage. I also note (see Zambarloukou, 2006 and Kouzis, 2005) that there is a strong link in political and financial terms between trade unions and the state which provides insider power to unions. Second, I describe the operation of the Labour Inspectorate (and the Public Employment Services and Social Security Organization which also have a labour monitoring role). The Inspectorate is central, since it monitors hiring/firing procedures both for regular and for flexible employment, and also working hours and overtime. I also show how duties among monitoring organizations overlap and create administrative burdens and certainly create high costs to the establishments.

In Chapter 3, I investigated theories of the causes and consequences of labour market regulation. This framework is needed to set up the TERS empirical work in chapters 4 and 5. First, I described the different methodologies that have developed among researchers in order to measure national labour market regulation. I show that authoritative research, for example, by the OECD (2007) rates Greece's comparatively strict regulatory environment as a factor in the country's poor labour market

performance. The legitimate question arose here as to why governments - including of course Greece - do not proceed to reforms in order to reduce unemployment and have a better labour market performance. Thus, I turned to the political insider-outsider hypothesis which holds that unions use their political (voting) power to block labour market reforms (Saint Paul, 2004). More particularly, Greek politicians, as I showed, do not conflict with unions and the closed-shop professions. The downside of this regulation of standard employment is that employers are forced – so the hypothesis goes – to find “escape” routes such as temporary and family employment which is less regulated. Kahn’s (2007) recent work using a cross-sectional dataset for 7 OECD countries is supportive here, in that he finds that in countries with strict EPL women, the less skilled and young workers are more likely to hold temporary jobs, and these effects are larger where wages are more sticky downwards (as in Greece). This escape hypothesis is the main subject of my TERS work. Are temporary and family work forms of insurance for the poorer firms which cannot cope with the wage and working conditions floors enforced by strict labour regulation?

Chapter 4 gives all the technical details regarding the design and conduct of my TERS survey (this is funded by the European Social Fund (ESF) and Greek National Resources (EPEAEK II) through the Archimedes project “Flexible Forms of Employment in Thessaly”, TEI of Larissa, 2004). Here I establish that the sampling frame is representative of

the Thessaly region, which is an important business region in Central Greece. Furthermore, I establish that the sampling procedure is valid, and that weights can be constructed to derive results which are representative of the region's population. My empirical work can therefore be relied upon to give robust results.

My basic hypothesis was tested in chapter 5. To repeat my question: are temporary and family work forms of insurance for the poorer firms which cannot cope with the wage and working conditions floors enforced by strict labour regulation? Initially, I found that most companies have sought employee relations advice (from lawyers and accountants) and this is a sign that employers generally are constrained by the legal framework. At the same time I found differences by size. The majority of small enterprises certainly try to avoid dealing with Labour Inspectorate and the other labour market organisations. By contrast, large enterprises seem to have less "fear" of the Labour Inspectorate, as might be expected given their greater resources.

We may see this picture of the "fear" factor in the issue of pay determination. I find (Table 5.9) that the average business – particularly the average small business – pays a high proportion of its workers at or below the nationally agreed minimum wage. In other words, central collective agreements which also set the provincial minimum wages in Thessaly seem to be avoided many enterprises. I characterise these businesses as weak or "poor", and looking at their characteristics (see APPENDIX, Table 5.15)

indeed find that they tend to be small, static (few hires, mainly older workers) and rather demoralized (workers are not committed, in the manager's view). Importantly, I find this type of business is significantly more likely (Table 5.13) to employ temporary workers, which accords with my hypothesis that temps are a form of insurance.

I also test for the significance of the working condition floors, in particular EPL, and the Labour Inspector's influence. An important finding here (Table 5.13) is that firms whose managers believe that temps have less strict EPL are more likely to employ temps. This result could not be plainer. Temps are used to avoid EPL which accords with my hypothesis, and bears out Kahn's (2007) temporary worker findings using more aggregate data.

A further finding of mine links temps with lower specific training investments (following Voudouris 2004). In particular, I find - using Table 13's weighted results, which are more robust - that firms with more older workers, and more committed workers (as judged by management) are less likely to employ temps, *ceteris paribus*. Workforces which are older, and more committed are arguably more likely to have specific trained requirements. Hence, my finding of a link between this type of workforce and permanent employment is plausible, and builds confidence in my other results

Turning to family worker employment (Table 5.14), my findings in this case support a variant of the insurance hypothesis. In this case, the

hypothesis is that family workers are favoured by the “grey” type of firm (paying below national minimum rates). Certainly I find this result is strongly supported by the data. My interpretation is that it is the “grey” firms which are marginal to the market, and so employ family workers who are easier to lay off if need be, and less likely to complain about low wages.

For family worker employment as well, I find quite strong effects relating to employment regulation and labour inspectorate issues. Again using the weighted regressions results, I find that the dummies for taking employment relations advice, and for feeling that the Labour Inspectorate is no obstacle for temp employment are both positively linked to employing more family workers. Moreover, there is a strongly positive dummy for feeling temps have low EPL. In other words, firms employing family workers certainly appear to be conscious of EPL, which could thus be a factor in their sticking to family workers for whom EPL does not apply.

In conclusion, my findings provide some grounds for supporting the OECD’s (2007) view expressed at the outset of this thesis, that Greece’s poor labour market performance can in part be attributed to rigidities in labour market institutions. My findings also provide support for Voudouris’s (2004) view that an extensive use temporary contract is a means of circumventing the rigid EPL regime. Again, my findings which come from a firm-level database support Kahn’s (2007) temporary worker results based on a quite different database – aggregate cross-country data.

That two such different approaches reach a similar result builds confidence.

It is worth concluding with some caveats, since my findings represent only a first attempt at a large-scale firm survey in Greece. I have aimed to develop a robust microeconomic evidence base, and provide data on employment and wages as well as management views of EPL and the Labour Inspectorate from a representative sample of Greek businesses. At the same time, my survey only covers one provincial area, namely Thessaly, and the evidence base should be broadened to cover more of Greece, including the important Athens area. It is true that my results support the view that Greece's wages and working conditions floors indeed appear both to promote precarious temporary employment, and also small-scale family business. Moreover, my results imply that the national collective wage agreements are generally not observed in practice, and while this provides a valuable safety valve, it condemns many firms to a "grey" existence.

My TERS research implies that Greece's national collective bargaining EPL arrangements need revision. But the TERS needs to be substantiated by broader surveys, and furthermore, the possible form for the required legal revisions in collective bargaining and EPL needs much further research. This said, my initial results support the case for these legal revisions.

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