

LABOR MARKET FLEXIBILITY/ INDUSTRIAL RELATIONS

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In the past few years Greece's economy has grown significantly, at a rate even higher than the EU average¹. The growth rate for 2005 reached 3.7%, while for 2007 and 2008 a further acceleration is anticipated (3.9% and 4% respectively). In the last three years, this growth was accompanied by an increase in employment and a decline in unemployment rates (8.3%, Q3 2006). Improving Greece's labor market performance is subject to systematic study leading to tailored policies and reforms. The aim is improving flexibility and enhancing adaptability in a changing competitive environment, in a way that supports healthy and dynamic business activities. In light of the "European Employment Strategy" objective of upgrading the European social model through the promotion of flexicurity, our national employment policy seeks to increase employment, improve labor market efficiency and strengthen social cohesion.

BASIC CHARACTERISTICS OF THE LABOR MARKET IN GREECE

Basic labor market indicators				
		EU-25 (2005)	GREECE (2005)	GREECE (Q2 2006)*
Employment rate (%)	Total	63.80	60.10	61.04
	Women	56.30	46.10	47.60
	Aged 15-24	36.80	25.00	24.35
	Aged 55-64	42.50	41.60	
Unemployment rate (%)	Total	8.70	9.80	8.8
	Women	9.80	15.30	13.4
	aged 15-24	18.50	26.00	24.35
Long-term unemployment rate (%)		3.9	5.1	5.00

Source: Eurostat, 2005

*National Statistical Service of Greece (ESYE), Labor Force Research, Q2 2006

Recent available data compared with the EU average for 2005 are enlightening.

It is remarkable though that the full-time equivalent employment rate in 2005 reached 59.5% – higher than the EU average (58.1%) – primarily due to low participation in part-time employment, which stands at nearly 5.6%.

The weaknesses of specific groups have been cited, including the difficulties faced by **women** and **young people** in entering and remaining in

The (traditionally low) percentage of **dependent employment** has increased in the past few years, reaching 64% of total employment, remaining however significantly lower than the EU average (80%). In contrast, **self-employment rates**, although declining, remain double those of the EU average (31% compared to 15.6% of the EU-25 in 2005), mainly due to the structure of the economy (great number of micro-enterprises), the comparatively large rural sector, and the size of the services sector, which favors independent employment.

Sectoral structure of employment, 2006 (%)	
Primary sector (rural production)	12.04
Secondary sector (manufacture)	22.03
Tertiary sector (services)	65.94

the labor market due to various factors (occupational stereotypes, strong family bonds, extension of the educational process etc).

Regarding employment in the 55-64 age group, although rates are not below the EU average, the unfavorable demographic forecast for Greece has given rise to “active aging” policies.

The growth of the services sector over the past few years has absorbed all pressures from the shrinkage of the primary sector and the productive restructuring in traditional sectors (e.g. the textile industry), contributing to a total increase in employment².

Mobility in Greece has always been rather limited. Low **geograph-**

ical mobility, attributed to various factors (ownership-occupancy, strong family bonds, land-planning particularities), is being tackled by launching incentives for relocation (e.g. subsidies for business creation by OAED) and by **the targeted accumulation of Community subsidies regionally**. Low **occupational mobility** – mainly attributed to the segmented social security system – is being addressed by establishing a system that allows transferable pension entitlements, like the recent legislation on pensions that promotes the organizational upgrade and **integration** of various social security funds.

Dynamic developments over the last few years, such as the high numbers of unskilled laborers (mainly immigrants³), the reduction in the number of family members employed in micro-enterprises⁴, the progressive entry of women into employment, and segmentation in small local labor markets with particularities (intensified by the productive restructuring), constitute a combination of defining factors with counterbalancing effects on flexibility and labor market efficiency.

According to data compiled by the Bank of Greece (2004), it has been assessed that the main reasons for the lower per capita income in Greece (25% below the EU-15 average), were the lower productivity per employee and the low participation rate in the labor market.

The latter sets the priorities of employment policies, in the scope of new economic policy. Modernization and labor market flexibility

will encourage inactive working-age groups' participation in employment and will contribute to the improvement of skills and productivity.

FLEXIBILITY AND LABOR MARKET ADAPTABILITY

Working-Time Organization

Overtime employment is the main tool of flexible working-time organization in Greece for almost all enterprises, particularly those in the secondary sector and large enterprises. According to the labor law (**L3385/2005**), which replaced older legislation⁵, in enterprises operating with normal working hours (40 hours/week), an employee can work for five more hours per week at the employer's discretion ("yperergasia"), compensated with a 25% wage increase.

Working over 45 hours is considered legal overtime employment – provided that legal terms are applied – and is compensated with a wage increase of 50% for up to 120 hours annually and 75% for over 120 hours⁶.

By the same law, two systems of **working time arrangements** were introduced (one for a four-month period and one on annual basis) meeting the enterprises' actual needs.

Under Law 3377/2005, a single framework was laid down for **the extension of shop opening hours**. Its result was in favor of employment in the retail trade, as proven by labor force research. Alongside this, the **combined intervention of OAED** for the support of micro-en-

terprises that employ up to three individuals by subsidizing them in order to take on **part-time employees** has to be highlighted.

It is commonly accepted that sufficient legislation has been enacted to promote **part-time employment**. Its low dissemination, though, is attributed to the concentration of a great part of employment in micro-enterprises, which (by nature) do not favor the growth of **part-time employment**, and to the widespread use of fixed-term part-time employment contracts that (by definition) render these jobs precarious. For its facilitation, part-time employment was further introduced to the wider public sector and local authorities as well (L.3250/2004).

Temporary employment is particularly widespread (11.8% compared to 14.5% in the EU-25 in 2005), mainly in the form of fixed-term and seasonal work contracts. Its legal frame is driven by Presidential Decrees 164/2004 and 180/2004, that have successfully integrated (for both the public and the private sector, respectively) Community Directive 99/70. The means of temporary employment through temporary employment agencies was enacted in 2001 (L.2956/2001) and, despite its low dissemination (nearly 0.5%), is displaying a remarkably dynamic course.

Employment protection legislation

General

Employment protection legislation is consistent with the European social model's historic tradition. However, flexibility of enterprises

in creating or suppressing a position (with low cost) is constantly adapting to meet the requirements of the competitive environment.

As regards **collective dismissals**, according to L.1387/1983 (amended by L.2874/2000), an enterprise may proceed in dismissals considered not to be collective when it dismisses:

- Up to four employees a month, for enterprises of 20-199 workers
- Up to 2% per month for larger companies.

Nevertheless, according to official data of the **OECD**⁷, the employment **protection index** of both individual and collective dismissals in Greece reaches average EU levels, occupying respectively the seventh and eighth place among the EU-15.

The **total tax of employment** (including employers' contributions) reaches 37.4% of the total cost for each worker, compared to an EU-15 average of 36.7%, while the respective tax of low-paid employment is under the EU average (34.4% compared to 36.3%)⁸.

A regulatory framework has already been enacted enabling subsidy of a part of non-wage costs (**L.3227/2004**). Both the process and method of activating relative regulations are subject to debate.

Finally, the most important reform concerning industrial relations was the enactment of **L.3429/2005**, **regulating issues of organization, administration and operation of Public Enterprises and Corporations (DEKO) and adjusting the**



employment status to private law labor relations.

Labor market mediation institutions

Greek Manpower Employment Organization (OAED)

The main institution for implementing employment policies in Greece is the Manpower Employment Organization, which mediates in the labor market by matching supply and demand, providing personalized services to jobseekers, launching targeted active employment policies and investing effectively in human capital. OAED

has organizationally upgraded all its provided services.

OAED today is being rapidly harmonized and supplements the economic policy reforms. A characteristic example and investment incentive is the recent (2005) innovation of Programming Contracts of Guaranteed Employment, which consists of a complete “personalized services package” (locating, training and preparing) regarding skilled human capital in new enterprises or enterprises that wish to expand. OAED is modernizing and evolving all services **into one-stop shops**,

and substantially decentralizing (L.3518/2006). This reform does not only constitute an important time- and resources-saving organizational change; it also constitutes OAED's **new aggressive intervention at the local level**, implying effective **decentralization of decision making**, as well as the drive for the development of local collaborations and corporate bodies, in order to jointly promote employment along with other public and private institutions and social partners.

Private mediation agencies

Private mediation agencies are the **Private Job Advisers' Firms**, which were introduced into Greek legislation with L.2639/1998, and the **Temporary Employment Agencies**, established by L.2956/2001. Both have a limited effect on the labor market, as their share of total job placements is restricted mainly to auxiliary personnel⁹.

QUALITY & PRODUCTIVITY OF WORK

Connecting education and training with the labor market

The educational level of the workforce is generally high, as 84% has completed secondary education, compared to 77.3% of the EU-25. It is oriented toward modern cognitive areas; 27.3% of tertiary education graduates go on to study positive and technological sciences, compared to 23.6% in the EU-25. Nevertheless, in light of the new economic policy based on knowledge, innovation and investment in human capital, the main objective is further upgrading qualifications and skills (facilitating labor market flexibility) and connecting the educational and the lifelong

training system to the actual needs of the labor market.

The **National System for Combining Vocational Education and Training with Employment (ESSEKA)** was activated during the 4th Programming Period 2007-2013 and will constitute the backbone of active employment interventions. Within the framework of adapting both existing systems of education and training, emphasis has been placed on **lifelong learning** (L.3369/2005). Within this scope, sufficient **accreditation** systems of **lifelong training** structures, trainers and modules have been developed. Additionally, training structures for combating **adult illiteracy** (Second Chance Schools, Centers for Educating Adults) and amplified mechanisms for **combating premature school leaving**¹⁰ are established.

Equal opportunities in the labor market

A basic component of the European social model and a fundamental element of the "quality of work" value is desegregation and inclusion in the labor market.

An important development in the Greek labor market is the integration of the respective Community Directives 2000/43 and 2000/78 by L.3304/2005 – about ensuring equal treatment regardless of racial or national origins, religious or other beliefs, disability, age or sexual orientation – as well as Directive 2002/73 by L.3488/2006 on the equal treatment of men and women with regard to an inclusive labor market.

Promoting female employment is a decisive factor in a balanced la-



bor market and a driving force for economic growth. Hence, it is supported by a variety of structural interventions (General Secretariat of Equality, OAED, EOMMEX), among which are the development of Social Care Services (child care, etc) helping women with family obligations to enter employment¹¹.

SOCIAL DIALOGUE – COLLECTIVE NEGOTIATIONS

Collective negotiations are enacted by **L.1876/1990**. Trade union organizations of workers and employers and individual employers are entitled and obliged to negotiate on elaborating a collective labor agreement. Such negotiations are conducted fairly and with the intention of offsetting collective differences. If these negotiations fail, the stakeholders can jointly or separately call on the Organization for Mediation and Arbitration (OMED), an independent Legal Entity of Private Law.

The **National General Collective Labor Agreement (EGSSE)** determines the minimum wage and daily wage and the minimal level of working conditions for all employees, regardless of whether or not they are in a trade union. The **social partners** are the most representative unions of employers and workers that jointly sign the National Agreement:

A) The Greek General Confederation of Labor (GSEE), representing wage-earning workers in employment relationships dependent on private law, either in the private or in the (wider) public sector¹². It constitutes the only tertiary organization of workers, with trade union participation that today reaches 23-25%.

B) The Federation of Greek Industries (SEV), representing mainly large enterprises in industry, services and the new economy. The Na-

tional Agreement is signed up jointly on behalf of employers by the **General Confederation of Greek Small Business and Trade (GSE-BEE)**, which represents professionals, owners of small enterprises and artisans, along with the **National Confederation of Hellenic Trade (ESEE)**.

Apart from the National Agreement, **Industry Collective Agreements** are enacted and applied only to workers, members of sector-based unions, along with **enterprise-level agreements**⁴³, regulating terms of employment for all personnel of enterprises and **occupation-based collective agreements**, at the national or local level.

Today, labor legislation not only depends on the state (as in the past), but it is rather a result of wider consultation and social dialogue. The advance of autonomy in collective negotiations, the establishment of the Economic and Social Council (OKE) in 1994, and the establishment of the National Committee for Employment (L.3144/03) have contributed in upgrading social dialogue in Greece.

¹ According to the National Strategic Reference Framework (NSRF) 2007-2013, during 1991-2004, the Greek economy presented average GNP growth rates of 3%, compared to an EU-15 average of 2%.

² The number of employees in the third quarter of 2006 reached 4,497,300 individuals, the highest number to have been observed since 1998 (4,058,100).

³ By the Immigration Law 3386/2005, a new legal framework was introduced in order to ensure terms of employment for immigrants entering Greece, under conditions associated with a modern state of law. Furthermore, regulations are anticipated for legalizing illegal residents in our country

under presuppositions. Today there are more than 1 million foreign workers, who have lower unemployment rates and higher employment rates than the national average and explicitly higher occupational and geographical mobility rates than the natives.

⁴ According to ESYE data, the percentage of occupied family members employed in such enterprises has declined from nearly 12% in 1998 to 6.5% in 2006.

⁵ The older regulation (a.4, L.2874/2000) was opposed by the social partners, as it significantly increased the cost of operation in enterprises.

⁶ For every hour of “exceptional overtime” (e.g. without the approval of the Labor Inspectorate Body [SEPE]), the employee is eligible to compensation equal to a day’s wage increased by 100%.

⁷ OECD (2004): Employment Outlook 2004, OECD, Paris.

⁸ According to Eurostat data for 2006.

⁹ Experience by their implementation is recorded in the recent relevant report of the Employment Direction of the Ministry of Labor & Social Protection (November 2006).

¹⁰ Premature school leaving has declined from 18.2% in 2000 to 13.3% in 2005, approaching the EU objective (10% in 2010).

¹¹ During 2003-2006 (3rd ESF) almost 1,500 such Units were established, serving some 100,000 individuals.

¹² On the other hand, employees with a relation upon whom they are dependent working in the public sector are represented by the Civil Servants’ Supreme Administrative Council (ADEDY), with a respective unionist participation that exceeds 60%.

¹³ According to the law, only employers who occupy more than 50 employees are bound to make such agreements.

USEFUL LINKS

Hellenic Ministry of Labour and Social Security
www.ypakp.gr

Greek General Confederation of Labor
www.gsee.gr