Employment Regulation and Labour Relations in Greece

Hellenic Observatory, LSE, 3 November 2009

Dr Christos A. Ioannou

ORGANISATION FOR MEDIATION & ARBITRATION
Employment Regulation and Labour Relations in Greece

Outline

- An open issue for policy making.
- Are summary pictures (e.g. Doing Business) correct?
- An alternative view.
- Policy proposals in the making.
- Issues for further research.
- Some Ads.
- Conclusions.
An open issue for policy making (OECD, 2009).

- Further structural reforms of LM and PMs are needed to sustain the catching-up process and boost flexibility of the economy.

- Reforms that raise productivity ... as sizeable difference in per capita income with most advanced economies is due to a productivity gap.

- Low productivity is influenced by rigid product and labour market regulations.

- Enhancing LM flexibility to prevent the expected rise in unemployment, already high among the young and women, from becoming structural.

Easing entry into the LM.

Severance Payments

- EPL across all occupations is roughly in line with the average for the other EU (OECD members) countries.
- Much stricter for white than blue collar workers, due to higher severance payments. Difference much greater in Greece.
- Severance payments for white collar workers should be reduced and brought into line with those for blue collar workers.

Easing entry into the LM.

**EPL for Temporary Employment**

- **Restrictiveness of EPL for temporary employment decreased over the last decade, but remains among the most stringent in the OECD.**
- **Given the high rate of youth unemployment combined with the difficulties in entering the LM, EPL on temporary employment should be reduced further.**
- **Loosening EPL on temporary employment should hence be combined with reducing the level of protection for permanent workers.**

An open issue for policy making (EC, 2008)

in line with an integrated flexicurity approach,
- modernise employment protection, including legislation, in order to cover all forms of contractual arrangements,
- reduce further the tax burden on labour, strengthen active labour market policies, and
- transform undeclared work into formal employment.

Source: EC policy recommendations 2008 for Greece
An open issue for policy making (EC, 2009)

In light of the Commission's assessment of progress made, the Council recommends Greece to pursue the implementation of structural reforms. In particular:

... 

d) within an integrated 'flexicurity' approach,
   - modernises employment protection legislation,
   - reduces non-wage costs to the low-paid,
   - strengthens active labour market policies, and
   - transforms undeclared work into formal employment; and
   - accelerates reforms on education and training, increases participation in LLL and facilitates transition to work, particularly for the young.

Source: The 2009 up-date of the BGEP of M-S and on M-S' Employment Policies
Is Greece’s ranking correct?

Ranking of Greece in Employing Workers - Compared to good practice and selected economies:

Source: Doing Business 2010 - Reforming Through Difficult Times, IBRD / The World Bank
The difficulties that employers face in hiring and firing workers are shown below. Each index assigns values between 0 and 100, with higher values representing more rigid regulations. The Rigidity of Employment Index is an average of the three indices.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Greece</th>
<th>OECD</th>
<th>OECD Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficulty of hiring index (0-100)</td>
<td>44</td>
<td>-</td>
<td>26.5</td>
</tr>
<tr>
<td>Rigidity of hours index (0-100)</td>
<td>67</td>
<td>-</td>
<td>30.1</td>
</tr>
<tr>
<td>Difficulty of redundancy index (0-100)</td>
<td>40</td>
<td>-</td>
<td>22.6</td>
</tr>
<tr>
<td>Rigidity of employment index (0-100)</td>
<td>50</td>
<td>-</td>
<td>26.4</td>
</tr>
<tr>
<td>Redundancy costs (weeks of salary)</td>
<td>24</td>
<td>-</td>
<td>26.6</td>
</tr>
</tbody>
</table>
Can Greece’s ranking change?

- Higher rating near the OECD average if alternative (and correct) replies are adopted in 3 (out of the 21) answers.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Greece</th>
<th>OECD average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Difficulty of hiring index</td>
<td>11</td>
<td>26.5</td>
</tr>
<tr>
<td>Rigidity of hours index,</td>
<td>47</td>
<td>30.1</td>
</tr>
<tr>
<td>Difficulty of firing index</td>
<td>25</td>
<td>22.6</td>
</tr>
<tr>
<td>Rigidity of Employment Index</td>
<td>28</td>
<td>26.4</td>
</tr>
<tr>
<td>Firing cost</td>
<td>24</td>
<td>26.6</td>
</tr>
</tbody>
</table>

- The set of the ‘Employing Workers Indicator’ is being fully revised by the World Bank.
- From the 21 questions to the 21 indicators.
OECD index: Relaxation of EPL since the late 1980s mainly for temporary contracts

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>0.9</td>
<td>1.2</td>
<td>1.0</td>
<td>1.5</td>
<td>0.9</td>
<td>0.9</td>
<td>2.9</td>
<td>2.9</td>
</tr>
<tr>
<td>Austria</td>
<td>2.2</td>
<td>1.9</td>
<td>2.9</td>
<td>2.4</td>
<td>1.5</td>
<td>1.5</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Belgium</td>
<td>3.2</td>
<td>2.2</td>
<td>1.7</td>
<td>1.7</td>
<td>4.6</td>
<td>2.6</td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Canada</td>
<td>0.8</td>
<td>0.8</td>
<td>1.3</td>
<td>1.3</td>
<td>0.3</td>
<td>0.3</td>
<td>2.9</td>
<td>2.9</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>-</td>
<td>1.9</td>
<td>-</td>
<td>3.3</td>
<td>-</td>
<td>0.5</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Denmark</td>
<td>2.3</td>
<td>1.4</td>
<td>1.5</td>
<td>1.5</td>
<td>3.1</td>
<td>1.4</td>
<td>3.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Finland</td>
<td>2.3</td>
<td>2.0</td>
<td>2.8</td>
<td>2.2</td>
<td>1.9</td>
<td>1.9</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td>France</td>
<td>2.7</td>
<td>3.0</td>
<td>2.3</td>
<td>2.5</td>
<td>3.1</td>
<td>3.6</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Germany</td>
<td>3.2</td>
<td>2.2</td>
<td>2.6</td>
<td>2.7</td>
<td>3.8</td>
<td>1.8</td>
<td>3.5</td>
<td>3.8</td>
</tr>
<tr>
<td>Greece</td>
<td>3.6</td>
<td>2.8</td>
<td>2.5</td>
<td>2.4</td>
<td>4.8</td>
<td>3.3</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Hungary</td>
<td>-</td>
<td>1.5</td>
<td>-</td>
<td>1.9</td>
<td>-</td>
<td>1.1</td>
<td>2.9</td>
<td>2.9</td>
</tr>
<tr>
<td>Ireland</td>
<td>0.9</td>
<td>1.1</td>
<td>1.6</td>
<td>1.6</td>
<td>0.3</td>
<td>0.6</td>
<td>2.4</td>
<td>2.4</td>
</tr>
<tr>
<td>Italy</td>
<td>3.6</td>
<td>1.9</td>
<td>1.8</td>
<td>1.8</td>
<td>5.4</td>
<td>2.1</td>
<td>4.9</td>
<td>4.9</td>
</tr>
<tr>
<td>Japan</td>
<td>2.1</td>
<td>1.8</td>
<td>2.4</td>
<td>2.4</td>
<td>1.8</td>
<td>1.3</td>
<td>1.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Korea</td>
<td>-</td>
<td>2.0</td>
<td>-</td>
<td>2.4</td>
<td>-</td>
<td>1.7</td>
<td>1.9</td>
<td>1.9</td>
</tr>
<tr>
<td>Mexico</td>
<td>-</td>
<td>3.1</td>
<td>-</td>
<td>2.3</td>
<td>-</td>
<td>4.0</td>
<td>3.8</td>
<td>3.8</td>
</tr>
<tr>
<td>Netherlands</td>
<td>2.7</td>
<td>2.1</td>
<td>3.1</td>
<td>3.1</td>
<td>2.4</td>
<td>1.2</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>New Zealand</td>
<td>-</td>
<td>1.5</td>
<td>-</td>
<td>1.7</td>
<td>-</td>
<td>1.3</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Norway</td>
<td>2.9</td>
<td>2.6</td>
<td>2.3</td>
<td>2.3</td>
<td>3.5</td>
<td>2.9</td>
<td>2.9</td>
<td>2.9</td>
</tr>
<tr>
<td>Poland</td>
<td>-</td>
<td>1.7</td>
<td>-</td>
<td>2.2</td>
<td>-</td>
<td>1.3</td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td>Portugal</td>
<td>4.1</td>
<td>3.5</td>
<td>4.8</td>
<td>4.3</td>
<td>3.4</td>
<td>2.8</td>
<td>3.6</td>
<td>3.6</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>-</td>
<td>1.9</td>
<td>-</td>
<td>3.5</td>
<td>-</td>
<td>0.4</td>
<td>3.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Spain</td>
<td>3.8</td>
<td>3.1</td>
<td>3.9</td>
<td>2.6</td>
<td>3.8</td>
<td>3.5</td>
<td>3.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Sweden</td>
<td>3.5</td>
<td>2.2</td>
<td>2.9</td>
<td>2.9</td>
<td>4.1</td>
<td>1.6</td>
<td>4.5</td>
<td>4.5</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1.1</td>
<td>1.1</td>
<td>1.2</td>
<td>1.2</td>
<td>1.1</td>
<td>1.1</td>
<td>3.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Turkey</td>
<td>-</td>
<td>3.7</td>
<td>-</td>
<td>2.6</td>
<td>-</td>
<td>4.9</td>
<td>1.6</td>
<td>2.4</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0.6</td>
<td>0.7</td>
<td>0.9</td>
<td>1.1</td>
<td>0.3</td>
<td>0.4</td>
<td>2.9</td>
<td>2.9</td>
</tr>
<tr>
<td>United States</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.3</td>
<td>0.3</td>
<td>2.9</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Source: Boeri, T. & van Ours, J. 2009, The Economics of Imperfect Labor Markets
Need to revise OECD indicators for Greece?

- Taking small-firm exemptions into account produces large variations in countries where employment protection rules are very different
  a) for large and small firms (e.g. Germany, Korea, Belgium)
  
  b) where small firms comprise a large proportion of total employment (e.g. Hungary, Mexico, Turkey).

- In Greece both factors apply. Need to examine what the difference between the original and a revised indicator for the country.

Need to Disaggregate EPL Assessment.

Employment and IR regulation in Greece evolves through 4 diverging sub-systems:

- Large private sector companies.
- Public sector utilities & ex-public sector utilities.
- SMEs.
- Public administration and civil service.

EPL varies within countries depending on firms’ and worker’s characteristics: firm size, existence of collective agreement, tenure, skill, educational level, etc.

Source: Ioannou, Chr. 1997, Change and Continuity in Greek Industrial Relations, in Browne J. (ed), The Role of State in Industrial Relations, Dublin. & 2006, Why Modern Work Organisation is Missing from South European Public Policies? The Case of Greece, IJCLLR.
Greece: No change since 2003.

Greece: Why no change since 2003?

- Diverging OECD and EU (EcFin / EmSoc) recommendations to ease EPL?
- Are ‘qualitative’ indicators relevant?
- Do not know which direction to go?
- No need for EPL reforms?
- Lack of coherent policy making?
- The 2001 LM and Pensions reform experience?
The EPL and U insurance trade-off.

- Protection against the risk of unemployment a key characteristic of modern welfare states.

- Cross country evidence that there is a trade-off between UB and EPL.

- Countries have a relatively stringent EPL and relatively low unemployment benefit levels, or vice versa (Buti et al. 1998, Boeri et al. 2004).
# UB in Greece: Low Level and Low Coverage.

**Table 11.2. Adjusting the OECD generosity measure to UB coverage**

<table>
<thead>
<tr>
<th>Country</th>
<th>Unadjusted OECD generosity measure (a)</th>
<th>Coverage of UBs (b)</th>
<th>Adjusted (a) * (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>0.8</td>
<td>31.5</td>
<td>25.8</td>
</tr>
<tr>
<td>Belgium</td>
<td>0.8</td>
<td>38.5</td>
<td>31.5</td>
</tr>
<tr>
<td>Denmark</td>
<td>0.9</td>
<td>50.9</td>
<td>43.3</td>
</tr>
<tr>
<td>Finland</td>
<td>0.8</td>
<td>34.8</td>
<td>28.5</td>
</tr>
<tr>
<td>France</td>
<td>0.7</td>
<td>43.5</td>
<td>32.0</td>
</tr>
<tr>
<td>Germany</td>
<td>0.8</td>
<td>29.6</td>
<td>24.7</td>
</tr>
<tr>
<td>Greece</td>
<td>0.4</td>
<td>13.0</td>
<td>4.9</td>
</tr>
<tr>
<td>Ireland</td>
<td>0.6</td>
<td>25.8</td>
<td>22.8</td>
</tr>
<tr>
<td>Italy</td>
<td>0.2</td>
<td>34.1</td>
<td>6.1</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0.5</td>
<td>52.9</td>
<td>28.6</td>
</tr>
<tr>
<td>Portugal</td>
<td>0.4</td>
<td>41.2</td>
<td>16.2</td>
</tr>
<tr>
<td>Spain</td>
<td>0.5</td>
<td>36.5</td>
<td>17.3</td>
</tr>
</tbody>
</table>

Boeri, T. & van Ours, J. 2008, *The Economics of Imperfect Labor Markets*
Adapting Neugart on where Greece locates on EPL – UB trade-off.

- Voters not attached to the (more or less regulated) LM(s) but live in households that provide income transfers have a relatively stronger preference for EPL versus UB.

- EPL makes job of the household member, that provides the transfers, more secure (and passes the cost of flexibility to the employer), while UB are financed via taxes that reduce the net income of the household.

- Greece: A relatively stringent EPL is the outcome of low taxation / spending on UB, lack of efficient PLMPs & ALMPs, compensation payable linked to reinstatement if dismissal found unfair.

EPL and Labour Relations at the Workplace.

National Level:
- Adversarial IRs till the early 1990s.
- ‘Social Dialogue’ practices and institutions since mid-1990s.

Workplace Level:
- Despite ‘Social Dialogue’ the plant (and individual) level ERs remain mostly adversarial, with ‘islands’ of microcorporatism.
- Dismissals, working time, overtime regulation, part-time, fixed-term contracts, agency work, ‘contest in law’ terrains.
‘Vicious circle’ of EPL and Adversarial Workplace ERs.

Indicators
- Strikes, though with much lower propensity.
- Legal disputes to courts, delays ... (the role of the legal formalism of a ‘French-German’ origin regulatory framework).
- Weak enforcement of existing, fragmented, uncodified EPL. Further Juridification of ER.

Adversarial dynamics in workplace ERs explain the ‘emptiness’ of worker participation (mainly EU-related) institutions (information, consultation, works councils).
EPL in the current Crisis: 3 Case Studies.

Does EPL restricts firms’ ability to respond quickly to changes in consumer demand?

- Three companies: all 3 with -30% in sales demand.

- Varying modes of adjustment.
  - A. -50 jobs: VRs.
  - B. 4 day work week for 3 – 6 months. Few redundancies.
  - C. -60 jobs: 2% per month dismissals, end of fix-terms.
"The Danish "Flexicurity Model""

(Kongshøj Madsen et al.)

The main axis of the flexicurity model

Flexible labour market

Generous welfare schemes

Active LMP

The qualification effect of the LMP

Motivational effect of LMP
Is a Greek Flexicurity Pathway Feasible?

After the 2008 Interim Flexicurity Report.
- Need to create the flexicurity path.
- Need to break with Historical and Political Processes.
- Importance of Macro-economic Environment.
- ALMPs + Flexible Employment Relationship + Social Protection System.
Our ‘Interpretation’ of Flexicurity.

Decreasing LM fragmentation.

Increasing LM mobility (job and workers flows, functional, occupational and geographical mobility, flexible working time arrangements) with guarantees on new jobs and not substantial loses in income level.
In search of a Greek flexicurity ‘pathway’.

- Protection from the ‘Abyss’: UB to 70% of National MW.
- Escape from the ‘Labyrinth’: Labour Law Codification - Pre-Court ADR.
- Improve ALMPs.
- Phase-in reforms: e.g. transforming severance pay legislation into a system of individual accounts, as in Austria.
How to Escape from the ‘Labyrinth’.

- As workplace-based dispute resolution procedures are missing, need to introduce Mediation before (as a precondition to) Labour courts.
- Now parties can request the Labour Inspectorate to mediate the dispute at no cost. Doesn’t work.
- Independent Mediation as Pre-court dispute resolution to resolve (dismissal) disputes before they reach court.
- Stop the further juridification of ER.
Past Policy Failures

- The 2001 LM reform: restrictions to extended use of overtime, by making overtime more expensive.
- Did not work. ‘Insiders’ increased their overtime premium. Reform reversed in 2005.
- Weak workplace influence of peak employers and unions organisations.
- Juridification of ER & informal deregulation of LM (linked to 15-20% LF immigrant labour since 1990s).
Issues for further research.

- What reform of EPL through wage formation systems?

- Pro–competition regulatory stance for Product Markets and LM reforms.

- Why social partners in National General Collective Agreement (EGSSE) move, for years now, in the opposite direction of the OECD (2007) recommendation that ‘severance payments for white collar workers should be reduced and brought into line with those for blue collar workers’?

- LM duality / segmentation, youth (un)employment, ‘Dekembriana’ and the OECD 2007 recommendation that ‘given the high rate of youth unemployment combined with the difficulties in entering the LM, EPL on temporary employment should be reduced further’.
The 2008 ‘Interim’ Flexicurity Report

ΕΚΘΕΣΗ ΕΠΙΣΤΗΜΟΝΙΚΗΣ ΕΠΙΤΡΟΠΗΣ ΓΙΑ ΤΟΝ ΕΚΣΥΓΧΡΟΝΙΣΜΟ ΤΗΣ ΕΡΓΑΤΙΚΗΣ ΝΟΜΟΘΕΣΙΑΣ & ΤΗΝ ΣΥΖΕΥΞΗ ΕΥΕΛΙΞΙΑΣ ΚΑΙ ΑΣΦΑΛΕΙΑΣ, 2008.

Interim Report (Green Paper) of the Experts Committee on the Modernisation of Greek labour law and the policy mix of flexibility and security in the Greek labour market, Jan.2008 [full-text, 274 pages]

Available in Greek at
http://christoaioannou.blogspot.com/
http://hellasflexicurity.blogspot.com/
Conclusions

- An open issue for policy making.
- Are summary pictures (e.g. Doing Business) correct?
- An alternative view: Disaggregate.
- Policy proposals in the making. Greek Flexicurity Path?
- Issues for further research.