Labour market flexibility in Central Greece: Findings from Workplace Employment Relations Survey
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Abstract:
This paper investigates flexible contracts in the Greek labour market. This issue is very controversial in Greece if the high unemployment during the last years is taken into consideration. The main query is whether the Greek labour market is flexible enough according to international standards.
A questionnaire, based on The Workplace Employee Relations Survey (WERS) by the UK was constructed to explore numerical flexibility in the workplace. Adjustments made by academic and research team, from Higher Education Institutions of Greece and UK, and adapt it to Greek standards. Quantitative research methods were used to analyze data from employees in part-time, temporary time, fixed-term, seasonal and agency contracts. In addition, subcontractors, family members, home workers, and subsidized employees provide exceptional information for regression analysis with the above data. Furthermore, information is provided on overtime employment, working time arrangements and the reduction of employees as well as the reasons and methods used for this reduction.
Empirical data were collected in 2006 through the “Archimedes” European funded project. Personal interviews were conducted at 226 businesses in central Greece. Business data came from four Chambers of Commerce and Industry at which all entrepreneurs and businesses are obliged to be registered. To have a representative sample, a proportional stratified sampling dealing with the (a) geographical position and (b) main activity into which the companies are divided was chosen from the total.
Findings can be used for recommendation policies of employment strategies in Greece and other European countries but also for comparative analysis with other countries having used the WERS or similar questionnaires.
Results presented indicate the current situation of flexible forms of employment in central Greece. Subcontracting and temporary time contracts seem considerably stronger than part-time and short-time contracts respectively. Also, the high participation of family members in Greek businesses (especially in micro-enterprises) inflates informal employment. Strong points of the paper are that: (1) it considers all categories of enterprises; micro, small and medium (2) new factors in flexible contracts (family members, subcontracting and trainees) are studied.
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1. **INTRODUCTION**

Labour markets have been going through dramatic changes over the past two decades. Low rates of economic growth, as a result of the recession in European Union (EU) countries in the first half of the nineties, have brought about changes in the management of production and the role of employment (Rompolis-Chletsos, 1995). Generally, the problem of unemployment has been at the centre of discussions for many years within Europe and elsewhere. Despite its decrease in Europe in the previous years, unemployment is still considered - especially in nowadays cause of the financial crisis - not only an economic but also a major social issue in the EU. Flexibility is now considered the key element in the organisation and greater labour flexibility, in particular, has became of vital importance to firms.

In Greece, 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. During the 1980s and early 1990s, the performance of the Greek labour market deteriorated sharply (Demekas et al, 1996). The unemployment rate increased to an average of 8 percent in the 1980s and close to 10 percent in the 1990s (Bank of Greece, 1998). This development reflected fundamental changes in the supply and demand for labour.

Recently, according to the OECD (2001) performance has been poor and labour market rigidities still need to be tackled. Even though a new package of labour market reforms was introduced in 2004, further reforms will be necessary (OECD, 2005). The standardized unemployment rate has fallen from 12 percent of the labour force in 1999 to around 9 percent in 2006, but still remains among the highest in OECD (OECD 2007). Moreover, the Greek labour market is still characterized by low employment and participation rates, and a high level of unemployment, particularly among youth and women.

One of the main characteristics of the Greek labour market is the large proportion of State employment since it is considered the largest employer (Demekas et al, 1997 & Papapetrou E., 2006). It has the biggest public sector, broadly defined in percentage employment terms, among members of the OECD (Pirounakis N., 1997). This is perhaps the root problem of the modern Greek economy with government employees enjoying constitutionally-guaranteed life employment, much more lax conditions, and a generous pension system, including favorable early retirement provisions (IMF, 1999). In the last decade however, employment policy has changed. This has resulted in a reduction of hiring in public administration positions as well as an increase in unemployment (Nikolaou N., 2000). A large number of newly hired employees in the public sector lately come from temporary contracts (fixed-term contracts or subcontracting) which keep stable the share of total temporary jobs in total employment.
2. The Labour Flexibility feature

It is evident that flexible working methods are a permanent feature of the modern employment market (Field, 1996). Since the early 1980s it has been at the centre of the European debate and labour market flexibility has interested scholars in economics, industrial relations as well as policy makers. The creation of a single European market as well as the increasing globalisation of markets have forced companies to be able to keep up with all modern management and human resource management trends, such as labour market flexibility, so that they can compete effectively in the constant changing business environment.

Trying to define the labour market flexibility we focus on the most famous distinction of labour market flexibility is given by Atkinson. (Atkinson 1984; Atkinson and Meager 1986). However, at the firm level, many diverse classifications have been identified during all these years: we conclude to the following types. Thus, there are three principal means of securing flexibility:

(1) Numerical flexibility defined the process which the employer - based on the changes in the demand for their products/services - react respectively by adjusting the number of employees. It may be achieved using working arrangements such as part-time, short-time, temporary time (fixed-term contracts, seasonal, etc), outsourcing, homework, telework etc (Michie, 2001)

(2) Functional flexibility can be defined as “the ability of companies to improve their operating efficiency by reorganising the methods of production and labour content (multiskilling, decreases in job demarcations, increased employee involvement) in order to keep pace with changing [demand conditions or] technological needs” (Koshiro, 1992 & Monastiriotis, 2003)

(3) Wage flexibility is achieved where wage levels are not decided collectively and there are more differences between the wages of workers (Chung, 2006).

Generally, this issue, of flexible employment has been the cause of public debate in most countries (Voudouris, 2004). Atypical or non-standard forms of employment is realised as 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 the traditional 9-5 full time work with a permanent contract (Avramidou, 2001). The use of flexible forms of employment (part-time, shift work, temporary work, fixed term work, sub-contracting, seasonal work, tele-working, home working, and subsidized employment) is one of the main recent underlying employment trends in European Union (EU) countries.

The majority of job openings in 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. Labour market adjustment and employment issues are at the top of the European social policy agenda (Mihail, 2003).

Employment has been written into the Amsterdam Treaty, in the employment and social chapter. It commits the Member States to take coordinated action in promoting policies for the creation of employment (Mihail, 2003). All Member States are therefore working towards the model set by the EU, with Greece trying to combat unemployment (which is high and growing) and solve other employment issues, via the use of flexible forms of employment. Other than combating unemployment on a national level, companies have their own reasons for adopting atypical methods of employment, with the main one being reaching excellence in the workplace. This is translated as: improved recruitment and retention; reducing absenteeism; reducing costs; extending hours of operation; and improving customer service.

Therefore, any request for flexible work should be seen not primarily as an obstacle to overcome, but an opportunity to re-evaluate and improve the way work is organized. At the same time, new communication technologies are offering a range of flexible working methods such as hot-desking, tele-working and back-office relocations (Field, 1996). The aim of non-standard forms of employment is to recruit only the required number of staff in the required capacities at any point in the business’ life (Kelliher, 1989).

The purpose of the research in this paper is to study the types of flexible employment. What is the legal framework of Greek labour market: is this regulated? What is the reality of employment in Greek businesses? Can these forms of employment find ways to increase the employment rates and expand businesses in Greece? Can businesses use these “atypical” employment forms without prevention of the labour law?

These questions are of main importance for Greek enterprises taking into consideration that international organizations such as OECD, IMF and other Greek organizations (Bank of Greece, Alpha Bank) argue with some other organizations (Institute of Employment of General Confederation of Greek Labour) and many academics about the labour flexibility in Greek enterprises.

Similar studies on employment and labour flexibility have taken place in Greece and abroad. Previous research in Greece has investigated small and medium enterprises. In addition, studies on flexible working practices are limited and remain primarily descriptive according to the following academics (Papalexandris, 1997; Kufidu and Michail, 1999; Michail, 2003; Voudouris, 2004). Some of the above investigations refer only to part-time and temporary contracts; others examined only the use of independent contractors and subcontractors as forms of flexible employment. The strong point of our research is that we addressed micro-enterprises as well as small and medium enterprises taking into consideration “new” types of flexible employment such as family workers and subsidized employees.

3. **REGULATION ON FLEXIBLE FORMS OF EMPLOYMENT**

The Greek employment protection legislation was drafted principally with permanent, full-time employees in mind (Michail, 2003). 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 (Gravoglou S. and Kikilias E., 2001).

Furthermore, additional laws on labour relations and regulations try to provide better
protection of atypical workers, while at the same time attempt to record the size of
atypical employment. More analytical information about non-standard forms of
employment is provided below:

**Part-Time Employment**

Part-time work is the employment in which the daily or weekly working hours are shorter
than those of standard or full-time employment, accompanied by correspondingly
reduced pay. The application of part-time employment could be possible in Greece based
on the fundamental principle of freedom to conclude a contract (article 361, Civil Code).

Under the law (1892/1990, Article 38) this type of employment requires an individual
agreement between employee and employer, which may be concluded at the
commencement of the employment relationship or during its existence, and must be in
writing. Two other additional laws 2639/1998 and 2874/2000 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.

Short-time employment is a category of part-time work is the where the contract of
employment remains unchanged and the nature of the reduction may be characterized by
the alternation of periods worked (hours, days, weeks, etc.) and periods not worked
(EMIRE)

The part-time employment rate in Greece has followed a different path than in the rest of
the EU countries. The most important differences evident are the low average earnings,
the high employers/employee social insurance contributions, the extent and attitude
towards the informal economy and immigrant labour. Thus, while part-time employment
as a proportion of total employment in the EU-15 has been increasing during the last
twenty years, reaching 16.6 percent of total employment, in Greece it has stagnated at
about 5.5 percent (OECD 2004).

In addition the female share in part-time employment is 78.5 percent for women in EU-
15 and almost 68 percent for women in Greece. It is obvious that Greece is still amongst
the member states with the lowest percentage of part-time workers - almost entirely due
to the general lack of interest in it expressed by both employers and employees. It is also
very important to mention that according to 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.

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, etc).

**Temporary Employment**

Temporary employment is the most “popular” form of employment in Greece and
represents 10.9 per cent of the total workforce in Greece (EIRO, 2007) However, there is
a lack of definition of temporary employment while the institutional framework in which this operates is not clearly defined. According to OECD (2002) the distinction between temporary and permanent jobs is complex and differs significantly between countries. This may be the reason why Greece doesn’t 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.

This type of employment can be separated into three categories:

**Fixed-term contracts** are the most common form of temporary employment. A series of clauses in Chapter 180, Articles 648-680 of the Civil Code and also law 2112/1920 and law 2639/98 define the fixed-term labour agreements. What is characteristic of this contract is that the termination of this kind of job is determined by objective conditions. The EU directive 70/1999 has been adopted by the presidential decree of the Greek government in April 2003. According to this, the longest duration of the continuing contracts is two years. In any other case (over two year’s duration) the fixed-term contract is transformed into an indeterminate duration contract.

**Seasonal work** differs from fixed-term contracts only by the seasonal activity of the company in specific durations of the year. Seasonal employment has high proportions in the tourism industry (restaurants and hotels) and in the food processing industry as well as in the public sector trying to cover the seasonal needs of workforce.

**Temporary Agency Work (TAW)** is the third category of temporary employment in Greece. The state passed a new law (2956/2001) on employment services, which includes the operation of temporary employment agencies. Temporary employment via a third party means work provided to another employer (the indirect employer), for a limited period of time, by employees associated with their employer (the direct employer) under a contract or a relationship of subordination for a fixed or indeterminate period. (EIRO, 2001). For the first time the new legislation lays down specific rules on the establishment, operation and obligations of agencies (Soumeli 6 E., 2001). Thus, as a result, the Manpower Employment Organization (OAED) loses its monopoly on job brokerage.

**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. The management and the application of these subsidised employment schemes come from the Manpower Employment Organization (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). The wage subsidies as a category of subsidised employment -which is investigated in this study- was initially applied in 1982 in Greece under a programme called Subsidies of the New Posts (EU, 2004) while in 1998 a new measure of employment has introduced called Stage (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, Manpower Employment Organization offers wage subsidies under trainee schemes for the work placement or internship of students of technical high schools or tertiary education institutes.

Evaluations of the above two active labour market policies have been conducted from research or academic organisations as well as public or quasi public organisations. The latter conclusions of the evaluations are mixed. PAEP (OAED’s own affiliated research institute) has negative results for the New Posts programme and a reshaping is recommended for the Stage programme involving greater control by Manpower Employment Organization (OAED). Another research institute (KEPE) finds that the employment subsidy programme is effective in restricting unemployment and generating gains (mostly income support for unemployed workers) (Karantinos, 2006).

“Family” Employment

Family workers are mostly found in micro-enterprises. These are mainly family-owned businesses with individual legal status. Taking into consideration that 96.1 percent of enterprises in Greece have less than 4 employees and 2 percent of them have between 5 and 9 employees it is very clear why micro-enterprises account for 63 percent of total employment in Greece (Kikilias, 2005). Parents, siblings and extended family-members work in family businesses (Sardeshmuck, 2006). The main question arising is how many of them are legally paid or not?

According to the European Employment Observatory Review (2004) undeclared work is bound to be higher in activities with a high incidence of family workers (who represent 8.6 percent of the total workforce or 351,600 persons) and the self-employed (who represent 24 percent of the total or 1 million persons). The majority of family workers are females (Vaiou, 2001) who are registered by the National Statistical Services of Greece as housewives but contribute as illegal workers to the survival of micro-enterprises in Greece. Furthermore, the workplace in these businesses is considered as a kind of extension of the family relationship (Vaiou, 2001). However, these kinds of family members have no rights to a pension scheme and no labour taxes have been paid to the Social Security Office. This is definitely a part of the underground economy, which according to International Monetary Fund (IMF, 1999) results in a 27.2 percent. Finally, it is evident that Labour Organisations, such as the Labour Inspectorate and Social Security Office that are responsible for the application and enforcement of labour meet many difficulties in controlling the undeclared work.

5. METHODOLOGY AND DATASET

This focuses on the methodology and the dataset of our study. Its aim is to discover what the current situation of flexible employment in Greece is. Data collection is defined as the source that will be chosen, the construction of the questionnaire (the methodological tool which will be adopted or created), the sample of businesses –which sampling analysis
will be followed, the interviews taken place, any obstacles presented and finally the preliminary results of this research.

The Sample
A very important issue arising in this study was the selection of businesses for our sample. In order to have an overall picture of businesses in the Thessaly region, enterprises from all economic sectors were examined. The Chamber of Commerce and Industry was selected as the source of our data. All companies engaged in 9 “commercial activities” are obliged by law to register at the Chambers of Commerce and Industry at the capitals of Prefectures which are defined as Public Sector Entities. After having access to the Thessalian businesses directories the sample to be interviewed was selected. In order to have a representative sample of businesses, a proportional stratified sampling was chosen. The sample was chosen from the total number of businesses of the databases and its stratification deals with the economic fields into which the companies are divided.

The Questionnaire
The next stage was the construction of the questionnaire which was based on The Workplace Employee Relations Survey (WERS) by the UK and is also used in other countries. However, a team of the academic and research staff of Higher Education Institutes: the TEI of Larissa, Greece and the University of Birmingham, Britain made some amendments.

It was very important to take into consideration that Greece has a large number of micro-enterprises, most of them family businesses, and the reaction on employment regulations would be different than in Britain or other countries which use the same methodological tool. Thus, some suggestions could improve the effectiveness of the questionnaire and consequently the results and the analysis of the data collected. Modifications were made on questions to the WERS questionnaire to make it more suitable or adaptable to Greek standards.

The Interviews
Fieldwork was conducted between August 2006 and February 2007 in 4 prefectures of Thessaly, Central Greece through in-depth and face to face interviews with the owner/manager/accountant of the workplace. Two hundred and twenty six workplaces out of thirty hundred and thirty seven ones provided complete answers to the questionnaire, giving an effective response rate of sixty seven per cent. Furthermore twenty six enterprises had one employee and it has been excluded from our sample.

Each interviewee asked a standard “core” range of questions with follow-up questions where appropriate. Questions with the five point Likert scale from “strongly agree” to “strongly disagree” were included. Both “hard” (figures) and “soft” (opinions, attitudes) data were collected with 246 variables. A structured protocol was used to collect quantitative information along the following interrelated dimensions of employment in micro-enterprises: (a) full-time males & females, (b) flexible contracts (especially

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1 All firms in the survey belong to the private sector.
temporary time as well as part-time, short time, etc) (c) family member employees & subsidized employees (d) labour legislation and new hiring (e) gender labour issues

6. PRELIMINARY FINDINGS & DESCRIPTIVE STATISTICS

The main aim of the present research was to investigate the current situation of flexible employment in Thessaly, Greece. Two hundred and six (206) Greek workplaces replied to the questionnaire studying what labour flexibility is for employers. Preliminary findings are presented below:

Usually surveys with number of employees are categorized in small-medium-large scales firms. However, in our case, almost all firms belong to the small medium enterprises (according to EU standards\(^2\)). Adopting the categorization of firm size\(^3\), the sample provides data from totally 206 workplaces (table 1), where 126 workplaces in “strict” micro enterprises (56 firms with 2-4 employees and 70 firms with 5-10 employees), 34 workplaces in small-sized firms (11-19), 37 workplaces in medium-sized firms (20-49), 9 workplaces in large scaled firms (50 or more employees). 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.

Table 1 and Figure 1 are also containing information about the identity of Greek businesses surveyed as well as the number of employees per economic activity. This survey developed a sample of almost three thousand five hundred (3519) employed people. Less than half of the labour force (forty seven percent) work full-time under permanent basis. Furthermore, businesses with more than 11 employees present much higher rates than those of micro enterprises (less than ten employees). It is indicated that the majority of the workforce (seventy percent) in larger workplaces is dealing with regular employment. On the other hand, micro-enterprises indicate that less than half of their personnel have an employment contract in regular basis (9-5 full time work with permanent contract). As far as for flexible contracts temporary employment seems the other 11 percent are part-time workers, almost 37 percent of the personnel of our survey work with flexible contracts. The most important factor that should be considered in the mapping out of a policy for the Greek labour market is the size of a company.

A further aspect of Table 1 is the glimpse it provides of another important Greek institution, the family firm. In fact, our questionnaire did not have a precise question on family ownership, only asking if “family members” are regularly employed. 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 tax in order to speed the process – OECD, 2001, 33). As can be seen, the employing of

\(^2\) European Classification of SMEs (1-249 persons employed); (a) micro enterprises (1-9 persons employed); (b) small enterprises (10-49 persons employed); (c)medium-sized enterprises (50-249 persons employed) and large enterprises defined those with 250 or more persons employed. http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/index_en.htm

\(^3\) Since the majority of our businesses survey belong to micro-enterprises we "categorize"
family members is common in all workplaces, only falling off in the very largest, 100+, category.

Table 2 gives details of the Thessaly’s industry composition as implied by the survey, together with a comparison of small workplaces in the WERS. As can be seen, only about nine percent of Thessaly’s workplaces are categorised as manufacturing. It is obvious that the highest percentage of the workforce is occupied in the tertiary sector, in two basic economic sectors: (a) wholesale and retail trade and (b) hotels and restaurants.

In figure 2 we classify these flexible contracts of employment. It is noted that one of the highest percentages comes from family workers with a high percentage of the total workforce especially in micro enterprises. In addition, the highest percentage of flexible form of employment comes from temporary employment, especially from males. These percentages of 11.7 of males and almost 4.0 of female participation are higher than the overall representation in Greece (almost 11 percent). The percentage of agency workers is almost zero showing that temporary employment agencies are a relatively recent phenomenon in Greece. The new legislation hasn’t been adopted in Greece except in some circumstances in Athens, the capital of Greece.

Both part-time and subsidized employment is relatively low in our survey and confirms the lack of use of these flexible forms on national level. Wage subsidies, provided by Public Employment Services (PESE), are used by few companies. Work placement for students from tertiary education as well as technical high schools is very limited and not noticeable.

6. RESULTS ON TEMPORARY EMPLOYMENT

Determinants of temporary worker hiring. We now consider the determinants of temporary work among our sample, since, as we have seen, this avenue of flexibility is almost the only one open to labour market participants. A word should be said about the dependent variable, which measures the percentage of the workplace’s workforce covered by fixed-term, subsidised and agency-work contracts. A problem is that many firms do not employ temps of any variety in both samples. To circumvent this censoring problem, the estimation is carried out by means of a Tobit procedure. A less demanding method which we use is to construct a dummy for whether an organisation employs any temps or not, and use a probit method.

Our hypothesis is that temporary work is resorted to when regulatory constraints concerning wage and working conditions floors bite, other things being equal. The legal aspect is analysed informally in Mihail (2003, 484), who 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 the proportion of low-wage workers, which should be positively linked to temp employment if firms feel the minimum wage is high. A further variable is coverage by collective agreements, which
should also have a positive link. Under the heading of working conditions floors we have two variables. First, whether the management has taken legal employment relations advice. We predict a positive sign here, on the argument that taking legal advice is a necessary prerequisite for clearing the way for drawing up and/or renewing temp contracts. A second variable is the manager’s opinion of the Labour Inspectorate (LI), specifically whether he/she considers the LI an obstacle for employing temps, which should drive down the demand for temps, and hence enter negatively in the equation.

Our estimating equation is as follows:

\[ \text{temp} = \alpha + \text{legal}_j \beta + \text{controls}_k \gamma + \varepsilon \]

where \( \text{temp} \) is the measure of temporary worker employment, either the percentage employed, or simply whether or not the firm employs temps; \text{legal} is a vector of four legal variables, two relating to wage floors, and two to working conditions as discussed above; \text{controls} is a vector of controls which we discuss next; \( \varepsilon \) is the error term.

Turning to the controls, here we will follow mainly Voudouris (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. Our variables under this heading will include an industry dummy for retailing/services, a sector which faces large changes both annually and weekly, changes which must be hard to cater for without part timers (in one large UK retailer, part-timers working under 5 hours a week form 17% of the workforce – Siebert et al, 2006). 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. Employment of seasonal workers also indicates demand variability, as might past redundancies. Hence we include both these controls as well.

- Controls for the specific training requirements of the job. The payoff to specific training of temps is low, so high training requirements should mean fewer temps. 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. Thus high proportions of young, old and part-time workers should all link positively to temp worker use. Low paid workers are also likely to have less training, so the proportion low-paid should link 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 – high commitment presumably going with fewer temps.
- 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. Of course, when the dependent variable is simply whether or not the workplace employs temps, we will need a firm size variable on the RHS simply to allow for the fact that bigger workplaces are bound to employ more of every type of worker, including temps.
- A final control we add is whether the firm has increased temp, 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 should reasonably be held constant.

Table 3 gives the means and standard deviations of the variables for the TERS. The main difference is that the percentage of temps is 13% on average over the TERS sample. The other notable differences between the two countries are in part-timers, as we have already seen, in the proportions of young and old workers, and finally, in the percentage of minimum workers which is much higher in Thessaly.

Let us turn finally to the results, which are given in Table 4. Going down the rows in turn, we see no effect for non-routine sub-contracting, though it has the correct sign for the TERS. The retail/service variable is strongly negative. This result goes against the idea that the turbulence in retailing/service calls for temp workers. Of course, this idea has less force in the UK, where part-timers can and do absorb the turbulence. The result indicates that other industries such as manufacturing and construction use temps more, which can perhaps be explained in terms of the need to keep capital from being idle in these capital-intensive industries. At least the seasonal worker variable is strongly positive for the TERS, which makes sense. Any redundancies, our other buffer variable, is insignificant.

Part-timers have significant, opposite, signs in the two equations. In Thessaly it might be that part-timers are an alternative form of flexibility to temp workers. In other words, 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 percent old worker variable is strongly negative. This sign squares with the argument that older workers signal an environment where know-how is important. The percent young worker variable, for its part, is insignificant in both equations.

We now turn to the important wage floor variables, coverage by the minimum wage, and by collective agreement. The variables are both significant but have opposite signs. The positive sign of the minimum wage variable fits with the argument that if firms feel pressured by a high minimum, they will employ on a more temporary basis. However, the collective bargaining variable does not. A possible explanation is that where many workers are covered by the minimum, the manager regards the sectoral wage agreement
as unimportant (the two variables are negatively correlated). On this view, high collective bargaining coverage indicates a rich firm, which is not driven to employ temps.

Finally, there are the two variables relating to legal consultations. The first, consulting with a lawyer over ER matters in the past two year, has a strong positive coefficient. We interpret this to mean that the management is “clearing the way” for temp workers. The second variable is whether the manager considers the LI an obstacle to gaining temporary worker permissions. While this variable has the correct negative sign, it is not significant. However, the coefficient on the legal advice variable is large, and can be taken to signal the importance of the law for the firms in Thessaly. This view gains additional support from the fact that the parallel UK variable, consultation over ER matters with ACAS, has no significance whatever.

7. CONCLUSIONS

We have mentioned that the Greek labour market is performing badly, more specifically, being third last in the OECD both for its high proportion of long-term unemployment (over 50%), and for its high youth unemployment (over 40%). 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. The purpose of this paper is to go to the micro level, using a mini-WERS (by the UK) constructed for Greek conditions (the TERS), and to show with greater precision how the legal constraints might affect firm decisions. We focus on temporary employment, both because this type of employment is the almost the only source of flexibility open, and because it is the avenue into work most likely to be available to the “outsiders” such as the young and the long-term unemployed. Our basic hypothesis is that firms resort to temporary work when they feel constrained by the law. Temporary work is thus a form 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. 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 large coefficient on the legal advice for employment relations variable. We take this result to signal that where firms feel constrained by employment relations laws, they are more likely to adopt flexible forms of employment which provide an escape route.

Underlying Greek labour market performance there are other variables on which we have not touched such as high taxes, and the proportional representation type of electoral system, whose consensual nature makes it reform difficult – and which gives the established corporatist actors such as the public sector unions great power. Our results apply only to a small part of the big picture, but they do suggest that labour law matters, and it has an adverse effect on the have-nots.


Soumeli, E. (2001). ‘*New law regulates temporary agency work.*’ European Industrial Relations Observatory


Figures & Tables

**Figure 1:** Employment Distribution of the Survey by Workplace Survey

![Bar chart showing employment distribution by workplace size.](chart1.png)

- 67% for 2-4 employees
- 30% for 5-9 employees

Base: All workplaces with 2 or more employees.
Figures are weighted and based on responses from 206 firms.

**Figure 2:**

**Distribution by Employment Type**

- **Workplaces with more than 11 employees**
  - Full-time: 68%
  - Part-time: 13%
  - Temp-time: 12%
  - Short-time: 1.6%
  - Family empl.: 5.6%

- **Workplaces with less than 10 employees**
  - Full-time: 48%
  - Part-time: 7.1%
  - Temp-time: 6%
  - Short-time: 3.2%
  - Family empl.: 38%

Graphs by vsmall

Base: All workplaces with 2 or more employees.
Figures are weighted and based on responses from 206 firms.
Table 1: Distribution of the Survey Sample by Workplace Size and Family Interest

<table>
<thead>
<tr>
<th>How many employees are there in this workplace?</th>
<th>Weighted base* (%)</th>
<th>Sample (%)</th>
<th>Employs family members</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>2-4</td>
<td>39</td>
<td>61</td>
<td></td>
</tr>
<tr>
<td>5-10</td>
<td>33</td>
<td>67</td>
<td></td>
</tr>
<tr>
<td>11-19</td>
<td>56</td>
<td>44</td>
<td></td>
</tr>
<tr>
<td>20-49</td>
<td>62</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>50-99</td>
<td>33</td>
<td>67</td>
<td></td>
</tr>
<tr>
<td>100+</td>
<td>67</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>37</td>
<td>62</td>
<td></td>
</tr>
</tbody>
</table>

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

Table 2: Industry & SME Composition

<table>
<thead>
<tr>
<th>Industry Category</th>
<th>Thessaly Employment Relations Survey</th>
<th>SME Composition *</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weighted percentages*</td>
<td>Sample Number (**)</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>9 %</td>
<td>21 (975)</td>
</tr>
<tr>
<td>Construction</td>
<td>6</td>
<td>17 (411)</td>
</tr>
<tr>
<td>Wholesale &amp; retail</td>
<td>50</td>
<td>81 (203)</td>
</tr>
<tr>
<td>Hotels &amp; restaurants</td>
<td>20</td>
<td>42 (461)</td>
</tr>
<tr>
<td>Transport &amp; communication</td>
<td>2</td>
<td>4 (35)</td>
</tr>
<tr>
<td>Financial &amp; other business services</td>
<td>3</td>
<td>7 (183)</td>
</tr>
<tr>
<td>Education &amp; health</td>
<td>1</td>
<td>15 (401)</td>
</tr>
<tr>
<td>Other services</td>
<td>10</td>
<td>16 (250)</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>203 (3519)</td>
</tr>
</tbody>
</table>

Notes: * Survey weights have been used to calculate all percentages. ** The number of employees is given in parentheses.
Table 3: Means and Standard Deviations for Variables used in the Regression Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Thessaly – TERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of workers temporary including fixed term contract and</td>
<td>.13</td>
</tr>
<tr>
<td>agency workers</td>
<td>(.27)</td>
</tr>
<tr>
<td>any non-routine subcontracting</td>
<td>.32</td>
</tr>
<tr>
<td>retail/service</td>
<td>(.49)</td>
</tr>
<tr>
<td>any redundancies</td>
<td>.69</td>
</tr>
<tr>
<td>any seasonal workers</td>
<td>(.46)</td>
</tr>
<tr>
<td>any part-time workers</td>
<td>.22</td>
</tr>
<tr>
<td>any redundancies</td>
<td>(.41)</td>
</tr>
<tr>
<td>percent old workers, &gt;51</td>
<td>.10</td>
</tr>
<tr>
<td>(coverage of minimum wage)</td>
<td>(.30)</td>
</tr>
<tr>
<td>percent old workers, &gt;51</td>
<td>.26</td>
</tr>
<tr>
<td>percent young workers, &lt;21</td>
<td>(.13)</td>
</tr>
<tr>
<td>percent young workers, &lt;21</td>
<td>.10</td>
</tr>
<tr>
<td>percent young workers, &lt;21</td>
<td>(.22)</td>
</tr>
<tr>
<td>percent young workers, &lt;21</td>
<td>.10</td>
</tr>
<tr>
<td>percent young workers, &lt;21</td>
<td>(.22)</td>
</tr>
<tr>
<td>percent old workers, &gt;51</td>
<td>.03</td>
</tr>
<tr>
<td>(coverage of minimum wage)</td>
<td>(.14)</td>
</tr>
<tr>
<td>dummy =1 if firm has &gt;75% of workers on the minimum wage‡‡</td>
<td>.44</td>
</tr>
<tr>
<td>increase in temps/part-time/subcontract workers over past 5 yrs</td>
<td>(.49)</td>
</tr>
<tr>
<td>family owned</td>
<td>.13</td>
</tr>
<tr>
<td>taking ER advice (from lawyer or ACAS)‡ over past 2 years</td>
<td>(.33)</td>
</tr>
<tr>
<td>manager considers LI obstacle for temp workers</td>
<td>.60</td>
</tr>
<tr>
<td>manager considers workers committed</td>
<td>(.49)</td>
</tr>
<tr>
<td>manager considers workers committed</td>
<td>.27</td>
</tr>
<tr>
<td>manager considers workers committed</td>
<td>(.44)</td>
</tr>
<tr>
<td>manager considers workers committed</td>
<td>.22</td>
</tr>
<tr>
<td>manager considers workers committed</td>
<td>(.41)</td>
</tr>
<tr>
<td>manager considers workers committed</td>
<td>.74</td>
</tr>
<tr>
<td>manager considers workers committed</td>
<td>(.44)</td>
</tr>
</tbody>
</table>

**Notes:** Standard deviations are given in parentheses. All statistics are calculated using survey weights. ‡‡ Low wage means below minimum wage plus employer taxes (Eu11,000/yr) for Greece, and for the WERS means wage < £5/hour
Table 4: Determinants of Temporary Work

Depended variable: Percent of temporary workers including fixed-term contracts, agency, trainees and subsided workers

| Independent variable                                      | Thessaly TERS | Coefficient – t-value | P>|t | |
|-----------------------------------------------------------|---------------|-----------------------|-----|
| any non-routine subcontracting                            | .095 (1.14)   | 0.255                 |
| any family-employees                                      | .022 (0.26)   | 0.799                 |
| any redundancies                                          | -.127 (-1.19) | 0.237                 |
| any seasonal workers                                      | .753 (5.13****) | 0.000                 |
| any part-time workers                                     | -.156 (-1.61) | 0.109                 |
| percent old workers, >51                                 | -.848 (-2.60***) | 0.010                 |
| percent young workers, <21                               | .143 (0.41)   | 0.681                 |
| majority covered by national & sectoral wage agreement    | -.126 (-1.33) | 0.184                 |
| majority paid by minimum wages                           | .145 (1.83*)  | 0.070                 |
| any increase in subcontract or part-time workers over past 5 yrs | .0099 (0.08) | 0.933                 |
| any increase in subcontract or part-time workers over next 2 yrs | .105 (1.30) | 0.197                 |
| firm taking ER advice from acc and law in last 2 yrs     | .176 (2.12***) | 0.035                 |
| managers considers LI obstacle                           | -.153 (-1.35) | 0.179                 |
| managers considers workers committed                      | -.007 (-0.08) | 0.934                 |
| manufacture                                               | -.563 (-1.56) | 0.122                 |
| wholesale & retail                                        | -.593 (-1.74) | 0.085                 |
| hotel & restaurants                                       | -.789 (-2.22**) | 0.028               |
| transport                                                 | -.307 (0.73)  | 0.467                 |
| real estate                                               | -.312 (-0.80) | 0.427                 |
| education (private)                                       | .221 (0.61)   | 0.545                 |
| health (private)                                          | -.333 (-0.83) | 0.406                 |
| culture                                                   | -.596 (-1.60) | 0.112                 |
| construct                                                 | -.042 (-0.12) | 0.904                 |
| number workers employees                                  | .0002 (0.23)  | 0.820                 |
| Constant                                                  | .265 (0.72)   | 0.475                 |
| observations                                              | 200, 125 left-sensored at 0 |
| pseudo R²                                                 | .380          |                       |
| standard error                                            | .038          | 0.795                 |
| /sigma                                                    | .3851219      |                       |

**Notes:** Tobit regression is required here to allow for the fact that many workplaces have zero temp work. It is important to note that while taking advice on ER issues over the past 2 years has a significant positive link with using temp workers the link is much stronger in Thessaly. This link implies that firms in Thessaly using temp workers are more influenced by the law, as we would expect given the prescriptive Greek labour law framework.