

# Between a Rock and a Hard Place: Social Partners and Reforms in the Wage-Setting System in Greece under Austerity



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9 January 2018

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# Motivation and general context for the research



- Trajectories of **institutional change** in labour market regulation (Hall and Thelen, 2009; Baccaro & Howell, 2011; Avdagic and Crouch, 2015)
- An unprecedented **economic and social crisis in Greece** that prompted the de-regulation of labour market institutions (Koukiadaki & Kretsos, 2012; Kornelakis & Voskeritsian, 2014; Koukiadaki & Grimshaw, 2016; ILO Report, 2016)
- **Policy and Academic debates** regarding appropriate levels of labour market regulation (e.g. Blanchard et al, 2014; Baccaro and Rei, 2007; Howell, 2005; Heyes & Lewis, 2014; Braakmann and Brandl, 2016)

# Is there an empirical case for deregulation?



- Institutional and legislative regulation can lead to better outcomes in terms of employment levels and job quality
- Trade unions can also have a beneficial “voice” effect (Freeman and Medoff, 1984)
- International competitiveness is not first and foremost related to wage/price competitiveness (Fagerberg, 1988; 1996; Fagerberg et al., 2007; Dafermos and Nikolaidi, 2012)
- The policy case for the deregulation of the labour market cannot be borne out by the various studies; largely inconclusive, very sensitive to different specifications of the econometric models (Baker et al., 2005; Howell et al., 2007; Baccaro and Rei, 2007)

# Labour Market Deregulation in the EU



- **Strong policy consensus towards deregulation**
- **As part of the New Economic Governance in the EU => Country Specific Recommendations => urged countries to review wage-setting mechanisms and review EPL systems (Clauwaert, 2014)**
- **The Troika-imposed recipes explicitly focused on the policy of ‘internal devaluation’ (Baccaro & Armingeon, 2012)**
- **Similar policies in varying degrees appeared in the rest of the European periphery (Picot & Tassinari, 2017; Molina, 2014; Geary, 2016; Pedersini & Regini, 2014)**

# The Process of Institutional Change in Greece



- However, the process of change –esp. in the case of Greece – was abrupt: no social dialogue or examination of the possible consequences and side-effects of the proposed policies
- The *process of institutional change* is important, as it may ***hinder or enable*** the successful implementation of change
- In the case of employment relations, the process of change refers both to the pace of change (incremental vs. abrupt) and the mode of change (negotiated vs. unilateral)
- Although social dialogue was supposed to take place, in reality it never happened

# Research Questions



- How do the social partners perceive the construction and reconstruction of institutions at a time of transformative institutional change and crisis?
- Do different actors' interests and ideas converge or diverge?
- What is the social partners' perceived effectiveness of the adopted policies?

# Research Design/Methodology



## Qualitative “critical” case study research design (George & Bennet, 2005)

- **Data Collection:**

- “Elite interviewing”: Interviews with key informants, fieldwork took place between July and August 2016
- The total number of informants was 17, interviews digitally recorded and then transcribed
- Interviewees represented key associations and agencies and government (GSEE, SEV, GSEVEE, ESEE, SETE, the Ministry of Labour, the Labour Inspectorate (SEPE) and the Organisation for Mediation and Arbitration (OMED)
- Primary sources supplemented the analysis (64 press releases, 5 position papers, 8 official announcements, letters and memos, and 8 speeches and media interviews).



# Changes in Greek ER institutions



## **Law 3899/2010 and then Law 4024/2011:**

- The possibility of signing company-level agreements with non-trade union representative bodies termed “Associations of Persons (AoPs);
- The possibility of concluding company-level agreements for enterprises which employ fewer than 50 employees (which used to be covered by sectoral agreements);
- The suspension of the “favourability principle”, and the primacy of company-level collective agreements over sectoral agreements in the case of cumulative application;
- The suspension of the “extension principle” of coverage of sectoral and occupational collective agreements

## **Law 4046/2012 and Act of Cabinet 6/2012:**

- Statutory Regulation of Minimum Wage (from collectively bargained) and the level of minimum wages reduced from €751 to €586 (22%), and to €510 (32%) for employees below the age of 25

# Decentralisation of Collective Bargaining



## GSEE against decentralisation:

- Creates inequality in the labour market, as the current system promotes individual bargaining over collective bargaining
- More power to the employer to unilaterally determine T&C of employment
- Interestingly, the employers' associations representing SMEs (i.e. the ESEE and the GSEVEE) were also against the decentralisation of CB *as it happened*:
  - Sectoral CB creates economies of scale, standardisation and prohibits a race to the bottom
  - Importance of personal ties with their staff...
- Big employers on the other hand (SEV and SETE), although not against sectoral CB, indicated that company level agreements should take precedence over sectoral agreements:
  - “...every business is aware of its own strengths, and knows the level of wages [it can afford]” (Interviewee, SEV).

# Decentralisation of Collective Bargaining



- *The role of the Association of Persons:*
- GSEE was very critical, as can be expected: AoPs were viewed as employer-led structures that functioned as Trojan Horses to impose managerial views on the employees
- The employers did not express a clear view on the matter: they did not endorse it but did not reject it either
- In reality, the very essence of the AoP is problematic: it has the right to collective bargaining, but not to strike, nor are its members protected against managerial authoritarianism. Moreover, the management may be part of its structure.
  - Hence, although it is supposed to do what a trade union does, it does not enjoy any of the privileges or protection that trade unions do

# Statutory Regulation of the NMW



- The statutory regulation of the NMW was interpreted by the SPs as:
  - An attack on their collective autonomy and on free collective bargaining,
  - As a questioning of their position as *trustworthy and responsible* interlocutors in the industrial relations arena
- Consensus among the SPs regarding the determination of the NMW:
  - The NMW should be determined by the SPs through national CB
  - SPs were open regarding the process of the determination and the role of third parties (experts, the state) in the process
  - Their views were not heard by the Troika in the recent negotiations...
- Interestingly enough, all employers criticized the current level of the NMW (they all believed it was too low); where they differed was on the level it should reach
  - ESSE, for example, argued for a return to the pre-2011 levels
  - The rest employers' associations argued that the new level of the NMW must take into consideration the new economic reality
  - The GSEE was not against this latter interpretation
- It emerged from the interviews that the SPs are willing to negotiate broadly – not only wages but also ways to improve the productivity of the Greek economy

# Perceptions on Efficacy of Reforms



- The SPs were not totally convinced that the adopted policies managed to achieve their overarching aims:
  - *“As a matter of fact, within a year, our country dropped six places and is now in the 62nd place with regard to competitiveness, a fact that does not confirm the theory that wage reductions and employment flexibility will act to contain the level of unemployment”*  
(Interviewee ESEE)
- Although wages were reduced, this was not necessarily reflected on an increase in productivity.
- ‘Side effects’ of the measures:
  - Exploitation of the AoPs by certain employers to impose their own T&C
  - Persistence of illegal practices
  - Closures of SMEs due to decrease in consumption

# Discussion



- ***Fault Lines and Hidden Fractures in the Employers Camp:*** no binary logic of employers being pro-reform whereas Tus being anti-reform: GSEVEE/ESEE support primacy of sectoral bargaining, whereas SEV (and at some extent SETE) support decentralisation
- **Social Partners unanimously support the return to the previous system of setting the minimum wage via collective agreement**
  - The reason is primarily structural: the identity and power of the SPs in the Greek ER system was linked to their ability to negotiate the NMW. Once this was taken from them, their power bases were considerably undermined.
  - Similarly, to appreciate the different positions regarding sectoral CB, one needs to appreciate the role of sectoral collective bargaining both for the survival of the tripartite organisations and for their respective members
- ***Interpretation and Perceptions:*** Were wage increases excessive? Employers: perhaps slightly; Unions: No
- The position of the employers towards the level of the NMW was informed by their structural position in the economy and the share of labour cost in the total cost: ESEE, for instance, whose members' survival is linked to the level of the NMW wished for a higher level. The rest of the employers were slightly more reluctant

## Discussion (cont.)



- *Efficacy of Reforms:* Casting doubt to technocratic solutions and to the role of the state; deregulation has not helped either to improve competitiveness or reduce unemployment
- *Recalibration of the System:* Incremental improvements in the previous institutional framework are generally welcome by all actors, not a dismantling of the system
  - Not all employers were wholeheartedly in favour of market-friendly reforms; nor was the GSEE straightforwardly against the recalibration of the system.
- However, this needs to take place through social dialogue
  - All SPs felt 'left out' of the official process of decision-making
  - Many referred to inadequate or non-existent social dialogue, and to various power centres that directed and influence change through their access to the corridors of power
  - Unfortunately, the Troika does not seem to properly appreciate the importance of this point – as was evident in the recent negotiations...
- *Future Prospects:* The future 'growth model' for a country like Greece is not part of the debate, but it should be.

## Discussion (cont.)



- “[t]he problem is not to regulate or deregulate free collective bargaining and suddenly, if we regulate or deregulate [collective bargaining], the private sector will start to function. We need to leave these issues a bit further behind, because we deal with them for six years now, and **we have not sat down to consider how we can plan growth strategies together**, which is what is needed, which will generate new jobs, which will increase businesses' revenues and the GDP, to envisage a different philosophy with a different strategy. We have not discussed this, we did not have the time, because all the time we are focusing on what we can deregulate.” (Interviewee GSEE)



## Relevant links



- **Full project report:**

- [http://www.lse.ac.uk/europeanInstitute/research/hellenicObservatory/CMS%20pdf/Research/NBG\\_2015\\_Research\\_Call/HO-FINAL-REPORT-pub.pdf](http://www.lse.ac.uk/europeanInstitute/research/hellenicObservatory/CMS%20pdf/Research/NBG_2015_Research_Call/HO-FINAL-REPORT-pub.pdf)

- **Full GreeSE paper:**

- <http://www.lse.ac.uk/Hellenic-Observatory/Publications/GreeSE-Papers>