

# ARITAKE-WILD

Joint European Social Partners'  
Work-Programme 2006-2008

Joint Study on Restructuring in the "EU15"  
Phase One

Greece  
National Dossier

Athens  
28<sup>th</sup> & 29<sup>th</sup> June 2007

**Prepared by:  
ARITAKE-WILD  
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Project of the European Social Partners with the financial support of the European Commission

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Discussed at the national seminar in Athens, 28<sup>th</sup> & 29<sup>th</sup> June 2007

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## **Introduction - the Purpose of the National Report**

This report on the role of the Greek social partners in restructuring was prepared following the discussion of an initial draft by the national social partners at a seminar held in Athens on 28th and 29th June 2007. The Greek national seminar was the third in a series of similar meetings to be held in ten European Union member states between April 2007 and June 2008, in the framework of the 2nd Integrated Project of the European Social Partners<sup>1</sup>. The report was prepared by the selected external expert for Greece, Antonio Dornelas, working with the expert coordinator for the project, Mr Alan Wild.

The document is presented as an “expert report”. It represents the views of the consultants involved in its preparation and does not purport to represent the views, either individually or collectively, of the Greek social partners or the Greek case study company representatives that contributed to it, or those of the European level social partner organisations that were responsible for its commissioning.

The prime purpose of the report is to contribute to the development of a synthesis paper that compares and contrasts the roles of the social partners in restructuring in the ten countries studied with a view to drawing lessons for the future and to help shape the activities and priorities of the social partners at the European level in this area. It also informs readers on the role played by the Greek social partners in the process of economic restructuring at the national, sectoral and enterprise levels. By the end of phase two of the integrated project of the European Social Partners, similar national reports will have been prepared and been discussed by the social partners in 25 European countries<sup>2</sup>. It is planned to develop an overall discussion document based on the role of the social partners in restructuring in almost every country in the European Union for consideration by social partner representatives from throughout the EU.

Frequently, studies of the role of the social partners in restructuring have focussed on well publicised cases where significant numbers of jobs have been lost in “household-name” companies. In this series of reports it is hoped to capture social partner influence on a broader range of restructuring activities that involve not only major job losses in private sector companies, but also what we have chosen to call “silent restructuring”. Silent restructuring includes change processes that have affected significantly the nature of work undertaken within a company or public sector organisation without major job loss. It also describes the changes taking place in small and micro enterprises that typically fall below the radar of official redundancy statistics. In this way the overall study will seek to capture how the social partners have influenced both the quantitative and qualitative effects of anticipating and managing economic restructuring.

The main body of the report is presented in three sections;

- ◇ Section one - A macroeconomic review of restructuring-;
- ◇ Section two – The role of the social partners in restructuring;
- ◇ Section three – Case studies.

A summary reflecting the key elements of the broader research and the content of the discussion that took place at the national seminar can be found at the beginning of each section. The reader seeking an overview understanding of the report can refer to pages 4 and 5; 19 to 21; and 28 and 29.

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<sup>1</sup> The 2<sup>nd</sup> Integrated Project on restructuring of the EU Social Partners is divided in two phases. The first one concerns ten EU member states, notably Republic of Ireland; the Netherlands; Greece; Italy; France; the UK; Spain; Sweden; Austria and Denmark. The second phase will start in 2008 and cover Germany, Belgium, Finland, Portugal and Luxembourg. Finally, the EU social partner organisations have run a similar project which involved the 10 countries that joined EU in 2004.

<sup>2</sup> The “EU 27” less Bulgaria and Romania.

## Section 1 – A macroeconomic review of restructuring in Greece

### *Summary*

The following paragraphs summarise the data presented in detail later in this section of the report and reflect on it in the light of the discussions that took place between the Greek social partners at the national seminar. It can be regarded as an executive summary of the “macroeconomic overview” element of the report.

At the seminar, the Greek social partners addressed the following issues;

- ◇ What must be done to facilitate and accelerate Greece’s economic convergence to the EU average in terms of economic performance?
- ◇ What can be done to reduce the size of the shadow economy?
- ◇ After almost a decade of good performance, what accounts for the recent disappointing data on productivity growth?
- ◇ Is the present Greek structure of employment sustainable in the long run, especially for women and for young people?
- ◇ What are the sectors on which Greece’s future success will depend, and what active labour market actions need to be taken to assure the adequate supply of quality and quantity workers?

In their discussions, the social partners indicated that the draft report circulated prior to the meeting had summarised the key structural problems facing the Greek economy, but reflected on the fact that the problems are easier to identify than they are to address and resolve.

The current position can be summarised as follows;

Over recent years the significant gap between Greece’s economic performance and educational standards and the EU average has narrowed. Nevertheless, the structure of industry; the male dominated employment structure; low levels of access to life-long learning; and the country’s position on competitiveness rankings suggest that even more progress needs to be made in coming years.

On a very positive note, the growth rate of Greece’s Gross Domestic Product (GDP) over the ten years since 1997 was significantly higher than the European Union average. In particular, Greece did not suffer from the general economic shock of the early 2000’s. Over the period, GDP per capita expressed in Purchasing Power Standards (PPS), increased by 13% points from 71% of the “EU25” average to 84%.

Despite this positive convergence trend, current and longer term indicators suggest that competitiveness problems remain. According to the Global Competitiveness Index, Greece ranks in 47<sup>th</sup> position worldwide, and 24<sup>th</sup> out of the “EU27”. Looking to the longer term, on the Lisbon indicators, Greece is ahead of just two European countries in the “EU25”, Italy (24<sup>th</sup>) and Poland (25<sup>th</sup>). Over the period 1995 to 2006, Greek productivity per person employed and per hour worked grew around two times more than in the overall EU15 area. Since 2001 however, the productivity improvement gap has reduced as Greek levels have fallen.

Patterns of employment in the Greek economy are quite distinctive and combine a very “traditional” formal labour market structure with an extremely high incidence of informal sector activity;

- ◇ The aggregate employment rate is dominated by full time male employment; the incidence of flexible employment patterns are significantly lower than the European average; levels of self and micro enterprise employment are extremely high; and employment in the agriculture sector is much more important than the EU average;
- ◇ Women's earned income (54.5% of males), combined with the females' lower employment rate show that gender equality in the management of the Greek labour market is an important issue;
- ◇ Significantly for the operation of the Greek labour market, the country has the highest informal economy participation (28.2%) among the 21 OECD countries, and 1.7 times the OECD average;
- ◇ Educational levels of the working age population of Greece are significantly below the European average and the share (1.9%) of the population that has accessed life-long learning programs was extremely small, behind only Romania (1.3%);
- ◇ Finally, since 1998 Greece's unemployment rate has been higher than the EU15 average. The structure of unemployment in Greece is problematic. The female unemployment rate has been persistently between 8 and 10 percentage points higher than the male rate. Unemployment amongst young people has been consistently 10% higher than the EU average over the last 10 years. Since 1999 long term unemployment has been 2% higher than the European average.

The experience of the Greek social partners in dealing with major economic restructuring has, to date, been limited. The economy is relatively closed compared to others in Europe and internal restructuring of enterprises and closures have accounted for the vast majority of job losses and business expansions have accounted for employment growth. Indeed job creation has exceeded job loss in recent years. Little or no restructuring activity has been associated with mergers and acquisitions, outsourcing, relocation or offshoring.

A survey conducted in 2004 by IOBE<sup>3</sup> in the industry, retail trade and services sectors painted a picture of relative stability. It concluded that 54% of Greek employers did not plan changes in the volume of employment, 20% planned to hire staff and 26% planned to reduce employment. According to the same source, SMEs planned to increase their share of employment, while enterprises with 200 or more employees planned to reduce numbers.

The future may be more problematic. The Greek economy has competed in the past by being one of Europe's lowest cost producers in traditional sectors like textiles. The expansion of Europe to the east and new challenges of globalisation mean that the country is no longer a low cost producer in either European or global terms. The Greek social partners are clear that future competitiveness cannot be generated by reductions in employment standards. The macroeconomic challenge is to lay the foundation for a shift in the nature of the economy to higher value adding sectors whilst at the same time maximising the benefits from the considerable geographic and historic attributes that fuel the Greek tourism industry.

#### *A Macroeconomic Overview*

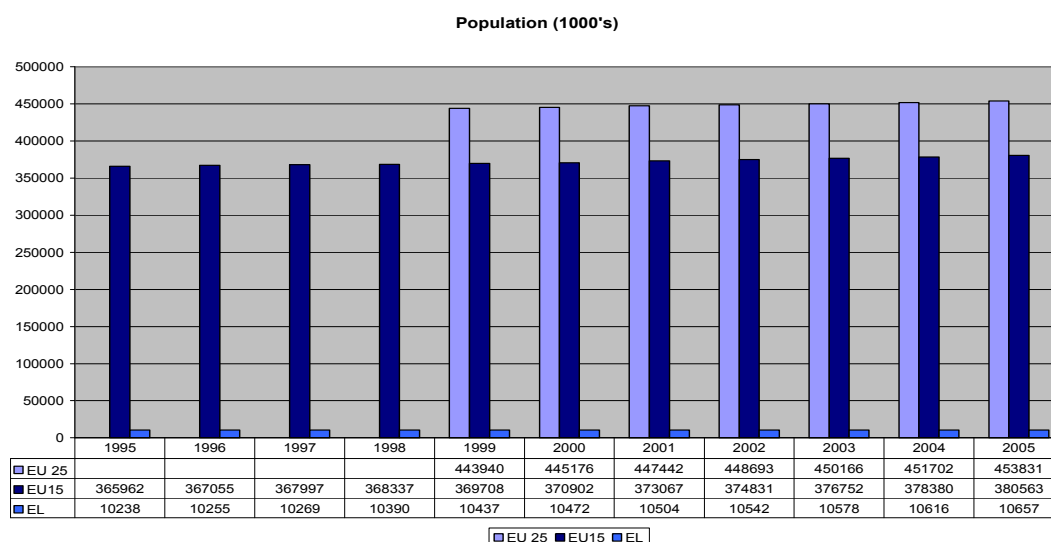
##### *Population*

Greece's population is estimated to be 11.2 millions. The population increased gradually and continuously over the ten year period between 1995 and 2005. The total population growth in the decade was 4.1% compared with 4.0% for the EU15. Unlike some other European member

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<sup>3</sup> Foundation for Economic and Industrial Research (IOBE): The Greek Economy, 3/04.

states, the population increase in Greece was a result of a relatively high birth rate rather than inward migration (see below).



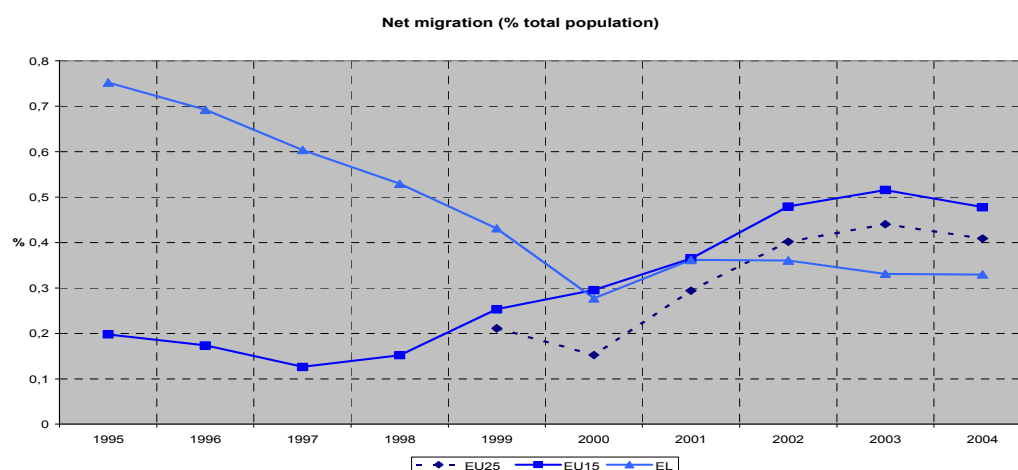
Source: Eurostat

According to World Bank estimates, annual population growth in Greece will slow over the period 2004 to 2020 reversing the previous trend of relatively higher growth than France and Germany. Slower population growth over the period will result in Greece having a similar dependency ratio<sup>4</sup> to Germany, France and Italy.

Country	Average annual population growth rate (%)		Dependency ratio	
	1990—2004	2004- 2020	Young	Old
Greece	0.6	0.1	0.2	0.3
Germany	0.3	0.0	0.2	0.3
France	0.4	0.3	0.3	0.3
Italy	0.1	0.0	0.2	0.3

Source: World Bank

Net migration was positive throughout the decade 1994 to 2004, but declined from a level well above the European average prior to 2000 to one below the European average today.

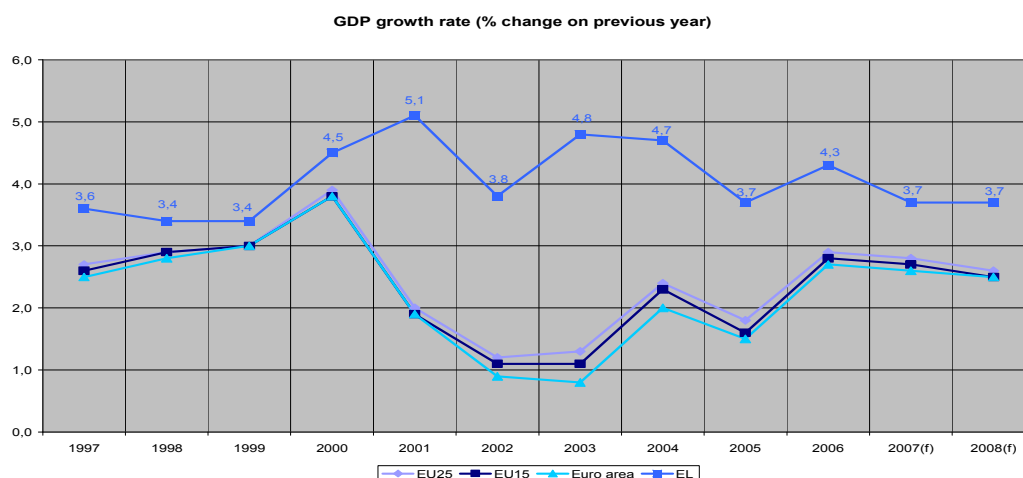


Source: Eurostat

<sup>4</sup> Dependants as proportion of working-age population, 2004

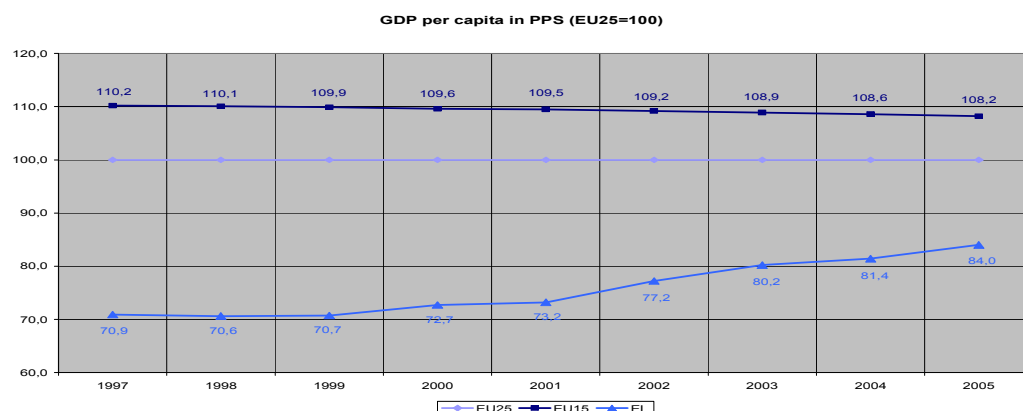
### Gross Domestic Product

The growth rate of Greece's Gross Domestic Product (GDP) over the ten years since 1997 was significantly higher than the European Union average. In particular, Greece did not suffer from the general economic shock of the early 2000's.



Source: Eurostat

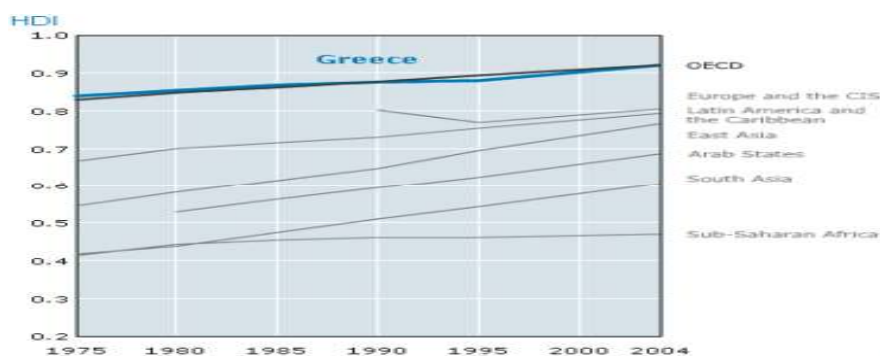
High rates of growth in GDP over the last ten years came from a relatively low absolute base as can be seen from the GDP per capita data below. Growth was nonetheless impressive in relative terms. Over the period, GDP per capita expressed in Purchasing Power Standards (PPS), increased by 13% points from 71% of the "EU25" average to 84%.



Source: Eurostat

### Human Development Index

Greece's performance the UNDP Human Development Index (HDI) is close to the OECD average and ranks 24<sup>th</sup> in the world league. In pure economic terms (measured by GDP per capita) Greece would rank 27<sup>th</sup>. In European terms Greece is ranked 14<sup>th</sup> of the "EU27", significantly below Ireland (4<sup>th</sup>, the EU's best performer), Sweden (5<sup>th</sup>) and the Netherlands (10<sup>th</sup>) but significantly higher than Lithuania (41<sup>st</sup>), Slovakia (42<sup>nd</sup>) and Latvia (45<sup>th</sup>, the EU's poorest performer).



Source: UNDP- HDI 2004

The HDI combines indicators of life expectancy at birth, adult literacy rate, the enrolment rates of primary, secondary and tertiary levels of education and standards of living, place Greece at the 24<sup>th</sup>. A high performance in the enrolment rates of education (15<sup>th</sup>) is offset by a relatively poor performance in adult literacy rate, where Greece ranks only 36<sup>th</sup> in the world on a level with Grenada and Chile.

#### *Gender-related development index (GDI)*

Greece occupies the same position in HDI and in the GDI (which measures gender equality on the index contents). Although the “averaged index” reflects a good degree of gender equality, it hides differences in individual factors. In Greece females’ life-expectancy at birth is comparatively high, as is the combined enrolment rate of girls for primary, secondary and tertiary education. Conversely women do much less well in the adult literacy rate and the estimated earned income<sup>5</sup>. Women’s’ earned income (54.5% of males), combined with the females’ lower employment rate - see below – show that gender equality in the management of Greek labour market is an important issue.

#### *Competitiveness*

According to the Global Competitiveness Index, Greece ranks at the 47<sup>th</sup> position, the same position occupied on the previous year. In European Union terms the country sits 24<sup>th</sup> out of the 27 countries behind Finland (1<sup>st</sup>), Sweden (2<sup>nd</sup>) and Cyprus (23<sup>rd</sup>) and ahead only Poland (25<sup>th</sup>), Romania (26<sup>th</sup>) and Bulgaria (27<sup>th</sup>).

Global Competitiveness Index

Country/Economy	GCI 2006 Rank	GCI 2005 Rank
Switzerland	1	4
United States	6	1
Japan	7	10
Belgium	20	20
Czech Republic	29	29
India	43	45
Greece	47	47
China	54	48

Source: World Economic Forum, 2006

<sup>5</sup> In PPP (US\$, 2004)



Greece's position on the Lisbon indicators can be summarized as follows:

Progress on the Lisbon Indicators (Ranking of EU25 Member States)									
	Final Index	Sub-indexes							
		Information Society	Innovation and R&D	Liberalization	Network Industries	Financial Services	Enterprise	Social Inclusion	Sustainable Development
DK	1	4	4	5	2	5	1	1	3
BE	10	14	7	10	10	11	11	6	9
EL	23	25	18	21	14	16	20	22	23
IT	24	16	19	23	20	23	24	24	19

Source: World Economic Forum, 2007

On the Lisbon indicators, Greece is ahead of just two European countries, Italy (24<sup>th</sup>) and Poland (25<sup>th</sup>). The country has relative strengths in the areas of network industries, innovation and financial services. Its weaknesses are information society and sustainable development.

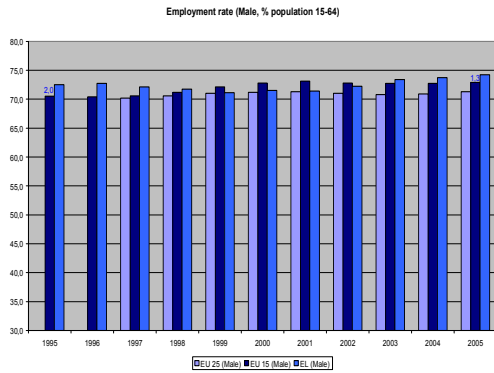
### Employment

Patterns of employment in the Greek economy are quite distinctive and reflect a very “traditional” labour market structure. The aggregate employment rate is dominated by full time male employment; the incidence of flexible employment patters are significantly lower than the European average; levels of self employment are extremely high; and employment in the agriculture sector is much more important than the EU average. Greece's total employment rate, although increasing, is still 5% below the EU average. The gap between Greece and the EU15 decreased gradually by 0.3 points during the last ten years.

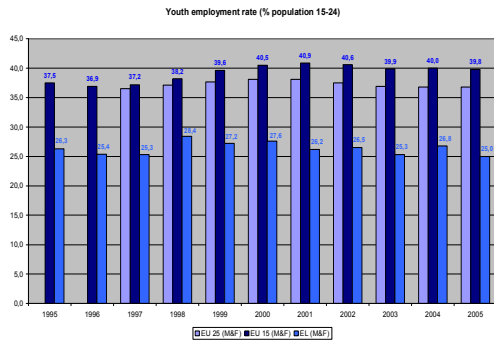


Source: Eurostat

The aggregate data however is bolstered by a higher than average employment rate for men and a persistent and chronically low employment rate for women and for younger workers (see below).

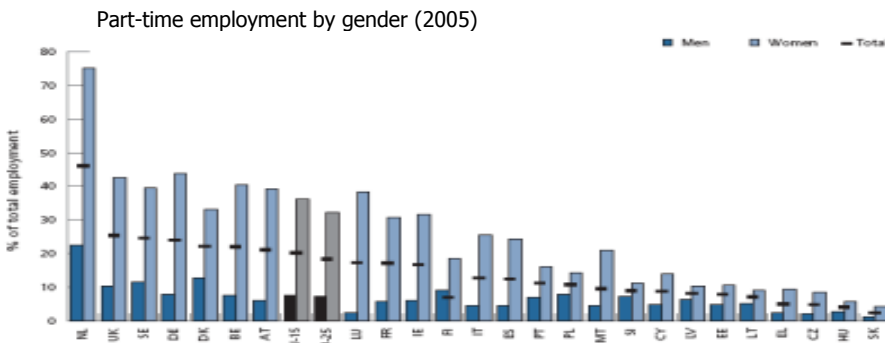


Source: Eurostat

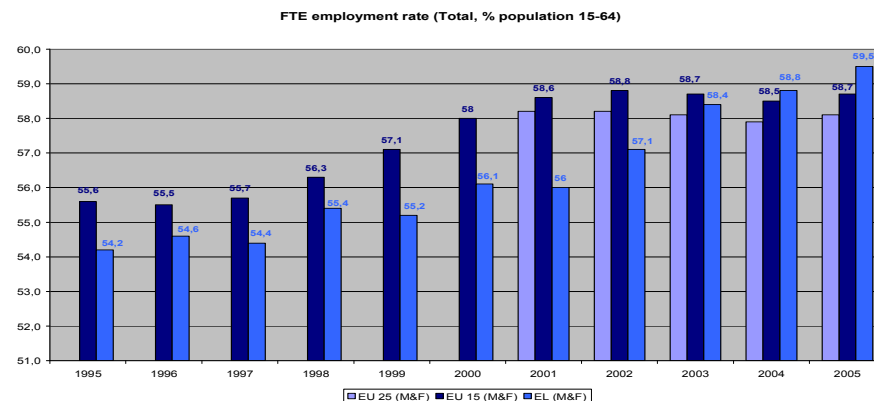


Source: Eurostat

The polarisation between employment rates for men and women is further exaggerated when the incidence of part-time working is considered and when the total employment rate is adjusted to take account of Full Time Equivalent (FTE) workers. The extremely low incidence of part time working in Greece shifts the “full time male” dominated activity rate higher above the EU average.



Source: Eurostat



Source: Eurostat

In summary, Greece remains far below the Lisbon and Stockholm employment targets for 2010 in the areas of total employment, female employment and the employment of older workers.

#### Greece's position and the Lisbon and Stockholm employment targets for 2010

	Total employment rate			Female employment rate			Older People's employment rate		
	2005	Change 2000-2005	Gap below 2010 target	2005	Change 2000-2005	Gap below 2010 target	2005	Change 2000-2005	Gap below 2010 target
EU25	63,8	1,4	6,2	56,3	2,7	3,7	42,5	5,9	7,5
EU15	65,2	1,8	4,8	57,4	3,3	2,6	44,1	63,6	5,9
EL	60,1	3,6	9,9	46,1	4,4	13,9	41,6	2,6	8,4

Source: Eurostat

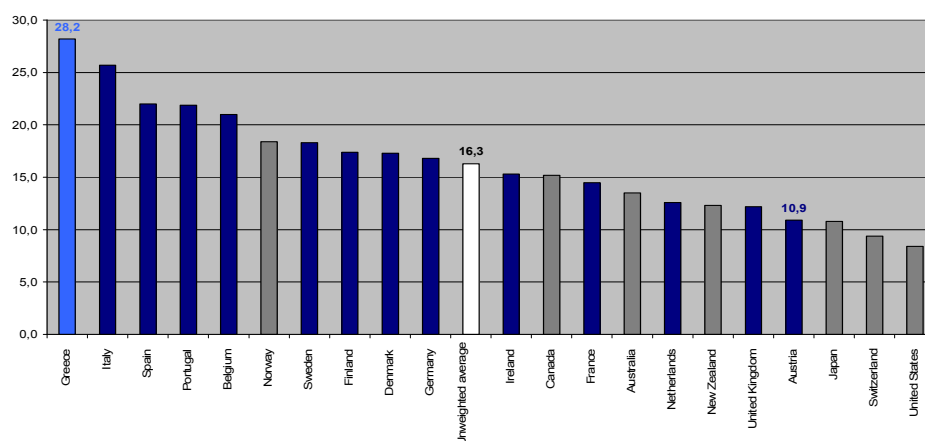
Another important and distinctive feature of the Greek labour market is the level of self-employment, which is almost three times higher than the EU15 average. These figures reflect the extremely high levels of employment in small and micro enterprises discussed later.

#### *The informal economy*

When combined, low levels of participation of certain groups in the labour market; a low incidence of part-time working and other forms of flexible contract; and large numbers of micro enterprises often correlate positively with the existence of a large informal economy. According to a recent evaluation<sup>6</sup>, Greece has the highest informal economy (28.2%) among the 21 OECD countries, 1.7 times the OECD average.

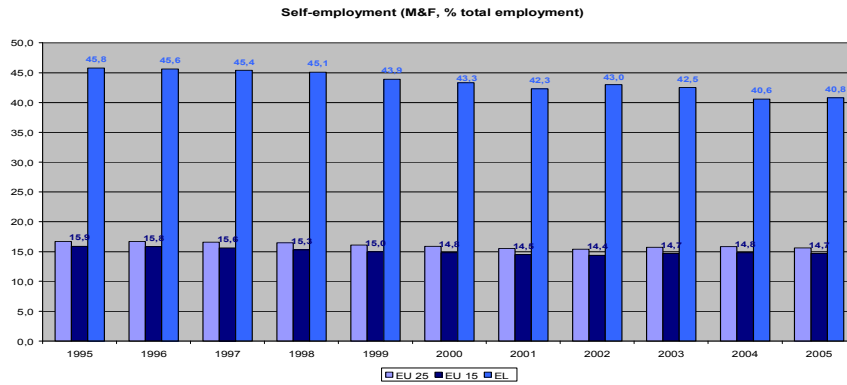
According the Greek Social Partners' representatives at the Athens' seminar, an important part in the black economy in Greece is played by illegal migrants working without documents. These workers cannot join trade unions, often work in difficult conditions and without insurance. Black market wages are generally a half of those paid in the regular economy. The Greek Social Partners stated that the State does not take the black economy seriously enough.

Shadow Economy in OECD countries (2002-2003, % of official GDP)



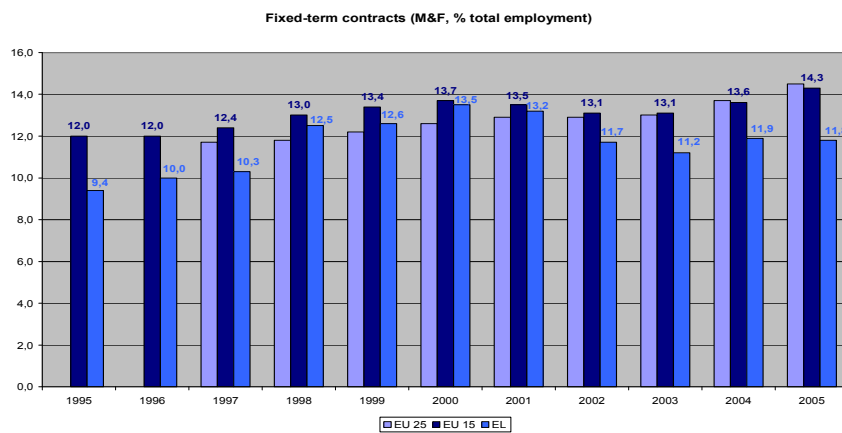
Source: Schneider, 2004

<sup>6</sup> See Friedrich Schneider (2004), The Size of the Shadow Economies of 145 Countries all over the World: First Results over the Period 1999 to 2003, IZA Discussion Paper No. 1431.



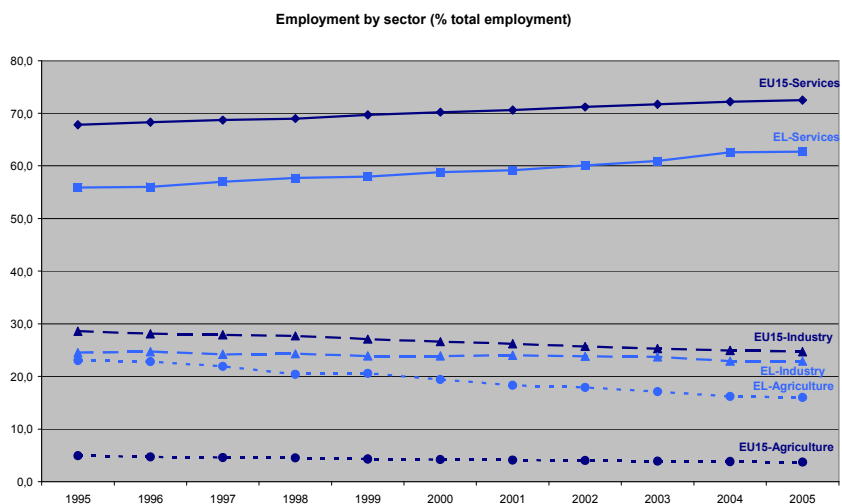
Source: Eurostat

Finally, and again in contrast with much of Europe, the incidence of fixed-term contracts in Greece is significantly lower than the European average.



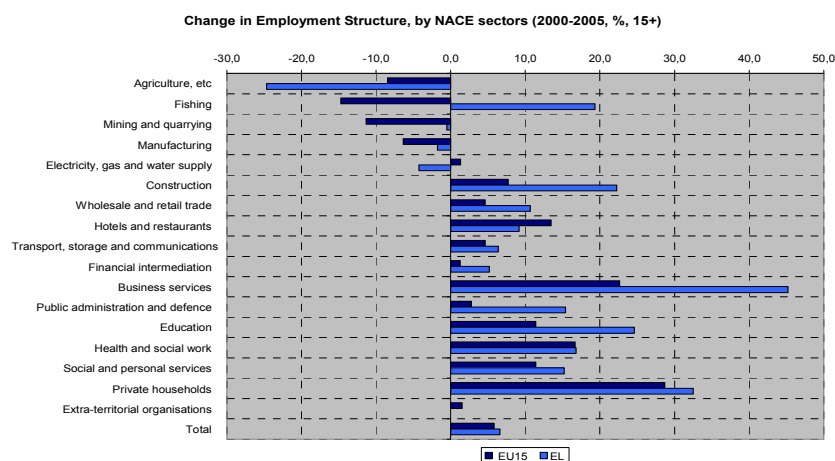
Source: Eurostat

The distribution of employment by sectors in Greece reflects a different pattern to the “typical” “EU15” Member State. Employment in both industry and services, despite the importance of tourism, are below the EU15 average and employment in agriculture is four times higher.



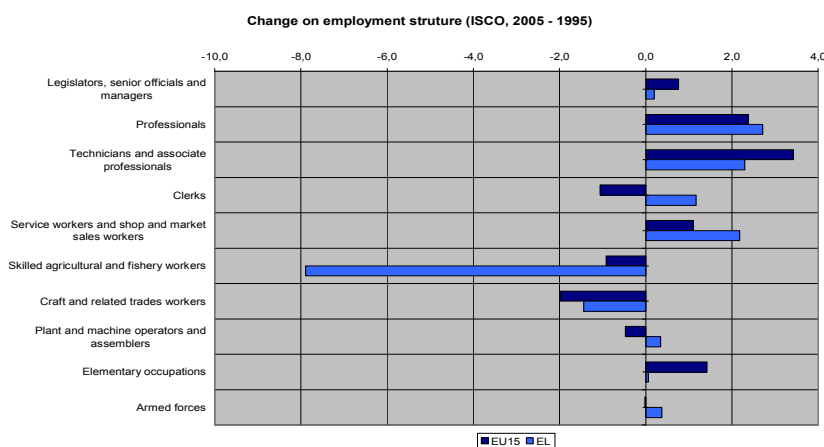
Source: Eurostat

Over recent years, the structure of industry has changed in line with European trends. The exceptions to this are the higher than average decline in agriculture (from a very high base) and supply of utilities. Employment growth was significantly higher than average in fishing, construction and education.



Source: Eurostat

In terms of changes in skill mix, Greece followed general EU trends with the exception of a higher than average decline in employment in agriculture. Employment growth was weaker than average in technician posts and stronger in service and retail and clerical occupations.



Source: Eurostat

### *Employment effects of restructuring*

According to the European Monitoring Centre on Change, the employment effects of restructuring since 2002 have been broadly positive.

Type of restructuring	# Planned job reductions	% Planned job reductions	# planned job creation	% planned job creation	# Cases	% Cases
Internal restructuring	3439	75.25%	0	0%	8	33.33%
Bankruptcy / Closure	1131	24.75%	0	0%	7	29.17%
Business expansion	0	0%	4655	95.72%	7	29.17%
Merger / Acquisition	0	0%	80	1.65%	1	4.17%
Other	0	0%	128	2.63%	1	4.17%
Offshoring / Delocalisation	0	0%	0	0%	0	0%
Relocation	0	0%	0	0%	0	0%
Outsourcing	0	0%	0	0%	0	0%
<b>Total</b>	<b>4570</b>	<b>100%</b>	<b>4863</b>	<b>100%</b>	<b>24</b>	<b>100%</b>

Source: EMCC

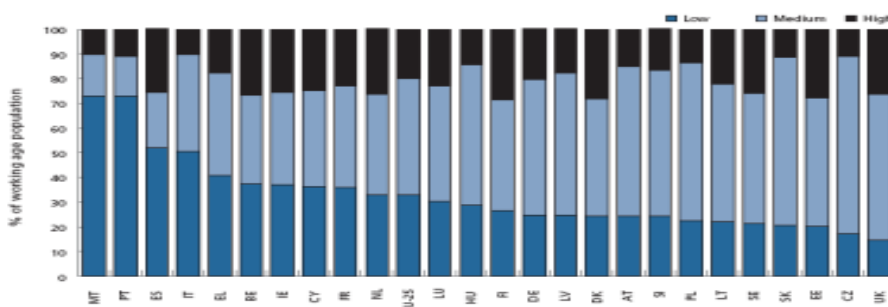
Due to the limitations of the methodology used and the relatively low number of cases recorded, any conclusions drawn from this data should carry a “health warning”. Internal restructuring of enterprises and closures account for the vast majority of job losses and business expansions

account for employment growth. Little or no restructuring activity is associated with mergers and acquisitions, outsourcing, relocation or offshoring.

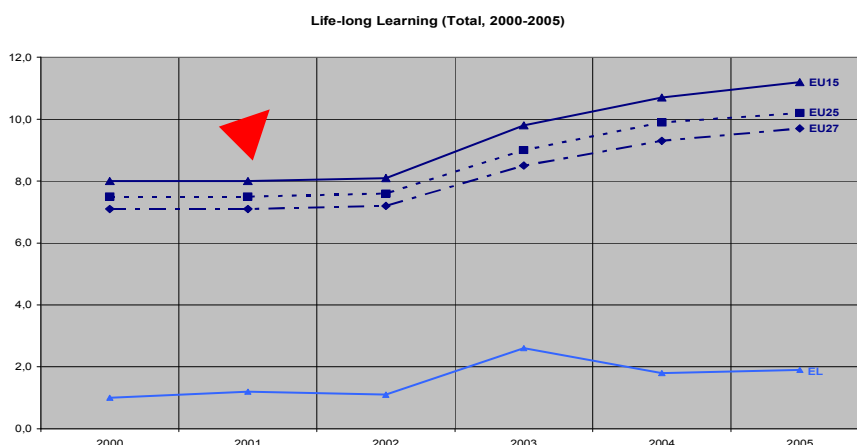
A survey conducted in 2004 by IOBE<sup>7</sup> in the sectors of industry, retail trade and services painted a picture of relative stability. It concluded that 54% of Greek employers did not plan changes in the volume of employment, 20% planned to hire staff and 26% planned to reduce employment. According to the same source, SMEs planned to increase their share of employment, while enterprises with 200 or more employees planned to reduce numbers.

### Education

The educational levels of the working age population of Greece were, in 2005, significantly below the European average and the share (1.9%) of the population that accessed life-long learning programs was extremely small, behind only Romania (1.3%).



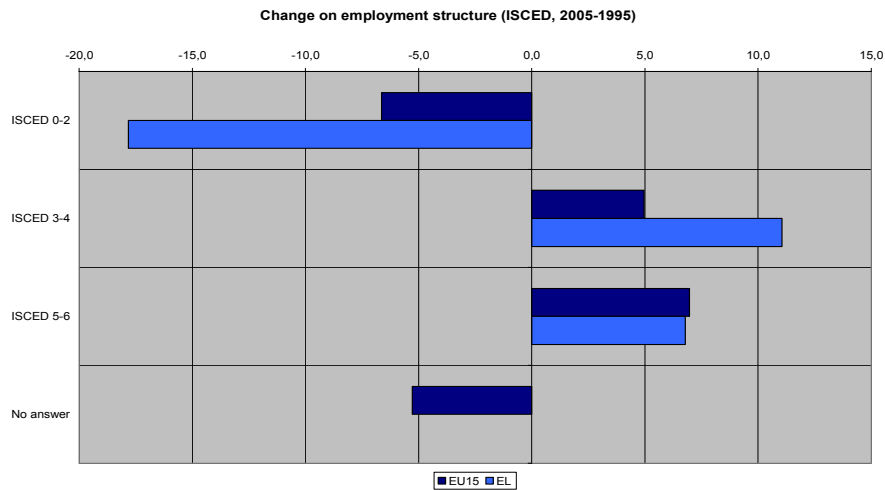
Source: Eurostat



Source: Eurostat

The workforce over the 10 years from 1995 to 2005 has become better educated. The changes in educational attainment reflect general European trends, but are more positive at lower levels. The proportion of workers with just basic education (ISCED 0-2) decreased significantly over the period, whilst those with secondary education (ISCED 3-4) grew rapidly. The proportion of workers with tertiary qualifications grew at the same speed as the EU average.

<sup>7</sup> Foundation for Economic and Industrial Research (IOBE): The Greek Economy, 3/04.



Source: Eurostat

Greek government expenditure in education as a proportion of GDP is lower than the European average. Although Greek GDP has grown quicker than many countries, proportional spending on education remains very low.

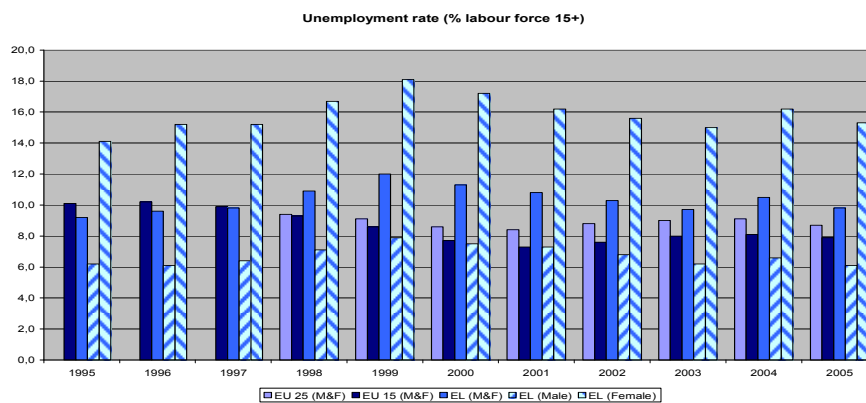
Government expenditure on education (% of GDP)

	2000	2001	2002	2003	2004
EU25				5,4	5,3
EU15	5,0	5,1	5,3	5,4	5,3
EL	3,3	3,0	3,2	3,5	3,5

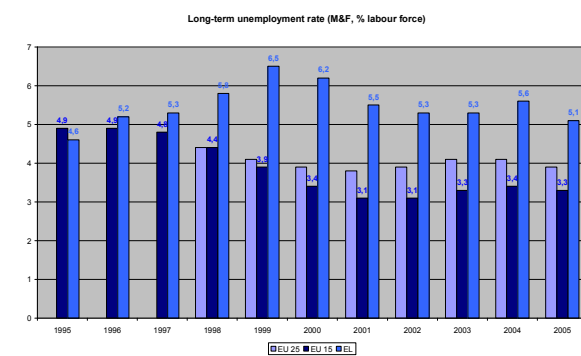
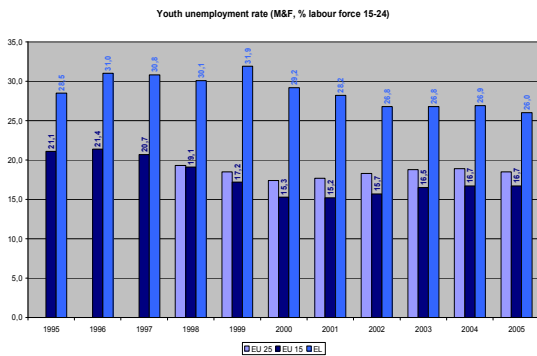
Source: Eurostat

### Unemployment

Since 1998, Greece's unemployment rate has been higher than the EU15 average and the female unemployment rate has been persistently between 8 and 10 percentage points higher than the male rate. The structure of unemployment in Greece is problematic. Unemployment amongst young people has been consistently 10% higher than the EU average over the last 10 years and since 1999 long term unemployment has been 2% higher than the average.



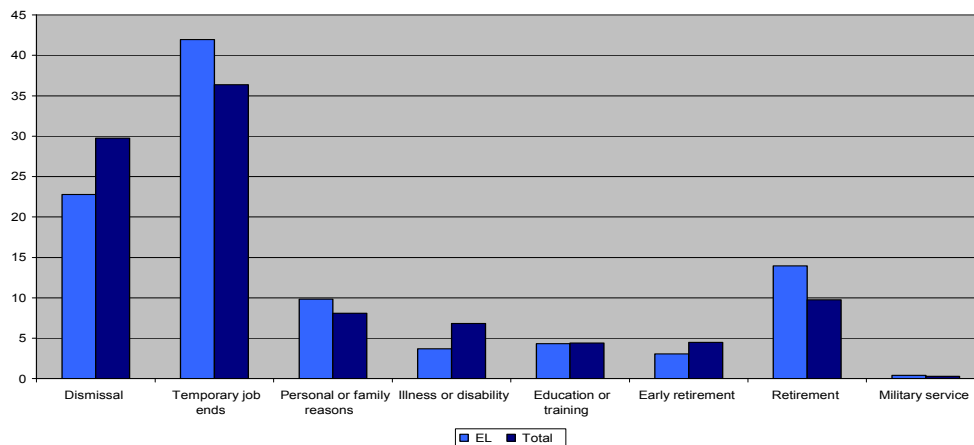
Source: Eurostat



Source: Eurostat

In Greece, the reasons for leaving a job generally follow the European pattern. Perhaps not surprisingly in an economy with high levels of seasonal work in agriculture and tourism, a high proportion of terminations are due to the ending of temporary jobs.

10 reasons for leaving the previous job, by non-employed people who separated from the previous job up to 1 year before



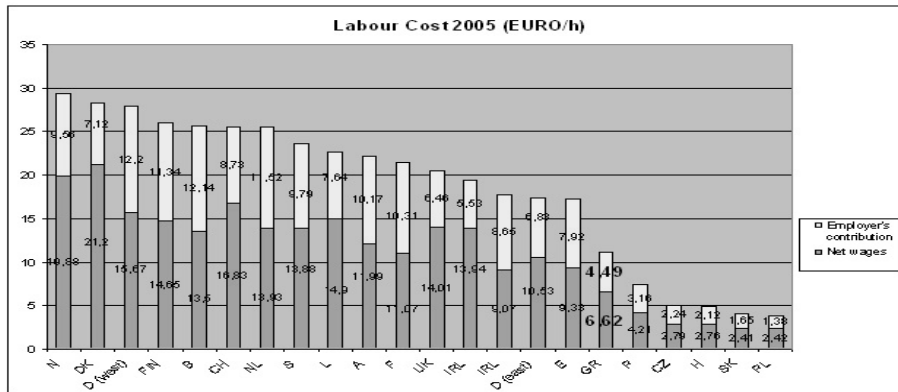
Source: own calculations based on Storrie, 2006

### Labour costs

In Western European terms, Greek wages and labour costs are relatively low. They are however higher than those found in a number of Eastern European countries. In common with a number of the EU's lower paying countries, wage rates have increased faster than the average. Between 1995 and 2006, the average annual increase of real compensation per employee in Greece<sup>8</sup> was 2.7%, compared with 1.1% in the EU25 and 1.0% in the EU15.

<sup>8</sup> Sources: AMECO and national accounts. Total economy, GDP deflator, annual change.

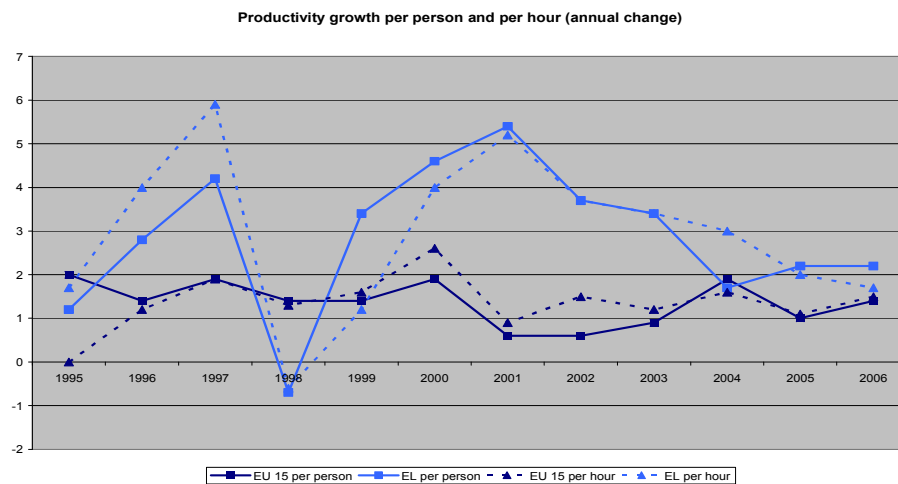




Source: Institut der Deutschen Wirtschaft, quoted after ELKE Hellenic Center for Investment

### Productivity growth

Over the period 1995 to 2006, Greek productivity per person employed and per hour worked grew around two times more than in the overall EU15 area. Since 2001 the productivity improvement gap has closed as Greek levels have fallen.



Source: AMECO and national accounts

### Structure of industry

According to EIRO, 93% of Greece's industrial companies are small and medium sized enterprises. According to 1992 data from the Greek Ministry of Finance<sup>9</sup>, 96% of small businesses are in fact "micro" enterprises employing less than 4 people. Micro-enterprises operate mainly in the retail trade sector (35%) property management, rentals and related commercial activities (13%), hotels and restaurants (11.7%) and manufacturing industries (10.4%). Between 2000 and 2005 employment in micro-enterprises represented around 17% of total employment. Reinforcing this data, according to the 2003 Observatory of SMEs Report, 97.5% of the 771,000 Greek SMEs recorded were "micro", and 2.3% were "small".

<sup>9</sup> See Karakioulafis, Christina: Comparative Study on IR in SMEs – The case of Greece, EIRO

The table below summarizes key data on Greece's structure of economy.

Sector	Share of GDP (%)	Products
Agriculture	5.4%	Sugar beets, wheat, maize, tomatoes, olives, olive oil, grapes, raisins, wine, oranges, peaches, tobacco, cotton, livestock, dairy products.
Industry	21.3%	Processed foods, shoes, textiles, metals, chemicals, electrical equipment, cement, glass, transport equipment, petroleum products, construction, electrical power.
Services	73.3%	Transportation, tourism, communications, trade, banking, public administration, defence.
Trade (2006 est.)	Exports: \$18.54 billion	Manufactured goods, food and beverages, petroleum products, cement, chemicals.
	Imports: \$48,2 billion (f.o.b.)	Basic manufactures, food and animals, crude oil, chemicals, machinery, transport equipment.
Major trading partners	Exports	Germany, Italy, France, the U.S., the U.K
	Imports	Germany, Italy, France, Japan, the Netherlands, the U.S.

Source: US Department of State 2007

Key indicators on export and import performance are summarized below.

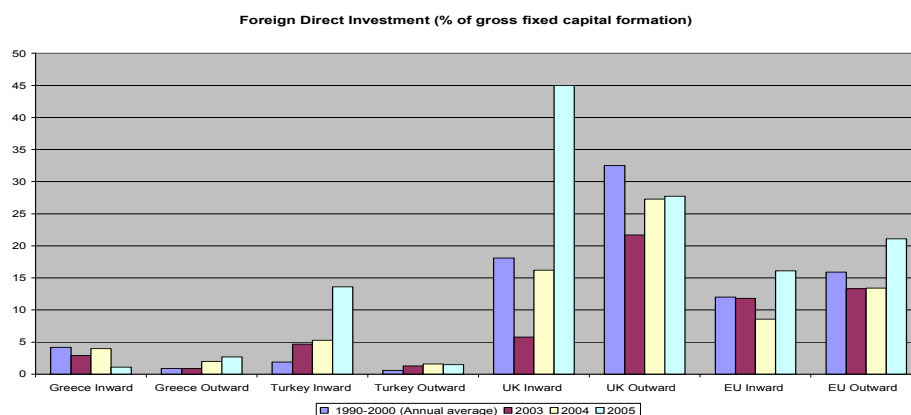
Export and Import Characteristics

Exports	\$ 24.42 billion f.o.b. (2006 est.)	Imports	\$ 59.12 billion f.o.b. (2006 est.)
<b>Exports commodities</b>	Food and beverages, manufactured goods, petroleum products, chemicals, textiles.	<b>Imports commodities</b>	Machinery, transport equipment, fuels, chemicals.
<b>Export partners</b>	Germany 12.4% Italy 10.4% UK 6.7% Bulgaria 5.9% US 5.3% Cyprus 5.2% Turkey 5.1% France 4.2% (2005)	<b>Imports partners</b>	Germany 12.7% Italy 12.4% Russia 7.8% France 5.7% Netherlands 5.5% Saudi Arabia 4.1% (2005)

Source: CIA Fact Book 2007

### Foreign Direct Investment (FDI)

The Greek economic players do not invest significantly abroad. The illustration below shows that the UK is Greece's major FDI partner in both the "inward" and "outward" categories. The rest of the EU and Turkey are Greece's other key partners on this issue. In 2005, inward flows of FDI (1.1%) strongly declined as compared with the previous year (4.0%). Moreover, data<sup>10</sup> show that the overall inward FDI stock as also declined from 13.9% (2004) to 13.2% (2005) of gross fixed capital formation.



Source: UNCTAD, 2006

<sup>10</sup> See UNCTAD, World Investment Report 2006: [www.unctad.org/fdistatistics](http://www.unctad.org/fdistatistics)

## Section 2 – Social dialogue and industrial relations in Greece

### *Summary*

The following paragraphs summarise the data presented in detail later in this section of the report and reflect on it in the light of the discussions that took place between the Greek social partners at the national seminar. It can be regarded as an executive summary of the “social dialogue and industrial relations” element of the report.

At the seminar, the Greek social partners addressed the following issues;

- ◇ The draft report circulated prior to the seminar paints a picture of adversarial social partner relationships based upon radically differing views on the macroeconomic needs of the Greek economy. To what extent does this reflect social dialogue reality in Greece?
- ◇ To what extent do the reported rigidities in employment law and practice help or hinder economic transformation at the company, sector and national levels?
- ◇ In what ways do Greek laws and practices on information and consultation facilitate or hinder qualitative change in the workplace?
- ◇ In the face of increasing competition from low cost countries to the “near” and “far” East, how can the Greek social partners assist in the structural changes needed to shift the country from competitiveness based upon “low cost - low skill” to a different model?
- ◇ In the Greek context, can greater a clearer focus on “employability” replace the current focus on “existing job protection”?
- ◇ How can the Greek social partners deal with the problem of the size of the informal economy and its negative effect on their influence?

Although formal state intervention in industrial relations and the regulation of industrial disputes was much reduced in 1990, the state is claimed not to wholeheartedly embrace and foster bipartite social dialogue in Greece. Even where the Greek social partners have produced joint recommendations to the government, they have not always produced a favourable policy making response. It should be noted however that Greek social dialogue is more typically marked by social partner disagreements on key issues than by compromise and consensus. The employer agenda focuses on improvements in competitiveness whilst the trade unions are more concerned about the protection of existing worker rights. There appears to be little effort made to reach the compromises necessary for the establishment of a shared agenda.

In terms of representivity, the Greek trade unions represent around a quarter of workers although they have suffered concurrent falls in both member numbers and in density over the last 10 years. The organisation rate of employers is quite high in European terms at 70%. It is however fragmented between four peak organisations that do not always agree on priorities and desired outcomes.

Social dialogue on broad economic and social issues and policy concertation takes place at the tripartite Economic and Social Council (OKE). In recent years GSEE, ADEDY, SEV, ESEE and the government signed a Confidence Pact covering competitiveness, development and employment (GSEVEE refused to sign). Attempts to reach accord on the reform of social protection and taxes were both unsuccessful.

Collective bargaining takes place at the national, sectoral, enterprise and occupational levels. National and sectoral arrangements are the most important and their impact is reinforced through the applications of legal extension arrangements. The agenda of industrial relations is narrow, focused on wages and working time. The European social dialogue has however influenced some broadening in the Greek industrial relations agenda. The Greek social partners, for example, included “Telework” in the last National General Collective Agreement (EGSSE).

Greek law provides for the establishment of works councils in companies with 50 or more workers when a trade union organisation operates in the enterprise. Works councils can also be set up in companies with 20 or more workers if there is no trade union organisation. The law does not however translate into consistent outcomes. Less than 5% of the firms covered by the law establish a works council, although those that exist represent some 42.2% of Greek employees.

Greece’s economy is characterised by one of the highest levels of annual working hours in the OECD. Although the possibility of using new forms of working time flexibility was introduced by law in 1990, overtime above “full time working hours” remains the dominant form of working time flexibility. Rigidity in working hours is matched by other forms of labour market inflexibility. The World Bank and OECD both rank Greece to be among the strictest in the regulation of hiring and firing.

Apparently paradoxically, a labour marked by strict regulation and long employment tenure is also one where workers’ perception of employment security is extremely low. At the heart of this paradox are the fear and consequences of job loss caused by a lack of anticipation of change, low levels of retraining opportunities and social protection.

It has proved extremely difficult for this analysis to find examples of systematic, formal and active involvement of the social partners in restructuring at the national, sectoral or enterprise levels. This is perhaps not surprising given the macroeconomic analysis data in section one above that suggests restructuring is not an important current issue for the Greek economy combined with the low incidence of existence of works councils. It is clear however that this situation is unlikely to continue. Greece no longer has the comparative advantages of a developing country and, at the same time, does not have the advantages that are typical of the advanced countries.

As the social partners take on the task of discussing restructuring at the enterprise and national levels, three key issues need to be tackled;

- ◇ The social partners need to find a way that matches currently polarised employer and trade union aspirations in Dialogue. Currently employers demand improvements in labour flexibility and productivity and the trade unions demand increased job security;
- ◇ The combination of a strict employment protection law, very low access to life-long learning, a low level of unemployment benefits and a huge informal economy encourage people to protect existing companies and jobs rather than promote structural change in Greece’s economy and society;
- ◇ Social dialogue in Greece today is undertaken on the basis of a short term zero sum game. Higher levels of mutual trust between the three major actors, trade unions, employers and government must be built if a longer term perspective is to be taken.

### *Overview*

Greece has an old and strong tradition of state intervention in industrial relations, including on wage determination. Under the Metaxas' dictatorship (1936-1940), the system of industrial relations was based on the fascist model<sup>11</sup> and most elements remained untouched until the mid 20th Century.

In common with other European countries with conservative dictatorships<sup>12</sup>, Greek industrial relations evolved from this paradigm during the last decades of the Greek dictatorship but it was only after the fall of the dictatorship (1974), and after the democratic Constitution (1975) that direct state intervention in the internal affairs of the trade unions came to an end and that trade union rights were formally established (1982).

In 1990 direct state intervention in industrial relations and on the regulation of industrial disputes was modified. The new legislation increased the role of social dialogue in the settlement of industrial disputes. In 1991, the tripartite Organisation for Mediation and Arbitration (OMED) was founded, followed, in 1993, by the bipartite Institute for Occupational Health and Safety (ELINYAE), in 1995 by the tripartite Economic and Social Council (OKE) and in 1996 by the tripartite National Labour Institute (EIE).

OKE was designed to play a central role in economic and social policy and in industrial relations but it is suggested that its effectiveness has been limited by the political cycles during the period 1993-1999. Even when the social partners have produced joint recommendations to the Government, they have not been met with a favourable response.

In 2007, the Greek General Confederation of Labour (GSEE) and the Federation of Greek Industries (SEV) reacted to the government proposal for amendment to the Constitution of 1975<sup>13</sup> and its revision of 2001, by submitting their own proposals to the President of the Republic, the Prime Minister and the political leaders of Greece.

- ◇ Trade union proposals target the reinforcement of social rights; the provision of services in the public interest; the enshrinement of the social partners' participatory role; the extension of the right to strike to members of the judiciary and security forces; the end of the requirement of judicial ratification to set up a trade union; the principle of equal treatment for immigrants; and the wage determination of public service by collective agreement.
- ◇ SEV proposals aim to balance free competition with social protection by the modernisation of the education system; the development of sustainable development; and modernisation of the state based on the rule of law with a view to equity, quality and the strengthening of the welfare state.

In June 2007<sup>14</sup>, the responses of the social partners to the EU's Green Paper on modernising the labour market also contained significant differences. While trade union representatives have adopted a critical position, employer's representatives tend to see the European Commission's initiative as an opportunity to change labour law and collective bargaining to promote

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<sup>11</sup> See Karakioulafis, Christina: Comparative Study on IR in SMEs – The case of Greece, EIRO

<sup>12</sup> Portugal and Spain

<sup>13</sup> See <http://www.eurofound.europa.eu/eiro/2007/01/articles/gr0701069i.html>;

and <http://www.eurofound.europa.eu/eiro/2007/02/articles/gr0702049i.html>

<sup>14</sup> See <http://www.eurofound.europa.eu/eiro/2007/02/articles/gr0702059i.html>

adaptability more rapidly to safeguard the competitiveness of Greek companies and, thus, employment.

The radically differing attitude of the Greek social partner's to macroeconomic issues suggests that their relationship at least at this level is substantially adversarial in nature.

#### *The Greek social partners*

##### *The trade unions*

There are two trade union confederations in Greece: the Greek General Confederation of Labour (GSEE), founded 1918 and member of ETUC, and the Confederation of Public Servants (ADEDY), founded 1947. The main division between the two trade union confederations is based on public/private employment and GSEE and ADEDY are discussing the possibility of a merger.

Using the total membership figures given in the table below and the number of employees as defined in national labour force surveys enables crude density figures to be produced: Greece in 2003 was among the group of countries with trade union density estimated at 20-29%.

Trade union membership represented by national confederations (1993-2003)

	1993	1999	2003	Change 1993-2003
GSEE	485 000	416 000	422 000	- 13.0%
ADEDY	236 000	240 000	217 000	+8.1%
Total	721 000	656 000	639 000	- 11.4%

Source: EIRO 2007

The Greek trade unions have suffered concurrent falls in both member numbers and in density. Overall union membership in Greece decreased between 1993 and 2003, but the rate of decline slowed after 1998. In Western Europe, falls in membership have been generally less dramatic, but nonetheless exceeded 10% for major organizations, as in case of the Greece's GSEE.

- ◇ GSEE, which includes 62 trade union federations and 75 labour centres, covers all trade unions that represent employees working under private law labour relations and negotiates the National General Collective Agreement (EGSSE).
- ◇ ADEDY is the peak-level that includes the trade unions of public administration, where labour relations of public law apply. ADEDY is a three-level organisation and includes 1264 first-level unions that are organised in 52 federations. It can be seen that the Greek trade union movement is extremely fragmented at the primary and secondary levels.

#### *Employers' organisations*

There are three employers' confederations in Greece: the Federation of Greek Industries (SEV), member of BUSINESSEUROPE, the Hellenic Confederation of Professionals, Craftsmen and Merchants (GSEVEE), member of UEAPME, and the National Confederation of Greek Commerce (ESEE). The Centre of Greek Public Enterprises and Organisations (CEDEO), the member of CEEP, represents the public law entities and the Private Law Entities not listed in the Stock Market. Since the creation of SEV (1979) no significant changes have been observed on the national employer's peak associations. According to Jelle Visser, the organisation rate of employers was 70%<sup>15</sup> in 2004, i.e., 10 % points above the EU25 average.

- ◇ SEV, which represents industry and big companies in general, negotiates around 100 sectoral and occupational collective agreements. Processing and

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<sup>15</sup> As a percentage of total employment

manufacturing industrial businesses make up 85% of SEV members. Just 15% of SEV members are found in the services sector.

- ◇ ESEE includes 10 federations of employers of commercial entrepreneurs and a Commercial Agents' Federation;
- ◇ GSEVEE represents 48 local federations comprising 682 organisations and 13 sectoral federations involving 89 organisations. Its members are handicraft professionals and small manufacturing companies and self-employed, some with additional employees<sup>16</sup>.

Fragmentation of employers' organizations at the level below the three major confederations is also significant.

#### *Levels and contents of social dialogue*

Social dialogue on broad economic and social issues and policy concertation takes place at the tripartite Economic and Social Council (OKE), where, in 1997, GSEE, ADEDY, SEV, ESEE and the Government signed the Confidence Pact after six months of negotiations, covering most areas of competitiveness, development and employment. GSEVEE refused to sign and were excluded from the initiative<sup>17</sup>. Social dialogue on the reform of social protection and taxes were both unsuccessful.

Collective bargaining, as set down by Law 1876/90, concerns all workers employed on the basis of a private-law employment contract.

Civil servants and the trade unions represented by ADEDY are not part of the collective bargaining system of Law 1876/90. In August 1999, legislation recognised the right of public servants to collective bargaining for education and training, health and safety, mobility, and trade union rights, but not for pay.

Collective bargaining takes place at four levels:

- ◇ At the national level, where SEV, GSEVEE, and ESEE, on the one side, and GSEE, on the other side, negotiate the National General Collective Agreement (EGSSE), which sets out minimum wages and salaries and other basic employment conditions for workers throughout the country ;
- ◇ The sectoral or industry collective agreements, where employers' federations and trade union's federations negotiate on behalf of their members of similar or related industries or sectors;
- ◇ The company collective agreements are negotiated and signed by company- or plant-level trade unions and management;
- ◇ The national occupational and the local/regional occupational collective agreements, cover employees engaged in a specific occupation or profession at the national or local level, and are signed by employer federations and occupational trade unions.

Collective agreements signed in 2005 are summarized on the following table.

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<sup>16</sup> See Ioannou, Christos: Trade unions in Greece. Developments, structures and prospects, 1999.

<sup>17</sup> See Ioannou, Christos: Social Pacts in Hellenic Industrial Relations: Odysseys or Sisyphus?, 2000.

Number of collective agreements concluded (2005)			
	By direct negotiation	By mediation procedures	Arbitration decisions
National general level	-	-	-
National occupational level	121	12	12
National sector level		13	18
Local occupational level	24	3	3
Local sector level	-	2	8
Enterprise level	234	26	21

Sources: Ministry of Labour and OMED quoted by EIRO

Usually, collective agreements are valid for two years and wages are negotiated at all these four levels. National and sector level collective bargaining are both important. While company level bargaining “exists”, it is not significant<sup>18</sup>.

#### *Coverage rate and degree of centralisation*

According to Jelle Visser’s estimates, coverage rate was 61% to 70% in 2004. It should be noted that this estimate does not include the National General Collective Agreement (EGSSE), which establishes national minima for all workers of all sectors. The high coverage rate is explained by the use of extension arrangements. Collective agreements can be extended by the Minister, provided that the agreement covers more than 50% in the sector or occupation. Wage bargaining centralisation is mid-range according to the index developed by Jelle Visser. Having increased from 0.33 in 1995, it was 0.39 in 2004. Nevertheless, coordination at the sector level is patchy.

#### *Outcomes of collective bargaining*

The agenda of industrial relations is focused on wages and working time. Although equal opportunities and discrimination issues, training and skills, reconciliation of work and family life are regulated by some collective agreements, Christos A. Ioannou<sup>19</sup> concluded recently that the social partners have little influence on the shaping of labour law and the regulation of the major work organization issues, as the scope of collective agreements is typically significantly narrower than the global employment agenda.

The agreement signed in May 2005, by the management of Hellenic Telecommunications Organization (OTE) and the OTE Employee Federation (OME-OTE) can be considered an exception as it introduces greater employment flexibility. It should be noted, however, that the significance and the evaluation of this agreement in setting the future bargaining agenda is far from unanimous.

In 2006 a new National General Collective Agreement (EGSEE) was signed for two years<sup>20</sup>, covering pay issues; the implementation of telework in line with the Framework Agreement signed, in 2002, by the European Social Partners; vocational education and training; female employment and an increase in severance pay for workers with 25 to 30 years of service. Working time arrangements were not included.

<sup>18</sup> See Visser, Jelle: “Patterns and variations in European Industrial Relations”, EC: Industrial Relations in Europe, 2004.

<sup>19</sup> See Ioannou, Christos: “Why is Modern Work Organization Lacking from Southern European Public Policies? The case of Greece”, The International Journal of Comparative Labour Law and Industrial Relations, Volume 22/1, 19-37, 2006.

<sup>20</sup> See <http://www.eurofound.europa.eu/eiro/2006/05/articles/gr0605019i.html>



### *Works councils and employee representation*

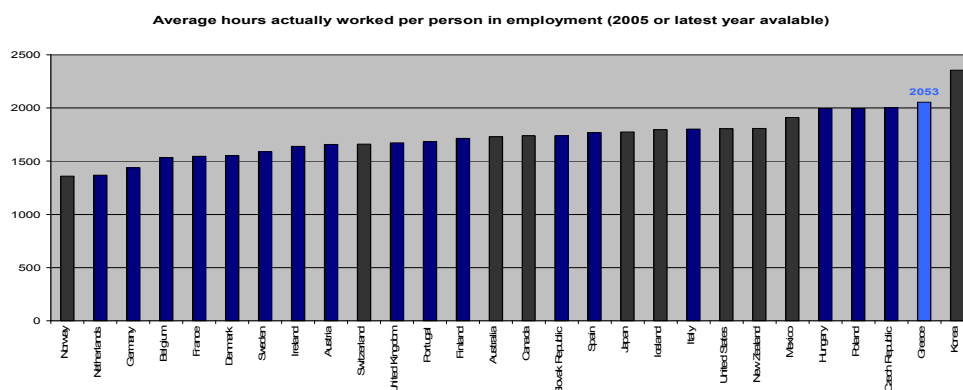
Greece's system of workers representations is based on the dual model and works councils exist on a legal basis that granted works councils the rights of information and consultation but not of codetermination.

According to Law 1767/88, works councils can be set up by workers in a company with 50 or more workers when a trade union organisation operates in that company. Works councils can also be set up in companies with 20 or more workers if there is no trade union organisation. According to one experts evaluation<sup>21</sup> it appears that less than 5% of the firms covered by the law actually dispose of a works council, even if, reflecting the high share of SMEs, workplace representation covers 42.2% of employees<sup>22</sup>.

### *Working time*

Since the beginning of the 1980s, the contractual and legal weekly working time for most employees remained unchanged at around 40 hours, 2.1 hours more than the EU15 average for these years. In 2004, the weekly working time for the civil service was 37.5 hours, 0.5 hours less than the EU15 average. The possibility of using new forms of working time flexibility was introduced by Law 1892/1990 that also introduced regulation of part-time work. It was extended by Law 2874/2000 and recently by Law 3385/2005. According to EIRO, big firms remain reluctant to implement new working-time arrangements because their use depends on the consent of unions or works councils. Generally, overtime remains the dominant form of working time flexibility.

Greece's economy is characterized by one of the highest annual working time's length amongst OECD countries, although, according to Eurostat figures, the percentage of employees working longer than 48 hours per week and the incidence of work on Sundays are lower than the EU average. This last source indicates that working time remained almost unchanged between 2000 and 2005.



Source: OECD

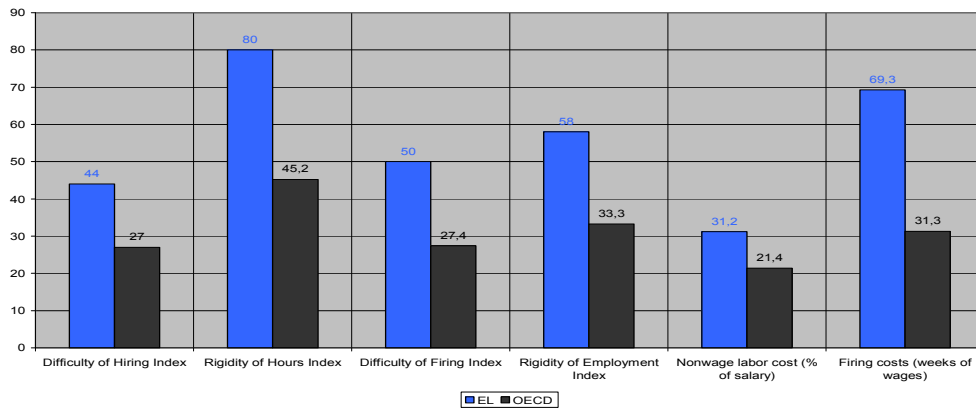
### *Labour market regulation*

The evaluation of labour market rigidity as measured by the World Bank suggests that Greece, as compared to the OECD average, has a strict labour code. This view is shared in the evaluation of Greece's employment protection law (EPL) by OECD indicators which rank the country among the strictest in legal regulation of hiring and firing.

<sup>21</sup> Jelle Visser. See EC, Industrial Relations in Europe, 2004.

<sup>22</sup> See [http://www.eurofound.europa.eu/eiro/country/greece\\_4.html](http://www.eurofound.europa.eu/eiro/country/greece_4.html)

World Bank Rigidity Index (2006)



Source: World Bank

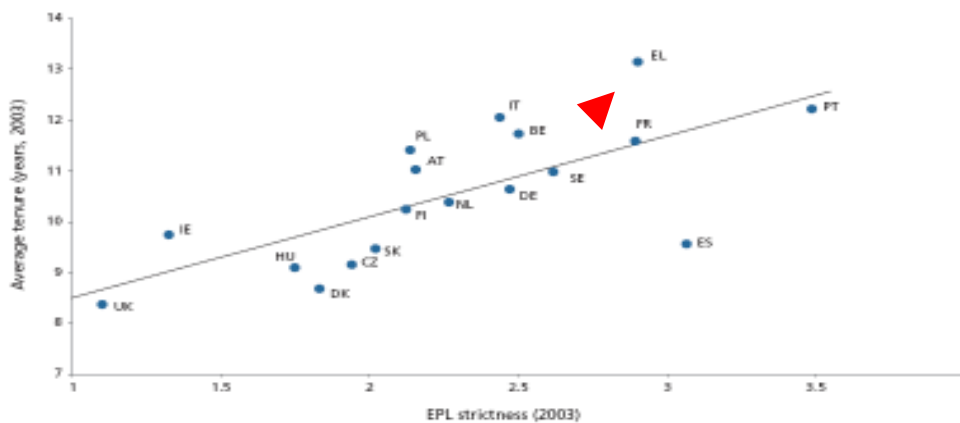
Overall strictness of EPL in 2003 (scale 0 – 6)



Source: OECD, 2004

This analysis may help explain the average tenure of Greek employment contracts, which is the highest among the countries analysed.

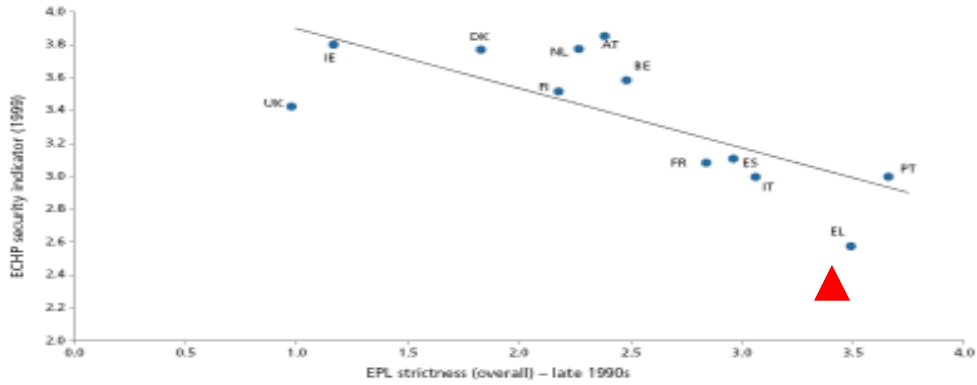
EPL and employment tenure



Sources: DG-EMPL calculations using LFS data (for tenure) and OECD data (for EPL).

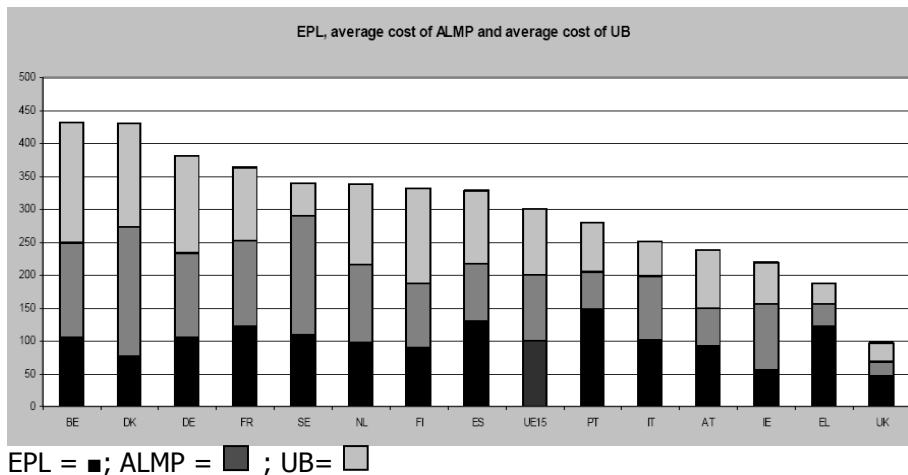
It must be noted that this average tenure and the Greece's labour turnover, the lowest among European countries, does not imply a high level of perceived employment security by the workers. On the contrary, Greek workers are the most pessimistic on this issue.

**EPL Strictness and perceived security**



Sources: OECD for EPL and Postel-Vinay and Saint Martin (2004) for indicators on perceived workers' security based on ECHP

The fear and consequences of job loss were explained as reasons for this apparent paradox. Low levels of Greek investment in active labour market policies, the very low level of Greece's unemployment benefits, the size of the informal economy and the exclusion of atypical work from most social protection schemes contribute to feelings of insecurity in jobs which are in reality very secure.



EPL = ■; ALMP = ■ ; UB= □

Source: Dornelas, 2006

*Social dialogue and restructuring*

It has proved extremely difficult for this analysis to find examples of systematic, formal and active involvement of the social partners in restructuring at the national, sectoral or enterprise levels. This is perhaps not surprising given the macroeconomic analysis data in section one above that suggests restructuring is not an important current issue for the Greek economy combined with the low incidence of existence of works councils described in section two above.

This situation may not last. From the trade union perspective<sup>23</sup>, Greece no longer has the comparative advantages of a developing country and, at the same time, does not have the

<sup>23</sup> See <http://www.eurofound.europa.eu/eiro/2005/10/feature/gr0510103f.html>

advantages that are typical of the advanced countries. To the Greek trade unions, restructuring appears to be undertaken to the detriment of workers' interests and the redistribution of the gains from restructuring rarely favour employees.

It is also difficult to find information on Greek collective agreements that include the key issues of the renewal of work organisation. The reason could be that for companies, these needs are centred on the demand to boost labour flexibility and productivity, whereas for trade unions job security is the cornerstone of the strategy to be followed<sup>24</sup>. According to EIRO, in certain cases, changes in working practices are introduced through informal agreements at the enterprise level, rather than through the conclusion of collective agreements. As a consequence, many changes in work organization do occur outside collective bargaining.

Seen from abroad and from an expert's point of view, the legal framework and the predominant agenda of industrial relations seem problematic. Without significant update, the employment framework and employee relations climate are unlikely to contribute effectively to improvements in Greek competitiveness; to a structural modification of employment patterns and to a qualitative improvement of the working conditions.

The combination of a strict employment protection law, very low access to life-long learning and with a low level of unemployment benefits combine with the size of informal economy and the present characteristics of the employment system to protect more *existing companies and jobs* rather than promote structural change in Greece's economy and society.

Similarly, if collective agreements remain focused on a traditional approach to pay issues in certain sectors of the economy and do not address the macro and micro-economic issues associated with economic change and transformation, they risk losing relevance to the restructuring agenda.

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<sup>24</sup> See <http://www.eurofound.europa.eu/eiro/2004/09/tfeature/gr0409103t.html>

### Section 3 – Case studies

#### Summary

The chosen case studies are deeply linked to two important features of the Greek economy and industrial relations i.e. the paramount importance to the economy of SMEs and the influence on employee relations of political cycles.

The SME case shows how a significant sectoral transformation can escape the eyes of macroeconomic policy makers by falling under the restructuring radar. The shipyards case illustrates some of the challenges that are faced in the transformation of subsidised state enterprises into successful private sector businesses.

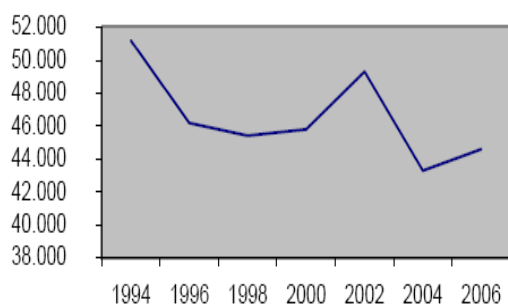
The first cases (Laro Abee and Ellathrio Strom) are taken from the “furniture construction” sector, where employment declined by 13% from 1994 to 2006 and the average size of enterprises dropped from 3.8 to 2.8 employees per employer during the same period. In the face of increasing international competition, both small businesses studied survived and prospered through a process of business evolution and employee’s engagement rather than short term cost cutting. The cases also illustrate the importance of third party assistance to micro enterprises in terms of availability of business planning advice, credit provision and the existence of training support for their future development.

The second case study, Elefsis Shipyards, illustrates the difficulties of turning around a company that has been nationalised, privatised, re-nationalised ... and is now again a privately owned company employing around 750 people.

#### Case study 1 - Restructuring in two Greek SMEs in the construction of furniture sector<sup>25</sup>

The majority of employment in the furniture construction sector is concentrated on micro enterprises. Some 79% of employees in the sector worked in micro enterprises in 2006. The reduction of employment recorded in the sector is caused by the reduction of employment in micro companies.

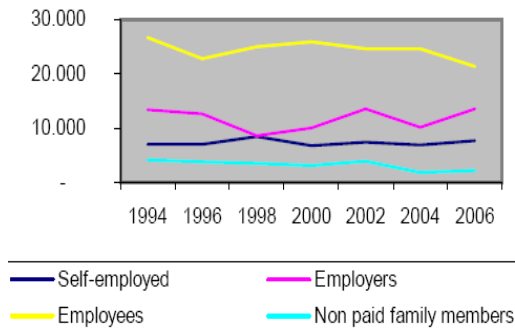
Employment in the sector



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<sup>25</sup> Based on interviews with Giorgos Ioannidis (GSEVEE) and the written material he provided.

## Employment by occupation



These data demonstrate that the furniture production sector is undergoing a restructuring process that is taking place simultaneously in many thousands of micro-enterprises. Although extremely significant in the macro sense, the changes taking place in the sector fall below the radar of typical indicators of business restructuring measured by the incidence of collective redundancies. Where a single major company in Greece to announce 7,000 job losses, it would be an extremely significant political and labour market issue.

The case studies below are “positive examples” in a general climate of sectoral decline. They do not therefore constitute characteristic examples of the whole sector, nor do their stories justify a generalisation embracing all companies. They do provide pinpoints of light illustrating the art of the possible.

The basic characteristics of the sector are liberalisation and internationalisation.

Since the mid ‘80s more and more furniture products have been imported. Except for the products of high added value, a huge quantity of low-cost furniture coming mainly from eastern European countries and more recently from Turkey has entered the Greek market (as in other countries). This created a steady pressure on the manufacturing enterprises in Greece, which is still affecting the sector.

Most recently, a number of multinational retailers have opened operations in Greece, including retail mega-stores which also sell furniture (e.g. IKEA). At the same time, other large Greek companies have responded by expanding significantly (e.g. NEOSET). This has fundamentally shifted the market in which smaller companies operate. A large number of self-employed people shifted from production to the repair of furniture. At the same time, a significant number of smaller companies started producing on behalf of other companies with given specifications.

The case study companies below are LARO ABEE and ELLATHRIO STROM.

### *The LARO ABEE case*

The company was founded in 1977, with 10 employees, as a furniture production company specialising in children and infants’ furniture and a number of wooden toys. By the end of the 80’s the company was exclusively orientated in wholesale trade in Greece and abroad and employed 45 persons. Since 1989 the company expanded into two major fields of activities: furnishings of professional spaces and development of a company-owned sales network, constituting today of 5 company-owned retail stores and 3 franchises.

At present, Laro Abee has 85 full-time employees and its fields of activity are: (a) design and construction of furniture equipment for professional spaces (offices, stores, hotels, ships, education institutions, etc) in Greece and abroad; (b) production of integrated furniture systems

for infants, children and teenagers' rooms; (c) retail activity through a company-owned sales' points network, imports/exports.

The intense pressure on the Greek companies of the sector resulting from the above-mentioned changes initially caused Laro Abee to experience loss of profits, reduced expert demands and employment cuts. As an answer to these challenges, the company adopted an aggressive strategy which involved the expansion of its present activities and the development of new ones. In the past 4 years, the "professional space" furnishing department started undertaking projects outside Greece.

Company management is based on an open model, which means that all the economic data of the company are open to all the employees. The employees within each sector of the company participate in regular meetings with the employers and managers to discuss the company's economic situation; to look for ways to improve it; and to exchange ideas about marketing and new designs. Alongside the engagement programme the company developed a staff bonus-system to supplement regular wages.

Re-training is a major concern for the company. During the last two years, about 40% of employees followed a re-training programme using the LAEK (Government initiative) account. Some of these programmes are organised by the company itself, while others are organised by Vocational Training Centres (KEK). In 2004, the company participated in the "Competitiveness Programme" of the Ministry of Development. In the framework of this programme, the company developed a marketing plan, cost estimation techniques, quality-guarantee systems and it acquired the ISO 9000 and the environment management ISO certification. About 60% of the people employed in the company regard their job as a longstanding occupation, although their point of view depends, to a large extent, on their nationality. According to the owners, the cooperation with the state agencies is working well.

#### *The ELLATHRIO STROM case*

The Ellathrio Strom mattress company was founded in 1964. In 1986 the founder's son took over the company and in 2004 the company participated in the "Competitiveness Programme" of the Ministry of Development, which changed fundamentally the company's characteristics.

What differentiates the mattress production sub-sector from the furniture sector as a whole is the fact that this sub-sector is somewhat "protected" from external competition because in Greece there is a demand for mattresses of different sizes. So, smaller companies can serve this market if they have the ability to diversify and to improve the quality of their products.

The problems that Ellathrio Strom faced were associated with the need to modernise production. The major changes involved the import of new automated machinery, to improve the ventilation of the product and the adoption of improved quality measurement systems. The modernisation of machinery gave the company a chance to raise its production and to acquire ISO certification.

Today the company produces mattresses for customers with specific professional needs, for retail shops of high quality products, and for furniture construction companies with given technical specifications.

The purchase of new machinery created the need for retraining the staff. The employees attended a two-week training programme organised by the company that produced the machinery. Special technical assistance was provided by Italian technicians that visited the company. In spite of the significant changes in the production processes, the employees of the company were not negatively affected. Even the older workers were trained in the new

procedures and, after a short period of adaptation, managed to become fully productive. The company is now considering running a new programme to further train its employees.

There are no immediate plans for expansion but the owner is considering the similarly distinctive export markets in Cyprus and Albania. The economic prospects of the company seem extremely promising. Changes are still taking place but they are more relevant to the marketing of the product and the efforts to keep track of the new trends in the sector. Since 2004 the company has experienced a major increase in production (+40%-50%), profits (+80%-100%) and employment (+30%).

#### *Some conclusions*

In the first case the results have been achieved by the development of new fields of activity and, in the second case, this happened through improvements in product quality. The common rationale in both companies is that the changes they made aimed at expanding their customer base and not at “securing” or “protecting” the ones that they already had.

None of the companies tried to reduce labour costs by lowering nominal wages or by discharging employees. The decrease of the labour cost resulted from an increase of productivity achieved by the modernisation of production. Even though there was a significant change in production techniques, no employees lost their job. Through proper training programmes, all of them, including the older workers, learnt to operate the new equipment effectively.

Both case studies suggest that, for SMEs, an integrated approach from public bodies is preferable than a more specialised one. The entrepreneur’s culture seems to play an important role and may explain why different attitudes towards co-operation between employers and public bodies like the Business Innovation Centre can vary a lot.

It took both companies 3-5 years to realise how to respond to the new situation and to put their new plans into action. During this period, they experienced loss of profits and cut-downs in employment. For many small businesses, this turn around time is not sustainable. The existence of an integrated system of information and support, from the government or from the Chambers, can reduce this period of time, which could in turn reduce its negative impact by providing an earlier and better understanding of economic forecasts the options for action for the entrepreneur.

#### *Case study 2 – Elefsis Shipyards*

The history of Elefsis Shipyards includes several episodes of transference of ownership between public and private groups as a result of the political cycles occurring in Greece after 1974. The present owners bought the shipyards from a public owned bank after they had undertaken a successful previous privatisation on the island of Syros (Neorion). In the case of Elefsis Shipyards, the Greek government decided to permit the sale of the company to avoid its closure only after protracted consultations with a large group of public and professional entities.

The need for change in the organisation came mainly from the fact that the companies acquired had to restart operating after being closed for some time (Neorion) or after being managed by liquidators (Elefsis). Both yards had suffered long term financial losses and had spent a number of years under government control.

In order to move the company into profitability radical steps had to be taken. The restructuring process involved a series of measures to adapt the number of staff and the conditions of employment to a new operating environment characterised by strong competition by shipyards



from China, Korea, Eastern Europe and, lately, Turkey and the consequences of the Euro/Dollar balance. The programme involved;

- i) The need for new management techniques linked to the move from a government controlled/subsidised company to a private company;
- ii) A shift in focus from ship repairing to shipbuilding and the production of railway cars. To accomplish this, significant investment had to be made in new equipment and maintenance. The national vocational training centre (KEK) that had been founded using national and EU funds was instrumental in helping to carry out the associated training programmes;
- iii) The reorganisation of production to improve productivity. This included a reduction in the permanent positions in the order of 50% from the company's peak employment period. The reductions were negotiated with, and accepted by the trade union. The measures adopted included early retirement, outplacement in public owned bodies and direct negotiation with workers to promote voluntary leavers. In addition there were changes in the working conditions of employees that remained in the company.

Trade union representatives interviewed in Athens have a positive evaluation of the restructuring programme, mainly because of the negative effects on employment of the alternative solution.

Both yards have now moved into profitability and as a result the workers have secured significant financial improvements. The companies have re-established their reputation as centres of excellence for a number of jobs. Nonetheless, 13 years after the first privatisation of Neorion the need to continue with improvements remains as the productivity gap between Elefsis and other European shipyards is still 10% to 15%. More recently, an offer of profit-sharing in exchange for some present rights and conditions of work has been refused by trade unions officers at plant level, that prefer the classical approach based on wages.

#### *Some conclusions*

In this case, extensive social dialogue took place before and influenced the decisions taken by Government and other public bodies. Social dialogue procedures also took place at plant level after the Governments' decisions between new management and trade union officers in order to implement the detailed qualitative and quantitative changes necessary in the workplace. Though important, the procedure was conducted in a relatively informal fashion compared with typical "Northern European" approaches.

Although the evaluation of the restructuring process at Elefsis and Neorion shipyards in the eyes of the trade unions and employers is positive, neither case suggests that formal collective bargaining or social dialogue played a major role in the anticipation and prevention of the acute problems actually faced, and subsequently dealt with, by the company and its workers. Indeed in the protracted decision making period that preceded re-privatisation, it is almost certain that matters got progressively worse.

