

# Labour market policy and joint regulation in Greece during the crisis: The case of manufacturing

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**Project:**

**Social dialogue during the economic crisis: The impact of industrial relations reforms on collective bargaining in the manufacturing sector (incorporating social dialogue in manufacturing during the sovereign debt crisis)**

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## 1. Introduction

Against the context of the 2008 global financial recession and longstanding structural problems in the Greek economy, a range of wide-ranging policy and regulatory changes in labour law and industrial relations have been adopted since 2010. Driven by the loan agreements that have been concluded between the Greek government, the International Monetary Fund (IMF), the European Central Bank (ECB) and the European Commission acting on behalf of the Euro-zone Member States, the reforms are consistent with the dominant view that the lack of competitiveness of the Greek economy had been due to labour market rigidities and the high degree of employment protection legislation.<sup>1</sup> As a result, essential features of Greek labour law and industrial relations have been radically amended with significant implications for the role of the state and the social partners in collective bargaining. The objective of the paper is to provide a detailed survey of the changing landscape of labour law and industrial relations in light of the sovereign debt crisis and assess the implications of these for the system of collective bargaining and wage determination.

## 2. The Greek system of collective bargaining pre-crisis

The Greek system of labour market regulation has been traditionally characterised by its legal structure that arises from the interventionist role of the Greek state. The basic institutions of the industrial relations system, i.e. trade union freedom, the structure and internal organisation of trade unions, collective bargaining and the right to strike have been traditionally areas regulated by statutory law.<sup>2</sup> Owing to the fact that industrial growth had a delayed start in Greece, labour legislation started taking shape only at the beginning of the twentieth century and was accelerated following the Second World War.<sup>3</sup> The modernisation of the Greek labour market and the support of collective autonomy started in the 1970s with the aim to accommodate conflict-based industrial relations and social movements.<sup>4</sup> The 1975 Constitution democratised labour relations, extended and enlarged the already existing list of fundamental rights and Law 1264/1982 established later a number of trade union freedoms. These developments were followed by changes mainly via Law 1876/1990, which created the legal conditions for the development and expansion of collective bargaining in Greece based on the clear precedence that it gave to collective agreements vis-à-vis legislative interventions.

Under Law 1876/1990, there were five types of collective agreement: national general, industry, enterprise, national occupational and local occupational, each with differing applicability. Industry-level and occupational agreements could be extended and rendered

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<sup>1</sup> For an analysis, see C. Teissier, 'Quelles perceptions nationales de la crise?', in M.C. Escandre Varniol, S. Laulom and E. Mazuyer (eds) *Quel Droit Social dans une Europe en Crise?*, (Larcier, 2012). 344.

<sup>2</sup> M. Yannakourou, The Evolution of Labour Law in Greece 1992-2002, in European Commission, The Evolution of Labour Law (1992-2003), Volume 2: National Reports, Luxembourg, Office for Official Publications of the European Communities, 2005.

<sup>3</sup> I. Koukiadis, General Characteristics of the Greek Labor Law, (2009) 30 *Comparative Labor Law and Policy Journal*, 145.

<sup>4</sup> C. Ioannou, Recasting Greek Industrial Relations: Internal Devaluation in Light of the Economic Crisis and European Integration, (2012) 28 *International Journal of Comparative Labour Law and Industrial Relations*, 199, 204.

compulsorily applicable to all employees.<sup>5</sup> The national general collective agreement (Εθνική Γενική Συλλογική Σύμβαση Εργασίας) stipulated the minimum terms of employment for all persons, irrespective of whether they are members or not of trade unions.<sup>6</sup> This had the effect that the national general collective agreement constituted the point of reference for negotiations at lower levels; in this sense, all employers were ‘followers’ of the national agreement (SEV, interview notes). It is estimated that the various collective agreements covered 85% of workers.<sup>7</sup> Traditionally, it was the case that employers and employees could improve the level of protection at the industry and occupational levels of collective organisation, depending on the specific capabilities and needs at a given time. Crucially, the main axis of these different levels of regulatory mechanisms was the principle of the ‘implementation of the more favourable provision’.<sup>8</sup> If bargaining between the parties to conclude a collective agreement failed, interested parties had the right of appeal to the Organisation for Mediation and Arbitration (Οργανισμός Μεσολάβησης και Διαιτησίας). In the 1975-1992 period, the national general collective agreement was the result of collective negotiations in 61.1% and of arbitration decisions in 39.9%. Following the introduction of Law 1876/1990, it was only concluded following negotiations between the two sides of industry (and not on the basis of arbitration).<sup>9</sup>

While a series of legislative reforms aimed at strengthening collective autonomy, the role of state institutions was also promoted, especially during the 1980s. The participation of institutions such as the Office of Employment (Οργανισμός Απασχολήσεως Εργατικού Δυναμικού) and the Labour Inspectorate (Σώμα Επιθεώρησης Εργασίας) aimed at supporting the development of tripartisme between the state, employers and employees. But these efforts were somewhat piecemeal and failed to promote the establishment of tripartisme as a general principle guiding collective action.<sup>10</sup> Since the early 1980s, a combination of factors related to the membership of Greece to the European Union (as it is now) has influenced significantly the development of Greek labour law. As a result of European Union (EU) law and policy initiatives in the area of labour market regulation, the procedure of law-making changed and permanent institutions, such as the Economic and Social Committee, were created that provided greater space for the development of social dialogue and a partnership approach at national level. During the early 2000s, the National Council of Competitiveness was established for the purpose of providing a forum for tripartite dialogue on the competitiveness of the Greek economy. A report was published identifying a range of challenges that was signed by both sides of industry. This was seen as a welcomed attempt by SEV on the basis that it would open up scope for dialogue with unions beyond the issue of wages to include, for instance, issues of labour productivity and employment (SEV, interview notes). But overall, the primary role of the statutory regulation was not reversed in practice

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<sup>5</sup> The Minister of Labour and Social Security may extend and declare as binding on all the employees of a sector or profession a collective agreement that is already binding on employers employing 51 % of the sector’s or profession’s employees.

<sup>6</sup> The contractual parties, until recently, included the Hellenic Federation of Enterprises, the Greek General Confederation of Labour, the Hellenic Confederation of Professionals, Craftsmen and Merchants and the National Confederation of Hellenic Commerce. Since 2012, the Association of Greek Tourism Enterprises (SETE) has become also a party to the agreement.

<sup>7</sup> E. Kousta, Greece: Developments in collectively agreed pay 2013, Eurofound, <http://www.eurofound.europa.eu/eiro/studies/tn1404020s/gr1404029q.htm>.

<sup>8</sup> This meant that if different collective agreements were in conflict, the principle of implementing the provisions most favourable to the workers applied (Art 7, para 2 of Law 1876/1990 and art 680 of the Civil Code). In parallel, art 3(2) of Law 1876/90 placed limits on sectoral, enterprise and occupational collective agreements so that no worse terms and conditions than the national agreement could be introduced.

<sup>9</sup> See OMED, Annual Report of the Activity of OMED for the year 2011, annex II (OMED, 2012).

<sup>10</sup> I. Koukiadis, (1999) *Collective Labour Relations*, Volume 2, Athens: Sakkoulas, (in Greek).

and attempts to conclude Social Pacts failed on a number of occasions.<sup>11</sup> According to SEV, this was due to the significant internal opposition inside GSEE and the favourable economic climate, which did not provide an impetus for the extension of dialogue beyond wage issues (SEV, interview notes).<sup>12</sup>

In terms of the approach of the social partners, the strategy adopted by the employers, especially during the 1980s, was one of ‘autocratic modernisation’, resisting ‘policies of economic reconstruction by engaging in an effective investment strike’.<sup>13</sup> In the field specifically of industrial relations, there were some tentative attempts by some employers’ associations to break from collective bargaining, especially in the banking sector but there was formal support to the institution of the national general collective agreement. On the part of the trade unions, they were also experiencing challenges related especially to fragmentation and these were reflected in the low levels of trade union density.<sup>14</sup> However, the control of GSEE by ‘realists’ encouraged a logic of ‘modernisation’ that emphasised ‘social dialogue’ and ‘responsible participation’ at national level.<sup>15</sup> In general, collective bargaining was relatively stable. During the period 1990-2008, the structure of collective agreements included (on top of the national general collective agreement) around 100 sectoral agreements, 90 occupational-level agreements and 150 enterprise-level agreements on average. The number of sectoral agreements in particular remained stable throughout the period, providing some evidence that the sectoral agreements were in the centre of the collective bargaining structure.<sup>16</sup> However, the absence of a sufficient number of enterprise-level unions complicated not only the task of inspecting the implementation of the sectoral collective agreement but also the conclusion of enterprise-level collective agreements that usually contained more favourable provisions for the employees.<sup>17</sup> Overall, while multi-employer arrangements were in operation, the vertical and/or horizontal articulation

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<sup>11</sup> See, for instance, the process for amendments in working time legislation as well as the reform of the social security system in the beginning of the 2000s. For an analysis, S. Zambarloukou, (2006). *Collective Bargaining and Social Pacts: Greece in Comparative Perspective*, 12 *European Journal of Industrial Relations*, 211.

<sup>12</sup> The 2008 national collective agreement provided the scope for another forum of similar nature, but again this did not operate in practice.

<sup>13</sup> N. Kritsantonis, Greece: The Maturing of the System, in Ferner, A., and Hyman, R. (eds) *Changing Industrial Relations in Europe* (Blackwell, 1998).

<sup>14</sup> The ICTWSS database of union membership put union density in Greece in 2011 at 25.4% (The ICTWSS Database: Database on Institutional Characteristics of Trade Unions, Wage Setting, State Intervention and Social Pacts, in 34 countries between 1960 and 2012, compiled by Jelle Visser, at the Amsterdam Institute for Advanced Labour Studies AIAS, University of Amsterdam, Version 4, April 2013 (see <http://www.uva-aias.net/207>). Trade unions in Greece operate at three levels: company (occupation, regional or craft unions); secondary-level federations and local labour centres and the tertiary-level confederations (GSEE and ADEDY).

<sup>15</sup> Kritsantonis, op.cit. 519-520.

<sup>16</sup> The typical sectoral agreement concerned one main category of employees (and their relevant classification) within a certain sector and not all employees in the sector. The typical occupational agreement concerned a specific occupation in a specific sector and not across sectors. As such, both agreements have common starting points for the determination of their scope of application, which is the classification or occupation. In the sectoral agreements, the occupation/classification is linked to the sector where it is exercised. In the occupational agreements, the classification and especially the occupation is usually cross-sectoral and is linked to the system for the determination of occupational rights (for details, see C. Ioannou, *The Types of Collective Labour Agreements and the Structure of the System of Collective Bargaining before and after the Law 1876/1990*, (2011) 12 *Revue du Droit de Travail*, 753 (in Greek).

<sup>17</sup> S. Tikos, *Representativeness of the European Social Partner Organisations: Metal Sector – Greece*, (Eurofound., 2010).

mechanisms were not as well specified, as in the cases of countries in Northern Europe (e.g. Germany and Sweden) but also Italy.<sup>18</sup>

With respect to the situation in manufacturing, the sector had the highest number of sectoral, occupational and enterprise collective agreements overall: the agreements that used to prevail were predominantly sectoral, though simultaneously a practice of enterprise-level collective agreements was established as well.<sup>19</sup> The agreements were concluded at individual sector level (e.g. metal manufacturing, processed food, dairy products etc.) and for the entirety of specialties by second-level unions, i.e. federations, which represent the respective first-level unions at either sector and are nationwide. Owing to the operation of the extension mechanism, the majority of employees in manufacturing were covered by the relevant multi-employer sectoral agreement. In terms of wage levels, manufacturing had one of the highest increases in real unit labour costs during the period 2000 - 2008 in Greece (13% increase in the period 2000-2007 compared with a decrease of 1% in the EU-27). In the period 2009-2010, there was a marginal increase of 1%.<sup>20</sup>

### ***3. The economic context of industrial relations and the emergence of the sovereign debt crisis***

Greece has been traditionally presented as an example of a ‘mixed market economy’ in the Varieties of Capitalism (VoC) approach. Key characteristics of the model include, among others, the highly influential role of the state as a regulator and producer of goods, lack of efficient coordination in collective bargaining, numerous domestic veto points that can potentially oppose domestic reform, strong employment protection and a welfare system that is weak, fragmented, unevenly developed and subject to politicization and clientelism.<sup>21</sup> With respect, in particular to the Greek system of labour law and industrial relations, this was considered to be predominantly protective of workers. This was a view especially promulgated by international agencies, including the OECD, the European Commission and the IMF. Such recommendations by international organisations were on occasions in line with the views of employers at domestic level, and especially that of the largest employers’ association, the Hellenic Federation of Enterprises (SEV).<sup>22</sup> In particular, the areas where, according to SEV, the industrial relations framework was challenging were two: the arbitration, where the balance of power had progressively tilted in favour of the employee-side and the ‘domino effect’ that the lower-level collective agreements had on wage levels, leading in practice to greater wage increases than those stipulated in the national general collective agreement (SEV, interview notes). This view was shared by the Hellenic

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<sup>18</sup> P. Marginson, *Collective Bargaining in Europe: From Incremental Corrosion to Frontal Assault?* (2014) *European Journal of Industrial Relations*, published online before print April 15, 2014, doi: 10.1177/0959680114530241.

<sup>19</sup> C. Ioannou and K. Papadimitriou, *Collective Negotiations in Greece during 2011-2012: Trends, Changes and Prospects*, (OMED, 2013).

<sup>20</sup> N. Ventouris, M. Vasileiadou, P. Vlachou and A. Tsakanikas, *The Prospects of the Manufacturing Sector in Greece*, (Foundation for Economic and Industrial Research, 2012), 8.

<sup>21</sup> O. Molina and M. Rhodes *The political economy of adjustment in mixed market economies: a study of Spain and Italy*, in: B. Hancke, M. Rhodes & M. Thatcher (eds) *Beyond Varieties of Capitalism: Conflict, Contradictions and Complementarity in the European Economy* (Oxford University Press, 2007).

<sup>22</sup> A. Dedousopoulos, *The State of the Greek Labour Market under Crisis*, (in Greek), research report Hay Group, (OMASEEDE, 2012). See also Y. Kouzis, ‘The Neoliberal Restructuring of Labour and the Crisis Alibi’ (in Greek) in K. Vergopoulos (ed.): *The map of the crisis, the end of the illusion*, (Topos, 2010), 82.

Confederation of Professionals, Craftsmen and Merchants (GSEVEE), as it was deemed that it allowed for inflationary wage increases much beyond the increases stipulated in the national general collective agreement. The GSEVEE representative explained: ‘For example, the national general agreement stipulated 6%. On that basis, the trade union side was then demanding 7, 8, 9% increase in the negotiations for the sectoral agreement. Once the employers disagreed, the issue went to mediation and when this failed, an arbitration decision was issued that stipulated an 8%, for instance, wage increase at sectoral level, increasing thus the gap between the wage levels agreed at national general level and those at sectoral level’ (GSEVEE, interview notes).

Despite these arguments, it was accepted that the level of labour costs was rather a ‘symptom of the increase of available income in the economy in general’ than the primary cause of the crisis, and as such any wage reduction would only have a short-term effect on the economy (SEV, interview notes). In relation to the ‘domino’ effect, the former Minister of Labour however noted: ‘Some employers took advantage of the entry of the country in the Eurozone and considered that they could increase their prices, which then led to large increases in a range of products and services and therefore forced unions to assert greater increases in earnings. This however took place without any improvements in productivity [...] Overall, I do not think that the regulatory framework of industrial relations that existed in the period before the crisis was problematic. But by the time the crisis came and there was a need for internal devaluation to regain our place in the international competition, it became necessary to proceed to reforms’ (former Minister of Labour, interview notes).

Between 2001 and 2007, the Greek economy, after the Irish, was the fastest growing Eurozone economy with an average GDP growth of 3.6% during the period 1994–2008.<sup>23</sup> Nonetheless, throughout these years of growth, the country’s endemic macroeconomic imbalances and structural flaws were exacerbated by weaknesses in the political and economic systems, including clientelist relationships, high levels of undeclared work and widespread symptoms of tax evasion.<sup>24</sup> Greece’s net national saving rate steeply declined between 1974–2009 by about 32 percentage points fuelling the current account deficit and the build-up of a chronically high foreign debt.<sup>25</sup> The country was not affected initially from the 2008 crisis but went into recession in 2009 with its economy being vulnerable to the pressure of financial markets. At the onset of the sovereign debt crisis, Greece’s budget deficit stood at 13.6%<sup>26</sup> and its external debt at 127% of the GDP<sup>27</sup> following upward revisions by Eurostat for 2006–2009 with significant effects on estimates of the 2010 and the 2011 budgets. Following the lowering of its credit rating and the subsequent rapid increase of credit default swap spreads on Greek sovereign debt in 2010, the Greek government was unable to access international bond markets.

In order to avert a default on its sovereign debts, the Greek government agreed a loan, to be advanced jointly by Eurozone states and the IMF. The loan agreement stipulated the provision of €80 billion on the part of the Eurozone states and €30 billion on the part of the IMF. In return for this support, it was agreed that the EC, the ECB and the IMF (the ‘Troika’)

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<sup>23</sup> IMF, (2011). *Report for Selected Countries and Subjects*, World Economic Outlook Database.

<sup>24</sup> A. Koukiadaki, and L. Kretsos, Opening Pandora's Box: The Sovereign Debt Crisis and Labour Regulation in Greece, (2012) 41 *Industrial Law Journal*, 276.

<sup>25</sup> For a detailed discussion, see M. Katsimi, and T. Moutos, EMU and the Greek Crisis: The Political Economy Perspective, (2010) 26 *European Journal of Political Economy*, 568.

<sup>26</sup> Revised from 12.7% by Eurostat later, see: Eurostat, News Release: Euroindicators, 55/2010, 22 April 2010.

<sup>27</sup> Eurostat, News Release: Euroindicators, 60/2011 - 26 April 2011.

would prepare and oversee a programme of austerity coupled with liberalisation of the Greek economy. The Greek Ministry of Finance prepared, with the participation of the Troika, a programme for 2010–13, which was set out in a ‘Memorandum of Economic and Financial Policies’ (MEFP) and a ‘Memorandum on Specific Economic Policy Conditionality’ (MSEPC) (the Memoranda). The MEFP outlined the fiscal reforms and structural and income policies that had to be undertaken by Greece. The Memoranda were annexed to Act 3845/2010 on ‘Measures for the Implementation of the support mechanism for the Greek economy by the Eurozone member states and the International Monetary Fund’ and enacted into law by the Greek Parliament on 5 May 2010. On the basis of the measures outlined in the MEFP, the MSEPC set out specific time-limited commitments on a quarterly basis. With respect to the labour market, the reforms outlined in the Memoranda were aimed at lowering public expenditure and creating a more attractive environment for business by cutting public investment and public sector wages, reforming the pensions system, downsizing the public sector and privatizing a large section of public sector enterprises and utilities as well as reducing labour costs in the private sector and reforming the system of collective bargaining. Since Greece’s membership of the Eurozone did not allow for currency devaluation, the underlying rationale for the introduction of the reforms was the need to initiate a process of ‘internal devaluation’ to restore the competitiveness of the Greek economy.

Despite the adoption of extensive legal reforms in the context of the first loan agreement, problems associated with the worsening of the Greek public finances, a loss of political momentum on the part of the PASOK-led government and the deepening of the crisis in other parts of the Eurozone led to further changes in the programme of reforms. Following four reviews by the Troika of the implementation of the programme (September 2010, November 2010, March 2011 and June 2011), the Memoranda were revised and updated versions were published by the Greek government. The most important revision of the programme took place on 1 July 2011, when the Parliament adopted Law 3986 on Urgent Measures for the Implementation of the Mid-term Fiscal Strategy Framework. This mid-term fiscal strategy introduced new austerity measures with a revised implementation plan and a new time-horizon of 2012–15. Following the further deterioration of Greek public finances, the Eurozone meeting in June 2011 concluded an agreement in principle for a second loan agreement.<sup>28</sup> On the basis that the outcome of the social dialogue (see below in section 4) to promote employment and competitiveness ‘fell short of expectations’, the 2012 Memorandum of Understanding on Specific Economic Policy Conditionality stated that the ‘Government will take measures to foster a rapid adjustment of labour costs to fight unemployment and restore cost-competitiveness, ensure the effectiveness of recent labour market reforms, align labour conditions in former state-owned enterprises to those in the rest of the private sector and make working hours more flexible’. To that end, Law 4046/2012<sup>29</sup>

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<sup>28</sup> In the context of the need to implement the second loan agreement and to ensure the payment of the sixth instalment of the loan, the fifth review stated with respect to the labour market situation: ‘Despite recent reforms aimed at enhancing the dynamism of the labour market, serious shortcomings in the wage bargaining system remain [...] The Government will promote discussions with the social partners in order to examine labour market parameters that affect the firms’ competitiveness and the economy as a whole. The goal is to conclude a national tripartite agreement addressing the macroeconomic challenges to the economy and to support stronger competitiveness, growth and employment in Greece. All parameters that have an impact on labour costs should be open for discussion, including wages, minimum wages and the national collective agreement, and the several non-wage labour costs, including social contributions’, European Commission, *The Economic Adjustment Programme for Greece, Fifth Review – October 2011*, Occasional Papers 87/2011 (European Commission, 2011).

<sup>29</sup> FEK 28 A/14.2.2012. Law 4046/2012 included as Annexes the MEFP, the Memorandum of Understanding on Specific Economic Policy Conditionality and the Technical Memorandum of Understanding. See also Act 6 of

aimed at accelerating the adoption and implementation of far-reaching structural reforms on the basis of a number of commitments undertaken by the Greek government for the disbursement of the second loan.

#### ***4. The role of social dialogue in the process for the adoption of the reforms***

The May 2010 programme by the Commission had called the government to launch a social pact to ‘forge consensus’ on a range of issues.<sup>30</sup> But there was no consultation with the social partners over the reforms associated with the first loan agreement.<sup>31</sup> The Greek government justified the absence of consultation on the basis that ‘it was not possible to accommodate participatory methods when Greece was about to default on its loans’.<sup>32</sup> The increasing pressure of the Troika, especially the IMF, for immediate reforms without consultation with the social partners constrained any efforts to reach an agreement with the social partners (former Minister of Labour, interview notes). The absence of dialogue was due to the fact that the Troika considered the social partners part of the problem in Greece but it also reflected domestically the lack of established structures for tripartite social dialogue in the period before the crisis that hindered the sharing of responsibility between the actors (SEV, interview notes). Some attempts were made later to develop social dialogue and a consensus between the social partners, but the latter were seen by the government as being unprepared to face the challenges arising from the crisis and agree to necessary changes (former Minister of Labour, interview notes). On the one hand, trade unions did not want to be seen as legitimising government reforms that would be unpopular. On the other hand, some employers’ associations did not have a particular interest in putting pressure for the introduction of such reforms in the labour market (SEV, interview notes). On the part of the employers, there was a split between different associations. SEV has been portrayed as being broadly in favour of the government reforms. The SEV representative noted: ‘It is true that many of the changes were put down as suggestions by SEV and others many years ago. Most of the changes were included as proposals in a document published by SEV during 1993-

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28 February 2012 of the Ministerial Council (FEK 38 A/28.2.2012) and Guidance by the Ministry of Labour and Social Security 4601/304 (2012).

<sup>30</sup> European Commission (2012). *The Economic Adjustment Programme for Greece, European Economy, Occasional Papers 61*, May 2010, 22, para 31 stated: ‘Given the sensitivity of labour market and wage reforms, it was decided to follow a two-step approach after consultation with the authorities (in particular with the Ministry of Labour) and the social partners. Firstly, the government will launch a social pact with social partners to forge consensus on decentralization of wage bargaining (to allow the local level to opt-out from the wage increases agreed at the sectoral level), the introduction of sub-minima wages for the young and long-term unemployed, the revision of important aspects of firing rules and cost, and the revision of part-time wage-setting mechanisms and labour market institutions’. See IMF (2009) Greece: 2009 Article IV Consultation, Concluding Statement of the Mission, Athens, 25 May 2009, where it was suggested that labour market reforms were key to achieve lower unit labour costs and that the government should promote a tripartite social contract between employers, unions and the public sector aiming at ‘more cooperative bargaining to favour employment growth over income growth at this time, requiring understandings on wage moderation in return for investment and employment promotion.’

<sup>31</sup> Y. Ghellab and P. Papadakis, ‘The Politics of Economic Adjustment in Europe: State Unilateralism or Social Dialogue?’ in International Labour Organisation (ILO) (ed), *The Global Crisis: Causes, Responses and Challenges*, (International Labour Office, 2011)

<sup>32</sup> ILO, Report on the High Level Mission to Greece, (International Labour Office, 2011) 27. It is interesting to add here that the prime minister has stopped conducting individual meetings with the heads of the social partners prior to the International Fair of Thessaloniki, which used to be the case until 2011 (GSEVEE, interview notes).

1994 and because of this, it is considered that we forced the changes. But this is not true, because if we could implement the changes, we would have done that in 1994 and not in 2014' (SEV, interview notes). The National Confederation of Hellenic Commerce (ESEE) and the Hellenic Confederation of Professionals, Craftsmen and Merchants (GSEVEE), which represented the majority of Greek companies (mostly small and medium enterprises, SMEs) were openly critical of the measures. As Ghellab and Papadakis suggest, the reason may be that 'while the austerity measures appear to benefit large export-led enterprises, SMEs are likely to suffer as direct and indirect taxes increase, consumption goes down and the market in 'hot money' dries up.'<sup>33</sup>

However, aside from these differences, there was evidence to suggest that certain individual employers, especially large enterprises-members of SEV, were able to access directly the Troika and lobby for the adoption of specific reforms: 'Some employers' organizations and predominantly their members had contact with the Troika outside the institutional channels, as they saw the crisis as an opportunity to demolish every rule in the market. We came across this a number of times, especially with members of SEV; in other words there were certain issues that were raised to us but also to the Troika by employers' federations but they in reality were views of certain companies' (former Minister of Labour, interview notes). A particular instance where individual employers, mostly groups of companies (both Greek-based and foreign-based) were very influential concerned the issue of Sunday opening of shops (GSEVEE, interview notes). Moreover, while between 75% and 95% of the market is controlled by groups of companies (either Greek- or foreign-based), 85% of the employees are employed by SMEs and 75% of the value-added is produced again by SMEs. Against this context, it is illogical that the federations of SMEs were not provided with any opportunities to have an input in the discussions (GSEVEE, interview notes).<sup>34</sup> On the trade union side, their opposition to the measures was immediate with the development of mobilization, including a number of nationwide strikes and other forms of direct action.

On the basis that a return to the social dialogue would improve the chances of buy-in, the Greek government was in favour of a social partners' agreement on the issues identified by the Troika when discussing the reforms associated with the second loan agreement. The implementation of reforms was a prerequisite for the continuation of negotiations with the Troika and the disbursement of the sixth installment of the first loan. However, in the case of failure to reach agreement, the government was prepared to introduce the changes via the legislative route. In anticipation of the return of the Troika to Greece in the beginning of 2012, the process of implementation of the Private Sector Involvement Plan (PSI) and of the conclusion of a second loan agreement, the Greek government held discussions with the employers' associations and trade unions in January 2012 concerning the range of issues identified in the fifth review. Significant pressure was exerted by the Troika with respect to the freezing of wage increments provided for in the existing national collective labour agreement, the reduction of minimum wages, especially among unskilled workers, the abolition of the thirteenth and fourteenth salary (that is, payment of extra month's or two months' salary), and the ending of the 'after-effect' period of collective agreements. A reduction of minimum wage levels to those stipulated in other EU Member States facing similar problems (for example, Portugal, where the minimum wage is set at a lower level than that of Greece) was also considered by the Troika as a prerequisite for the strengthening of the competitiveness of the Greek economy. These arguments were developed in the letter sent

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<sup>33</sup> Ghellab and Papadakis, *op.cit.*

<sup>34</sup> According to GSEVEE, no consultation took place either with respect to other measures (not related to employment) that were introduced, e.g. regarding taxation.

to the Greek government, requesting the opening of discussions between the social partners on these topics.<sup>35</sup>

During the discussions, the employers' associations opposed the reduction of minimum wages, as defined by the national general collective agreement, but were in favour of a three-year freeze in wage and maturity increases and the reduction of social insurance costs. On the other hand, GSEE rejected any change in relation to wage costs and stated that the discussion should only focus on non-wage costs, with the proviso that fiscal equivalents would be found so as to minimize the financial losses of the funds. In February 2012, the social partners came to an agreement and in a letter sent to the domestic political actors and the EU institutional actors, they outlined their consensus on the preservation of the thirteenth and fourteenth salary and the minimum wage levels, as stipulated by the national general collective labour agreement, and the maintenance of the after-effect of collective agreements.<sup>36</sup> However, the agreement by the social partners was considered superficial by the government, as it was only a framework agreement and there was a failure to agree subsequently on the detailed reforms, including a wage reduction (former Minister of Labour, interview notes). To that end, the statement in the Memorandum accompanying the second support mechanism (Memorandum of Understanding on Specific Economic Policy Conditionality) is illustrative: 'Given that the outcome of the social dialogue to promote employment and competitiveness fell short of expectations, the Government will take measures to foster a rapid adjustment of labour costs to fight unemployment and restore cost-competitiveness, ensure the effectiveness of recent labour market reforms, align labour conditions in former state-owned enterprises to those in the rest of the private sector and make working hours arrangements more flexible'.<sup>37</sup>

Against this context, the measures included in the second set of Memoranda were subsequently introduced, which included controversially the reduction via statute of the national minimum wage, leading to the abandonment of the effort on the part of the social partners to agree domestically on the range of reforms needed (SEV, interview notes). Following these developments, a National Committee for Social Dialogue was set up in September 2012. The Committee, which was tripartite, would provide a forum for the discussion of issues around unemployment measures, the national minimum wage and undeclared labour. However, according to SEV, this attempt failed as GSEE refused to consider the then proposed amendments to the statutory determination of the national minimum wage and not by the national general collective agreement (SEV, interview notes). Interestingly, it was admitted by some employers' federations that the absence of consultation or due regard to the views of the social partners may have benefited in the end the employers, as it led to the lowering of the wage levels set by the national general collective agreement.

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<sup>35</sup> The stance of the Troika on the reduction of wage costs came in sharp contrast to its position during the conclusion of the first loan agreement. In the 2010 EC report, it was stated that the issue of wage reduction had been considered as a potential solution, but was rejected on the basis that it would damage the economy and have minimal effects on competitiveness.

<sup>36</sup> Letter from the three employers' organisations and the GSEE to Prime Minister Loukas Papademos, 3 February 2012, Athens. With respect to non-wage costs, the social partners invited government to negotiate over finding a way to reduce social insurance contributions that could be put on a mandatory, statutory basis. In respect to wage issues, GSEE did not agree to the employers' proposal to freeze pay increases for the years 2012 and 2013.

<sup>37</sup> Ministry of Finance, *Memorandum of Understanding on Specific Economic Policy Conditionality*, (Ministry of Finance, 2012), 25.

In light of the near absence of any form of social dialogue and the fact that the labour market reforms have been predominantly led by supranational institutions, trade unions and other civil society associations have developed a ‘legal mobilisation’ strategy at national and supranational level, with mixed results so far. At domestic level, applications for judicial review have been lodged before the Council of State against government decisions that provided for wages and pensions cuts. The first application was rejected by the Council of State<sup>38</sup> on the basis, among others, that reasons of overriding public interest necessitated the loan agreement. Further applications for judicial review were submitted, with the latest one against the measures associated with the second loan agreement. With the exception of the reforms in arbitration,<sup>39</sup> the Council of State found that the changes pursuant to the second loan agreement were compatible with the Greek Constitution.<sup>40</sup>

At international level, the ILO Committee of Freedom of Association dealt in 2012 with a complaint submitted by GSEE, the Civil Servants' Confederation, the General Federation of Employees of the National Electric Power Corporation, the Greek Federation of Private Employees, and supported by the International Trade Union Confederation, concerning the austerity measures. The Committee found that there were a number of repeated and extensive interventions into free and voluntary collective bargaining and an important deficit of social dialogue and thus highlighted the need to promote and strengthen the institutional framework for these key fundamental rights.<sup>41</sup> Besides the developments at ILO level, a number of applications have been submitted by Greek trade unions to the European Committee of Social Rights. At the end of 2012, the ECSR found that the difference in labour and social protection between older and younger workers, including the introduction of a subminimum wage below the poverty line, and the absence of any dismissal protection during the first year of employment, constitute a violation of the Social Charter. In April 2013, the ECSR found also in favour of trade unions in five more cases concerning this time restrictions to the benefits available in the national security system. Finally, applications were submitted to the European Court of Human Rights (ECtHR)<sup>42</sup> and the General Court of the European Union (CJEU) but were rejected in both cases.<sup>43</sup>

## ***5. The substance of the labour market reforms<sup>44</sup>***

### ***5.1. Employment protection legislation***

As indicated above, the labour market reforms introduced in compliance with the Memoranda encompassed areas of both individual and collective labour law. In order to promote a

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<sup>38</sup> Council of State, 668/2012.

<sup>39</sup> See analysis below.

<sup>40</sup> Council of State, 2307/2014.

<sup>41</sup> An ILO High Level Mission was also sent to Greece and had extensive meetings with all relevant actors of the country's labour market in September 2011 and produced a very interesting report: ILO, Report on the High Level Mission to Greece (International Labour Office, 2011).

<sup>42</sup> *Koufaki and ADEDY v Greece* (No. 57665/12, Decision/Décision 7.5.2013 [Section I], no. 57657/12, Decision/Décision 7.5.2013 [Section I]). The Court considered the issue of the reduction of the salaries and pensions of civil servants, which took place with Laws 3833/2010, 3845/2010 and 3847/2010, but dismissed one application as inadmissible (ADEDY) and the other was declared manifestly unfounded (Koufaki).

<sup>43</sup> Two applications were submitted by the public sector union in Greece (ADEDY) on the basis that the Council Decisions addressed to Greece violated, among others, the principle of conferral. The actions were dismissed by the General Court for reasons of lack of standing of the applicants.

<sup>44</sup> This section focuses on the reforms in the private sector only.

competitive climate through increasing labour market flexibility, youth employment and creating new forms of work, Act 3845/2010 outlined the direction of reforms in basic areas of individual labour law. These included dismissal compensation, collective redundancies, overtime costs, wages for young workers and flexible forms of employment.<sup>45</sup> At a first stage and as part of the objective to amend employment protection legislation (EPL), Law 3863/2010 on the ‘New Social Security System and relevant provisions’<sup>46</sup> facilitated individual and collective dismissals. The amendments in the area of dismissals were in line with the long-established demand by associations representing large enterprises for the deregulation of EPL in Greece.<sup>47</sup> Under Article 75(2) of Law 3863/2010, the notification period for individual dismissals was reduced and as a result of this the compensation for dismissal has been also reduced significantly (up to 50%).<sup>48</sup>

In addition, amendments were introduced in collective redundancies, reducing the thresholds for the application of the legislation.<sup>49</sup> In relation to this, further calls by the Troika to remove the right of the public authorities to prohibit collective redundancies were made in 2014. In light of the dominance of SMEs in Greek economy, further deregulation of the redundancies framework has been seen as masking an attempt to facilitate dismissals at banks and state-owned enterprises (GSEE, interview notes). Following disagreement in the government regarding reforms in this area, a decision was issued by the Supreme Labour Council (SLC), which was signed by GSEE on the part of unions and on the part of the employers by SEV, GSEVEE and ESEE.<sup>50</sup> As the SLC is not a legislative body, the content of the existing legislation (Law 1387/1983) has not been amended. As such, the Minister or Prefect still has the power to prohibit or authorise the redundancies where the parties fail to reach an agreement.<sup>51</sup> But the SLC decision has defined in clearer terms the content of the documents that the employer is to submit to the SLC for the purpose of the authorisation of the management decision to proceed to redundancies. The agreement has been seen as an effort by the government and the social partners to block Troika’s attempts to make changes in the legislation on collective redundancies but on the other hand, the new framework may give more weight on the opinion of the SLC, with the authorisation by the Minister risking being a formality. Aside from these changes, Article 17(5) of Law 3899/2010 on ‘Financial

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<sup>45</sup> The Act authorised the Minister of Labour to regulate in these areas through Presidential Decrees. However, due to concerns that trade unions would file complaints with the Council of State against the use of Presidential Decrees, the government introduced the reforms via a series laws (Y. Ghellab and K. Papadakis, op.cit., 87).

<sup>46</sup> FEK 115 A/15-7-2010.

<sup>47</sup> N. K. Gavalas, ‘The New Measures for the Employment Relations: A First Appraisal of the Announced Presidential Decree’ (in Greek), (2010) 7 *Epitheorisi Ergatikou Dikaïou* 793, 795.

<sup>48</sup> Art 75(3). Law 4093/2012 introduced further changes. The legislation sets a maximum amount of compensation that equals the salary of 12 months (in the event of dismissal without notice). Seniority which exceeds 16 years of employment is not taken into account. The maximum period for notice of dismissal has been now set at 4 months.

<sup>49</sup> Collective dismissals now take place when they affect within the period of one month at least six employees in businesses or undertakings with between 20 and 150 employees, or 5% of the workforce and up to 30 employees in businesses or undertakings with over 150 employees. Further changes are considered at present (March 2014) including the abolition of the power of public authorities to prohibit the redundancies.

<sup>50</sup> The GSEVEE representative stressed that GSEVEE is represented in the SLC by SEV and that the federation (GSEVEE) was not consulted over the changes to the framework. However, the representative expressed the view that the SCP would be more adequate than the Minister/Prefect, as it is a collective body (GSEVEE representative, interview notes).

<sup>51</sup> Under Article 5(3) of Law 1387/1983, if the parties fail to agree and the issue goes to the Prefect or the Minister, they could ask for the opinion of the Labour Ministry Commission, which operates in every prefecture, or the opinion of the SLC, respectively. These bodies, as well as the Minister or the Prefect, can invite the parties and listen to the views of their representatives as well as any experts.

and Tax Measures for the Implementation of the Programme'<sup>52</sup> increased the probationary period of employment contracts without limit of time from 2 to 12 months, and as such introduced into the Greek labour market a new form of fixed-term employment contract of one year's duration.<sup>53</sup> Managerial prerogative was also reinforced by amendments in the regulation of flexible forms of employment. Law 3899/2010 extended the period of short-time work on the basis of a unilateral decision by the employer from six months, as stipulated in Law 3846/2010, to nine months per year.

The objective of increasing the scope for flexible forms of employment was also clear in the case of Law 3986/2011 on 'Urgent Measures for the Implementation of the Mid-term Fiscal Strategy Framework', accompanying Law 3985/2011, which outlined a revised fiscal strategy with a new timeframe (2012–15). First, amendments took place with respect to the regulation of fixed-term work, including extending the duration of successive fixed-term employment contracts, allowing for successive renewals and expanding the scope of objective reasons for the use of successive fixed-term contracts. Secondly, the scope for the conclusion of agreements between employers and unions on working time arrangements at company level was extended. Building on the provisions of Law 3846/2010, 'associations of persons' acquired the right, under Article 42(6) of Law 3986/2011, to negotiate working time arrangements. In addition, the Act stipulated new possibilities for the determination of working time arrangements, including the extension of the time period for the calculation of working time from four to six months and the provision of compensatory time off instead of pecuniary payment for overtime.<sup>54</sup> A number of changes were later introduced in the organization of working time of employees and the manner of payment of excess overtime, including reducing the minimum daily rest period<sup>55</sup> and abolishing the obligation of the employer to justify the recourse to overtime work.<sup>56</sup> In terms of working days, Law 4093/2012 provides that a collective agreement may establish a six-day work week for employees of commercial shops. With the objective of promoting youth employment, significant reductions on the minimum wage levels of young people aged 15–24 were also introduced. Finally, Law 4093/2012 partly amended the rules regulating temporary agency employment, facilitating the establishment of temporary agencies.

## 5.2. Collective labour law

In addition to the changes made to individual labour law, part of the commitment to structural reforms undertaken by the Greek government in the first series of the Memoranda included legal reforms in the area of wage bargaining, especially at sectoral level, including changes to law governing asymmetry in arbitration and the automatic extension of sectoral agreements to those not represented in the negotiations.<sup>57</sup> The need for reforms in this area was based on the Troika's views that wage-setting in Greece over the past decade had not reflected the country's competitiveness and productivity levels. In order to ensure wage moderation,

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<sup>52</sup> FEK 212 A/17-12-2010.

<sup>53</sup> According to the Greek government, the introduction of a 12-month probationary period was reasonable 'in particular, if the current economic crisis and the instability in Greek enterprises' activity are taken into account' (Government's response (case document no 5) to collective complaint 66/2011 by GENOP-DEI and ADEDY to the European Committee of Social Rights).

<sup>54</sup> Art 42 of Law 3986/2011.

<sup>55</sup> Art. IA 14 of Law 4093/2012.

<sup>56</sup> This type of overtime work may not exceed 2 hours per day and 120 hours per calendar year.

<sup>57</sup> Ministry of Finance, *Revised Memorandum of Economic and Financial Policies*, 22 November (Ministry of Finance, 2010).

legislation was introduced in 2010<sup>58</sup> providing that arbitration awards issued by the Organisation for Mediation and Arbitration (OMED) would be of no legal effect in so far as they provided for wage increases for 2010 and the first semester of 2011.<sup>59</sup> The effects of the three-year wage freeze stipulated, as part of incomes policy, in Law 3845/2010, spilled over into the laws governing the negotiation of the 2010-2012 national collective agreement, which provided that no increase should be granted for the first 18 months of the three-year period, and stipulated a ‘symbolic’ increase for the following 18 months based on the average Eurozone inflation rate. The increase would be at the order of 1.6% as of July 2012. The agreement received the informal approval by the Troika, as it was not considered at that time that wage levels should be reduced but instead frozen (SEV, interview notes).<sup>60</sup>

More importantly, extending such legal interventions in wage bargaining via a radical restructuring of the system of collective bargaining was identified from the start of the programme as an overriding objective of the reforms. The priority ‘was to improve productivity and ensure that remuneration was aligned to it. In order to achieve this, Greece was faced with two choices: reduced salaries in the private sector by law or creating a more flexible bargaining system’. The latter option was chosen, a fact which, according to the ILO, showed ‘confidence in collective bargaining’.<sup>61</sup> With the objective of moving wage-setting closer to the company level, Article 2(7) of Law 3845/2010 stipulated that the terms of occupational and enterprise agreements could derogate *in pejus* from the terms of sectoral agreements and even the national general collective agreement; in a similar vein, sectoral agreements could derogate from the national collective agreement. However, following reactions from the social partners, it was agreed to observe the floor of rights set by the national general collective agreement; any reductions of wage levels should take place through the introduction of the so-called ‘special firm-level collective agreements’.<sup>62</sup> Such ‘special firm-level collective agreements’ could be signed by an employer who employed less than 50 employees and the relevant firm-level trade union or, if there was no such union, by the relevant sectoral trade union or confederation.

In light of the other changes in EPL, it was anticipated that special firm-level collective agreements would be used as a means to lower wages in exchange for job security.<sup>63</sup> The risk of deterioration of labour standards would though increase due to the lack

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<sup>58</sup> Article 51 of Law 3871/2010 on ‘Financial Management and Responsibility’, FEK 152 A/1-7-2010.

<sup>59</sup> In addition, it was provided that awards for the period 1 July 2011 to 31 December 2012 should limit any wage increases to those stipulated in the general national collective agreement, that is, a percentage increase equal to the average Eurozone inflation rate.

<sup>60</sup> But as we shall see, the developments later in the context of the loan agreement led to a completely different approach and there was actually nominal reduction of the minimum wage by 22% that was introduced by an Act of Cabinet.

<sup>61</sup> ILO, op.cit. 26. But even this preference for a collective bargaining was later abandoned when the Greek government negotiated the conditions for the conclusion of a second loan agreement: see below.

<sup>62</sup> A prohibition on the extension of collective agreements was also considered but as a result of an agreement reached between the employers’ associations and the trade unions it was not finally introduced, see: A. Kazakos, ‘The “Charity” of the Individual Contract’ (in Greek), *Kyriakatiki Eleutherotypia*, 12 December 2010, <http://www.enet.gr/?i=news.el.article&id=232458>. Accessed 30 May 2013. But such a prohibition was later introduced on a temporary basis: see the analysis, below.

<sup>63</sup> The GSEE guidance stressed that even though there is no provision in the legislation concerning the prohibition of dismissals during the application of the agreement, a trade union should require the employer to ensure the maintenance of all jobs during the duration of the agreement. GSEE, (2011). *Guidance on Collective Bargaining and Collective Labour Agreements: 10 Critical Issues* (in Greek).

of bargaining power on the part of the employees at firm level.<sup>64</sup> But there were indications that the legislation did not actually promote such agreements and only 14 were registered with the competent authorities by the summer of 2011.<sup>65</sup> Instead, wage reduction and other changes in terms and conditions of employment were most often the result of agreements with employees on an individual basis, confirming Kazakos' prediction that if employers could not reach an agreement with the employee representatives, individual negotiations would take place, increasing further the risk of pay insecurity for workers and limiting, in practice, the right to collective bargaining.<sup>66</sup> The Troika, which attributed the lack of the take-up of the special firm-level collective agreements to the limited number of company-level trade unions in Greece, continued exerting significant pressure for further amendments.<sup>67</sup> Following this, Article 37(1) of Law 4024/2011 gave to all firms (including those employing less than 50 persons) the capacity to conclude firm-level collective agreements provided that three-fifths of the employees formed an 'association of persons'.

In addition to these measures, Article 3(5) temporarily suspended (during the application of the Medium-Term Fiscal Strategy Framework, that is until 2015) the application of the *Günstigkeitsprinzip* in the case of the concurrent implementation of sectoral and firm-level collective agreements. Finally, Article 37(6) temporarily suspended, for the same period, the extension of sectoral and occupational collective agreements. The priority that is given to firm-level agreements over those concluded at sectoral level, in conjunction with the prohibition on extending agreements, points to significant deregulatory trends in the collective bargaining system, with negative implications not only for workers but also for employers who are members of the signatory organisations of the sectoral collective agreements, who now face being undercut.<sup>68</sup> The representativeness of the 'association of persons' in the negotiations for the conclusion of such agreements is particularly problematic, especially in the context of SMEs that make up the majority of Greek companies.<sup>69</sup> This point was stressed by the ILO High Level Mission report, in which it was stated that

*'The High Level Mission understands that associations of persons are not trade unions, nor are they regulated by any of the guarantees necessary for their independence. The High Level Mission is deeply concerned that the conclusion of 'collective agreements' in such conditions would have a detrimental impact on collective bargaining and the capacity of the trade union movement to respond to the concerns of its members at all levels, on existing employers' organizations, and for that matter on any firm basis on which social dialogue may take place in the country in the future.'*<sup>70</sup>

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<sup>64</sup> G. Katrougalos, *The Sub-Constitution of the Memorandum and the Other Way*, (2011) *Nomiko Vima* (in Greek), [www.greek-critical-legal.blogspot.com#sthash.27m9WYHK.dpuf](http://www.greek-critical-legal.blogspot.com#sthash.27m9WYHK.dpuf).

<sup>65</sup> See the government's response (case document no 5) to collective complaint 65/2011 by GENOP-DEI and ADEDY to the European Committee of Social Rights.

<sup>66</sup> Kazakos, *op.cit.*

<sup>67</sup> European Commission, *The Economic Adjustment Programme for Greece, Fourth Review – Spring 2011*, Occasional Papers 32, (European Commission, 2011) 39–40.

<sup>68</sup> The position of the Greek government is that 'the above amendments in the system of ranking of the binding effect of collective agreements do not violate the freedom of collective bargaining, since in any case only the legal representatives of workers at enterprise level have the right to conclude firm-level labour collective agreements' (Government's response (case document no 5) to the collective complaint by GENOP-DEI and ADEDY to the European Committee of Social Rights (*op.cit.*,9).

<sup>69</sup> It is important to note here that there is no requirement, under the legislation, for a review of the objectives of the associations of persons.

<sup>70</sup> ILO, *op.cit.*, 59.

The changes made to collective labour law were not confined to issues of collective bargaining, but were extended to the adjudication of disputes via mediation and arbitration. These reforms were designed to address the problem of ‘asymmetry’ that was identified by the Troika and involved the unilateral right of trade unions to have recourse to arbitration where they had accepted a proposition by the mediator, which was rejected by the employer.<sup>71</sup> In this context, Law 3863/2010 made provision for the reform of the mediation and arbitration procedure.<sup>72</sup> To that end, Act 3899/2010 amended certain provisions of Act 1876/1990 and redefined the role of OMED. Recourse to arbitration could now take place either through agreement of the parties or unilaterally, under the following conditions:<sup>73</sup> either party could have resort to arbitration if the other party had refused mediation; and either party could have resort to arbitration immediately after the decision of the mediator was issued. The latter provision extended to both parties a facility which had been available only to workers under the previous law. In addition, the exercise of the right to strike was to be suspended for a 10-day period starting from the day on which either party resorted to arbitration. In contrast to the previous regime, under which the arbitrator could regulate any aspect of the collective agreement, arbitration was now limited to determining the basic wage and/or the basic salary. Other terms and conditions of employment, such as working time, leave arrangements and compensation, could no longer be regulated on the basis of arbitration awards.

Continuing with the radical restructuring of the collective bargaining system that started in the context of the first loan agreement, substantial changes were also required in the content of the second loan agreement. The changes concerned the length of collective agreements and their ‘after-effect’ or ‘grace’ period. At present, all collective agreements can only be concluded for a maximum duration of three years.<sup>74</sup> More importantly, collective agreements that have expired will remain in force for a period of maximum three months.<sup>75</sup> In addition, if a new agreement is not reached, after this period remuneration will revert back to the basic wage, as stipulated in the expired collective agreement, plus specific allowances (based on seniority, number of children, education and exposure to workplace hazards but not any longer based on marriage) until replaced by those in a new collective agreement or in new or amended individual contracts. Apart from hindering the succession of collective agreements, these amendments further promote individual negotiations between employers and employees. Further, maturity coefficients leading to automatic salary increases based on

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<sup>71</sup> Art 16 of Law 1876/1990. The lack of recourse to arbitration by the latter was introduced as a means of redressing the inequality of bargaining power and guaranteeing the effective functioning of collective bargaining. See: Kazakos, *The Arbitration of Collective Interest Differences According to Act 1876/1990* (in Greek) (Sakkoulas, 1998). According to case law, the unilateral right of trade unions is consistent with the provisions of the Greek Constitution and of relevant ILO Conventions, with the proviso that resort to arbitration only takes place following the exhaustion of all efforts for a conciliatory resolution of the dispute (Supreme Court decision 25/2004 DEN 2004, 1399; Council of State 3204/1998 DEN 1999, 13; Council of State 4555/1996 DEN 1997, 441).

<sup>72</sup> Arts 73 and 74.

<sup>73</sup> Art 16.

<sup>74</sup> Art 2(1) of Act 6 of 28.2.2012 of the Ministerial Council.

<sup>75</sup> Art 2(3) of Act 6 of 28.2.2012 of the Ministerial Council. The previous regime (Art 9 of Law 1876/1990) stipulated a period of six months and was applicable to newly recruited employees during the six-month period. Concerning the position of newly recruited employees, the guidance by the Ministry of Labour and Social Security (no 4601/304) states that the terms of the collective agreement are only applicable if the conditions of Art 8(2) of Law 1876/1990 are satisfied.

length of service and tenure that were incorporated in almost all collective agreements<sup>76</sup> were frozen until unemployment falls below 10%.<sup>77</sup>

In addition, a radical adjustment of the wage floors was required on the basis that this would ‘help ensure that as the economy adjusts, and collective bargaining agreements respond, firms and employees do not find themselves bound at a lower limit (and a limit which is very high in international comparison)... these measures will permit a decline in the gap in the level of the minimum wage relative to peers (Portugal and Central and South–East Europe)’.<sup>78</sup> Accordingly, an immediate realignment of the minimum wage level, as determined by the national general collective agreement, was introduced by an Act of Legislative Content, resulting in a 22% cut at all levels based on seniority, marital status and whether wages were paid daily or monthly.<sup>79</sup> This became the subject of harsh criticism by a variety of social partners, as it challenged directly the freedom of the parties to conclude collective agreements and reduced further the purchasing capacity of the employees.<sup>80</sup> The criticisms were predominantly from trade unions and some employers’ associations, predominantly GSEVEE and ESEE, but not SEV (GSEVEE, interview notes). A freeze in minimum wage levels was also prescribed until the end of the programme period. In addition, the legislative intervention in the level of wages, in the form of clauses in the law and in collective agreements that provide for automatic wage increases dependent on time, including those based on seniority, were suspended, until such time as unemployment falls below 10%. It has been suggested by both sides that the legislative reduction of minimum wage levels, which were stipulated by the existing national general collective labour agreement, arguably contravenes the constitutionally recognised institution of collective autonomy, i.e. the legal capacity of trade unions and employers’ associations to determine general working conditions by free negotiation. There was also consideration of abolishing the 13<sup>th</sup> and 14<sup>th</sup> salary (provided as allowance), similar to the public sector; however, no such change has taken place yet.<sup>81</sup>

In order to ‘bring Greece’s minimum wage framework into line with that of comparator countries and allow it to fulfil its basic function of ensuring a uniform safety net for all employees’,<sup>82</sup> it was also intended that the government, together with social partners, would prepare by the end of July 2012 a timetable for an overhaul of the national general collective agreement. The proposal was to replace wage rates set in the national general collective agreement with a statutory minimum wage rate legislated by the government in consultation with social partners. Law 4093/2012,<sup>83</sup> which was adopted at the end of 2012,

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<sup>76</sup> C. Ioannou, op.cit. at 213.

<sup>77</sup> Act 4046/2012, Art. 1 para. 6, and in MoU, section ‘E. Structural reforms’, para. 29, 683, and in Ministerial Council Decree 6/2012 Art. 4.

<sup>78</sup> Ministry of Finance, (2012). *Memorandum of Economic and Financial Policies*, Ministry of Finance, 22.

<sup>79</sup> A further 10% decline for youth, which applies generally without any restrictive conditions (under the age of 25) was stipulated as well, and with respect to apprentices, the minimum wage now stands at 68% of the level determined by the national agreement.

<sup>80</sup> According to GSEVEE, the labour costs pre-crisis constituted the 8<sup>th</sup> or 9<sup>th</sup> obstacle in the competitiveness list of the Greek economy (GSEVEE, interview notes).

<sup>81</sup> Discussions were held in the past between the two sides to divide the allowances in 12 parts and be distributed each month. However, there was no agreement on this, as employers were concerned about the impact of the incorporation of the allowances on the monthly salaries on social insurance and overtime costs and trade unions were concerned that it would be easier to proceed to salary reduction, as the allowances would no longer constitute institutional terms (GSEE, interview notes).

<sup>82</sup> Ministry of Finance, *Memorandum of Economic and Financial Policies*, op.cit. at 22.

<sup>83</sup> ‘Ratification of Mid-term Fiscal Strategy 2013-2016 – Urgent Regulations relating to the Implementation of L.4046/2012 and the Midterm Fiscal Strategy 2013-2016’. FEK 222/A, 12.11.2012.

provides that a process of fixing the statutory minimum wages and salaries for workers employed under private law would be introduced by an act of the Cabinet by 1.4.2013. Guidelines for determining the minimum wage include: the situation and prospects of the Greek economy, the labour market (rates of unemployment and employment) and the outcome of the consultation with representatives of the social partners, as well as specialized scientific bodies. Despite this provision, Law 4093/2012 actually proceeded to establish the minimum salary and wages, substantially at the same level of Article 1 of Act of Cabinet 6/28.2.2012, which stipulated a decrease of the minimum wage by 22% (and 32% for those under 25 years).<sup>84</sup> It is also provided that the minimum wage rates that are stipulated in Law 4046/2012 should be applicable from the publication of the legislation (12.11.2012) until the ‘expiration of the period of economic adjustment that is prescribed by the Memoranda of Understanding, which are annexed to Law 4046/2012 and their subsequent amendments’, i.e. the period between 2013 and 2016. The national collective labour agreement continues to regulate non-wage issues, which are directly applicable to all workers. However, if the agreement also stipulates certain wage levels, then these are only valid for workers, who are employed by members of the contracting employers’ federations. The reforms constitute an unprecedented overhaul of the system of wage determination. The national general collective labour agreement has been traditionally of particular economic and institutional significance, as it has provided a floor of labour rights for employees, whilst influencing indirectly the terms and conditions of employment specified in sectoral and company level agreements (GSEE, interview notes). The replacement of collective negotiations with a statutory minimum wage may not only lead to the reduction of wage levels but may also reduce even further the role of the trade unions in the Greek system of employment relations.<sup>85</sup>

On top of these changes in collective agreements and wage determination, the 2012 reforms abolished the unilateral recourse to arbitration and allow now instead requests for arbitration only if both parties consent.<sup>86</sup> Further, arbitration is to be confined solely to the determination of the basic wage/salary and does not include the introduction of any provisions on bonuses, allowances or other benefits. When considering the request, OMED must take into account economic and financial considerations alongside legal ones.<sup>87</sup> The elimination of unilateral recourse to arbitration was consistent with SEV’s argument that compulsory arbitration should be abolished so as to allow negotiations to be ‘better aligned with reality’.<sup>88</sup> It has to be stressed here that arbitration decisions were the basis for ¼ of the occupational and sectoral agreements and for 1/20 of the enterprise collective agreements in the period between 1992-2008.<sup>89</sup> However, the prerequisite for an agreement in order to have

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<sup>84</sup> The minimum salary currently in force is: (a) 586,08 euro/month for employees over 25 years of age 26,18 euro/day for workers over 25 years of age (b) 510,95 euro/month for employees under 25 years of age 22,83 euro/day for workers under 25 years of age. The above minimum salary is increased with seniority allowance. This allowance concerns only service provided until February 14, 2012 and varies according to the specialty of the person (i.e. employee or worker) and his/her age (i.e. over or under 25). Any service provided after February 14, 2012 will not be taken into consideration for the calculation of seniority allowance. This specific provision shall be in force until the unemployment rate in Greece falls below 10%.

<sup>85</sup> GSEE, op.cit., 7-8.

<sup>86</sup> Art 3(1) of Act 6 of 28.2.2012 of the Ministerial Council. It must be noted here that arbitration was very important for the maintenance of sectoral and occupational agreements, as in the period 1995-1990 a quarter of them were settled by means of arbitration (see C. Ioannou et al. *Collective Bargaining before and after Law 1876/1990* (Organisation for Mediation and Arbitration, 2011) (in Greek), 139-150).

<sup>87</sup> This is possibly partly due to concerns expressed regarding certain ambiguities regarding Law 3899/2010 (see OMED submission to the ILO Report, op.cit., 51).

<sup>88</sup> ILO, at 37.

<sup>89</sup> C. Ioannou, How ‘Dependent’ on Arbitration were Collective Agreements under Law 1876/1990, (2012) 13 *Revue du Droit de Travail*, 897 (in Greek).

recourse to arbitration was declared recently unconstitutional by the Council of State. The 2307/2014 decision accepted the arguments of the trade unions that the abolition of unilateral recourse to arbitration by the unions was against the principle of collective autonomy that is recognised in the Constitution.

The changes in the system of collective agreements, described above, and the prerequisite of an agreement between the parties for there to be recourse to arbitration, provide an incentive for employers to object to the conclusion of a collective agreement and to the use of arbitration so as to proceed freely instead to negotiations with individual employees.<sup>90</sup> On the part of trade unions, they have two options. The first option is to agree 'freely' wage reductions or increases in line with the national general collective agreement in order to maintain the function of the collective agreement as a regulatory instrument. The second option is to have recourse to OMED, where though the level of wage increases would be similar to those under a collective agreement, there would be no safeguarding of non-wage provisions.<sup>91</sup> Preliminary evidence suggests that the first option has been adopted by a number of unions and this has been supported by some employers' federations. For instance, the recent collective agreement in commerce was driven by the recognition by the National Confederation of Hellenic Commerce to protect the collective bargaining system but this was conditional upon significant wage decreases. With respect to the arbitration system, in a recent decision<sup>92</sup> the Council of State found that the abolition of the right to have unilateral recourse to arbitration and the limitations on the subject-matter of the arbitration decision infringed article 22(2) of the Greek Constitution, which recognises a complementary role for arbitration where collective negotiations fail. The decision has already been used by trade unions in order to put pressure for renewed negotiations for the conclusion of collective agreements at sectoral level.<sup>93</sup> There is evidence to suggest that the government will amend the legislation in light of the decision but in a way so as to strengthen the role of mediation.<sup>94</sup>

Lastly but equally importantly, significant attempts have been/are in the process of being made in order to reduce the institutional and financial resources of trade unions. In this context, the government abolished the Organisation of Labour Housing.<sup>95</sup> The organisation was important in terms of the resources provided for the trade unions, as the contributions made by employers and employees to it were traditionally used to fund a range of social activities ranging from social housing and childcare provision to funding of labour centres and trade unions at different levels. Following pressure from the trade unions and reaction from the public, the government, which had moved part of the funds of the Organisation of Labour Housing to the Organisation for the Employment of Labour Manpower (OAED),<sup>96</sup> committed to continue distributing the funds, albeit reduced, for trade union activities. More recently, it has been reported that discussions have been opened for the renegotiation of Law

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<sup>90</sup> GSEE, *op.cit.* at 10.

<sup>91</sup> A. Kapsalis and C. Triantafyllou, *Wage Determination in a Context of Recession and Crisis*, (INE-GSEE, 2012) 19.

<sup>92</sup> Case 2307/2014, not yet published.

<sup>93</sup> For instance, in July 2014 the Hellenic Union of Radio Technicians submitted an application to OMED concerning the conclusion of a sectoral agreement following the decline of the employers' federation to negotiate on a voluntary basis.

<sup>94</sup> R. Salourou, *Employment Relations: Amending Legislation Comes as a Brake to Arbitration*, (2014, 13 August), <http://www.euro2day.gr/news/economy/article/1245053/ergasiaka-erhetai-tropologia-freno-sth.html> Accessed 20 August 2014.

<sup>95</sup> Articles 1(6) και 2(1) of Law 4046/12.

<sup>96</sup> Out of 375 million Euros which constituted the contributions to OEE, the government provided OAED with 25 millions (POEM, interview notes).

1264/1982, which established a number of fundamental trade union freedoms.<sup>97</sup> In light of pressures by the Troika, the objective is to create a new framework for the operation of trade unions, including amending the framework for union funding in order to limit the dependence on the state, merging primary and second-level unions and amending the legislation on industrial action and trade union time-off. Whilst recognising the importance of Law 1264/1982, GSEE stresses that it should be implemented in the spirit of the law and not be subject to misuse by unions, as is reportedly the case in certain companies and state-owned enterprises (GSEE, interview notes). At the time of writing, no reforms had been introduced in this area.

## ***6. The implications of the reforms for the Greek system of collective bargaining***

As illustrated in the analysis above, the Greek system of labour law and industrial relations has undergone wide-ranging changes since the beginning of 2010. As a result of the commitments made by the Greek government in the context of the financial assistance that it has received from the IMF and the Eurozone Member States, significant interventions have been made with the objective of triggering a process of ‘internal devaluation’. In terms of the process for the introduction of the reforms, social dialogue between the government and the social partners was almost absent. While this confirmed the strong tradition of a culture of state paternalism to industrial relations, it also highlighted the *de facto* departure from a ‘political economy’ crisis-response approach (where dialogue institutions have a role to play), towards a ‘financial-market-driven’ approach where public policy responses are dependent on the situation in the financial market.<sup>98</sup> The ILO Report of the High Mission to Greece illustrates the latter point, when it states that the issue of employment was rarely discussed during the consultation between the Greek government and the Troika.<sup>99</sup>

Against the context of reforms that were driven by supranational institutions, i.e. Troika, the social partners were unable to develop a joint approach in order to influence the nature and extent of the reforms adopted to counter the crisis. But the absence of social dialogue for the introduction of the reforms did not mean that employers’ associations or individual members had not their own views concerning the measures introduced to limit the extent of the sovereign debt crisis that did not influence the direction of the reforms.<sup>100</sup> First of all, there was evidence to suggest that individual firms were able to convey their views on the issue of labour market regulations directly to the Troika, bypassing essentially the institutional channels for consultation, and influencing the nature and extent of the reforms. In terms of the institutional actors from the employers’ side, SEV, which represents mostly large undertakings and had been a strong advocate of decentralization of collective bargaining and more generally labour market flexibility in the period leading to the crisis, has argued that even though the lack of competitiveness in the labour market was not the root cause of problems facing Greece it was an important priority.<sup>101</sup>

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<sup>97</sup> K. Kokkalliari, They Raised a Banner against the Trade Union Legislation, *Ethnos*, (2014, 30 April), (<http://www.ethnos.gr/article.asp?catid=22768&subid=2&pubid=64000134>, Accessed 20 August 2014).

<sup>98</sup> Ghellab and Papadakis, op. cit., 83.

<sup>99</sup> ILO, op.cit.

<sup>100</sup> On this see, Koukiadaki and Kretsos, op.cit.

<sup>101</sup> ILO Report, op.cit.

However, other employers' associations highlighted the need to protect the level of average income of workers, as domestic demand is an important element for achieving economic growth and development.<sup>102</sup> As a result, employers' federations, which represent SMEs, have criticized a number of reforms, as they would reduce the purchasing power of consumers and would put at risk the 'cooperative relationship' between their members and their employees. For instance, the Confederation of Small and Medium enterprises (GSEVEE) considered that instead of improving the competitiveness of the Greek economy, the measures were in reality aimed at providing low-wage but high-skilled employees for companies based in northern Europe (GSEVEE, interview notes). Similar views have been expressed by the National Confederation of Hellenic Commerce (ESEE). In contrast, SETE has attempted to make use of its institutional role to impose changes that are resisted by other employers' organisations (GSEVEE, interview notes). In expressing these views, GSEVEE and ESEE are closer to the approach of the Greek trade unions that have consistently argued against the reforms. The different approaches to the crisis by the social partners can be illustrated when examining the negotiations for the conclusion of the general collective agreement.<sup>103</sup> On the basis that any improvement of working conditions can only take place now through worker mobilisation, Greek industrial relations have moved towards a more adversarial system. By April 2014, there were already 37 general 24-hour strikes at national level.<sup>104</sup>

The lack of any influence of the social partners not only provides evidence for the unilateral character of the reforms but also deprived policymakers of all the information necessary for effective policy design at a time most crucially needed, and arguably hindered the chances of maintaining balance in such policies by mitigating their adverse effects on the most vulnerable groups.<sup>105</sup> This is evident when one examines the content of the measures. The changes are manifested in four main pillars of the employment relationship: a) they challenge the role of full and stable employment and promote instead flexible forms of employment, b) they promote working time flexibility that is responsive to the companies' needs; c) they mitigate employment protection against dismissal; and d) they deconstruct the system of collective agreements and wage determination. In introducing these changes in the first three pillars, the reforms have substantially increased the scope for unilateral decision making on the part of the employer and have undermined the support for joint regulation of the terms and conditions of employment, as illustrated, for instance, in the case of conversion of contracts from full-time to atypical forms of employment on the basis of unilateral decisions by management. While the reforms in the first three pillars affect indirectly the system of collective bargaining and wage determination, the changes in the fourth pillar have altered directly the landscape of Greek industrial relations. In providing for new forms of representation, suspending the extension mechanisms and suspending the favourability principle as well as the unilateral recourse to arbitration, it has been suggested that the measures have shifted the balance from joint regulation to state unilateralism (GSEE, interview notes).

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<sup>102</sup> On this see, Koukiadaki and Kretsos, op.cit.

<sup>103</sup> See part 2 of the study.

<sup>104</sup> A study by Katsoridas and Lampousaki reported that only in 2011, there were in total 445 strikes and work stoppages (D. Katsoridas and S. Lampousaki, *Strikes in 2011*, (INE GSEE,2012) (<http://www.inegsee.gr/wp-content/uploads/2014/02/files/meleti37.pdf>), Accessed 10 November 2014.

<sup>105</sup> Ghellab and Papadakis, op.cit.

Overall, despite the fact that the programme has specific duration, the measures seem to be of permanent nature.<sup>106</sup> Even in the case of the temporary suspension of the extension of collective agreements until 2015, it is difficult to envisage how a return to the extension mechanism can take place in the future. In terms of their nature, most of the reforms are paradigmatic as they lead to changes in the functions of key labour market institutions and practices. The strong state interventionism that permeates all new regulations affects the key parameters of collective autonomy and there is evidence to suggest that the scope for labour market deregulation has increased. Apart from affecting the scope for joint regulation, the reforms imply a fundamental re-orientation of the Greek industrial relations system. In contrast to the declared intentions of the Troika and the Greek government, the role of the state has been expanded to the detriment of collective autonomy and as a result now occupies an even more central role in the regulation of the employment relationship. The increase in the role of the state has been accompanied by an increase in the scope for managerial prerogative at the level of the workplace with significant implications for the determination of the terms and conditions of employment.

## ***7. Empirical research methodology***

Having outlined the process and substance of the labour market reforms in the area of collective labour law and industrial relations in part 1 of the report, the analysis will now turn to examine primary and secondary data on the actual impact of the reforms on collective bargaining and critically assess the implications for the role of the state and the social partners as well as the prospects for continuity or change in the national systems of industrial relations. In doing this, the analysis draws on a number of interviews with national and sectoral interviewees representing the state, employers' associations and trade unions that are responsible for collective bargaining in the manufacturing sector. In addition, data is analysed from a workshop with 10 trade union representatives at company, sectoral and national level that was held in April 2014 in Athens. These are complemented by a range of case studies in the metal and food manufacturing. In total, 10 case studies were conducted. Six case studies were conducted in the metal sector, comprising of one large, one medium and four micro companies. Four case studies were conducted in the food sector: one large, one medium and two micro companies. In all cases (apart from the micro companies where only management was interviewed), interviews were carried out with both management and employee representatives. In total, 24 interviews were conducted. The primary data from the national, sectoral and company levels is complemented by information and data from national and EU surveys.

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<sup>106</sup> Economic and Social Committee, *op.cit.*

**Table 1 – Company case study details**

<b>Case studies</b>	<b>Employer's association membership</b>	<b>Workforce size</b>	<b>Trade union presence</b>	<b>Pre-existing industrial relations</b>	<b>Impact of the economic crisis</b>	<b>Collective agreement</b>
<b>Large metal manufacturer</b>	Yes (ENEPEM)	584 employees	Company trade union	Pre-crisis cooperative and formal; during crisis, adversarial and formal (110 days of strike)	Significant	2012 (2+1 years) agreement with pay freeze <sup>107</sup> and no redundancy clause
<b>Medium metal manufacturer</b>	No	155 employees	Company trade union	Initially paternalistic and adversarial (strikes and courts) but now rather cooperative and informal	Some impact in 2007-2008 but no impact since then	2010 collective agreement still informally applies (but with pay freezes)
<b>Small metal manufacturer 1 (silversmith/)</b>	Yes (POVAKO)	7 employees	No company-level union	Cooperative and informal	Significant (90% reduction in profits)	No collective agreement applicable
<b>Small metal manufacturer 2 (silversmith/)</b>	No	3 employees	No company-level union	Cooperative and informal	Minimal	No collective agreement applicable
<b>Small metal manufacturer 3 (silversmith/)</b>	Yes (POVAKO)	1 employee	No company-level union	Cooperative and informal	Significant (70%)	No collective agreement applicable

<sup>107</sup> The agreement stipulates that the sectoral collective agreement will apply to newly hired employees.

<b>Case studies</b>	<b>Employer's association membership</b>	<b>Workforce size</b>	<b>Trade union presence</b>	<b>Pre-existing industrial relations</b>	<b>Impact of the economic crisis</b>	<b>Collective agreement</b>
<b>Small metal manufacturer 4 (car)</b>	Yes (EOVEAMM)	2 employees	No company-level union	Cooperative and informal	Significant (72%-82%)	2013 collective agreement (with pay freeze)
<b>Large food/drinks manufacturer</b>	Yes (SEV)	950 employees	Three site unions	Cooperative and formal	Considerable (75% profit reduction)	2014 collective agreement (with minor pay increase)
<b>Medium food/drinks Manufacturer</b>	Yes (SEV)	259 employees	8 company unions for permanent staff plus 3 for seasonal workers	Initially cooperative but now adversarial	Significant	2012 collective agreement (with pay freeze)
<b>Small food/drinks manufacturer 1</b>	Yes (SEV)	40 employees	No company-level union	Cooperative and informal	Considerable (25%)	No collective agreement applicable
<b>Small food/drinks manufacturer 2</b>	Yes (Federation of Cheese Producers) <sup>108</sup>	10 employees	No company-level union	Adversarial and informal	Considerable	No collective agreement applicable

<sup>108</sup> The federation did not conclude any collective agreements pre-crisis and does not do so at present either.

## 8. The economic and industrial relations framework in the manufacturing sector

Before proceeding to assess the impact of the reforms on collective bargaining, it is useful to outline here the main characteristics of the manufacturing sector and the overall industrial relations framework in the sector pre-crisis. Manufacturing in Greece is relatively small in comparison with the other European countries. In terms of gross value added production, the sector developed during the 2000-2010 period at an average annual rate that was lower compared with the corresponding rate of change of the total domestic economic activity (only +0.1% versus +2.2%).<sup>109</sup> The production of pharmaceutical products, chemicals and basic metals had the highest average annual increase in terms of GDP in the period 2000-2010. However in terms of contribution to production, the food, beverage and tobacco industries held firmly the highest share, followed by manufacturing of pharmaceuticals and metals. But since 2008, the sector has registered a significant decline of around 1,7% as a result of the crisis. Consequently, there was a decline in the share of GDP by 3% over the period 2000-2010 and it was configured at 8.7% in 2010. One of the first sectors to be affected was metal manufacturing: this was because the sector had traditionally international exposure through exports but at the same time was sensitive of changes in the construction industry at domestic level.<sup>110</sup> The food and drinks sector was also affected significantly in terms of sales, gross profits and employment rates. However, it was very small companies with less than 10 employees that were affected mostly.<sup>111</sup> Similar to the rest of the Greek economy, small companies are the majority in the sector (95% in food and 90% in drinks).<sup>112</sup>

In terms of employment, manufacturing was one of the sectors with the greatest reduction in employment rates (see table 2).<sup>113</sup> The reduction of employment was -6.6% on average over the period 2008-2010, compared with -1.9% in the whole economy (see table 4 on unemployment levels). This development is part of the long process of de-industrialization of the Greek economy that started in the 1980s and resulted in an employment share of about 10.7% in 2010. However, there is also evidence to suggest that the economic crisis accelerated the process of de-industrialisation. Information on company insolvencies since the start of the crisis suggests that the manufacturing sector has been particularly vulnerable: in 2013, 87,1% of manufacturing firms were considered to be in high credit risk and a number of them were already in the process of insolvency.<sup>114</sup> The negative growth in the sector can be partly explained by the austerity measures, especially increased taxes, and other

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<sup>109</sup> For an analysis of the developments in the sector before and during the crisis, see G. Argitis and M. Nikolaidi, *The Economic Crisis and Production Restructuring in Greece: The Role of Industrial Manufacturing*, (INE GSEE, 2014) (in Greek).

<sup>110</sup> Kathimerini, *The Crisis Affects Significantly the Domestic Metal Manufacturing Sector*, 23.09.2009 (in Greek).

<sup>111</sup> For evidence of this, see the periodic surveys conducted by IME-GSEVEE (<http://www.imegsevee.gr/>). See Table 3 for a breakdown of the companies according to size.

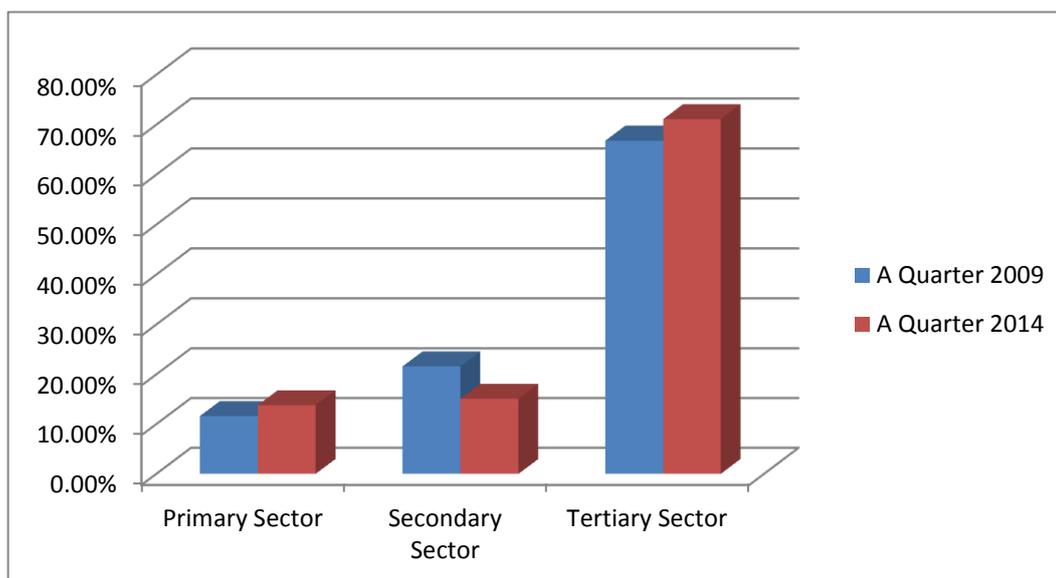
<sup>112</sup> F. Thomaidou, *Food and Drinks Manufacturing: Facts and Figures*, (IOVE, 2013) ([http://www.iobe.gr/docs/research/RES\\_05\\_B\\_01032013REP\\_GR.pdf](http://www.iobe.gr/docs/research/RES_05_B_01032013REP_GR.pdf)). Despite the great number of SMEs, it has to be added here that the dominant role in the economy, including in manufacturing, is increasingly played by a small number of large, often foreign-owned enterprises.

<sup>113</sup> On youth unemployment, see O. Papadopoulos, *Youth unemployment discourses in Greece and Ireland before and during the economic crisis: Moving from divergence to 'contingent convergence'*, (2014) *Economic and Industrial Democracy*, published online first doi:10.1177/0143831X14550694.

<sup>114</sup> Imerisia, *Icap: 9 out of 10 Manufacturing Firms are Threatened with Insolvency*, (29 May 2013). (<http://www.imerisia.gr/article.asp?catid=26524&subid=2&pubid=113052184>).

developments such as reduced salaries and pensions. This led to increased financial burdens and tax obligations for businesses, coupled with reduced purchasing power for consumers: challenges which are generally better handled by large companies than SMEs, at least in the short term. Moreover, many tax incentives and/or exemptions that SMEs used to enjoy have been abolished.

**Table 2 – Economic activity by sector<sup>115</sup>**



**Table 3 – Percentage of companies by size<sup>116</sup>**

Type of companies	Number of enterprises			Number of employees		
	Greece	Greece	EU 28	Greece	Greece	EU 28
	Number	Proportion	Proportion	Number	Proportion	Proportion
<b>Micro</b>	629.811	96.2%	92.4%	1.130.794	55.2%	29.1%
<b>Small</b>	21.669	3.3%	6.4%	398.503	19.5%	20.6%
<b>Medium sized</b>	2.464	0.4%	1.0%	227.832	11.1%	17.2%
<b>SMEs</b>	653.944	99.9%	99.8%	1.757.129	85.8%	66.9%
<b>Large</b>	423	0.1%	0.2%	290.547	14.2%	33.1%

In terms of the industrial relations framework, the predominant level of collective agreement pre-crisis was the sector in metal and food and drinks companies. However, the wage levels

<sup>115</sup> Source: ELSTAT (<http://www.statistics.gr/portal/page/portal/ESYE>), Three-Month Surveys of Labour Force, 2009- 2014, authors' analysis.

<sup>116</sup> Source: [http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/countries-sheets/2014/greece\\_en.pdf](http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/countries-sheets/2014/greece_en.pdf). Accessed 04 November 2014.

stipulated by the National General Collective Agreement were decisively affecting the level of wages in all sectoral agreements. In the metal manufacturing sector, a sectoral agreement was traditionally concluded between the Hellenic Federation of Metalworkers and Clerical Staff (POEM) and SEV in collaboration with the Association of Metal Processing Companies (ENEPEM). A different agreement was concluded between POEM, SEV and the Federation for the Manufacturing of Car Frames and Bodywork. Data from 2008 suggests that POEM had around 30,000 members (25% of all employees in the sector) and ENEPEM had around 65 members.<sup>117</sup> During the period 2000-2011, five sectoral agreements of 2-year duration were concluded between POEM and SEV in collaboration with ENEPEM. The last agreement before the start of the crisis (2008-2009) had stipulated a pay increase of 13.76%.<sup>118</sup> Separate sectoral collective agreements were concluded between POEM and the employers' federations representing SMEs in different manufacturing subsectors. In this context, GSEVEE (the cross-sectoral employers' federation) participated and acted as signatory to the sectoral agreements along the sectoral employers' associations (Panhellenic Federation of Silver and Goldsmiths, Jewellers and Watchmakers (POVAKO) and the Single Federation of Automobile, Machine and Motorcycle Repair Craftsmen (EOVEAMM)) and the Panhellenic Federation of Craftsmen of Aluminium (POVAS). As a result of the participation of GSEVEE in these agreements, a basis was provided for extending the agreement to regions where there was no employer representation at sectoral level (GSEVEE, interview notes). In the case of silver and goldsmith manufacturers, a sectoral agreement was concluded between GSEVEE and POVAKO on the side of the employers and POEM on the union side.<sup>119</sup> The agreement covered personnel employed in the production, processing and repair of silver, gold, jewellery and other precious metals and watch repair in the entire country and was considered pre-crisis one of the best in terms of wages, as it offered consistently higher levels of wages than the national general collective agreement (POVAKO, interview notes). A separate agreement was concluded covering skilled metal workers and clerical staff of all metal enterprises as well as workers in production, processing, assembly, packaging, repair etc., departments of other companies in the whole country. The agreement was concluded between GSVEE, POVAS, EOVEAMM, and POEM.

In the food and drinks sector, the collective agreements concluded were usually at individual sector level (e.g. bakery, dairy products, drinks industries etc.). There are a number of second-level trade unions (federations) that are organised on the basis of sub-sectors within manufacturing, resulting in fragmentation of workers' representation (Federation of Milk, Food and Drinks, interview notes). On the part of employees, the Hellenic Federation of Milk, Food and Drinks Workers and Employees (referred to as Federation of Milk, Food and Drinks) has traditionally organised a significant part of workers in the sector; in 2013, it was estimated that around 9,000 employees were members of the federation<sup>120</sup> and had experienced a steady increase since 2004. Before the onset of the crisis, the Federation used

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<sup>117</sup> At the same time, there were another 85 active companies that were not members of ENEPEM (Tikos, op.cit). According to anecdotal evidence that we gathered, the association had in 2014 around 38 members, Tikos, op.cit.

<sup>118</sup> Tikos, op, cit.

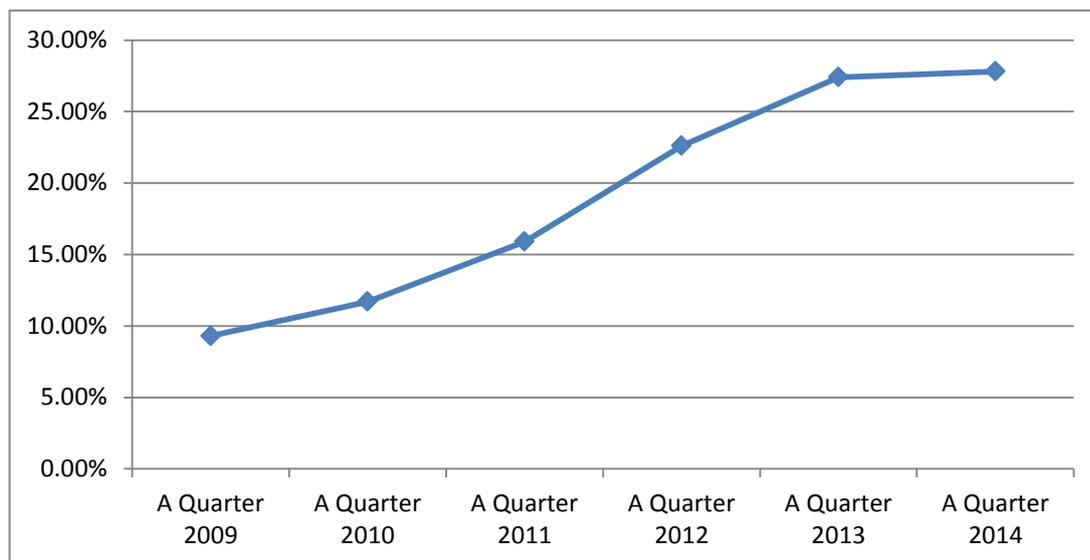
<sup>119</sup> At the time of the research, POVAKO had around 1,200 members in Athens and around 30-40% of silver and goldsmith manufacturers in Greece were members in 2014 (POVAKO, interview notes). The benefits of membership were questioned by some employers: 'We do not belong to any employers' association, we consider them irrelevant and we do not believe that they have a productive input on employment issues' (micro metal 2, interview notes).

<sup>120</sup> It covers 30 company trade unions and 7 sectoral unions and its density in the food and drinks is lower than the overall density of the union, see P. Georgiadou and A. Kapsalis, Greece: The Representativeness of Trade Unions and Employer Associations in the Food and Drinks Sector (Eurofound, 2013)

to be the party to four sectoral collective agreements: drinks, dairy products, cheese products and processed food. These agreements provided for different wage increases over the years (ranging from 8% to 17,5% on top of the national minimum wage, as set by the national general collective agreement); the difference was attributed to the different life span of the agreements themselves (Federation of Milk, Food and Drink, interview notes). On the part of the employers, two third-level employers' organisations were parties to the collective agreements in the sector: SEV and GSEVEE.<sup>121</sup> Despite the fact that the agreements were concluded by the main employers' federations, the stance of the latter during the negotiations predominantly reflected the interests of sector-specific organisations, including the Hellenic Federation of Food Industries (SEVT). The participation of the employers in collective bargaining was not the result of willingness of the employers to recognise the role of bargaining in determining the terms of conditions of employment but rather the result of the workers' movement during that phase (Federation of Milk, Food and Drinks, interview notes).

It is important to add here that in both the metal and food and drinks manufacturing, there was a tradition of enterprise-level collective agreements pre-crisis, most notably in large enterprises. Owing to the pre-existing statutory framework, the company-level agreements could not introduce worse terms and conditions of employment than those in the sectoral/occupational level agreements and, in practice, company agreements were used to improve significantly upon the salary levels stipulated in the sectoral/occupational agreements. This was confirmed in all large and medium company case studies that were examined in the project (i.e. large food and drinks, medium food and drinks, large metal, medium metal). Moreover, overtime work was used pre-crisis in order to prop-up the wage levels in the sector and contain demands for further wage increases in collective agreements in some large metal manufacturing companies (POEM, interview notes).

**Table 4 – Unemployment levels<sup>122</sup>**



<sup>121</sup> In 2013, it was estimated that GSEVEE had around 10,000 members in the food and drinks industry (Georgiadou and Kapsalis, op, cit.).

<sup>122</sup> Source: ELSTAT (<http://www.statistics.gr/portal/page/portal/ESYE>), Three-Month Surveys of Labour Force 2009- 2014, authors' analysis.

## 9. Implications of the reforms on the process and character of collective bargaining at sectoral and company levels

### 9.1. The state of the national general collective agreement during the crisis

At national level, and as described in part 1 of the national report, there have been different approaches to the crisis and the reforms by the social partners. These differences were clearly illustrated in the negotiations for the conclusion of the national general collective labour agreement (EGSEE) for 2013. Owing to the legal changes in the system of wage determination, this was the first agreement signed by social partners that would have no effect on the regulation of the minimum wage. After three consecutive meetings, on 14 May 2013 a new agreement was signed by all the social partners except SEV. The GSEVEE representative stressed that the abolition of the *erga omnes* effect of the agreement with respect to wage levels has effectively meant that employers' federations are no longer able to influence, through negotiations, the wage levels, as if there was any indication of intending to re-instate the national minimum wage to the levels pre-crisis (i.e. 751 euros), they would suffer significant losses in terms of membership (GSEVEE, interview notes).<sup>123</sup> As such, the 2013 agreement did not prescribe any wage levels, as used to be the case in the past. Despite the legal changes, the social partners, who signed the 2013 agreement, stressed that they recognised the need to maintain the national agreement as an active institution, and to restore its political, social and economic role. In contrast, SEV argued that the agreement had no legal foundation and that it offered no essential benefits for employees and instead proposed the signing of a protocol of agreement by the social partners, arguing that this would strengthen the institutional *acquis* and lead to a new model of a national agreement as well as extending the scope of dialogue to include issues of competitiveness (SEV, interview notes).<sup>124</sup>

SEV became again a party to the 2014 national general collective agreement. This change provides some evidence of reconsideration of the approach SEV had adopted before regarding the industrial relations framework (GSEVEE, interview notes) and of an understanding of the adverse impact of non-participation on the employers' organisation itself (GSEE, interview notes). In addition, it reportedly reflected also an understanding of the impact of the reforms on the profit levels of the SEV members as well, since the rapid and dramatic reduction of wage levels has also reduced significantly company profits (OVES, interview notes). According to SEV, 'the national collective agreement does not introduce anything new, but it brings back the institution in order to be available when the diplomatic relationship between the two parties is restored and if something changes in terms of the legislation' (SEV, interview notes). Indeed, the 2014 collective agreement reaffirmed the intention of the social partners to support the institution of collective bargaining despite the crisis and the restrictive legal framework. The parties to the agreement also undertook a commitment to implement actions that will help reduce unemployment and fight undeclared and uninsured work but also actions related to the issues of the after-effect of collective agreements, the restoration of the *erga omnes* effect of the national collective agreement and the extension of collective agreements on the basis of the principle of equal treatment and in order to reduce unfair competition among companies. There is no evidence yet to suggest on

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<sup>123</sup> Since the crisis has started, one sectoral federation ceased to be a member of GSEVEE (GSEVEE, interview notes).

<sup>124</sup> Despite the abstention of SEV from the 2013 agreement, SEV advised its members to maintain the marriage allowance.

the implementation of these actions and their effectiveness. Aside from these commitments, the national agreement maintained the institutional provisions of the 2013 agreement and stipulated for the first time the right of fathers to parental leave. The reference to the institutional provisions of the 2013 agreement has been interpreted as including the maintenance of the marriage allowance but there are divergent opinions regarding whether it also covers maturity increases.<sup>125</sup> In addition, the social partners committed to work together with the International Labour Organisation, which has set up an office in Greece, to address issues related to the structure of tripartite social dialogue, sectoral collective bargaining, vocational education and training and prohibition of discrimination.<sup>126</sup>

## 9.2. The state of sectoral collective bargaining during the crisis

At sectoral level, SEV was a party to around 60 sectoral and occupational level collective agreements until 2010. However, since the implementation of the reforms, the federation has not signed any collective agreement at this level (SEV, interview notes). The SEV interviewee explained:

*'The removal of the extension mechanism and the determination of the national minimum wage by statutory legislation have changed completely the framework for collective bargaining; the actors are still confused about how they should behave...Sectoral agreements do not currently exist because there is no mandatory extension. Employers are concerned that if they come to an agreement with unions on wages, they will have a competitive disadvantage against smaller firms, which pay less and use undeclared work. Therefore, employers have stopped participating in wage bargaining. And the employee side has also stopped demanding the conclusion of sectoral agreements, because they understand pretty much that there's no way to squeeze something out of the employers. And this is the reason that despite the gap left from the absence of sectoral agreements, there are very few strikes. And the employee side understands that the greatest threat is that if my members think that we, as SEV, are going to sign an agreement that they do not like, they will just leave the federation so as not to be bound by the agreement. This has been done to a very small scale, so far two companies and a sectoral associated have ceased to be members of SEV' (SEV, interview notes).*

On top of this, the reforms in the arbitration system (including the abolition of unilateral recourse) have contributed in reducing significantly the scope for concluding sectoral agreements. Even in the case of mediation, where a decision may be only reached provided both sides agree, there is evidence to suggest that employers' federations are not willing to participate in the process. The GSEVEE interviewee explained: 'Unfortunately, there has been a change of culture and the logic that prevails among sectoral employers says that 'now that we are on top, let's be the boss' (GSEVEE, interview notes). On the side of the unions, the trade union movement is now 'in defence' and 'seeks ways to continue to exist following the reforms, which curtail significant the scope for collective bargaining and collective action' (GSEE, interview notes). Where there is a risk of significant wage reductions, the

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<sup>125</sup> Despite that the marriage allowance has a monetary value, employers' associations seem to interpret it as being included in the institutional terms of the agreement (GSEVEE, interview notes). The marriage allowance was abolished by Law 4093/2012, which modified the wage determination system and the maturity increases are now regulated by legislation (for an analysis, see part 1).

<sup>126</sup> Article 1 of the EGSEE 2014.

issue of concluding a collective agreement is in some cases of secondary importance for employees and unions alike, as the efforts are primarily directed against job losses and wage reductions (POEM, interview notes). Where this is not the case, trade unions have sought to maintain the tradition of sectoral and company-level agreements, albeit with different success rates.

The developments in the sectoral agreement for the metal manufacturing sector are illustrative of the implications of the crisis and the reforms on the process and character of collective bargaining in the Greek system of industrial relations. In 2010, there was a wage freeze because of the lack of agreement at sectoral level for increases on the part of the employers both for 2010 and 2011. Following failed attempts to conclude an agreement, an arbitration decision was issued for the period of 2011-2012. The decision, which followed Article 51 of Law 3871/2010, stipulated a 1.6% increase for the basic wages and daily rates for 2010 (equal to the percentage of annual change of the European inflation rate for 2010) and a respective increase for 2011.<sup>127</sup> The arbitration decision was valid until July 2013 but would be applicable, including the after-effect period, until October 2013. ENEPEM filed a lawsuit on 17.11.2011 before the First Instance Court of Piraeus, requesting the annulment of the award of 18/2011 OMED concerning their pay and working conditions for the years 2010-2011-2012. The Court dismissed the employers' request, thus recognizing the legitimacy of the arbitration award.<sup>128</sup> When the after-effect period of the sectoral agreement in metal manufacturing expired, the parties to the agreement started negotiations for the conclusion of a new agreement. During the initial discussions, the employers suggested wage reductions of 22%, which were rejected by the trade union and subsequently no agreement was reached. According to trade unions in the sector, SEV has advised its members' federations not to conclude any sectoral collective agreements. Against this context, the local trade union in the metal manufacturing sector in the Attica region has implemented a policy of promoting the conclusion of the same, in effect, collective agreement in different companies, albeit with different rates of success (local trade union, interview notes).

Similar to the situation described above, there have been significant changes in collective bargaining for the conclusion of a sectoral agreement covering employees in silver and goldsmith manufacturing. Up to 2010, both sides had managed to support the conclusion of the sectoral agreement. However, the last (2011) sectoral agreement to be implemented was the result of an arbitration decision, which stipulated an increase of 1% as of July 2011 and a further increase for 2012 on the basis of annual European inflation rate for 2011. Despite the fact that the agreement was the result of an arbitration decision, it was stressed that both sides had already reached a common ground in advance of reaching the arbitration stage (POVAKO, interview notes). However, in light of the 2012 changes in collective labour law and following pressure from its members, who were in favour of the new national minimum wage levels, POVAKO withdrew its support for the conclusion of the 2012 agreement. The POVAKO representative explained: 'When the recession kicked in, we went to the negotiations with POEM and asked for a wage reduction of 10-15% from the previous sectoral agreement. This was on the basis that similar reductions had already taken place in other sectors affected by the crisis, including commerce and hotel and catering. In response, POEM suggested a pay freeze and since we did not agree, they had recourse to OMED. But

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<sup>127</sup> Since 2010, it is not the national inflation that is taken into account during the collective bargaining rounds and in the collective agreements, but the average Euro Area inflation (the "Euro Area inflation" is the rate of the annual average change, compared to the previous year, of the Harmonized Index of Consumer Prices in the Eurozone, as announced by Eurostat).

<sup>128</sup> Court of First Instance of Peiraias, Decision 5701/2012.

we decided not to attend the meeting, as we were concerned that any decision issued would be against the interests of our members' (POVAKO, interview notes). Importantly, this development was seen by POVAKO as beneficial in economic terms for the companies in the sector, as it enabled them to respond to the new economic context (POVAKO, interview notes).

In contrast to these cases, a sectoral collective agreement was concluded between the employer federations representing SMEs (GSEVEE, EOVEAMM and POVAS) in metal (engaged in metal production, processing, repair, assembly and packaging in automotive, machine and motorcycle repair) and POEM. The conclusion of the sectoral agreement was against a context of a significant decline in demand (35% in 2011, 60% in 2012 and 72% in 2013) (EOVEAMM, interview notes). The agreement provided that the wage levels and terms and conditions of employment that were stipulated under the 2010 agreement would continue to apply for another year, i.e. until 15/5/2014, as determined on the 14/2/2013 (for a comparative summary of collective agreements concluded by GSEVEE, EOVEAMM, POVAS and POEM between 2008-2014, see Table 5 below). According to the union representative in the sector, the conclusion of an agreement is explained by the fact that the employer in SMEs is dependent on the few individuals he employs. Therefore, it made sense to maintain the collective agreement, even at the levels of 2010 especially since there are no company trade unions in SMEs and as such everything depends on whether there is a sectoral agreement or not, even though the economic crisis has particularly affected small companies (POEM, interview notes). This was confirmed by the EOVEAMM representative: 'We respect the employee because we rely on him/her and not only on capital to do the job' (EOVEAMM, interview notes). The role of the members of the associations seems to be significant in explaining the difference in the stance of different associations. In contrast to the case of EOVEAMM, members of POVAKO had longstanding demands for lower wage levels (EOVEAMM, interview notes). The agreement was set to expire in May 2014. In the discussions held between POEM and the two employers' associations, an agreement was reached between POEM and POVAS but negotiations were still going on between POEM and EOVEAMM when the research was completed.

In the food and drinks sector, the first agreement to be concluded during the crisis was in 2009. At that time, the signs of the crisis were still minimal and as such negotiations for the sectoral agreements were held in the summer of 2009. While the employers' association had suggested a pay freeze on the basis of the slowing down of the economy by then, a 5.5% wage increase was finally agreed, as demanded by the trade union federation. It is important to note that both sides came to an agreement, following worker mobilisation on two occasions. The union representative noted: 'We have always considered that the battle for the conclusion of a collective agreement always takes place through conflict. We have traditionally avoided the route of mediation and arbitration, as we believe that workers need to have an awareness of how they should act' (Federation of Milk, Food and Drink, interview notes). No collective agreement has been concluded since the 2009 round. According to one of the employers' federations, SEVT, the differences are centred around wage issues but also institutional ones (SEVT, interview notes). The union representative explained: 'There have been many rounds of negotiation and of worker mobilisation but the employers have been armoured by the new legislation and keep a very tough stance on the basis that the economic crisis has affected them a lot. In cases where the union movement is not strong enough, the employers refuse from the start. In cases where, the union movement has power, they understand that this can cause them problems and sit at the negotiation table but then pose significant obstacles' (Federation of Milk, Food and Drink, interview notes).

The latter has been the case of the sectoral bargaining on drinks: in this case, the employers have argued for the division of the agreement in three separate ones, one for water, one for soft drinks and one for beer in an effort to lower wage levels and other terms and conditions. In this context, another development that has influenced the stance of the employers has been the internal competition between them on the basis of wage costs. The union representative explained: ‘Where there are company unions, they either conclude agreements that maintain the wage levels or even if a new agreement is not concluded, the employment terms are still the same to some extent. But where no unions are present, employees are at the mercy of the employer. It is these companies that influence developments, since other firms (with unions) cannot reduce the salaries to 586 Euros because of the union reaction and decide instead not to conclude the sectoral agreement, as way to weaken the conscience of the employees’ (Federation of Milk, Food and Drinks, interview notes). In large food and drinks cases study, which was represented as a ‘best practice’ company, management expressed support for the conclusion of a new enterprise agreement on the proviso that the unions are modest in their demands (large food and drinks, manager interview notes). However, evidence from our micro case studies suggests that the conclusion of the collective agreement may be irrelevant for a large number of companies which are not members of the employers’ associations.<sup>129</sup>

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<sup>129</sup> See Table 1.

**Table 5 – Sectoral collective agreements in metal manufacturing concluded by GSEVEE, EOVEAMM, POVAS and POEM (2008-2014)<sup>130</sup>**

<b>Date of signature</b>	<b>Time effect</b>	<b>Wage</b>	<b>Time</b>	<b>Overtime</b>	<b>Productivity or other bonuses</b>	<b>Benefits</b>	<b>Other conditions</b>	<b>Length of C.A.</b>
24/06/2008	2 years 01/01/2008-31/12/2009	-3% increase since 1/1/2008 -3,5% increase since 1/9/2008 -3% increase since 1/1/2009 -3,5% increase since 1/9/2009 -compensation issues: regulated by the EGSSE	-5 days 40 hours -Shipyards: 5 days 37,5 hours - Cast fittings 5 hours/ day -Leave issues: regulated by the EGSSE	-Cast fittings over 5 hours: 1/5 of the 5 hour wage +50% - for travel exceeding 60 km: Journey time from and to the company is considered overtime - overnight: 100% increase of daily wage	-For unhealthy positions: ½ lit milk daily per worker -2 working overalls annually -1 pair of shoes for those working in waterborne -1 jacket for those working outside -gloves, glasses, helmets as previous C.A.	-Three-year allowance: 6% for the first 9 years 4% for the next 9 years (5 % for welders) -10% marriage allowance -unhealthy allowance: 10%,12%,15%,20%,25% depending the position -5%: 10 year in the same employer allowance -15% progression -20% for managers and supervisors of foremen -Automatic or semi-automatic electrical welding equipment with argon-arcair: 1,6 euro per day of at least 5 hours	+2 days paid leave monthly for: president, vice president, secretary of primary secondary and site trade union, board members of IKA, OAED, TAPEM, AOEK +trade union leaves according to Act 1264/82.	19 pages
16/10/2010	3 years 01/01/2010-31/12/2012	-pay freeze until 31/08/2011 - since 1/9/2011 0,5% increase of 2010 Euro Area inflation -since1/9/2012 0,5% increase of 2011 Euro Area inflation	As above: CA '08-'09	as above: CA '08-'09	As above: C.A. '08-'09	-Three-year allowance: 6% for the first 9 years 4% for the next 12 years (5 % for welders)  -all other allowances as above: CA '08-'09	As above: C.A. '08-'09	19 pages
17/06/2013	1 year	-Pay freeze in	No change	No change	No change	No change in allowances as set	No change	1 page

<sup>130</sup> Source: Ministry of Labour and Social Security, authors' analysis.

<b>Date of signature</b>	<b>Time effect</b>	<b>Wage</b>	<b>Time</b>	<b>Overtime</b>	<b>Productivity or other bonuses</b>	<b>Benefits</b>	<b>Other conditions</b>	<b>Length of C.A.</b>
	16/05/2013-15/05/2014	wages as formed in 14/02/2013				in 14/02/13(without the stipulated increases and maturities of the agreement above)		

### 9.3 Bargaining decentralisation, individual negotiations and the use of associations of persons

Empirical evidence so far suggests that there has been a rapid decentralisation of collective bargaining at enterprise level and the simultaneous decline of collective bargaining coverage on the basis of sectoral and occupational collective agreements. In the period 2010-2011, 521 collective agreements were concluded in total. Out of these, 397 were enterprise-level agreements, 103 sectoral and national occupational and 21 local occupational, with the greatest number of agreements being concluded in 2010. In 2012, 976 enterprise collective agreements were submitted (in contrast to 170 in 2011 and 227 in 2010). The largest number of these agreements (72,3%) were concluded by associations of persons while only 17,7% were concluded by company-level unions. 9,9% were concluded by first-level sectoral unions and one agreement (0,1%) by a second-level sectoral union. In contrast, only 23 sectoral and national occupational agreements and 6 local occupational were concluded in 2012. The number of higher level agreements (sectoral and national and local occupational) was further reduced in 2013, with 14 sectoral and occupational agreements and 10 local occupational being concluded. Instead, 409 enterprise collective agreements were submitted during the same year (2013). Finally, during 2014 there have been so far<sup>131</sup> only 12 sectoral agreements, 5 occupational and 247 enterprise-level agreements (Table 6 below). The manufacturing sector has the highest percentage of enterprise-level agreements throughout 2012, 2013 and 2014, i.e. 34,3% in 2012, 32,2% in 2013 and 30% until September of 2014.<sup>132</sup>

While the use of company-level agreements to respond to the crisis was considered positive by SEV, it was also noted that there were concerns in terms of the rapid increase of such agreements against a context of limited training and cognitive resources that would enable managers especially in small companies, to respond to the new landscape (SEV, interview notes). In this context, the representativeness of the associations of persons has been called into question by GSEE, which on the basis of their research argues that around 85-90% of these groups are employer-led (GSEE, interview notes). A number of examples were reported by interviewees. In the case of metal manufacturing, trade unions reported that management, in some cases, misreported the number of employees so as to proceed to the formation of associations of persons among employees that were close to management (local trade union, interview notes). A trade union representative in the food and drinks sector also reported the following case: ‘A large (foreign-based) multinational company first concluded an individual agreement with the HR director and following from this, around 20% of employees were then approached successfully for the conclusion of individual agreements outlining wage reductions. Once this took place, the employer-led company trade union, which represented around 80% of employees, also agreed to the same wage reductions (OVES, interview notes).

A similar case was reported by another union federation in the food and drinks sector: ‘In a well-known company, the employer forced the employees to sign a blank piece of paper. Those that refused were dismissed. After a couple of days, he presented an association of persons, which agreed to wage reductions ranging from 25-47%. Since then, 90% of the staff has been dismissed and the employees have been replaced with the ones paid at a lower

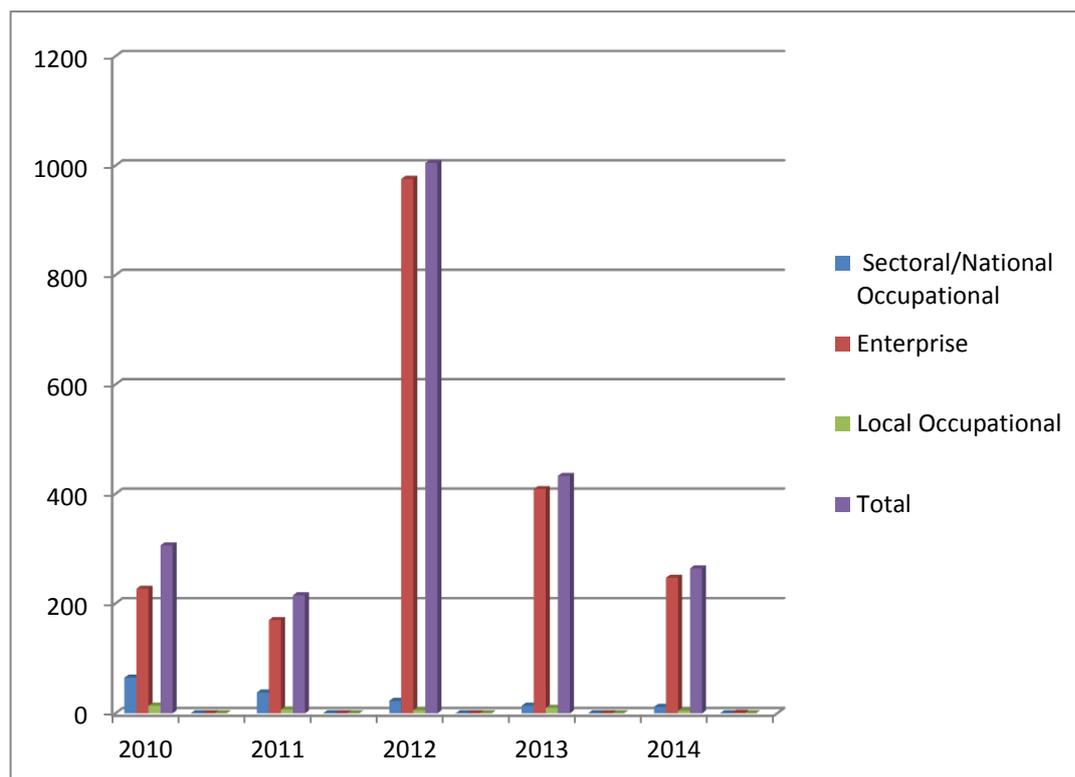
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<sup>131</sup> Until 12/11/2014.

<sup>132</sup> C. Ioannou and K. Papadimitriou, *Collective Bargaining and its Results in Practice in the Period 2012-2014*, 14<sup>th</sup> Conference EDEKA, Chalkida: 3-4 October 2014 (copy of presentation with the authors)· Ministry of Labour and Social Security, authors’ analysis.

rate' (Federation of Milk, Food and Drinks, interview notes). It was also reported that in a number of companies, a widely available template of a company-level agreement with an association of persons was used (POEM, interview notes). At the same time, there is some evidence to suggest that the economic crisis has prompted an increase in the establishment of new company and sectoral trade unions for the purpose of mobilising collectively the workers against the employers' attempts to use the crisis and the legislation to lower terms and conditions of employment (Federation of Milk, Food and Drinks, medium metal union, interviews' notes).

**Table 6 – Collective agreements in the period 2010-2014<sup>133</sup>**



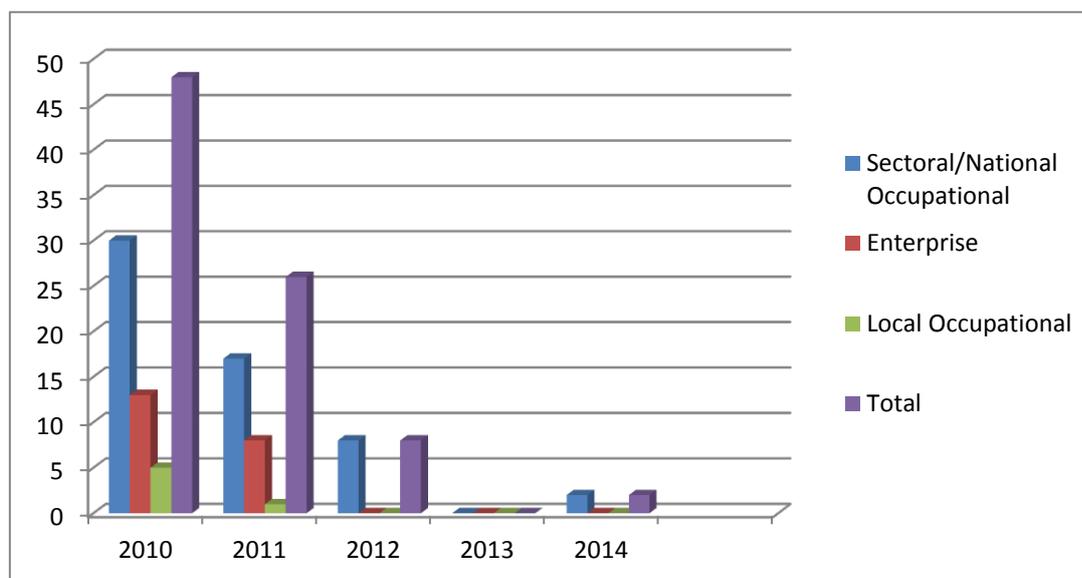
During 2010-2011, 74 applications were submitted for arbitration, which subsequently led to the issuing of 74 respective agreements. However, the majority of these applications (48) had been submitted in 2010 with only 26 in 2011. In addition, most of the applications concerned sectoral and national occupational agreements (47 out of 74). In 2012, the number of arbitration decisions was reduced further, i.e. only 8 at national sectoral and occupational level, while during 2013 there was no arbitration decision at all. In 2014 and following the decision by the Council of State concerning the constitutionality of the reforms in arbitration,<sup>134</sup> two arbitrations decisions were reached concerning the conclusion and amendment of a single sectoral collective agreement concerning the employment of technicians in the Greek Radio<sup>135</sup> (see Table 7 below).

<sup>133</sup> Source: Ministry of Labour and Social Security, authors' analysis.

<sup>134</sup> On this, see part 1 of the national report.

<sup>135</sup> Application to the OMED by ETER on 26/6/2014. Source: Ministry of Labour and Social Security.

**Table 7 – Arbitration decision in the period 2010-2014<sup>136</sup>**



A further change that has been observed is with respect to the negotiation approach of the parties. While in the period between 1992-2008 the negotiations were driven by the employee-side and were intended to maintain and improve the terms and conditions of employment, recent evidence suggests a change in the party that drives the process. In effect, employers have shown increased willingness to hurry up the process for denouncing existing collective agreements.<sup>137</sup> The reasons for this are the following: the legislative-institutional changes, the approach and scope for disassociation from the existing collective agreements framework, the abolition of unilateral recourse to arbitration and the willingness to reduce the level of wages.

Despite the absence of renewal of collective agreements at sectoral level, there was company case study evidence to suggest that management continued to respect tacitly the expired agreements with respect though only existing and not newly recruited employees (e.g. large food and drinks, medium metal, management interview notes). Evidence of trade-offs at company level was also provided in some cases. An interesting example was provided in medium food and drinks, where the union intended to rely on the suspension of two company sites in order to persuade management to sit at the negotiation table for the 2014 company-level agreement. The union interviewee stressed: ‘If the closure of the sites would not happen, I absolutely believe that we would never be able to conclude a collective agreement’ (medium food and drinks, union interview notes). Aside from this, there seems to be an increase in individual negotiations between management and employees, which usually involves unilateral or ‘consensual’ wage reduction and/or short-term/part-time work, temporary lay-off etc. This is especially the case in micro companies, where trade union structures have been traditionally absent and where associations cannot be formed, as the companies employ less than five employees.

<sup>136</sup> Source: Ministry of Labour and Social Security, authors’ analysis.

<sup>137</sup> See C. Ioannou and K. Papadimitriou, *Collective Negotiations in Greece during 2011-2012: Trends, Changes and Prospects*, op. cit.

The move towards individual negotiations and company-level bargaining was welcomed by some employers in the micro companies (e.g. small food and drink 1 and small metal 3, interviews' notes); this was on the basis that the pre-existing framework for sectoral bargaining was extremely constraining. But evidence from the case studies suggests that even where micro companies have more than five employees, they have preferred using the individual negotiation route rather than the formation of associations of persons (small metal 1, interview notes). According to SEV, medium enterprises have also used mostly individual negotiations rather than enterprise-level agreements in order to reduce wage levels (SEV, interview notes). But for some companies, it was recognised that any use of individual negotiations would lead to 'a state of war', as both employees and employers may not be able to manage the transition (medium food and drinks manager, interview notes). The increase of individual negotiations between the employer and the employee has meant the shifting of power to the employer. The GSEVEE interview noted: 'In order to form an association of person, you need at least 5 people. But in small companies, the average number of employees is 2,1-2,2. This means that you have to enter into individual negotiations. And then all depends on how you [the employer] see the employee, do you see him as a colleague or do you see him as someone that takes your money?' (GSEVEE, interview notes).

In terms of the character of collective bargaining, there are significant differences between different levels. As the GSEE interviewee explained, the employers' associations at national level, including SEV, have adopted a cooperative/consensual approach in order to maintain their standing but also their existence; however, at sectoral and company level the character of bargaining is predominantly antagonistic and adversarial (GSEE, interview notes). To illustrate this, the trade union federation in the metal manufacturing sector had organised 23 strikes, on top of those organised at national level. However, their effectiveness was questioned by some unions due to the lack of impact on the employer (POEM, interview notes). A distinctive element of the industrial action in the metal manufacturing sector was the duration of the strikes. In one case, the industrial action lasted seven months and was stopped only as a result of a court decision that declared the action unlawful. In the food and drinks sector, a change in the character of bargaining was also reported at company level, with evidence of increasing pressures from the employers, even in companies with well-established bargaining structures, and of increasing work stress for employees, who are concerned about the stability of their employment (OVES and Federation of Milk, Food and Drinks, interviews' notes). Instances of trade union victimisation were also reported in metal manufacturing (local trade union, interview notes).

A particularly adversarial context arose during the negotiations for the 2013 company agreement in medium food and drinks case study. The union representative explained: 'The negotiations took too long. Management did not want to conclude an agreement and objected to a number of provisions. Then the day of the annual general meeting of the shareholders came, when we were promised that the agreement would be signed then. They tried again to avoid signing it and we had to break into the meeting and demand the conclusion of the agreement at the presence of the shareholders and that was how it was agreed. In other words, we experienced the absolute ridicule' (medium food and drinks, union interview notes). The particular situation of the company was a factor attributing significantly to the adversarial style of management: 'The last 4 years the political establishment has turned their back to the state-owned companies. We have felt this as well in manufacturing. We have experienced an unstructured transition from the political establishment to the technocrats and we are now under the direct control of a bank that provides the funding for the operation of the company' (medium food and drinks, union interview notes). Aside from incidences of industrial action,

the inability of both sides to reach agreement meant that use was made of the arbitration process (e.g. medium food and drinks). Of course, this was only possible until 2012, when the unilateral recourse to arbitration was abolished but it was hoped that the amendments of the legislation following the decision of the Council of State would equip again unions with recourse to arbitration even when the employer refuses to do so (medium food and drinks, union interview notes).

The rise of adversarialism was attributed both to the emergence of the economic crisis and the introduction of labour market reforms and was evident even in cases where management and unions described their relationships as very good. For instance, in large metal case study, the employees locked in the company buildings the management board in order to put pressure regarding the delays in wage payments. Despite this, there was no case where there was complete break-down of dialogue between the two sides and even in cases where industrial action or other forms of worker mobilisation were undertaken (e.g. metal 1), these did not seem to damage the overall relationship between the parties. Specifically, on the trade union side, there was evidence to suggest that trade unions in the same region and sector had regular meetings in order to exchange information on bargaining approaches and development at company level (medium metal, manager interview notes). Aside from this, there was also evidence of regular communication and coordination of activities and strategies between different site unions within the same companies (e.g. large and medium food and drinks, interview notes). But from a resource point of view, it is important to stress here that company-level trade union representatives as well as some representatives at federation/labour centre level do not received paid leave for their trade union activities,<sup>138</sup> limiting thus the scope for developing capabilities to represent adequately their members (medium metal, union interview notes).

## ***10. Implications of the reforms for the content and outcome of collective bargaining at sectoral and company level on wages and working time in particular<sup>139</sup>***

### ***10.1. Collective bargaining and wage levels***

Empirical evidence from the OMED study reveals that in manufacturing, there have been some instances where the parties failed to replace existing agreements with new ones and in cases where an agreement was reached, its content has been less prescriptive than those of the previous years. In terms of wage levels, there is significant wage reduction that is driven by the increase in enterprise agreements in 2012: 19% of agreements stipulated wage reductions, 47,8% adjusted the wages to the levels of the national agreement, 16,1% maintained existing wages and only 0,7% introduced wage increases. The agreements that are concluded by associations of persons are the main mechanism for the adjustment of wages to the levels of the national agreement (65,4% of enterprise agreements with associations of persons do this in contrast to 3,5% of agreements with company unions). In the newly concluded enterprise agreements, 73,3% stipulate wage reductions in contrast to 17,7 of pre-existing agreements. Interestingly, there is some degree of wage stability in the manufacturing sector (36,1% in

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<sup>138</sup> Law 1264/82, Articles 17, 18 and Law 2224/94 Article 6.

<sup>139</sup> See Table11 for a summary of the changes in wages and terms and conditions of employment in the company case studies.

contrast to 3,7% in commerce and 1% in hotel and catering).<sup>140</sup> Interestingly, there has been a change in the wage bargaining patterns at sectoral and occupational level since the start of the crisis. As reported in the OMED study, in 2012 one out of two higher-level agreements stipulated wage reductions and only one out of four retained the existing salary levels. In 2013, one out of three stipulated salary cuts, one out of three retained the same salary levels and one out of ten introduced salary increases. In 2014, six out of ten retain the same salary levels and two out of ten introduced salary increases.<sup>141</sup> Similarly, changes have been reported with respect to enterprise-level agreements: up to 2012, these were used primarily to drive down wages to the levels of the minimum wage set by the national general agreement but since 2013 the dominant trend has been that of wage stability.<sup>142</sup> In manufacturing, the report indicates that the rate of agreements that kept wages at the same levels increased from 36,1% in 2012 to 58,1% in 2014. At the same time, there was a reduction of those agreements stipulating the wage levels of the national general agreement (from 33,7% in 2012 to 11,3% in 2014) and an increase of those stipulating the statutory minimum wage (from 0,3% in 2012 to 6,5% in 2014).<sup>143</sup>

Evidence from the interviews confirmed that most agreements introduced wage reductions, in an effort to reduce costs more generally, with some even reducing wages down to the level of the now statutory minimum wage (Federation of Milk, Food and Drinks, interview notes). There has been a differentiation between large, medium and small companies. In large enterprises, the cuts mainly affected the variable part of wages (including compensation for overtime, for instance) and certain wage components outside legislation or collective agreements (including for instance, bonus payments and fringe benefits such as company cars), which constituted nonetheless an important element of the remuneration package. Only 2-5% of large enterprises reduced wage levels as such. The reduced rate of significant wage reductions in large (mostly though multinational) companies was attributed to the better profit results of such companies as well as the strategic decisions of management to adopt a policy of 'good practice' for reasons of reputation and brand (medium metal, union interview notes). There has been a greater number of medium enterprises that have reduced wage levels and have proceeded to dismissals; in such cases, the wage reductions have taken place predominantly through individual agreements, as the practice of enterprise agreements was not widespread pre-crisis (SEV, interview notes). According to SEV, the problem in the case of individual agreements is that this has been used by small enterprises to lower the nominal wages and then provide the difference without declaring it to the tax authorities. This then creates distortions in the market because small enterprises can agree more easily to wage cuts while this is not possible in the case of large enterprises and as a result, the level of nominal wages is more important for large enterprises than for small' (SEV, interview notes).

The practice of additional, undeclared payments on the basis that they reduce the social security contributions of the employer but also the tax contributions of the employee, which have increased significantly since the onset of the crisis, was stressed by other interviewees (GSEVEE and POVAKO, interview notes) as well. In the case of POVAKO, in particular, around 40% of companies still provide employees with the same rates of pay, as stipulated in the last sectoral agreement (i.e. 39,00 euros daily wage). The POVAKO

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<sup>140</sup> See Ioannou and Papadimitriou, *Collective Negotiations in Greece during 2011-12*, op.cit. See also tables 9 and 10 below on collectively agreed wages in metal manufacturing.

<sup>141</sup> C. Ioannou and K. Papadimitriou, *Collective Bargaining and its Results in Practice in the Period 2012-2014*, op.cit.

<sup>142</sup> Ibid.

<sup>143</sup> Ibid.

representative explained that this was mostly the case in micro companies with up to 2 employees, and that in those with more employees, employers have tended to proceed to wage reductions of around 20%, atypical employment (part time work especially) and dismissals (POVAKO, interview notes). In the SMEs in metal (automotive), there have also been dismissals that have been prompted primarily by the inability of the owners to pay the higher at present social security contributions (EOVEAMM, interview notes).<sup>144</sup>

The phenomenon of undeclared payments was confirmed in some of the case studies in the micro but also small companies (e.g. small food and drinks 1): ‘The Troika facilitated my business in this way: it told me that I could legally pay someone 580 euros. So, in formal terms, I declare that I pay them 580 euros and as such my tax and social security costs have decreased. But in reality, I continue paying my employees 1,000 euros...Most of our competitors do the same, so it would be a problem for us if we did not act similarly’ (small metal 1, interview notes).<sup>145</sup> Another phenomenon that was reported in these companies was the reliance on family members and friends who have retired to undertake some of the work, (small metal 3, interview notes). The negative impact of these practices on the revenues of the social security schemes constitutes an unintended but significant repercussion of the reforms. Irrespective of these implications, in both micro companies in silversmith, the criteria for wage determination were centred on labour productivity and profits and not legally defined wage levels (small metal 1 and 2, interview notes). On the other hand, a number of employers in small companies (5-20 employees) reportedly pay in the bank account of the employees the national minimum wage and employees hand in to the employer part of their salary, which can be up to 100-150 euros (OVES, interview notes).

There is significant evidence of delays in the payment of wages (GSEVEE, interview notes). According to a report by INE-GSEE concerning the 2010-2013 period, around 850,000 employees (predominantly in services and very small companies) were unpaid for periods up to 12 months.<sup>146</sup> The phenomenon on non-payment was described by a union representative as an ‘internal form of borrowing by firms’ (Federation of Milk, Food and Drinks, interview notes). In one of the case studies in the metal sector, employees had experienced two incidences of non-payment of salaries: the first one lasted for 8 months and the second, which took place during the research, had already been going on for 4 months with the employees receiving so far part of their salaries (large metal, union interview notes). The trade union representative described the first incidence of delays in payment: ‘We tried to keep our heads down on the basis that work will pick up later and when this happens we will also benefit. In this case, you use the agreement as a compass: you stay on top until things get better and then you use the agreement in order to get better terms. But things turned difficult at some point for our members, we reached the other extreme of activism and went on strike for four months. At this juncture, I dare to say that extreme elements of the society such as the Golden Dawn come to the forth and this propaganda sounds attractive to someone that has not been paid for months. Following this and the payment of another tranche by the Troika, the company received some payments. What did we achieve then? We managed to mobilise our members but we lost four months. Essentially, while the employer would own us 7 months, he only paid us for three. In large metal, a number of employees that

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<sup>144</sup> This evidence is in line with the findings of a recent study by Eurofound, which reported an increase in undeclared work. See A. Broughton, (2014). *Undeclared Work in the EU*, EWCO. <http://www.eurofound.europa.eu/ewco/surveyreports/EU1404011D/EU1404011D.htm>

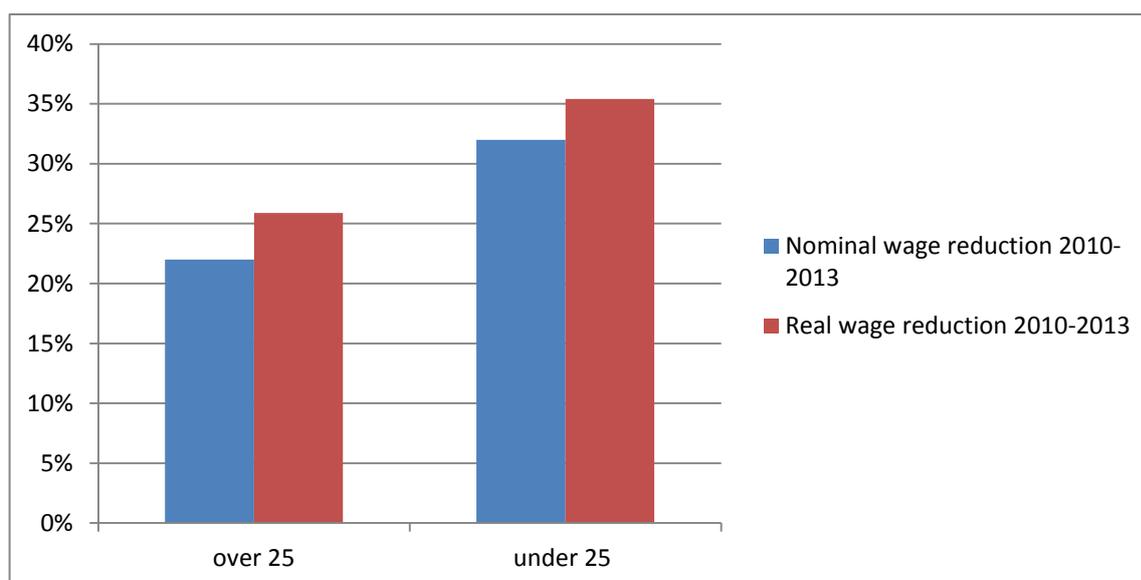
<sup>145</sup> The same practice was taking place in micro metal 2.

<sup>146</sup> INE-GSEE, (2013). *Greek Economy and Employment: Annual Report 2013*, <http://www.inegsee.gr/wp-content/uploads/2014/02/files/ekthesh-15email.pdf>, Accessed 30 October 2014.

had retired in the context of restructuring were not provided either with the compensation (large metal, union interview notes).

On the part of unions, two main approaches have been adopted. The first is to accept the need for Greek companies to compete with foreign companies and as such accept wage reductions in return for stability in employment. The second is to object to any wage reduction on the basis that this will lead to a race to the bottom in terms of wages and working conditions, which has been adopted by the local trade unions in metal manufacturing. In certain cases in metal manufacturing, trade unions declined to conclude enterprise-level agreements stipulating wage cuts, as these would then constitute a contractual basis for further wage cuts (union representative in metal, interview notes). Where employees wish to challenge formally wage reductions made unilaterally by management, complaints can be submitted to the Labour Inspectorate. However, trade unions have questioned the effectiveness of this, as labour inspectors tend to avoid imposing any fines on the employers and submit instead the cases to the civil courts, where there are long delays due to a large number of cases still pending (GSEE, interview notes). There were some cases where unions have challenged legally the unilateral abolition of allowances. This was the case in medium food and drinks case study, where management decided to abolish a production allowance that had been provided to the workforce for almost 38 years.

**Table 8 – Nominal and real wage reductions in the period 2010-2013<sup>147</sup>**



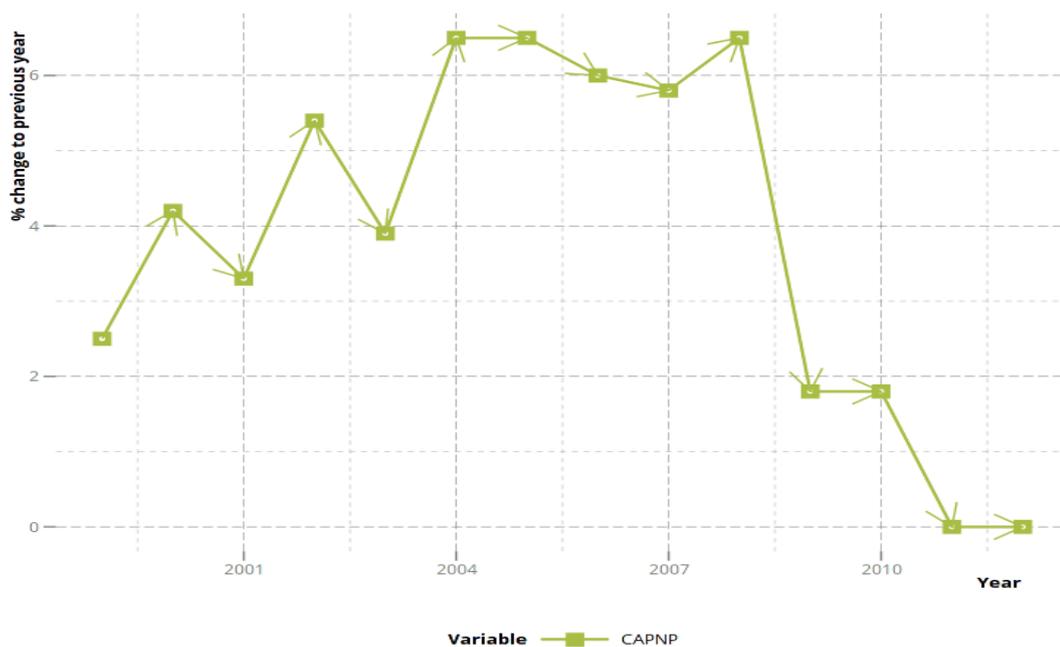
In metal manufacturing, which has been affected significantly by the crisis, some companies did not implement the last wage increase provided for in the sectoral agreement following the arbitration decision. In contrast, evidence of wage reductions of around 15-20% was provided in some cases of publicly-listed companies and state-owned defence enterprises (see tables 9 and 10 below). In particular, in the state-owned defence industries, wage reductions took place as a result of the unified payroll system introduced in the public sector and state-owned enterprises. But according to the unions, these benefited the foreign clients and not the Greek economy, since the contracts concluded by the state-owned enterprises were cost-plus, and as

<sup>147</sup> INE-GSEE, Report on the Greek Economy and Employment in 2014, (2014) ENIMEROSI, September (<http://www.inegsee.gr/wp-content/uploads/2014/10/ENHMEROSH-SEPTEMBRIOS-2014.pdf>). Accessed 30 October 2014.

such paid for all of their allowed expenses to a set limit plus additional payment to allow for a profit (trade union, interview notes). While in many cases the reductions had taken place through enterprise-level collective bargaining, there were also instances of wage reductions imposed unilaterally by management (POEM, interview notes).

In some metal manufacturing companies, wage levels remained at the levels stipulated in the last sectoral collective agreement of 2011. A variety of company considerations were evident behind the rationale to freeze wage levels. In metal 1, the company agreement that was concluded in 2011 for two (plus one) years stipulated a pay freeze and a policy of no compulsory redundancies, despite the fact that the company had already experienced significant decrease in demand. In metal 2, where wages were also frozen, the manager stressed that it would be unacceptable to reduce wages since the company was recording profits (medium metal manager, interview notes). In large food and drinks case study, the decision to maintain the wage levels was attributed to the strategic priorities of the company (large food and drinks, manager interview notes). But, according to GSEE, the number of agreements that stipulate pay freezes are rare and are considered a success in the current economic context (trade unions, interview notes).

**Table 9 – Collectively agreed pay in metal manufacturing<sup>148</sup>**



<sup>148</sup>

Source: Eurofound ([http://www.eurofound.europa.eu/eiro/cwb/time-series?country\\_tid=12&sector=49&scope=All&series\\_id=All&variable-type=106&variable-unit=89&variables%5B%5D=91](http://www.eurofound.europa.eu/eiro/cwb/time-series?country_tid=12&sector=49&scope=All&series_id=All&variable-type=106&variable-unit=89&variables%5B%5D=91)). Accessed 29 October 2014.

**Table 10 – Examples of collectively agreed wage levels in metal manufacturing<sup>149</sup>**

<b>Company</b>	<b>Management rationale/economic context of the firm</b>	<b>Collectively agreed wage levels</b>	<b>Employee representative body</b>
<b>Chalvourgia of Greece</b>	Economic crisis of the country, reduction of construction work (90,9% in total 2008-2012), company losses	- 2012-2013: 18% wage reduction -Amendment 07-08/2013: 14% reduction on wages of 30/06/13 - Amendment 09-10/2013: 14% reduction on wages of 30/06/13 - Amendment 11-12/2013 & 01-02/2014: 12.5% reduction on wages of 30/06/13 - Amendment and extension 03-05/2014: 12.5% reduction on wages of 30/06/13 -Amendment and extension 06-09/2014: 12% reduction on wages of 30/06/13 -Amendment and extension 10-12/2014 & 01/2015: 12% reduction of wages of 30/06/13*	Site-level trade union (Volos)
<b>Sidenor</b>	No reference	01/06/13-30/05/15:15% wage reduction**	Site-level trade union (Thessaloniki)
<b>Chalvourgiki</b>	No reference	01/07/13-31/12/14: -Reduction 10% for wages up to 1000 Euros -Reduction 11.5% for wages up to 1500 Euros -Reduction 12% for wages up to 2000 Euros -Reduction 12.5% for wages up to 2500 Euros -Reduction 13% for wages over 2500 Euros -Abolition of Easter and Christmas allowances***	Site-level trade union of Eleusina (Attica)
<b>Shipyards of Salamina/Ne w Greek Shipyards</b>	No reference	30/04/12-31/12/2013: Reduction of wages to the levels set by the National General Collective Labour Agreement + 10% allowance 07/05/14-31/12/15: -Reduction of wages to the levels set by the National General Collective Labour Agreement + 10% allowance	Association of persons
<b>Shipyards Lamda</b>	Status of Greek economy, limited business activities, need	24/05/13-24/05/16 : Reduction of wages to the levels set by the National General Collective Labour	Association of persons

<sup>149</sup> Source: Ministry of Labour and Social Security, authors' analysis.

Company	Management rationale/economic context of the firm	Collectively agreed wage levels	Employee representative body
	to ensure staff's rights	Agreement + 10% allowance to married employees and blue-collar workers	

\* All reductions concern gross remuneration over 1100 Euros including overtime.

\*\* Reductions concern gross remuneration over 1100 Euros without overtime. Condition of the agreement: No dismissals during the C.A.'s period of validity.

\*\*\* February of 2014: 95% of the staff on temporary lay-offs.

While wages have been frozen at the pre-crisis levels in some companies, there was also evidence of retaining these for existing workers and applying the lower minimum wage level (and showing a preference for young workers) when recruiting, as stipulated in the legislation. This was developed in practice even in cases where the companies still recorded profits (medium metal, large food and drinks, union interviews' notes). Aside from using the national minimum wage levels for determining the wage levels for new workers, management in such cases has also refused to provide other allowances, such as the maturity, to such employees, increasing significantly the wage gap between new and old employees (large food and drinks, union interview notes). The manager in medium metal case study explained: 'We are doing this because we want to preserve our presence in the market; we see this as a logical response to the general economic downturn (medium metal, manager interview notes). The union representative stressed: 'Management thinks that we [union] will not engage in a conflict with management over the new employees because we are concerned that this may lead to our terms and conditions being worsened as well. Our effort is now to incorporate these new employees in the collective agreement for existing employees. Once the employer has made some profit and the new workers learn their job, we will argue for the incorporation of these workers. By that time, we hope that supportive case law will also emerge from domestic and European courts and it will be easier to argue our case' (medium metal, union interview notes). At the same time, in metal 1, while wages had been frozen for blue-collar workers, some wage reductions took place in the case of 70 senior managers (large metal, management interview notes). From a legal perspective and in the absence of a provision in the collective agreement that specifies so, the employer does not have the right to apply the collective agreement only to a section of the workforce.<sup>150</sup>

In medium food and drinks case study and following the lack of new sectoral/occupational collective agreements, wage reductions took place unilaterally by management, with the implementation of the statutorily reduced minimum wage in the case of seasonal workers. While certain allowances were still maintained (e.g. marriage allowance), there was a simultaneous reduction of the duration of the contracts (from 8 months pre-crisis to 3 months during the crisis), resulting in a significant lowering of the wages of the seasonal staff.<sup>151</sup> There are also some cases in metal where marginal wage increases of around 1-2% have been made. This was the case where the companies experienced increases in export; in the view of unions, this proves that labour costs are not a hindrance to export activity, but that instead this is a matter of product and energy costs (POEM, interview notes). Similarly, there was a case in the food and drinks sector where marginal wage increases for low-wage employees were agreed between the company trade unions and management. In the view of the union representative, this was made possible owing to the pre-existing structure for dialogue between the two sides and the strategic use of technical expertise and legislative resources by the union (large food and drinks, union interview notes).

A particular situation arose in one of the case studies in the food and drinks sector (medium food and drinks). Owing to the fact that the company's main shareholder was a state-owned bank, the legislation applicable to the terms and conditions of employment in the wider public sector became applicable. As a result of this, Law 3899/2011, entitled 'Urgent

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<sup>150</sup> Article 8(3) of Law 1876/1990.

<sup>151</sup> In relation to the duration of the contracts, it is useful to add here that there was a formal union request for incorporation of the company to the programmes of the Ministry of Labour intended to support the employment of seasonal workers. Despite HR management agreeing to it, the request was rejected by senior management on the basis that companies of this type (state-owned enterprises) could not take advantage of the scheme.

measures to implement a program to support the Greek economy,<sup>152</sup> first led to a reduction of salaries in cases of employees earning above 1800 Euros per month by 10%. The same law also included the controversial proviso that the new pay arrangements prevail over any general or special provision or clause or term of a collective agreement. Later, Law 4024/2011 (article 11) provided that the average cost of all types of remuneration, benefits and compensation should not be above 1900 Euros and should not exceed the 65% of the average cost of the enterprise, as determined on the 31.12.2009. This legislation was taken into account by the arbitrator when the union applied for a decision following failure to reach a collective agreement with management at company level in 2010. The arbitration decision, which was issued in December 2011 and applied retrospectively (since January 2010), took account of the 2008 company-level and the 2010 national general collective agreement and stipulated a pay freeze for 3 years. These wage levels were maintained in the agreement that was concluded in 2013. As a result of these developments, labour costs were reduced from 50,000,000 Euros in 2009 to 17,000,000 Euros in 2014 (medium food and drinks, management interview notes).

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<sup>152</sup> Government Gazette A 212/17.12.2010.

**Table 11 – Examples of changes in terms and conditions of employment in the company case studies**

<b>Case studies</b>	<b>Wage issues</b>	<b>Working time issues</b>	<b>Workforce issues</b>	<b>Other issues</b>
<b>Large metal manufacturer</b>	<ul style="list-style-type: none"> <li>- Delays in salary payment of 2-3 months</li> <li>- Reduction of salary in the case of (70) senior managers</li> </ul>	<ul style="list-style-type: none"> <li>- Reduction of overtime during shift work by 30 minutes</li> <li>- Stricter monitoring of employment so as to reduce the recourse to overtime work</li> </ul>	<ul style="list-style-type: none"> <li>- Non-replacement of 356 posts that became vacant due to retirement</li> </ul>	<ul style="list-style-type: none"> <li>- Application to be subject to Article 99 of the pre-insolvency proceedings</li> <li>- Abolition of benefits related to social activities, e.g. theatre tickets</li> <li>- Abolition of policy of supporting the social security contributions of employees</li> </ul>
<b>Medium metal manufacturer</b>	<ul style="list-style-type: none"> <li>- Application of pay freezes to existing employees</li> <li>- Recruitment of new employees on the basis of the NMW (586 Euros)</li> <li>- Recruitment of new young employees on the basis of the NMW for workers under 24 (511 Euros)</li> </ul>	No change	<ul style="list-style-type: none"> <li>- Outsourcing of cleaning and security services</li> </ul>	<ul style="list-style-type: none"> <li>- Lack of security personnel</li> </ul>
<b>Small metal manufacturer 1 (silversmith)</b>	<ul style="list-style-type: none"> <li>- Pay freeze</li> <li>- Nominal decrease to the NMW</li> </ul>	<ul style="list-style-type: none"> <li>- Introduction of intermittent working time instead of continuous</li> </ul>	<ul style="list-style-type: none"> <li>- Recruitment of two employees</li> <li>- Bogus dismissals instead of resignations</li> </ul>	
<b>Small metal manufacturer 2 (silversmith)</b>	<ul style="list-style-type: none"> <li>- Pay freeze</li> <li>- Nominal decrease to the NMW</li> </ul>	No change	<ul style="list-style-type: none"> <li>- Dismissal of three employees (from 4 to 1)</li> </ul>	<ul style="list-style-type: none"> <li>- Undeclared and informal employment by family members (2 pensioners)</li> </ul>
<b>Small metal manufacturer 3 (silversmith)</b>	<ul style="list-style-type: none"> <li>- Pay freeze</li> <li>- Nominal decrease to the NMW</li> </ul>	No change	No change	No change

<b>Case studies</b>	<b>Wage issues</b>	<b>Working time issues</b>	<b>Workforce issues</b>	<b>Other issues</b>
<b>Small metal manufacturer 4 (car repairing)</b>	No change	No change	- Dismissal of two employees (from 3 to 1)	- Undeclared and informal employment by one pensioner on a daily basis
<b>Large food/drinks manufacturer</b>	<ul style="list-style-type: none"> <li>- Pay freeze in the case of highly paid existing employees and small pay increase in the case of existing low-wage employees</li> <li>- Abolition of the benefit for unhealthy work</li> <li>- Abolition of maturity provisions</li> <li>- Recruitment of new employees on low wages (application of the NMW)</li> </ul>	-90% reduction of overtime	<ul style="list-style-type: none"> <li>- Personnel reduction by 30 % as a result of retirement and no replacement with new staff</li> <li>- Outsourcing of a number of departments</li> <li>- Reduction in dismissal compensation</li> </ul>	- Suspension for two years of the annual Halloween social event
<b>Medium food/drinks manufacturer</b>	<ul style="list-style-type: none"> <li>- 30% wage reductions since 2009</li> <li>- Wage reduction of seasonal workers to the national minimum wage level plus benefits</li> </ul>	-Reduction of the duration of seasonal work (from 8 to 3 months)	<ul style="list-style-type: none"> <li>-Suspension of the operation of 2 (out of 3) sites</li> <li>-Voluntary transfer of employees from the 2 sites, whose operation was suspended, to the 3<sup>rd</sup> one in a different city</li> </ul>	No change
<b>Small food/drinks manufacturer 1</b>	- Wage reduction to the national minimum wage levels	No change	-Reduction of workforce from 16 to 6 (case of animal feedstuff manufacturing)	No change
<b>Small food/drinks manufacturer 2</b>	<ul style="list-style-type: none"> <li>- Pay freeze</li> <li>- Nominal decrease to the national minimum wage levels</li> <li>- Application of the national minimum</li> </ul>	- 4-hour work in the case of seasonal workers	- 10 dismissals (no replacement)	No change

<b>Case studies</b>	<b>Wage issues</b>	<b>Working time issues</b>	<b>Workforce issues</b>	<b>Other issues</b>
	wage in the case of seasonal workers			

## 10.2. Collective bargaining, restructuring and working time flexibility

Since the beginning of the crisis, the metal manufacturing sector, especially large companies, have been subjected to significant restructuring activity, involving in most cases collective redundancies and other forms of flexible employment. For instance, in a large metal manufacturing company, management announced its intention to introduce short-term working and salary reductions of 37%. The trade union in the Athens site rejected the plans. In response, management proceeded to 34 collective redundancies that were staggered in order to avoid the application of the collective redundancies legislation. Industrial action was called by the union, which lasted nine months before being deemed unlawful by the civil courts on the basis of non-compliance with the procedure. Following the termination of the industrial action, 87 employees were subject to temporary lay-offs (company trade union, interview notes). However, in a different company site, the union agreed to wage reductions of around 18% through enterprise-level collective agreement as well as to dismissals of temporary workers. But, even in this case there was union reaction when further plans for wage reductions of 12.5% for four more months were tabled later by management. However, a further 14% reduction took later place via a enterprise-level agreement.

A management decision to proceed to collective redundancies in Chalyvourgia was the first to be subjected to the amended review process by the Supreme Labour Council (SLC).<sup>153</sup> The latter approved by majority the management decision to proceed to 45 collective redundancies (out of a total of 74 employees) on the basis that the site where the redundancies would take place had in practice closed down since 2011 following lack of demand and export activity due to the high energy prices and the economic crisis. According to the management plans, the employees who would be made redundant would receive full dismissal compensation and a clause of re-deployment was inserted in case the site re-starts operation and employees with these set of skills are required. In addition, the company reportedly committed itself to additional compensation in the case of employees who would receive low compensation due to shorter length of employment in the company.<sup>154</sup>

In a number of large (multinational) companies in the food and drinks sector, there have been a number of cases of site closures and restructuring, involving collective redundancies. The case of Coca-Cola, which closed down a number of sites and proceeded to dismissals of around 1,500 employees, received wide publicity and was criticised extensively by the press and social media,<sup>155</sup> leading to a call by employees for boycott of Coca-Cola products.<sup>156</sup> This can be contrasted with an instance of restructuring in one of the case studies (large food and drinks). In this case, the company intended to close down one of the sites due to a reduction in consumer demand. In order to proceed with the plans, management provided information concerning the rationale behind the closure and entered into consultation with the employee representatives. During the consultations, employee representatives from the three site unions requested successfully the conclusion of a framework agreement. The agreement

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<sup>153</sup> See part 1 of the report.

<sup>154</sup> C. Kopsini, The First Collective Redundancies at Chalyvourgia, *Kathimerini*, (12 June 2014). (<http://www.kathimerini.gr/771232/article/oikonomia/epixeirhseis/sth-xalyvoyrgia-ellados-oi-prwtes-omadikes-apolyseis>) The SLC decision may be seen as an attempt by the government and the SLC to persuade the Troika that the amended framework for authorising collective redundancies operates effectively and there is thus no requirement for further changes.

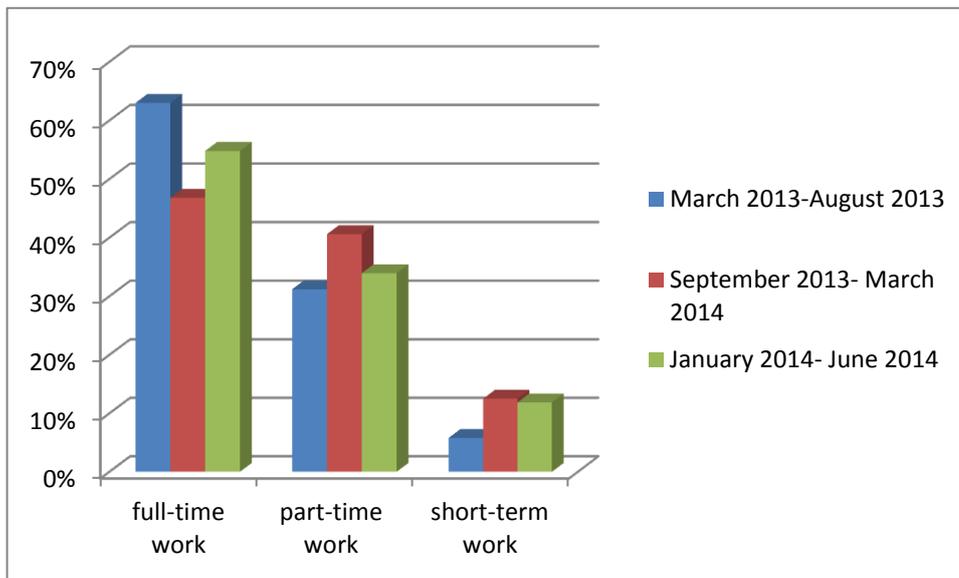
<sup>155</sup> See, for instance, <http://elastithesitous.gr>.

<sup>156</sup> The company answered with a lawsuit for defamation and a decision was issued recently in favour of the company.

included financial incentives for those employees (around 40%) willing to be included in the schemes of voluntary redundancy or early retirement. 30% of those employees affected by the closure were relocated to the other sites of the company<sup>157</sup> and the rest 30% were retrained and filled up posts in the same site (medium food and drinks, union interview notes).

Preliminary evidence suggests that the reforms in EPL in conjunction with the deepening of the crisis have substantially affected the landscape of employment in Greece. Data from the Hellenic Labour Inspectorate (SEPE)<sup>158</sup> indicates significant changes in the nature of employment contracts and consequently in wage levels. In terms of new contracts, the 2012 data suggested that there was 18.42% reduction of full-time contracts, an increase of 3.61% in part-time contracts and a decrease of 3,93% in short-time contracts.<sup>159</sup> Overall, the percentage of part-time and short-time contracts was 45% of the total new contracts. Importantly, there was a 53,12% increase of full-time contracts being converted to other forms of atypical employment in 2012 (from 2011). There was a 12,29% increase in the conversion of full-time contracts to short-time contracts on the basis of an agreement with the employees and a 80,36% increase of such conversions on the basis of unilateral decisions by management. A more recent report by INE-GSEE noted further changes in the patterns of employment, including further reduction of full-time work and increase of part-time and short-term work:

**Table 12 – Types of employment in 2013-2014<sup>160</sup>**



Evidence from the interviews confirmed the use of different means of labour market flexibility, including the use of one-day employment contracts as well as the conclusion of an

<sup>157</sup> For those that were relocated, the company committed to the payment of house rents for three years and the provision of white woods.

<sup>158</sup> SEPE, Activity Report of SEPE 2012 ([http://air.euro2day.gr/cov/SE/SEPE\\_ekthesi\\_pepragmenon\\_2012.pdf](http://air.euro2day.gr/cov/SE/SEPE_ekthesi_pepragmenon_2012.pdf)). Accessed 04 November 2014.

<sup>159</sup> But the decrease of short-time working contracts was on the basis of the figures of 2011.

<sup>160</sup> Source INE-GSEE, *Enimerosi*, April-May 2014 (<http://www.inegsee.gr/wp-content/uploads/2014/07/ENHMEROSH-APRILIOS-2014.pdf>). Accessed 05 October 2014.

employment contract whilst at the same time accepting the dismissal terms outlined by the employer (OVES, interview notes). Another practice that was reported was temporary work agencies posting employees in other EU and non-EU countries to perform work on lower salaries than those of the host-based employees (POEM, interview notes). Short-time working was also used in some of the case studies (e.g. large, medium and small 1 food and drinks): this was mostly limited to the seasonal staff and the wage levels were those stipulated by legislation (i.e. the national minimum wage). Evidence of increased use of outsourcing during the crisis was also provided in some of the case studies (large food and drinks, large and medium metal). In large food and drinks, the manager explained: ‘No company divests of its managerial prerogative, as provided by the legislation, and nor do we. But the way, we proceeded to outsourcing was through consultation and dialogue’ (large food and drinks, manager interview notes). In metal manufacturing, there were union reports of management abolishing demarcation rules so as to use employees in areas other than those of their expertise (POEM, interview notes).

In the case of food and drinks specifically, the trade union federation referred to cases of large companies, which proceeded to collective redundancies and then filled up the posts with temporary agency workers and/or outsourced company functions, leading to a significant worsening of health and safety and disparities between permanent and temporary/outsourced employees (Federation of Milk, Food and Drinks, interview notes). Using individual negotiations, companies have also concluded bogus part-time/short-time working contracts, under which employees receive pro-rata payment but work full-time in practice, receiving thus salaries of around 300 Euros (gross). In a well-known case of a Greek food company, management introduced a 4-day short-time working scheme shortly after the expiry of the collective agreement, leading to a 20% wage reduction. Evidence of a disproportionate impact of the crisis on temporary/seasonal workers was provided. In medium food and drinks case study, management reduced significantly the working hours as well as the duration of the fixed-term contracts (medium food and drinks, interview notes).

**Table 13 – Examples of 2 successive recruitments of a seasonal worker in the medium food and drink manufacturer**

<b>Date of signature</b>	<b>Time</b>	<b>Wage</b>
27/06/2012	27/06/2012- until the end of the year’s production process and no more than 5 months	51,9 € daily (according to the sectoral collective agreement)
15/07/2013	15/07/2013- until the end of the year’s production process and no more than 3 months	40,05 € daily (according to the national general collective agreement)

In terms of working time flexibility and especially use of annualised working hours, there was no such use of the new possibilities provided by the legislation in any of the companies studied. Interestingly, there was no consideration at all concerning the introduction of such schemes on the part of management, indicating arguably a management approach that does not tend to rely on such forms of firm flexibility. In terms of overtime

pay, there was evidence to suggest that payments above the statutory rate (ranging between 25% and 35% on top of the statutory minimum) in some cases have remained (large and medium metal, large food and drinks, union interviews' notes). In the case of large metal company, it was attributed to the management approach that viewed the existence of good employment relations as a competitive advantage of the company (large metal, management interview notes). However, as noted above, there was a reduction in the quantity of overtime in a number of cases due to the economic downturn.

Despite the fact that there was no use of annualisation of working hours, there were changes in working time practices in some case studies. This was the case, for instance in the large metal case study, where the start and end time of the evening shift were amended, at the management's initiative but following an agreement with the union (large metal, management interview notes). A different example was given by a union representative in a white goods company: 'Under the previous management, the workforce was subjected to short-time working and other forms of flexible working. While this was done in consultation with the union, we used to give way because we believed that the company had a real problem. But under the new management, we developed a different approach and we request information on the financial situation of the company every month and we only agree to changes if we see that there has been a decline in profits. This means that the employer cannot use the crisis to reduce terms and conditions of employment but it also means that we keep our jobs in times of economic downturn' (company union, interview notes).

Against the context of the crisis, use has been made of Article 99 of the Insolvency Code<sup>161</sup> by a number of companies. The procedure allows companies to appeal to the courts of first instance to request protection and facilitate interaction with their creditors in order to facilitate restructuring efforts in a view to avoid insolvency. Under the previous regime, all employee claims born in the last two years before the insolvency and dismissal compensation demands (irrespective of when they were born) were treated preferentially. Under the current regime, the preferential demands of employees are limited by a quarter, i.e. one semester before the insolvency. At the same time, the interest on these demands is excluded from being treated in a preferential way and the amount that employee can request is at most half of the distributable equity of the company. In the beginning of 2013, it was reported that around 550 companies had applied to be included in the procedure of Article 99 during 2011 and 2012.<sup>162</sup> Trade unions stressed that Article 99 of the Insolvency Code has been used in a number of cases by employers that seek to avoid criminal and civil liability for running large debts consisting of social security and tax contributions. Among our case studies, Metal 1 was the only company that had applied to be included in the pre-insolvency proceedings of Article 99. The application was prompted by long delays in payments of contracted work for the state. In June 2012, the company came to an agreement with the creditors who represented 62% of the total debt of the company and this was submitted successfully for approval by the court of first instance. The agreement included a survival plan that was premised on the outstanding payments for work for the state and private clients. But, according to management, the company did not request any haircut on the employees'

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<sup>161</sup> Law 3588/2007.

<sup>162</sup> Eleutherios Typos, The companies that Requested to be Included in the Pre-Insolvency Proceedings, 29 January 2013 (<http://www.e-typos.com/Post.aspx?id=28376&title=%25CE%259F%25CE%25B9%2520%25CE%25B5%25CF%2584%25CE%25B1%25CE%25B9%25CF%2581%25CE%25B5%25CE%25AF%25CE%25B5%25CF%2582%2520%25CF%2580%25CE%25BF%25CF%2585%2520%25CE%25B6%25CE%25AE%25CF%2584%25CE%25B7%25CF%2582>).

demands (large metal, management interview notes). It was confirmed by employee representatives that no such haircut had taken place and that they were still treated as preferential creditors (large metal, union interview notes).

The commitments of the Greek government to the Troika directly influenced developments in some state-owned organisations in the defence and food and drinks industries. In terms of the defence industries, the MoU required the adoption of decisions by August 2013 on the restructuring, involving substantial downsizing, ahead of privatisation or on the resolution of the Hellenic Vehicle Industry (ELVO), the Hellenic Defense Systems (HDS), and the mining company LARCO, both in compliance with state aid rules.<sup>163</sup> In September 2013, the Greek government tabled a proposal based on a scheme foreseeing liquidation of the companies while they are in operation, a distinction between military and other factories as well as early retirement incentives for staff members, which was reportedly rejected by the Troika. In December of the same year and in order to receive the next tranche from the European Stability Mechanism, the Greek government reached an agreement with the Troika on a restructuring plan for HDS, which employs about 1,000 people, under which the company will be split into a civil and a military division. The former will be obliged to repay illegal state subsidies and will eventually be closed down, while the military operation will continue operating for a transitional period but with less staff and with an export orientation.

On the other hand, in the Hellenic Airspace Industry, which has significant volume of work, management has refused to proceed to hiring of new employees. Instead the work is being subcontracted to other companies, which provide only the legal minima with respect to pay, resulting thus in significant differences between employees depending on whether they work for the subcontractor or not (POEM, interview notes). Still in this context, the implementation of Law 4093/2012 has led to a number of challenges for both management and employees. The law, which was adopted on the basis of the Medium Term Fiscal Strategy 2013-2016 - Urgent Measures Application of Law 4046/2012 and the Medium Term Fiscal Strategy 2013-2016, established a new framework of mobility of staff in the public sector, including in state-owned enterprises, e.g. defence industries. In doing this, it is argued that it does not recognise that employees have different skill sets, limiting thus the ability of management to match employees to production specification, especially in defence industries, where vocational qualifications are vital in securing contracts (POEM, interview notes). A number of organisations and company unions have challenged the inclusion in the legislation so far, albeit with varied results.

The crisis and the labour market reforms also affected significantly state-owned organisations in the food and drinks sector. This was illustrated in the medium food and drinks case study. The organisation operates under the Common Agricultural Policy of the EU and in particular Council Regulation 1234/2007 laying down the Single CMO Regulation for certain agricultural products. In February 2006, the agriculture ministers of the EU adopted a radical reform of the EU sector, which included a 36% cut in the guaranteed minimum price of the product and the creation of a Corporate Restructuring Fund to compensate farmers and less competitive producers who choose to terminate their activity. The program for the restructuring of the sector lasted three years (2006-2009) and resulted in the reduction of the quota for production, including a reduction by 50% of the quota for

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<sup>163</sup> It is useful to add here that by October 2013, the employees at HDS were unpaid for 8 months and those at ELVO for 4 months and withheld their labour until the employer proceeds to the payment of salaries.

Greece in 2007/2008. It was anticipated that this loss would be replaced by the production of alternative forms of energy, but this did not place because of mismanagement by the government, which was responsible for appointing senior managers (medium food and drink, manager and union interviews' notes). As a result, the operation of two sites was suspended indeterminately and a social plan was implemented including early retirement, retraining and re-employment in other sites.

In the midst of the crisis (2011), the state-owned bank decided to sell the company and a competition for the selection of the buyer started. However, because of mismanagement, it was stopped with significant losses for the company, as competitors were able to gain inside information, including the customer base, reducing further the competitive position of the company. These events culminated in the government's decision in 2012 to sell the state-owned bank, resulting in the divestment of all the shares of the food and drinks company to the administrator of the bank. The loans of around 134,000,000 Euros were transferred to a private bank, which at the time of research was effectively 'calling the shots' on the company's future (trade union, interview notes). In the summer of 2014 and following a report by an external consultancy on the viability of the company, rumours were circulated that some sites would need to be closed down. In July 2014, management announced publicly that the operation of two sites would be suspended, informing at the same time the unions about the decision. According to both employee and management representative, the decision was political (medium food and drinks, interviews' notes).

A consultation process started but the union was not provided with the consultancy report on the grounds that it included sensitive information that would harm the share price of the company on the Athens Stock Exchange (medium food and drinks, union interview notes). The manager recognised that the time provided was inadequate for the union representatives to deal effectively with the complexity of the information and respond to the management plans (medium food and drinks, manager interview notes). Since the sites have not closed, but their operation suspended, there was so far no plan regarding the employees (e.g. collective redundancies), apart from transferring some employees to the remaining site, as well as the offices, and retaining temporarily (until the end of 2014) some employees in the sites whose operation will be suspended. Indeed, in August 2014 the first transfer of a number of employees took place; it was considered a success that the transfer took place on the basis of an agreement with the union and was not imposed unilaterally by management (medium food and drinks, management interview notes).

It can be argued that overall the developments that were described above have been facilitated by the increased scope for managerial prerogative that provides the basis for amendments via unilateral decisions by the employer. As such, the reforms have resulted in a reduction in the scope for joint regulation between the social partners or even between the employer and the individual employee. Aside from the implications of these for collective bargaining, they also have an impact on the quality of working life. One employer noted: 'On many occasions, employees are willing to water down their demands in order to keep their job in a country where unemployment is almost 30% (small food and drinks 1, interview notes). According to OVES, there are now three categories of employees: 'The first is those employed by multinationals: these, who are few, are well-paid and the wage reductions that have been introduced range from 10-20%. The second category is those being paid around 700-800 euros, who may be working in the same company for many years. The third and worse category is those that are unfortunately below the national general collective agreement. These employees are not only victims of the employers but also of the senior

managers, who in order to preserve their salaries, threaten the lower-level employees with dismissals, if they do not agree to wage reductions' (OVES, interview notes).

**Table 14 – Case Study: Large Metal Manufacturer. Enterprise collective agreements 2007-2014<sup>164</sup>**

Date of signature	Time effect	Wage	Time	Overtime	Productivity or other bonuses	Benefits	Other conditions	Length of C.A.
30/04/2007	2 years 01/01/2007- 31/12/2008	- Since 1/1/2007 increases from 4,048% (for wages up to 2.100 €) to 7,424% (for wages up to 1.145 €) with intermediate scales per 50 € of wage  -Since 1/7/2007 increase 1%  - Since 1/1/2008 increases from 4,286% (for wages up to 2.100 €) to 7,860% (for wages up to 1.145 €) with intermediate scales per 50 € of wage  -Since 1/7/2008 increase 1,5%  -No increase for wages over 2100 €	No reference	No reference	-150€ extra lump payment within 2007  -150 € lump payment by the activation of a certain constructing program	No reference	Retirement according to Article 8 of Act 3198/55 50% of the total amount when 5 years in the company and 60% when 5 plus. (A.2112/20)	3 pages
30/04/2009	1 year 01/01/2009- 31/12/2009	Long term employees: -95 € increase since 1/1/09 -1% increase since 1/7/09 and for wages up to 2.100 €  Fixed term employees: -70 € increase since 1/1/09	No reference	No reference	No reference	No reference	-	1 page
18/06/2012	2 years +1 01/01/2012- 31/12/2013 +2014 in case of no denunciation	Pay freeze -New recruitments: wage levels according to sectoral collective agreements	No reference	No reference	No reference	No reference	Suspension of insurance program (until the company comes to a positive balance)	1 page

<sup>164</sup> Source: Ministry of Labour and Social Security, authors' analysis.

**Table 15 – Case study: Large Food and Drink Manufacturer. Enterprise collective agreements 2008 - 2014<sup>165</sup>**

<b>Date of signature</b>	<b>Time effect</b>	<b>Wage</b>	<b>Time</b>	<b>Overtime</b>	<b>Productivity or other bonuses</b>	<b>Benefits</b>	<b>Other conditions</b>	<b>Length of C.A.</b>
08/07/2008	1 year 01/01/2008- 31/12/2008	Long term employees: -2% increase since 1/1/08 -3% increase since 1/7/08  -With minimum increase 27 € per month since 1/1/08 and 41 € per month since 1/7/08	No reference	No reference	-Commitment to a renewal of the productivity bonus agreement for 2008 and that the basic amount shall be 760 €  -46 € monthly – for 11 months- for babysitting (for every child up to 6 years old)	-Increase of leave allowance: at 30 years of past service from 24/25 of the wage to 25/25 of the wage	-Compensation equal to dismissal compensation in case of sudden death  - Addition to preventive examinations: spirometry (workers in warehouses) ophthalmological check up (PC users)  -Wages and terms and condition for fixed term contracts: regulated by individual agreements and labour law  - The trade union agrees not to raise other demands during 2008	4 pages

<sup>165</sup> Source: Ministry of Labour and Social Security, authors' analysis.

Date of signature	Time effect	Wage	Time	Overtime	Productivity or other bonuses	Benefits	Other conditions	Length of C.A.
22/05/2009	1 year 01/01/2009- 31/12/2009	Long term employees: -2% increase since 1/1/09 -2% increase since 1/7/09  - Minimum increase 30 € per month since 1/1/09 and 30 € per month since 1/7/09	No reference	No reference	-Commitment to a renewal of the productivity bonus agreement for 2009 and that the basic amount shall be 795 €	No reference	As C.A. 2008	3 pages
06/05/2010	1 year 01/01/2010- 31/12/2010	Long term employees: -1,3% increase since 1/1/10 -1,4% increase since 1/9/10  -Minimum increase 17 € per month since 1/1/10 and 17 € per month since 1/9/10	No reference	No reference	-Commitment to a renewal of the productivity bonus agreement for 2010 and that the basic amount shall be 795 €  -Coverage during 2010 of the 3 week camp expenses for children, ages: 7-14	- Increase of leave allowance: at 12 years of past service from 18/25 of the wage to 19/25 of the wage And at 17 years from 20/25 to 21/25	-Any annual extra lump payment will be counted towards additional remuneration such as dismissal or pension compensation  All others as C.A. 2008 and 2009	3 pages
31/05/2011	1 year	Long term	No	No	-Commitment to a	Change in	As C.A. 2008-2010	3 pages

<b>Date of signature</b>	<b>Time effect</b>	<b>Wage</b>	<b>Time</b>	<b>Overtime</b>	<b>Productivity or other bonuses</b>	<b>Benefits</b>	<b>Other conditions</b>	<b>Length of C.A.</b>
	01/01/2011-31/12/2011	employees: -1,0% increase since 1/1/11 -0,7% increase since 1/9/11  -minimum increase 16 € per month since 1/1/11 and 12 € per month since 1/9/11	reference	reference	renewal of the productivity bonus agreement for 2011 and that the basic amount shall be 795 €  -40 € increase of the lump payment concerning every graduation with honors of employees' children (public high schools) and 30 € (lyceums, universities)	overnight compensation for supervisors and technical inspectors: from ¼ of the daily wage to ½		
09/05/2012	2 years 01/01/2012-31/12/2013	Long term employees: Pay freeze	No reference	No reference	-Commitment to a renewal of the productivity bonus agreement for 2012 and that the basic amount shall be 704 €	No reference	As C.A. 2008-2011	2 pages
12/02/2014	2 years 01/01/2014-31/12/2015	Long term employees: Pay freeze	No reference	No reference	-Commitment to a renewal of the productivity bonus agreement for 2014 and that the basic amount shall be 652 €	No reference	As C.A. 2008-2012	2 pages

**Table 16 – Case Study: Medium Food and Drink Manufacturer. Enterprise collective agreements 2008 - 2014<sup>166</sup>**

<b>Date of signature</b>	<b>Time effect</b>	<b>Wage</b>	<b>Time</b>	<b>Overtime</b>	<b>Productivity or other bonuses</b>	<b>Benefits</b>	<b>Other conditions</b>	<b>Length of C.A.</b>
22/12/2008	2 years 01/01/2008- 31/12/2009	-3,45% increase since 1/1/2008 -3% increase since 1/9/2008 -5,5% increase since 1/5/2009  Total remuneration (salary + benefits) cannot be below the EGSSE, sectoral etc levels. In such a case the difference shall be given.	-2 days more of customary leave	-During high season. employees in production will be working 56 hours weekly  -25% increase on Saturday wage, while all days off will be granted after the end of the high season period	No reference	-50 € increase in holiday allowance for children	-In departments of less than 3 employees a third shall be either moved from another department or hired as a seasonal employee	2 pages
03/01/2012 OMED decision	2 years 19/01/2010- 31/12/2012	Pay freeze (10% decrease in wages over 1800 has already been implemented: article 11 act 3899/2010)	No change	No change	No reference	No change	-Implementation of articles 1 & 2 of EGSSE 15/7/10 for 2010-2012	5 pages
30/11/2012	2 years +1 01/01/2013- 31/12/2014  +2015 if both parties agree	Pay freeze	No change	No change	No reference	Christmas, Easter and leave allowances (as 13 <sup>th</sup> & 14 <sup>th</sup> salary) paid normally		2 pages

<sup>166</sup> Source: Ministry of Labour and Social Security, authors' analysis.

## 11. General trends and possible scenarios regarding the Greek collective bargaining system

The analysis mapped the impact of the labour market reforms on the system of collective bargaining in Greece from the start of the reforms (2009) until 2014. The impact is mapped with regard to the process, character, content and outcomes of collective bargaining. The main features of the collective bargaining system in Greece pre-crisis included a high bargaining coverage, average coordination levels both vertically (i.e. across different levels) and horizontally (i.e. across different sectors and regions) and the prevalence of multi-employer bargaining.

Against this context, one of the clearest findings has been an accelerated trend towards decentralisation in collective bargaining. While this is a process that had been viewed positively by certain employers' associations in the period leading to the crisis, there is evidence to suggest that the reforms in conjunction with the need of management to increase company-level flexibility materialised this phenomenon. Another dimension of decentralisation of collective bargaining has been manifested in the suspension of the 'favourability principle' which opens up scope for effectively allowing lower-level collective agreements to deviate *in pejus* from higher-level agreements. Owing to the fact that the trend for decentralisation since 2010 has been led by the state through intervening in the legislative framework for collective bargaining and by employers' associations, which have defected from multi-employer bargaining arrangements, it is accurate to describe this process as a form of 'disorganised decentralisation' rather than 'organised decentralisation', i.e. multi-employer bargaining arrangements at (inter-)sectoral level are increasingly replaced by single-employer bargaining as the dominant mode of determining wages and terms and conditions.<sup>167</sup> In relation to this, collective bargaining coverage has also reduced significantly to around 65%.<sup>168</sup> While bargaining decentralisation was advocated by employers' federations and individual companies, the rapid decentralisation seems to have promoted unfair competition between employers on the basis of wage costs (see, for instance, the problem of undeclared payments). There is evidence to suggest that increases in social and tax security contributions have aggravated the problem of undeclared work, especially in small companies, where trade union structures have been traditionally absent. According to GSEVEE, this development will have long-term repercussions not only in terms of the purchasing power of employees but also in terms of increasing the risk of litigation over wages once the economic situation stabilises (GSEVEE, interview notes).

In terms of the social partners, the reforms have affected significantly both their positions within the industrial relations system as well as their relationship with each other and the state. On the employer side, the differences between SEV and employers federations representing SMEs were stark in the study, with a number of interviewees from the latter criticising SEV for promoting reforms that are detrimental to the SMEs for the benefit of large companies. At the same time, there is also divergence in the approach of the union movements. On the one hand, GSEE and its members at sectoral level have adopted a policy

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<sup>167</sup> F. Traxler, . Farewell to Labour Market Associations? Organised versus Disorganised Decentralisation as a Map for Industrial Relations, in C. Crouch and F. Traxler (eds) *Organised Industrial Relations in Europe: What Future?*, (Ashgate, 1995)

<sup>168</sup> T. Schulten and T. Muller, *Wages and Collective Bargaining during the European Economic Crisis: Developments in European Manufacturing Industry*, (IndustriALL, 2014).

of participating in the social dialogue procedures. On the other hand, PAME and its members at lower levels consider that the trade union movement should consolidate in order to promote, through conflict and not through dialogue, the demands of the working class. However, overall, there was a consensus that the role of trade unions at all levels, i.e. national, sectoral and company, has been significantly discredited as a result of the reforms. In the view of OVES, trade unions should also reflect on their approach: ‘We have lost our credibility as employee representatives. While some try to make the point that we do not endorse the political elites, there are still some representatives that operate on the basis of political criteria. This is something that should not be happening. But unfortunately, we have not managed to overcome these pathogenic behaviour in the trade union movement’ (OVES, interview notes). On the side of GSEE, despite the existence of internal groups with different political approaches, it has effectively consolidated its resources for the purpose of mobilising against the austerity measures, through industrial action and legal mobilisation (GSEE, interview notes). Further reforms that if adopted will test the unions’ organisational capacity are currently under consideration and include the removal of legal/institutional support for trade union activities and the introduction of the right of employer to lock-out: such reforms may have the potential to weaken further the role of trade unions in the workplace. The implications of the reforms for the role of the state are equally significant. Against the context of reduced scope for collective bargaining, the state has further entrenched its central role in determining unilaterally the terms and conditions of employment to the detriment of collective bargaining.

In terms of outcomes, it is possible to distinguish between formal outcomes (i.e. number and length of collective agreements) and material outcomes regarding issues of pay and working time, among other things. In terms of formal outcomes, the most obvious finding is the drop in the overall volume of bargaining, as the parties find it difficult to agree in the absence of legal-institutional incentives that persuaded in the past the parties to reach an agreement. In addition, the length of the collective agreements has been reduced substantially, following the limitations placed by the legislation that stipulate a maximum of three years, and a number of agreements examined here were concluded for one or two years. There were incidences of rather extreme situations with respect to wage reductions via collective agreements, including, for instance, the conclusion of six agreements modifying wage levels in less than two years in Chalyvourgia Volou (see above Table 10). In terms of material outcomes, there has been a significant reduction of wage levels. By transferring the issue of wage determination outside the sphere of collective bargaining and by removing the extension mechanism at sectoral level, the reforms have succeeded in limiting the ‘domino’ effect of the collective bargaining system on wage levels, an effect seen as problematic by some of the social partners (SEV, interview notes).

In cases where enterprise-level collective agreements were used pre-crisis to improve upon higher-level collective agreements, they have served during the crisis as a means to maintain a floor on terms and conditions of employment, especially in cases where strong trade union coordination exists and relationships between management and employees are considered good. One factor explaining the different impact of the crisis on wage levels across different companies was in some cases the ability of workers to mobilise and challenge management plans for wage reductions and collective redundancies. At the same time, there was evidence of trade union inability to protect newly-recruited employees, leading thus to the creation of a two-tier workforce in terms of wage levels and other benefits. On the management side, there were also concerns of the knock-on effect of such measures on industrial peace and cooperation with the unions, where these were organised effectively.

Besides these findings, there was evidence of workers' choices being reduced; for instance, atypical employment (in the form of part-time, fixed-term work) is chosen involuntarily against the context of rising unemployment. At the same time, there has been an increase of informal economy in the form of undeclared payments made to employees of SMEs in particular. In relation, in particular, to this, the issue of enforcement was deemed problematic. In the view of many union interviewees, the current system of enforcement through SEPE and civil courts does not provide an effective framework for the resolution of workplace issues, including the application of collective agreements and the payment of wages. The establishment of enforcement authorities at EU level that would be responsible for inspecting the effectiveness of the national enforcement authorities would constitute a significant step in combating the lack of compliance with the legal framework (OVES, interview notes).

More generally and from an industrial policy perspective, the implications of the absence of a clear sectoral policy in manufacturing were stressed by a number of interviews both from the employer and the employee side. With respect, in particular, to metal manufacturing, a repeated request by trade unions and employers alike has been for the Greek government to introduce the so-called 'contracts of availability' for electricity.<sup>169</sup> At the EU level, the results also imply the need for reconsidering the European integration project. In the view of most interviewees from both sides, the reforms have been led by a desire on the part of the EU institutions to create inside the EU a periphery of EU Member States with low wages but high-skilled labour that will then be used by companies headquartered in Western Europe to compete with those from the emerging economies and mainly China. Against this prospect, it was argued that a European minimum wage should be introduced in order to act as a floor hindering competition on the basis of labour costs (trade unions, interviews notes).

Going forward, the lack of assessment of the effectiveness of the reforms on the economy was criticised by GSEVEE, which also suggested that the role of the ILO in supporting the institution of social dialogue was significant in protecting social cohesion. The main thesis of GSEVEE is that the pre-crisis system of collective bargaining should be reinstated, including providing adequate collective autonomy to the social partners to regulate terms and conditions of employment but also safeguarding the universal extension of collective agreements as well as their after-effect. Importantly, this should not include, according to GSEVEE, the immediate return by the state of the wage levels to those pre-crisis but this should be left instead to be determined by the social partners through negotiations so as to allow for a progressive re-alignment (GSEVEE, interview notes). In terms of going forward, GSEVEE has requested that the pre-crisis industrial relations framework should be re-instated, a proposal supported by both GSEE and sectoral trade unions, such as POEM. However, SEV does not seem to endorse this and argues that the determination of wages and certain terms and conditions of employment should take place at company level, allowing management to adopt a tailored approach depending on the economic circumstances of the company. But, while this could take place in medium and large companies, where there are HR systems in place, it would be perhaps challenging in small companies, where the employment relationships tend to be paternalistic (SEV, interview notes). Against this context, the new government led by Syriza has announced a series of measures designed to reverse some of these trends. These include, among others, the restoration of collective

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<sup>169</sup> However, this demand is criticised by unions belonging to PAME, as it is seen as constituting another means of financing employers (Federation of Milk, Food and Drinks, interview notes). Recent developments suggest that the Commission has indicated its support for such contracts but the details are yet to be disclosed (Capital, The Contracts of Availability have been Approved by the Commission, 1 November 2014, <http://www.capital.gr/News.asp?id=2146008>).

bargaining, new provisions on the extension of collective agreements and the after-effect period as well as new measures on arbitration. Against this context, two questions remain: first, can and will these changes be implemented, and if yes, how will the measures play out in a context of a collective bargaining system that is on the brink of collapse?