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**Social dialogue and
collective bargaining in
times of crisis: The case
of Greece**

Eleni Patra

February 2012

Industrial
and Employment
Relations
Department
(DIALOGUE)

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Foreword

This paper is part of a series of national studies on collective bargaining and effective responses to the crisis under the Global Product on ‘Supporting collective bargaining and sound industrial relations’. The national studies seek to examine the impact of the crisis on industrial relations and collective bargaining institutions; and identify the ways in which collective bargaining was used to mitigate the effects of the crisis and the outcomes as they relate to employment, wages, working time and employment relations. They identify good practices in this regard and consider the implications for balanced and effective recovery.

This study analyses the profound impacts of the financial crisis on industrial relations institutions and practices in Greece. A series of austerity measures have been put in place through new legislation. These include prohibition of salary increases, cuts in pay and benefits for public-sector employees, limits on public-sector hiring, increases in VAT and other taxes, changes in the limitations on mass layoffs and levels of severance compensation payments, and introduction of sub-minimum wages for new entrants to the labour market and those who are on apprenticeships. New legislation also introduced reforms in respect of collective bargaining and dispute resolution institutions, including the introduction of special enterprise collective agreements in which pay and terms of employment may deviate from those in sectoral agreements.

Challenges faced by Greece’s industrial relations are enormous. Numerous strikes and demonstrations have taken place, while hundreds of small and medium-sized enterprises underwent closure. In February 2012, just as this study was going to print, new austerity measures were adopted which include reductions in private-sector benchmark minimum wages, government jobs and pension benefits. These will no doubt have a profound impact on the country’s industrial relations institutions and practices in the long term, and will continue to be the subject of our research.

DIALOGUE working papers are intended to encourage an exchange of ideas and are not final documents. The views expressed are the responsibility of the author and do not necessarily represent those of the ILO. I am grateful to Eleni Patra for undertaking the study, and commend it to all interested readers.

Moussa Oumarou
Director,
Industrial and Employment
Relations Department

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Eleni Patra (Ph.D.) is Professor II of Management at Deree – The American College of Greece, and Mediator (former Mediator-Arbitrator) in the Organization for Mediation and Arbitration (OMED).

Contents

Foreword.....	iii
Acknowledgements.....	iv
Contents	v
1. Introduction	1
2. The socio-economic background to the crisis.....	1
2.1 Macroeconomic situation: Government deficit, debt, prices and reasons that led to external financing.....	1
2.2. Employment and sectoral impact.....	3
3. Industrial and employment relations	5
3.1 The legal framework (pre-crisis).....	5
3.1.1 The legal framework of industrial relations: Before 1990 and during 1990-2010.....	5
3.1.2 The system of mediation and arbitration under Law 1876/1990.....	7
3.2 The social partners	9
3.2.1 Characteristics of the labour unions and union density	9
3.2.2 Major employers' associations	10
3.3 Tripartite social dialogue	10
3.3.1 Economic and Social Committee (OKE).....	10
3.3.2 Other bodies.....	10
3.4 Dispute resolution	11
3.4.1 The Organization for Mediation and Arbitration (OMED)	11
3.5 Wage policy and the wage structure	11
4. The impact of the crisis on industrial and employment relations	13
4.1 The policy/legal framework.....	13
4.1.1 Initial new legislation March to July 2010	13
4.1.1.1 Law 3833/2010 of 15 March 2010.....	13
4.1.1.2 Law 3845/2010 of 6 May 2010.....	14
4.1.1.3 Law 3846/2010 of 11 May 2010.....	15
4.1.1.4 The draft for the Presidential Decree, which was abandoned	15
4.1.2 New legislation having direct impact on industrial relations: July–December 2010	16
4.1.2.1 Law 3863/2010 of 15 July 2010.....	16
4.1.2.2 The “Updated Memorandum” of 6 August 2010.....	16
4.1.2.3 Law 3871/2010 of 17 August 2010.....	17
4.1.2.4 Second update of the “Memorandum”, 22 November 2010	17

4.1.2.5	Law 3899/2010 of 17 December 2010.....	17
4.2	Tripartite social dialogue	19
4.2.1	The Special Scientific Committee	19
4.2.2	Other forms of consultation	20
4.3	Collective bargaining.....	21
4.3.1	The ‘National General Collective Agreement’ and the chronicle of events that led to its conclusion	21
4.3.2	Other collective agreements and negotiations	22
4.3.2.1	Continued collective bargaining.....	22
4.3.2.2	First attempts for collective agreements with subminimum wages.....	22
4.3.2.3	“Special enterprise agreements” under Law 3899/2010 and Law 4024/2011	22
4.3.2.4	The “extension of collective agreements”	24
4.3.3	Dispute resolution.....	25
4.3.3.1	The cases of arbitration appeal following Law 3871/2010	25
4.3.3.2	The use of mediation	25
4.4	The labour relations climate.....	26
4.4.1	Adjustments in collective bargaining	26
4.4.2	Unions’ response with strike activity	26
4.4.3	Employers associations’ responses to the proposed measures	27
4.4.5	Reactions to market liberation	27
5.	Summary, conclusions and issues for further research.....	28
5.1	Summary and conclusions	28
5.2	Law 4046/2012 of 14 Feb. 2012	30
5.3	Issues for future research	31
	References.....	32

1. Introduction

The world financial crisis of 2008 had a delayed impact on the Greek economy of about six months in comparison with the other euro area (EA16) countries. The structural problems of the Greek economy were then revealed, leading to severe financial difficulties for the country's banks and the state. According to the Bank of Greece "Report on Monetary Policy 2009-2010" released in March 2010, a large fiscal deficit, a huge debt and the continued erosion of the country's competitive position are the main characteristics of the deep crisis the country has entered (Bank of Greece, 2010a).

The enormous government debt, reaching 115.1 per cent of the GDP, created borrowing difficulties and signaled the need for action. The socialist party PASOK government, elected on 4 October 2009, decided to seek financing from the European Union (EU), the European Central Bank (ECB), and the International Monetary Fund (IMF). As part of an agreement on 2 May 2010 for loans of 110 billion euros, the Prime Minister announced spending cuts and tax increases (Ta Nea, 2010; Reuters.com, 2010; News.in.gr, 2010). A series of austerity measures followed, with profound effect on industrial relations.

This report examines the impact of the financial crisis on industrial and employment relations in Greece, including collective bargaining and social dialogue, in an environment affected by high unemployment and shaped by austerity measures through new legislation.

2. The socio-economic background to the crisis

2.1 Macroeconomic situation: Government deficit, debt, prices and reasons that led to external financing

On 22 April 2010, Eurostat announced the provisional deficit and debt data for 2009. According to the report, the euro area (EA16) and EU27 government deficit was 6.3 per cent and 6.8 per cent, respectively, and the government debt was 78.7 per cent and 73.6 per cent, respectively. In 2009 the second largest government deficit as a percentage of GDP was recorded by Greece (-13.6 per cent), following Ireland (-14.3 per cent) and preceding the United Kingdom (-11.5 per cent), Spain (-11.2 per cent), Portugal (-9.4 per cent), Latvia (-9.0 per cent), Lithuania (-8.9 per cent), Romania (-8.3 per cent), France (-7.5 per cent) and Poland (-7.1 per cent), while the ratio of government debt to GDP for Greece was 115.1 per cent. The government deficit was 32,342 million euros and the government debt was 273,407 million euros (Eurostat, 2010a) (see Table 1).

Table 1.
GDP, government deficit/surplus and debt in Greece
as of April 2010

Greece		2006	2007	2008	2009
GDP mp	(million euros)	210 459	226 437	239 141	237 494
Government deficit (-) / surplus (+)	(million euros)	-7496	-11 478	-18 303	-32 342
	(% of GDP)	-3.6	-5.1	-7.7	-13.6
Government expenditure	(% of GDP)	43.2	45.0	46.8	50.4
Government revenue	(% of GDP)	39.3	39.7	39.1	36.9
Government debt	(million euros)	205 738	216 731	237 252	273 407
	(% of GDP)	97.8	95.7	99.2	115.1

Source: Eurostat, Newsrelease Euroindicators 55/2010, 22 Apr. 2010

Eurostat expressed reservations on the quality of data reported by Greece, which could lead to a revision for year 2009 of the order of 0.3 to 0.5 percentage points of GDP for the deficit and 5 to 7 percentage points of GDP for the debt (Eurostat 2010a). The Bank of Greece projected for 2010 a further decline in the GDP of around 2 per cent (Bank of Greece, 2010a).

On 15 November 2010, the revised data on the euro area and EU 27 government deficit was released. The revised statistics were more pessimistic, as they revealed an increased government deficit of -36,150 million euros and debt of 298,032 euros or 126.8 per cent of the GDP (see Table 2).

Table 2.
GDP, Government deficit/surplus and debt in Greece,
as of November 2010

Greece		2006	2007	2008	2009
GDP mp	(million euros)	211 314	227 134	236 936	235 035
Government deficit (-) / surplus (+)	(million euros)	-12109	-14 465	-22 363	-36 150
	(% of GDP)	-5.7	-6.4	-9.4	-15.4
Government expenditure	(% of GDP)	45.2	46.5	49.2	53.2
Government revenue	(% of GDP)	39.1	39.8	39.7	37.8
Government debt	(million euros)	224 204	238 581	261 396	298 032
	(% of GDP)	106.1	105.0	110.3	126.8

Source: Eurostat, Newsrelease Euroindicators 170/2010, 15 Nov. 2010

According to a Eurostat news release of January 2011 (Eurostat, 2011a), the euro area annual inflation was 2.2 per cent in December 2010, while the EU annual inflation was 2.6 per cent. In December 2010, the lowest annual rates were observed in Slovakia (1.3 per cent), the Netherlands (1.8 per cent), Germany and Cyprus (both 1.9 per cent), and the highest in Romania (7.9 per cent), Estonia (5.4 per cent) and Greece (5.2 per cent). Compared with November 2010, annual inflation rose in all twenty-five Member States for which data are available. The highest 12-month averages up to December 2010 were registered in Romania (6.1 per cent), Greece and Hungary (both 4.7 per cent).

Following a period of prosperity with increased GDP (1995-2004), and a period of slow-down (2005-2008) following the Olympic Games of 2004, Greece entered a period of crisis which turned into a deep recession. The structural problems of the Greek economy

were revealed and as a result the international financial markets lost confidence in the borrowing ability of the Greek State, leading to downgrades of the country's credit ratings and increased borrowing interest rates (Foundation for Economic & Industrial Research – IOBE, 2010).

The main technical causes of the Greek financial crisis, according to the research organization IOBE, are attributed to the following factors:

- a large fiscal deficit and debt, as a result of the public sector's size and spending;
- low domestic savings rate and therefore excessive dependence on foreign debt;
- low competitiveness, largely due to an introspective model of development and outdated forms of transactions in the markets for goods, services and labour, where state interventionism prevails;
- loss of credibility in the country's economic statistics; and
- limited commitment by the political leadership towards reforms that would strengthen the abilities of the Greek production system to create wealth and generate growth (IOBE, 2010).

The Institute of Labour (INE) adds the following:

- high private consumption;
- unfair and ineffective taxation system, favouring enterprises and falling heavily on employees and pensioners;
- flexible and undeclared work; and
- weaknesses in technology and innovations (INE, 2010b, p. 23).

All these reasons contributed to a deepening of the crisis and in March 2010 the first legislative initiatives were taken for the protection of the national economy. In April 2010 the crisis peaked and the Greek government decided to resort to the support mechanism offered by the European Union (EU), the European Central Bank (ECB), and the International Monetary Fund (IMF).¹ On 3 May 2010 the Memorandum of Economic and Financial Policies, together with the Technical Memorandum of Understanding was agreed between the Greek Government and the lenders, in return for loans of 110 billion euros, which would be released to Greece in instalments. In the following paragraphs the new legislation and legislative attempts – that had a direct impact on industrial relations and were enacted as a response to the agreement with the lenders – will be analyzed.

2.2. Employment and sectoral impact

The recession had a negative impact on all economic indicators including employment: total employment declined by 1.1 per cent in 2009, while the number of employees is estimated to have fallen by about 1.6 per cent (Bank of Greece, 2010b). The INE presented the first impact of the crisis: between November 2008 and June 2009, 22,106 jobs were lost due to the economic crisis and 19,583 programs of voluntary redundancy were announced at the same time (INE/GSEE-ADEDY, 2009b, p. 211). One of the first measures of the Government to save costs was to layoff all people working on a training contract (internship or “stage”) in several public sector organizations by the end of 2009.

In January 2010 unemployment rose to 11.3 per cent, compared with 9.4 per cent in January 2009 and 10.2 per cent in December 2009. The total number of employed in January 2010 was estimated to be 4,445,743 people, the unemployed 567,132 people, while the not economically active population was 4,276,258 (Hellenic Statistical Authority, 2010) (the total population of the country was 10,964,020 in the 2001 census, and was estimated to be 11,282,751 in mid-year 2009). An electronic registration of all

¹ The three lenders, i.e. EU, ECB and IMF, are called since then by all Greek people, including politicians, “Troika”.

public servants, which took place in the summer of 2010 (Eleftherotypia, 2010b) established that of the total number of employed people, 768,009 were actually working in the public sector. The number of the employed people was reduced by 39,272 in comparison with January 2009 (0.9 per cent reduction) and by 11,914 in comparison with December 2009 (0.3 per cent reduction).

Table 3.
Employed, unemployed, non-labour force and percentage of unemployment,
Jan. 2005-2010

	January					
	2005	2006	2007	2008	2009	2010
Employed	4,292,129	4,369,914	4,491,606	4,511,585	4,485,015	4,445,743
Unemployed	496,668	461,640	421,130	390,210	465,692	567,132
Not economically active	4,292,670	4,299,836	4,254,469	4,318,462	4,298,759	4,276,258
Unemployment (percentage)	10.4	9.6	8.6	8.0	9.4	11.3

Source: Hellenic Statistical Authority

In spring 2010 the General Confederation of Greek Workers (GSEE) considered that the statistical 11.3 per cent meant that the “real” unemployment rate (as not all unemployed people are registered as such) was about 17.5 per cent, equivalent to about 800,000 unemployed people (GSEE, 2010a). According to news releases, there were 750,000 registered unemployed people in the Organization of Employment of the Labour Force (OAED), of whom only one out of three (about 230,000) received unemployment benefits (Megas, 2010, p. 12). Unemployment was expected to grow even more; some market observers feared that if the crisis deepened, unemployment would reach one million people by the end of 2010.

Indeed, the latest figures prove the above projections. According to the Hellenic Statistical Authority, unemployment rose to 13.5 per cent in October 2010, as compared to 9.8 per cent in October 2009, and 12.6 per cent in September 2010. In October 2010 there were 4,369,543 employed people, 684,047 unemployed, while there were 4,263,751 not economically active people. The numbers of unemployed increased by 192,908 people in one year (October 2010 to October 2009, a 39.3 per cent increase) and by 56,332 people in comparison with September 2010 (9.0 per cent increase) (Hellenic Statistical Authority (ELSTAT), 2011). During the same period the gender breakdown of unemployment was as follows: in October 2009 male unemployment was 7.1 per cent, female unemployment was 13.7 per cent; in October 2010 male unemployment reached 10.6 per cent and female unemployment 17.6 per cent. Youth unemployment (15 to 24 years) was 27.5 per cent in October 2009 and in October 2010 it reached 34.6 per cent (ibid).

In November 2010, unemployment rose to 13.9 per cent, i.e. 692,577 unemployed people. Finally, in December 2010 there were 653,552 registered unemployed people, 4.17 per cent higher than the previous month, of whom 277,904 receive unemployment benefits, according to the latest OAED figures (2011). According to these figures about 57.5 per cent of the unemployed do not receive unemployment benefit. The INE predicts that unemployment will reach 14.3 per cent in 2011, while “real” unemployment will exceed 20 per cent (one million people) (INE, 2010b, p. 30). However, in the news of 10 February 2011 the INE announced that if the economic conditions do not change real unemployment may reach 1.5 million people in 2011.

The sectors that face the greatest problems are construction and related industries, the commercial sector, especially retailing, and the tourism and hospitality sector.

The commercial sector employs at least 828,210 people, and is considered one of the most important sectors of the Greek economy, as it offers a substantial number of jobs. It

has been traditionally the sector that provides an “easy way out in employment”, which makes it popular among job seekers (ESEE, 2009, p. 56). According to research conducted by the National Confederation of Hellenic Commerce (ESEE), 68.8 per cent of commercial companies will have reduced sales revenues in 2010 and 70 per cent will face cash flow problems. One out of three commercial companies employing more than 10 people have preannounced layoffs for 2011; 41.7 per cent of all commercial companies have forecasted that employment will remain stable, while no company was willing to hire anyone until the end of 2011 (Tsiros, 2010a).

Among the smaller commercial family businesses employing 2 to 9 people 71.2 per cent foresaw stability in employment, 12.7 per cent anticipated layoffs in 2011, while 13.6 per cent were undecided. Only 2.5 per cent of these businesses responded that they would do some hiring in 2011 (Tsiros, *ibid*). A walk around Athens or in smaller towns reveals the problems retail businesses face: a plethora of small shops that have closed down, especially in the areas of gifts, interior decoration and clothing. Restaurants and coffee shops are in a better position; however, many restaurants have diversified their services and now offer home delivery services. It was announced in the news on 16 May 2010 that 1,500 auto outlets had closed down during the last 7 months.

Market experts had made gloomy predictions: in September 2010, after the summer period, many businesses including those in the hospitality and tourism sector would have to close down. This sector employs directly and indirectly 774,200 in 2009 (833,200 in 2008), producing revenues of 10.4 billion euros in 2009 (11.6 billion euros in 2008) and serving 14.9 million foreign tourists in 2009 (15.9 million in 2008) (SETE 2008 and 2009). The sector is characterized by high seasonality (about half of the arrivals are realized between July and September), is considered the greatest single “employer” in Greece and is often characterized as the “heavy industry of Greece”. As foreign tourist arrivals are expected to drop, it is possible that not all of last year’s seasonal employees would be rehired. Market experts predict that more than 30,000 employees will become unemployed in this sector, while about 8,000 stores in tourist areas have already closed down, two months before the tourist season began (Ntigrintakis, 2010). Therefore, deterioration in both revenues and employment is expected in the hospitality and tourism sector.

The construction sector is severely hit by the crisis. A 22 per cent reduction in construction activity over the previous year has been noted (*Epilogi*, 2010, p. 89). Thousands of houses/apartments are not sold, as buy-sell agreements are reduced and citizens cannot afford to repay their mortgage loans. If the government further increases taxes for purchasing or owning houses, construction activity is expected to freeze, which would jeopardize about 80,000 jobs – not to mention the undeclared employment that is prevalent in this sector (Tsiros, 2010b). The situation in the construction sector has negatively affected the financial indicators and employment in sectors that depend on construction, like the metal, plastic and mining industries (Kokkoris, 2010).

3. Industrial and employment relations

3.1 The legal framework (pre-crisis)

3.1.1 The legal framework of industrial relations: Before 1990 and during 1990-2010

The Greek Constitution of 1975 protects the right to work and collective labour agreements which are contracted by means of free collective bargaining, or in case of impasse by the rules set by arbitration (article 22). Furthermore, the Constitution protects collective labour freedom, i.e. the right of labour organizations to regulate their terms and conditions of employment, and the right to strike (article 23).

Collective agreements regulate the terms and conditions of employment. They are concluded by an employer or one or more employers' associations on the one hand and one or more labour unions at different levels, on the other. Collective agreements and arbitrators' decisions (together called collective regulations) are legally binding.

The legal framework of industrial relations for the last 20 years has been based on Law 1876/1990 titled "*Free collective bargaining and other provisions*". It was brought to the Greek Parliament during the Ecumenical (coalition) Government and was voted unanimously by all political parties in March 1990, following a year and a half of preliminary work (OMED, 1996, p.13), including open discussions with the social partners and other interested parties.

Law 1876/1990 replaced the previous Law 3239/1955 on "the regulation of collective labour disputes" which considered the parties as "social competitors" and provided for state controlled compulsory arbitration, through which on average almost half of the pay disputes were settled (Ioannou, 2010b).

Law 1876/1990 applies to all persons bound by a dependent employment relationship under private law to any private or public employer. It provides for the content, the categories, validity, plurality, duration, and denunciation of collective agreements, the accession to a collective agreement and the extension of its scope; the collective bargaining procedures, including bargaining rights and obligations: it provides for conciliation, which is conducted by the Ministry of Labour and Social Security at any phase during the employment relationship, and for independent mediation and arbitration when contract negotiations fail. The same Law established the Organization for Mediation and Arbitration (OMED) (described in section 3.4.2).

The four types of collective agreements, according to Law 1876/1990, are:

- (a) The *National General Collective Agreement (EGSSE)* (Εθνική Γενική Συλλογική Σύμβαση Εργασίας – EGSSE), which is applicable to all the working people in the country, regardless of union affiliation. It is concluded by third level (i.e. the highest) labour unions and the most representative or nation-wide employers' organizations, i.e. GSEE, on the one hand, and SEV, GSEVEE and ESEE on the other. It is legally binding and determines the minimum work standards including pay (wage and salary rates). It applies to all private sector employees and employees in the public sector under private law contracts, who are not covered by any of the other collective agreements.
- (b) *Sectoral collective agreements*, which cover employees in the same sector (or branch or industry) at a national or regional level. They are concluded on the one hand by first or second level trade unions, which represent workers who are employed by enterprises in the same sector, and, on the other hand, by employers' associations in the same sector. Specifically, in the banking sector, in case that there are no employers' associations representing the banks, such agreements may be concluded by individual employers represented by authorized representatives, as long as 70 per cent of the personnel in this sector are employed by the said employers.
- (c) *Occupational collective agreements* (crafts), which cover employees of the same or related occupation(s) or trades at a national or local level. They are concluded by second or first level trade union organizations and the corresponding employers' associations; and
- (d) *Enterprise* (or company level or firm) *collective agreements*, which cover all the employees of a certain enterprise or of a distinct unit of an enterprise, whether these employees belong to a union or not. Enterprise agreements are negotiated

between the most representative enterprise trade union or the respective first level sectoral union and an employer, who employs at least fifty (50) workers.²

In all cases, the “*most representative trade union*”, i.e. the one which received the maximum number of votes during the last union election, may conclude a collective agreement.

Enterprise collective agreements were legally instituted for the first time in Greece by Law 1876/1990. Before that, contracts called “*statements of agreement*” existed in larger enterprises, in similar numbers as the ones following their institutionalization (OMED, 2011), i.e. about 200 per year.

Sectoral, enterprise and occupational collective agreements are not allowed by Law 1876/1990 to contain terms and conditions that are less favourable to workers than those set in the national general collective agreement (article 3.2).

An employee, by virtue of his/her position in the organization or industry may be covered by more than one collective agreements (“*plurality of collective agreements*”). The agreement containing the most favourable terms to the workers prevails. In the event of plurality however, sectoral and enterprise agreements prevail over occupational ones (article 10.2), as the legislator wished to give preference to sectoral and enterprise agreements over occupational ones and therefore promote industrial and enterprise level bargaining.

Two more issues that relate to collective agreements are the issue of “*accession to a collective agreement*” and the issue of “*extension of its scope*”. Trade unions and employers who are not bound by a collective agreement may jointly *accede* to any collective agreement relevant to their activity. A trade union may accede to a collective agreement which already binds the respective employer. Accession is made by a private contract, which is submitted to the Ministry of Labour. Accession to an enterprise collective agreement is not allowed to an employer or trade union of another enterprise.

The Minister of Labour, following consultation with the Higher Council of Labour, may issue a ministerial decision to *extend the scope* of a collective agreement and make it binding upon all the workers of a given economic sector or occupation, provided that the agreement in question already binds employers employing 51 per cent of the workers in that sector or occupation. The extension of the scope of a collective agreement may be requested by a trade union or an employers' association (Law 1897/1990, article 11).

Further below, under the analysis of the new legislation, and specifically of Law 3845/2010 and of Law 3899/2010, the new provisions about extending the scope of a collective agreement will be elaborated.

3.1.2 The system of mediation and arbitration under Law 1876/1990

In the case of an impasse during the negotiations towards a collective agreement, the parties may resort to the Organization for Mediation and Arbitration (OMED) for resolution through mediation and arbitration. Mediation is the main service offered to the negotiating parties to resolve their dispute, and is considered an extension of collective bargaining with the assistance of an independent neutral third party who has experience and specialized knowledge in industrial relations. If the negotiating parties fail to reach an agreement, the mediator has the right to submit a written proposal, which may become the text for the collective agreement if the parties accept it.

Arbitration plays a supplementary role in the process of dispute resolution. A collective dispute may be referred to arbitration either (a) by mutual consent of the

² A new type of enterprise agreements, the “special enterprise agreements” (εεσσε) was instituted by Law 3899/2010 (signed on 29 Dec. 2010) and it was further abolished by Law 4024/2011 (signed on 27 Oct. 2011). “Special enterprise agreements” will be further examined in section 4.1.2.5.

negotiating parties, at any stage of collective bargaining, or (b) unilaterally, on the initiative of one of the parties, if the other party has refused mediation, or (c) unilaterally, on the initiative of the workers' organizations, where the latter accepted the mediator's proposal which was rejected by the employer, or (d) where the dispute relates to an enterprise agreement, by the party accepting the proposal of the mediator, which the other party has rejected (Law 1876/1990, article 16).

Both the mediator and the arbitrator are selected from a special list by mutual consent of the parties or in case of disagreement by drawing lots. The neutrals have the right to invite the parties together or privately and hold conversations or interviews with them, hear opinions, carry out assessments or conduct inquiries on the conditions of work and the financial position of the enterprise. The arbitrator may also examine all the information gathered during the mediation process, and should issue an award within 10 days from assumption of his/her duties if mediation preceded, or 30 days if not. In practice the process may be extended by the parties' consent. The arbitration award has the force of a collective agreement.

It is important to note that the first concern of the neutral is to try to get the parties to reach an agreement between them. The neutral facilitates the process of collective bargaining, through the open exchange of arguments. Subsequently, the arbitrator's initial effort is to act as a mediator and assist the parties reach consensus and sign themselves their collective agreement. If all efforts fail, then the arbitrator may issue his/her award.

Mediators and arbitrators are appointed by the Board of Directors of OMED as free lancers ("independent contractors") on a three-year term which may be renewed, following a public posting and bidding. They exercise a social function, are required to be objective and impartial in their judgment, and have to be independent from the interests of any enterprise, labour organization, public sector or wider public sector organization. They receive a rigorous orientation and continuous training and their effort is assessed annually.

In 2007 there were 318 collective agreements signed and 43 arbitration decisions awarded (11.9 per cent of the total regulations) throughout the country; in 2008 there were 403 collective agreements and 59 arbitration awards (12.8 per cent); in 2009 the respective numbers were 289 and 58 (16.7 per cent), and in 2010 there were 306 and 46 (13.1 per cent) (source: OMED).

Before the operation of OMED, i.e. 1961-1991, arbitration awards were on the average 42.65 per cent of the total regulations. Following the operation of OMED, these were reduced to 12.98 per cent of the total regulations, on the average, for the 1992-2010 period.

This system of dispute resolution has been operating during the last twenty years, despite the fact that the same law permitted the parties to stipulate their own clauses for dispute resolution in their respective collective agreements. It is admitted by the social partners that Law 1876/1990 and the existence of OMED have promoted a culture of negotiations in good faith and have contributed to social peace.

Nevertheless, the system of arbitration was considered to exhibit elements of compulsory arbitration, as it allowed for unilateral reference to arbitration. The Federation of Industries of Northern Greece (SBBE) appealed in spring 2003 to the ILO committee for Freedom of Association and Collective Bargaining by raising the issue of compulsory arbitration in Greece, arguing that the system of arbitration, and especially article 16 of Law 1876/1990, which allowed one party unilaterally to refer to arbitration, contravened article 6 of the International Labour Pact 154/1981, which was ratified by Greece with Law 2403/1966. ILO recommended that the government initiate consultation with the social partners, with view to considering measures to ensure that compulsory arbitration is only possible in essential services (Ioannou, 2010c, p. 21-22).

Furthermore, the Greek Supreme Court ruled in 2004 that the system of arbitration does not contradict either article 22 of the Greek Constitution, or article 6 of the

3.2 The social partners

3.2.1 Characteristics of the labour unions and union density

The major social partners in the private sector in Greece are the representatives of the workers and the employers at different levels. On the workers' side, the labour movement is organized on a three-tier structure: on the primary level there are the local unions (σωματεία 'somateia'), which are organized on a local basis, either in a factory, or enterprise, sector or occupation; they may be created by at least 20 employees (article 78 of the Civil Code), and may negotiate enterprise collective agreements, if an enterprise employs more than 50 people (according to Law 1876/1990, article 6, 1, b). Further down it will be illustrated how this last provision has been modified under Law 3899/2010. "Associations of persons" ("ενώσεις προσώπων") are another form of primary level organizations, which may be organized in small and medium enterprises, where a labour union does not exist, in order to facilitate the representation of workers (Leventis, 1996, p. 96-105). So far they have not played a significant role in the labour movement; however they are expected to play a role under the new provisions of Law 4024/2011.

On the secondary level there are two forms of labour organizations: the federations, which comprise local unions and are organized by enterprise, sector or occupation and the Labour Centres, which are organized by geographical area. The federations may negotiate sectoral, occupational and enterprise collective agreements. The Labour Centres are cross-occupational secondary level organizations, which may not negotiate collective agreements, as such agreements are not provided for by the Greek law (Leventis, 1996, p. 107); they deal with workers' grievances at a local or regional level. There is typically one Labour Centre in every major town or in every prefecture (GSEE, 2007; Ioannou, 1999).

On the third level, federations and labour centres form confederations. "Syndicalistic monism" prevails in Greece. This means that there is one third level labour union, the "General Confederation of Greek Workers" – GSEE³ for private sector workers and employees in Greece, within which different political ideologies are represented and consequently the labour movement organization forms a single organizational structure. "Syndicalistic monism" contrasts "syndicalistic pluralism" which prevails in other European countries, like France, where there are more than one third level labour organizations, each representing a separate political ideology and consequently form different and parallel organizational structures. A characteristic of the Greek industrial relations system is that different political factions are represented within the same confederation. The current "political" composition of the GSEE, on the basis of the election results of the 34th Panhellenic Congress which took place on 21 March 2010, PASKE (affiliated with socialist PASOK party) received 22 seats, DAKE (affiliated with the New Democracy right-wing party) 11 seats, the Democratic Fighting Unity (affiliated with the Greek Communist Party) 9 seats, the Autonomous Intervention (affiliated with the left-wing progressive coalition) got 3 seats, and the Independent Unity of Workers got no seats.

GSEE cooperates with the Supreme Administration of Civil Servants' Trade-Unions (ADEDY), so it is often referred to as GSEE-ADEDY. GSEE negotiates the National General Collective Agreement (EGSSE), which sets the minimum pay and terms and conditions of employment for all private employees, with the representatives of the employers' associations and the government. Seventy four (74) sectoral or occupational federations with the respective local trade unions and eighty three (83) Labour Centres

³ GSEE: ΓΣΕΕ: Γενική Συνομοσπονδία Εργατών Ελλάδας (<http://www.gsee.gr>).

compose GSEE, which represents totally about two million employees, according to the GSEE official site.

It is estimated that union density in Greece reached 24 per cent of the work force in 2008 and that it follows a downward trend (OECD, 2011). In the private sector it reached 15 per cent in 2007 and in the public sector 42 per cent in 2006 (Ioannou, 2007).

3.2.2 Major employers' associations

The major employers' associations are: the "Hellenic Federation of Enterprises" (SEV)⁴ which represents large businesses, the "Hellenic Confederation of Professionals, Craftsmen and Merchants" (GSEVEE),⁵ which represents small and medium sized enterprises (SMEs), and the "National Confederation of Hellenic Commerce" (ESEE),⁶ which represents SMEs in the commercial sector. There are other employers' associations, like the Pan-Hellenic Federation of Hotel Owners (POX), the Federation of Wind-mill Industries (SEVK), to name a few, etc., which participate in the formation of sectoral, occupational and local collective agreements and may play an important role in the industrial relations system.

The major social partners participate in the boards of institutional bodies with tripartite representation, at collective bargaining and during social dialogue.

3.3 Tripartite social dialogue

3.3.1 Economic and Social Committee (OKE)

The Greek OKE was established in 1994, and as of May 2001 it has become a constitutionally recognized institution. It is based on the model of the Economic and Social Committees of the European Union: tripartite division of the interests represented, i.e. a division into three groups, one of employers/entrepreneurs, one of private and public sector employees, and one including the other categories, such as farmers, self-employed people, local government and consumers. OKE issues "opinions" either on its own initiative or after receiving draft bills from the competent Minister or from Members of Parliament. 'Opinions' are drawn up by ad hoc working committees representing tripartite division of interests (<http://www.oke.gr>).

3.3.2 Other bodies

There are several other bodies with tripartite board representation, such as the Hellenic Institute for Health and Safety at the Workplace (ELINYAE), or the Social Security Funds, etc. However, they are not going to be examined in the present report, as their major goal is not social dialogue.

There have been attempts for social dialogue in the past (for analytical description refer to Ioannou 2000 and Ioannou 2010b). In the current report an attempt is made to describe several forms of social dialogue, including collective bargaining, as a result of the financial crisis and as a means to facilitate the labour relations system.

⁴ SEV: ΣΕΒ: Σύνδεσμος Επιχειρήσεων και Βιομηχανιών (<http://www.sev.org.gr>).

⁵ GSEVEE: ΓΣΕΒΕΕ: Γενική Συνομοσπονδία Επαγγελματιών Βιοτεχνών Εμπόρων Ελλάδας (<http://www.gsevee.gr>)

⁶ ESEE: ΕΣΕΕ: Εθνική Συνομοσπονδία Ελληνικού Εμπορίου (<http://www.esee.gr>).

3.4 Dispute resolution

3.4.1 The Organization for Mediation and Arbitration (OMED)

The Organization for Mediation and Arbitration (OMED) was created by Law 1876/1990 as an independent organization for dispute resolution in contract negotiations (interest disputes). There was a tripartite representation at the board of OMED. Through the services for mediation and arbitration, OMED has contributed to the promotion of social dialogue by assisting negotiating parties in collective bargaining, by organizing conferences and seminars for the parties all over the country, and by issuing publications on industrial relations topics during the last 20 years of its operation.

OMED also provides for the service of mediation in cases of dispute (a) in identifying the emergency staff in case of strikes, (b) in cases of public dialogue, i.e. when a union of an organization of public interest declares a strike, it is obliged to notify the employer in advance and call the employer to public dialogue concerning its demands, and (c) in cases of disputes in the formation of “work regulation” between the works council and an organization employing more than 70 people (Law 2224/1994, articles 2, 3, and 8).

3.5 Wage policy and the wage structure

Basic wages are formed by collective agreements in the private sector and by governmental decision in the public sector. The minimum wage or salary in the private sector is formed by the National General Collective Agreement (EGSSE), which also provides for the basic terms and conditions of employment in the private sector. The EGSSE covers all employees under a private employment contract, if they are not covered by another, more favourable, collective agreement, regardless of union membership.

All premiums, provisions, allowances and benefits are added on top of the basic wage or salary. There are 84 different groups of allowances in the coding of all collective agreements, conducted by the Organization for Mediation and Arbitration (OMED), such as allowance for unhealthy working conditions, family allowance, child birth allowance, educational allowances, etc. Provisions include: a) provisions for clothing, uniforms etc., b) provisions for time-off work for vacations, family obligations, union duty, etc., c) non-monetary provisions, i.e. food, lunch, supplemental insurance, etc., and d) other provisions, like check-off clauses, breaks etc. This creates a rather complicated compensation system, which has been accepted and utilized by the interested parties.

The Christmas and Easter allowances were instituted in 1944, by “emergency law” (Αναγκαστικός Νόμος) AN 28/1944, as an extra financial support for the Christmas and Easter holidays, since salaries were very low and societal and cultural reasons called for higher spending during religious holidays. Today, the Christmas allowance is equal with one monthly salary. The Easter allowance is equal to half salary and the summer vacation allowance, instituted later on, is equal to half salary. The total annual remuneration is therefore equal to 14 salaries. Although there have been arguments towards incorporating these allowances into the monthly salary, this system has not been changed, I assume, for the following cultural and practical reasons: it suits better the culture of the Greek society to receive a higher amount of money just before the period with increased spending needs; it may be more convenient as a negotiating tool, as the calculation of the vacation allowance may be considered as a “non-wage” issue, or as a concessionary tool when you negotiate for an extra day of vacation premium instead of a percentage salary increase; it may be more convenient for employers and employees and the social security system, as it does not raise the monthly salary to a higher social security bracket.

The latest National General Collective Agreement (EGSSE) for years 2010-2011-2012, signed between the social partners, finally characterized the Christmas, Easter and

vacations allowances as “regular remuneration” for the private sector employees, and thus a debatable issue was settled.

The minimum wages (daily) and salaries (monthly) and the collectively agreed increases, as shaped by the National General Collective Agreements (EGSSE) during the most recent years, are shown in Table 4. The increases gained for the workers through the EGSSE have been following, to a certain extent, the increases of the consumer price index.

The National General Collective Agreement (EGSSE), which has been a product of free collective bargaining among the major social partners of the private sector, has been signed for a two-year term since 1994. In 2010 it was signed for the first time for a three year term. It is usually concluded in April or May and has retroactive application as of January of the same year. It sets the minimum wage and salary and basic non-wage issues, such as the level of severance compensation, or some extra days-off for people with special health problems etc.

The EGSSE serves as a guideline to all other collective agreements. This means that all other collective agreements contain terms and conditions that are somehow better than the provisions of the EGSSE; time wise, it means that even though negotiations take place for other annual or biennial agreements, many are not concluded until the EGSSE has been signed. The minimum wages and salaries as determined by the EGSSE apply to all workers and employees, who are not covered by any other more specific collective agreement. It has been a practice for all other agreements to include slightly better pay and terms and conditions of employment than the EGSSE, in absolute terms, but not necessarily as a percentage increase.

The EGSSE, the sectoral and occupational agreements set the minimum pay rates for the employees they cover. Private sector employers have been compensating their employees according to the relative collective agreements. Larger and more sophisticated companies, including subsidiaries of multinationals, have been rewarding their professional and managerial employees according to job evaluation systems and market competitiveness, i.e. above the collective agreements.

Table 4.
Minimum wages and salaries provided by EGSSE (2002-2012)

Date	Wage (per day)	Salary (per month)	Rate of increase	Collective agreement	Date signed	Inflation rate
1.1.2002	21.98	490.04	1.1%+2.5%	EGSSE 2002-2003	15.4.2002	3.9%
1.7.2002	22.35	498.86	1.8%			
1.1.2003	23.29	519.29	0.3%+3.9%	EGSSE 2004-2005	24.5.2004	3.4%
1.1.2004	24.22	540.66	4%			
1.9.2004	25.01	559.98	2%			
1.1.2005	25.56	572.30	2.2%	EGSSE 2006 & 2007	12.4.2006	3.5%
1.9.2005	26.41	591.18	3.3%			
1.1.2006	27.18	608.32	2.9%	EGSSE 2008 & 2009	2.4.2008	3.3%
1.9.2006	27.96	625.97	2.9%			
1.5.2007	29.39	657.89	5.1%	EGSSE 2010-2011-2012	15.7.2010	3.0%
1.1.2008	30.40	680.59	3.45%			
1.9.2008	31.32	701.00	3%			
1.5.2009	33.04	739.56	5.5%	EGSSE 2010-2011-2012	15.7.2010	4.2%
2010	No increase					
1.7.2011	Average European inflation for 2010	751.39	1.6%			1.3%
1.7.2012	Average European inflation for 2011					4.7%

Source: OMED and Hellenic Statistical Authority.

Note: 2002 is the first year using the euro. Inflation rates are taken from the Hellenic Statistical Authority.

4. The impact of the crisis on industrial and employment relations

4.1 The policy/legal framework

4.1.1 Initial new legislation March to July 2010

Among the first measures to tackle the crisis were the enactment of legislation reducing pay and benefit levels and affecting the industrial relations in both public and private sectors.

4.1.1.1 *Law 3833/2010 of 15 March 2010*

The Greek Government issued Law 3833/2010 on March 15, 2010 titled “*Protection of the national economy – Emergency measures for coping with fiscal crisis*” (Official Gazette A.40/15 Mar. 2010). The first chapter “Measures for the reduction of financial debts and the income policy of year 2010” prohibited any salary increases and provided for a 12 per cent reduction of pay and benefits for public sector employees for 2010. Furthermore, it provided for a 30 per cent reduction in the Christmas, Easter and vacation allowances. If an employee received only a flat salary with no benefits then the reduction was 7 per cent and not 12 per cent. In the next chapters, the law provided for the reduction of several expenses in the wider public sector, limitation in public sector hiring for years 2011-2013 and raise in VAT and other taxes.

It should be noted that salary increases in the public sector have been issued by the Ministry of Economics and Finance every year in the “Income Policy Statement” and are

not the result of collective bargaining. For 2008⁷, a salary increase of 2.5 per cent as of 1 January 2008 and 2 per cent as of 1 October 2008 were provided. For 2009, as soon as the symptoms of crisis were felt, there were no salary increases, but rather a flat amount of 500 euros was provided to those receiving up to 1,500 euros monthly and a flat amount of 300 euros for those receiving 1,501-1,700 euros.⁸ In 2009 employees working in the public sector under private law were still able to negotiate their respective collective agreements or resort to arbitration. This right was lost under Law 3833/2010.

4.1.1.2 *Law 3845/2010 of 6 May 2010*

Law 3845/2010 was issued on 6 May 2010 and was titled “*Measures for the application of the support mechanism for the Greek economy by euro area Member States and the International Monetary Fund*” (Official Gazette A. 65/06 May 2010). The “Memorandum of Economic and Financial Policies” of 3 May 2010, signed by the Greek Government and the representatives of the European Union and the International Monetary Fund, accompanies this law. As far as its impact on the industrial relations system, we may read in the Memorandum of Economic and financial policies of 3 May 2010, the following proposed structural policies:

Strengthening labor markets and income policies. In line with the lowering of public sector wages, private sector wages need to become more flexible to allow cost moderation for an extended period of time. Following consultation with social partners and within the frame of EU law, the government will reform the legal framework for wage bargaining in the private sector, including by eliminating asymmetry in arbitration. The government will adopt legislation for minimum entry level wages in order to promote employment creation for groups at risk such as the young and long-term unemployed. In parallel, the government will implement the new control system for undeclared work and modernize labor market institutions. Employment protection legislation will be revised, including provisions to extend probationary periods, recalibrate rules governing collective dismissals, and facilitate greater use of part-time work. The scope for improvements in the targeting of social expenditures will be revised in order to enhance the social safety net for *the most vulnerable*.⁹

In the end of the memorandum a timeframe indicates that all these structural changes should be completed by December 2010.

Under Law 3845/2010 article 2.7:

... the terms of occupational and company level agreements may deviate from the respective terms of sectoral collective agreements and national general collective agreements and the terms of sectoral collective agreements may deviate from the respective terms of national general collective agreements. By the Minister of Labour and Social Security decree the necessary details for the application of the terms of this paragraph may be regulated.

This statement will be further clarified below, under the analysis of most recent Law 3899/2010.

Law 3845/2010 article 2,9 provides the following elements with direct impact on industrial relations:

By Presidential Decrees, issued following the proposal of the Ministers of Finance and Employment and Social Security, after consultation with the social partners and within the framework of European Community Law, for the need to apply the program of the previous article, issues referring to the following are regulated:

- (a) the procedure of appeal to the Organization for Mediation and Arbitration,
- (b) the raise of layoff limits, in cases of mass layoffs,
- (c) the determination of the level and method of payment of severance compensation,
- (d) the measures for prevention of layoffs of older employees in the phase before retirement, regardless of mass or individual layoffs,

⁷ <http://www.mof-gl.k.gr/mis/2008/2.pdf> (13 May 2008).

⁸ <http://www.mof-gl.k.gr> (11 May 2009).

⁹ <http://www.minfin.gr/content-api/f/binaryChannel/minfin/datastore/f9/31/25/f9312567ab01c79257c1385021f830e06ed91b97/application/pdf/Greece%20BLOI%20BMEFP%20BTMU-2.pdf> (in English).

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- (e) the determination of terms of employment and the minimum wage of young people below 25 years who are entry levels in the labour market,
 - (f) the determination of the overall terms of employment and social security of those employed in apprenticeship positions, which may not be more than one year,
 - (g) the determination of the highest duration of specific-term employment contracts.¹⁰

Law 3845/2010 set the legal framework for the austerity measures that followed.

4.1.1.3 *Law 3846/2010 of 11 May 2010*

Law 3846/2010 of 11 May 2010 (Official Gazette 66/11 May 2010), titled: “*Guarantees for employment security and other provisions*”, deals with special forms of employment, i.e. part-time, temporary employment, telework, as well as issues relating to temporary layoffs, vacations, working time arrangements, the Inspectorate of Labour (SEPE), and issues concerning social security. This new piece of legislation has been the product of a long-term social dialogue, as it will be further described below (under 4.2.1.).

4.1.1.4 *The draft for the Presidential Decree, which was abandoned*

On 16 June 2010, the Minister of Employment and Social Security released the draft for the first Presidential Decree (PD) for consultation with the social partners, concerning industrial relations and complementing the previous Law 3845/2010. It was to be signed by the President of the Democracy the following week, which did not actually take place, as it triggered legal and societal reactions. The proposed PD would affect the way to appeal to arbitration, by defining that:

A dispute may be referred to arbitration only:

- a. by mutual consent of the parties, at any stage of collective bargaining;” and
- b. unilaterally, on the initiative of one of the parties, if the other party has refused mediation”

but not:

Unilaterally, on the initiative of the trade unions, when the latter accept a mediation proposal rejected by the employer;

and:

when the dispute relates to an enterprise agreement or collective agreement applicable to public sector utilities, corporations or authorities, by the party accepting the proposals of the mediator, when the other party rejects them.

as provided in Law 1896/1990 (article 16).

If this had been the final text of the presidential decree, the greatest concern would be that if employers did not agree to resort to arbitration, many collective disputes would remain unregulated, which would lead in turn to the weakening of the institution of collective bargaining. Following long term discussions among the social partners, the main aspects of this proposed PD were reformed and incorporated into Law 3899/2010 on 17 December 2010.

The same draft PD included strict provisions for increasing the limits of mass layoffs, the level and method of severance compensation, employment and layoff issues for younger and older employees, etc., which were incorporated later on in Law 3863/2010. The proposed presidential decree was not enacted not only because of the reactions it caused, as will be shown below, but mainly because of its questionable legality: it is constitutionally required that a law amends a previous law, not a presidential decree, unless stated otherwise in the former law.

¹⁰ Law 3845/2010 in issued in Greek only in: <http://www.minfin.gr/content-api/f/binaryChannel/minfin/datastore/aa/06/d2/aa06d2420a5f76de0c4ba96522b14636b56bcc1a/application/pdf/20100100065.pdf> (translation by the author). The Memorandums are also found in English in the same site: <http://www.minfin.gr>.

4.1.2 New legislation having direct impact on industrial relations: July–December 2010

4.1.2.1 *Law 3863/2010 of 15 July 2010*

Law 3863/2010 was issued on 15 July 2010 (Official Gazette 115/15 July 2010) and was titled: “*New Public Insurance System and other provisions, arrangements in labour relations*”. This law regulated issues concerning pensions and social security; it required that the Ministry of Labour would request the opinion of ILO before the submission of a new presidential decree within the following three months, which would regulate issues about mediation and arbitration (Article 73,3); however, the idea of issuing a presidential decree was abandoned and the government legislated in December 2010 by issuing the new Law 3899/2010.

Law 3863/2010 also provided, among others, for the following breakthrough changes in the industrial relations system, concerning:

- (a) The increase of the limit of mass layoffs as follows: a) Up to 6 employees for enterprises or branches of enterprises employing 20-150 people, and b) 5 per cent of the workforce and up to 30 employees for enterprises or branches of enterprises employing more than 150 people.

It should be mentioned that according to the pre-existing Law 1387/1983, Law 1568/1985 article 38, Law 2736/1999 article 15 and Law 2874/2000 article 9,

mass layoffs are those layoffs that take place by enterprises or branches of enterprises employing more than 20 people, if they exceed the legal limits, i.e.: (a) Enterprises employing 20-200 people are allowed to lay off up to 4 people per month. (b) Enterprises employing more than 200 people are allowed to lay off 2 per cent as long as the laid-off do not exceed 30 people per month.¹¹

- (b) The level and method of payment of severance compensation, with much more strict terms for the employees than in the past, i.e. reduced amount of severance compensation and/or expanded period of layoff notification.
- (c) Rights of older employees (55-65 years) in layoffs.
- (d) Terms of employment and compensation of entry level workers in the labour market, aged below 25 years. Article 74,8 provides that employers who hire young entries in the labour market below 25 years and compensate them with 84 per cent of the minimum wage or salary set by the national general collective agreement (EGSSE), automatically enter a program of the Organization of Employment of the Labour Force (OAED) which subsidizes social security.
- (e) Provisions for an apprenticeship contract which should last up to one year and be remunerated 70 per cent of the minimum wage as defined by the EGSSE, or 518 euros. This constitutes the lowest salary provision and a great issue of concern as whether it breaches the principle of equality, as it is by 30 per cent lower than the collectively agreed upon minimum wage.
- (f) Finally, there were provisions for reduced percentage of overtime pay.

4.1.2.2 *The “Updated Memorandum” of 6 August 2010*

In the “Updated Memorandum of Understanding on Specific Economic Policy Conditionality” of 6 August 2010, the lenders asked the Greek Government, “following dialogue with social partners”, to adopt and implement “legislation to reform wage bargaining system in the private sector, which should provide for a reduction in pay rates for overtime work and enhanced flexibility in the management of working time.” They also asked the Government to ensure “that firm level agreements take precedence over sectoral agreements which in turn take precedence over occupational agreements” and to

¹¹ Ministry of Employment and Social Security: <http://www.ypakp.gr> [23 May 2010].

remove “the provision that allows the Ministry of Labour to extend all sectoral agreements to those not represented in negotiations.”

They also asked for extended probationary period for new jobs to one year, “and to facilitate greater use of temporary contracts and part-time work.”

Finally, that regulation of the arbitration system of Law 1876/1990 be amended, so that:

... each of the parties can resort to arbitration if they disagree with the proposal of the mediator without exceptions on subject or coverage, according to the provisions of Law 3863/2010. It should provide for an arbitration procedure that operates according to transparent objective criteria and by an independent committee of arbitrators with decision making capacity free from government influence. The objectives of the arbitration should ensure that due attention is paid to cost competitiveness, thereby supporting job creation.

In the same text there were provisions to modernize public administration by creating a simplified remuneration system covering basic wages and allowances and other actions to be completed by the end of the third quarter of 2010.

4.1.2.3 *Law 3871/2010 of 17 August 2010*

Following this revision of the Memorandum, Law 3871/2010 was passed on 17 August 2010 titled “Fiscal management and responsibility” (Official Gazette 141/17 Aug. 2010). It prohibited any salary increases for 2010 and the first half of 2011. For the second half of 2011 and for 2012 the only increases allowed were the ones provided by the National General Collective Agreement (EGSSE 2010-2011-2012), the wording of which is repeated in this law.

In its last article 51, concerning industrial relations, it gave the right to appeal to a three-member arbitration board, to those arbitration decisions issued after the date of force of Law 3845/2010 i.e. 6 May 2010 and for 15 days following the issuance of this law, i.e. until 31 August 2010, if they included any type of wage increases. Three such cases of appeal were submitted to the Organization for Mediation and Arbitration for resolution and they will be examined in section 4.3.3.1.

4.1.2.4 *Second update of the “Memorandum” on 22 November 2010*

A second update of the “*Memorandum of Understanding on Specific Economic Policy Conditionality*” was issued on 22 November 2010. It insisted in the reform of the system of collective bargaining “at the firm level in close cooperation with social partners”. A “Second Review under the Stand-By Arrangement” was issued by the IMF on 6 December 2010. Among others, it urged the Greek Government to finalize and pass legislation to reform the arbitration system, by eliminating the asymmetry in accessing arbitration services. Another issue of great concern was the elimination of automatic extension of sectoral agreements to those not represented in negotiations, and the precedence of enterprise agreements over all others.

4.1.2.5 *Law 3899/2010 of 17 December 2010*

Law 3899/2010, issued on 17 December 2010, was titled “*Urgent measures for the application of the program of support of the Greek economy*” (Official Gazette 212/17 Dec. 2010). The second chapter of the law was involved with the industrial relations system reform, i.e. the legal framework revision of dispute resolution, especially the function of arbitration and the role of the Organization for Mediation and Arbitration. More specifically article 13 introduced a new type of collective agreement, the “*special enterprise collective agreement*” in which pay and terms of employment may deviate from those of sectoral agreements, but may not be below the levels set by the EGSSE. Such special agreements may prevail over sectoral ones. They have to consider the need of the enterprise to adapt to market conditions, and their purpose is to retain employment and improve productivity and competitiveness.

In the “*special enterprise agreement*” the number of positions in the enterprise, and the terms and conditions of part-time work, work on a rotation basis and suspensions (temporary layoffs), including their duration may also be identified. Such agreements may be negotiated even by employers employing less than 50 workers and the respective enterprise union or if an enterprise union does not exist, with the respective sectoral labour union or federation.

Such agreements should be submitted to the Council of Social Enforcement (SKEEE) of the Inspectorate of Labour which issues an opinion on their justification within 20 days. The “special enterprise agreements” and the reasons that made them difficult to apply are further examined in section 4.3.2.3. They were eliminated by Law 4024/2011 of 27 Oct. 2011 and were replaced by enterprise agreements.

As far as dispute resolution is concerned, Law3899/2010 stated that if negotiations fail, the parties may request the services of mediation or arbitration. The parties have the right either to set their own clauses defining the method to resort to such services, or to follow the rules set by the present act. The services of mediation and arbitration and specifically the ones offered by the mediators and arbitrators of the Organization for Mediation and Arbitration (OMED) are based on the principles of proper judgement, objectivity and impartiality.

In terms of mediation, the law stressed the importance to examine the economic environment, the development of competitiveness, and the conditions of the production activity within which the collective dispute operates, which is actually something that was, or had to be, considered by mediators and arbitrators. Mediators have the right to examine persons or make investigations relating to the terms of employment, and even ask the assistance of experts.

In terms of arbitration, the following new elements were stated:

Resorting to arbitration may take place at any stage of negotiations by mutual consent of the parties.

Resorting to arbitration unilaterally is possible in the following cases:

From either party, if the other refused mediation.

- From either party following the mediators' proposal, if both participated in the mediation process.
- Arbitration is limited in defining the basic wage and/or basic salary. For the other issues collective bargaining may continue so that a collective agreement is signed.
- Arbitration is conducted by a single arbitrator or by a tripartite arbitration committee. Furthermore,
- The right to strike is suspended for 10 days from the day of the appeal to arbitration.

Disputes concerning the validity of arbitration awards may be taken to First Instance Court. Within 45 days the Court should rule. The right to appeal exists against the Court's decision within 15 days and the Court should rule within 30 days (Chapter b, Article 16) (translation by the author).

New Provisions regarding OMED (Article 17) include: It will be headed by a seven-member board of directors of bipartite representation, i.e. six members from the social partners, three from the labour side and three from the employers side, plus one president of common selection; furthermore, one representative of the Ministry of Labour with no voting rights. The members of the board may serve for a three-year period to be renewed only once.

Two new bodies are created for mediators and arbitrators, composed of thirty eight positions. From those twelve may serve as arbitrators. The mediators and arbitrators will serve only in one role, for a three-year period, which may be renewed. At the renewal they may switch bodies. All decisions concerning mediators and arbitrators have to be made unanimously by the seven members of the board of directors.

Finally, three years following the passage of this law, the social partners may evaluate the effectiveness of the institution of mediation and arbitration and will propose the maintenance, abolition or renewal of the regulations.

Many questions arise concerning the application of Law 3899/2010. The first concerns the institutionalization of the “special enterprise agreements”. The second concerns the use of arbitration. When arbitration is limited in defining the basic wage and/or salary, one may wonder how concessions would be possible. Collective bargaining involves open dialogue, exchange of arguments and concessions; arbitration, as an extension of collective bargaining, should have similar character. In a collective agreement or an arbitration award, the parties or the arbitrator, used to place an ending clause, the “preservation clause”, stating that “all previous provisions or better terms provided by previous collective agreements, arbitration awards, laws, ministerial decisions, presidential decrees, individual agreements, or related collective regulations, etc., which are not modified by the current regulation, are still in force”. The question is whether it will be possible for arbitration awards to contain such clauses, or it will be the courts which will decide on the interpretation of the phrase “arbitration is limited in defining the basic wage and/or salary; for the other issues collective bargaining may continue so that a collective agreement is signed” and whether the parties have developed a culture of continuing negotiations to reach an agreement on all other issues. By the time of completing this report (December 2011) there are five such cases pending in the Courts.

4.2 Tripartite social dialogue

The first attempts of social dialogue, under the narrow meaning of the term, concerning the connection of a more flexible labour market with social protection were started in 2007, when the “Special Scientific Committee” was formed, as it will be described below (4.2.1). The results of the committee were not welcomed by the interested parties. Following the signing of the Memorandum, the government offered to discuss even though it was under strong time pressure but GSEE fairly early on refused to participate. This may have been justified from their perspective as they presumably felt they were not being offered much scope to affect the proposals. However from the government’s perspective they had to act quickly to get the loan and calm the markets.

In terms of a broader sense of social dialogue some consultation took place, as it will be described below.

4.2.1 The Special Scientific Committee

The Special Scientific Committee for the connection of flexibility with security (flexicurity) was formed in March 2007 by the Minister of Employment and Social Protection decision (Ministerial Decision YA 91556/7 Mar. 2007, Official Gazette 112/19 Mar. 2007) to prepare a project on the new challenges on labour legislation and employment.

The initial report was drafted so as to allow participation by the social partners in the issues it analyzed. However, it was not welcomed by the social partners, and therefore an opportunity well before the crisis to introduce flexicurity measures including effective active labour market policies was lost both by the previous and by the current government¹². The same committee was reformed under the new government and the project was revived. Under the new conditions the report served as a draft for Law 3846/2010 (Official Gazette 66/11 May 2010) titled “Guarantees for employment security and other provisions”, which provided for a revision in the legal framework for alternative forms of employment, including part-time work, telework, temporary employment, short-time work, suspension of the workers, working time regulation, work on the sixth day of the week, and related issues.

¹² Comment by Christos A. Ioannou, member of the committee, May 2011.

According to the president of the scientific committee professor Ioannis Koukiadis, the committee invited members of the major associations of workers and employers and tried to come up with widely accepted solutions. Social dialogue also took place in the same committee concerning the strengthening of enforcement of labour legislation by the Body of Inspectors of Labour (SEPE). The later would be submitted as a draft law later on.

Social dialogue on the tackling of the economic crisis as a whole in a strict sense did not really take place, according to professor Koukiadis. However, under a broader sense, some social dialogue took place: there were discussions and consultation among interested parties. The dialogue took mainly the form of bipartite discussions between the Minister of Employment and Social Security and the representatives of workers and employers at separate rounds.

Professor Koukiadis also chaired the committee dealing with the institutionalization of the “special enterprise collective agreements”, and the provision that they contain terms and conditions of employment that are substandard to the related sectoral collective agreements. There were discussions and consultation with the social partners as of October 7, 2010, when the new Minister of Employment and Social Security (following the first change in the Cabinet on 4 October 2010) appointed the chair to professor Koukiadis. According to his opinion, “many of the proposals of the social partners were not approved by the Troika”.

There were attempts, professor Koukiadis mentioned, through consultation, to maintain the role of arbitration as it has been recognized by the social partners, as arbitration, the way it has been operating in Greece, does not constitute “compulsory arbitration” under the traditional meaning, that is, there was no enforcement of a governmental choice, but rather the award was based on a decision made by arbitrators who have been selected by the social partners, in order to maintain and ameliorate pay and conditions of employment of the employees, who, because of the weak power of labour unions, may have not concluded agreements through collective bargaining. In that sense, arbitration did not substitute collective bargaining, but was a necessary supplement for the granting of certain basic demands, and was provided by arbitrators completely independent from State control. Based on the facts that arbitration played a supplementary role in the negotiations and that its institutionalization was adopted unanimously by all social partners, it does not constitute the traditional compulsory arbitration. Even though many of the proposals of the social partners were not accepted (by the Lenders), the ability to resort to arbitration was maintained, but the arbitrator’s award was limited solely to basic salary increases. The right to resort to arbitration was equally provided to both employers and employees. In conclusion, the social dialogue was weakened as Troika had its own choices.¹³

4.2.2 Other forms of consultation

- (a) Open public consultation on the draft laws was offered by the office of the Prime-Minister through the internet site of <http://www.opengov.gr>, where many interested parties and citizens wrote their opinions.
- (b) Bilateral discussions and consultation with the social partners, i.e. GSEE and SEV, ESEE, GSEVE took place. The social partners’ response to the proposed legislation reforms was realized not only through discussions with the leadership of the Ministry of labour, but also through statements, press releases at their internet sites and reports in the media. There was also one tripartite meeting.
- (c) OKE did not take part in the social dialogue for the formation of opinions on the reform of collective labour law during 2010, as most new acts were considered as urgent and were drafted following the guidelines of the Memorandum signed between the Greek Government and the Lenders.

¹³ Personal interview with Prof. Ioannis Koukiadis on 20 January 2011.

OKE participated though in the formation of an “opinion” for the draft law submitted in 25 June 2010 by the Minister of Labour, on the “New Public Insurance System and other provisions; Arrangements in Labour Relations” (http://www.oke.gr/opinion/op_241_10.pdf), and for the draft law “Guarantees against employment insecurity and other provisions”, which was submitted to OKE on 27 January 2010 by the Minister of Labour (http://www.oke.gr/opinion/op_233_10.pdf).

4.3 Collective bargaining

4.3.1 The ‘National General Collective Agreement’ and the chronicle of events that led to its conclusion

The current socialistic PASOK Government was elected on 4 October 2009. Immediately afterwards, on 15 October 2009 the Minister and Vice-Minister of Employment and Social Security met with the leadership of GSEE to discuss the accumulated problems of the workers, the unemployed and the pensioners, such as layoffs, unemployment, industrial relations issues like short-time work, flexible work arrangements, undeclared work, etc., and issues concerning social security, labour accidents, inspections, etc. The Minister declared that the social dialogue, as well as discussions with the Confederation to regulate industrial relations, would commence immediately. The president of the Confederation showed satisfaction (GSEE, 2009).

On 20 January 2010 the first round of negotiations took place for the National General Collective Agreement (EGSSE) (GSEE, 2010a). Meanwhile, GSEE made a statement explaining that it had assigned to two specialists, with no specific political orientation, to participate in the scientific committee discussing the issues on social security reforms.

On 2 February 2010 the Prime-Minister announced the first cutback policy measures. The following day the president of GSEE announced that he would propose a general strike and that the GSEE specialists leave the social security committee.

On 25 March 2010 it was decided that the support mechanism of the Greek economy be activated. On 23 April, after the Prime Minister publicly announced so, the president of GSEE characterized it as “an extremely unpleasant and painful development” (GSEE, 2010c), and on 24 April he refused to participate in the planned meeting with the Minister of Labour. On April 28, he met with the Lenders’ representatives in order to “defend workers’ rights” (GSEE, 2010d), and the next day he met with the Prime-Minister. On 2 May, he declared that the new measures are the most severe and socially unfair measures of our modern history, and moved on announcing a major strike on 5 May.

On 21 May the Minister of Labour called the social partners for consultation on the topics to be decided following article 2 of Law 3845/2010 (in.gr, 2010), and more specifically on the process of resorting to OMED, increasing the limit of mass dismissals, issues relating to the level and method of payment of severance compensation, measures against dismissals of workers close to retirement, terms of employment and subminimum wage for entry-level below 25-year old employees, terms of employment of interns (‘stages’) and determination of maximum time of specific-term contracts. On 25 May the president of GSEE responded that he would recommend to the board of GSEE that the confederation would not participate in the consultation (GSEE, 2010e; *To Vima*, 2010).

The draft of the presidential decree which would clarify Law 3845/2010 was submitted on 16 June 2010 and GSEE responded in the press and by announcing new strike activity.

Meanwhile, the major social partners got back at the bargaining table and on 15 July 2010 they signed the new “National general collective agreement for years 2010-2011-2012” (EGSSE), with the following main terms:

-
- (a) The Christmas, Easter and annual vacations' 'allowances' constitute regular compensation.
 - (b) Basic salaries: No salary increases are provided for 2010 (not explicitly mentioned but implied in the agreement); the basic salaries, as they were formed on 31 December 2009 will be increased as of 1 July 2011 to the percentage equal to that of the Harmonized Index of Consumer Prices (HICP) of the euro area (as it will be announced by Eurostat) for 2010; and as of 1 July 2012 a further increase on the basic salaries will be given equal to the percentage of the HICP of the euro area for 2011.
 - (c) The collective agreement will be in force for a three-year period.
 - (d) Other provisions, such as profit sharing by mutual consent between an enterprise and its employees, employers' contribution for low-paid workers' children summer camp, etc.

The EGSSE set the grounds on which most collective agreements signed afterwards were settled.

4.3.2 Other collective agreements and negotiations

4.3.2.1 *Continued collective bargaining*

A characteristic case took place in the Hospitality Sector. In this sector there is one main sectoral collective agreement and several local ones. During the last part of 2010 many local sectoral collective agreements were signed following bilateral negotiations or, at most, during the mediation process. It was obvious that the main consideration of the negotiating parties was to have a collective agreement signed, rather than having to resort to arbitration, which has been at stake following the discussions about the new legislative measures.

4.3.2.2 *First attempts for collective agreements with subminimum wages*

In October 2010, it was spread in the news that there were two collective agreements which agreed on subminimum wages. After careful research, I found that there was actually only one, which triggered "rage" by the unions (*Kathimerini*, 2010b; *in.gr*, 2010; the specific collective agreement is available at the site of the Ministry of Labour and Social Security, at: www.ypakp.gr: ΕΠ 78/2010). It concerned the pay and terms of employment of the personnel of a private security firm.

In this agreement, which was signed in 28 June 2010, and became known by the press later on, there was a subminimum wage of 640 euros, and a seven-days working shift, only for those security workers who would be subcontracted to a specific client. This, of course, is an issue of inequality among workers in the same enterprise and of unfair competition in the bidding for the specific contract with the specific client. From personal research, I found that this collective agreement was never applied, and that so far, it has neither been revised by the parties involved, nor re-submitted to the Ministry of Labour, so as to become formally active.

4.3.2.3 *"Special enterprise agreements" under Law 3899/2010 and Law 4024/2011*

The first "special enterprise collective agreement", providing 9 per cent salary reduction for the next two year period, was signed on 29 December 2010 between the company Neogal Dairy S.A. of Northern Greece, employing 120 people, and the enterprise union. According to the managing director of the company, "our employees agreed almost unanimously" and "the agreement was signed as a precautionary measure, as the company foresees the future of the Greek economy which will be difficult. Therefore, an increase in the products prices and the reduction of competitiveness of the company must be avoided. The average cost per employee is about 30,000 euros, therefore salaries are not low." In return, the company guaranteed job security (*Kathimerini*, 2011).

The agreement was to be applicable as of 1 January 2011 and was submitted to the Board of Social Enforcement of the Inspectorate of Labour (“Συμβούλιο Κοινωνικού Ελέγχου Επιθεώρησης Εργασίας”, SKEEE) for an opinion on its necessity. On 12 January 2011 the Council met and issued its commentary report, in which the members stated that “the financial situation of the enterprise is especially healthy, as shown by the company’s high liquidity, its fixed assets value, which is 5.44 times higher than its payables and 2.35 times higher than its total liabilities, its product is not affected by seasonality”, so, it concluded that “the quantitative and qualitative data in hand are not adequate to establish an urgent need for labour cost reductions, so as to support the enterprise competitiveness and the improvement of its productivity” (Ministry of Employment, 2011).

However, according to Ioannou, the terms of pay and employment of the workers in the company have been regulated by two distinct collective agreements, a sectoral one that applied to milk pasteurizing firms, and a cross-sectoral one that applied to the personnel of agricultural cooperatives, thus creating a 15 per cent difference in the cost between the two collective agreements (Ioannou, 2011a). He implies, therefore, that there was not really an issue of salary reductions, but rather an attempt to harmonize the two collective agreements in one.

By July 2011, the “special enterprise collective agreement” of Neogal had not been submitted to the Inspectorate of Labour, so to be legalized. According to the news, Neogal’s management withdrew the previous one and signed an enterprise agreement with no salary increases and preservation of job security (Salourou, 2011, p. 3).

“Special enterprise agreements” could be formed by the local enterprise union or the respective sectoral union or federation. In Greece there are about 200 enterprise collective agreements formed per year, out of a total of about 400 collective agreements per year (about 100 sectoral, 100 occupational and 200 enterprise agreements). Enterprises having the right to conclude an enterprise collective agreement have been those that employed more than 50 people. It is estimated that there are about 4,000 enterprises with about 700,000 employees, which fulfill this criterion. From these, only 200 have signed enterprise agreements, while another as many have been signing “informal collective contracts”. Furthermore, it was the employees’ side that had the initiative in collective bargaining in most cases.

What changed under the new legislation is that enterprises employing less than 50 workers, even those with 10-49 employees, got the right to sign “special enterprise agreements”, that is about 25,000 small businesses, employing 460,000 people (Ioannou, 2010d). Very small businesses, even with less than 10 employees, might be included, as the respective sectoral union or federation could sign such an agreement.

According to Ioannou, the number of enterprises that would exercise the new right, as the initiative now was shifted towards the employer, depended on (a) the “exchange cost” of collective bargaining, i.e. the cost of the formation and the administration of collective agreements, which so far justified the priority given to the sectoral agreements (b) the cost versus the benefit of having versus not having such agreements and (c) the existence of an enterprise union (Ioannou, *ibid*).

However, as the General Confederation of Greek Workers (GSEE) has condemned such agreements, there were about 600 applications in the First Instance Court pending for the creation of enterprise unions in enterprises where such representation did not exist, as it seemed easier for an employer to negotiate with the enterprise union rather than a more powerful federation or a sectoral union. According to an article, “this massive activity may be interpreted as ‘preparation’ of the workers side to come to a ‘compromise’ with the employers and agree on wage cuts. It is a common secret that workers receive intolerable pressure to accept wage cuts”. There are also great pressures at an individual level in small and medium sized businesses to accept lower salaries or other changes in their individual employment contracts; otherwise employees are threatened with layoffs (Papadis, 2011).

The Ministry of Labour and the Lenders have been worried, as no “special enterprise agreements” were signed following the passage of this law. Ioannou concluded that for enterprise agreements to operate effectively, especially during the crisis, a shift to institutions and behaviors of high trust is required, in other words, a change in the negotiating culture, and not only in legislation, which might be a utopia under the current conditions (Ioannou, 2011b).

In the period following the passage of Law 3899/2010 and until October 2011, eight “special enterprise agreements”, were signed and officially submitted to the Ministry of Labour, providing for salary decreases up to 20 per cent. The provision of such agreements was discontinued by article 37 on “Regulations on Collective Bargaining” of Law 4024/2011 signed on 27 Oct. 2011. According to this law, enterprise agreements may be concluded by enterprise labour unions, or in case of non-existence of such labour organizations, by an “association of persons”, and lastly by the related first level sectoral organizations and the employer. An “association of persons” may be formed by at least three fifths (3/5) of the people employed in the enterprise, regardless their total number, and without time limits as to the duration of the existence of the “association of persons”.

The “associations of persons”, as mentioned in 3.2.1., were regulated under Law 1264/1982 “on the democratization of the labour movement and the fortification of collective freedom of workers.” They were recognized as labour organizations under certain conditions, i.e. they were allowed in small and medium enterprises and where no other labour union existed. They were not considered as legal persons, and could be formed by two persons, in order to achieve a specific goal, within a specific time period, usually six months, or until the goal was reached (Leventis, 1996, p. 96-105). They were not popular, as they were often regarded as “competitors” to the labour unions. The new Law 4024/2011, authorized “associations of persons” to conclude and sign collective agreements in small and medium enterprises.

The terms of enterprise collective agreements were given precedence over sectoral agreements for as long as the Medium-Term Framework of the Fiscal Strategy lasts, but it was not allowed that they contain terms worse than the EGSEE (Law 4024/2011, article 37,5).

From the passage of Law 4024/2010, i.e. 27 Oct. 2011 and until the end of 2011, there were thirty two enterprise collective agreements that provided for lowering wages: thirty one were signed by associations of persons and one by a labour union. In 2012 (until 22 Feb. 2012) forty enterprise collective agreements have been signed between an association of persons and an employer and officially submitted to the Ministry of Labour, providing for salary decreases up to the level of the National General Collective Agreement. Another fourteen enterprise agreements that were signed by a labor union were providing for maintenance of the previous agreement’s wages, or reductions and only one for the European inflation increase.

4.3.2.4 The “extension of collective agreements”

Article 11,2 of Law 1876/1990, refers to the extension of collective agreements, as follows:

The Minister of Labour may, in consultation with the High Council of Labour, decide to extend the scope of a collective agreement and make it binding upon all the workers of a given economic sector or occupation, provided that the agreement in question already binds employers employing 51 per cent of the workers in that sector or occupation. ... an occupational agreement which has been extended shall be binding upon all workers engaged in the occupation it covers, irrespective of the type of business or undertaking in which they are employed.

This article has been under scrutiny by the Lenders, who would prefer to have the rules about extension abolished. It is noteworthy that according to the newspapers the Minister of Labour had in her pending documents at least five signed collective agreements, two of which provided increases higher than the EGSEE, waiting for their “extension” (Salourou, 2011).

It seemed however, that the Greek society was not ready yet to accept negative provisions; therefore every effort for a collectively agreed term lowering the current conditions received negative publicity. Furthermore, as the vast majority of the Greek enterprises are small and very small, i.e. 98.8 per cent of all enterprises employ less than 20 people (Eommex, 2004), it has not been possible so far for them to negotiate an enterprise collective agreement with an enterprise union, which requires 20 people to be formed. Therefore, employees sought the coverage they have been receiving from the sectoral and occupational agreements and employers have been aware of their legal limits. In the event that sectoral agreements are weakened, then the whole constitutionally guaranteed system of collective bargaining is at stake.

The same attitude was adopted by the Ministry of Labour, which announced on 7 February 2011 that the Minister is going to ask the social partners to create objective criteria for the application of the extension of collective agreements (<http://www.ypakp.gr/uploads/docs/4291.pdf>). In the press release of the same Ministry on 11 February 2011, it was announced that “the utilization of special enterprise agreements lies in the free will of the negotiating social partners” (<http://www.ypakp.gr/uploads/docs/4301.pdf>). Finally, Law 4024/2011, article 37,7 clarified that the extension is valid as of the date of the publication of the Minister’s decision in the official gazette.

4.3.3. Dispute resolution

4.3.3.1 *The cases of arbitration appeal following Law 3871/2010*

The following three cases of appeal under Law 3871/2010 were submitted to a three-member arbitrator committee by the respective employers:

- (a) The first (1-Ef/2010/ 24 Sept. 2010) was against a collective agreement signed following the mediator’s proposal. Law 3871/2010 utilized the term “mediation agreement” for the first time, which had no clear meaning. The three-member committee of arbitrators rejected the appeal, as it was referring to a signed collective agreement, i.e. under the free will of both parties, not an arbitrator’s decision, therefore did not fall under the provision of any law.
- (b) The second (2-Ef/2010/6 Oct. 2010¹⁴) appealed an arbitration award (DA 30/2010 issued on 1 July 2010¹⁵) which provided for salary increases of 1.5 per cent as of 1 Jan. 2010 and 1.5 per cent as of 1.9.2010 for radio technicians. Even though the initial arbitration award was issued before the conclusion of the EGSSE on 15 July 2010, the majority of the arbitrators of the appeal board ruled against any salary increases for 2010.
- (c) The third (3-Ef/2010/22 Oct. 2010) appealed an arbitration award (DA 28/2010 issued on 17 June 2010) which provided for salary increases of 1.5 per cent as of 1 Jan. 2010 and it concerned an enterprise regulation of a profitable courier firm. The arbitrators ruled for no salary increases for 2010, and the majority (2/3) of arbitrators further ruled for a lump-sum provision of 250 euros per employee. The company appealed to the First Instance Court against the validity of this decision and the court ruled that this lump sum of money does not constitute “salary”, but rather an extra one-time, non-salary provision, based on profits (First Instance Court of Athens, Department of Labour Disputes, Decision 1500/2011, issued on 30 Aug. 2011).

4.3.3.2 *The use of mediation*

Among the first responses to the new austerity measures brought by the Government was the fact that the main Social Actors resorted to collective bargaining to conclude a three-

¹⁴ <http://www.ypakp.gr/uploads/docs/4200.pdf>

¹⁵ <http://www.ypakp.gr/uploads/docs/3923.pdf>

year National General Collective Agreement (EGSSE) for 2010-2011-2012, as already mentioned.

The EGSSE gave a breathing space and a base for all other negotiations. Following the signing of the EGSSE, there were many attempts by negotiating parties to conclude collective agreements without resorting to arbitration and often during the mediation process even without a mediator's formal proposal: there was ambiguity in the wording of Law 3871/2010, article 51, of what "mediation agreements" would be. The law defined that arbitration awards or "mediation agreements" could not provide pay increases above the ones of the EGSSE.

During the first twenty days of January 2011 no application for mediation was filed with OMED. This was a rather unusual reaction, as, many labor unions apply right from the beginning of the year, so as to achieve a retroactive entry into force of their regulation as of the beginning of the year, since the law defines that an arbitration award may apply retroactively from the day following the date that an application for mediation was filed (Law 1876/1990, article 16,3).

Among the first applications for mediation to be submitted have been traditionally the ones of the unions of the means of transportation, which were under dispute with the government for the revision in their status (privatization), which would affect their employment relations system. Another reason may be attributed to the conclusion of many collective agreements as of the previous year for a two-year or three-year period, following the guidance of the EGSSE and the desire of the social partners to find solutions among themselves.

4.4 The labour relations climate

4.4.1 Adjustments in collective bargaining

In the beginning of 2010 and up to 30 April there were 67 applications for mediation recorded by OMED. From these 20 applied for a suspension of the process, something that is not unusual when the EGSSE is not concluded. However, as soon as the news was spread that the government would implement austerity measures, especially concerning arbitration, the social partners reassumed negotiations.

Because of the new legislation, many changes have been realized within 2010 and will continue during the following years. It is indicative that as soon as the crisis was felt, an arbitration award for an enterprise regulation early in 2009 was not applied by the enterprise and, in response, the union appealed to the Court. In 2009 and 2010 there were employers demands in the negotiating agenda for non-salary increases, and in 2010 there were employers demands for lowering salaries, but almost until the end of 2010 neither a collective agreement was signed nor an arbitration award was issued containing salary reductions.

4.4.2 Unions' response with strike activity

The General Confederation of Greek Workers (GSEE), together with the General Confederation of Public Sector Employees (ADEDY), which form the third level trade union, called several general strikes and mass demonstrations to put pressure on labour's demands for the new national general collective agreement, to protest against the new legislation containing austerity measures, including wage cuts and the reforms in the social security, which would jeopardize pension rights. There were major strikes accompanied by mass demonstrations on 24 February 2010, 11 March, 2 April, 5 May (which led to the death of three bank employees working in the centre of Athens), 20 May, and 29 June. There were mass demonstrations on 1 May, 5 June, and 16 June and other sectoral strikes and demonstrations (for strike activity: <http://www.gsee.gr>). This strike activity was further continued in 2010 and 2011.

4.4.3 Employers associations' responses to the proposed measures

The Federation of Greek Enterprises (SEV), the leading employers' association, expressed the view that for 2010 there should be no changes in pay levels. SEV announced that it supported the existing institutional framework concerning the limit of layoffs and the existence of collective bargaining, but was also in favor of flexibility in the industrial relations system. The president of SEV stressed that collective bargaining is a social institution protected by the constitution and that economic development does not depend on lowering wages (Liaggos, 2010). "Our position, which expresses all employers' associations, is that there is no need for lowering wages in the private sector, as far as the needed structural changes take place, which will free entrepreneurial activity from the State's suffocation. The enhancement of competitiveness may then be realized without wage cuts", the president of SEV commented (*Kathimerini*, 2010a).

The National Confederation of Hellenic Commerce (ESEE) accepted the invitation of GSEE to recommence negotiations for the new national general collective agreement. They believed that the process of negotiations for this agreement is the expression of the climate of social peace (*News.in.gr*, 2010b).

At the same time a unique phenomenon took place: on 5 May 2010, the General Confederation of Greek Workers (GSEE) had announced a general strike to protest against the austerity measures the Greek Government took. For the first time, two other social partners from the part of the employers, i.e. the Hellenic Confederation of Professionals, Craftsmen and Merchants (GSEVEE) and the National Confederation of Hellenic Commerce (ESEE), both representing small and medium enterprises, participated in the workers' strike.

As far as the draft presidential decree of 16 June 2010 is concerned, reactions came not only from the part of the workers and unions but also from the employers' associations. GSEE's first reaction was that the new presidential decree is "obviously unconstitutional and illegal" (Naftemboriki, 2010). The representative of the Institute of Labour of GSEE further added that the "percentage of 'real' unemployment will further increase within the current year by 50-60 per cent, creating a nightmare in the labour market, as the proposed changes will lead to mass layoffs". He further predicted that the sectors that will suffer most are tourism, construction and retailing (Ethnos, 2010).

The president of SEV said, "The employers' community did not ask and is not pleased about the new industrial relations framework announced by the Ministry". He advocated that layoffs are the last resort for businesses, and estimated that new jobs may be created through the utilization of unused resources and structural changes (*Eleftherotypia*, 2010). The president of ESEE stated, among others, that ESEE's proposals to support employment and not unemployment were not included in the presidential decree. He added that the proposed changes were much stricter than the demands of the Memorandum (Ethnos, 2010). The social partners' and the political parties' pressures were so strong that the Minister decided to pass the proposed piece of legislation through the Parliament and to modify the terms relating to severance compensation. He also announced on 22 June 2010 that if changes are desired about the method to resort to arbitration, then the social partners should agree between themselves.

4.4.5 Reactions to market liberation

Numerous strikes and demonstrations have taken place during the last few months of 2010 and the beginning of 2011 as a reaction to the attempts of the government to liberate the so called "closed occupations" in order to comply with the memorandum, or against cutting down occupational rights. Truck owners, employees in the means of transportation, lawyers, pharmacy owners, hospital doctors, to name a few, are some occupational groups which went on strike.

On the employers' side, as of 24 January 2011, ESEE invited the social partners, including the Federation of Private Employees of Greece (OIYE), GSEE, GSEBEE, SELPE¹⁶ and super-market owners to discuss issues related with the operation of retail stores. Both employers and employees are afraid that "market liberation" will work against the competitiveness of their field.

5. Summary, conclusions and issues for further research

5.1 Summary and conclusions

This paper described the impact of the financial crisis on industrial relations in Greece. Faced with a huge debt, the Greek Government resorted to external financing by the European Union, the European Central Bank, and the International Monetary Fund. In exchange it signed a Memorandum of Understanding, under which it had to take austere measures to reduce spending and increase revenues.

The austerity measures and the new legislation had a direct impact on the industrial relations system. Wages were reduced in the public sector and the wider public sector, i.e. public sector utilities and organizations of public welfare, salaries were almost frozen in the private sector, and taxes and prices were raised. By increasing indirect taxes, such as the VAT, consumption drops, creating a vicious circle impact, which is not estimated yet. The closing of hundreds of small and medium enterprises proves it. Inflation arrived at 5.4 per cent in May 2010. Employment levels were greatly affected by the recession and the projections seem ominous for the future, as unemployment reached 15.9 per cent in April 2011, 18.3 per cent in August 2011 and 20.9 per cent in November 2011.

The first attempts to lower wages in the private sector through collective bargaining have already been realized. There are already eight "special enterprise agreements" signed, and other enterprise agreements which provide for salary decreases from 2 to 20 per cent, but at a level not lower than the minimum of the National General Collective Agreement (EGSSE). There are complaints by workers and unionists that workers receive pressure by their employers to sign individual agreements with sub-minimum wages. There is information that in larger organizations employees were obliged to accept reduced work week schedules accompanied by reduced salaries. On the other hand, work load has been intensified for those remaining employed on a full-time basis.

Collective bargaining continues in a decreasing manner, and arbitration is limited in defining the basic wage and/or salary, thus reducing mutual concessions. There are currently five arbitration award cases waiting for the court's decision as to whether they were legally formed, since they contain a "preservation clause" and not only a clause relating to basic wage or salary formation.

The reduction of wages in the private sector and the weakening of collective agreements have not contributed to the resolution of the issue of competitiveness of the Greek economy. In a recent article by the former Minister of Labour, she states that there are no indications in the international bibliography that reductions of the unit labour cost may reinstate competitiveness. On the contrary, the new regulations will dramatically reduce family income and will contribute to the deepening of the recession. Low competitiveness in Greece is attributed to lack of investments and to the high non-wage cost of labour. The latter which reaches 41.5 per cent of the total labour cost, is attributed to increased taxation, high insurance contributions by both employers and employees, and enormous bureaucracy which constrains entrepreneurship (Katseli, 2011).

¹⁶ SELPE: Association of Retailing Enterprises (Σύνδεσμος Επιχειρήσεων Λιανικής Πωλήσεως Ελλάδος - ΣΕΛΠΕ).

The challenge that lies ahead is how to recover from the crisis. From the press conference by the Lenders on 11 February 2011 which shocked the Greek people, it seemed obvious that the austerity measures have not produced the desired results: although there have been spending cuts, the debt is still huge. By cutting down salaries and increasing VAT and other taxes, spending decreases and the economy stagnates. The raise of unemployment and the closing of enterprises make things even worse.

Within one year, from January 2010 to January 2011, unemployment grew from 11.3 per cent to 15.1 per cent, the number of unemployed people from 567,000 rose to 756,800, inflation was raised from 2.4 per cent to 4.5 per cent, the per capita income dropped from 17,199 to 16,289, private consumption was lowered from 167,381,000 to 161,560,000, salaries were lowered, and sales revenues of retailing stores dropped by 13.3 per cent (Tsiros, 2011). One out of four smaller companies is expected to close and cash flow and drop in sales are the major problems faced by SMEs, according to a GSEVEE study (naftemporiki.gr, 2011). It is estimated that about 320,000 positions of employers, self-employed and employees may be lost, if the above is realized (Manifava, 2011). Unemployment was recorded to top in August 2011, when it rose to 18.3 per cent according to Eurostat (Eurostat, 2011c) or 18.4 per cent according to the Greek Statistical Authority (2011b).

Greece showed the highest annual decrease in hourly labour costs (-6.5 per cent), according to Eurostat (2011b), while the euro area hourly labour costs rose by 1.6 per cent. According to ESEE salaries were decreased by -5 per cent in manufacturing, -9.4 per cent in construction, and -5.1 per cent in trade and services, while non-labour costs were -8.9 per cent, -13.6 per cent and -10 per cent respectively, and monthly payroll cost for the 15 large public utility companies was reduced by -31 per cent. It was suggested in a Wall Street Journal article that although Greeks work on the average 42 hours per week, which is the highest in Europe, productivity per hour is lower in comparison with northern countries; the article attributed this phenomenon to the lack of sufficient technology and infrastructure (Dalton, 2011). Lack of adequate training of the workforce, could also be added as another contributing factor.

The answer to the crisis may be found in taking developmental measures. It is through entrepreneurship and innovation that an economy may revive. There is need to increase investments, market mobility, and provide measures to assist enterprise start-ups. Law 3853/2010 (Official Gazette A, 90/17 June 2010) titled: "Simplification of the processes for start-ups of personal and capital companies", was passed by the Parliament in June 2010. It provided for the simplification of processes through a one-stop service and less bureaucracy during start-ups. However, the one-stop service became activated only on Monday, 4 April 2011.

Areas that can be strengthened in Greece are tourism, the agricultural sector by producing and offering quality products and services, energy and new skill training, to name a few.

In the primary sector, although it constitutes a basic source of recovery, there are not enough measures yet to restructure agricultural cultivations and livestock farming. Fisheries, under private initiative, are probably one sector that produces results, and has been the first exporting industry during the last three years. There have been some investments in the energy area, especially in natural gas, and new production facilities have been planned. New legislation has been passed concerning facilitating cruising tourism, even though there were great political and labour reactions on this. Infrastructure developments are always needed to make tourism more attractive.

In terms of the operation of the industrial relations system there is a possibility that more effective tripartite social dialogue could have prevented social instability. Collective agreements remain an effective means for regulating wages, working conditions and employment relations. There is a need to strengthen social dialogue at the bargaining table and to promote a forward looking negotiating culture at all levels.

It is still difficult to draw conclusions at this early stage about the impact the reforms will have on collective bargaining practices, as the new legislation has created a new environment that affects the distribution of power and the role of the actors involved in the Greek industrial relations system. This new environment may also constitute the grounds for further research.

Structural changes, developmental measures and long term planning are required not only in Greece, but throughout Europe, as the crisis has touched everybody and not only individual countries. As full employment remains an important goal, all those involved with the economy and the society, like industrial relations specialists, labour unions and employers' associations, international organizations and the political leadership around the world, should work towards this end through the economic recovery.

5.2 Law 4046/2012 of 14 Feb. 2012

As this paper was going to print, the passage of Law 4045/2012 (Official Gazette A-28/14 Feb. 2012) which includes the plans for the "Financial Assistance Facility Agreement" has brought even greater changes for the Greek economy and the industrial relations system. In annex V in the "Memorandum of economic and financial policies", several structural reforms are prescribed, in order to remove rigidities from the labour market, "... protect employment and close Greece's competitive gap more rapidly". These reforms require the Greek government to urgently take the following legislative measures, including:

- Changes in the length of collective agreements; removal of 'tenure' in all existing legacy contracts; a freeze of 'maturity' salary increases based on time at work until unemployment falls below 10 per cent; changes in the way to recourse to arbitration, thus allowing requests for arbitration only if both parties consent and the ability of arbitrators to rule only on basic wages and not on benefits.
- Adjustments on the basic salary level, i.e. the wage floors, by reducing the minimum of the EGSSE by 22 per cent, thus reducing the minimum salary from 751 euro to 586 euro gross per month, and a freeze in this salary until the end of the program period, while the reduction for youth, under the age of 25, to be 32 per cent of the basic salary, i.e. 527 euro.
- Adjustments to non-wage labour costs, by reducing the social security contributions from the part of the employers by 5 per cent; closing of small earmarked funds (OEK and OEE, i.e. Organization of Labour Housing and Organization of Home of Labour).
- The consideration of more direct interventions in case that by the end of 2012 the effects on the labour market do not produce the desired results.

These measures are expected to have a direct effect on social dialogue and collective bargaining, as employers may not be willing to consent to recourse to arbitration, and therefore a new 'asymmetry' may be created in the power of the negotiating parties, as unions will face a deadlock in contract negotiations. Employers may be more willing to sign individual agreements than negotiate collective ones. The future of sectoral collective agreements is also at stake, following the loss of power of the unions. The closing down of organizations like OEE will mean a halt in the financing of labour unions, which may lose their financial autonomy and independence, and probably of the Organization for Mediation and Arbitration, which is also financed by this fund. Therefore, even an independent mechanism for dispute resolution will be at stake.

Finally, the reductions in wages and pensions will probably lead to higher poverty levels and maybe to social disorder.

5.3 Issues for future research

A first issue for future research could be related with a study comparing the types of collective agreements signed under the pressure of the crisis and before, as well as the differences between the enterprise collective agreements signed between an employer and a labour union versus an employer and an association of persons. It seems that in Greece the associations of persons have much less negotiating experience and less bargaining power than enterprise unions, as they have signed more collective agreements with salary reductions than unions have done. It remains to be seen, whether associations of persons will be the first step in a possible new type of labour unionism or not.

Another issue concerns the future of industrial relations and collective bargaining. It is debatable whether employers will take advantage of the restrictive legislation and will not resort to collective bargaining or to arbitration, or whether a new type of collective bargaining will begin.

However, many researchers, reporters and citizens are afraid that the new measures are likely to have a negative impact on the world of work, as they will create deeper recession, higher rates of unemployment that will probably reach 25 per cent within the following year, and a drastic drop in public consumption. The government has to take serious developmental measures to strengthen the economy and employment.

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