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**Title of paper: Austerity and social dialogue in Greece: the consequences of Greek
Memoranda on social partners' dialogue**

Theodore Koutroukis and Spyros Roukanas

Abstract

Aim of this paper is to criticize the impact of joint EC-ECB-IMF Programmes on the Greek industrial relation system, using an analysis of the institutional changes in the labour market and the social dialogue procedures.

The paper examines a series of transformations that took part in the Greek industrial relations system and assess the changes in the field of social partnership. Furthermore, it analyses the implications that institutional amendments, introduced since 2012, have promoted for Greek labour legislation and the role of social partners.

Moreover, it evaluates the impact of EC-ECB-IMF Programmes on the reshape of the Greek industrial relations context towards highly decentralized collective bargaining, and the abandonment of social dialogue as a means to contribute the economic and social policy fundamental choices.

Keywords

Social Dialogue; Crisis; Greece; Industrial Relations.

Author details

Theodore Koutroukis, University of Thrace, Komotini, Greece, theodoroskoutroukis@cyta.gr

Spyros Roukanas, University of Piraeus, Piraeus, Greece, sroukana@ierd.duth.gr

1. INTRODUCTION

During the past four years Greece has been faced an enormous change in the fields of employment relations, social dialogue and labour market. Current debate on the consequences of joint EU-ECB-IMF programs has found that exists directly impact on the Greek industrial relation system and especially on social partnership process

Over the past twenty years social partners' role in the Greek industrial relations system has enriched. Thus, the notion of SD has been broaden to mean (Aranitou &Yannakourou, 2004):

- The bi-partite social dialogue, specifically between employer and employee organizations
- The tri-partite dialogue at the national level among government, social partners' and stakeholders' representatives, as well as any social partner's participation in several boards of directors.
- Certain atypical SD schemes such as pertinent SD procedures among social partners

2. THEORETICAL BACKGROUND

It is widely accepted that social partnership/ social dialogue (SP/SD) procedures have been a vital precondition for the success of economic and social policies. Several studies have found that when a decision-making organization wishes to assure that the continuous involvement of the parties concerned is maintained, it has to convince those parties that its policies have taken into account their interests and opinions (Koutroukis & Kretsos, 2004, 2008, Koutroukis, 1997).

Social Partnership -in a modern view- is, as defined by the Copenhagen Centre (1999):

“people and organisations from some combination of public, business and civil constituencies who engage in voluntary, mutually beneficial innovative relationships to address common social aims through combining their resources and competencies”.

From another point of view the Greek Economic and Social Committee has defined Social Dialogue as the

“Attempts that aim to touch differing opinions and interests in order to solve common problems or efforts to explore and appoint common targets regarding related issues or simply procedures that help distinct social groups to exchange ideas (OKE,1999)”.

SP/SD has taken many forms in the European Union such as information, consultation, negotiation, bipartite, tripartite or multipartite collective bargaining and agreement, and co-decision (Ishikawa, 2003). Moreover, social dialogue can take part at the plant/company level, and/or the region, sector, inter-professional, national, European or international levels. SD has already been evaluated as an effective tool at the local level, as plenty of good practices have been developed in Europe and other parts of the world (Degryse, 2000).

According to many researchers the main benefits and advantages (added value) of continuous and stable partnership schemes are a shared understanding, a mutual trust and flexibility of approaches. Another point that has been mentioned by the participants of an international conference is that

“social partnership and tripartism work best when there is an open agenda to the partnership system, balancing the interests of employers and unions with a perspective on the overall interests of society and particularly where there is a degree of mutual trust between the participants” (European Foundation for the Improvement of Living and Working Conditions, 2002).

It is generally accepted that some prerequisites are essential for the promotion of tripartite co-operation and partnership. A conference that has been organized by the European Foundation for the Improvement of Living and Working Conditions has concluded that the most important of them are (Table 1):

Table 1: Prerequisites for tripartism

Clear Goals	Tripartism requires targets, aims and objectives e.g. economic stability, competitiveness, security at work, income policy.
Visible Results	Delivery of measurable results is necessary for the agendas of the social partners, e.g. safety and health at work, vocational training, employment creation, income guarantees.
Bipartism	Well-functioning bipartism is seen as essential for building tripartite structures.
Multi-level approach	The diffusion of national models down to regional , local, municipal and enterprise levels is important.
Civil Society	Further discussion is needed on where the involvement of civil society is necessary and desirable, and on the representativeness of civil society organizations
Monitoring	Institutions and models need constant review and must develop the ability to adapt, change and be flexible
Responsibility	It is important to adopt a problem-solving approach, accept compromises and trade-offs and create a shared understanding of each other’s difficulties

Source: European Foundation for the Improvement of Living and Working Conditions, 2002.

3. current trends of social dialogue in greece

The concept of SD/SP in Greece means a variety of institutionalised and non-institutionalised procedures of dialogue among social partners. A national process of SD has begun in the 1990s, as the government committed itself in consultations with social partners before legislating on economic and social issues (OKE, 2002).

Thus social partners’ role has been differentiated and included in a new context that was characterized by a more limited role of the state in industrial relations. Furthermore, several developments towards a system of free collective bargaining and voluntary labour disputes

settlement has been promoted. (Lavdas, 2007). However, a central-level bargaining system regarding wage setting at sectoral, firm or territorial level continued to exist (Lavdas, 2007). Although, the activation of SD institutions has been delayed in Greece in comparison to other EU countries due to a lack of a long-lasting SD tradition (Aranitou & Yannakourou, 2004). The implementation of Memoranda I and II includes economic and labour market reforms in wages, collective bargaining, pensions and employment in the public sector. The adjustment of Greek labour market took place in a quick way and labour market flexibility have become widespread. The main austerity measures taken in Greece are shown in Table 2 (Koukiadaki & Kretsos, 2012):

Table 2: Main austerity measures implemented in Greece

Public Sector	Private Sector
<ul style="list-style-type: none"> - Employment reduction - Pay cuts or freeze - Pensions cut or freeze - Increase in retirement age - Increase in working hours without simultaneous or respective increase in pay - Privatizations. 	<ul style="list-style-type: none"> - Easier / cheaper dismissals - Pay cuts or freeze - Pensions cut or freeze - Atypical contracts - Bargaining decentralization - Greater working time flexibility - Lower minimum wage

Source: Koukiadaki & Kretsos, 2012

Before the adoption of measures of economic and social policy, the government organized quick bilateral consultation with the social partners (trade unions and employer organizations), as the situation was characterized as urgent. Due to the same reason OKE (the Greek Economic and Social Committee) did not activate any SD process on the reform of collective employment relations in 2010 (Patra, 2012).

On 15 July 2010 national employer and employee organizations concluded a modest “National general collective agreement for years 2010-2012” (EGSSE) (Patra, 2012).

In the “Updated Memorandum (6 August 2010), the Greek Government, was asked to follow SD in order to adopt legislation and reform the collective bargaining system in the private sector (Patra, 2012).

A second update of the “Memorandum of Understanding on Specific Economic Policy Conditionality”. It confirmed the will to reform the system of collective bargaining “at the firm level in close cooperation with social partners”.

Certain scholars have assessed the situation of SD in Greece. Lavdas has noticed that “attempts at tripartite policy consultation and policymaking are affected not just by the politics of disjointed corporatism but by the particular historical-ideological legacies as well” and claims that “the most persistent influence on economic policy in Greece has been the inherited asymmetry in the social content of disjointed corporatism (2007).

The main obstacle of SD was that its difficulty to extend negotiations to issues beyond pay and remuneration. Another problem concerns the occasions when the process broke down, as a result of strong conflicting forces from the unions or employers (Lavdas, 2007).

According to Lavdas “this implies the reproduction of a pattern of power relations relying on a weak and asymmetrically penetrated state apparatus” and, furthermore he pointed out that “the politics of stalled social dialogue reflect the combined difficulties of building less porous political institutions and extending the Europeanising strategy to further areas” (Lavdas, 2007).

According to Aranitou and Yannakourou “SD in Greece nowadays yields substantial results on a national level mainly in milieus that foster positive preconditions for a culture of debate” (2004). Moreover, they claim that the establishment of institutions and instruments by legislation favouring such SD had not practically managed so far to create the necessary potential (Aranitou & Yannakourou 2004).

According to Kioukias (2003) the Greek case shows that “the traditional statist or pseudo-participatory methods of policy formation and implementation are no longer particularly useful and /or acceptable” (Kioukias, 2003: 130)

According to Tsarouhas “the evidence points to limited change in the Greek social partnership stemming from the EES process, a rhetorical shift and a new institutional amendments notwithstanding” (2008:361)

SD in Greece has been faced many obstacles during the ‘90s due to the long tradition of state intervention in implementing economic and social policies. Nonetheless, SD has been strengthened through the constitution of pertinent institutions (i.e. Economic and Social Committee, Organisation for Mediation and Arbitration etc.) (Aranitou & Yannakourou 2004).

4. SOCIAL PARTNERSHIP IN THE ERA OF MEMORANDA

Social partnership procedures in Greece have been affected by the policies that adopted under the pressures of Memoranda. More specifically, the main legislative initiatives that have been undertaken by the Government are the following:

Memorandum I (3 May 2010)

Law 3833/2010 (15 March 2010) titled “Protection of the national economy-Emergency measures for coping with fiscal crisis”, which has been included the reduction of pay and benefit levels and affecting the industrial relations in both public and private sectors. That law included certain measures for the reduction of financial debts and the income policy of year 2010 and prohibited a) any salary increases and b) provided for a 12 per cent reduction of pay and benefits for public sector employees for 2010.

Law 3845/2010 (6 May 2010) titled “Measures for the application of the support mechanism for the Greek economy by euro area Member States and the International Monetary Fund”. The “Memorandum of Economic and Financial Policies” of 3 May 2010, signed by the Greek Government and the representatives of EU-ECB-IMF (Patra, 2012).

Law 3863/2010 (15 July 2010) titled “New Public Insurance System and other provisions, arrangements in labour relations”. That law has regulated issues on pensions and social security and provided certain crucial changes in employee relations (Patra, 2012):

The “Updated Memorandum” (6 August 2010)

Law 3871/2010 titled “Fiscal management and responsibility”, 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).

Second update of the “Memorandum” (22 November 2010)

Law 3899/2010 titled “Urgent measures for the application of the program of support of the Greek economy” reformed the framework of collective bargaining and the arbitration procedures (Patra, 2012).

Medium Term Fiscal Strategy Framework (June 2011)

The “Medium-term Fiscal Strategy Framework that adopted by the Greek Parliament included important changes in the areas of labour law and social security. After the Memorandum I, the government accepted to introduce several issues of social and labour policy in social dialogue procedure but GSEE refused to participate.

Memorandum II

Law 4046/2012, included the plans for the “Financial Assistance Facility Agreement” and the Memorandum of Understanding II and has been promoted several structural reforms including labour flexibility, protection of employment and increase of competitiveness. The reforms of Memoranda 1 and II that impact industrial relations and social dialogue are included in Table 3 (Patra, 2012):

Table 3: Measures affecting industrial relations and social dialogue

Memorandum I	Memorandum II
<ul style="list-style-type: none"> - Provision that 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 EGSSE. - Amendments in the procedure of appeal to the Organization for Mediation and Arbitration - Raise of layoff limits, in cases of mass layoffs- 	<ul style="list-style-type: none"> - Changes in the length of collective agreements - Removal of ‘tenure’ in all existing legacy contracts - Freeze of ‘maturity’ salary increases based on time at work until unemployment falls below 10%. - Changes in the way to recourse to arbitration, allowing requests for arbitration only if both parties consent and the ability of arbitrators to rule only on the basic wages

<ul style="list-style-type: none"> - New determination of the level and method of payment of severance compensation - Measures for prevention of layoffs of older employees in the phase before retirement, regardless of mass or individual layoffs - Alternative determination of terms of employment and the minimum wage of young people below 25 years who are entry levels in the labour market - New determination of the overall terms of employment and social security of those employed in apprenticeship positions, which may not be more than one year - New determination of the highest duration of specific-term employment contracts - Reduction of allowances and all kinds of remuneration of public sector employees by 8%. - Reduction of the earnings, severance pay, allowances and all kinds of remuneration of personnel employed by state-owned organizations by 3%. - Re-adjustment of the Christmas, Easter and holiday bonuses (Christmas bonus € 500, Easter bonus € 250, Holiday bonus € 250). - Increase of the limit of collective dismissals (i) Up to 6 employees for enterprises or branches of enterprises employing 20-150 people, and ii) 5 % per cent of the workforce and up to 30 employees for enterprises or branches of enterprises, employing more than 150 people). - Amendment of 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. - Amended rights of older employees 	<p>and not the benefits</p> <ul style="list-style-type: none"> - Adjustments on the basic salary level, i.e. the wage floors, by reducing the minimum of the EGSSE by 22%, and a freeze in that salary until the end of the program period, while the reduction for youth, under the age of 25, to be 32% of the basic salary. - Adjustments to non-wage labour costs, by reducing the social security contributions from the part of the employers by 5% - Closing of the Organization of Labour Housing and Organization of Labour Home. - Staffing plans should be consistent with the target of reducing public employment by 150 thousand by the end of 2015. - Transfer of 15,000 redundant staff to the labour reserve in the course of 2012. - The Government commissions an expert assessment of the new wage grid. - The Government sets up an electronic automated system linking the census data base with the Single Payment Authority (SPA). - Government will promote smooth wage bargaining at the various levels and fight undeclared work. - Exceptional legislative measures on wage setting - The minimum wages established by the EGSSE were reduced by 22 percent compared to the level of 1 January 2012 and - for the ages below 25- the wages established by the national collective agreement will be reduced by 32 percent without restrictive conditions. - Reforms in the wage-setting system. - Measures to foster the re-negotiation of collective contracts - Legislation on collective agreements is amended with a view to promoting the adaptation of collectively bargained wage and non-wage cost to changing economic conditions on a regular and frequent basis. - Collective agreements regarding wage and non-wage conditions can only be concluded
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(55-65 years) in layoffs were amended.

- New terms of employment and compensation of entry level workers in the labour market, aged below 25 years.
- Provision for an apprenticeship contract, which should last up to one year and be remunerated with a 70 % of the minimum wage
- Reduction in the percentage of overtime pay.
- Prohibition of 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 EGSSE 2010-2011-2012.
- Provision for a right to appeal to a 3-member arbitration board, to those arbitration decisions issued after the 6th of May 2010.
- Provision for a “*special enterprise collective agreement*”, in which pay and terms of employment may deviate from those of sectoral agreements
- Amendment in the composition of the bi-partite board of directors of OMED
- The maximum duration of short-term work based on an employer’s unilateral decision by the employer was set at 9 months per calendar year
- Abolishment of part-time workers’ higher hourly rate.
- Worker’s duration of employment to 36 months for the same indirect employer.
- Further reduction of all kinds of remuneration of public sector employees, up to 25% of the salary
- Provision for a ratio of 1 to 10 recruitments during 2011 and 1 to 5 for the period 2012-2015 in the public sector
- Increase of working time from 37.5 to 40 hours in the public sector
- Reduction of fixed-term employees by

for a maximum duration of 3 years.

- Agreements that have been already in place for 24 months or more shall have a residual duration of 1 year.
- Collective agreements which have expired will remain in force for a period of maximum 3 months. If a new agreement is not reached, after this period, remuneration will revert to the base wage and allowances for seniority, child, education, and hazardous professions will continue to apply, until replaced by those in a new collective agreement or in new or amended individual contracts.
- Revision of the pertinent legislation so that arbitration takes place when agreed by both employees and employers. The government will clarify that arbitration only applies to the base wage and not on other remuneration, and that economic and financial considerations are taken into account alongside legal considerations.
- An independent assessment of the function of arbitration and mediation shall be prepared, with a view to improve the arbitration and mediation services in order to guarantee that arbitration awards adequately reflect the needs of wage adjustment.
- Clauses on tenure contained in law or in labour contracts are abolished.
- The Government reduces social contributions for these companies in a fiscally-neutral manner.
- The Government enact legislation to reduce social contributions to IKA by 5% and implement measures to ensure that this is budget neutral.
- An independent assessment on the effectiveness of the Labour Inspectorate structure and activities.
- Quantitative targets on the number of controls of undeclared work to be executed will be set for the Labour Inspectorate.
- The Labour Card is progressively introduced and every firm in specific sectors

<p>50% in 2011 and by 10% each following year</p> <ul style="list-style-type: none"> - Reduction of lump sum payments during retirement - Adjustment of supplementary pensions - Imposition of a special levy of 8 % cent to pensioners under 60-years old, who receive pension above 1.700 euros. - Reduction of spending on farmers' pensions - Assessment and rationalization of social benefits - Tightening of the criteria applicable in the case of disability pensions 	<p>will be obliged to use it by end-2012.</p> <ul style="list-style-type: none"> - Creation of a Single Payment Authority for the payment of wages in the public sector - Adoption of legislation/decrees for a simplified remuneration system bargaining.
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Source: Koukiadaki & Kretsos, 2012, Patra, 2012

4. CONCLUSION

Due to a huge public debt Greek Government has been obliged to ask for external financing by the EU, ECB and IMF and was committed to implement measures of reform that are described in two Memoranda of Understanding. The strategy pursued by the government has included labour market flexibility and supply side reforms, such as wage competitiveness, weakening of wage setting institutions, limited employment protection and minimal state support for collective bargaining aimed at short term working over collective redundancy (Koukiadaki & Kretsos, 2012; Patra, 2012; Glassner and Keune, 2010). Therefore, organized labour has been driven in a defensive position and unions' readiness to make concessions in order to save jobs and avoid extreme flexible solutions has increased. Due to that fact the crisis has been a starting point for adaptation to company specific circumstances.

The reduced role of social dialogue in the planning and implementation of the austerity measures seems to be combined with several concerns of the abandonment to the European model of social partnership. The government claimed that the strong pressure by the lenders left no time enough for SD/SP consultations concerning the bail-out agreement (Koukiadaki & Kretsos, 2011). In other words, international or European institutions (EU, ECB, and IMF) -as representing by the Troika- as well as the Greek government shaped the agenda of reforms without a social partners' participation. Moreover, the crisis has affected long standard practices of social dialogue i.e. levels of bargaining and coverage rate of collective agreement and contribute to the emergence of several social "negotiated" responses to the crisis (Glassner and Keune, 2010).

More specifically, Troika has been anymore the strong partner as its role in the management of reforms in the Greek system of industrial relations is very essential. Thus, monetary forces and fiscal constraints set tripartism aside and Greek government in collaboration with the Troika undertook some policies of reform in labour market (wages, labour market, social and employment protection) (Koukiadaki & Kretsos, 2011; Patra, 2012).

The new measures regarding employment relations had a direct impact on the national industrial relations system. Due to the Memoranda social partnership have been put aside, in preference to Troika's monologue and several direct legislative initiatives in circumstances of urgency. In some cases the Troika did not accept social partners' joint opinions. The strategy and policies pursued by the Government fits more fully the preferences of the Troika than the social partners' ones (Koukiadaki & Kretsos, 2011; Patra, 2012).

The Government's initiatives has created a new flexible landscape in the labour market that affects the distribution of power and the role of the professional organisations involved in the Greek industrial relations system. Consequently, the results of the new labour policy were a fast decentralization of the collective bargaining toward the company level, a reduction of the coverage rate of collective agreements and the abolition of arbitration process *de facto*.

Probably, the IMF representatives dominated in Troika, thus the European culture of institutional SD has been put aside and SP was collapsed.

According to Koukiadaki and Kretsos the employment and industrial relations landscape in Greece after the Memoranda resembles that of a laissez-faire framework, in which the negotiation capacity of social partners has been reduced (2012).

In the absence of some beneficial constraints on employers, social partnership will remain a national process of dialogue depended on the political preference of government.

In the new industrial relations landscape there is no incentive for the employers to engage in a social coordinated labour market. Thanks to the new legislative framework employers may undermine the provisions of a collective agreement and regulate the terms and conditions of the employment relation (that is limited only by the National General Collective Agreement (EGSEE)). As the negotiation of workplace regulations will no longer result in arbitration, it is likely that the future employment relations will be introduced by employers through signing individual agreements than collective ones (Koukiadaki & Kretsos, 2012).

It has been stressed that the negotiated responses to the crisis tend to correspond to the concept of "organized decentralization"; that is to say an on-going process in which higher level agreement set the parameters and the procedures for collective bargaining at the company level (Glassner and Keune, 2010). This allows for adaptation to company specific circumstances but put limit on the flexibility avoiding extreme solutions. To sum up, the crisis has accelerated this process of organized decentralization and gives more priority to the company level (Glassner and Keune, 2010).

Although this is seen as a temporary and necessary practice it may well prove to be irreversible in the future. Also there is a danger of an increasingly "disorganized" decentralization where local wage bargaining lacks the framework of a national or sectoral agreement (Glassner and Keune, 2010).

In the era of Memoranda, Troika's monologue has replaced the SP/SD procedures. The future of SD procedures in Greece will depend on the new balance between capital and labour. The latter will be affected by the industrial relations climate, the durability of SP/SD institutions, the social partners' willingness to participate in SD and the influence of the European social partnership model.

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