

London, 25 April 2005

## PRESS RELEASE

A fresh impetus to the dialogue on labour market reform in Greece was given with the policy seminar, which was organised last Friday by the **Hellenic Observatory** of the **London School of Economics** and was chaired by **Professor Kevin Featherstone**, Director of the Hellenic Observatory. The theme of the seminar was labour market flexibility and its key focus was to examine what lessons, if any, could be drawn for Greece from the European experience. The seminar was sponsored by **EFG Eurobank**.

One of the most prominent economists in the area, **Professor Stephen Nickell**, who is currently serving as president of the Royal Economic Society and member of the Monetary Policy Committee of the Bank of England, laid out the problem that has been shared across Europe of rigid labour markets and long-term unemployment. He drew from his analysis a number of key reforms that policy-makers everywhere should prioritise: the reform of the social security system towards reducing the replacement ratio of the unemployment benefits and offering incentives for effective job search; the reduction of barriers that place a large number of the working age population out of the labour market; and the restriction of early retirement measures with the effect of maintaining working age population in the labour force.

The seminar hosted presentations by policy experts on the topic from Greece who interpreted and elaborated on Professor Nickell's key points in relation to current Greek realities. **Dr Vassilis Monastiriotis**, Lecturer of Political Economy at LSE, focused on the peculiarities of the Greek economy, especially in relation with the size of the informal sector, the structure of the majority of Greek businesses (SMEs and family businesses), and the technological deficit (low level of innovation and technological absorption), which, he claimed, change the parameters of the issue in the context of the Greek labour market. Additionally, he listed a number of observations in relation to the connection between labour market flexibility and labour market intervention and the effectiveness of combinations of various forms of flexibility.

The issue of the specific forms that flexible labour arrangements can take was addressed in more detail by **Dr Stavros Gavroglou**, Head of the Labour Market Research Department of OAED and **Dr Dafni Nicolitsas**, of the Athens University of Business and Economics. Both researchers emphasised that the Greek labour market has very low levels of functional flexibility and high levels of only a few types of numerical flexibility, which however are often related with lower wages, worse working conditions and more insecurity. Dr Gavroglou stressed that specific forms of numerical flexibility have a non-linear relation with firms' performance, concluding that flexibility is good to the extent that is used in moderation. Dr Nicolitsas focused her policy recommendations on the provision of vocational training and life-long learning, implying that the low levels of the latter is related to low levels of functional flexibility and thus of the weak performance of the Greek economy in terms of international competitiveness and long-term unemployment.

Connecting research with policy, the seminar also provided the opportunity to three of the key players in the Greek debate to reflect on how they see the emerging agenda of reform. The Minister of Economics and Finance, **Professor George Alogoskoufis**, in his opening speech, focused on the segmentation of the Greek labour market, emphasising the different conditions that characterise employment conditions and labour relations in the unregistered (insecurity), private (partial flexibility) and public sectors (protectionism). He stressed that the reform of the labour market is directly connected to the reform of the calculation of the working hours and the design of a migration policy that will be consistent with the conditions prevailing in the labour market. He finally confirmed the intentions of the Greek government to open a constructive dialogue with the social partners involved in the labour market.

**Mr Ulysses Kyriacopoulos**, president of the Federation of Greek Industries, focused on the relation between flexibility and competitiveness, emphasised that flexibility should not be translated into job insecurity, and stressed the need for a constructive dialogue that will aim at achieving long-run solutions to the problems of the labour market. He further highlighted a number of areas where a consensual climate exists between the employers and employee associations and expressed the hope this climate to expand to cover all areas of dialogue.

In turn, the vice-president of the Greek Confederation of Labour, **Mr Alekos Kalivis**, questioned the picture about the Greek public sector as sketched by the Minister of Economics and Finance and asked for macroeconomic and monetary policies that will not necessitate unpopular reforms in the labour market. He argued that the debate on labour market flexibility should not be about distributing a given volume of employment and incomes to a larger pool of employees (e.g., through part-timing) but rather that the objective should be the expansion of employment with real increases in labour incomes and restraint on the share of profits.

Overall, the seminar provided a valuable opportunity to open-up the Greek debate by directly referring to policy innovations made elsewhere in Europe. In inviting the key actors to respond, it also signalled the basis on which a new dialogue might develop.

*Please note that the seminar papers and presentations will be available on-line from Tuesday 25 April 2005: (<http://www.lse.ac.uk/collections/hellenicObservatory/>)*

# Labour Market Flexibility and Organisation of Work in Greece

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*Employment Observatory Research-Informatics*

*(PAEP)*

# Outline

1. Introduction: flexibility strategies
2. Labour-market flexibility in the Greece: key indicators
3. Research findings on flexible forms of work in Greece
  - is part-time (and fixed-term) work related with profitability and employment growth for the companies that use it?
4. Research findings on the quality of flexible work
  - How do the terms of employment of part-time (and fixed-term) workers compare to those of full-time (and indefinite-duration) workers?
5. Summary and conclusions

# 1. Paths to a flexible organisation of work: strategies of flexibility

<p>FUNCTIONAL-QUALITATIVE FLEXIBILITY:</p> <p>Retraining, multi-skilling Teamworking</p>	<p>NUMERICAL- QUANTITATIVE FLEXIBILITY:</p> <p>Working time Temporary work Part-time Weak EPL</p>
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1.1. Labour market flexibility refers to the **permissiveness** of labour-market regulations for the pursuit of different flexibility strategies in the organisation of work.

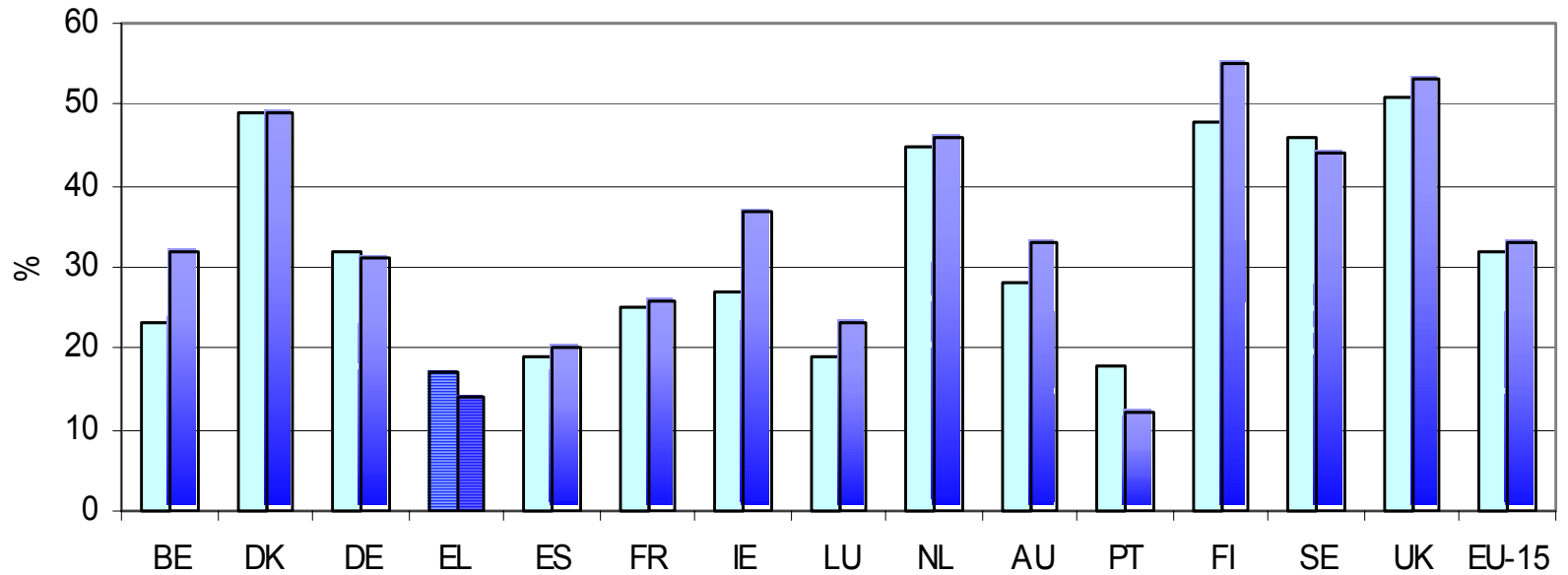
1.2. Labour-market regulations exert an influence on how much flexibility and which type of flexibility is adopted by a given economy but they do not actually determine them. The flexibility strategy that prevails in a given country is determined ultimately by the quality of **social partnership** and the initiatives of the political and the industrial **leadership**.

## 2. Greece: numerical over functional flexibility

- In Greece, the flexibility strategy preferred by companies is overwhelmingly of the **numerical-quantitative** type:
  - Changes pursued in the organisation of work to make labour inputs more responsive to changing market conditions are mostly of a quantitative rather than of a qualitative nature, involving more variability of the **amount** of labour inputs (e.g. number of hours, number of employees) rather than of the the quality of labour inputs (e.g. range of tasks, range of responsibility)

## 2.1. Low retraining, low functional flexibility

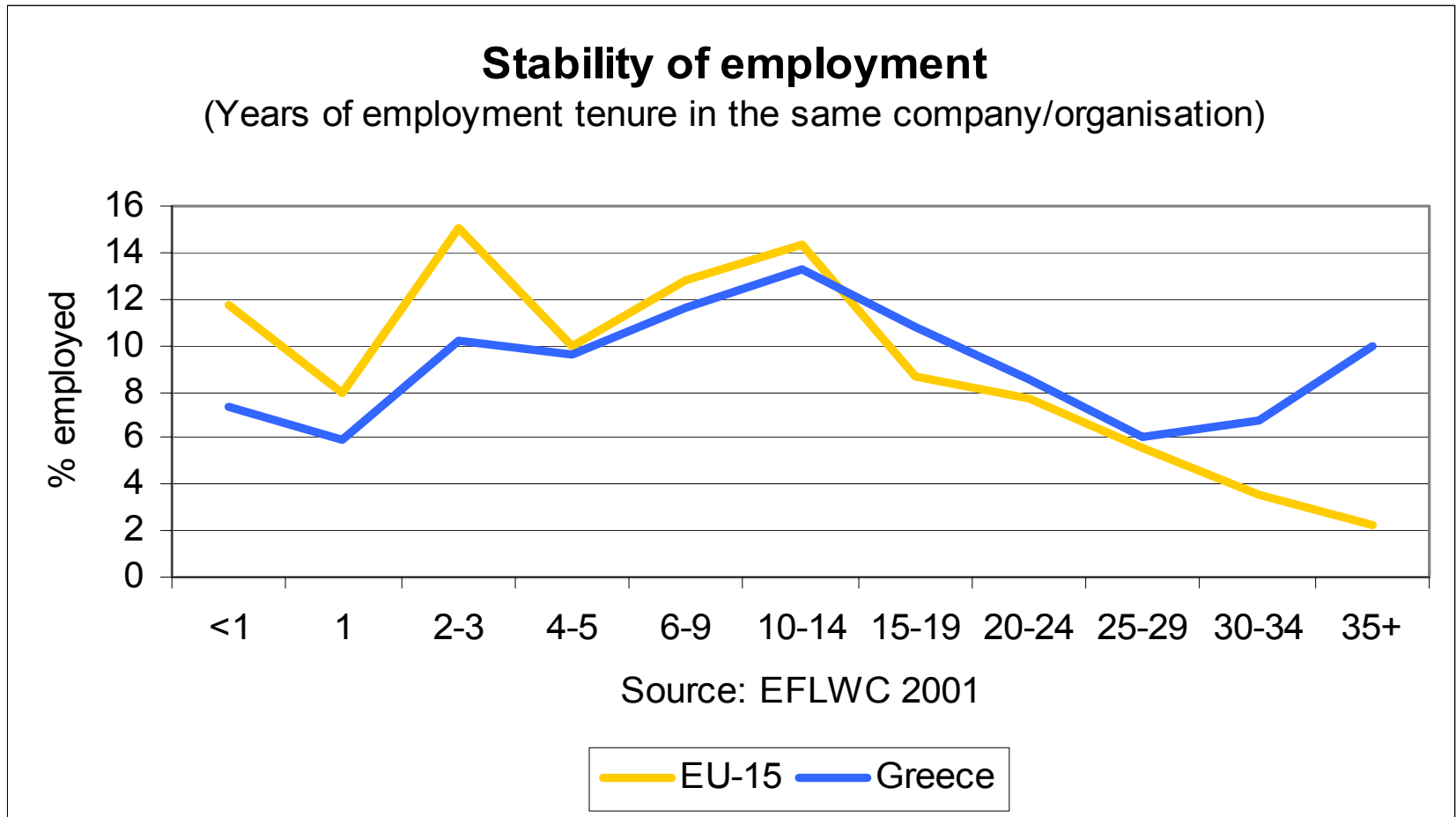
**Employees who received on-the-job training  
in the last 12 months (% of all employees)**



Source: EFLWC, "Quality of Work and Employment in Europe" 2002

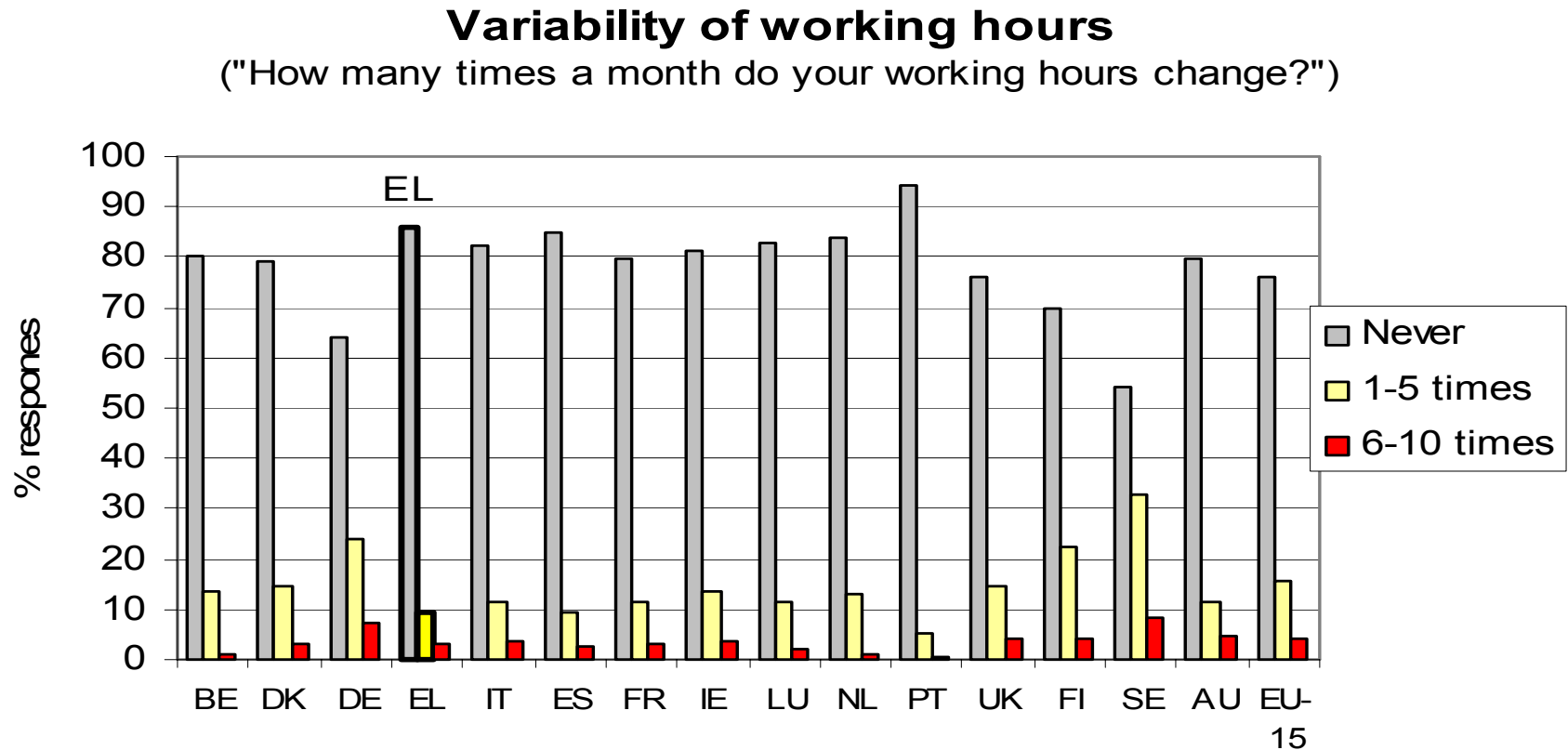
□ 1995 ■ 2000

## 2.2. Strong EPL places limits on numerical flexibility





## 2.3. Working time flexibility in Greece is low

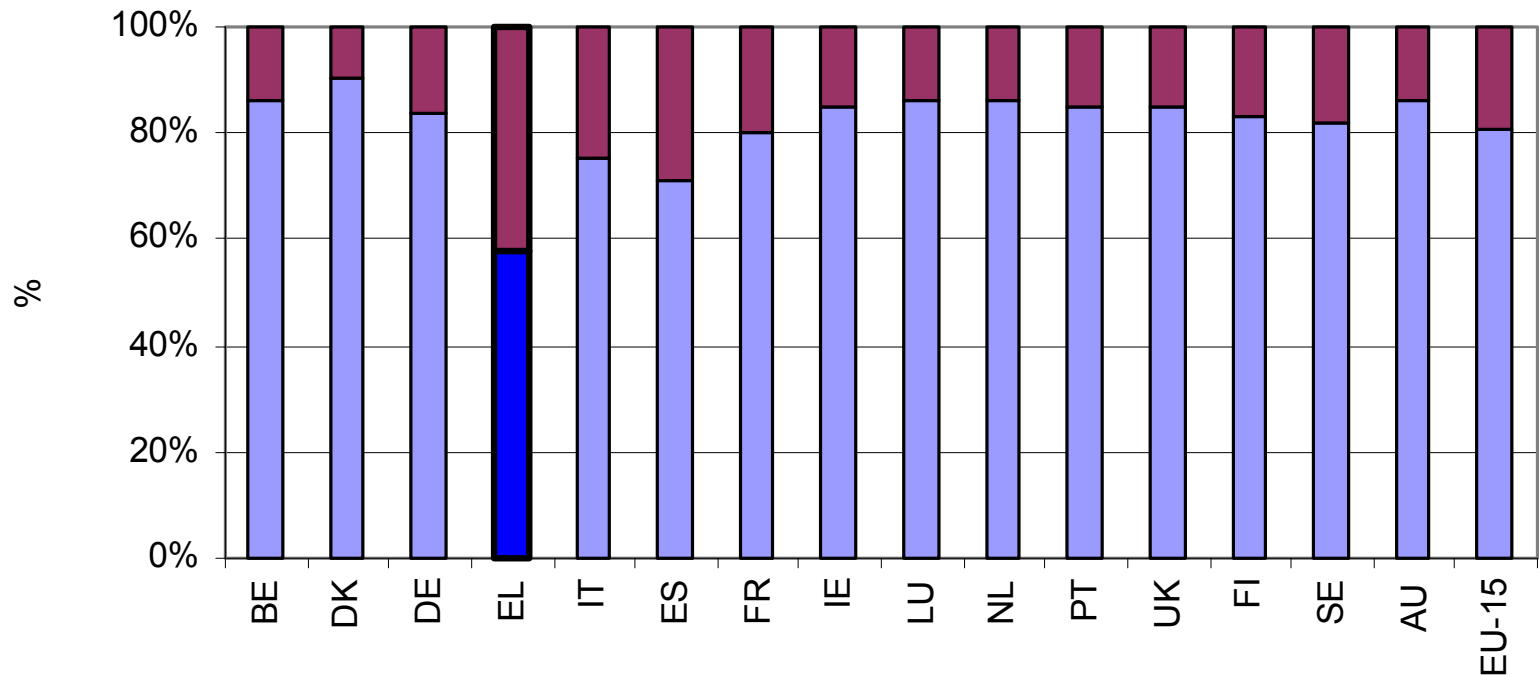


Source: EFILWC, Third European Survey on Working Conditions, 2001

## 2.3.1. Current working time arrangements are not ideal for employees

### Harmonisation of working time with family/social obligations

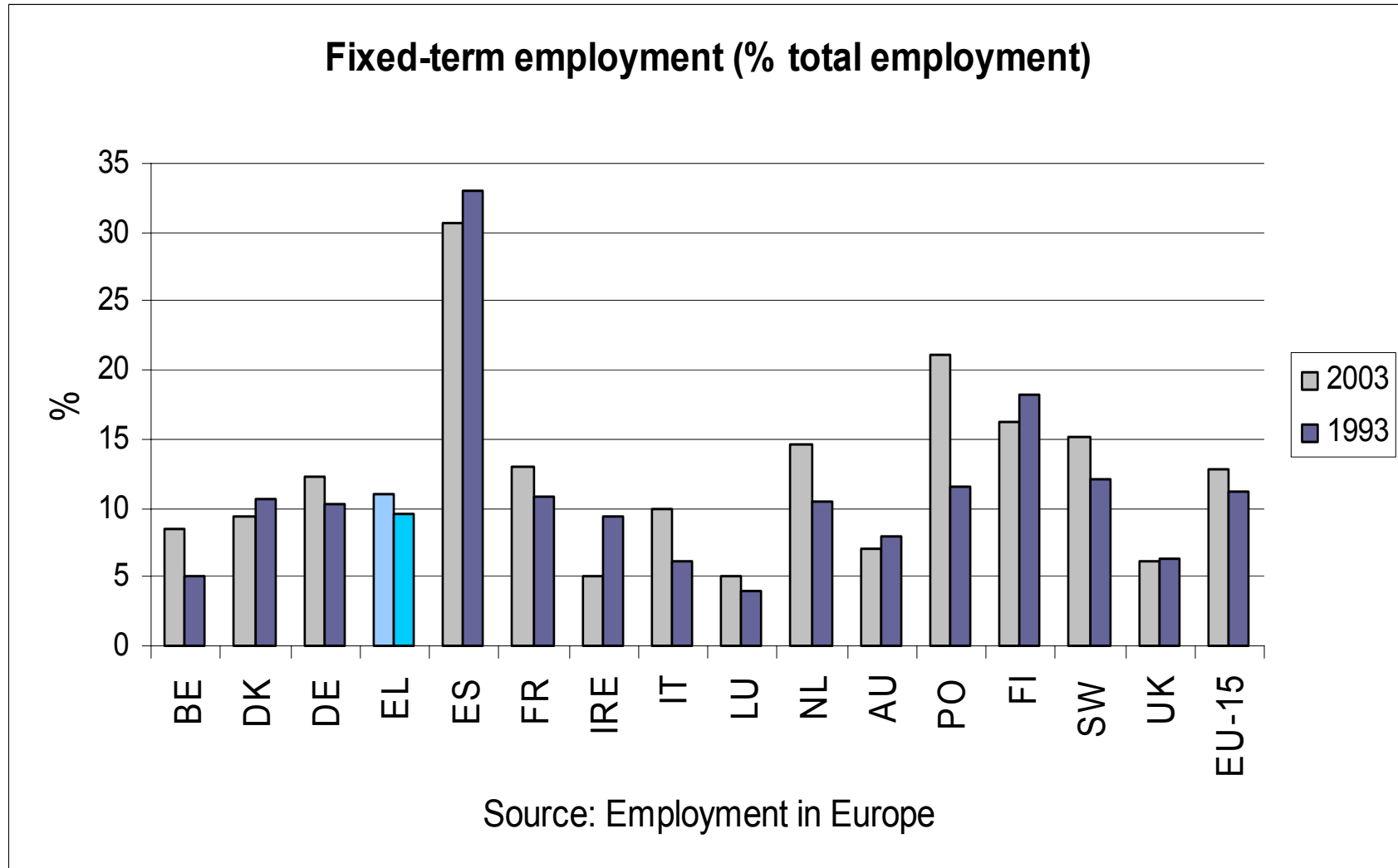
("In general, is your working time harmonized with your family and social obligations?")



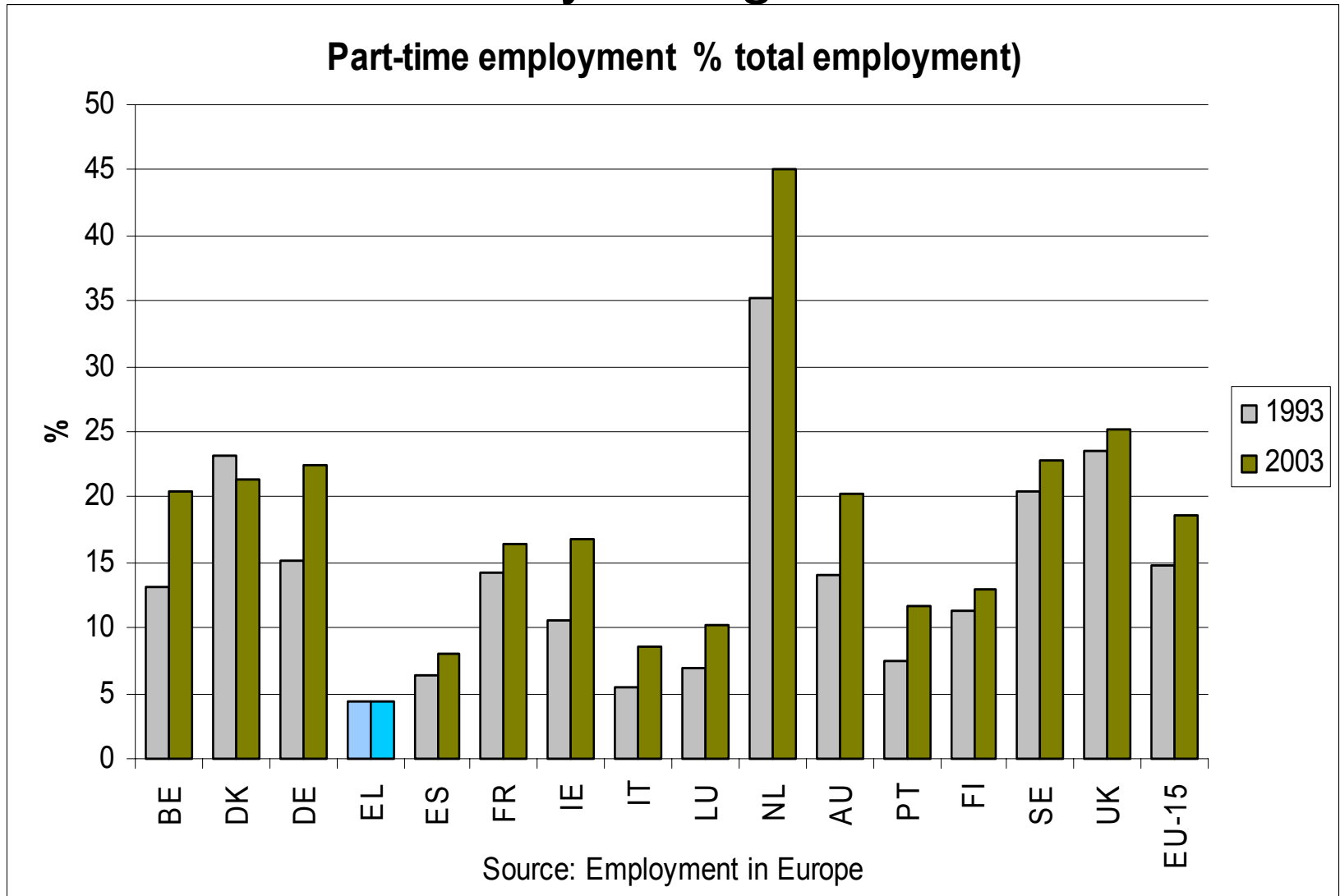
Source: EFLWC 2001

■ quite + very well ■ somewhat + not at all well

## 2.4. Temporary employment in Greece is near average EU-15 levels



## 2.5. Part-time employment in Greece: an extraordinary divergence from EU-15

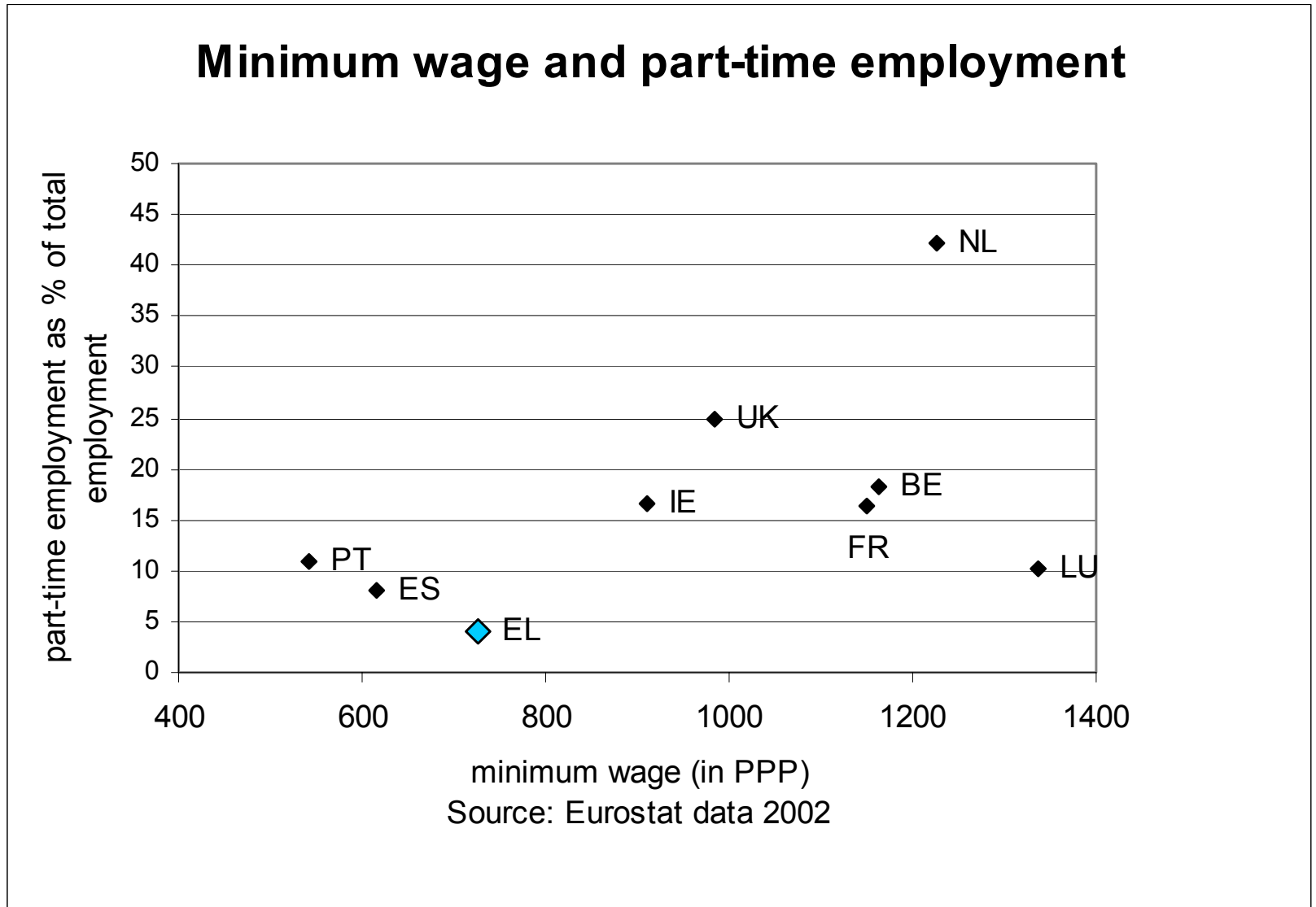


(Part-time employment in Greece in 2004: 4,6%)

## 2.5.1. “Involuntary” P-T work: Greek exceptionalism

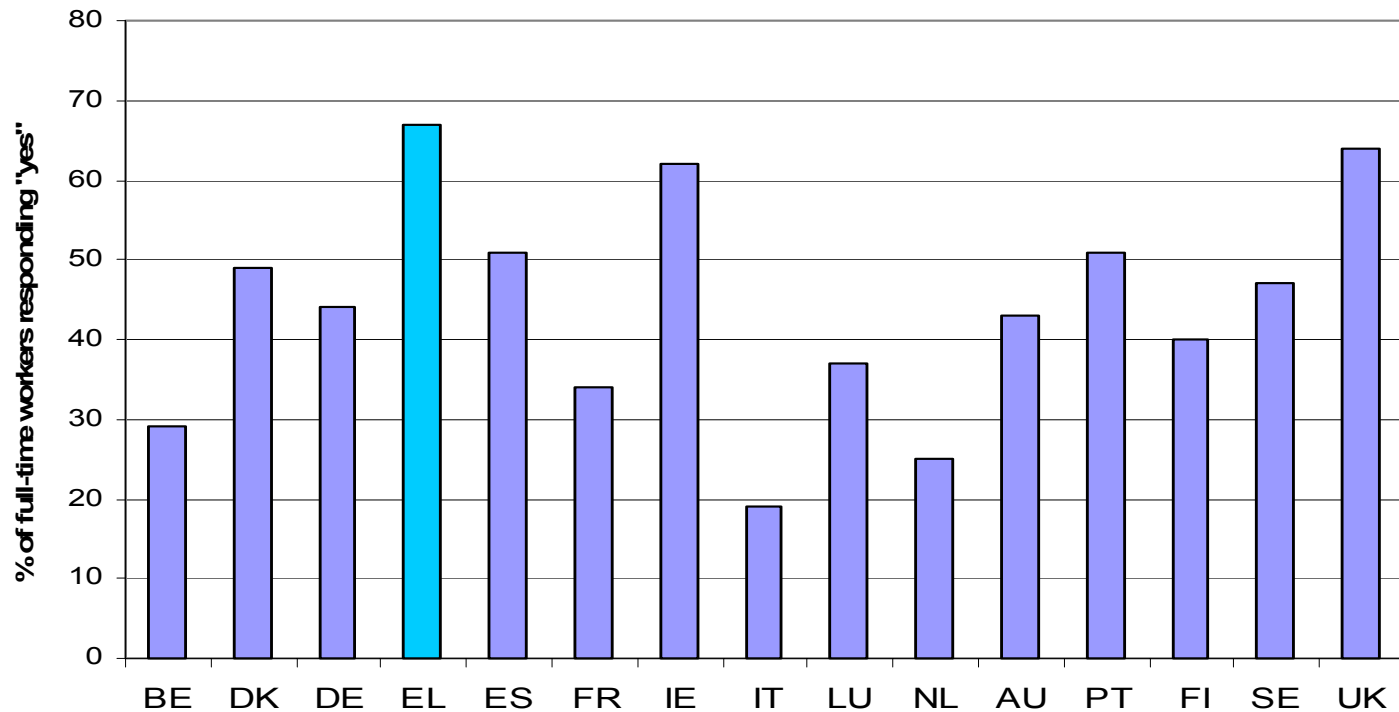


## 2.5.2. Can Greece's low P-T be explained by the level of wages?



## 2.5.3. Lingering perceptions of institutional deficits from the past?

**Are part-time workers less protected than full-time workers?**



Source: EFILWC, Employment Options of the Future, 1999

### 3. Research on P-T and firm performance: is there a link?

*Employment Observatory (PAEP)* survey of a national representative sample of 7,336 private-sector companies

3.1. Research Question #1: Is there a relationship between a firm's % of P-T employment and the firm's performance?

#### **Performance indicators:**

- **Balance of Profitability** (% companies reporting increase in profitability minus companies reporting decrease)
- **Balance of Employment Prospects** (% companies anticipating employment growth minus companies anticipating decline)
- **Competitiveness** (% companies considering themselves "competitive")

Answer #1: No linear correlation between PT and performance



## 3.2. P-T and firm performance: is there an “ideal” level of P-T?

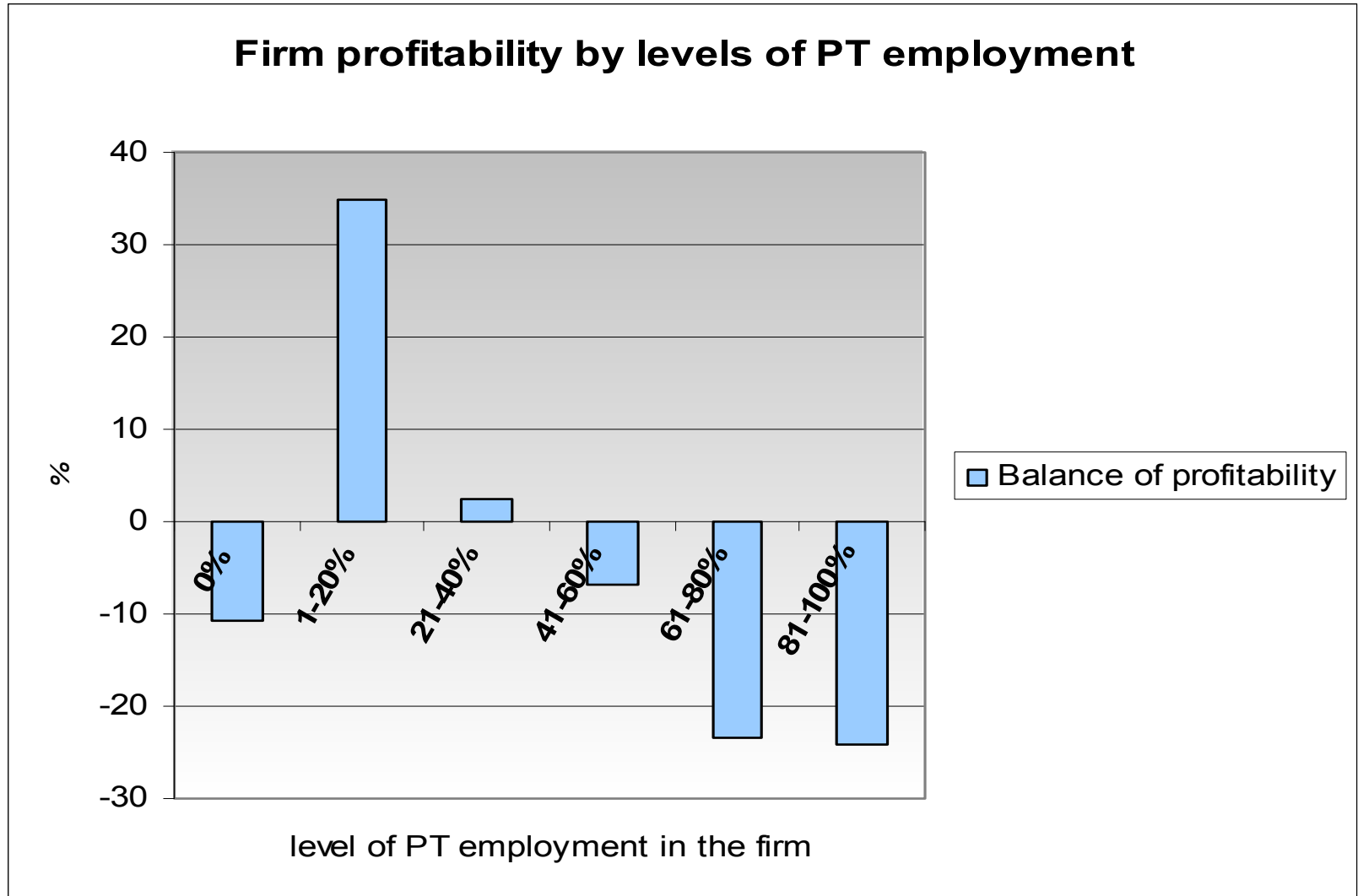
Hypothesis: While the use of PT increases a firm’s organisational flexibility and the firm’s overall performance, **beyond a certain level** the use of P-T increases a firm’s organisational **fragility** (problems of staff coordination, loyalty and cohesion), thus reducing the firm’s overall performance.

Research Question #2: Is there a relationship between “**levels of PT**” in a firm and firm performance?

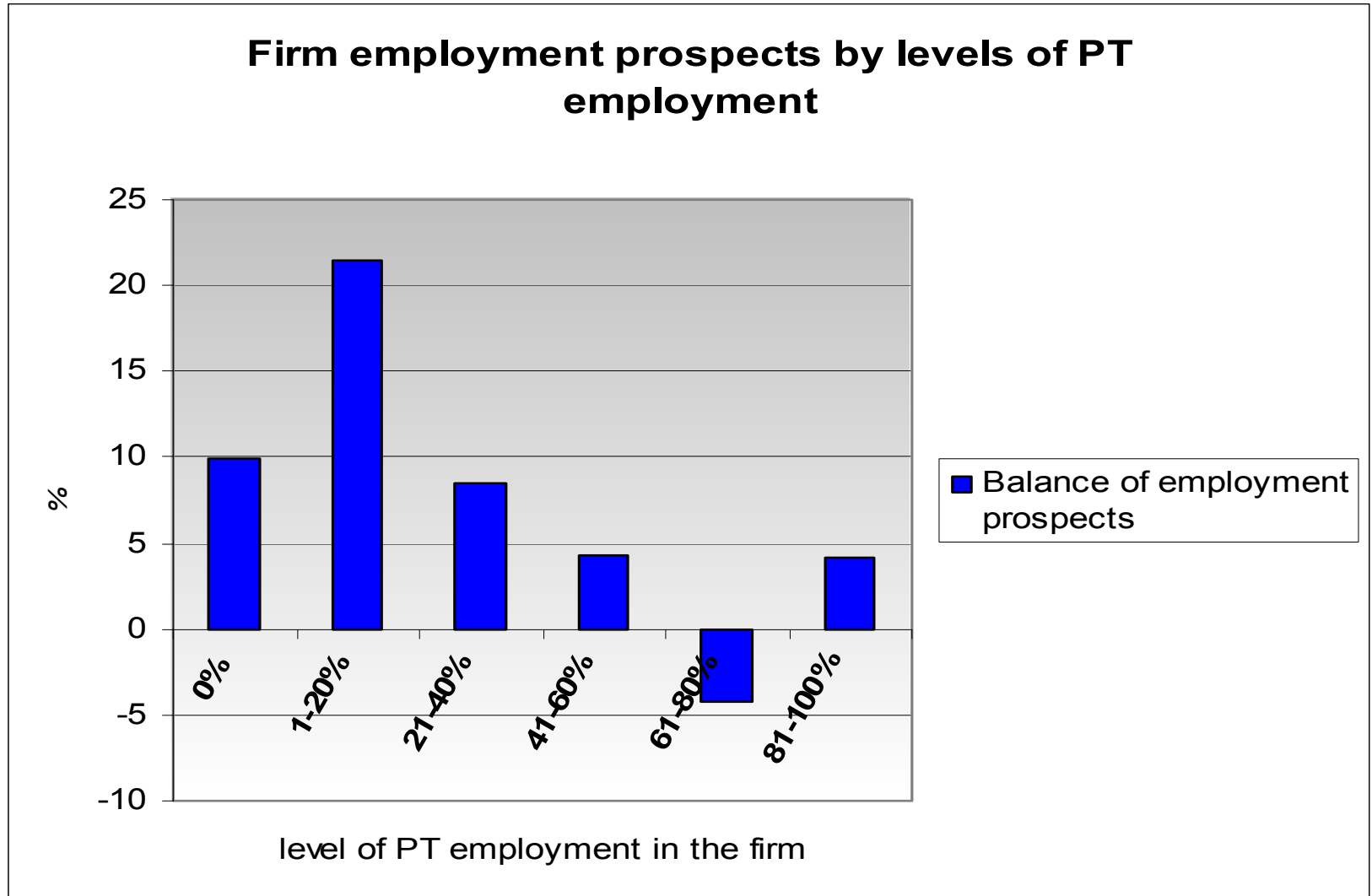
We divided the companies surveyed into **6 groups**, according to their **level of P-T:**

level of P-T in company	0%	1-20%	21-40%	41-60%	61-80%	81-100%	Total
# of companies	638.398	8.332	18.008	32.039	9.275	9.551	715.604
% of companies	89.2%	1,20%	2.5%	4.5%	1.3%	1.3%	100.0%

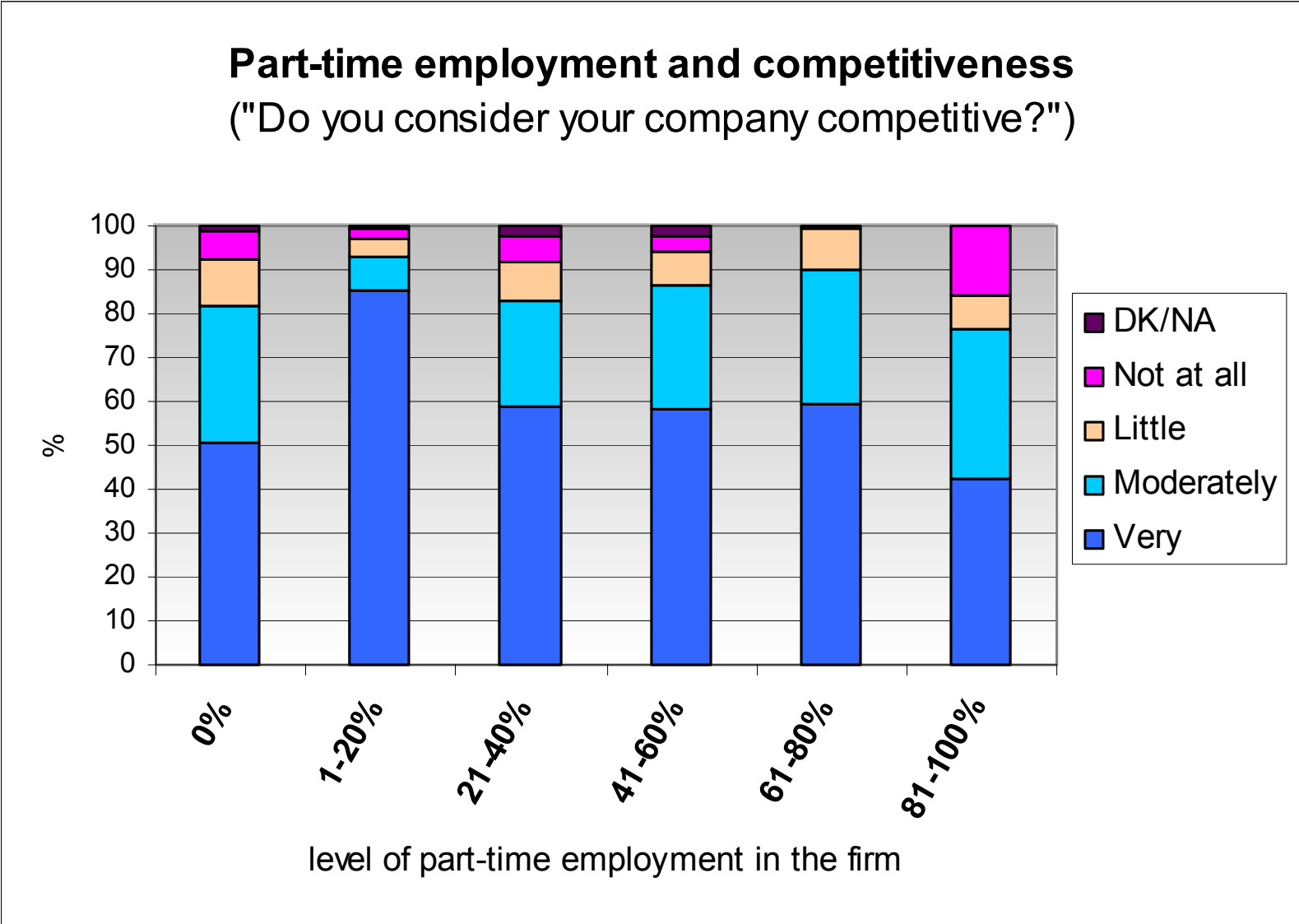
### 3.3.1. P-T *in moderation*: good for profits



### 3.3.2. P-T *in moderation*: good for employment

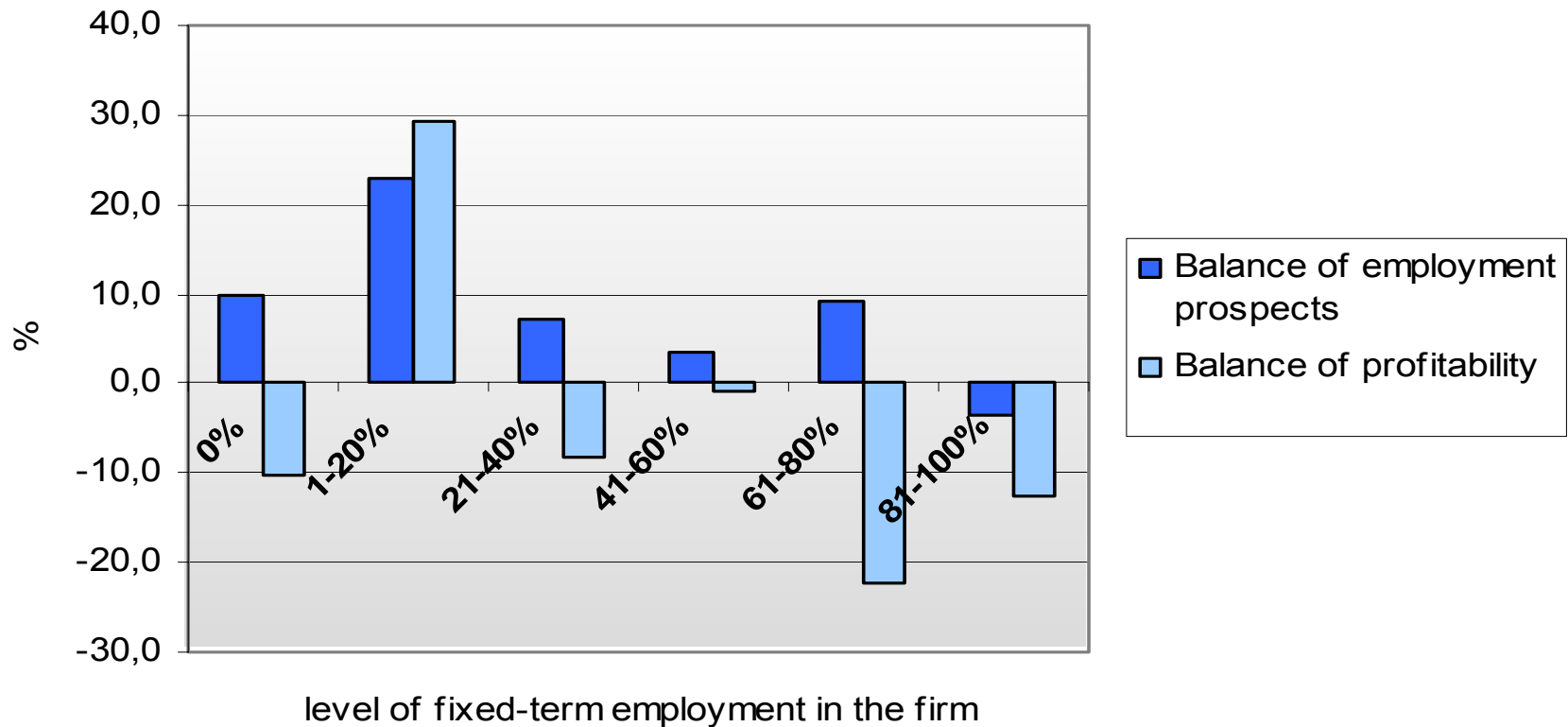


### 3.3.3. PT *in moderation*: good for competitiveness



### 3.4. Same relationship holds for firm performance and fixed-term employment

#### Firm performance by levels of fixed-term employment



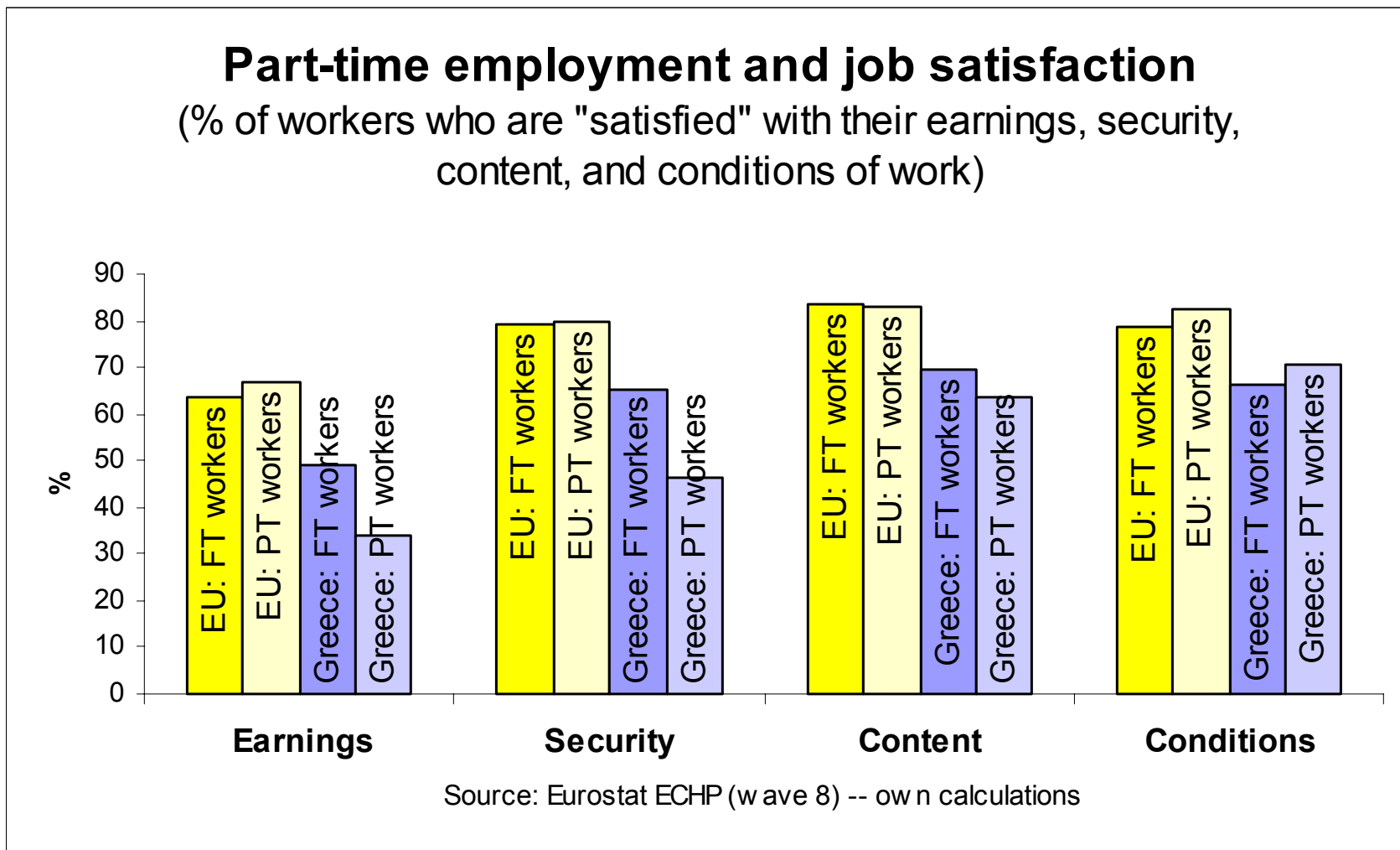
### 3.5. Same relationship holds for wide range of companies

Our hypothesis about **the superior performance** of “**ideally flexible**” companies over “**inflexible**” and “**excessively flexible**” companies is confirmed when we focus our analysis on:

- larger or smaller companies
- on the national or branch level

# 4. Part time work and job quality: workers' view

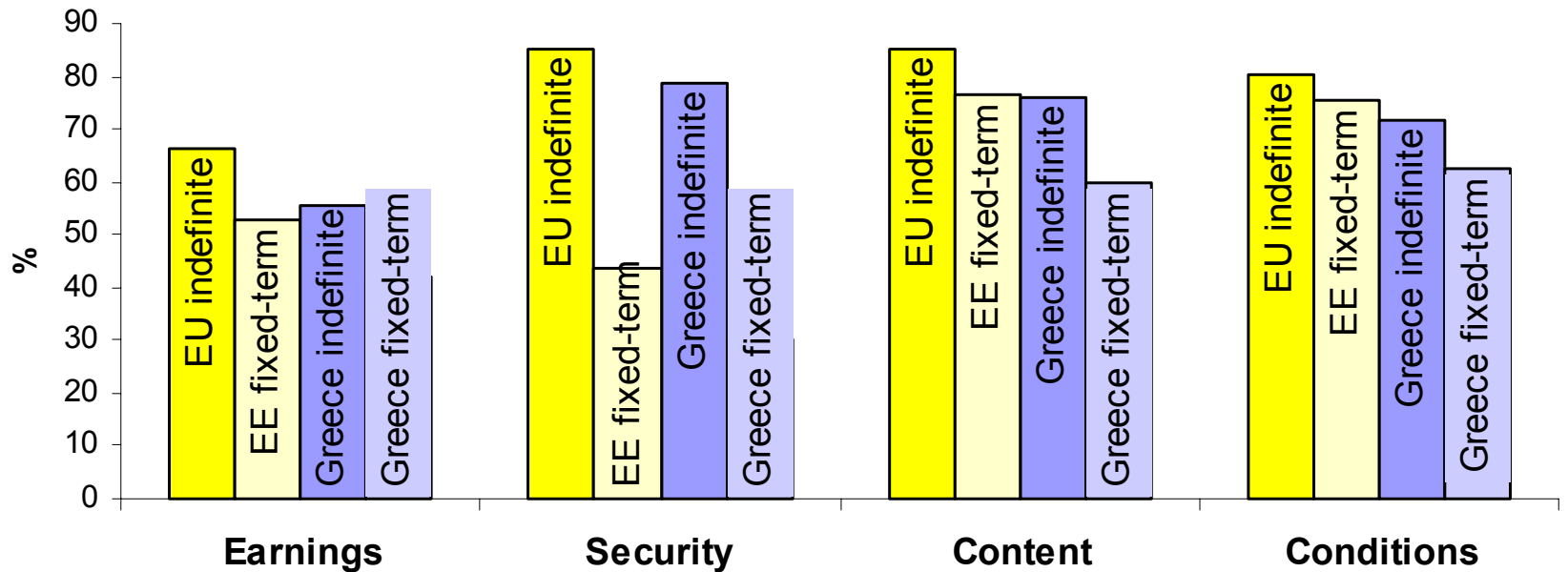
Calculations based on the European Community Household Panel's latest wave (8), which included 149.306 people Europe-wide, of whom 9.419 in Greece



# 4.1. Temporary work and job quality: workers' view

## Fixed-term employment and satisfaction with the terms of employment

(% of workers who are "satisfied" with the earnings, security, content and conditions of work)



Source: Eurostat ECHP (wave 8) -- own calculations



## 5. Summary and conclusion

- The Greek labour market displays low levels of flexibility, especially functional flexibility.
- Low levels of *de jure* flexibility coexist with high levels of *de facto* flexibility (vis. extensive undeclared work, labour-inspectorate deficits) .
- Flexible forms of employment in private companies in Greece, *when used in moderation*, coincide with (reflect or cause) higher levels of profitability, competitiveness and employment growth for the firms that adopt them.
- For workers, “flexible work” means different things in Europe than in Greece. In Europe “flexible” workers” enjoy by-and-large similar terms of employment with their “inflexible” counterparts. In Greece they experience (a) significantly lower job quality in terms of earnings and security, and (b) similar job quality in terms of work content and working conditions.
- Flexibility can be good for business and for labour, but not always. The economic and social impact of flexibility depends on its extent and on the terms of employment (especially earnings and security) that accompany it.

**ΚΨ/ΔΣ**

**ALEKOS KALYVIS**

**GSEE VICE-PRESIDENT**

**FLEXIBILITY AT WORK IN GREECE**

**22-4-2005**

The developments brought about over the last years in the field of labour relations in Greece are marked by the attempt to enable the country to adjust to the needs of international competition, to the imperatives of EMU and the recommendations of EU mainly through the implementation of the Lisbon Strategy. Within this framework, the dominant policies were oriented towards two directions: that of constraining wages and salaries and that of flexibility which, in our opinion, are wrongly considered as tools of strengthening competitiveness, combating unemployment and creating jobs. A recommendation has been made several times to Greece to make its labour market more flexible, which, without valid reason, is seen as extremely rigid.

What is the truth?

In the postwar period a productive model was constructed in Greece focused on maintaining an already low labour cost, as a means of strengthening the competitiveness of Greek economy. Since the beginning of the 1980's, the policies for the management and preservation of this low labour cost have been mainly expressed through:

- the maintenance of low pay levels,

- the development of black-market work and of illegal forms of flexibility
- the development, mainly from the beginning of the 1990's onwards, of legal forms of flexibility,

The **maintenance of low pay levels** has been the main tool of preserving the low labour cost. An indication is the fact that in the period 1981-2004 the unit labour cost (in real terms) was reduced by 30% while real salaries in total economy ranged in 1998 at the same levels with those of 1982. Although a steady –in average- annual salary increase by 3% has been observed since 1999, this falls short of the average increase of labour productivity over the same period. At the same time, the intensification of pace of work in combination with the fact that the working time remains the same since the mid-1980's (1984:40 hours working week) lead us to the conclusion that not only an essential prolongation of the working time but also a more general downgrading and lowering of labour conditions have taken place.

On the other hand, the **extensive development of illegal flexibility** in the Greek "black" labour market is linked to the important place that black-market work occupies – in particular from the beginning of the 1990's due to the entrance in masse of illegal immigrants as well as to the widespread practice of violating certain provisions of labour legislation. These practices were favoured by:

- the specific development of "black" – "underground" economy (30-35% of GDP),
- the tradition of infringing basic rules and regulations of labour and social security legislation from the part of many Greek employers aiming primarily to compress the labour cost,

- the tolerance of state power vis-à-vis those practices and the inefficient role of control and inspection mechanisms.

Alongside this illegal flexibility, the legal flexibility has been enhanced since the beginning of the 1990's primarily through the establishment of a new regulatory framework. To this development have contributed both the international economic situation which is promoting a flexible work pattern and the recommendations and orientations of the EU towards an increase in flexibility as a means of strengthening the competitiveness of European economies and combating unemployment according to the Lisbon strategy.

A series of laws and legislative provisions (1892/90, 2539/98, 2874/2000, 2956/2001, Presidential Decree 180/2004 and 164/2004) have tried to institutionalize flexible forms of employment such as the annualization of working time, the erosion of Collective Agreements, the expansion of part-time work, increase of collective dismissals, etc.

In practice, however, the development of flexible forms of employment in the Greek labour market is not uniform: there are forms of flexibility which are particularly widespread while for others the percentages registered are very low. Especially, the situation of the Greek labour market is as follows:

With regard to the flexibility of employment, the most widespread practice is **temporary employment** in the form of fixed-term employment contracts: although it recorded over-doubled percentages in the 1980's (19%), it remains the predominant form of flexible employment (2002: 11,3%). The use of **contract work and subcontracting** is an especially widespread practice

given that about ¼ of private enterprises are using it (2002) to a big extent in order to cover lasting needs, substituting in this way permanent staff. **Part-time employment** ranges at very low levels (4,1%), a fact mainly associated with the very low pay levels that this entails. The practice of work contracts is widely used since it exempts employers from the cost of social security and from observance of rights despite the fact that we are dealing with the dependent employment relationship.

Finally, the recourse to **telework** and temporary employment through **staff lending or hiring out agencies** aren't for now especially widespread practices.

With regard to the flexibility of working time, the most widespread practice remains **overtime employment and the violation of working time**. Although the regulations of Law 2874/2000 increased the overtime cost with the aim to enhance employment, this measure didn't turn out to have results since, after its adoption, the permits for overtime work granted by the Labour Ministry have tripled. Especially widespread is the practice of **intermittent working hours** (in particular in commerce), **shiftworking** (15% of the employed) and **work at the weekend** (2/3 of the workers are usually or sometimes employed on Saturday and 1/3 on Sunday). On the contrary, the institution of **working time arrangements** wasn't particularly successful (only 1 relevant Collective Labour Agreement resulted by virtue of Law 1998 and just 4 by virtue of Law 2000), due to the objections of the workers' side and the relative reservations expressed by a large section of the employers.

Finally, among the forms of flexibility in remuneration those prevailing are the different systems linking remuneration to performance.

More precisely: 20% of private companies link remuneration only to the performance of the personnel, 6% to the company's profits while a 7% resorts to a combination of these two practices (2002).

From the above-mentioned, one realizes that neither Greek legislation nor the Greek labour market fall short of flexibility. It is worth noting that in 2002 50% of new hirings concerned flexible jobs.

Hence, the recommendations and efforts for further flexibilisation aimed at reducing labour cost in an already flexible labour market (legally and illegally), with an already very low labour cost, give rise to reactions since this model has intensified deadlocks.

These reactions relate to the range, the quality of the created jobs and the protection of flexible workers, especially if we take into account the existing gaps in the Greek legislative framework, the especially widely used practice of labour legislation infringement from the part of the employers and the inefficiency of control mechanisms. These negative factors are even more aggravated in the case of flexible workers.

On the other hand, the workers' side is opposed to the adopted productive model as well. Will this productive model continue to be based on cheap labour or will be sought more qualitative factors of strengthening competitiveness which up to now have played a marginal role (e.g development of public administration, of public and private infrastructure, introduction of new technologies, improvement of workforce training, modernization of company organization)? We plead for the second version. Despite the policies of low labour cost

prevailing for a long time, Greece together with Portugal are the last in the EU ladder in terms of competitiveness.

Whatever effort to further reduce the already low labour cost in Greece is a dead end both in terms of competitiveness and of the social effect that this entails.

We shall oppose on the one hand the stated intentions and practices that aim to weaken the institution of the National Collective Agreement and sectoral agreements and on the other the policies that deify the managerial right and condemn the workers to downgrade their rights and lower the standards in their living conditions in the context of the pursued changes in the system of overtime payment and the annualization of the working time by means of individual negotiation or based on the managerial right.

In conclusion, we firmly believe that a re-regulation is needed and not a deregulation of labour relations in terms of stable employment. Stability in employment and not flexibility is required.

This is our own message.

**Address**

**by Mr. Ulysses Kyriacopoulos**

**FGI Chairman**

**at the seminar organised by**

**the Hellenic Observatory**

**of the London School of Economics**

**on:**

**«Labour Market Flexibility: International experience and the case of  
Greece»**

**Athens, April 22, 2005**



Mr. Minister,  
Ladies and Gentlemen,

I am very pleased because I am with you today but also for the opportunity you give me to share with you the views as well as some positions of the Federation of Greek Industries on the issue of flexibility and specifically on labour market flexibility, a particularly important and timely issue for the Greek business community and society as a whole. But let us begin from what we believe “flexibility” is.

We define **flexibility** as “the **ability** of a system (a given society, an organisation, an enterprise, a group or a person) to adjust itself to the changes in the environment in order to survive”.

Flexibility has to be seen in its purely positive context. It is a rich word whose meaning attacks uniformity where one size fits all. It is suppleness rather than rigidity. It does not mean no rules and anarchy in labour relations!

On the contrary, it also means:

- Be responsive to change and adjust
- Increase leisure time by reorganizing work
- Higher employability
- Increase mobility
- Higher productivity by reducing waist

The concept of labour market flexibility initially appeared in literature in the late 1970s and at a higher frequency in the 1980s, when the problems in the performance of European economies, particularly higher unemployment and low productivity, were attributed to labour market rigidities.

The failure of Keynesian policies to solve these problems brought back to the forefront, in the 1980s, the issue of labour market changes. And the obvious comparison with the US economy led towards this direction, as it was

characterised by low unemployment and a flexible labour market, and which strengthened the conviction that absence of flexibility in European labour markets is to blame for unemployment.

The phenomenon of flexibility has been redefined in recent years and is linked to the generalised phenomenon of privatisations and mergers of enterprises taking place in Europe and in Greece, having significant effects in labour relations, in representation but also in the quantity and quality of labour.

For FGI, the term “**labour market flexibility**” means “the ability of an enterprise to adapt the quantitative and qualitative composition of its staff and adjust labour cost with **fluctuations in demand**. Flexibility also means to shape wages according to productivity and the financial capabilities of enterprises”.

At this point, it is worth referring to the **forms of labour flexibility** as they are stated in international bibliography:

- **Functional flexibility or external quantitative flexibility**, which is related to the organisational adjustment of an enterprise according to the production requirements. It concerns hiring-dismissals, the geographic mobility of the labour force, the use of different employment forms, like outsourcing subcontracting etc.
- **Numerical flexibility or internal quantitative flexibility**, which is related to the adjustment in labour time according to the demand in the product of an enterprise. It concerns organising working time in shifts, working time arrangements, flexible working hours etc.
- **Wage flexibility**, which is related to adjusting a part or the total earnings according to the results of the enterprises, productivity, economic conjuncture, the position of employees in a company etc.

At **European level**, flexibility was a basic parameter in the European Union employment policies, as radical reform in the labour market has been in the last few years the dominant strategic orientation, where flexibility was one axis and strengthening competitiveness the other while **boosting employment** was its objective.

On the one hand, the formation of a European labour market model and, more so, of a unified & enlarged European market, is accompanied by directives and legislative acts in order to harmonise actions at European and national levels. On the other hand intensifying competitiveness globally is forcing us Europeans to take measures that would aim at institutional and legislative changes.

In this context, it is a common assumption that it is necessary to improve productivity through a better organisation of work, so that companies could improve their competitiveness and the European Union could achieve its economic targets.

In the last decade, important changes took place in the labour market at national and European levels and the relations of competition and flexibility determine, to a certain extent, the pace and mode of development of national economies.

The institutional, legislative regulation introducing some forms of flexibility in **Greece's labour market** began with Act 1892/1990, as part-time employment and arrangement of working time. As a consequence of institutional changes at European level, as well as national institutional level through laws pertaining to certain forms of flexible labour, legislation intensified, especially after 1998.

Legislation due to certain restrictions, didn't offer, although we believe this was the legislators' intention, the opportunity to evaluate future capabilities.

However, it is important to combine the needs of enterprises with the needs of employees. Flexibility should not add to insecurity of the labour force and different social schemes should be developed to deal with security of income in a period of changes. This means that, in addition to flexibility contributing to higher productivity, it should also have a positive effect improving the quality of professional life. A bigger part of society could enjoy flexibility of working arrangement that allow for other activities.

The Swedish and Danish labour markets are typical examples of an open and flexible labour market.

In Sweden, the social partners decide the terms of their labour market not at industry level but at company level.

In the Danish labour market, which is characterised as one of the more “open” and flexible, employability is quite high as is the potentiality of attracting foreign investments. Also, a strong element of the Danish labour market is its educational system, which is under the direct influence of the unions and employers’ organisations and which is focused on the labour force as a whole – based on the concept and perspective of lifelong learning (and is not focused only on the unemployed).

In general, we could say that, in an environment of multiple changes and of intensifying global competition enterprises have to be flexible, experiment with new products and new production methods, responding quickly to market changes and new needs.

The measure of these necessary adjustments is to achieve a balance in labour regulation aimed at a flexible operation of enterprises with a labour force that could respond to changes.

In this context, new employment forms are a choice for enterprises and their adoption should be combined with the aim of satisfying the real needs in the

flexibility of employees. This new concern also introduces the linking of **quality** to flexibility.

It is a fact that higher labour market flexibility leads to lower unemployment rates but also to lower long-term unemployment rates. France and the United Kingdom are typical examples: they had to reduce their labour market restrictions in the 1980s in order to deal with the high unemployment rates. It is exactly this labour market “regulation” that the International Monetary Fund and the World Bank call “second generation reform”.

These independent international organisations argue that countries needing immediate measures to boost **employment**, such as our country, should make their labour markets more flexible and therefore competitive, at the same time providing also the necessary financial assistance.

It is a fact that, in Greece, there are important labour market differences as compared to the other European Union countries. According to official data, a relatively high percentage of people employed enjoy stable and full employment conditions and work in fixed working hours. Part-time employees represent a very small % of Total Employment. Only 4-5% work part-time in Greece when the EU average is 1.8-2% of the total labour force and Holland holds the record with 44% hosing part time jobs.

The limits in labour market flexibility are defined by the Employment Protection Legislation. The European Union Report on the economic situation of the European Union in 2004 recommends, inter alia, for Greece to “improve” labour flexibility and “relax” employment protection legislation. In a 2005 Report by OECD, the Greek employment protection legislation is characterised as one of the strictest among the studies covered by the Organisation.

Specifically in Greece, a dialogue between the social partner aiming boosting employment and modernising the organisation of work is considered to be a

necessary process. New forms of work in flexible labour markets are connected to specific types of contracts and insurance schemes.

Despite the fact that the dialogue about flexibility has been intense in the last few years, it is polarised among those elaborating policies and social partners have made little progress beyond collective bargaining. The Greek employment model remains attached to the image of a permanent employee who is fully employed with full earnings. Although part time employment is possible with very few exceptions employers don't make enough use of these working models.

In this context, it becomes increasingly clearer that the principles in force and inherited arrangements governing labour market operation are now unable to meet the challenges of the present and the intense competitiveness environment of the future. Clearly, the need for adjustment in almost all our institutions is urgent.

In conclusion, we could say that deregulation in the labour market and, consequently, flexibility at work is not an end in itself. It seeks to serve competitiveness and productivity, viability of enterprises as well as create condition to cover current and future market job requirements through new, better and less (re)regulations and preferable good labour relations.

Ladies & Gentlemen,

We need more and better jobs for social cohesion and we should not forget that a growing economy needs a dynamic, flexible, innovative and highly skilled labour force in order to address tomorrow's challenges.

Thank you.

## **Vassilis Monastiriotis**

Let me thank Prof Steve Nickell for his very interesting and informative speech and for accepting our invitation to share with us some of the extensive knowledge he has built on the issue over the years, with his significant contributions in the academic literature and the formation of policy at the UK and European levels. I am sure the issues raised by Prof Nickell will spur an exciting debate at the end of the seminar and I am really looking forward to this – and to hearing the views of the two representatives of the employers and employee associations that we have with us today, Mr Kyriacopoulos and Mr Kalivis.

Before we open the policy and research contributions to this seminar, let me take the opportunity to make some general remarks that I hope will be useful and will probably be picked up in some of the presentations that will follow.

As the minister, Porf. Alogoskoufis highlighted today, the government has made well known its intentions to open a process of dialogue / consensus-building for the reform of the labour market and the employment arrangements. Although this dialogue can lead to a very polarised debate, it is a shared interest for this debate to focus on how can

we increase the profitability and competitiveness of the Greek economy and of the firms operating there, while achieving the best working standards for the domestic labour force and safeguarding the objectives of full employment and decent incomes for all. This of course is not a novel question and, not surprisingly, the answers provided by the different political and labour market actors can differ significantly. Exactly because the answer to this question cannot be universal, but rather it will be based on the specific contextual conditions and circumstances, it is important that research-based evidence informs policy and practice, drawing on both the domestic and international experience.

As our next speakers will remind us, the Greek economy and labour market exhibit a number of peculiarities that also need to be taken into account in the design and implementation of policies that will be able to meet the targets of both efficiency and equality. As a means of introduction, I wish to refer to three of these peculiarities of the Greek economy and I am sure the presentations that will follow will elaborate on these issues further.

- the Greek economy has an exceptionally high proportion of unregistered employment and informal economic activity. For those that are familiar with the literature on dual labour markets,



this implies that flexibility obtains a very different meaning in relation to the objective of enhancing the adjustability of the economy and its ability to reach an equilibrium. This peculiarity of the Greek economy needs to be taken into account and the issue of the informal sector needs to be addressed in conjunction with the issue of the reform of the labour market.

- The Greek economy is also characterised by a very high proportion of SMEs and family businesses. Again, the meaning of flexibility for such firms, the constraints and prospects related to it, is very different compared to larger and more dynamic firms. Thus, it is important that policy takes into account this peculiarity of the Greek economy and addresses the issue of the structure of economic activity when designing significant labour market reforms.
- Finally, the Greek economy is characterised by very low levels of innovation and technology absorption. With this, there is a danger that labour market reform will assist the emergence of the least dynamic and least productive forms of flexible employment arrangements – those that push towards cost-minimisation and cost-based competition strategies. Again, policy should address the issue of dynamism of the Greek economy and push labour market

reforms towards a direction that will be compatible with the modernisation of the Greek economy.

Following these considerations about the context of the Greek labour market, let me also make very briefly three more analytical points that are of direct relevance to the discussions about labour market flexibility, deriving partly from my own work on labour market flexibility in the UK.

These are:

- the relation between flexibility and labour market intervention,
- the relation between flexibility and labour market adjustments, and
- the relation between various forms of flexibility

So, first, flexibility is not identical to deregulation or the absence of rigid labour market institutions: the three are clearly connected, but the extent of flexibility in a labour market depends on a plethora of factors that are outside the reach of labour market policy, including the housing market, the level of education and the types and extent of skills shortages, the international position of the domestic economy, its sectoral specialisations, even demographic trends and socio-economic aspects, like family structures, attitudes towards female employment, etc. Thus, although it is clearly in the responsibility of policy to create the right institutions that will enhance efficiency in the labour market, targeting

directly perceived levels of flexibility is probably a more questionable objective.

Second, flexibility does not only or always mean adjustability: in fact, flexibility can serve three distinct purposes, relating to cost minimisation, productivity gains, and pure adjustability. Although cost minimisation can be seen as a legitimate target in the short run and in exceptional circumstances, the most socially acceptable objectives of flexibility are clearly those relating to enhancing productivity and competitiveness and softening the impact of unexpected shocks in the economy (adjustability).

Finally, not all flexible employment arrangements are always beneficial: their impact depends on the extent and quality of other labour market arrangements and mechanisms of adjustment. So, we are always presented with a problem of finding the appropriate mix of flexible employment arrangements, an issue that is further explored in the presentation of Dr Nicolitsa.

Clearly, there are no easy or straightforward answers to these issues. However, this is no excuse for not thinking about these issues seriously and systematically. It is to this end that the consensus-building and the evidence-based policy design are both of paramount importance for the

effective and productive reform of the Greek labour market. As Dr Gavroglou will show, the Greek labour market is characterised by significant contradictions, with very high rates of seasonal and temporary employment but also with exceptionally low levels of part-time employment and some of the most rigid arrangements especially in relation to public sector employment. These characteristics raise both issues of fairness and of a balance across the economy. Further, they require sincere and brave contributions from all social partners, with the ultimate objective of not simply enhancing the flexibility – and thus adjustability – of the Greek labour market and the Greek economy at large, but of helping towards the modernisation of the economy and the enhancement of its dynamism and international competitiveness.

In this vein, we are delighted to have with us today Mr Kyriacopoulos and Mr Kalivis, the representatives of SEV and GSEE, to present their concerns and views on the operation and performance of the Greek labour market. We will also have the opportunity to hear the important research-based contributions by Dr Gavroglou and Dr Nicolitsas, who will explore different empirical and theoretical aspects of the issue of labour market regulation and flexibility.

I do not think that I need to say much to introduce our next speaker – he is a leading businessman who has successfully transformed a family business into an international company with activities in over 20 countries worldwide, and who has significant involvement for over a decade in the process of collective bargaining in the country. So, without further ado, please let me welcome to present the views of the Federation of Greek Industries on the issue of labour market flexibility in Greece, the president of SEV, Mr Ulysses Kyriacopoulos.

# **Labour Market Rigidities and Institutions in Europe**

Stephen Nickell

Talk to be given at a Policy Seminar, “Labour Market Flexibility: international experience and the case for Greece”, Athens, 22 April 2005.

Table 1

**A Picture of Employment and Unemployment in the OECD in 2001**

	<b>Unemployment</b>	<b>Inactivity Rate (%)</b>	<b>Employment Rate (%)</b>	<b>Hours per year</b>
<b><u>Europe</u></b>				
Greece	10.4	37.9	55.6	1928
Austria	3.6	29.3	67.8	-
Belgium	6.6	36.4	59.7	1528
Denmark	4.3	21.8	75.9	1482
Finland	9.1	25.4	67.7	1694
France	8.6	32.0	62.0	1532
Germany	7.9	28.4	65.9	1467
Ireland	3.8	32.5	65.0	1674
Italy	9.5	39.3	54.9	1606
Netherlands	2.4	24.3	74.1	1346
Norway	3.6	19.7	77.5	1364
Portugal	4.1	28.2	68.7	-
Spain	10.7	34.2	58.8	1816
Sweden	5.1	20.7	75.3	1603
Switzerland	2.6	18.8	79.1	1568*
UK	5.0	25.1	71.3	1711
EU	7.6	30.8	64.1	-
<b><u>Non-Europe</u></b>				
Australia	6.7	26.2	68.9	1837
Canada	7.2	23.5	70.9	1801*
Japan	5.0	27.4	68.8	1821*
New Zealand	5.3	24.1	71.8	1817
US	4.8	23.2	73.1	1821

\*refers to 2000.

OECD Employment Outlook 2002, Tables A, B, F.

Unemployment is based on OECD standardised rates. These approximate the ILO definition. Hours per year is an average over all workers, part-time and full time.

Table 2

**Long-Term Unemployment in 2001 (over 12 months)**

	<b>Long-Term Unemployment Rate</b>	<b>Short-Term Unemployment Rate</b>
<b><u>Europe</u></b>		
Greece	5.4	5.0
Austria	0.8	2.8
Belgium	3.4	3.2
Denmark	1.0	3.3
Finland	2.4	6.7
France	3.2	5.4
Germany	4.1	3.8
Ireland	2.1	1.7
Italy	5.7	3.8
Netherlands	0.4	2.0
Norway	0.2	3.4
Portugal	1.6	2.5
Spain	5.7	7.3
Sweden	1.1	4.0
Switzerland	0.8	1.8
UK	1.4	3.6
EU	3.3	4.3
<b>Non-Europe</b>		
Australia	1.4	5.3
Canada	0.7	6.5
Japan	1.3	3.7
New Zealand	1.0	4.3
US	0.3	4.5

Based on OECD Employment Outlook 2002, Table G.



Table 3

**Unemployment, Inactivity and Employment by Age and Gender in 2001**

	Unemployment (%)				Inactivity Rate (%)				Employment Rate (%)			
	Men		Women		Men		Women		Men		Women	
	25-54	55-64	25-54	55-64	25-54	55-64	25-54	55-64	25-54	55-64	25-54	55-64
<b><u>Europe</u></b>												
Greece	5.5	4.1	13.5	4.0	6.0	43.0	38.7	76.3	88.8	54.6	53.0	22.7
Austria	3.4	5.7	3.8	5.2	6.5	59.8	23.1	81.7	90.3	37.9	74.0	17.4
Belgium	4.8	3.9	6.1	0.9	9.1	63.4	29.3	84.2	86.5	35.1	66.4	15.6
Denmark	2.9	4.0	4.1	4.0	8.6	34.3	16.5	48.1	88.7	63.1	80.1	49.8
Finland	6.9	8.9	8.0	8.8	9.0	48.8	15.0	50.5	84.7	46.7	78.2	45.1
France	6.3	5.6	10.1	6.6	5.9	56.2	21.3	65.9	88.1	41.4	70.8	31.8
Germany	7.3	10.3	7.7	12.5	5.7	49.4	21.7	67.6	87.5	45.4	72.2	28.4
Ireland	3.4	2.6	3.0	2.7	8.2	33.6	33.9	70.8	88.7	64.6	64.1	28.4
Italy <sup>a</sup>	6.4	4.6	12.5	4.9	9.6	57.8	42.1	84.1	84.6	40.3	50.7	15.2
Netherlands	1.4	1.7	2.1	1.1	6.0	48.6	25.8	71.7	92.7	50.5	72.6	28.0
Norway	2.7	1.7	2.5	1.4	8.6	26.4	16.7	36.8	88.9	72.3	81.2	62.3
Portugal	2.6	3.2	4.4	3.1	7.2	36.4	21.9	58.1	90.4	61.6	74.7	40.6
Spain	6.3	5.6	13.7	8.0	8.4	38.6	38.8	76.4	85.9	57.9	52.8	21.8
Sweden	4.4	5.3	3.7	4.5	9.4	26.5	14.4	32.7	86.6	69.6	82.5	64.3
Switzerland	1.0	1.8	3.4	1.6	3.7	17.5	20.7	43.8	95.3	81.0	76.6	55.3
UK	4.1	4.4	3.6	1.8	8.7	35.6	23.6	56.0	87.6	61.6	73.6	43.2
EU	5.5	6.3	7.9	6.6	8.2	47.8	28.4	68.1	86.8	48.9	66.0	29.8
<b><u>Non-Europe</u></b>												
Australia	5.5	5.6	5.0	3.3	10.1	40.0	28.6	63.1	85.0	43.3	67.8	35.7
Canada	6.3	6.0	6.0	5.6	8.9	38.8	20.9	58.2	85.4	57.6	74.3	39.4
Japan	4.2	7.0	4.7	3.7	3.1	16.6	32.7	50.8	92.8	77.5	64.1	47.3
New Zealand	4.0	4.0	4.1	2.8	8.7	25.7	25.5	48.2	87.6	71.3	71.5	50.3
US	3.7	3.4	3.8	2.7	8.7	31.9	23.6	47.0	87.9	65.8	73.5	51.6

OECD Employment Outlook 2002, Table C.

**Note:** These data do not include those in prison. This makes little odds except in the US where counting those in prison would raise the inactivity rate among prime age men by around 2 percentage points.

**Table 4****Youth Unemployment Rate (%), 2001****Age 15-24**

	<b>Total</b>	<b>Men</b>	<b>Women</b>
<b><u>Europe</u></b>			
Greece	28.0	21.0	35.7
Austria	6.0	6.2	5.8
Belgium	15.3	14.3	16.6
Denmark	8.3	7.3	9.30
Finland	19.9	19.6	20.2
France	18.7	16.2	21.8
Germany	8.4	9.1	7.5
Ireland	6.2	6.4	5.8
Italy	27.0	23.2	32.2
Netherlands	4.4	4.2	4.5
Norway	10.5	10.6	10.3
Portugal	9.2	7.2	11.9
Spain	20.8	16.1	27.0
Sweden	11.8	12.7	10.8
Switzerland	5.6	5.8	5.5
UK	10.5	12.0	8.7
EU	13.9	13.1	15.0
<b><u>Non-Europe</u></b>			
Australia	12.7	13.3	12.0
Canada	12.8	14.5	11.0
Japan	9.7	10.7	8.7
New Zealand	11.8	12.1	11.5
US	10.6	11.4	9.7

OECD Employment Outlook 2002, Table C.

## Table 5

	<u>Unemployment (Standardised Rate) %</u>								
	1960-64	1965-72	1973-79	1980-87	1988-95	1996-99	2000-1	2002	2004
Greece				5.0	7.5	10.5	10.7	10.0	8.9
Australia	2.5	1.9	4.6	7.7	8.7	7.9	6.5	6.3	
Austria	1.6	1.4	1.4	3.1	3.6	4.3	3.7	4.3	4.5
Belgium	2.3	2.3	5.8	11.2	8.4	9.2	6.8	7.3	7.8
Canada	5.5	4.7	6.9	9.7	9.5	8.7	7.0	7.7	7.3
Denmark	2.2	1.7	4.1	7.0	8.1	5.3	4.4	4.5	5.4
Finland	1.4	2.4	4.1	5.1	9.9	12.2	9.4	9.1	8.9
France	1.5	2.3	4.3	8.9	10.5	11.5	9.0	8.7	9.6
Germany	0.8	0.8	2.9	6.1	5.6	7.4	6.4	6.8	7.7
(W)									
Ireland	5.1	5.3	7.3	13.8	14.7	8.7	4.0	4.4	4.5
Italy	3.5	4.2	4.5	6.7	8.1		8.4	7.4	6.7
Japan	1.4	1.3	1.8	2.5	2.5	3.9	4.9	5.4	4.7
Netherlands	0.9	1.7	4.7	10.0	7.2	4.5	2.6	2.8	4.6
Norway	2.2	1.7	1.8	2.4	5.2	3.8	3.6	3.9	4.4
New Zealand	0.0	0.3	0.7	4.7	8.1	6.8	5.7	5.2	
Portugal	2.3	2.5	5.5	7.8	5.4	6.0	4.1	5.1	6.5
Spain	2.4	2.7	4.9	17.6	19.6	19.4	13.5		
Spain*						15.8	11.0	11.4	10.8
Sweden	1.2	1.6	1.6	2.3	5.1	8.6	5.5	4.9	6.3
Switzerland	0.2	0.0	0.8	1.8	2.8	3.5	2.6	2.6	3.9
UK	2.6	3.1	4.8	10.5	8.8	6.8	5.2	5.1	4.6
USA	5.5	4.3	6.4	7.6	6.1	4.8	4.4	5.8	5.5

**Notes:**

As far as possible, these numbers correspond to the OECD standardised rates and conform to the ILO definition. The exception here is Italy where we use the US Bureau of Labor Statistics “unemployment rates on US concepts”. In particular we use the correction to the OECD standardised rates made by the Bureau prior to 1993. This generates a rate which is 1.6 percentage points below the OECD standardised rate after 1993. The rates referred to in Spain\* refer to recently revised ILO rates. For earlier years we use the data reported in LNJ. For later years we use the OECD Employment Outlook (2004, Table A) and the CESifo Report on the European Economy 2005, Table A2, p.22.

**Table 6**  
**Macroeconomic Patterns in the Eurozone, 1994-2002**

	<b>94</b>	<b>95</b>	<b>96</b>	<b>97</b>	<b>98</b>	<b>99</b>	<b>00(i)</b>	<b>00(ii)</b>	<b>00(iii)</b>	<b>00(iv)</b>	<b>01(i)</b>
Short-term interest rate (%)	5.3	4.5	3.3	3.3	3.5	3.0	3.5	4.3	4.7	5.0	4.8
Final domestic demand contribution to growth (annual %)	1.5	1.7	1.5	1.7	3.1	3.6	3.1	3.5	2.6	2.2	2.0
GDP growth (annual %)	2.4	2.2	1.4	2.3	2.9	2.8	3.8	4.2	3.2	2.7	2.4
Unemployment Rate (%)	10.9	10.6	10.9	10.9	10.3	9.3	8.7	8.5	8.3	8.1	2.3
Inflation (CPI)	2.8	2.6	2.3	1.7	1.2	1.1	2.1	2.1	2.5	2.7	8.0
	<b>01(ii)</b>	<b>01(iii)</b>	<b>01(iv)</b>	<b>02(i)</b>	<b>02(ii)</b>	<b>02(iii)</b>	<b>02(iv)</b>	<b>03(i)</b>	<b>03(ii)</b>	<b>03(iii)</b>	<b>03(iv)</b>
Short-term interest rate (%)	4.6	4.3	3.4	3.4	3.4	3.4	3.1	2.7	2.4	2.1	2.1
Final domestic demand contribution to growth (annual %)	1.4	1.1	0.7	-0.2	-0.2	0.0	0.4	0.8	0.8	0.8	0.6
GDP growth (annual %)	1.5	1.3	0.5	0.5	0.9	1.0	1.1	0.7	0.2	0.4	0.8
Unemployment Rate (%)	7.9	8.0	8.1	8.3	8.4	8.5	8.6	8.6	8.7	8.8	8.8
Inflation (CPI)	3.1	2.5	2.5	2.6	2.1	2.1	2.3	2.3	2.0	2.0	2.1
	<b>04(i)</b>	<b>04(ii)</b>	<b>04(iii)</b>	<b>04(iv)</b>							
Short-term interest rate (%)	2.1	2.1	2.1	2.0							
Final domestic demand contribution to growth (annual %)	1.1	1.3	1.2	1.2							
GDP growth (annual %)	1.4	2.1	1.8	1.7							
Unemployment Rate (%)	8.7	8.8	8.7	8.7							
Inflation (CPI)	1.7	2.3	2.3	2.3							

**Notes:**

The quarterly annual growth rates are based on the current quarter relative to the same quarter one year earlier.

Final domestic demand is C+I+G in obvious notation.

These data are from the Bank of England databank.

**Table 7**

**Examples of Unemployment and Inflation Patterns**

	<b>87</b>	<b>88</b>	<b>89</b>	<b>90</b>	<b>91</b>	<b>92</b>	<b>93</b>	<b>94</b>	<b>95</b>	<b>96</b>	<b>97</b>	<b>98</b>	<b>99</b>
<b>Finland</b> $u$	5.0	4.5	3.2	3.2	6.6	11.6	16.4	16.7	15.2	14.5	12.6	11.4	10.2
$\dot{p}$	3.6	4.7	6.5	6.1	4.1	2.6	2.2	1.0	1.0	0.6	1.2	1.4	1.2
<b>Japan</b> $u$	2.8	2.5	2.3	2.1	2.1	2.2	2.5	2.9	3.1	3.4	3.4	4.1	4.7
$\dot{p}$	0.1	0.7	2.3	3.1	3.2	1.8	1.2	0.7	-0.1	0.1	1.8	0.6	-0.3
	<b>00</b>	<b>01</b>	<b>02</b>	<b>03</b>	<b>04</b>								
<b>Finland</b> $u$	9.7	9.1	9.1	9.0	9.0								
$\dot{p}$	3.4	2.6	1.6	0.4	0.2								
<b>Japan</b> $u$	4.7	5.0	5.4	5.3	4.7								
$\dot{p}$	-0.7	-0.8	-0.9	-0.3	-0.1								

$u$  is the ILO unemployment rate.

$\dot{p}$  is the CPI inflation rate.

Table 8

Unemployment Benefit Replacement Ratios, 1960-95

	1960-64	1965-72	1973-79	1980-87	1988-95	1999
Greece	0.18	0.18	0.18	0.20	0.30	0.41
Australia	0.18	0.15	0.23	0.23	0.26	0.25
Austria	0.15	0.17	0.30	0.34	0.34	0.42
Belgium	0.37	0.40	0.55	0.50	0.48	0.46
Canada	0.39	0.43	0.59	0.57	0.58	0.49
Denmark	0.25	0.35	0.55	0.67	0.64	0.66
Finland	0.13	0.18	0.29	0.38	0.53	0.54
France	0.48	0.51	0.56	0.61	0.58	0.59
Germany (W)	0.43	0.41	0.39	0.38	0.37	0.37
Ireland	0.21	0.24	0.44	0.50	0.40	0.35
Italy	0.09	0.06	0.04	0.02	0.26	0.60*
Japan	0.36	0.38	0.31	0.29	0.30	0.37
Netherlands	0.39	0.64	0.65	0.67	0.70	0.70
Norway	0.12	0.13	0.28	0.56	0.62	0.62
New Zealand	0.37	0.30	0.27	0.30	0.29	0.30
Portugal	-	-	0.17	0.44	0.65	0.65
Spain	0.35	0.48	0.62	0.75	0.68	0.63
Sweden	0.11	0.16	0.57	0.70	0.72	0.74
Switzerland	0.04	0.02	0.21	0.48	0.61	0.74
UK	0.27	0.36	0.34	0.26	0.22	0.17
US	0.22	0.23	0.28	0.30	0.26	0.29

Source: OECD. Based on the replacement ratio in the first year of an unemployment spell averaged over three family types. See OECD (1994), Table 8.1 for an example.

\* This number refers to the “mobility” benefit, paid to those who become unemployed as a result of a collective layoff. Most Italian unemployed do not fall under this category.

Table 9

Unemployment Benefit Duration Index, 1960-95

	1960-64	1965-72	1973-79	1980-87	1988-95	1999
Greece	0	0	0	0	0.13	0.19
Australia	1.02	1.02	1.02	1.02	1.02	1.00
Austria	0	0	0.69	0.75	0.74	0.68
Belgium	1.0	0.96	0.78	0.79	0.77	0.78
Canada	0.33	0.31	0.20	0.25	0.22	0.42
Denmark	0.63	0.66	0.66	0.62	0.84	1.00
Finland	0	0.14	0.72	0.61	0.53	0.63
France	0.28	0.23	0.19	0.37	0.49	0.47
Germany	0.57	0.57	0.61	0.61	0.61	0.75
Ireland	0.68	0.78	0.39	0.40	0.39	0.77
Italy	0	0	0	0	0.13	0
Japan	0	0	0	0	0	0
Netherlands	0.12	0.35	0.53	0.66	0.57	0.64
Norway	0	0.07	0.45	0.49	0.50	0.60
New Zealand	1.02	1.02	1.02	1.04	1.04	1.00
Portugal	-	-	0	0.11	0.35	0.58
Spain	0	0	0.01	0.21	0.27	0.29
Sweden	0	0	0.04	0.05	0.04	0.02
Switzerland	0	0	0	0	0.18	0.31
UK	0.87	0.59	0.54	0.71	0.70	0.96
US	0.12	0.17	0.19	0.17	0.18	0.22

Source: OECD. Based on  $[0.6 \text{ (replacement ratio in 2}^{\text{nd}} \text{ and 3}^{\text{rd}} \text{ years of a spell)} + 0.4 \text{ (replacement ratio in 4}^{\text{th}} \text{ and 5}^{\text{th}} \text{ year of a spell)}] \div \text{(replacement ratio in 1}^{\text{st}} \text{ year of a spell)}$ .

Table 10

**Index of the Strictness of Work Availability Conditions, Mid-1990s**

Australia	3.6	Japan	-
Austria	2.3	Netherlands	3.7
Belgium	3.1	Norway	3.3
Canada	2.8	New Zealand	2.7
Denmark <sup>a</sup>	3.0	Portugal	2.8
Finland	2.7	Spain	-
France	2.7	Sweden	3.7
Germany	2.6	Switzerland	-
Ireland	1.7	UK	2.6
Italy	-	US	3.3

Source: Danish Ministry of Finance (1999), The Danish Economy Medium Term Economic Survey, Figure 2.4 d.

a) This refers to 1998. In the early 1990s, the corresponding number was 2.3.



Table 11

**Expenditure on Active Labour Market Policies (%GDP)**

(In brackets, we present the figure normalised on the percent unemployment rate)

	<b>1985</b>	<b>1989</b>	<b>1993</b>	<b>1998</b>
Greece	0.17 (0.034)	0.38 (0.062)	0.31 (0.036)	0.35 (0.032)
Australia	0.42 (0.051)	0.24 (0.039)	0.71 (0.065)	0.42 (0.053)
Austria	0.27 (0.075)	0.27 (0.084)	0.32 (0.080)	0.44 (0.098)
Belgium	1.31 (0.12)	1.26 (0.16)	1.24 (0.14)	1.42 (0.15)
Canada	0.64 (0.062)	0.51 (0.068)	0.66 (0.058)	0.50 (0.052)
Denmark	1.14 (0.13)	1.13 (0.12)	1.74 (0.17)	1.66 (0.32)
Finland	0.90 (0.18)	0.97 (0.26)	1.69 (0.10)	1.40 (0.12)
France	0.66 (0.065)	0.73 (0.078)	1.25 (0.11)	1.30 (0.11)
Germany	0.80 (0.11)	1.03 (0.18)	1.53 (0.19)	1.26 (0.14)
Ireland	1.52 (0.087)	1.41 (0.096)	1.54 (0.099)	1.54 (0.21)
Italy	-	-	1.36 (0.13)	1.12 (0.095)
Japan	0.17 (0.065)	0.16 (0.070)	0.09 (0.036)	0.09 (0.022)
Netherlands	1.16 (0.11)	1.25 (0.15)	1.59 (0.24)	1.74 (0.42)
Norway	0.61 (0.23)	0.81 (0.17)	1.15 (0.19)	0.90 (0.27)
New Zealand	0.90 (0.25)	0.93 (0.13)	0.79 (0.083)	0.63 (0.084)
Portugal	0.33	0.48	0.84 (0.15)	0.78 (0.15)
Spain	0.33 (0.015)	0.85 (0.050)	0.50 (0.022)	0.70 (0.037)
Sweden	2.10 (0.88)	1.54 (1.10)	2.97 (0.34)	1.97 (0.24)
Switzerland	0.19 (0.079)	0.21 (0.12)	0.38 (0.095)	0.77 (0.22)
UK	0.75 (0.067)	0.67 (0.093)	0.57 (0.054)	0.34 (0.054)
US	0.25 (0.035)	0.23 (0.044)	0.21 (0.030)	0.17 (0.038)

Source: OECD Employment Outlook, 2001, Table 1.5

Table 12

Collective bargaining coverage (%)

	1960	1965	1970	1975	1980	1985	1990	1994	2000
Austria	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	99	99	99
Australia	85	85	85	85	85	85	80	80	80
Belgium	80	80	80	85	90	90	90	90	90
Canada	35	33	36	39	40	39	38	36	32
Denmark	67	68	68	70	72	74	69	69	80
Finland	95	95	95	95	95	95	95	95	95
France	n.a.	n.a.	n.a.	n.a.	85	n.a.	92	95	95
Germany	90	90	90	90	91	90	90	92	68
Ireland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	
Italy	91	90	88	85	85	85	83	82	82
Japan	n.a.	n.a.	n.a.	n.a.	28	n.a.	23	21	15
Netherlands	100	n.a.	n.a.	n.a.	76	80	n.a.	85	85
New Zealand	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	67	31	25
Norway	65	65	65	65	70	70	70	70	70
Portugal	n.a.	n.a.	n.a.	n.a.	70	n.a.	79	71	80
Spain	n.a.	n.a.	n.a.	n.a.	68	70	76	78	80
Sweden	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	86	89	90
Switzerland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	53	53	40
United Kingdom	67	67	68	72	70	64	54	40	35
United States	29	27	27	24	21	21	18	17	14

These data were collected by Wolfgang Ochel. Further details may be found in Ochel (2000). The 2000 data may be found in OECD Employment Outlook (2004), Table 3,3

Table 13

Union Density (%)

	1960-64	1965-72	1973-79	1980-87	1988-95	1996-98	2000	Extension laws in place(a)
Greece				39	32	27	25	√
Australia	48	45	49	49	43	35	25	√
Austria	59	57	52	51	45	39	37	√
Belgium	40	42	52	52	52	-	56	√
Canada	27	29	35	37	36	36	28	X
Denmark	60	61	71	79	76	76	74	X
Finland	35	47	66	69	76	80	76	√
France	20	21	21	16	10	10	10	√
Germany (W)	34	32	35	34	31	27	25	√
Ireland	47	51	56	56	51	43	38	X
Italy	25	32	48	45	40	37	35	√
Japan	33	33	30	27	24	22	22	X
Netherlands	41	38	37	30	24	24	23	√
Norway	52	51	52	55	56	55	54	X
New Zealand	36	35	38	37	35	21	23	X
Portugal	61	61	61	57	34	25	24	√
Spain	9	9	9	11	16	18	15	√
Sweden	64	66	76	83	84	87	79	X
Switzerland	35	32	32	29	25	23	18	√(b)
UK	44	47	55	53	42	35	31	X
USA	27	26	25	20	16	14	13	X

## Table 13 cont'd

### Notes

- (i) Union density = union members as a percentage of employees. In both Spain and Portugal, union membership in the 1960s and 1970s does not have the same implications as elsewhere because there was pervasive government intervention in wage determination during most of this period.
- (ii) (a) Effectively, bargained wages extended to non-union firms typically at the behest of one party to the bargain.  
(b) Extension only at the behest of both parties to a bargain. For details, see OECD (1994), Table 5.11.
- (iii) Source: Ebbinghaus and Visser (2000). The data for 2000 are from OECD Employment Outlook (2004), Table 3.3. The 1988-95 figure for Greece refers to 1990, the 1980-87 figure to 1980 and the 1996-98 figure to 1998.

**Table 14**  
**Co-ordination Indices (Range 1-3)**

	1960-64		1965-72		1973-79		1980-87		1988-95		1995-99
	1	2	1	2	1	2	1	2	1	2	2
Australia	2.25	2	2.25	2	2.25	2.36	2.25	2.31	1.92	1.63	1.5
Austria	3	2.5	3	2.5	3	2.5	3	2.5	3	2.42	2
Belgium	2	2	2	2	2	2.1	2	2.55	2	2	2
Canada	1	1	1	1	1	1.63	1	1.08	1	1	1
Denmark	2.5	3	2.5	3	2.5	2.96	2.4	2.54	2.26	2.42	2
Finland	2.25	1.5	2.25	1.69	2.25	2	2.25	2	2.25	2.38	2.5
France	1.75	2	1.75	2	1.75	2	1.84	2	1.98	1.92	1.5
Germany (W)	3	2.5	3	2.5	3	2.5	3	2.5	3	2.5	2.5
Ireland	2	2	2	2.38	2	2.91	2	2.08	3	2.75	3
Italy	1.5	1.94	1.5	1.73	1.5	2	1.5	1.81	1.4	1.95	2.5
Japan	3	2.5	3	2.5	3	2.5	3	2.5	3	2.5	2.5
Netherlands	2	3	2	2.56	2	2	2	2.38	2	3	3
Norway	2.5	3	2.5	3	2.5	2.96	2.5	2.72	2.5	2.84	2
New Zealand	1.5	2.5	1.5	2.5	1.5	2.5	1.32	2.32	1	1.25	1
Portugal	1.75	3	1.75	3	1.75	2.56	1.84	1.58	2	1.88	2
Spain	2	3	2	3	2	2.64	2	2.3	2	2	2
Sweden	2.5	3	2.5	3	2.5	3	2.41	2.53	2.15	1.94	2
Switzerland	2.25	2	2.25	2	2.25	2	2.25	2	2.25	1.63	1.5
UK	1.5	1.56	1.5	1.77	1.5	1.77	1.41	1.08	1.15	1	1
US	1	1	1	1	1	1	1	1	1	1	1

**Notes**

The first series (1) only moves in response to major changes, the second series (2) attempts to capture all the nuances. Co-ordination 1 was provided by Michèle Belot to whom much thanks (see Belot and van Ours, 2000, for details). Co-ordination 2 is the work of Wolfgang Ochel, to whom we are most grateful (see Ochel, 2000a). Co-ordination 1 appears in all the subsequent regressions.

**Table 15**  
**Employment Protection (Index, 0-2)**

	<b>1960-64</b>	<b>1965-72</b>	<b>1973-79</b>	<b>1980-87</b>	<b>1988-95</b>	<b>1998</b>	<b>2003</b>
Greece					1.60	1.55	1.40
Australia	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Austria	0.65	0.65	0.84	1.27	1.30	1.10	0.97
Belgium	0.72	1.24	1.55	1.55	1.35	1.00	1.00
Canada	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Denmark	0.90	0.98	1.10	1.10	0.90	0.70	0.70
Finland	1.20	1.20	1.20	1.20	1.13	1.00	1.00
France	0.37	0.68	1.21	1.30	1.41	1.40	1.40
Germany (W)	0.45	1.05	1.65	1.65	1.52	1.30	1.12
Ireland	0.02	0.19	0.45	0.50	0.52	0.50	0.56
Italy	1.92	1.99	2.00	2.00	1.89	1.50	0.97
Japan	1.40	1.40	1.40	1.40	1.40	1.40	1.30
Netherlands	1.35	1.35	1.35	1.35	1.28	1.10	1.10
Norway	1.55	1.55	1.55	1.55	1.46	1.30	1.30
New Zealand	0.80	0.80	0.80	0.80	0.80	0.80	1.30
Portugal	0.00	0.43	1.59	1.94	1.93	1.70	1.60
Spain	2.00	2.00	1.99	1.91	1.74	1.40	1.50
Sweden	0.00	0.23	1.46	1.80	1.53	1.10	1.10
Switzerland	0.55	0.55	0.55	0.55	0.55	0.55	0.55
UK	0.16	0.21	0.33	0.35	0.35	0.35	0.35
USA	0.10	0.10	0.10	0.10	0.10	0.10	0.10

**Note**

These data are based on an interpolation of the variable used by Blanchard and Wolfers (2000), to whom we are most grateful. This variable is based on the series used by Lazear (1990) and that provided by the OECD for the late 1980s and 1990s. Since the Lazear index and the OECD index are not strictly comparable, the overall series is not completely reliable. The 1998 number is taken from Nicoletti et al. (2000), Table A3.11 (1<sup>st</sup> col. rescaled). The 2003 number is from OECD Employment Outlook (2004), Table 2.A 2.4, Col.11, rescaled. The numbers for Greece are taken from OECD Employment Outlook (2004), Table 2.A 2.4, Cols.9, 10, 11, rescaled.

**Table 16**

**Average Tax Rates including Social Security Contributions (%)**

	<b>1997</b>	<b>2000</b>	<b>2004</b>
Greece	35.8	35.9	34.9
Australia	24.8	22.8	28.6
Austria	45.6	44.9	44.9
Belgium	56.6	56.2	54.2
Canada	32.2	31.7	32.3
Denmark	45.1	44.4	41.5
Finland	48.9	47.3	43.8
France	48.7	48.2	47.4
Germany	52.3	51.8	50.7
Ireland	33.9	28.9	23.8
Italy	51.5	46.7	45.7
Japan	20.7	24.1	26.6
Netherlands	43.6	45.1	43.5
Norway	37.4	37.2	36.9
New Zealand	21.6	19.5	20.7
Portugal	33.9	33.5	32.6
Spain	39.0	37.6	38.0
Sweden	50.7	49.5	48.0
Switzerland	30.0	29.5	28.8
UK	32.0	30.1	31.2
US	31.1	30.8	29.6

The tax rates refer to a single person earning the average wage. The social security contributions include employers and employees contributions.

Table 17

**From the Early 1980s to the Late 1990s****“Policy” Changes**

	<b>Replacement Rate</b>	<b>Benefit Duration</b>	<b>Benefit Strictness</b>	<b>ALMP</b>	<b>Union Coverage</b>	<b>Union Density</b>	<b>Co- ordination</b>
<b><u>Europe</u></b>							
Austria	X	-	-	-	-	√	X
Belgium	√	-	-	-	-	-	X
Denmark	-	X	√	√√	-	-	X
Finland	X	-	-	-	-	X	√
France	-	X	-	√	X	-	X
Germany	-	X	-	√	-	-	-
Ireland	√	X	-	-	?	√	√
Italy	X	-	-	-	-	-	√
Netherlands	-	-	√	√	-	-	√
Norway	X	X	√	√	-	-	X
Portugal	X	X	-	√	-	√√	-
Spain	√	-	-	-	X	-	-
Sweden	X	-	-	-	-	-	X
Switzerland	XX	X	-	√	-	-	X
UK	√	X	√	X	√√	√	-
<b><u>Non-Europe</u></b>							
Australia	-	-	√	√	-	√	X
Canada	√	X	-	-	-	-	-
Japan	X	-	-	-	-	-	-
New Zealand	-	-	-	X	√√	√	XX
US	-	-	√	-	-	-	-



## Table 17 cont'd

### Notes:

- (i)  $\surd$  implies “good” shift, X implies “bad” shift.
- (ii) See Table 8. Replacement rate change (1980-87 to 1999) greater than 0.04 implies X, less than  $-0.04$  implies  $\surd$ . Double X or  $\surd$  for changes in excess of 0.25. The latter does not apply to Italy because the figure in the 1999 column refers to so few people.
- (iii) See Table 9. Duration index change (1980-87 to 1999) greater than 0.1 implies X, less than  $-0.1$  implies  $\surd$ . Double X or  $\surd$  for changes in excess of 0.5.
- (i) See Table 10 and the discussion in OECD (2000), Chapter 4. Author’s judgment based on this information.
- (ii) See Table 11. Change (1985/9 to 1993/8) greater than 0.2 implies  $\surd$ , less than  $-0.2$  implies X. Double  $\surd$  or X for changes in excess of 0.5. Bracketed amount must move in the same direction by 0.05.
- (iii) See Table 12. Coverage change (1980 to 1994) greater than 0.1 implies X, less than  $-0.1$  implies  $\surd$ . Double X or  $\surd$  for changes in excess of 0.3.
- (iv) See Table 13. Density change (1980-87 to 1996-8) greater than 10 implies X, less than  $-10$  implies  $\surd$ . Double X or  $\surd$  for changes in excess of 30.
- (v) See Table 14. Co-ordination (Type 2) change (1980-87 to 1995-99) greater than 0.5 implies  $\surd$ , less than  $-0.5$  implies X. Double X or  $\surd$  for changes in excess of 1.0.
- (vi) See Table 15. Employment protection change (1980-87 to 1998) greater than 0.2 implies  $\surd$ , less than  $-0.1$  implies X.
- (vii) See Table 16. Taxes change (1980-87 or 1988-95 to 1996-2000) greater than 0.07 implies X, less than  $-0.07$  implies  $\surd$ .

Table 17 cont'd

	Employment Protection	Labour Taxes	√	Total X	Unemployment 1980-87	Unemployment 2000-01	Unemployment Change
<u>Europe</u>							
Austria	-	X	1	3	3.1	3.7	0.6
Belgium	√	-	2	1	11.2	6.8	-4.4
Denmark	√	-	4	2	7.0	4.4	-2.6
Finland	√	-	2	2	5.1	9.4	4.3
France	X	-	1	4	8.9	9.0	0.1
Germany	√	-	2	1	6.1	6.4	0.3
Ireland	-	√	4	1	13.8	4.0	-9.8
Italy	√	X	2	2	6.7	8.4	1.7
Netherlands	√	√	5	0	10.0	2.6	-7.4
Norway	√	-	3	3	2.4	3.6	1.2
Portugal	√	-	4	2	7.8	4.1	-3.7
Spain	√	-	2	1	17.6	13.5	-4.1
Sweden	√	-	1	2	2.3	5.5	3.2
Switzerland	-	-	1	4	1.8	2.6	0.8
UK	-	√	6	2	10.5	5.2	-5.3
<u>Non-Europe</u>							
Australia	-	?	3	1	7.7	6.5	-1.2
Canada	-	X	1	2	9.7	7.0	-2.7
Japan	-	-	0	1	2.5	4.9	2.4
New Zealand	-	?	3	3	4.7	5.7	1.0
US	-	-	1	0	7.6	4.4	-3.2

Table 18

$$\begin{array}{l} \text{Unemployment change (\%)} \\ \text{(80/87 to 00/01)} \end{array} = \begin{array}{l} 0.25 - 1.25 \text{ ticks} + 1.21 \text{ crosses} \\ (3.1) \qquad \qquad (2.2) \end{array}$$

$$R^2 = 0.51, N=20$$

$$\begin{array}{l} \text{Unemployment change (\%)} \\ \text{(80/87 to 00/01)} \end{array} = \begin{array}{l} -0.42 - 1.24 \text{ ticks (ticks - crosses)} \end{array}$$

$$R^2=0.51, N=20$$

**Table 19****Produce Market Regulatory Reform**

	<b>Regulatory indicators</b> (scale 0-6 from least to most restrictive)					<b>General product</b> <b>market regulations</b>
	<b>1978</b>	<b>1982</b>	<b>1988</b>	<b>1993</b>	<b>1998</b>	<b>1998</b>
Greece	5.7	5.7	5.7	5.5	5.1	2.2
Australia	4.5	4.5	4.2	3.3	1.6	0.9
Austria	5.2	5.1	4.5	3.9	3.2	1.4
Belgium	5.5	5.5	5.0	4.3	3.1	1.9
Canada	4.2	4.2	2.8	2.6	2.4	1.5
Denmark	5.6	5.5	5.5	4.0	2.9	1.4
Finland	5.6	5.5	4.8	4.0	2.6	1.7
France	6.0	5.9	5.7	4.7	3.9	2.1
Germany	5.2	5.2	4.7	3.8	2.4	1.4
Ireland	5.7	5.7	5.1	4.8	4.0	0.8
Italy	5.8	5.8	5.8	5.3	4.3	2.3
Japan	5.2	5.2	3.9	3.2	2.9	1.5
Netherlands	5.3	5.5	5.5	4.1	3.0	1.4
Norway	5.0	5.0	4.3	3.2	2.5	2.2
New Zealand	5.1	5.1	3.6	2.2	1.4	1.3
Portugal	5.9	5.9	5.4	4.9	4.1	1.7
Spain	4.7	4.7	4.6	4.2	3.2	1.6
Sweden	4.5	4.4	4.2	3.5	2.2	1.4
Switzerland	4.5	4.5	4.5	4.4	3.9	1.8
UK	4.3	4.2	3.5	1.9	1.0	0.5
US	4.0	3.3	2.5	2.0	1.4	1.0

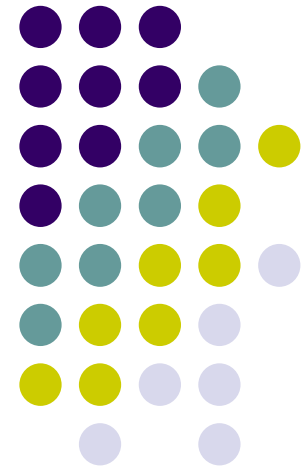
The first four columns are simple averages of indicators for 7 industries: gas, electricity, post, telecoms, air transport, rail, road freight. OECD Employment Outlook (2002), Table 5.A.3. The last column refers to the entire economy. Nicoletti et al. (2000), Table A3.7, col.1.

**Workshop on  
Labour Market Flexibility  
*International Experience & the case of  
Greece***

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Daphne Nicolitsas  
*Athens University of Economics and Business*

22nd April, 2005

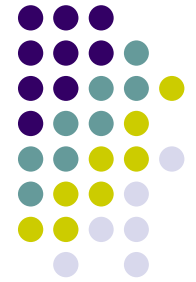


# Contents

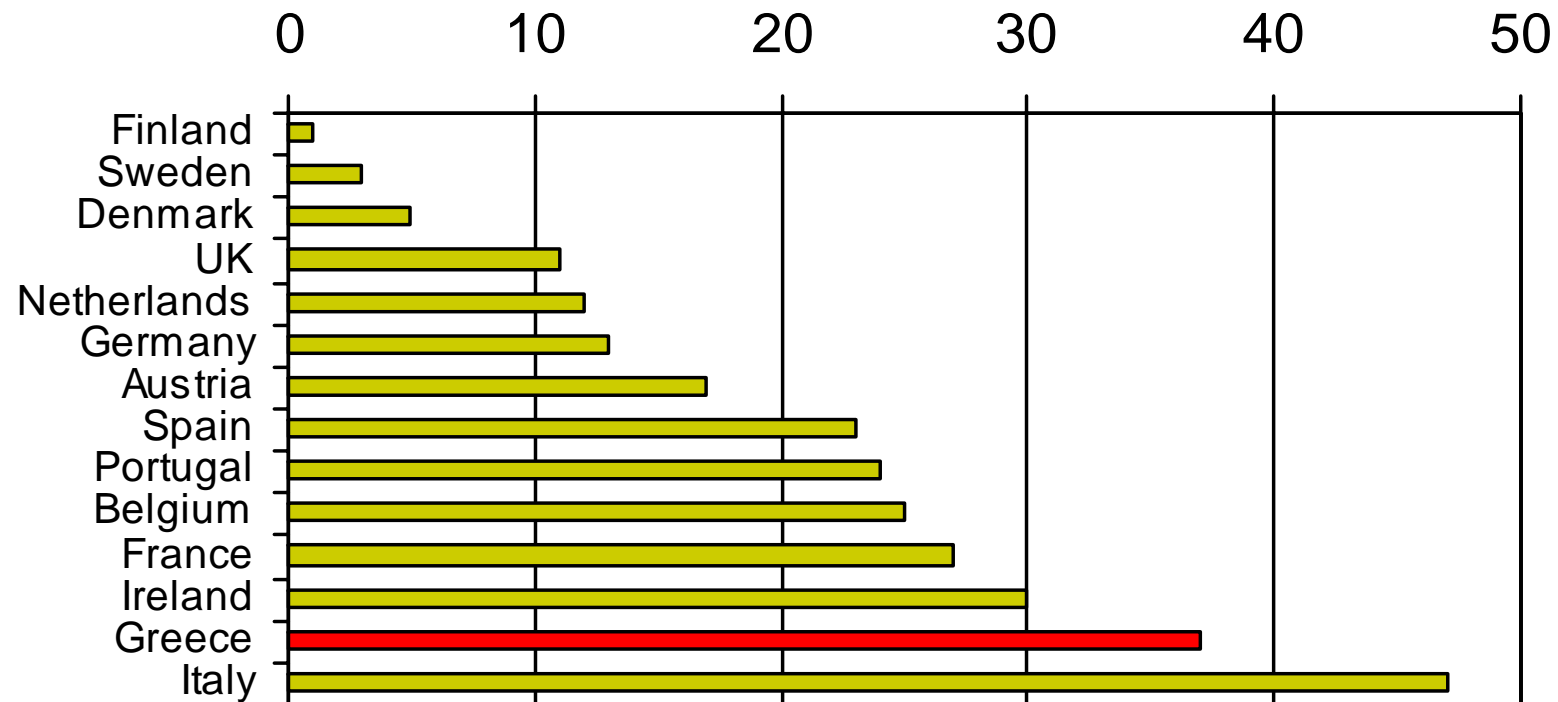


1. Lack of competitiveness
2. Unemployment is the issue of greatest concern
3. OECD EPL
4. Self-employment is high
5. Employer and employee social security contributions
6. Types of flexibility
7. PISA score results
8. Vocational training
9. In firm vocational training
10. Public sector age distribution
11. Last thoughts

# Greece does not score well on a number of competitiveness indicators (1)



Ranking based on the Growth Competitiveness Index

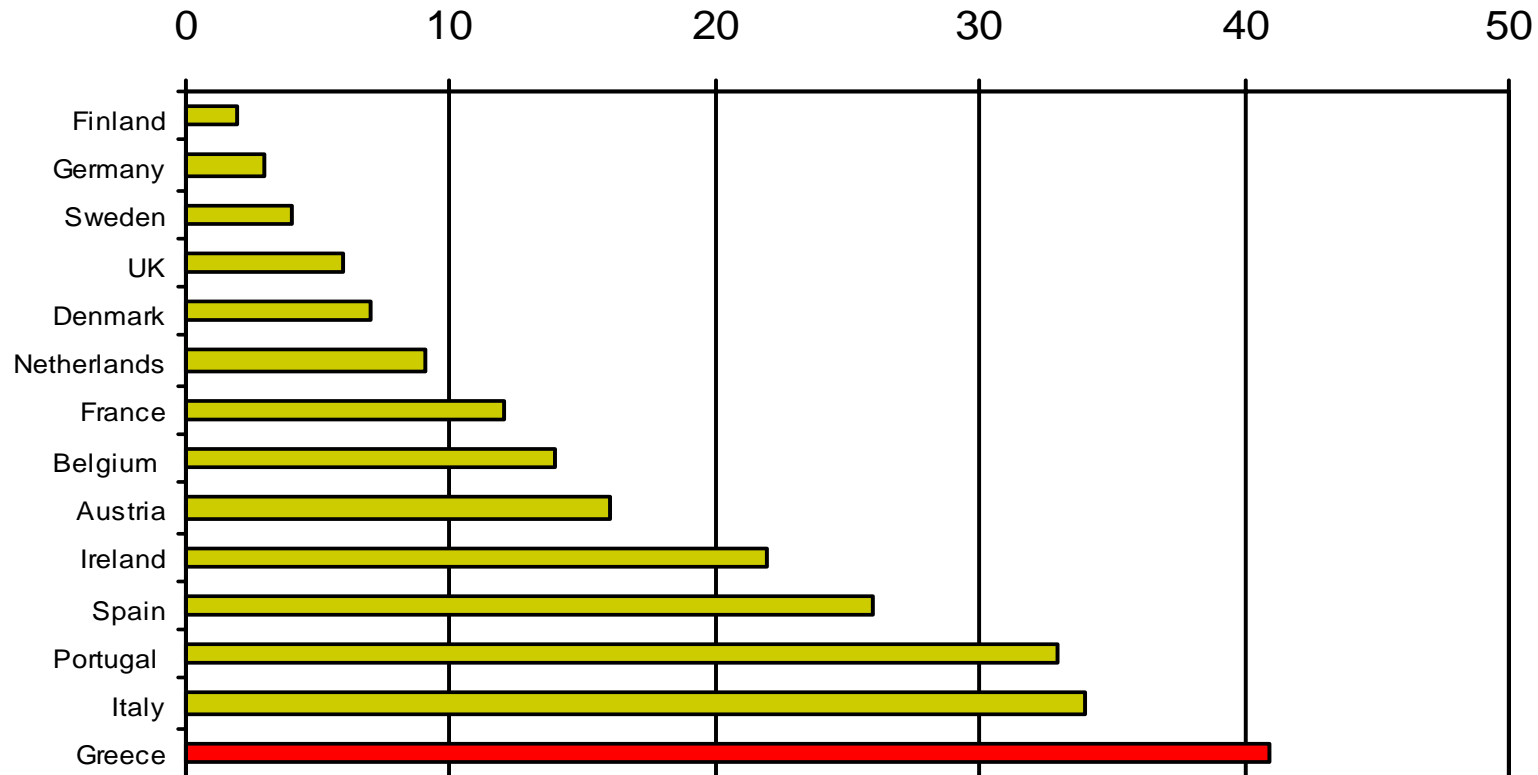


Source: World Economic Forum - Global Competitiveness Report, 2004

# Greece does not score well on a number of competitiveness indicators (2)



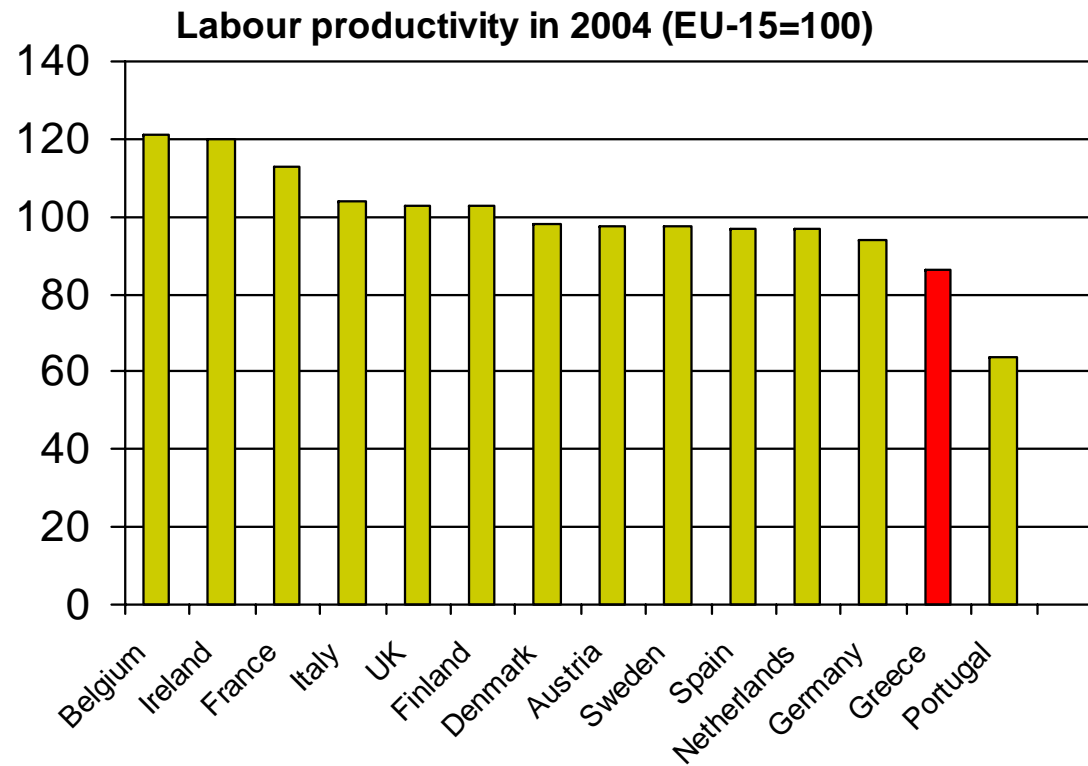
Ranking based on the Business Competitiveness Index



Source: World Economic Forum Global Competitiveness Report, 2004



# Greece has lower productivity levels than most of its trading partners

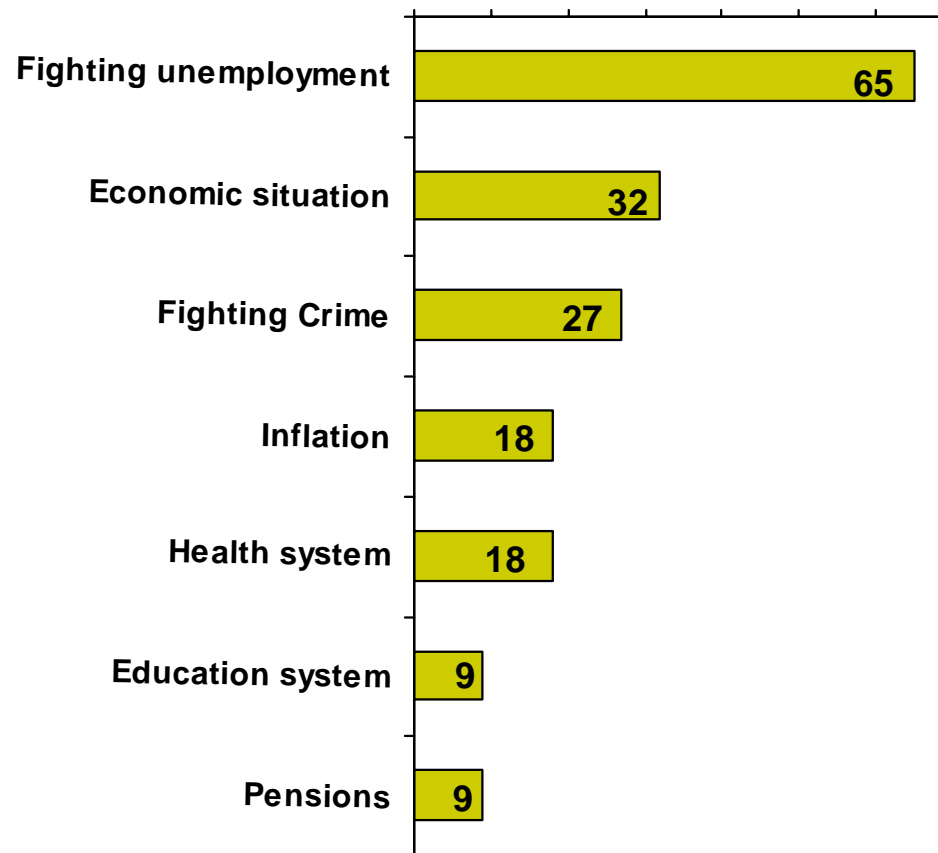


Source: Eurostat

# Most important issues facing Greece



Percentage of Greeks who consider the following issues as important



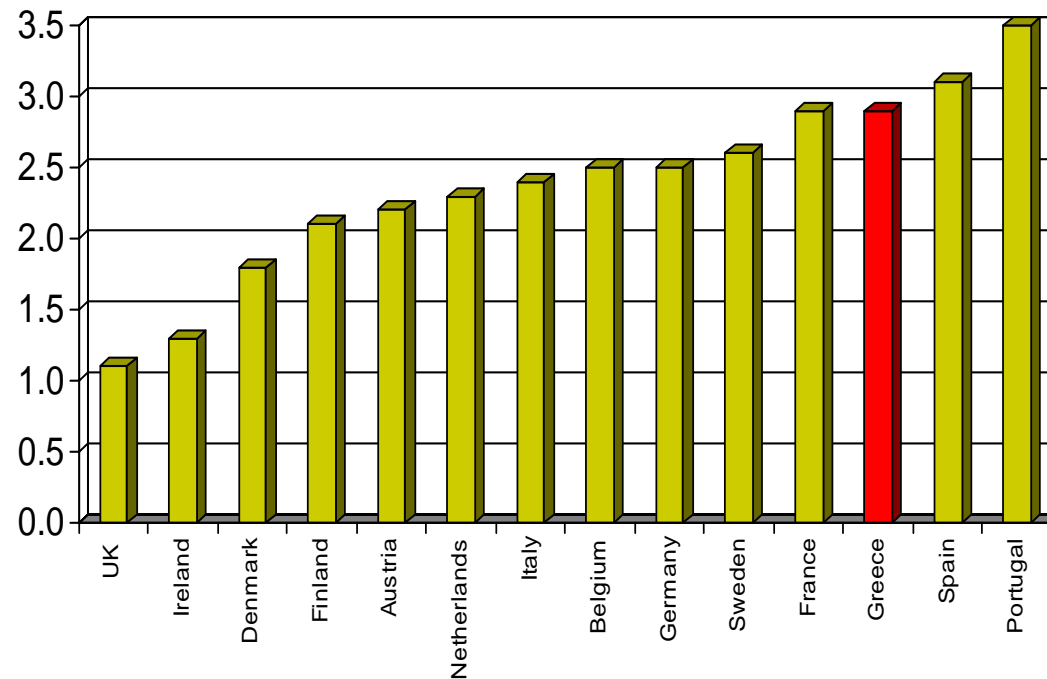
Source: Eurobarometer, Autumn 2003

- 65% of the Greek poll (in Autumn 2003) viewed fighting unemployment as being one of the two most important issues facing the country.
- This is the highest percentage in the EU-15. The average percentage for EU-15 countries is 42%

# OECD measure on the strictness of employment protection legislation (EPL)



**Overall EPL index for 2003**  
**(Index 0-6 scale from least to most restrictive)**



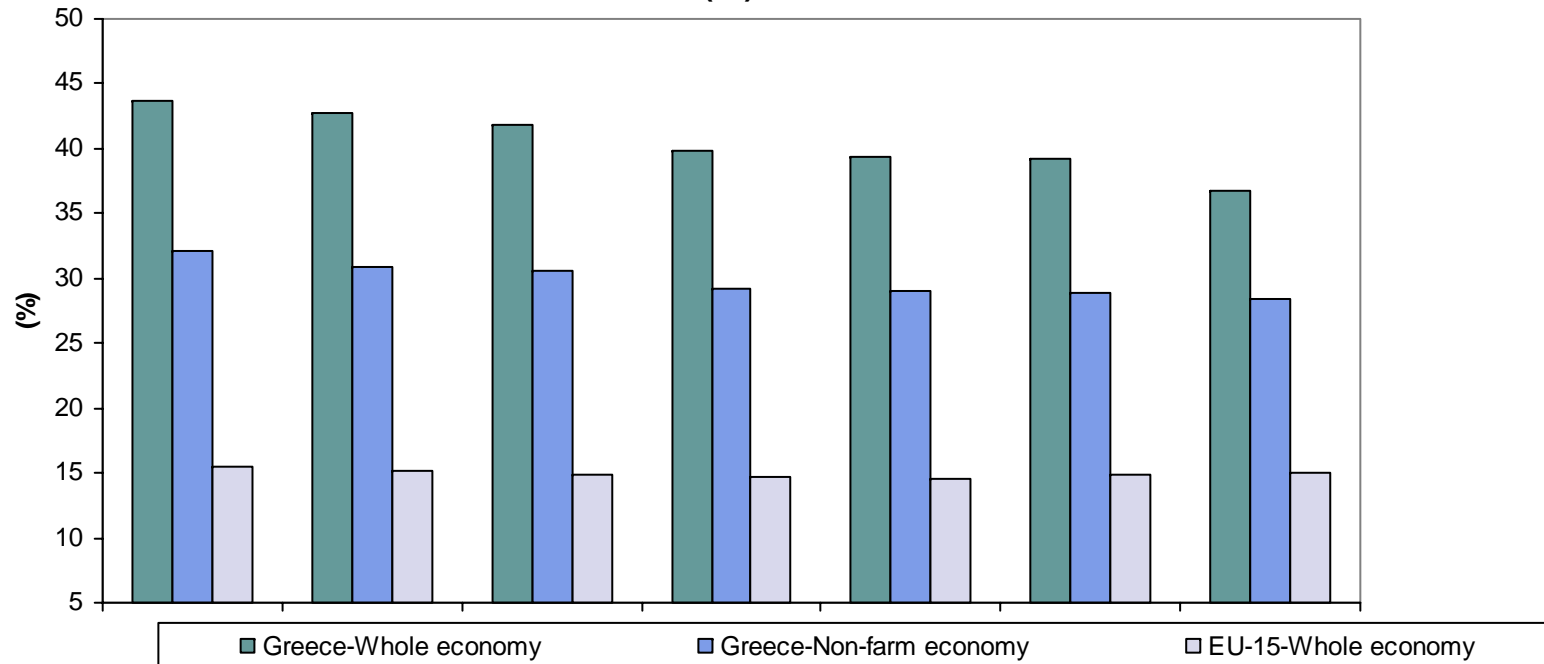
Source: OECD Employment Outlook (2004)



# Share of self-employment

- The share of self-employed in the non-farm economy in Greece is twice as high as that in the EU-15

Share of self-employed in Greece (whole economy and non-farm economy) and the EU-15 (%)



Source: Greek Labour Force Survey and Employment in Europe (2004)



## Employer and employee social security contributions

Average rate of contributions paid by the employer and the employee as a percentage of gross earnings (%)			
	Employer	Employee	Total
Social Insurance Organisation (IKA)	18.43	9.22	27.65
Subsidiary social insurance fund (ETEAM)	3.00	3.00	6.00
Other funds	6.63	3.78	10.41
Total	28.06	16.00	44.06



# Types of flexibility

- **Functional flexibility:**

- mobility across tasks,
- extension of the range and depth of individual skills and
- extensive training and retraining

- **Numerical flexibility:**

- changing the quantity of labour input

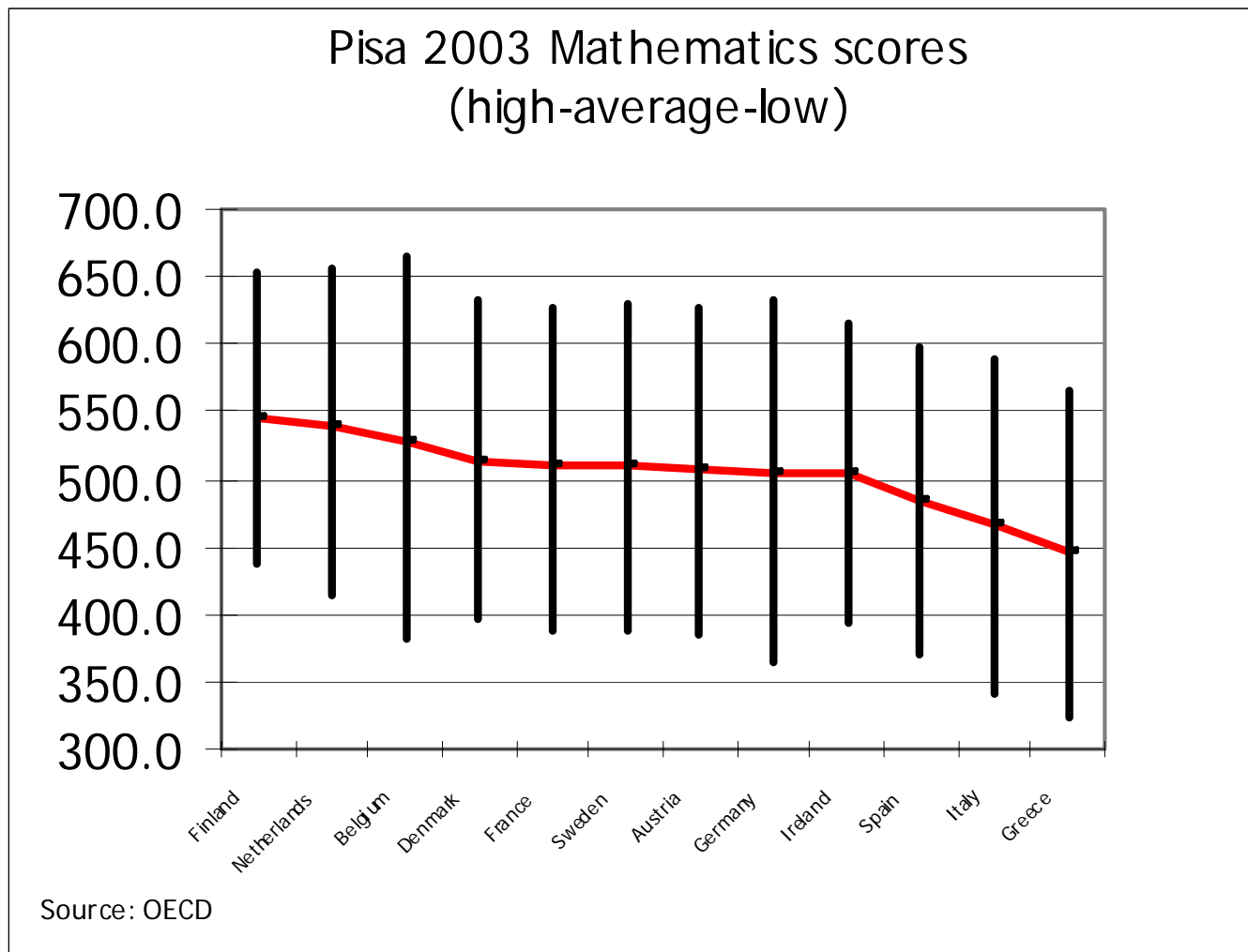
- **Internal flexibility:**

- in-house resources to achieve internal flexibility

- **External flexibility:**

- interact with firms outside the market when adopting numerical flexibility (eg outsourcing)

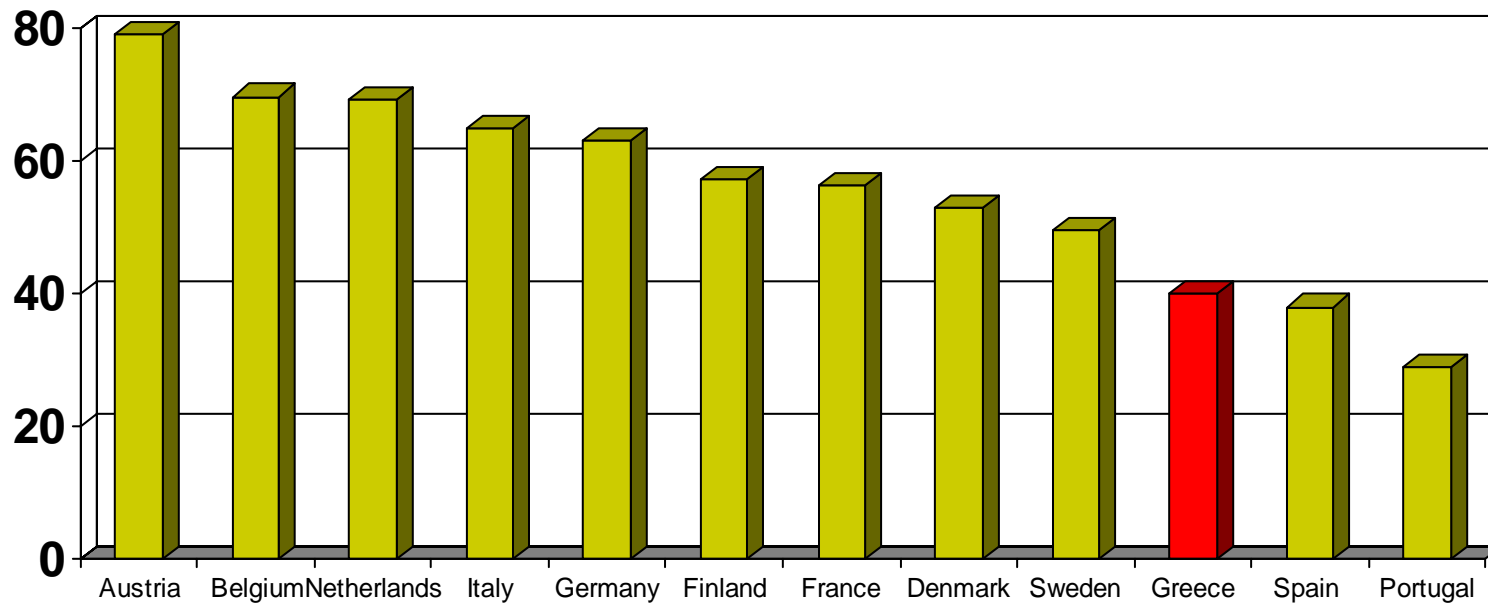
# Education level: Programme for International Student Assessment (PISA) 2003 Mathematics scores



# Enrollment of students in vocational and pre-vocational training



Percentage of students in vocational and pre-vocational training as a share of total enrollment at International Standard Classification Level 3 (ISCED3) in 2002

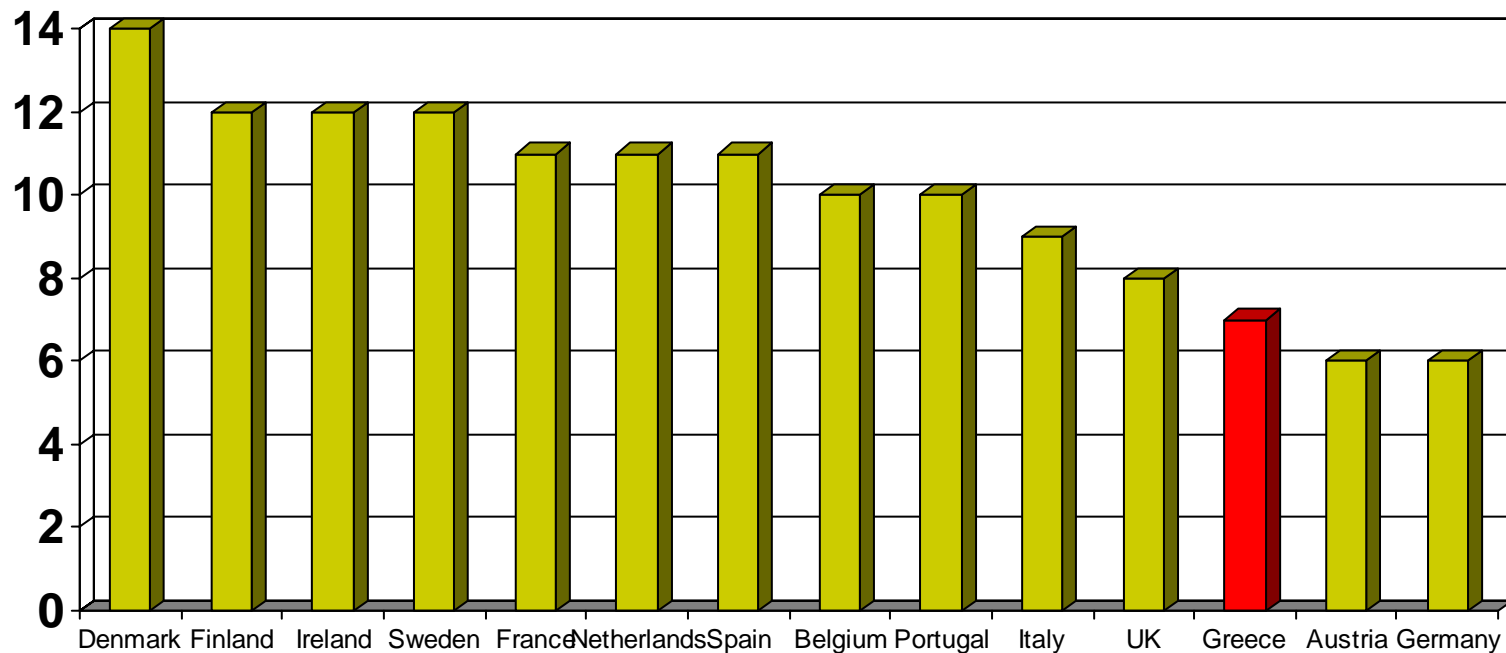




# Extent of continuous vocational training



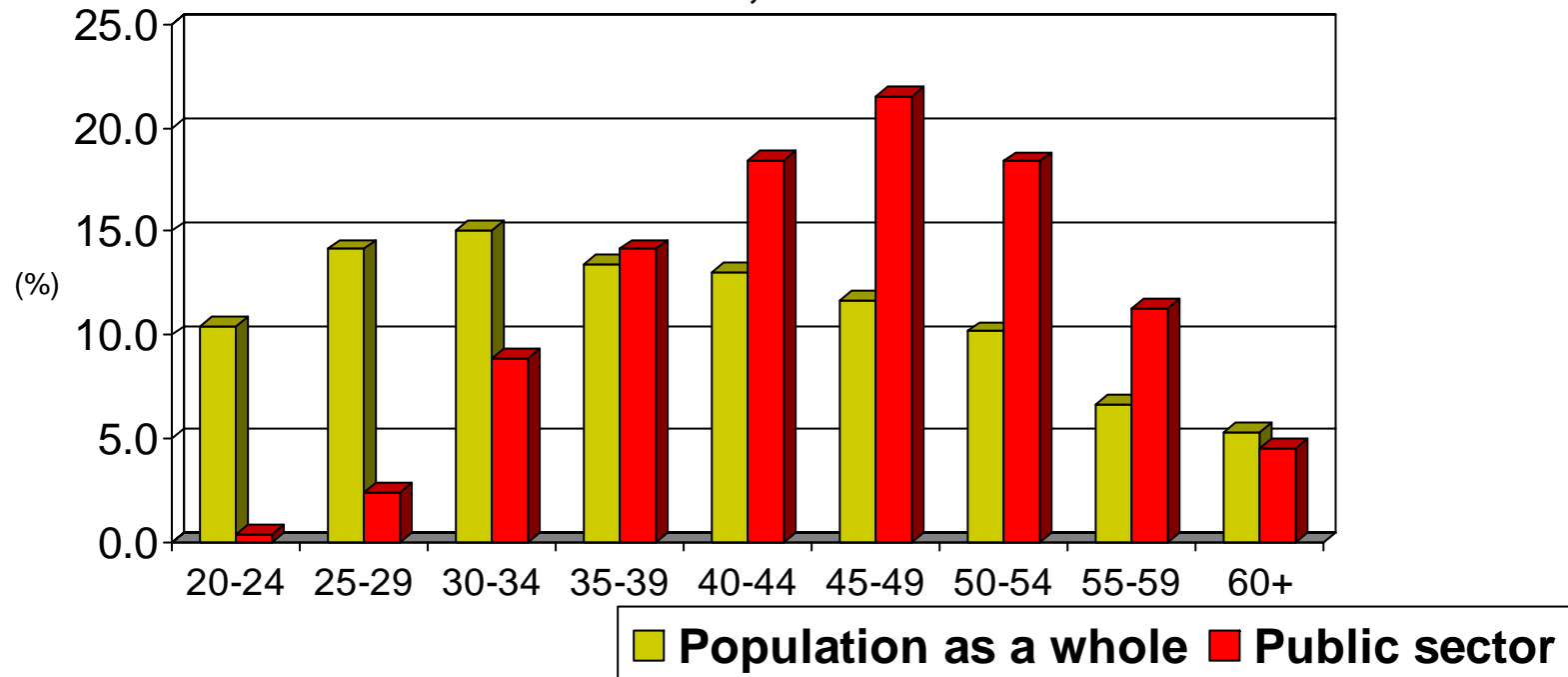
Hours in Continuous Vocational Training per 1000 working hours (only enterprises with CVT courses), 1999



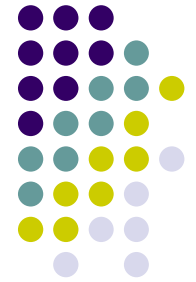
# Age distribution of employees in the public sector



Age distribution for the population as a whole and for the public sector, 2001



Source: Population census and public sector employment census



## Last thoughts...

- Flexibility has more than one dimensions
- There is need for a combination of measures to improve the performance of the economy
- The Irish success was based on a number of factors; education and professionalism, on the one hand, and the consensus between employers and unions, on the other, however appear to be amongst the most important.