

Flexible Working and Unemployment in Greece: An Analysis and Review of the Evidence

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Abstract

In recent years, particularly in the European Union, it is believed that the reduction of labor costs will contribute to the competitiveness and adaptability of enterprises and thus to maintain existing and create new jobs. Since the early 1990s, Greece following the guidelines of the European Union, gradually pushed a series of legislative changes relating to payments, working time, etc. aiming to promote flexible working.

This paper examines the relationship of flexible working, employment and unemployment in the Greek labor market. More specifically, we study the evolution of flexible forms of employment during the period 2000-2013 and examine whether these changes had an impact on the overall scale of employment and unemployment. The main conclusion of the study supports findings of other researches that the significant increase in flexible working, particularly after 2009, failed to increase employment and reduce unemployment in the Greek labor market.

Keywords Flexible Working; Employment; Unemployment; Crisis, Greece.

JEL E24, J01, J21

Introduction

There have been significant changes in the global economy during the last 30 years. Since the early 1980s a series of changes in the economy, social structure and way of life of employees took place. These changes affect not only the production process but also work relationships by enhancing flexibility in the labor market. The main changes, more specifically, can be summarized as follows (Brewster et al 1997, Lee 1996, Lenz 1996, Castells 2000):

- i. the internationalization of markets and the decline of national borders,
- ii. the rapid intensification of global competition between firms,

- iii. the movement of labor from agriculture and industry to the service sector that allowed and often imposed new forms of work organization with greater flexibility of time, place and content,
- iv. unprecedented level of structural uncertainty in modern societies,
- v. the rapid technological developments which caused substantial changes in the job organization, methods of management and structural unemployment, which in turn led to the implementation of policies based on the assumption that decrease of job hours per person will cause employment increase,
- vi. massive entry of women into the labor market with its consequences on work patterns and the general concept of employment,
- vii. the increasing number of people working for financing their studies, which in turn increased the potential workforce for flexible working,
- viii. the increasing desire of workers for more free time and better quality of life.

This new reality has influenced the traditional model of working with the decline of full employment and stable growth of flexible forms of employment such as part-time, job sharing, telecommuting, flexible working hours etc. Thus, the last observed radical reorganization of work and new employment relations led to the adoption of flexible working in all developed and developing countries. The spread and intensity of this adoption depends largely on (Lenz 1996):

- i. the level of development of economy and a country's position in the international division of labor,
- ii. region's characteristics and specificities within the national economy (e.g. local production systems),
- iii. the characteristics of the industry,
- iv. the size, organization and general profile of each company.

Today, within the European Union it is widely supported that flexibility working is a critical component of the adaptability and competitiveness of enterprises and the economy as a whole (EC 1997, OECD 1996, Hyz 1997). Many neoclassical economists argue that the relatively high levels of unemployment and stagnating levels of employment in many European countries are due to the high and inflexible real wages and the inability of employers to adjust their workforces because of institutional rigidities in the labor market (Rosenberg, 1989). The research findings in the international literature are ambiguous. De Grip et al. (1997) believe that in Europe the rise in part-time employment might help offset the increase in the unemployment rate. In the same direction, Pencavel (1994) reports that from 1960 to 1990 total employment increased by 10 per cent in the United Kingdom and by 77 per cent in the United States. In contrast, Guell (2001) found that total outflows from unemployment had increased. Blanchflower and Freeman (1993) calculate that for males the probability of making the transition from unemployment to working actually fell from 0.46 in 1979 to 0.32 in 1990. For females there was virtually no change with probabilities in both years at around 0.43.

Thus, a key question that arises is whether flexible working may contribute significantly to the employment increase and to the reduction of unemployment. This article investigates the relationship between flexible working and unemployment / employment in Greek labor market. More specifically, we study the evolution of flexible working during the period 2000-2013 and examine whether these changes have affected the overall size of employment and unemployment.

Flexible working in Greece

As a result of the systematic attempts to create a favorable institutional framework for the dissemination of flexible forms of employment in the Greek labor market the share of them have increased significantly (Karamanis, 2011). According to the statistics during the last decade flexible working more than doubled from 201,296 thousand in 2000 to 430,077 thousand in 2012 (Table 1). Main factor influenced this increase was the crisis in the Greek economy and the need to restructure the business environment of recession and increased competition. In 2012 45,1% of the total new contracts were flexible working when the corresponding rate for 2009 was 21% (Table 2). Thus, it seems that the overall level of flexible work is clearly increasing.

Table 1. Evolution of flexible working in Greece** (2000-2013)

Year	Part time	Job Share	Temporary Employment	Total
2000	164.976 (82,0%)	3.532 (1,7%)	32.788 (16,3%)	201.296 (100,0%)
2001	172.786 (75,7%)	29.532 (12,9%)	26.057 (11,4%)	228.375 (100,0%)
2002	207.237 (79,3%)	35.444 (13,5%)	18.794 (7,2%)	261.475 (100,0%)
2003	224.134 (78,2%)	36.287 (12,7%)	26.129 (9,1%)	286.550 (100,0%)
2004	247.668 (76,5%)	40.682 (12,6%)	35.514 (10,9%)	323.864 (100,0%)
2005	238.637 (73,7%)	42.097 (13,0%)	42.996 (13,3%)	323.730 (100,0%)
2006	287.749 (77,8%)	37.154 (10,0%)	44.743 (12,2%)	369.646 (100,0%)
2007	282.255 (71,9%)	47.275 (12,0%)	63.287 (16,1%)	392.817 (100,0%)
2008	332.695 (74,6%)	46.212 (10,4%)	67.052 (15,0%)	445.959 (100,0%)
2009	272.561 (74,1%)	57.825 (15,7%)	37.517 (10,2%)	367.903 (100,0%)
2010	340.619 (76,0%)	90.158 (20,1%)	*	447.920 (100,0%)

2011	300.230 (77,1%)	84.519 (21,7%)	*	389.288 (100,0%)
2012	332.167 (77,2%)	94.021 (21,9%)	*	430.077 (100,0%)

Source: Own calculation based on data from Ministry of Employment

* After the 2010 it is not obligatory for Greek firms to register these types of employment to the competent services of the Ministry of Labor. As a result they cannot be systematically recorded.

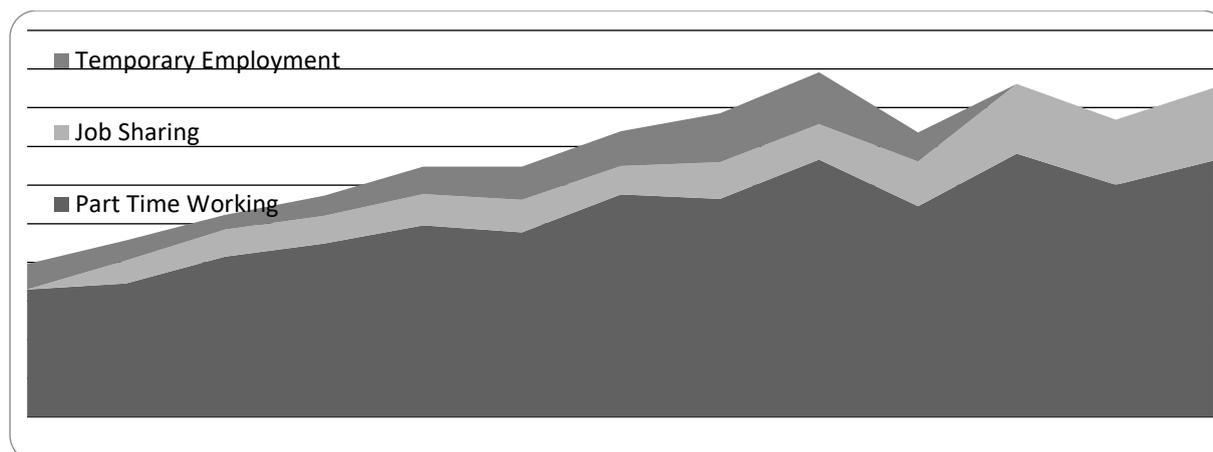
** Private sector workers, who were engaged with the legal procedures and were declared to the Ministry of Employment

Table 2. New job contracts by type (2009-2012)

Year	Full time	Flexible working	Total number of new contracts
2009	746.911 (79,0%)	198.227 (21,0%)	945.138 (100,0%)
2010	586.281 (66,9%)	289.671 (33,1%)	875.952 (100,0%)
2011	460.706 (60,4%)	301.858 (39,6%)	762.564 (100,0%)
2012	375.843 (54,9%)	308.600 (45,1%)	684.443 (100,0%)

Source: Own calculation based on data from Ministry of Employment

Figure 1. Evolution of flexible working in Greece (2000-2013)



Source: Ministry of Employment

The most important forms of flexible working in the Greek labor market are: a) part-time job¹, b) job share², c) short time contracts³. Part time job is mainly applied in commercial and catering companies and service companies (storage, cleaning, etc.) and its share during the whole research period was more than 70%. The job sharing occurs mainly in education (tutoring in secondary education and foreign languages) and was increasing, reaching 22% in 2012. Other forms of flexible employment, such as tele-working, home working, subcontracting etc. show little or no penetration in the Greek labor market in contrast to what happens in other European countries. Further, the evolution of the main forms of flexible work for the period 2000-2012 are presented in Table 1 and Figure 1.

Employment and Unemployment in Greece

In recent years the effects of the economic crisis and the policies implemented have an impact on the labor market and in particular on the size of employment and unemployment. The decrease in disposable income in combination with increasing uncertainty resulted in the decrease in almost all forms of economic activity which led to the reduction of total employment. The total employment in the Greek economy in 2013 decreased by 945.000 people in comparison with the beginning of the crisis in 2008, reaching 3.6 million. The reduction is huge. Especially if we take into consideration that during the period 2000-2008 (after the entry of Greece into the EMU and the organization of the Olympic Games in 2004), employment increased by a cumulative 11%. The number of employees in 2000 was about 4.1 million people and in 2008 reached 4.6 million, which means that within nine years about 500,000 new jobs were created (Table 3 and Figure 2).

Table 3. Employment and Unemployment in Greece (2000-2013, in'000)

¹ Defined as a contract (indefinite or fixed term) by which the employee agrees with the employer to provide work for fewer hours per day, or fewer days per week or month or year against the statutory or contractual working hours and corresponding lower remuneration (Law 1892/90, Law 2639/98, Law 3846/10, Law 3899/10).

² It belongs to the same category with the contract and part-time employment and is considered by fewer days per week or fewer weeks per month or fewer months per year, and a combination thereof, in full, however the daily working hours (Law 1892/90, N. 2639/98, Law 3846/10, Law 3899/10).

³ With this system, the employer must provide the contractor the agreed type of work at the agreed time, place, form on agreed reward. There are contracts of employees and therefore do not apply to these rules of existing labor legislation. (Law 2639/98, N.3846/10).

Year	Employment	Unemployment	Average Unemployment (%)*	Average Unemployment 15-24 years (%)*
2000	4.088,5	523,5	11,3%	(NA)
2001	4.086,3	493,9	10,7%	(NA)
2002	4.175,8	480,2	10,3%	(NA)
2003	4.274,5	460,0	9,7%	(NA)
2004	4.313,2	505,7	10,5%	26,7%
2005	4.369,0	477,5	9,9%	26%
2006	4.452,3	434,5	8,9%	25,1%
2007	4.509,9	406,9	8,3%	22,9%
2008	4.559,3	377,9	7,7%	22,1%
2009	4.508,7	471,1	9,5%	25,5%
2010	4.388,6	628,7	12,6%	32,6%
2011	4.090,7	876,9	17,7%	43,6%
2012	3.763	1.203,8	24,3%	55,2%
2013	3.613,4	1.353,5	27,2%	58,5%

Source: Own calculation based on data from Hellenic Statistical Authority (ELSTAT)

* The annual average unemployment rate was calculated based on the average of the monthly and quarterly unemployment rate, Labor Force Survey ELSTAT.

It is worth noting that in 2013, due to the decline in employment, the ratio of employees to total economically active population was only 52.2%. It means decrease by almost 11 points compared to 2008, which then ranged around 63% (Ioannidis, 2013). This relates both to the characteristics of the labor market (vacancies, wages, working conditions, etc.) and the individual characteristics of workers, such as gender, age, education, ethnicity, etc. (NILHR, 2012).

The significant decrease in employment was accompanied by increase of the unemployment rate throughout the country. In 2013 the unemployment rate increased to 27.2% of the workforce (increase by 19.5 points compared to 2008). Specifically, during the period 2008-2013 the total number of unemployed raised by 975,000. In contrast, in the period before the financial crisis, the unemployment rate in the labor force has fallen from 11.3% in 2000 to 7.7% in 2008 (Table 3 and Figure 2).

It is worth noting that in recent years the economic crisis and the crisis of employment except of the significant increase of unemployment, contributed to the serious changes in its structural characteristics (NILHR, 2012). The magnitude of youth unemployment is certainly one of them. Although the youth unemployment rate was always very high in the Greek labor market, in 2008-2013, unemployment among young people (<25 years) showed rapid

increase. More specifically, from 22.1% in 2008 almost tripled in 2013 (in 2013 young unemployed reached 58.5%) (Table 3).

Figure 2. Employment and Unemployment, Greece, 2000-2013 ('000)



Source: Own calculations based on data from Hellenic Statistical Authority (El. Stat.)

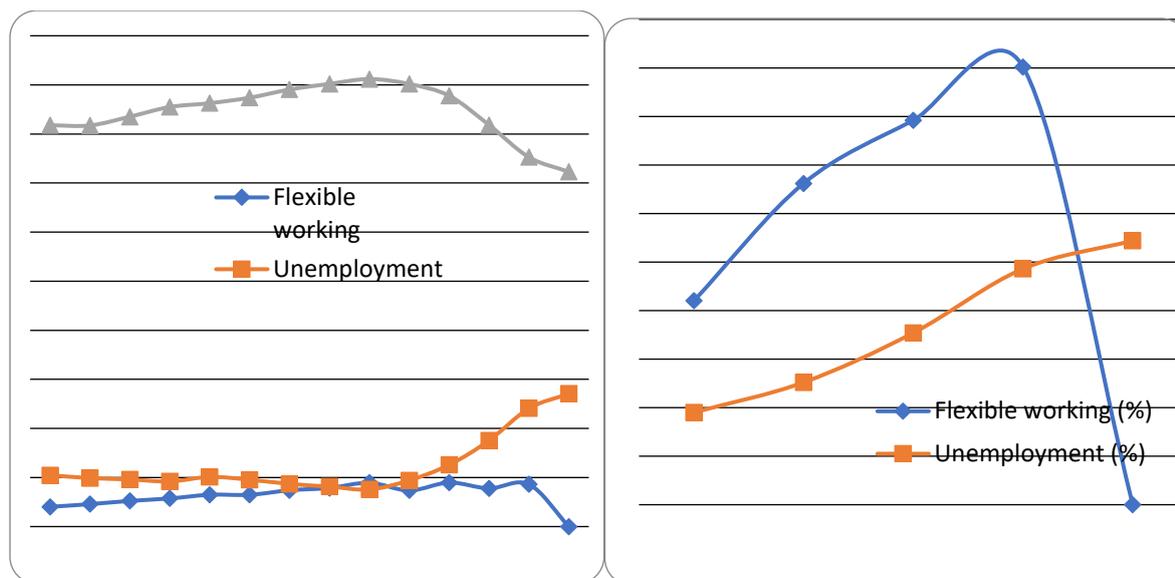
Concluding it should be noted that today in Greece the ratio of unemployed to employed is about 1/3. In other words, there is one unemployed for every three employed.

Comparison of flexible working, employment and unemployment

The main objective of the European Union through the spread and introduction of flexible working was to enhance the competitiveness and adaptability of enterprises and of the European economy and consequently increase employment and reduce unemployment (EC, 1997; OECD, 1996 ; Rosenberg, 1989). However, the results of this policy are not confirmed in the case of Greece. Evidence from the Greek labor market confirms the results of other investigations (Guell, 2001; Blanchflower and Freeman, 1993).

Comparing the evolution of flexible working, employment and unemployment it is clear that the increase of flexible working did not help to maintain existing and create new jobs. Specifically, the research data for the Greek labor market, we show that during the period 2000-2013 flexible working of all types showed an increase of 113%, total employment decreased by 11.5% and unemployment rose sharply by 158% (Figure 3).

Figure 3. Comparison of flexible working, employment and unemployment in Greece



Source: Own calculations

We conclude that during the period 2009-2013 increase in flexible forms of employment failed to contribute to the increase of employment and to the reduction of unemployment. About half of the total new contracts were related to flexible work contracts. However, in the same period, total employment fell by about one million jobs and the unemployment rate respectively jumped from 9.5% to 27.2% (Figure 3).

Conclusions

In this article we compare the evolution of flexible working in relation to the changes of the number of employed and the number of unemployed in the Greek labor market. In the European Union it is widely supported that the reduction of production costs contributed decisively to the firm's adaptability and competitiveness and hence increase employment and reduce unemployment (EC, 1997; OECD, 1996; (Rosenberg, 1989). Thus, since the early 90s Greece has adopted legislation for the promotion of flexible forms of work, salaries and working time, in order to support the business and therefore the maintenance of existing and creating new jobs.

However, the descriptive results of the research are in the same direction with the findings of other surveys (Guell, 2001; Blanchflower and Freeman, 1993) and show no relationship between flexible working and employment and unemployment. Evidently, although flexible working more than doubled during the period 2000-2013 employment did not increase and respectively did not reduce or limit unemployment. Instead, the significant increase in part-time contracts, job share and other forms of flexible working after 2009 was associated with the rapid increase in the levels of the unemployment rate and the loss of about one million jobs. This fact may be caused by a deep economic crisis in the Greek economy and by the development of undeclared jobs, where the main feature is the uninsured work with low cost for employers. This has a direct negative effect on the size of employment and unemployment, as many Greek companies choose "illegal flexibility" which is offered by the undeclared work.

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