Flexicurity in times of crisis:
The cases of Denmark and Greece

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<td>ALMPs</td>
<td>Active Labour Market Policies</td>
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<td>ECB</td>
<td>European Central Bank</td>
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<td>European Financial Stabilization Mechanism</td>
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<td>EIRO</td>
<td>European Industrial Relations Observatory</td>
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<td>ELSTAT</td>
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<td>ESEE</td>
<td>National Confederation of Greek Trade</td>
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<td>GSEE</td>
<td>General Confederation of Greek Workers</td>
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<td>ILO</td>
<td>International Labour Organization</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>LLL</td>
<td>Lifelong Learning</td>
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<td>MSs</td>
<td>Member States</td>
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<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
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<td>OMED</td>
<td>Organization for Mediation and Arbitration</td>
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<td>WB</td>
<td>The World Bank</td>
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1. INTRODUCTION

1.1 Subject, Scope and Goals

It’s been almost twenty years since the concept of flexicurity first appeared. From the beginning of the Lisbon Strategy’s implementation, the EU-15 was aware of the problems the 21st century would bring. The globalization phenomenon gave birth to new challenges and problems for the states, the employers and employees. Externalization of jobs and delocalization of establishments, outsourcing and the industrialization of services have brought Europe in dire straits. Flexicurity seemed a practical approach towards Europe’s stagnant productivity and ageing population. But which flexicurity? What features this strategy should include and who would be part in its implementation? And how could the EU make general guidelines that would fit in every state’s needs?

The analysis of the concept of flexicurity is a task that needs attention. And this for two reasons. First of all, the idea of flexicurity is constantly evolving through time. Depending on the current needs of the labour market and the social security requirements, the interpretation on flexicurity’s features differs. From the EU’s side, it appears to be more of a flexible and adaptable notion, rather than a solid preconceived one. The second reason refers to the plethora of its national manifestations. Many similarities can be found in the national implementations of flexicurity, nevertheless each one of these has its unique features. The result is that various measures in different countries are all categorized under this generic term. Under different governments and in each country the term «flexicurity» needs specification. Historically, flexicurity has followed a cyclical path: starting as a national idea –of Denmark or the Netherlands-, it moved on to the European Union level only to be
implemented once again to the labour market and social security needs of each member state.

My thesis deals with the different manifestations of flexicurity before and after the outburst of the recent crisis of 2008-2009. Its national versions as well as this of the EU have been under constant transformation all these years. Each period reveals a different stage of proposed solutions towards a constantly evolving problem. Above all, it also reveals the inertia of European leaders to adopt common decisions and to implement measures towards a sustainable model of labour market.

Denmark, as one of the cradles of flexicurity as well as inspiration for the EU employment strategies, is the first country to be examined. Besides the general structure and basic function in the labour market, I want to understand the specific character of each feature in the so-called “golden triangle”. Flexibility in the labour market, social security for the employees as well as active labour market policies (ALMPs) are the basic components of the Danish flexicurity so it is necessary to understand their extent within the labour market. It’s a fact that this model of flexicurity has been given mythical proportions. But how did it managed to deal with the crisis in reality and does this model, after twenty years, still corresponds to the labour market’s needs?

Greece is currently undergoing unprecedented structural changes in its economy as and its labour market. Unprecedented not only because of the magnitude of reforms but also because of their drastic implementation. For many years, there have been small steps towards a flexicurity model, but never on a massive scale. The recent changes have certainly brought flexibilization in the labour market; but can they also bring security for the employees?

In this thesis I attempt to compare the notion of flexicurity as appeared in Denmark and in Greece. These countries present complete opposite structural models and different approaches in every aspect of labour law. However, they both have gradually flexibilized their markets and both have tried to find sustainable solutions for the future. In this case, the common denominator of comparison is the flexicurity
standards set up by the EU. My goal is to find out whether the flexicurity elements, as they appear in these countries, meet the essential criteria of the EU approach. Furthermore, I want to see whether their practical implementation has brought the promised results. To endlessly recite the features of each country’s system is something to avoid. On the contrary I wish to make a substantial analysis on specific characteristics which can lead to stable conclusions. Due to the size and extent of the subject, my approach will focus more on the aspect of flexibility. Of course, the other components of flexicurity will also be analyzed since Active Labour Market Policies (ALMPs) and Lifelong Learning (LLL) practices are indispensable for its implementation. Since I believe that the measures taken in both countries were triggered by the need for more flexibilization, I consider it better to use this area as the main concern of my thesis.

1.2 Research Questions

As the title indicates, the thesis focuses in the following question:

As it has been defined over the years (1990-2012), can the current national model of flexicurity maintain the labour market’s efficiency against the consequences of the crisis?

To answer that, we must deal first with two different questions-preconditions:

1. What are the structural characteristics of the Danish and Greek flexicurity?
2. What has changed over the years, and in particular, because of the crisis regarding the national implementation of flexicurity?

As the thesis unfolds, I will gradually answer to these questions, by bringing forward conclusions and recommendations for every country’s labour market.

1.3 Methodology, sources and structure of the thesis

My methodological approach for this thesis is mainly legal, better known as the “legal induction”. Starting from the examination of flexicurity, I continue with the
analysis of legal rules, only to conclude whether they correspond to the former or not. This kind of induction is combined with the comparative method in order to grasp the characteristics of each national flexicurity. However, I enrich my analysis with the help of data that measure the sustainability of each strategy. It is natural for me that the use of non-legal sources remains in a basic level and probably is not that solid as it would be in an economist’s essay; nevertheless, the variety of economic data was necessary for the enrichment of my thesis. As a result, I have used a plethora of sources: from EU policy drafts to academic analyses on flexicurity and from financial reports to European Commission official documents. Apart from that, equally important were the sources taken from everyday media and journal articles. Without them, I wouldn’t be able to describe the developments on the features of the Danish and Greek flexicurity.

In chapter two, I analyze the characteristics of the flexicurity concept. I deal with each individual component and reveal the necessary preconditions for their proper implementation. Furthermore, I add the EU’s perspective on flexicurity, as it has been formed over the years. I approach the subject historically and present the different stages of flexicurity: from its early appearance in the White Paper to its incorporation in the Lisbon Agenda and from the new strategy of Europe 2020 to its adaptation to crisis’s needs.

In chapter three, I present the unfolding of the recent financial crisis in Europe. The description of the current situation within the Eurozone will help the reader understand the character of this phenomenon as well as to correlate its consequences with the response of flexicurity.

As I move on (chapter four), I describe the character of the Danish flexicurity. From the very first moment the Danish flexicurity became a model of successful policies. Therefore, I first illustrate each feature of the “golden triangle” and analyze their impact in the national labour market. Because of its importance, I dedicate two subchapters to collective bargaining and social dialogue in the Danish system. I show the socioeconomic situation when the crisis occurred and add what measures have
been taken for its mitigation. Finally, I try to understand the character of the Danish flexicurity in the post-crisis era.

My fifth chapter is about flexicurity in Greece. In the beginning, I try to decide whether there is a national flexicurity strategy and, from there, to analyze its individual elements. As I continue, I describe the role of social partners in the Greek industrial relations and give a brief image of the Greek crisis. I then pay attention to the measures imposed by the Memorandum of Economic and Financial Policies and the Stability and Growth Pact (SGP) and I examine their impact on Greek labour law. As I conclude, I see what has changed and add my remarks on the flexibilization of the labour market.

In the final chapter of my Thesis I answer synoptically to the research questions. I briefly describe the landscape of industrial relations and flexicurity in each country, add what has changed over the years and conclude on the future and necessity of flexicurity in both countries.
2. THE CONCEPT OF FLEXICURITY

2.1 Content, context and preconditions for its proper implementation

Flexicurity is a familiar concept inside the area of EU employment and social security. Stagnant productivity and decline of the working population mobilized the EU in order to find new sustainable models to maintain its status in the global economy\(^1\). From the beginning flexicurity was seen as a tool that could bring balance between a more flexible labour market and a stable social security regime for the employees. That is why it has always been a crucial part of a bigger policy scheme. The Lisbon Strategy aimed in creating a «learning economy» that will base its economic development in an unmatched innovation policy. This policy was mainly introduced under economic terms; soon it evolved into a holistic approach were the restructuring of the labour market was necessary. Within this framework the concept of flexibility was the only sustainable-looking solution in order for the EU to transform into this new economy. At that time, member states had already started the deregulatory process of labour law. In many countries new flexible rules were introduced: about part-timers, fixed-term contracts, overtime shifts. The EU market saw that labour market was gradually becoming a field of inequalities between the «normal» employees, namely those who have a traditional form of employment, and those who hold flexible posts of work. For that reason, the European Commission tried to prevent this kind of one-side flexibilization of the market. As it seemed economic growth was the main purpose, but this shouldn’t be done in a way that could harm the existing employees’ rights.

In its 2007 Common Principles of Flexicurity\(^2\), the European Commission explicitly describes the ‘components’ or ‘principles’ of the concept, underlining the necessity for a robust social security system. First, flexicurity consists of *Flexible and reliable contractual agreements*, referring in that way to a new system of work distribution and collective bargaining. It means that modern labour legislation must create a basic framework for social partners to independently agree on all kinds of flexible work, from flexible working hours to part-time contracts\(^3\). Next comes the *Comprehensive lifelong learning (LLL) strategies*, which are used to normalize the constant changing of working environment. Vocational training as well as career courses is an integral part of these strategies. In that way, job seekers and unemployed can upgrade their skills until the next job comes. *Effective active labour market policies (ALMPs)* are also part of flexicurity. Under its narrow definition, ALMPs refer to measures that support the proper function of labour market, mostly focused on the unemployed. Depending on the role of the state, ALMPs can be further categorized into three policies: the state can be a “median” between job seekers and vacancies; it can train the unemployed for the enhancement of professional skills or even create jobs for their market absorption\(^4\). Last but not least comes the existence of a *Modern social security system*, necessary precondition for the promotion of a bold employment policy. These four basic components became the basis for further development of the flexicurity concept. Oddly, not in a European level as expected but in the level of member states.

Besides that, it is commonly known that flexibility and security in employment are the two main ‘pillars’ that compose flexicurity. When it comes to flexibility, it can be divided into various types: internal and external, numerical and functional, wage flexicurity\(^5\). Some of them refer to flexible working time (internal-numerical flexibility), variable income (monetary flexibility) and smart organization of

\(^2\) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 27 June 2007, Towards Common Principles of Flexicurity: More and better jobs through flexibility and security.


employment (functional flexibility) and some refer to the transformation of employment patents, including easy ‘hiring and firing’, collaboration with temporary work agencies and outsource of labour. Social security has to do with security of employment, which means the continuity of employment, even if the work place changes regularly. A proper implemented security system aims to limit the precariousness of the labour market. That is why the security part can be subcategorized into four further goals. First of all, wages should be adequate for one’s subsistence. The employment relation should be as stable as possible, meaning that interruptions should be a last resort. Furthermore, urgent is the need for constant employability, a situation that presupposes a continuous vocational training policy. Finally, adequate benefits for sickness, unemployment and old age, should complement the existing social security framework and help towards the security of employers during transitional periods.

Apart from the content of flexicurity, attention must be also given to the context as well as the process of its creation. When it comes to its context, flexicurity should be established under a transparent framework, as outcome of an open dialogue and peaceful negotiations within the spirit of mutual trust. The social actors should play an active role in the creation of a balanced flexicurity policy, in a way that at the same time enhances democratic decision-making and ensures a proper flexicurity implementation⁶.

Due to all these, flexibility is not only a complex concept but also a fragile one, because of the mere fact that tries to balance conflicting tendencies. That’s why it’s difficult to come up with a solid and general definition that would meet the criteria of all the member states. On top of these impediments, there is always the problem of the actual implementation. The actual features of flexicurity may vary, since it is implemented in a national level. Nevertheless, this fact didn’t prevent the EU to make attempts in order to define the scope and exact goals of flexicurity. On the contrary, through these efforts the European Commission aspired to provide to

member states a stable basis, a minimum level if you may, in order to set up guiding scheme for national implementation of flexicurity.

2.2 The EU Approach

2.2.1 The three historical periods of the EU labour policy

Flexicurity didn’t come up as an early invention within the common EU labour market. On the contrary, just like the overall European Employment Policy, it emerged at a very late phase, if compared with the economic internal market policy, which existed from the early years of the European Community. However, we can distinguish three basic steps that can shortly describe the evolution of the flexicurity idea and the EU labour policy in general. As we start from its pre-history we move on to its appearance in the Lisbon Agenda and conclude to its contemporary status in a European Union level. The first phase was characterized by the subtle passage from ‘labour market policy’ to ‘employment policies’: the Delors 1993 White Paper on growth, competitiveness and employment gave a new perspective on the necessity of labour market reforms and underlined their complementary role in the enhancement of economic growth and European integration. The second phase began with the formulation of the goals for flexicurity with the Green Paper Partnership for a New Organization of Work and its official incorporation in the EU level under the Amsterdam Treaty in 1997. Inspired by particular national achievements in the labour market, the European Commission gave to the flexicurity concept an important role within the new Lisbon Employment Strategy in 2000. From that moment on, EU and individual member states focused on the merger of the model of a flexible labour market with this of a robust welfare state. The third phase commenced ten years later, when the European Commission proposed a renewed strategy in order for the EU to keep up with the needs of the globalized economy. Europe 2020, as this strategy was called, focuses, among others, on the enhancement of the ‘security’ part of flexicurity. In that way, it has a double aim: to

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7 Andersen, S.K., Lubanski, N. & Pedersen, The competitiveness of the Nordic countries- from flexicurity to mobication, 2011, Nordic Council, Copenhagen.
promote vocational training and development of job skills as well as to support regional cooperation for wider mobilization of workers and coordination between states, mainly in demand and supply issues.

2.2.2 Flexicurity after the Lisbon Strategy

The Lisbon Strategy constitutes a milestone in the European labour law field, not only because it focuses on the enhancement of the cooperation and collaboration between member states but because it crystallizes for the first time a number of principles on flexicurity. It is interesting to observe a swift from ‘job security’ to ‘employment security’. This means that the EU focused more to the constant upgrade of job skills and a never-ending flexible vocational training. Apart from that, the EU Commission stressed that flexicurity is not aiming towards ‘social dumping’ but aspires to establish a more efficient model of employment. In its own words «flexicurity means to reinforce the implementation of the Lisbon Strategy, create more and better jobs, modernize labour markets and promote good work»⁹. For that reason, the EU appears to have a more soft-law approach towards flexicurity, rather than a stiff and explicit binding policy. It establishes guidelines and creates a general framework for cooperation and coordination. Through the Open Method of Coordination (OMC), as it is encapsulated in Article 148 TFEU, member states have the opportunity to analyze their employment policies and to become better by following the guidelines made by the EU.

The concept of the European flexicurity as it has been formed so far empirically, presents many strong points. However, many weak points are visible as well. The first are obvious; the current definition made clear that flexicurity was far from a unilateral implementation of flexibility and that social security stability holds an equally important position in its theoretical definition and its proper implementation. Furthermore, flexicurity emerged as a useful tool with a holistic approach not only for labour market reforms but also for economic development. Nevertheless, it continues to be an ill-defined concept that encloses ambiguous goals. That lack of concreteness grants to member states the margin to deviate in

reality from the stated flexicurity principles. Flexicurity appears to be «a beacon that guides policy makers into the right direction»\(^{10}\) rather than hard law rules. That is why there is always the fear that national flexicurity can be mutated into pure neo-liberal deregulatory measures that will depend on each government’s will. From that perspective, there is much to be done in the European Union level. Open Method of Coordination can gradually acquire a more effective character and flexicurity policy can be upgraded through the enhanced role of the European Social Partners. Only in that way, can we assure that the basic guidelines set so far will not be circumvented.

### 2.2.3 Europe 2020 and beyond

As the EU’s new growth strategy, Europe 2020 set ambitious goals for the coming decade, namely to become a competitive economy globally aiming towards a smarter, more sustainable and more inclusive growth\(^{11}\). Related to flexicurity are the targets in the fields of employment and education. Within a decade, the Commission aims to increase employment percentages to 75% for people 20-64 years old. Furthermore, it aspires to drop school drop-out rates by 10% and increase the percentage of 30-35 years old population in tertiary education (approximately 40% more). For these reasons, flexicurity is considered a useful tool for this kind of growth as well as a considerable alternative to «one-sided liberalization tendencies»\(^{12}\). Launched in 2010 as part of the Europe 2020 strategy, the flagship agenda for new skills and jobs focuses on the part of education. For that, active labour market policies (ALMPs) and lifelong learning (LLL) practices play an important role on the realization of this strategy\(^{13}\). As depicted in the flexicurity model, constant mobility of employees is achieved through consecutive vocational training and the enhancement of professional skills. These two are necessary preconditions for the functionality of the flexicurity model, since without their existence employability and labour transition wouldn’t be feasible. After the

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\(^{11}\) European Commission, Official Site, Europe 2020 Targets.


\(^{13}\) European Commission, An Agenda for new skills and jobs: A European contribution towards full employment, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, 23 November 2010, Strasbourg.
outburst of the economic crisis in Europe, many saw the need for flexicurity to adapt to the new «socio-economic» challenges\textsuperscript{14}. In order to face the immediate effects of the crisis as well as to promote a sustainable recovery, flexicurity must undergo through reforms. Its four components will remain intact; nevertheless their implementation in practice might change: flexibility will aim towards the reduction of segmentation and welfare systems will enhance the protection of the most vulnerable. ALMPs and LLL policies will become even more linked to the search of employment and the role of public employment services will enlarge. Finally, social partners must become better involved in the process of policy making, by extending their consultations in new sectors and occupations.

\section*{2.3 Conclusions}

The creation and development of flexicurity has followed a cyclical path: appeared as a national policy first, it was then crystallized in the EU level and brought back to the rest of EU countries through cooperation and discussion. As a concept, this «flexibility-security nexus\textsuperscript{15}» presents certain strategic advantages, combining diverse elements as part of one holistic approach. Its most important advantage is that it brings forward tangible solutions for a functional labour market, without reducing at the same time social security. As mentioned before, the European concept of flexicurity has changed over the years. Along with the old challenges – increasing unemployment, ageing population and the need for skilled workers- new problems have emerged because of the crisis. Because of that reason it is natural that the European Commission focuses on specific flexicurity aspects during its effort to «modernize\textsuperscript{16}» of the European labour market. By adopting new proposals for the member states, the EU shows that flexicurity is an easily-modifying and adjustable creation. The expression «One size doesn’t fit all» shows exactly that particular feature of flexicurity. For the time being, the effects of the sovereign-debt crisis have

\textsuperscript{14} Andor, L., Company strategies in Europe: Flexibility and Social Dialogue- Contribution of the second Eurofound European Company Survey to the flexicurity debate, March 3 2010, Brussels.


\textsuperscript{16} Roadmap, A new momentum for flexicurity, Initiative for a communication for flexicurity, Last modification: September 2011.
decelerated the process of public dialogue on the future of flexicurity\textsuperscript{17}. Austerity measures as well as the flexibilization of labour market have come as an impediment in social partners’ negotiations. Despite the current slowdown, flexicurity seems the only sustainable solution for a balanced European labour market, and that is why this concept inevitably will gain ground among the EU member states.

\textsuperscript{17} Euroactiv, Crisis slows progress on EU ‘flexicurity’ model, 22 November 2011.
3. THE CURRENT CRISIS

3.1 The outbreak of the crisis in the Eurozone

The sudden flexibilization of the labour market is closely linked with the outbreak of the sovereign-debt crisis within the EU. In order to describe this phenomenon in the best way possible, it is necessary to perceive it as a manifestation of the global financial crisis. At the same time, we must not forget that the crisis occurred also as a European phenomenon which amplified the long existing problems within the EU corpus. But apart from that, the European crisis seems to have ambiguous characteristics, fact that makes even more difficult for the analysts to assess its actual size and nature. On the one hand, the effects of the sovereign-debt crisis differ across EU member states: in Spain, for example, the private banking sector was in urgent need of liquidity injections\(^\text{18}\) while, in the case of Greece, the public sector was bulged and needed to be restricted. On the other hand, the EU member states have been adopted for over a decade now a common Economic and Monetary Union (EMU) usually referred as Eurozone. That means that these countries are part of a centralized system in which the European Central Bank (ECB) takes the most important strategic decisions and creates the main financial and monetary policy\(^\text{19}\).

While in the case of a national currency, member states could have adopted more quick and flexible policies, such as devaluation, the existing system allows few choices since every decision is considered part of the Eurozone policy. But even now, the competences of ECB reach up to a certain point. So far, ECB has neither direct control over national budgets nor a fiscal controlling mechanism proving that way that the existing EU banking union remains limited.

\(^{18}\) McCarthy, R., Counterparties: Europe's other crisis—the private sector, Reuters blogs, May 10 2012.

The states of the Eurozone (and consequently the EU) face different problems and budget imbalances and probably need different measures in order to deal with the crisis; however decisions on such matters are taken in the EU level which is not only time-consuming but also ineffective. That’s why, due to the ambiguous character of the existing system and the structural difficulty to blunt its effects, the current crisis has taken great proportions within the Eurozone.

3.2 Timeline of the crisis

The global financial crisis started in 2007, when the bubble of real estates in the US market burst, forcing the governments to fund private financial institutions so they can avoid a forthcoming collapse. After the unprecedented bankruptcy of Lehman Brothers, a global financial service firm, in 2008, panic spread over the markets and governments realized their inability to back up the whole banking sector. This led to a domino effect on the fiscal stability of national states and one after another started struggling to balance their budget and restrict public debt\(^{20}\). However, due to the structural weaknesses of the Eurozone, this procedure couldn’t be neither swift nor decentralized. The common economic and monetary system has created over the years strong bonds among the countries’ financial institutions. Consequently, national sovereign banks have bought an important number of other member states’ bonds and, in the case of an upcoming bankruptcy, these banks will be directly affected. Commenting on these market linkages, many analysts have spoken about a «contagion risk»\(^ {21}\), others for a «ball and chain» situation. According to the New York Times, Eurozone countries are tangled up into a critical financial situation in which markets and institutions are closely interdependent\(^ {22}\). For example, French banks hold the majority of Spanish, Greek and Italian government bonds, being in that way one of the most exposed lenders in case of bankruptcy.


\(^{21}\) Mackenzie, K., «Eurozone credit contagion, in 8 easy steps», April 19 2012, Financial Times

From the very beginning, the common economic and monetary European system was vulnerable to «epidemical» phenomena, that’s why the EU was and still is extremely concerned about the confrontation of the crisis.

In December 2008, the European Commission proposed a European Stimulus Plan of €200 billion that would boost development and deal with the early effects of the global financial crisis. After several months, in April 2008, the EU sounded the alarm to France, Greece, Spain and Ireland warning them about the bulging of their budget deficits. The Eurozone entered officially the crisis in December 2009, when Greece’s government admitted that public debt has reached €300 billion –that is 113% of GDP-, a figure never seen before in the country’s history. After national attempts to implement its own austerity program, Greece agreed into two successive bailout packages of €130 billion in total with the International Monetary Fund (IMF), the European Central Bank (ECB) and the European Commission. Necessary precondition of the so-called ‘Troika’ was the immediate passing of hard austerity measures, in the public and private sector as token of determination to reduce the debt. As the public economics of many EU countries continued deteriorating, the EU and IMF decided to bailout two more countries in need of help: the Republic of Ireland with a €85 billion package on November 2010 and Portugal with a €78 billion package on May 2011. As expected, from the very first moment these two countries were also committed to undertake even more painful austerity measures in order to balance their budget.

The bad economic situation within the Eurozone pushed the finance ministers to set up a permanent bailout fund worth approximately €500 billion, the so-called European Stability Mechanism (ESM). Along with other new safety institutions, such as the European Financial Stability Facility (EFSF) and the European Financial Stabilization Mechanism (EFSM), it aims to become a safety net that enhances security within the Eurozone and support its countries in case of an emergency bailout. In August 2011, European Commission President Jose Manuel Barroso stated

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that the crisis has spread beyond the Eurozone, towards other EU countries\textsuperscript{24}. A month later, the Italian government passed in turn harsh austerity measures, including labour flexibilization initiatives. As voices of concern about the future of the EU multiplied\textsuperscript{25}, the cracks on the banking sector started to become visible: on October 2011 the Franco-Belgian bank Dexia received a huge bailout in order to prevent the catastrophic results of a bankruptcy. At the same time, Spain requested a €100 billion bailout package for its private sector banks. Added to all these, during the first days of the new year one of the three biggest credit-rating agencies, Standard & Poor’s, downgraded nine EU countries, including France\textsuperscript{26}. Most recently, on May the 25\textsuperscript{th} 2012, the Spanish bank Bankia, third biggest lender in the national market, received an individual bailout worth up to €20 billion. So far, predictions about European growth appear gloomy and as worries grow about the Spanish and Italian economies a bold proposal of political nature must come forward. All financial institutions, whether they are national, supranational or international have repeatedly underlined the necessity of drastic measures\textsuperscript{27}. Unless something radical happens, the EU might be trapped indefinitely, or even permanently, in the limbo of the current crisis.

3.3 Austerity measures and their impact on labour law

As the international and the EU financial institutions have suggested\textsuperscript{28}, there are some standard measures of macroeconomic nature that can reduce the public debt of ailing countries. These include bailout strategies, higher growth, lower interest rates, budget cuts and default of a state’s currency\textsuperscript{29}. As far as labour law is concerned, austerity measures can be translated into one thing: flexibilization of the labour market. Austerity measures come in many forms, from job cuts to longer

\textsuperscript{24} The Telegraph, “EC president Jose Barroso warns Eurozone debt crisis is spreading from smaller nations”, 4 August 2011.
\textsuperscript{25} See IMF World Economic Outlook (WEO), April 2011.
\textsuperscript{26} Sunday Herald Sun, Nine European countries downgraded by Standard and Poor’s, January 14 2012.
\textsuperscript{27} Spiegel Online International, IMF head warns time running out for Euro Zone, 12 June 2012.
\textsuperscript{28} See joint Statements by the European Commission, the European Central Bank and the International Monetary Fund.
hours and from higher taxes to reduction of social benefits. One way or another, almost all the countries within the Eurozone have already commenced a painful procedure of «balancing their public budget». Of course, the size and scope of these measures varies from state to state. For example, one cannot compare the harsh cutbacks of the South-West Eurozone Periphery (SWEAP) with the mild cuts of the Netherlands or of France—at least so far.

Since this thesis analyses Greece’s labour market, I will refer to it first. Austerity measures in Greece—first taken in 2010—came to sweep away the country’s fragile labour relations. Until then, the employees were not used to flexible forms of labour, such as part-time or fixed-term contracts. The legislation that regulated these new forms of employment had been already introduced in the beginning of the 2000s; however, flexible employment contracts occupied a small percentage of the market. Since its international bailout Greece has committed itself to cut public spending and reduce labour costs in the private sector. Salaries, pensions, education, health care and defense expenses were trimmed as part of the austerity measures. At the same time, the minimum national wage has remained at the same levels since 2009 (frozen at €739 per month) and further measures were taken to enhance productivity in the private sector. One of the harshest changes is the adoption of an easy ‘hiring and firing’ policy as well as the establishment of unpaid overtime. If we combine all the above with the soaring unemployment (21% in May 2012), then we understand the tendency for flexibility within the Greek labour market.

So far, the most violent and ambitious austerity measures have been taken by the Republic of Ireland. Since 2008 the country has seen five austerity budgets, but after its international bailout by the IMF, ECB and European Commission in the second of May 2010, Ireland started a new round of painful measures. Middle class wages have been reduced up to 15% and sales tax has risen to 23%. As extra taxes have been imposed to property, energy and businesses, public sector shrunk mostly

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30 SWEAP consists of Greece, Ireland, Italy, Portugal and Spain.
in education and healthcare. Ireland’s austerity measures are set to last until 2015, fact that worries not only the countries in recession but also the Eurozone as a whole.

As the third country in line to have been bailed out, Portugal also suffered from strict austerity measures. Apart from raising taxes, the Portuguese government has passed flexible labour laws that allow easy hiring and firing and unpaid overtime working hours.

As indicated, each of the countries mentioned above has experienced not a single package but a series of gradual austerity measures. Whatever «draconian» decision is made, it seems that these measures don’t have the power to save the European economy on their own. On the contrary, they take away the purchasing power the European middle class of businessmen and service providers- certainly the locomotive of many European markets- plunging them into poverty and unemployment. Despite the gradual efforts of the national governments, IMF, EU and ECB, these austerity measures seem ineffective to bolster the economy. It’s been almost three years since they were adopted but the projections for Europe’s GDP growth in 2012 stagnant\textsuperscript{34}.

Apart from the obvious destabilization of labour law and the direct infringement of well-established rights, austerity measures hide potential hazards for social justice issues. Poverty always leads to violence, according to Joseph Stiglitz\textsuperscript{35} and this can be seen also in the age of the Great Recession. Social injustice leads to unpredictable and often raw reactions and in our case the ongoing crisis puts in peril democratic institutions and social peace. Social balance and stability can be the highest stake for the future and that’s why flexicurity must set these goals as its top priority.

\textsuperscript{34} Eurostat, News release Euro Indicators, 73/2012, 15 May 2012.
\textsuperscript{35} The Price of Inequality, How Today’s Divided Society Endangers Our Future, 2012, Norton.
4. THE CASE OF DENMARK

4.1 A general profile of Denmark

With population of nearly 5.5 million people, Denmark is the second largest Scandinavian country after Sweden. Its homogenous population density and relatively low rates of young people (approximately 18% of the whole population) give to the country a particular economic and social character. Denmark belongs to the Scandinavian tradition where social classes are bound by an unwritten general consensus that promotes solidarity and social cohesion. As the state traditionally abstains from negotiations on labour matters, workers and industrialists adopt a cooperative stance that inevitably leads to binding agreements for both parties. In that way, the sides are involved into a bargaining procedure that merges their conflicting interests into a general agreement that must be followed. The famous September settlement (Septemberforliget) in 1899 has recognized the right to self-organize and negotiate, emphasizing the cooperative culture of the Danish industrial relations.

The economy of Denmark is export oriented. 73.3% of these exports are industrial and manufactured goods (among others technological machinery and instruments hold 21.4% and chemicals/pharmaceuticals hold about 26%). Agricultural and other alimentation products such as meat and fish occupy 18.7% of the total exports. The rest are energy exports since Denmark is ranked 32nd among the exporters of crude oil. Besides that, 3.1% of the country’s GDP derives from renewable resources of energy, mostly in the form of wind power. 70% of Denmark’s trade is made with the other EU countries but other notable export countries are the US and the countries

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of the Nordic complex. According to the Gini index of the World Bank, Denmark holds for many years the first place for the most equally distributed income, a sign that the Danish society relies on cooperation and social dialogue\textsuperscript{37}. A fact very important for industrial relations is that Denmark belongs to the states with the highest minimum wage in 2010/11, according to the ILO\textsuperscript{38}. Since the minimum wage (minimumslon) in every sector is not regulated by statutory provisions but derives only from collective bargaining, it is amazing and -at the same time- a paradox how high the protection of the worker’s income appears to be.

Although Denmark entered the EU in 1973, it chose to opt out of the provisions of the Maastricht Treaty that dealt with the imminent European Economic and Monetary Union (EMU). There are several anticipated reasons for this choice: the political stable landscape, the existing strong currency (the Danish kroner) and the great importance of exports for the country’s economy seemed adequate factors not to adopt the euro and, thus, destabilizing in the long-term the economy. As it had estimated, the lack of skilled labour and the adoption of the euro would have lead into a significant increase of wages, giving a strike to the country’s competitiveness. At the same time, inflation would have raised, creating easily a deficit in public budget\textsuperscript{39}. Back then, in 2000, the center-left coalition government that was responsible for other previous labour market reforms had succeeded to lower inflation, to keep unemployment rates stable (around 5%) and, finally, to turn around the public deficit into a surplus. That’s why, switching from kroner to euro didn’t match with the existing plan of the future Danish policy\textsuperscript{40}.

Still, Denmark is among the countries with the highest GDP per capita in the world – 5th in 2010 according to IMF\textsuperscript{41}. Because of that, Denmark is able to support and sustain a robust and wide-ranged social security system. Due to the world’s higher taxes, the Danes fund almost entirely the unemployment benefit system, health care system and the wages of the full-time and part-time civil servants that constitute

\textsuperscript{37} The World Bank, Countries and Economies Databank: Denmark.
\textsuperscript{39} Denmark: Industrial Relations Profile, EIRO, Page last updated: 25 November 2009.
\textsuperscript{40} Charlemagne,”’To opt in or not to opt in’”, 14 January 2012, The Economist.
\textsuperscript{41} IMF, World Economic Outlook Database, April 2012.
30% of the active labour force. Tax rates in Denmark may vary, from 42.9% of one’s income up to 63%, not however presenting great deviation. This is one of the reasons why Denmark has such a fiscal stability. Within only a decade, this high taxation policy brought results that seemed more than encouraging. For example in 2007, the public sector had a surplus equal to 4.4% of GDP, which means that Denmark holds a fiscal advantage towards the public debt crisis, when compared to other EU countries.

The economy of Denmark experienced a subtle downturn in 2009 as a result of the global economic crisis that appeared one year earlier. From the mid-nineties, when flexicurity and active policies were introduced in the Danish labour market, unemployment rates were able to drop gradually. From 5.7% in 1999 the percentage reached 1.9 in 2008. One year after, the numbers got double and the unemployed reached 4.3% of the registered labour force. However, even with these unemployment rates, still Denmark holds a place of privilege compared to the average rate of the EU-27 (9% in 2009). From 2004 to 2006 the Danish GDP grew 3.3%, which still holds the record for the highest rate that the economy experienced. Due to the financial crisis, this figure decreased at 1.6% in 2007 and during the next two years became negative (1.1% in 2008 and 3.3% in 2009). For the year 2012, the growth rate of Denmark is expected to be zero, exactly like the growth rate in the EU-27.

Apart from the efficient structure of labour market, Denmark was able to soft pedal the effects of the crisis due to a wide-range reform of the public sector that took place in 2007. The newly elected center-right coalition government decided to take merging measures and implement cutbacks in decentralized as well as centralized services. The local municipalities proved to be costly due to the increasing depopulation, ageing population and peripheral unemployment. At the same time, multiple tiers of administration seemed to function with less staff and new

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42 IMF World Economic Outlook Database, April 2012.
43 Eurostat, Break in series.
45 The elections of the 13 November 2007 led to a government that consisted of the Liberals, the Conservative People’s Party and the Danish People’s Party.
technologies replaced the simplest administrative tasks. As a result, various places were trimmed and many decentralized districts were shut down; from police districts to tax districts. Finally, with the launch of the «Municipal Reform» (Kommunalreformen)\textsuperscript{46} as it has been defined, the state reduced the number of regional politicians and other kinds of councilors by almost half. Because of all the above, Denmark preserved its fiscal stability that’s why the crisis appeared to have a mild character compared to other EU countries. It is more likely that these reforms took place without aiming to combat the upcoming recession; nevertheless because of these reforms, the Danish economy has shielded up to a degree not its labour market but also its public budget that otherwise would have experienced much more severe consequences.

4.2 The golden triangle

Since Denmark is not part of the Eurozone periphery, it is more difficult for us to match its differences and similarities with these of the Greek flexicurity system. Nevertheless, each country presents specific structural characteristics within its labour market as well as within its industrial relations. As a consequence, different approaches on different systems are not only preferable but necessary.

Much have been said and written over the years about the “golden triangle” of Danish flexicurity. As it is commonly known, it consists of three elements: flexibility, security and an active labour market policy (ALMP)\textsuperscript{47}. The first one, flexibility, refers primarily to the ability of the employer to easily “hire and fire” his employees on the basis of productivity and economic growth. As it has been estimated, approximately 25% of the active labour force changes jobs every year\textsuperscript{48}. The second element, security, primarily refers to the employee. In this case, security means the establishment of a protective net that ensures high unemployment benefits to those who seek for a job. The Danish security model is considered so generous that

\begin{flushleft}
\textsuperscript{46} Local Government Reform, KL: Official Site of the Local Government of Denmark.  
\textsuperscript{47} Bredgaard, T. et al., The flexible Danish labour market –a review, 2005, CARMA Research Papers, Aalborg University.  
\textsuperscript{48} Flexicurity, Ministry of Foreign Affairs of Denmark, Denmark: The official site of Denmark.
\end{flushleft}
sometimes unemployment benefits can reach up to 90% of an unskilled worker’s previous wage. Next to these, the state complements unemployment security by providing social assistance subsidies. Unlike unemployment benefits, social assistance subsidies address to a wider category and can be given to anybody who applies for them. Last but not least, active labour market policies are the third «pillar» of the golden triangle. Traditionally, these policies involve implemented integration methods such as job seeking guidance, employment assistance and vocational training.

At first sight, due to the adoption of this model, Denmark has succeeded to overcome many macroeconomic and fiscal difficulties of the past. A typical example of this transformation is that, with only eighteen years in between, the 1990 OECD Economic Surveys and the 2008 OECD Economic Survey present diametrically opposite images of the Danish economy. From the mid seventies until the early nineties, Denmark was suffering from high unemployment rates and stable low growth rates. For many, the heart of the problem lied in the stiffness and rigidity of the labour market, which was not only limited but also incapable to absorb the highly skilled workers. After a series of decisive reformations, the structural impediments that labour market was facing swiftly disappeared. The immediate success of flexicurity can be seen primarily in the unemployment rates. From 9.6% in 1993 the percentage has dropped to 3.9 in 2006. A new era began where the economy “became employment focused”. According to Torben Andersen, the Danish model combines a strong welfare system with a dynamic employment market. This means that the generous privileges that the unemployed enjoy are paid in the form of taxes by the existing active labour force. These contributions are indispensable for the viability of the system: welfare state is mainly supported by the employees’ and employers’ contributions and without these the employment benefits wouldn’t exist. The sooner an unemployed reenters the labour market, the

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49 Andersen, T., et al., The Danish Flexicurity Model in the Great Recession, 8 April 2011, VOX.
50 Larsen, F., Active Labour Market Policy in Denmark as an example of Transitional Labour Market and flexicurity arrangements- What can be learnt?, May 2005, Aalborg University.
52 Employment in Europe 2007, European Commission.
less money the state pays for him or her. That is why the constant renewal of the system and high employment ratio is of great importance for the proper function of the flexicurity model.

Common has become the notion that before the invention of flexicurity, none of its components- labour flexibilization, strong social security net and active labour market policies- existed in the Danish labour market. However, this doesn’t correspond to reality. Undoubtedly, there has been an ambitious restructuring program that swept away chronic flaws of the labour market; nevertheless this has worked as leverage for the refinement of the existing labour institutions. In that case, it’s natural for one to ask: What were the changes in the country’s industrial relations that led to such an economic takeoff? The most important of all changes is the introduction of new active labour market policies. Unlike the old policy, the acquisition of a benefit depends on the unemployed’s participation in vocational training and job seeking programs. As a result, the Danish unemployment insurance system can be divided into two periods: a passive one (1 year) which takes places before the activation of these conditions and an active one(3 years), which takes place after the activation and forces the unemployed to get involved into job seeking. At this point, it’s important to mention that the Danish social security system is based on two kinds of unemployed: the insured and the uninsured unemployed. Nevertheless, in the case of activation policies, there is no different treatment among them. ALMPs can take several forms, from training in public or private agencies to educational programs for skill enhancement. In time, unemployment benefits reduce rapidly and, at the same time, workfare programs are intensified. In that way, it seems there is balance between a generous social security and an «activation» incentive so the unemployed won’t stop seeking for the next job. ALMPs have been seen as a «right» but also a «duty» for the employees: on the one hand, they can make up a personal «job-plan» that explicitly states


55 Ibidem.

56 Madsen, K., Activation Policy in Denmark, 4 November 2009, Paper for presentation at conference on activation policy, Korea Labor Institute, Seoul.
individual preferences and field of specialization. On the other hand, the unemployed have the duty to participate in various labour market programmes and can only refuse up to a number of times the indicated jobs\textsuperscript{57}. Either way, after 3 years from the activation the benefits cease to exist and the unemployed become uncovered. According to the OECD, in 2007 Denmark had the lowest unemployment rate within the EU – only 3.8\%- surpassing Germany and, with a slight difference, the Netherlands\textsuperscript{58}. If we combine these data with the rising employment rates for over a decade, we can conclude in that, for at least a certain period, this holistic and motivational approach was an effective solution towards the structural market problems.

Many believe that the active labour market policies (ALMPs) were introduced in the Danish labour market in the early nineties, the truth, however, is that during that period the existing labour market policies were upgraded and crystallized into the current ALMPs. Since its evolution, ALMPs have acquired a key role in the transformation of the Danish economy. Apart from others, they are characterized by the continuous presence of the state and interdependence with the social security benefits. After almost two decades of implementation, the system has become so dependant on these policies that we can speak about a “fine-tuning of the active labour market policy”\textsuperscript{59}. According to that term, policy makers aim not only towards the upgrade of labour skills for the unemployed but also towards a balanced state for the labour market. Nevertheless, the adversaries of flexicurity believe that active labour market policies hide specific risks as well: the cost for its implementation can be considerable and there is always the possibility for the unemployed to remain demotivated (without «incentives») while enjoying relatively high benefits. The legislator was aware from the beginning all these; so did the governments which continued these practices. But each government has conceived the flexicurity as a matter of state policy that doesn’t allow for derogations or significant changes every

\textsuperscript{57} Ibidem.
\textsuperscript{58} OECD Unemployment Outlook 2007.
four years. Even now, Denmark keeps on spending approximately 25%\textsuperscript{60} of its GDP in all kinds of social protection, fact that reveals the ALMPs’ importance for the right implementation of the Danish model.

4.3 Industrial relations in Denmark

Stable industrial relations and mutual trust between social partners is a necessary precondition for the right implementation of flexicurity. Denmark is part of the Scandinavian tradition where labour relations are based on voluntarism as well as non-interventionism. That means that from the very beginning collective bargaining was conceived as a ‘parallel legal institution’\textsuperscript{61} that plays a major role in the labour market. In this system, the employer’s associations from the one hand and trade unions from the other hand are free to conclude in binding agreements that will determine the terms and conditions of employment, nationally, locally or even in specific sectors. For that reason the state abstains from creating a detailed legislation, leaving to social partners the space needed to negotiate and enforce their demands. This voluntary model is anything but new: as a matter of fact, it was first introduced in 1899 through the Basic Agreement- or Hovedaftalen\textsuperscript{62}- that involved the two biggest national confederations of that time, the Confederation of Danish Employers (DA) and the Danish Confederation of Trade Unions (LO).

In the core of collective agreements, it is natural to find the typical ‘bread and butter’ labour matters. Traditionally, the two most important matters are the minimum pay and the working time standards. As the process of collective bargaining has been crystallized through the years, more labour issues have been embodied to collective agreements. In our age, trade unions have managed to expand the scope of collective agreements, dealing from maternity and paternity rights to pensions for the retired employees. As it seems, the process of collective

\textsuperscript{60} Eurostat, General government expenditure statistics: Coverage of social risks –more than half of total general government expenditure, Data from April 2012.
\textsuperscript{62} Eurofound, Denmark: Basic Agreements, Last Updated 14 August 2009.
bargaining holds the leading role in Danish industrial relations. Compared with other countries, it seems strange that the state doesn’t interfere by regulating sensitive areas of industrial relations: not only in secondary concerns but also in core labour matters such as the establishment of a statutory minimum wage. The importance of social partners can be also seen in the employers and employees participation data. Denmark holds a high percentage of unionization, along with Norway and Sweden. In 2007, collective bargaining coverage in the private sector reached 80%, while in the public sector that percentage was 100%\(^{63}\). Likewise, the union density in the private sector was 67% in 2010\(^{64}\) according to Eurofound. From the employers’ side, 55% were members of associations. As a general pattern, collective agreements usually take place at sectoral level every two to three years. In that way, different occupations with different needs come up with tailor-made solutions and adjustable working conditions. However, during the two last decades there is the tendency for collective bargaining to decentralize towards the enterprise level\(^{65}\). Due to flexicurity, even companies present different needs in numerical and internal flexibility and this inevitably leads to the fragmentation of collective agreements. However, as we will examine later on, this might not be necessarily bad for the employees, as long as there is, of course, a guarantee for employment security. The main reason for such high participation rates is that almost every collective agreement in Denmark is not extended automatically to those who are not unionized. As a result, the provisions of the agreement are not valid for all the employees and employers within a sector (legally put no *erga omnes* effect). Due to the long tradition of high unionization, workers and employers don’t encounter often problems of representation from the trade union officials’ side or abuses from the employer’s side. That doesn’t mean, however, that the non-extension of collective agreements according to the Nordic tradition may not lead into complicated situations. Most popular example is that of the Laval Case in Sweden\(^{66}\), according to which workers from another EU member state could not benefit from a

\(^{63}\) Andersen, S., Trust and Dialogue in the Danish Model, September 2007, FAOS, Seminar: «Flexicurity or Flexploitation: Atypical Work in Europe».

\(^{64}\) Eurofound, Decline in union density threatens collective bargaining, Last updated 28 January 2011.

\(^{65}\) Ilsøe, A., Signs of segmentation? A flexicurity perspective on decentralized collective bargaining in Denmark, 22 June 2011, Economic and Industrial Democracy.

\(^{66}\) Case C-341/05.
collective agreement if they had not been registered in the relevant trade union. Despite these exceptions, the system seems to work in a large scale, because both sides understand the necessity for reciprocal responsibilities towards each other: the employers recognize the right of workers to organize while the employees recognize the managerial prerogative of the employer. Thus, in the case of Denmark, mutual limitations lead to functional agreements.

Apart from all these, cornerstone for the Danish model has been the «public conciliator for collective bargaining and linkage of collective agreements» (Dansk Arbejdsgiverforening) an independent authority which has two main duties. First, in the case that social partners strongly disagree during collective bargaining, it takes up the role of mediator, facilitating the procedure. Secondly and most importantly, it can link any collective agreement with others, making it part of a wider-level agreement. In that way, a sectoral agreement can be incorporated in a multi-sectoral or industry agreement. This practice has made the academic community come up with the term «centralized decentralization» (and the most recent one «multi-level regulation») that refers to the unique structure of the collective agreement system within flexicurity: in the beginning, collective agreements take place separately in each sector and, later on, they can be accumulated into agreements of higher level, depending on their features. As a consequence, they become enhanced and broader without, at the same time, the public conciliator violating the autonomy principle or changing their context.

4.4 Social Partners and Flexicurity

The Danish social partners play an important role in the implementation of the flexicurity model. And that’s not only because they have adopted a cooperative stance towards collective bargaining, but also because institutionally they have

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accepted key responsibilities within the Danish system. As a result, social partners are involved in all the basic elements that make flexicurity: in contractual agreements, lifelong learning, active labour market policies as well as in social security matters.

To start with the first element, the role of social partners is so substantial for the drafting of contractual arrangements that without them collective agreements wouldn’t exist. Due to the Scandinavian tradition, the government is always absent from collective bargaining procedures and, as a result, the social partners are the only who define the terms and conditions of collective agreements. Although there are some statutory legal provisions –such as the «White Collar Act» that guarantees a minimum of three months notice after a three month trial period- still contractual arrangements are ran by social partners.

When it comes to lifelong learning, social partners are also present in various levels. Whether they act on national, sectoral or enterprise level, they are always represented in advisory tripartite bodies that deal with the vocational training of young and older workers. As a backbone of the Danish labour market, lifelong learning (LLL) is extremely important that’s why social partners always had a word on this. As a token of the importance of LLL policies in relation with the participation of social partners, in 2006 a joint tripartite committee underlined the need of employers and employees associations to finance and participate more vividly in lifelong learning procedures.

As mentioned above, another important element of flexicurity is active labour market policies (ALMPs) and social partners can’t abstain from these practices either. Traditionally, these policies are state financed, so it is natural that they can be directly modified as part of the government’s policy. However, social partners have institutionally a supporting role in ALMPs. Through their participation in the National Employment Council and the scattered Regional or Local Employment Councils, they can participate in formal and informal consultation processes. After 2007, when the implementation initiatives of ALMPs were given to newly established community job

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70 Mailand, M., Denmark: Flexicurity and Industrial Relations, 2007, European Industrial Relations Observatory Online.
centers, social partners lost a part of their power. Nevertheless, they still are actively participating in the creation of these policies, as part of the advisory committee that specifies the ALMP practices.

Last but not least, social partners have enhanced powers in relation with the current social security system. Up until now, social partners have prevented several reformation initiatives and it looks that their share of power in the social security system for now will remain untouched. In the current system, known as the «Ghent» system, trade unions are responsible for the administration of local unemployment funds. In addition, the funding of almost 1/3 of the unemployment benefits makes social partners the undisputable leading actors of the Danish social security system.

From all the above, it is clear that the notion of flexicurity is based on social partners. Not only theoretically – social partners must be willing to conclude in an agreement for the sake of society- but also practically –within the existing system social partners have many institutional responsibilities. The Danish model understands this double role and builds upon trust and voluntarism. Only, in that way, Danish flexicurity as we know it can be functional and, eventually, viable.

4.5 The character of the Danish Crisis

4.5.1 Who pushed the trigger?

As Robert Zoellick, the former president of the World Bank, has pointed out, a financial crisis like the current one can break out under specific forms: it can occur as a banking issue, a sovereign debt crisis or, finally, a competitiveness weakness. Denmark, as an export-oriented economy, appeared to have a closely interconnected banking system that made its banks open to foreign investment- towards countries as Sweden and USA. As a result, its economy was sensitive from

the very first moment to international financial turbulences. That is why Denmark was the first country in Europe to experience a slight downturn in its economy. As the symptoms of the recession resembled those of the United States, the crisis had a much greater impact in the banking sector than in the fiscal balance of the state.

In 2007, a property bubble burst unexpectedly, reducing not only the mobility of the market but also the spending habits of the Danish consumers. As a result, interest rates soared and small businesses as well as farms found it difficult to repay their newly signed loans. Within two years, the agricultural sector amassed a significant amount of private debt while its performance remained relatively poor. Banks continued to present losses on farming loans, as the debt reached 359 billion kroner ($63 billion) in 2010, according to the Danish Agriculture and Food Council. Loans to farms represent 11% of the banks’ corporate lending that is why the recession made such a deep impact on the farm prices which dropped nearly 50% in some parts of Denmark. At the same time, house prices plunged 8.5% two years in a row making it harder for the property market to recover. It didn’t take long for the crisis to spread into other sectors too: other «victims» apart from the first –the banks and the farms- were domestically oriented firms such as house agencies, retail businesses and construction-related services. As expected, the small were hit harder than others mostly because of their credit limitation when compared with bigger ones.

4.5.2 The banking sector

Due to its exposure to foreign investments, the Danish banking sector appeared from the very beginning extremely vulnerable. And as the domestic market failed to offer the banks the expected returns from the loans, the industry faced unsolvable problems. According to a report of the central bank of Denmark, in 2011 loans to farms, construction and real estate businesses reached 26% of that year’s total lending. The downturn of the economy seemed something not occasional and estimations on the future of the banking sector seemed gloomy for the next five

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75 The Copenhagen Post, Falling house prices set to continue in 2012, 17 January 2012.
years. In order to avoid a wide-spread collapse that would lead into unexpected results, the government –like many other European governments did- decided to stimulate the market by giving four gradual rescue packages since 2008\textsuperscript{76}.

The first one came in October 2008 and it was not only the broadest but also the biggest package. The Danish parliament allowed for private banks and the government to jointly finance a «safety net» that would provide for unlimited guarantees for bank deposits and safeties of certain-class bank creditors. The so-called «Bank Package 1» was joined by 133 banks, domestic and foreign and was valid for two years’ time. When this expired, the market hadn’t collapse; nevertheless, there were still efforts to be made towards its stabilization. That’s why the second rescue package didn’t take long to come. Unlike the first package, this one had as main goal to assist financial institutions with solvency problems\textsuperscript{77}. This time, the safety net was limited only to Danish banks, a sign that the crisis had already acquired a national character. Forty-three applicants that were in dire terms received 46 billion kroner ($8 billion). Along with that, the government founded a public Financial Stability Company that had as duty to take-over failed banks and restructure them in order to become viable once again.

By the end of 2010, ten Danish banks had been taken care by the Financial Stability Company. As the OECD observes, the number of banks has fallen from 147 to 121 these last four years, mostly because the «financial sector vulnerabilities» continue to exist. The third rescue package complements the previous one by going deeper. It refers in detail to the cases of failed banks and in specific their managerial status. Unlike the other packages in the past, the third one doesn’t have an expiration date for its implementation, which automatically means that from now on the Danish government follows a stable policy towards a generalized phenomenon of bankruptcies. According to the chief economist of Danske Bank, Steen Bocian, the market will have to face growth hurdles for some more years. For the time being, the prognostics on the future of Danish economy appear rather gloomy. On November 9

\textsuperscript{76} Wienberg, C., Denmark Approves Bank Rescue Packages To Repair Bail-In Damage, Bloomberg, 11 September 2011.

\textsuperscript{77} Shilton, J., Second Danish bank bailout in four months, World Socialist Web Site, 23 January 2009.
2011, the international rating agency Standard & Poor’s gave the county the lowest grade for the stability of its banking sector among its Scandinavian neighbors. Nevertheless, even with all these problems, Denmark seems to run better than most of the Eurozone countries. In June 2010, unemployment rates were stuck in 6.6% while the average percent in the EU27 was 9.6%. Respectively, the same year, real growth rate in Denmark was 1.3% while in the rest of Europe it was only 0.3%\(^78\).

### 4.5.3 The direct effects of the crisis

The crisis resulted in specific macroeconomic pathologies as growth rates started to fall. For flexicurity, that was the moment of truth: it was about time to prove whether it had the capability to work in troubled times or only in «good weather»\(^79\). When the crisis first appeared in the Danish market, its direct results were the expected ones: unemployment rates rose, employment rates decreased, growth rates were restricted and public deficit immediately augmented. Due to the flexible «hire and fire» rules of the labour market, the immediate response from the employers’ side was the «adjustment» of their manpower to the needs of the declining production\(^80\). In other words, the employers chose to dismiss their personnel in order to keep costs down, especially since the law allows such a thing. Indeed, the impact of the crisis is obvious according to Eurostat\(^81\): In June 2008 Denmark claimed to have the lowest rate of unemployment within the EU (2.6%), whereas two years later, in 2010, Denmark had been dropped back to the fifth position with unemployment percentage of 6.6%. The majority of the unemployed were young people, unskilled workers, immigrants as well as non-insured unemployed. The country had always the shortest average unemployment period for job seekers, which before the crisis was 4 months. Other stable economies such as the Netherlands and Germany had an average duration of 24 and 19 months respectively. Even in such a high mobilized labour market like Denmark’s, the unemployment period has been prolonged for several more months, since the

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\(^78\) CIA World Factbook 2010.
\(^81\) Eurostat, New release euroindicators, 2010, No.46.
demand for work appeared to be more than the supply. For this and for other reasons too, the Danish government decided to modify the duration of unemployment benefits. At first, it has been reduced from seven to four years. From 2011 onwards it has been switched to two years, after at least six months of work as a precondition for its receipt\(^82\).

The crisis affected the employment rate and decreased the demand for jobs in the private sector. As unemployment rose, opportunities for filling a vacancy became more limited. According to Andersen, in 2007 almost 55% found a job after 12 months. On the contrary, in 2009 only 30% of the unemployed could find a job during the same period of time\(^83\). However, even with the crisis, Denmark was able to stabilize its input-output mechanism for the labour force. Compared with other EU countries, job seekers could reenter the market soon enough; 60% of them after the first 13 weeks and 80% after 26 weeks. The production of Denmark fell as its GDP contracted more than 8% within only three years. Nevertheless, the predictions for the near future of the Danish economy are positive, since the growth rate has bounced back with a percentage of 2.1%. In general, between 2008 and 2010 more than 170,000 jobs have been lost, however this not must be taken as a permanent blow in Denmark’s labour market.

The crisis couldn’t have left the public sector unaffected. Unemployment and decline of production have had an important impact on the state’s fiscal balance. Welfare state activities, pensions and unemployment benefits needed readjustment after the sudden downturn of the economy and it seemed that the state was not prepared for such a swift recalibration of its policies. From a surplus of 3.4% of its GDP in 2008, Denmark presented a deficit of 5.5% in 2010. In order to deal with this hazardous situation, the center-right government passed a series of measures regarding to social security benefits and activation policies—which we will present in the pages to come— that in the long-term could reduce significantly the public dept.

4.5.4 Measures against the crisis

\(^{82}\) Andersen, T., The Danish flexicurity model in the Great Recession, 8 April 2011, VOX
\(^{83}\) Ibidem.
Denmark was able to mitigate effectively the repercussions of the crisis due to a mix of general macroeconomic policies and selective labour market initiatives\textsuperscript{84}. But apart from these measures, Denmark follows the Scandinavian tradition which is described by strong «built-in automatic stabilizers»\textsuperscript{85}. High-income taxes and wide unemployment benefits back the economy and prevent from a deep economic recession. That is why all measures that have been implemented to deal with the effects of the crisis seem ordinary, which means not having a desperate or immediate character and certainly not to reform the existing labour market\textsuperscript{86}. Without these structural features of the Danish system, domestic demand would have been plunged and economic activity would have been reduced significantly.

An important aspect of the response against the crisis was the Danish financial policy that appeared as a holistic organized plan to empower specific structural weaknesses in the economy. Offcourse, these kinds of policies are always colored with political decisions, that’s why they come along with certain reactions from various pressure groups. The choices that have been made by the government created minor anomalies in its relation with the social partners. Despite the decline in employment and growth rates, we can claim that flexicurity has been effective throughout the crisis, maintaining all its theoretical elements unchanged. Along with the four support packages towards banks, the government distributed two «growth packages» in 2009 and 2010 towards municipalities, tax payers and the unemployed. «Forarspakke 2.0», as it has been known, included various measures such as lending to municipalities to promote their investments and giving subsidies for private house renovations. Progressively, municipalities received the amount of 5 billion kroner for the period 2010-2013 plus 3 billion extra for minor investments. At the same time, a wide-spread tax reform has been passed, targeting in that way to lower marginal taxes. Last but not least, the government continued supporting research and


\textsuperscript{86} Jørgensen, C., Denmark: Annual Review 2010, Last Updated 10 October 2011, Eurofound, FAOS, Copenhagen.
education by pumping 1.2 billion kroner through a «Globalization Fund» that was created for that purpose. As we can see, the Danes seemed rather optimistic about the outcome of the crisis, following a more Keynesian model that promoted liquidity in the market and supported investments in the real economy. But as the recession continued, the markets adopted a more pessimistic approach that couldn’t leave the governmental policy unaffected. After two years, the «expansionism» policy seemed not to impede the bulging of the public debt, that’s the main reason for the appearance of austerity measures and the withdrawal of economic support in some fields. In 2011, the public deficit reached the amount of 78 billion kroner, a sign that investment backups were not able to deliver promising results, at least not in the short-term. Although not a member of the Eurozone, Denmark has set up as goal not to exceed 3% of its GDP in public deficit. Following the examples of almost all the other European countries, it has started cutbacks from its public sectors in order to inline with the requirements of the Stability and Growth Pact\textsuperscript{87}.

A great amount out of the two packages for growth was used for specific labour market policy interventions. As mentioned before, the youth and unskilled workers were the first to get hit by the effects of the crisis after 2008 that’s why in 2009 the government along with the social partners initiated some new measures: a wave of educational and training arrangements came to support the job seekers. Most important of all, employers found new initiatives to hire and hire the unemployed, by receiving subsidies in case they do so. As far as the shortening of unemployment benefits period is concerned, this issue has two aspects. On the one hand, by shortening the duration of these benefits from four to two years, there is an evident amelioration on the public budget. On the other hand, unemployment benefits are also an important stabilizing factor of the economy, giving safety to the individuals that run the market. As a result, Jørgensen claims that these highly protective benefits are responsible for the stabilization of unemployment rates and expresses his fears whether their reduction is a good decision after all\textsuperscript{88}.

\textsuperscript{87} Bosch, A. And Watt, A, After the crisis: towards a sustainable growth model, 2010, ETUI, Brussels.
\textsuperscript{88} Jørgensen, H., Danish «Flexicurity» in Crisis- Or Just Stress-tested by the Crisis?, March 2011, Friedrich Ebert Stiftung.
Active Labour Market Policies continued to be an indispensable element of the Danish labour market – and of the flexicurity system; however, as unemployment continued rising and the absorption of job seekers became harder, these policies faced difficulties from the beginning of the crisis. From the moment of their introduction in the labour market, ALMPs appeared as «progressive measures» that would offer not only job to those who seek but also new skills and training. The ultimate goal of the policies was to establish a full-time work status for the employee. After 2001, when the new center-right government came to power, the character of ALMPs changed: it was transformed solely into an «employment policy», implying that the acquisition of the job was the only thing that mattered. From 2007 things changed even more drastically. Until then, social partners played a crucial role for the implementation of all these labour policies. After the reformation, the social partners lost their powers as they have been replaced by newly-established local job centers (91 for all Denmark) in charge of the ALMPs’ implementation.

The third wave of changes came in 2009 and municipalities formally became in charge of employment policies. Because of the crisis and the urgency to find jobs for the unemployed, ALMPs focused more on guiding the job seeker to get absorbed by the market rather than sending him/her to training and educational programs. As a result, activation has been upgraded and the majority of programs started to get outsourced to private firms. Without a doubt, the crisis has changed the character of ALMPs, as the system and flexicurity struggles to bring forward results; from ‘stable and quality work’ the goals of these policies have been shifted to a more ‘first work’ dogma. This is not necessarily bad; it is however an important change that can potentially alienate the primal character of flexicurity.

When it comes to social partners, even with much more limited responsibilities than the past, they were able to contribute with new practices to combat the rising

90 Kongshøj Madsen, P., Implementing the new basic allowance for job seekers in Germany: statements and comments, 2007, Independent reaction, Center for Labour Market Research, Aalborg University.
unemployment. After the 2007 municipal reform, their role was restricted to consultation duties in relation to professional training and activation policies. Besides that, several other governmental incentives were seen as «destabilization» measures against trade unions: tax reforms and abolishment of the state support for membership fees had a noteworthy influence on the unions’ power. Their most important achievement is the considerable number of joint declarations on working time arrangements and wage adjustments. As it is common in the Danish industrial relations, employers and employees can easily deviate from general binding rules and collective agreements by free will. In this case, a consensus between the parts is considered of high importance, allowing for adjustments on local and on sectoral level. Consequently, during the reforms two adjustments have taken place on a sectoral level: one the one hand, wage flexibility was increased and, on the other hand, employers became obliged to compensate the dismissed employees that worked for more than three years.

Within a period fifteen years the political administration has succeeded to implement a long-term good governance scheme with the help and in collaboration with the social partners. Reforms and changes all these years were inevitable, that’s why tensions were more often than expected. The consensual nature of the industrial relations in Denmark has its roots deep in the socioeconomic evolution of the country, making it almost impossible to vanish from the labour market. However, as flexibility gains ground and cutback measures spread all over Europe, the fear of social destabilization grows. After the reforms of 2007 and the weakening of social partners, the confrontation between the central authority and trade unions became open. Cooperation is the necessary precondition that puts the elements of flexicurity together. The crisis left its scars not only on the economy but also on the trust between social partners and this fact can be proven the most hazardous for the viability of flexicurity in Denmark.

4.5.5 Conclusions: can the Danish flexicurity stand against the crisis?

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91 Jørgensen, H., Danish «Flexicurity» in Crisis- Or Just Stress-tested by the Crisis?, March 2011, Friedrich Ebert Stiftung.

Despite the high pressure on the economy and the plethora of pessimistic analyses over the last three years, flexicurity seems to hold things at a stable condition. As many would agree, it hasn’t been able to bring forward impressive as well as quick results on the labour market; nevertheless, it composes an important stabilizing factor which, without its presence, unemployment rates and public debt would have reached unpleasant heights. In the words of Henning Jorgensen: «Nothing is optimal, but there has not been a breakdown in the flexicurity system»\(^93\). It was inevitable that the character of flexicurity and its Active Labour Market Policies would have changed over the years. From a policy that promoted the training and refinement of working skills, flexicurity has transformed into a system which promotes employment and market absorption. The reasons for this shift were many; First, administrative policies and governmental initiatives gradually focused on different aspects. It is not a coincidence that with the rise of the center-right government to power in 2001, the Danish flexicurity model commenced its reformation process. Secondly, the recent crisis pushed things more to the direction of flexibility rather than security. As a result, flexicurity faced the challenge of stabilizing its theoretical principles and struggled not to lean towards the total liberalization of working conditions. So far, the model has remained intact and workers enjoy, in essence, the same level of security as ten years ago.

Surely, the impact of the recession is evident: the duration of unemployment benefits dropped from four to two years and employment rates are practically lower than these before the crisis. However, flexicurity hasn’t lost its main structure and practical implementation\(^94\). This model is result of a long tradition in Denmark’s labour market. Cooperation and social dialogue lies in the heart of Danish industrial relations and social security cannot disappear so easily. Flexicurity is still holding on through the crisis. Once, it has become the symbol of a European Union of growth and prosperity. Nowadays, it can still become a lucid beacon for all, showing that a labour market is functional only when the employees feel safe to work and learn.

\(^93\) Jørgensen, H., Danish «Flexicurity» in Crisis- Or Just Stress-tested by the Crisis?, March 2011, Friedrich Ebert Stiftung.

5. THE CASE OF GREECE

5.1 A general profile of Greece

Traditionally, Greece belongs to the complex of Mediterranean countries as well as this of the Balkans. With population of 11.4 million, it comes almost last in size just before Portugal among the other EU southern peripheral countries. Greece holds the place of the 34th largest economy in the world according to the World Bank, having an average GDP per capita of nearly $26,000 during the last decade\(^95\). The economy is composed of the three main economy sectors: services hold the biggest percentage (with tourism being the most prominent), approximately 85%, while industrial activities occupy 12% of the total output (the Greek merchant navy is currently the largest in the world). The rest 3% goes to agriculture and fishery as these activities employ 12% of the country’s total labour force. Like the rest of the Mediterranean countries, Greece is characterized in its industrial relations by a competitive tradition among its social partners. That means that cooperation between them is rare and reaching into a consensus includes hard negotiations.

As far as the country’s market is concerned, Greece has a particular character that brings together contradictory elements: one the one hand, regulation and state control on the economy is still tight as the state aims on protecting small entrepreneurs, and on the other hand, widespread oligopolies dominate in various sectors, such as retail trade and energy fuel market. Furthermore, with 712,000 public servants, the state appears bulged and occupies a big percentage of the

\(^{95}\) OECD, Country statistical profile: Greece 2011-2012.
labour market\textsuperscript{96}. As the private sector presents limited mobility, the economy has been for years in a fragile condition. The years before hosting the Olympic Games, Greece was showing impressive figures of growth. In 2003 the real GDP annual growth was 5.9\% while the next year the percentage was 4.4\%. At the same time, the EU average growth rate was about 2\% per year. However, as these rates proved to be a bubble and as public debt grew bigger and bigger during the next years, growth rates started declining rapidly. Consequently, within only six years growth rates became negative with a percentage of -4.5 in 2010. So, after fifteen years of growth Greece entered a deep recession period in 2009, according to the Hellenic Statistical Authority\textsuperscript{97}.

On January 1st 2001, Greece entered the Economic and Monetary Union (EMU) and replaced its old national currency, the drachma, with the euro. Drachma was from the beginning weak and unstable, allowing for Greece to easily exports its local production. But since the country’s founding, in 1821, drachma had been defaulted more than ten times, a sign of how fragile this currency was towards external turbulences\textsuperscript{98}. In 1997, the European Council decided in Amsterdam to set up certain criteria for the Eurozone members so budgetary discipline can be controlled, thus signing the so-called Stability and Growth Pact (SGP). Being one of the 27 member states that opted-in, the Greek government struggled all these years to keep its annual deficit under 3\% of its GDP and its national debt under 60\% of GDP. Nevertheless, the country never reached its goals as the numbers were far above the allowed limits. Even when the economy was boosting up in 2003, Greece had a deficit of 5.7\% and a debt that reached 112.3\% of the GDP\textsuperscript{99}. But when the newly elected government in 2009 announced that the real data of the economy were very different, the figures of public expenditures skyrocketed. According to the OECD, the size of public debt in 2010 reached 147.3\% and this of budget doubled into 10.4\% of GDP. At the same time, general unemployment rates grew from 9.7\% in 2003 to 12.6\% in 2010.

\textsuperscript{96} GRReporter, 712 thousand is the number of civil servants in Greece, 10 April 2012.
\textsuperscript{97} Hellenic Statistical Authority (Ελληνική Στατιστική Υπηρεσία), Quarterly National Accounts: 4th Quarter 2011, Piraeus, 9 March 2012.
Today, the current landscape of the Greek economy and its public finances are much more frightening. In May 2012 unemployment reached the record-high of 23.5%; in addition, public debt remains extremely high, even though it has been reduced to 120% of GDP in June\(^{100}\). As the government struggles to reduce its budget deficit through cutbacks and increased taxes, unemployment continues to rise and economic activity shrinks.

### 5.2 Flexicurity in Greece

Although Greece is part of the European Employment Strategy, the government and social partners haven’t yet commenced an official public dialogue for the national implementation of flexicurity. It’s a fact that no public discussion has taken place between the Greek government or any of the social partners, a token that the notion of flexicurity is something strange to the Greek industrial relations. The lack of conciliatory culture in labour relations makes trade unionists and employers’ representatives to maintain traditional roles: as the first demand higher job security, the latter pressure towards flexibility and eventually everyone gets tangled into a lengthy procedure. Every individual element of flexicurity exists separately inside the Greek labour market, deviating nonetheless to a significant degree from the desirable EU flexicurity indicators\(^{101}\). The fields of contractual arrangements, active labour market policies (ALMPs), lifelong learning (LLL) practices as well as social benefits don’t correspond to the standards that compose the ideal model.

According to the OECD, Greece is one of the EU countries with the highest Employment Protection Legislation (EPL)\(^{102}\). In 2003, Greece came third after Spain and Portugal with an index of 2.4 on a scale of 6. In relation with flexible forms of employment, the labour market remains rigid: during the period 1997-2004 part-time work held a small percentage of the market, being reduced to 4.8%, the lowest percentage among the EU member states. Out of this number, 70% were women, while more than half chose this voluntarily. On the contrary, the percentage of fixed-

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\(^{102}\) OECD, Indicators of Employment Protection 2003.
term contracts in Greece has always been at the same levels as with the rest of Europe, approximately at 4% of the labour market. Until the outbreak of the crisis, wage flexibility of first-time workers and young people has been limited, but after 2010 wages dropped 20%. At the same time, even during the recession, social security contributions remained as high as before (34% of total gross labour costs in 2005)\(^{103}\). Mobility is probably the most rigid characteristic within the Greek labour market and still the primal cause to numerous structural inefficiencies over the years. Greece holds the first place in average job tenure rates: according to Eurostat, in 2003 the average period exceeded 13 years, way above the other EU countries. Likewise, the index for labour turnover— that is the sum of separations and hires— continues to be the lowest in Europe (17.29). Geographical as well as occupational mobility is limited due to the high percentage of home ownership and the high fragmentation of the social security system respectively\(^{104}\).

In relation to active labour market policies (ALMPs), Greece presents much lower expenditures when compared to the EU average. As OECD observes, in 2003 the total amount spent for ALMPs was equal to 0.17% of the country’s GDP\(^{105}\). Out of this, 0.04% was spent on recruitment incentives, 0.03% on vocational training, 0.03% on integration of the disabled and 0.06% on start-up incentives. However, certain initiatives have been taken to enhance ALMPs and create an efficient Public Employment Service (PES) Network. As the National Employment observatory states, after only two years from its completion (in 2006), the PES network had conducted 271,813 individual interviews, which covered approximately 70.51% of job seekers. Still, compared with the progress of other countries in this field, the measures taken by the Greek government can be seen as minuscule.

As Karantinos indicates\(^{106}\), Lifelong Learning (LLL) activities are by far the weakest among all member states. While the average EU25 percentage for ages 15 to 64 was 10.3% in 2003, in Greece this amount reached only 2%. While the market has proved

\(^{103}\) OECD, Economic Survey of Greece, 2005.
\(^{105}\) OECD, Employment Outlook, 2006, Statistical Appendix.
the need of workers for continuous training and enhancement of skills, little has been done towards this direction. The situation has been depicted in a Eurobarometer in 2004 where almost 50% of the employed stated that they needed enhancement of their professional skills while 24% of the correspondents responded that, although they were willing to continue vocational training, they were not able to because of the lack of lifelong learning policies

Even before the crisis, social security benefits in Greece were considered marginally adequate and unequally distributed among the various categories of employed. For example, new entrants in the market as well as self-employed have been «practically left without unemployment benefit coverage». Next to this, we have to mention that temporary workers still enjoy the lowest unemployment benefits within the European Union. Of course, the crisis had a heavy effect on unemployment benefits which were reduced to €350 per month –as they were in September 2012. But still, Greece remains one of the countries with a good unemployment benefit replacement rate and that makes it 23rd in the list, one place after Germany. The net income replacement rate for the first year of unemployment reaches almost 67% of the minimum basic wage, fact that shows also drop of national wage thresholds. However, this percentage drops under dramatic rates, being reduced to 1.75% after five years of unemployment. All of the above indicate that the social security system is not adequate to support a tangible model of flexicurity. Generous unemployment benefits are a necessary precondition for its implementation and without them employees become vulnerable to the market’s flexible needs.

Consequently, flexicurity in Greece, seen as an official «policy strategy» and realized by the state along with the social partners, is inexistent. The Greek labour market so far has presented elements that showed attachment to the traditional model of employment: flexibility cannot match with security. This is why contractual arrangements appear rigid and labour mobility limited. The state has underfed
ALMPs as well as LLL practices and unemployment benefits are poor as well as unequally distributed. All the above lead us to the conclusion that even during the pre-crisis period much had to be done in order for the Greek labour market to adopt and create a flexicurity system of its own.

5.3 Industrial relations in Greece

Greece belongs to a tradition that is characterized by industrial conflicts—Italy, France and Spain are part of the same tradition. That means that social partners perceive labour relations as a struggle in order to dominate against each other. Unlike the countries that reach into a consensus (such as Denmark), the Greek social partners push by all means in achieving their collective goals. The term industrial conflict, which many times is also referred as social conflict or labour conflict in Greece, derives from the late 19th/early 20th century notion of open socioeconomic clash between employers and employees. That is why Greek trade unions often choose strikes and general protests not as the ultimate pressure tool but as the main weapon to pass for their demands. The frequency of general strikes in Greece even before the outburst of the crisis was twice as much than the rest of the EU countries; and when having in mind that a large number of strikes is organized by public servants unions, we can understand how often the public sector paralyzes.

Although the independence of social partners is explicitly mentioned in the Greek constitution, high tension between them has made the state to be always present during their negotiations and collective bargaining. But as the employees of the public sector are dynamically involved in collective bargaining procedures, over the years this has led into a twisted change of roles where the government holds the role of the employer and, at the same time, must also avoid any unfair imposition of its terms. Especially in Greece, where the public sector is extremely bulged, this

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situation can only lead to abnormal and negative results for the representation of the private sector workers.

Because of its late development, the Modern Greek labour law was created thirty years later in comparison with the developed European countries. Only shortly after the First World War did the country create a basic legal framework that established the workers’ basic rights (law 281/1914 on the freedom of association and trade unions). Due to its underdeveloped industrial production and its turbulent political landscape, Greece was able to copy and incorporate the labour laws of Germany and France in a more advanced time period.

Because of its history and its socioeconomic background, the Greek labour market presents specific characteristics, very different than these of other EU countries. Unlike the average percentage of the EU’s salaried workers, which reaches up to 83.6%, Greece has almost 20% less. And that is why because the Greek market is mainly composed of small and medium-size businesses (SMCs) that hold approximately a percentage of 90% of the registered companies \(^\text{113}\). As a result, the Greek labour market is made out of small-time entrepreneurs and as self-employed workers. Because of this fact, the market has a very fragmented character and consequently, representation cannot work automatically in a wider level. The two laws that deal with trade unions and works councils, used to regulate the level of collective agreements: according to these, general, national, sectoral or occupational collective agreements overlap company agreements under the term that the latter is no more favourable for the employee. Likewise, in case that an individual agreement includes less favourable terms than a national or sectoral agreement, it is considered invalid towards the employer as well as the employee \(^\text{114}\). In that way, the Greek labour law used to promote collective bargaining and assure that, in such a fragmented labour market, the terms of employment would follow common collective standards. As we will examine in the next chapters, this is not still the case.

The first Memorandum of Understanding and its implementation by the Greek

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113 EIRO, Greece: Industrial relations profile, 2009.
government has ruptured this status. As labour conditions are being liberalized, national and sectoral collective agreements are being circumvented in favor of those in the company level.

The extension of collective agreements towards the non-unionized (employers or employees) has always been a part of the core issues of labour law. In Greece, we come across two main practices: in the first case, during the negotiations between social partners, third parties whether these are trade unions or employer associations, are always free to opt-in and become part of the collective bargaining. In the second case, which so far was the most common, the collective agreement would become binding for all the people working in a sector or profession, after the interference of the Minister of Employment and Social Protection. The so-called extension of a collective agreement was quite often in the Greek labour market and had as its only precondition that the signing parts would represent more than 51% of the existing labour force. However, this has also changed under the influence of the Memorandum of Understanding between the Greek government and its lenders, namely the Troika of the EU, ECB and IMF. Under the new legal regime, the extension of collective agreements seizes to be valid for as long as the reformation program lasts. In that way, the workers of a sector are deprived of basic rights that are based on the principles of majority and representational democracy.

The Greek law describes three levels of collective representation: trade unions, works councils and safety-health committees. Because of a centralized organization of collective bargaining, the Greek system presents many loopholes in its lower grades. As a consequence, the representation in these levels can be weak, if not inexistent most of the times. For example, in order for a company trade union to be established, it needs to have twenty-one initial members, which is a rather difficult thing in the Greek market that consists mainly of small businesses. In other words, when only 3% of the registered companies have personnel of more than twenty people, to set up such a precondition is a direct and practical limitation to the workers’ rights. The same problem exists for the Greek works councils that require a minimum of twenty signatures in order to come into existence. Surely, a structural problem of the country’s labour law, the representation in these lower grades must
be enhanced and become more rational so that collective bargaining would become more effective.

5.4 Social Partners and their role

The system of collective bargaining system in Greece is centralized\textsuperscript{115}. As a pattern, collective agreements take place in a national or sectoral level and the two parts which are being involved in the negotiations are the two biggest representational bodies: GSSE and ADEDY (national confederations for the private workers and public servants respectively) from the employees’ side and SEV (national association of Greek industrialists) from the employers’ side. However, the fact that the collective bargaining system has been structured in that way, while the market is highly fragmented, inevitably creates a problem of representation. That is why for decades, the gap between the average employees and trade union officials is huge. The question that today appears more urgent than ever is: can these professionals trade unionists in reality protect and promote the interests of the everyday workers? According to the ILO World Labour Report of 1997/1998, Greece belongs among those countries «in which labour unions did not manage to avoid or free themselves from the epidemic afflictions of intertwining with the state, corruption and clientelistic relations». And, unfortunately, this is true as trade unions became from the very first moment dependent on political parties in political and financial terms\textsuperscript{116}. For more than three decades the main national trade unions have developed strong bonds with the political power and their officials have consolidated privileges, diminishing the autonomy of collective bargaining. Even with the appearance of harsh austerity measures, trade unions didn’t change their stance. Their constant call for general strikes and denial of negotiating rounds, showed the lack of intention in a participating into a public dialogue, thus mitigating the effects of the labour flexibilization.

From the mid 80’s, trade union density began to deteriorate. Of course, the tendency was global; however in Greece the phenomenon was more intense due to

\textsuperscript{115} Koniaris, T., Labour Law and Industrial Relations in Greece, 1990, Springer.
\textsuperscript{116} Ioannou, C., Trade Unions in Greece: Development, structure and prospects, 2000, Friedrich-Ebert-Stiftung.
specific local reasons: most important of all is that since generous public and private sector agreements dominated in the labour market and since their extension was a common practice, the workers had little reason to join-in and become carrying members. Furthermore, the extended presence of the public sector in the country’s economy hid the real threats of flexibility that were about to come in the private sector. As expected, flexible forms of work, such as part-time jobs, fixed-term contracts and subcontracts grew strong while atypical unemployment rose to the shocking rate of 30% to 35% of GDP in 2007. Just before the crisis the market presented two uneven categories of employees: those with regular full-time jobs and relatively strong labour rights and those working under flexible forms of employment that not only did not enjoy any of the others’ rights but also were not part of a trade union or other workers association. Like in every country, the public sector has had always higher rates of unionization. But according to Eurofound data, even in public administration, the participation percentage has dropped from 60% to 50% over a period of four years (2001 to 2005). As expected, the privatization of many public services and assets which has already started before the crisis will lower this percentage even more. And as Greece struggles to raise €50billion out of these sells within only three years, the public sector will be heavily restricted.

Even before the crisis, social partners had problems in representing the current workforce. Problematic labour laws about trade unions, corrupted trade unionists, dependence of the social partners by the state and decreasing union density were some of the major problems that the Greek labour market faced and still faces. Along with these, we must think of the dozens new problems that austerity measures and the unprecedented flexibilization of industrial relations brought. On top of the structural inefficiencies of the system, the average Greek employee must add the fierce neo-liberal measures.

5.5 Timeline of the Greek crisis

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117 Ibidem.
The way that the Greek crisis has been unfolded is of great importance for the rest of the EU countries. Greece, as a modern Cassandra who is the first to suffer, became not only an example of how public fiscal policy could go out of hand but also a bad omen on how easily industrial relations can slide towards flexibility and liberalization. For labour law, the course of things until now shows the vulnerability of well-established labour institutions and underlines the need of a new sustainable labour market model for Europe. In order to understand better the recent changes of the Greek labour law and to examine whether flexicurity is realizable in Greece, it is better to first describe in short the Greek crisis as it happened. Only in that way can we understand the interrelation between budget balance and the new measures taken in labour law.

Officially, the timeline of the crisis began on December 9 2009\(^{119}\). That day, Fitch, one of the three biggest ratings agencies, has given to Greece’s debt for the first time a BBB plus rating. The newly elected Greek government revealed that its predecessors had concealed for years enormous public deficits and, unless for an intervention, the country would face an economic collapse. The heavy selling of Greek stocks and bonds created a feeling of uncertainty about the country’s near future. Moved by the fear of an uncontrollable bulging of the public deficit, the Prime Minister, George Papandreou, announced a tough austerity plan that would cut the public sector’s spending. On January 2010, the Greek government announced the second round of austerity measures that included more cutbacks on public servants, tax reforms and stricter tax controls against evasion. A three-year plan was presented that aimed to curb the budget deficit from 12.7% to 2.8% and, at the same time, a technical mission of the International Monetary Fund (IMF) agreed to give advice over Greece’s fiscal policy. As expected, austerity measures have drawn the reaction of all major trade unions that started marathon-strikes which would last for months. One month later, the Prime Minister announced once again a new wave of measures that could spare approximately €5,2billion.

As rumors of a possible default on Greece’s debt continued to spread, the IMF along with the members of the Eurozone have decided to go for a bailout package of

€110billion, under the term of stricter fiscal policy and tougher austerity measures. As a result, on May 2010 the parliament voted for bills that not only liberalize working conditions, wages and hours but also abolish basic rights concerning collective agreements\textsuperscript{120}. Furthermore, a new pension scheme had passed, increasing the retirement-age limits. Once again, general strikes paralyze the country for days. In June, Moody’s and other agencies downgrade Greece’s debt to «junk».

A month later, Elstat, the Greek statistics service, underlined that the economy had shrunk about 3.5% within the last year. Although Greece’s government seemed willing on passing the austerity measures agreed, however tax evasion still thrived. When the discussions about the draft budget started in the parliament, the adoption of more austerity measures, such as a raise in the value added tax (VAT), seemed inevitable. From a forecast of a €16.2billions for 2011, budget deficit remains high at €18.5billion while the real economy has contracted 2.6 of GDP within the year. After a couple of months, on February 2011, it seemed that the measures taken by the government couldn’t bring fruitful results. For that reason, once again the Greek government unveiled a series of rough measures in order to reduce tax evasion, as part of the €110billion bailout deal with the EU, ECB and the IMF. At the same time, in order to fight criticism, the government planned to sell a large amount of state-owned companies to foreign investors as well as forming a sovereign wealth fund. In June, Athens experiences the larger demonstrations in Greece’s post-war history, as protesters react to the consecutive and constantly adjustable austerity measures\textsuperscript{121}.

From July, Greece enters a phase of deep recession. In order to receive a €8.7billion payment from the so-called troika (that is the EU, the ECB and the IMF), the government has passed new austerity legislation that aims on saving €28billion. Soon enough the European leaders agree on providing Greece with a new bailout package; this time, €109billions will be given through the European Financial Stability Facility (EFSF), a special EU institution created to backup financially the members in need. Moreover, €37billion will derive from private investors willing to buy the country’s bonds. Apart from that, the European partners agreed on assisting Greece

\textsuperscript{120} BBC, Greek parliament votes in favour of austerity measures, May 6 2010.
\textsuperscript{121} Kyriakidou D., Analysis: Greek riots to weaken resolve for measures, Reuters, May 6 2010.
for as long as it takes to reenter robust in the world’s financial markets. But as it seems, the second bailout has negative consequences to Italy’s and Spain’s bonds and it becomes clear that the danger is not over yet.

In September, Moody’s downgrades eight Greek private banks while the Eurozone finance ministers are preparing scenarios for an upcoming exit of the country. The parliament passes new austerity bills to get a €8 billion tranche for the next months and, as a consequence, riots break out all across the capital\footnote{BBC Greece timeline: A chronology of events, Last updated 11 June 2012.}. After eleven hours of negotiations, the troika and Greece reach into an agreement with the current debt holders of the private sector. They decide for a «deep haircut» which means that private investors will get a 50% cut on their bonds’ face value, reducing in that way the Greek debt from 198% of GDP in 2012 to 120% in 2020 and thus making it viable\footnote{Cadman, E., et al, Interactive Timeline: Greek debt crisis, Financial Times, Last updated 21 October 2011.}. The restructure of the debt was recognized as a major success and the Prime Minister, George Papandreou, revealed his plan for a referendum according to which the Greeks would decide their stay in the Eurozone. But under the pressure of strong international criticism by all sides, he immediately withdraws it. The point was extremely crucial for the political and economic unity of the EU and Eurozone leaders as well as IMF executives considered this gesture hazardous for the stability of the European economy.

After that, George Papandreou announces his resignation and within a couple of weeks a government of national unity is formed. The new interim Prime Minister, Loukas Papademos, does not come from traditional politics and has been a well renounced economist, vice-president of the Central European Bank and former head of the Bank of Greece. Just like Mario Monti, Italy’s newly elected Prime Minister, Papademos belongs to a class of politicians-technocrats that undertakes the task to get the country back on track before the next elections, in the spring of 2012. For a while, the stabilized political landscape seems to partially restore the markets’ and debt holders’ confidence. However, as Greece struggles to meet its fiscal duties, new rounds of negotiations begin for the ratification of the second bailout package. In
March 2012 finally all Eurozone members ratify the second bailout package for Greece. From the beginning basic precondition was the restructure of debt with the participation of private investors and, since this has criterion has been met, the country was about to receive approximately €130billion. The new amount is to cover the state’s need for the next two years. According to the estimations, if Greece attains successfully its current fiscal goals, by 2015 it will be able to enter once again the private capital markets as a source of financial aid. In May 2012, the long-awaited elections take place. But as Greek political parties fail to agree on a coalition government, speculations over Greece’s exit spread. Fears of a «Grexit» as it has been called, force the EU finance ministers to seriously consider this scenario and prominent economists, such as Paul Krugman, to warn about the contagion of a real economy recession.

After about a month, the second elections bring up positive results for the international community: the new government is a coalition formation and supports fully the bailout’s main points. Nevertheless, from the fist moment, this new government aims in negotiating with its creditors about the extension of the reforms from three years time to five years, namely from 2012 to 2017. As it seems at the moment, the ECB, the EU and the IMF do not support this probability; nevertheless, since the Greek economy has been contracted more than 6% in one year, many officials are willing to reexamine their proposals on fiscal discipline. Whether Greece will correspond or not to its international financial duties, one thing is for sure. During these last three years of continuing recession, the Greek labour law has been hammered as never before. Basic institutions such as collective bargaining have been circumvented and flexibility tends to be the only characteristic left for the labour market. On the contrary, security seems to disappear day by day, turning the employees into victims of a twisted situation. Currently, there are three scenarios about the future of the Greek patient. Whatever the outcome is, the Greek labour market will continue its way towards deregulation and liberalization.

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124 The guardian, Eurozone crisis live: Finance ministers to approve second bailout for Greece, 12 March 2012.
126 CBS News, Greek economy contracts 6.2 pct in Q2 over year, August 13 2012.
5.6 The economic adjustment programme

In order to receive the first bailout package in May 2010, the Greek government had to sign and ratify the «economic adjustment programme», a programme which is composed of three individual documents: the Memorandum of Economic and Financial Policies (MEFP), the Memorandum of Understanding in Specific Economic Policy Conditionality (MoU) and the Technical Memorandum of Understanding (TMU). According to all the above, Greece would have the financial support of the IMF, ECB and EU only if it strictly followed a programme of selected macroeconomic policies that in the long-term would consolidate its fiscal balance and bolster its fragile growth. The joint technical staff of the three institutions proposed an extensive reformation scheme that would change every sector of the Greek economy. Under the term «structural reforms», the IMF, ECB and EU officials would focus on a deep public administration restructuring as well as on serious labour, product and tax reforms\(^\text{127}\).

As the Greek government planned to save most of its public money by large-scale cutbacks, restraining the public sector became a first priority. First of all, a local administration reform seemed also necessary under the circumstances. Secondly, calculating the exact number of civil servants as well as every individual’s wage was a big step towards the reduction of the annual deficit. Furthermore, creating and implementing a general, common remuneration schemes for all public servants was a quick and effective measure in order to easily control the public expenses. As a supplementary measure, in 2010 the Greek government launched an assessment campaign that would bring forward data about the public sector’s productivity.

Besides restructuring the public sector, the economic adjustment programme described other reforms to support competitiveness and boost growth. Tax reform was also a main issue of concern, as Greece is still ranked by the OECD as the country of the EU with the highest percentage of shadow economy (25% of GDP in 2008-2009)\(^\text{128}\). The proposed measures of the «Troika» in the tax sector included the


\(^{128}\) Stamatelatos, D., Greece at a glance: Policies for a sustainable recovery, 2010, OECD.
improvement of enforcement operations as well as creating new decentralized headquarters that allow for a more efficient distribution of services. With the technical help and expertise of the tripartite joint staff, Greece aimed towards a groundbreaking restructure of the national tax system.

Because of its chronic underperformance in many sectors of its economy, the country was desperately in need of a decisive reformation. The macroeconomic adjustment programme had set as primal goal the bolstering of growth and empowerment of national competitiveness. As the Global Competitiveness Index indicates, in 2011-2012 Greece held the 90th place, a few places behind countries such as Rwanda and Georgia\(^\text{129}\). Through a healthy market with a low percentage of undeclared work, the state could be able to balance its budget. At the same time, with a wide-implemented tax system, tax evasion would decrease and public income would stabilize. Among others, the economic adjustment programme sets as priority the creation of jobs. But according to it, in order to fight increasing unemployment, wages would have to be reduced significantly. Under more flexible terms of employment, there would be more room in the market for job seekers and that would lead to a competitiveness advantage for the country. Finally, the lenders proposed an update of the civil services. As a traditional characteristic, services in the Greek public sector were always poor, rigid and costly. The Troika believed that through their transformation into a cheap and reliable provider, the governmental services could change the rest of the Greek market: inflation would go down and private sector initiatives would bloom. Apart from that, these reforms would lead to more equal terms for young workers and long-term unemployed, assisting the limited mobility of the Greek labour market.

The suggested measures were not new as a notion among the Greek government and social partners. For many years, the European Commission had been entangled in long discussions with previous Greek administrations, searching for a solution to the long-term structural problems. But as Greece’s public debt became unbearable, it was decided that desperate and urgent measures needed to be taken. The joint staff had to decide whether they would interference directly on the private sector’s

working conditions or not. Their goal was to reduce wages via through the abolition of bonuses, the trimming of overtime remuneration and through lowering the minimum wage. Eventually, these adjustments were left to the Greek government and social partners: eventually the reforms in the private sector passed with the collective bargaining mechanisms and the national legislation. As it has been proven so far, interference in the private sector had devastating effects not only towards the Greek market’s mobility but also towards the rights of the employees.

Through the liberalization of the market and upgrade of the Greek services and products, the IMF, ECB and EU wish to save the country from the catastrophic downturn in its economy. Nevertheless, the measures taken until now haven’t been able to consolidate the state’s fiscal balance. On the contrary, high taxes combined with trimmed wages have plunged growth rates. The goals of the economic adjustment programme might seem honest and enforceable, but because of these the Greek market has entered a permanent phase of recession without any chance of an imminent recovery. All the chronic problems must be eliminated, but perhaps the timing of the programmes implementation wasn’t the appropriate.

5.7 The impact of the crisis on employment

The crisis had self-evident negative repercussions on the employment market. Certain sectors of the Greek economy were hit more hard than others, while production declined. In the beginning of 2009, the effects of the crisis started to become visible in employment: between November 2008 and June 2009, 22,106 jobs were lost while it was announced that 19,583 voluntary redundancy programmes would soon be set in motion. At the same time, the state seized its numerous internships and traineeships in order to reduce costs. In January 2010, the total number of working people nationally was 4,445,743 compared to the economically inactive population that reached 4,276,258. Back then, the unemployment rate hadn’t lift off yet and was about 11.3%. Within a year, the body of unemployed had been augmented by 11,914 people and expected to continue in that direction.

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130 Tsiros, T., Black 2011 for the small and medium business owners, Kiriakatiki Eleutherotipia, May 9 2011.
131 Hellenic Statistical Authority, Data on labour force.
with even more rapid rate. During one year’s course, from January 2010 to January 2011, unemployment kept rising, touching the percentage of 14.2%. The projections were even more discouraging as unemployment continued to rise; and while the public sector (768,009 civil servants according to a 2010 electronic registration) would begin its deep restructures, the chances of employment for workers would reduce significantly. In the beginning of 2011, the unemployed were 192,908 more than they were the last year. According to INE, the Institute of Employment of the National Trade Union Confederation, among these only 42% received unemployment benefits. And as the figure passed one million, we can understand how many were excluded from basic social security rights. As the recession deepened in the second half of 2011, unemployed reached the unprecedented height of 20.7% in January of 2012. Out of this percentage, 48.5% were men and 51.5% were women, underlining the uneven terms in the traditional Greek labour market (from 2003 the ratio of unemployment males to females has been 6 to 10).

Areas of the country with persistent low productivity rates, such as southern Macedonia, the Ionian Islands and Southern Aegean were hit hard by the crisis. On the contrary, the wider area of Athens which has a population of almost 4 millions, presented lowered unemployment rates (14.7%) compared to the national average. Almost every sector of the Greek industry and Greek services took hard blows as a result of the crisis. The sector with the biggest problem was the construction industry and all economic activities that revolved around it. Mining, plastic and metal industries that have been supplying the construction sector for many years have experienced a sudden plunge in their revenues which is estimated to 22% each year according to the Greek economic magazine Epilogi. The drop in earnings became also evident in the touristic sector and in retailing. As far as the commercial sector is concerned, there were significant drops too. Traditionally, this sector occupies approximately 828,210 individuals, fact that shows its importance on the Greek economy. For years, it has been the most popular sector that had the best employability rates and one could easily be absorbed in there. According to a survey made by the National Confederation of Hellenic Commerce (ESEE), in 2010, 70% of

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132 Tsafos, N., Unemployment in Q1 2011, Greek Default Watch, Internet blog, 22 June 2011.
businesses presented reduced revenues and liquidity problems for 2010. Furthermore, one out of three companies had been forced to dismiss employees during the same year, while none was willing to hire new personnel\textsuperscript{133}. Even small businesses (up to 50 people according to the EU’s unofficial definition) and micro-entities (up to 10 people), that constitute the backbone of the Greek economy\textsuperscript{134}, announced that only a small minority would hire new employees in 2011 and 2012.

Finally, tourism and hospitality services that have been characterized as «the heavy service industry» of Greece have lost significant revenues during the last three years. The bad image that the austerity measures and general strikes have given to the country led to a serious drop of the demand for Greek tourism. The sector is so vast that employs in general almost a million workers during high-season. In 2008, which was the most profitable year within half a decade, the profits reached €11.6 billion. But after its peak, profits began to decline annually. According to some analysts, only in 2011, 30,000 employees lost their job due to the recession and as the market contracts things in the sector will be much gloomier for 2012.

As it seems, the crisis turned out into a permanent recession, a fact that had harsh repercussions on employment. The direct effects were massive layoffs as well as bulging of the unemployed force. At the same time, labour market absorption became even more difficult and unemployment benefits more limited. Since the market continues its downturn and there is not a sign of imminent recovery in the horizon, more companies will experience difficulties in getting credit insurances and not go bankrupt. Efficient or not, the Greek government has laid down a series of measures that would stabilize the market’s condition. Whatever the outcome is, it appears as more than demanding for such a fragile economy to overcome its problems in such a short time.

5.8 The changes in the Greek Labour Law

\textsuperscript{133} ESEE (Εθνική Συνοσποδία Ελληνικού Εμπορίου), Annual Report of Greek Trade, 2011, Athens.

The measures initiated by the crisis came to sweep away many well-established institutions of the country’s industrial relations. The collective bargaining mechanism as well as individual labour rights couldn’t have been left untouched. From the beginning of their implementation, the measures taken by the Greek government and the IMF, ECB and EU openly aimed towards the flexibilization of the labour market. As Joseph Stiglitz underlines, the IMF follows almost blindly a standard recipe of fiscal recovery on every country that asks for help: neoliberal policies that focus on the reduction of unemployment and the enhancement of development figures by all means.\(^{135}\) In the case of Greece, not only numerous but also wide-level reforms took place. Unlike other EU countries, austerity measures in Greece have been manifested in almost every way possible: in collective bargaining, in wages of the public and private sector, in overtime payments, in collective dismissals, in arbitration and dispute resolution as well as in collective redundancies. According to Ghellab and Papadakis, the extent of adjustments in the public sector and social security was by far the widest among the countries that asked for financial support.\(^{136}\) A fact worth mentioning here is that the majority of these measures passed without the consent or even involvement of the social partners. In that way, their character was not only unilateral but also raises questions about its institutional legitimacy. For example, law 3845/2010 authorized the Minister of Finance to sign any memorandum or deal with the Troika, waiting from the parliament to ratify these texts typically. Against the austerity measures on labour, the National Confederation of Greek Labourers (GSEE), the largest national trade union, filed a complaint to the ILO Committee of Experts in July of 2010. In its 2011 report, the committee responded that the Greek government, by adopting all these measures, might infringe basic international ILO conventions. Within only a few months’ time, the face of Greek collective and individual labour law changed completely.

**5.8.1 Collective Bargaining**


The first Memorandum of Understanding (MoU) that was signed by the Greek Government in May 2010 had as a goal the promotion of competitiveness and growth. According to the Memorandum, the only quick way to achieve it was through the reduction of wages in the public and private sector. The Greek collective bargaining system has created a centralized and wide-spread regime of protection for the workers, a fact that was seen as a major hurdle against the desirable reforms. As MoU describes it, «the government will reform the legal framework for wage bargaining in the private sector»\textsuperscript{137}. Consequently, as part of the agreement’s implementation, the Greek Parliament passed several laws that circumvented the power of sectoral collective agreements. The laws 3899/2010 and 3846/2010 were introduced on December and May 2010 respectively. As it has been settled traditionally, the organization of trade unions, collective bargaining as well as the right to strike are subjects regulated by statutory law. In practice, there were five categories of agreements within the Greek legal system: national general, industry, enterprise, national occupational and local occupational. Along with that, the law established the principle of favourability, according to which sectoral collective agreements could overcome the national general agreement or these in the company-level, as long as they contained less favourable than the sectoral. In that way, employees would be better represented and become more secure towards the bargaining demands of the employer. Under the new laws, company-level collective agreements (as the law defines it: «special company-level agreements») can deviate from sectoral agreements on matters of wages and working conditions. Besides that, these special agreements can cover an extended range of labour matters, such as the number of employees per enterprise and the flexible forms of employment (part-timers work, short-time contracts and shift-work arrangements). In any case, there is still a threshold for these kinds of deviations: irrespective of where the negotiations lead, company-level agreements cannot surpass the minimum limits that a national basic collective agreement has already set up\textsuperscript{138}. To underline this change, the Greek parliament has included this provision once again in law

\textsuperscript{137} Memorandum of Understanding on Specific Economic Policy Conditionality, 2 May 2010.  
4024/2011, saying about the prevalence of company-level agreements against the rest «for as long as the implementation of the Medium-term Fiscal Adjustment Strategy lasts»\(^{139}\). At the time when these new laws passed, there were approximately 200 company-level collective agreements every year. The rest have been agreed in the sectoral and occupational level-about 100 in each. According to the old legal status (law 1264/1982 and law 1876/1990), company-level agreements could be valid for an enterprise that employed at least 50 workers. Under the new regime, this criterion seized to exist and «special» company-level agreements don’t meet any restraints concerning the number of employees. Currently in the labour market, there are approximately 4,000 enterprises with 700,000 employees in total, but so far only 200 have chosen to negotiate with this new type of collective agreement\(^{140}\).

Another important change for the Greek collective bargaining system is the suspension of the extension of collective agreements. The unusually high protection of Greek workers\(^{141}\) combined with the significantly low union density, shows that the practice of extension was very common for all kinds of collective agreements. According to the new measures, its suspension could practically last for an indefinite period of time, while the implementation of the economic adjustment programme would be extended. From the beginning the danger of abolishing completely the extension of collective agreements was present; however, due to the intervention of social partners the worst scenario has been avoided\(^{142}\). The previous legislation (law 1876/1990) stated that as long as the majority of a sector’s or occupation’s workers have ratified the collective agreement, the Minister of Employment and Social Security had the power to extend it and render it valid for all the other non-participating workers. With the suspension of this mechanism, the new legislation deprives collective bargaining of cornerstone practices. Third parties that don’t belong to a union are left out of basic protective provisions, while they see their

\(^{139}\) Law 4024/2011, article 37 paragraph 5.
\(^{142}\) Καζάκος, Α., « Ελεημοσύνη» της Ατομικής Σύμβασης [The “Charity” of the Individual Contract], Kyriakatiki Eleutherotypia, 12 December 2010.
rights diminished. As a response to this sudden change, the main national Trade Unions (GSEE and ADEDY) initiated a series of enduring general strikes one. After the first measures, the frequency of strikes multiplied: in 24 February, 11 March, 2 April, 5 May, 20 May, 29 June 2010. Between 2010 and 2011, apart from the numerous strikes from sectoral, occupational and company level, 14 national general strikes took place in the country\textsuperscript{143}. Decentralization of industrial relations and fragmentation of the labour market was the primal goal of the reformation measures in the field. At the same time, the enhancement of competitiveness and boost of growth was a parallel task. Whatever the result of the measures might be in the long-term for collective labour law, the suspension of the extension of collective agreements was a strong blow for the workers’ power to negotiate.

5.8.2 Public sector reform

The Greek crisis has emerged as a direct consequence of the state’s fragile fiscal condition, and as a result the public sector was the first to experience the austerity measures. In 2009, approximately 50.000 stagiaires (fixed-term young employees) were dismissed. With accelerated rate, the Greek parliament passed a number of consecutive laws that imposed wide-spread as well as deep cutbacks in the public sector. The first one, law 3833/2010 allowed for cuts in the earnings of public servants (specifically 12\% in entertainment expenses, 7\% in ordinary earnings and 30\% in the Christmas and Easter bonus and in the vacation remuneration). Furthermore, wage increases froze and overtime afternoon remuneration was reduced 30\%. Finally, it was decided that hiring was suspended and that the ratio of employment for full-time public servants would drop to 5:1 –that meant that for 5 dismissals, there would be only 1 hiring\textsuperscript{144}. The law after that, law 3845/2010, continued these restructures towards the same direction. Inevitably, further cutbacks were imposed: for those who were civil servants in the narrow public field, another 8\% of their regular earnings had been reduced while, for those in the wider public sector (state enterprises and local authorities) the percentage reached 3\%.


\textsuperscript{144} Kapsalis, A., Government Adopts Extraordinary Measures to Tackle Economic Crisis, EIROnline, 4 May 2010.
Apart from that, the bonuses for Christmas, Easter and vacation have been trimmed once again. As the crisis got deeper, law 3899/2010 under the name “Urgent measures to implement a program to support the Greek economy”\footnote{Koukiadaki, A. and Kretsos, L., Chapitre 6. Greece, 2012, Quel Droit Social Dans Une Europe en Crise?, Editions Larcier, Bruxelles.} led to further cutbacks (25% of the total salary) and stated that these provisions prevail over any collective general agreement\footnote{Government Gazette A 212/17.12.2010.}

Probably the most important changes came with law 3986/2011. According to it, recruitment ratio would rise to 10:1 for 2011 and afterwards remain stable for the next three years at 5:1. Moreover, fixed-term contracts would be reduced by half in 2011 and by 10% each following year. Obligatory reductions up to 50% in working hours for the next five years as well as in wages were also a heavy measure on public servants. In addition, the law increased working hours from 37.5 to 40 per week. The law refers in article 37(7) to a new “in-reserve” regime for public servants. Depending on their assessed skills, public servants could choose wage reduction (up to 60%) for the next twelve months or ask for a premature retirement. If they choose the first one, there is a possibility to get transferred to any position that need filling. Nevertheless, the law seems blurry on this reserve scheme and there hasn’t been any definition of quotas or further clarification legislation. Apart from that, in 2010 the Ministry of Finance revealed its intentions to establish a common basic-remuneration scheme for the new public servants, irrespective of their position, as an attempt to equalize salaries of the public and the private sector. The inequality between the sectors was evident during the pre-crisis years: in 2008 the average salary of a Greek public servant was €26.556 annually while the wage in the private sector was 38, 7% less (€19.147 annually)\footnote{Τα Νέα, Ενιαίο Μισθολόγιο στο Δημόσιο [Common Remuneration Scheme in the Public Sector], 21 October 2010.}. Until now, the scheme has been implemented only in the narrow public administration; nevertheless, while the government still struggles to save €500million, is willing to expand these measures on public-owned companies and other autonomous organizations of the sector\footnote{News 247, Ενιαίο Μισθολόγιο και στις ΔΕΚΟ [Common Remuneration Scheme also for SOEs], 30 July 2012.}.
5.8.3 Wage reduction

Wage reduction measures were expected due to the country’s low level of productivity and high labour costs. Changes in the private sector didn’t take long to come and one year later, the minimum levels of wage have been trimmed as well, but only for certain categories of employees. The Greek law stipulates that collective bargaining at national level defines the threshold for basic wages. During 2010, 2011 and 2012, the minimum wage hadn’t been raised a bit, apart from the standard percentage of 1.6% per year due to the Eurozone inflation rates(€739.56 and 750.65 respectively). In reality, because of consecutive tax increases and social security contributions, the national minimum wage has been settled at €600 per month. Especially the youth was hammered hard by these reduction measures. Law 3863/2010 states that workers under 25 can receive 85% of the national minimum wage during their first fixed-term employment contract that can last up to a year. Similarly, the same applies for young workers of 15 to 18 years old that have an apprenticeship contract: their basic wage is reduced to 30%. The situation for young employees in Greece has become even harder, if we observe the statistics. In May 2012 youth unemployment has skyrocketed (53.8%)\footnote{Eurostat, Unemployment Statistics- Statistics Explained, Data up to July 2012.} and the vast majority of people that lost their job during these two years of the recession hadn’t reached their thirties\footnote{ELSTAT (Hellenic Statistical Authority), 2011, Labour Law Review 2011, Athens.}. Nevertheless, these measures were seen as necessities in order to fight looming youth unemployment and lower labour costs.

5.8.4 Collective dismissals, mediation and arbitration

Another step towards the flexibilization of the labour market was the change of limits for collective dismissals. Apart from the minimum collective wage for young employees, law 1863/2010 has stipulated collective dismissals and redundancy remuneration. According to Koukiadaki and Kretsos\footnote{Koukiadaki, A. and Kretsos, L., Chapitre 6. Greece, 2012, Quel Droit Social Dans Une Europe en Crise?, Editions Larcier, Bruxelles.}, the law aimed to reduce the expenses of dismissal and to equalize white colour with blue colour workers in this field. Like all EU countries, the law demands an “adequate” time period for a written
notification prior to the dismissal. Under the new law, this notice period has been significantly reduced. Still, the employer has to pay a significant sum of extra compensation in case of not informing the employee in time (according to Gavalas 50% more\textsuperscript{152}). As part of the lowering cost measures, the law defines that no remuneration will be given to workers that have been laid off before the termination of their one-year contract. And since the Greek law traditionally doesn’t require a justification for dismissal, we can understand that the employees have lost a big part of their security. As a measure to support entrepreneurship and favor productivity, the Greek government increased the limits of collective dismissals. Until then, only 4 layoffs per month were acceptable within a company or branch of 20 to 200 employees. Under the old legal regime, in companies with more than 200 people, dismissals could reach 2% of the labour force as long as less than 30 people per month would be dismissed. After 2010, layoffs have been increased to 6 employees per month for companies of 20-150 people and to 5% of the total staff for larger companies.

Related to mediation and arbitration, the new law of 2010 revised existing basic provisions on the matter\textsuperscript{153}. As a general principle, arbitration may take place in any stage of the negotiations between the social partners by mutual consent. The arbitrator can be a single third party or a tripartite committee. Under the new law, when residing to arbitration, the parts can only negotiate about the wage and basic salary matters. This last restriction has been criticized by the legal academia as an impediment to the freedom of collective bargaining but in reality there is little difference, since the practice of arbitration has never accomplished to become widespread due to the militant tradition in the industrial relations. Most important of all, law 3871/2010 declares that every decision of the National Organization for Mediation and Arbitration (OMED) concerning wage increase is automatically invalid from July 2011 and has no legal consequences. From that point of view, the role and scope of OMED has been restricted and if we also think of the other hard measures

taken against social partners, we understand that the freedom of collective bargaining has been reduced as well.

5.8.5 Conclusions: the prevalence of flexibility

Within only two years’ time, the Greek labour market has been deregulated as never before. In the name of productivity and growth, industrial relations have been fully liberalized. As the country currently undergoes a deep recession, wages have been reduced and protection of the workers has gradually faded. The hopes for a fairer practice that combines flexibility with security have been abandoned as the measures have taken «a permanent character»\(^{154}\). The Greek collective bargaining system has changed swiftly, from a centralized and upper-level to a more fragmented and distributed in the company-level. At the same time, all kinds of flexibility measures have been introduced in almost every sector and occupation. Wages have been trimmed and remuneration schemes have been restricted. As things have turned out, the Greek flexicurity is inexistent: flexibility has taken over while security has been reduced to nothing. ALMPs and LLL strategies, necessary preconditions of the labour market’s mobility, not only have they not gained popularity, but on the contrary, they have been shrunk even more. Due to structural weaknesses and stricter measures, the Greek labour market has transformed into an uncertain place for the workers. According to the projections, fierce reforms will continue\(^{155}\); nevertheless, under an optimistic perspective, the changes of the last two years can in the long-term become an opportunity for the Greek system to overcome its structural difficulties. Corruption can be reduced and the culture within industrial relations can change for the better. If the employees make the first steps towards the right direction, then collective bargaining would become truly independent and social partners would understand the importance of a fruitful consensus. Unfortunately, for the time being, the changes have weakened even more the employees’ buying power and impoverishment has never been such a big threat for the Greek society. In the years to come, Greece’s stake is to restructure its labour market without however infringing the existing basic labour

\(^{154}\) Institute of Labour of General Confederation of Greek Workers, Annual Report 2012, Athens.

\(^{155}\) OECD, Greece-Economic Forecast Summary, May 2012.
rights. Only in that way, productivity rates can be combined with high-level services and democratic procedures can be matched with an adequate level of living.
6. CONCLUSIONS AND RECOMMENDATIONS

6.1 Structural differences

As shown by the evidence, differences between the Danish and Greek labour market are tremendous. The principles of flexicurity as stated by the EU might be the common standard of comparison; nevertheless the national implementation policies are extremely diverse. Even with the passing of reformation measures and the adaptation of flexicurity to the new circumstances, few similarities can be found between the labour market of Denmark and Greece.

On the one hand, Denmark has been consciously aiming towards a holistic approach that matches flexibility with security. The country has put in practice a model that considers better to protect employment rather than to prevent the loss of jobs. Mobility within the labour market is extremely high and flexible contractual arrangements have become a common practice. At the same time, social security benefits are generous and have put up a minimum threshold while active labour market policies guarantee the vitality of the market. Next to that, lifelong learning practices enhance the employment skills and stabilize in that way the augmented flexibility of the Danish market. Since the concept of flexicurity demands of a balanced approach between flexibility and security, social partners play a crucial role in its implementation. Denmark managed to become a bright example for the rest of the member states exactly because of this reason: its consensus-oriented industrial relations allowed for social partners to conclude in fair agreements without losing the flexibility that a statutory provision might have taken away. Moreover, the political power was willing to follow a long-term sustainable scheme and not to deviate from basic points of its implementation. Because of all the above, we understand that Denmark presents such a labour market structure as well as industrial relations culture that render it an ideal framework for this kind of flexicurity. As many say\textsuperscript{156}, cooperation and open dialogue is rooted deep down in

\textsuperscript{156} Andersen, S., Trust and Dialogue in the Danish Model, September 2007, FAOS, Seminar: «Flexicurity or Flexploitation: Atypical Work in Europe». 

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the Danish society that’s why the principles of the golden triangle have found fertile ground to grow and bring forward impressive results.

On the contrary, Greece appears much different. Flexicurity has always been an ambiguous notion for the Greek labour market and even now –nearly 20 years from its appearance- there hasn’t been any public dialogue on the matter nor an official statement by the government’s side. This fact implies that the views of Greek social partners as well as these of the state’s remain traditional, insisting that flexibility and security are elements that cannot be easily combined. The Greek labour market has been structured over the years in a non-sustainable way. First of all, we refer to a highly fragmented labour with an old-fashioned level of protection. Due to structural reasons, mobility is still negligible while certain groups such as the young-employed under 25 and self-employed enjoy reduced social benefits compared to other categories. Contractual arrangements are rigid and labour market hasn’t yet fully adopted more flexible forms of employment as other EU countries did decades ago. When it comes to active labour market policies, little has been invested in this field. Activation policies are almost inexistent and training hasn’t any practical implementation in the labour market. Lifelong learning process is still something strange to the Greek labour market and employees consider abnormal the transition to a new job. Indeed, the state gives no attention to vocational training, that is why institutions for this function are powerless and provide limited and poor services. Finally, social security in Greece is relatively ungenerous, compared to these of other EU states. Inequalities of unemployment benefits have been underlined many times, since there are important differences between certain categories, such as the self-employed and the employed. Apart from the dramatic change of labour law, social uprisings and the fear of violent scenes seem more imminent than ever.

Collective bargaining happens at a centralized level, fact that is closely connected with the country’s corrupted representation system and low trade union density. Social partners continue to have a polemic stance where extensive collective agreements are hard to conclude and strikes take place more frequent than any

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other country of the EU. As a result, mutual trust and social cohesion, necessary elements in flexicurity’s implementation, remain undernourished within the Greek labour market. All these structural inefficiencies make the realization of flexicurity extremely difficult. As it seems, the problems lie within the core of industrial relations and for this kind of change restructures must be not only wide but deep.

6.2 The evolution of flexicurity

The crisis has been a catalyst for both countries, as far as labour law and flexicurity is concerned. A first reaction of the labour markets was to slide towards flexibility, something which is expected during times of economic turbulence. But that wouldn’t have been necessarily bad if adjustments have been made to stabilize unprecedented economic consequences.

As one of the first to get hit by the crisis, Denmark experienced its symptoms much earlier than Greece. Of course, the effects were subtler and the recession didn’t reach bulging proportions as the Greek crisis did. However, as enterprises started to dismiss part of their staff, unemployed rates rose and employment rates fell. Labour mobility remained high but the country experienced a slowdown in its economy, an inevitable result. Due to structural «built-in stabilizers», such as high taxes, income homogeneity and equal distribution of social benefits, Denmark was much more secured than almost all of the countries in the EU. The government’s efforts for a wide reformation on labour market policies since the early 2000’s have certainly changed the character of flexicurity over the years: according to the new standards, employment alone was the primal goal of flexicurity. As the reformation measures continued in 2007 and 2009, the role of social partners was reduced and activation policies became stricter for the unemployed. In addition, the structure of the lifelong learning system changed and unemployment benefits were restricted. The fact that trade unions lost a considerable part of their powers as well as that collective bargaining in local and enterprise level was intensified shows the tendency for flexibilization within the Danish labour market. However, even with these changes, flexibility and its principles remained intact. The golden triangle is still the

valid theoretical scheme on which everything is based. In practice, it is still evident that all the elements have not been circumvented and that flexicurity is the main pattern within the Danish labour market. The social partners had foreseen the challenges that the future would bring—declining productivity, ageing population, costly services—and for that reason they were keen on adjusting flexibility and security in order to make the system viable.

Exactly in the opposite direction, Greece couldn’t predict the upcoming crisis nor could it keep its labour market characteristics intact after its outburst. Social partners were left outside of almost every decision on the new austerity measures and their role was reduced to react with ineffective strikes. The measures imposed by the Greek government and its international creditors led to a total flexibilization of the labour market. Since flexicurity officially was unknown, there hasn’t been any balance between flexibility and security to be overturned. Nevertheless, specific individual elements of flexicurity were hit and the prospect of adopting a national flexicurity model became even more distant. Austerity measures were implemented and along with them, many institutions of labour law were hit hard: collective bargaining was decentralized, minimum wage for youth was limited and collective dismissals became easier for the employer to select. At the same time, the level of social security decreased and social benefits along with pensions were the first to get trimmed due to the crisis. In the past, the conditions in the Greek labour market didn’t allow for flexicurity to grow and become a priority against stagnant productivity and soaring unemployment. Unfortunately, under the new regime of labour law, the opportunity of implementing the principles of flexicurity became slimmer than ever. For years, flexibility was a major fear of the Greek policy makers, but with the imposition of the austerity measures, the liberalization of the market now seems a greater one.

6.3 Flexicurity against the new challenges

In the end of this comparison, we have to ask ourselves: can flexicurity stand up against Europe’s bulging problems? It is difficult to answer give a brief answer but if I had to, I would say yes. The cases of Denmark and Greece refer to the same problem
and that is why comparing these two countries brings up the necessity of flexicurity. They refer to the need of enhanced flexibility without giving up the level of protection for the employees. Certainly, there are many variations of the flexicurity model and that always brings forward the dilemma on which practices should be adopted in reality. When it comes to such matters, the principle «One size doesn’t fit all» is true. Depending on each country’s needs, different flexicurity strategies have to be followed. That is why to blindly incorporate the Danish system is not a solution for Greece. There are a lot of ways to reach a sustainable model\textsuperscript{159} but surely, the one that the country has been following for over two years now is definitely not. Flexibility has taken over and it seems that social dumping is already irreversible. For decades, the Greek labour market was unwilling to incorporate flexicurity, and that is why its structural problems eventually got out of hand. The Greek social partners had any reason to be afraid of a gradual sliding towards flexibilization: even before the crisis social services were poor, active labour market policies almost inexistent and lifelong learning practices extremely limited. On top of that, the polemic industrial culture of social partners and lack of equal rights between workers of different occupations made the implementation of flexicurity almost impossible. However, due to this rigidity the Greek labour market was swept away by the imposition of extremely liberal measures, thus being unshielded to even more flexible measures. By accepting the possibility of being merely hypothetical, I say that the Greek labour market would be certainly better if some kind of flexicurity system would have been adopted. Starting from the most obvious, there would be the tendency to preserve an adequate level of social security. Furthermore, social partners would have held a bigger role and the implementation of austerity measures would have been subject of a public dialogue along with the government. As it seems, the flexibilization of the Greek labour relations is permanent and that makes the adoption of a flexicurity model highly improbable.

Denmark continues to be a bright example of national flexicurity. It is because of the labour market structure that the economy didn’t experience a deep and chronic

\textsuperscript{159} Wilthagen, T., Mapping out flexicurity pathways in the European Union, March 2008, Tilburg University, Tilburg Flexicurity Research Programme
recession. Certainly, the part of numerical flexibility is more expanded than in other countries and that causes a short-term wave of dismissals back in 2008, nevertheless in the long-term Denmark was able to balance this effect due to its other efficient flexicurity elements\textsuperscript{160}. Despite the shrinking of social benefits and despite certain projections of an economic slowdown, the system of flexicurity has proven adequate to deal with the consecutive economic shocks of the previous years. The Danish flexicurity provides for a number of structural securities to the market: it limits the social cost of unemployment and maintains a level of protection and equality among the workers\textsuperscript{161}. Based on these, we can say that flexicurity will deal in an efficient way with the challenges of the future that include among others declining growth rates and a vulnerable financial sector. We must however understand that flexicurity is not a panacea that can solve any structural problem; on the contrary, it is a part of a wider policy and is used complementary as a safety net for the workers and the economy. Even if in the future flexicurity won’t solve all the problems, it will continue being a stabilizing factor.

To conclude with, I would say that a balanced flexicurity model must be adopted. And by that I mean a model that can include not only diverse kinds of flexibility (internal/external, numerical/functional, wage flexibility\textsuperscript{162}) but also wide-spread labour market policies and lifelong learning practices. Above all, it must contain a robust social security system that will complement the highly mobile system of employment. If the EU wants to remain a competitive force globally, without lowering the level of protection that so many generations have struggled to acquire, there is no other choice but to adopt a form of flexicurity that promotes knowledge for the employees and creates high-level services for the employers.

\textsuperscript{161} OECD, Economic Survey of Denmark 2012, Overview.
\textsuperscript{162} Withagen, T. et al, Towards a Methodology to Monitor and Analyze Flexicurity (FLC) and work-life balance (WLB) policies in the Member States of the EU, May 2010, ReflecT Institute, Tilburg University.
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