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The economic crisis and industrial relations: Greece and Romania in comparison

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ABSTRACT

The purpose of this study is to investigate, in a comparative framework, the impact of the adjustment programs (Memoranda) in Greece and Romania, in the context of the global economic crisis. In Greece the crisis emerged as a twin (trade and fiscal) deficits crisis and in Romania it has taken the form of a public debt crisis. As a result, in Greece the austerity policy has directly affected employees both in private and public sectors, while in Romania it has focused in public servants. The decentralization of the collective bargaining system is a common feature in both countries. In Greece, decentralization occurs through the complete undermining of sectoral collective bargaining (decentralized decentralization), while in Romania through the weakening of the sectoral collective bargaining in favour of collective bargaining at enterprise level. The structure of employment in both countries determines the outcome of the process of decentralization.

Keywords: Industrial Relations, Collective Bargaining, Economic Crisis, Greece, Romania

JEL Classification: J52, J53

Introduction

Greece and Romania are two of the countries in which the policies of the International Monetary Fund (IMF) and European Union (EU) have been imposed through adjustment programs (Memoranda) during the recent global economic crisis. The main pillars of the policy of international organizations are austerity policy measures and reforming industrial relations.

The present paper examines these developments focusing on the impact of the economic crisis in industrial relations and particularly in the structure of collective bargaining system in the two countries. For this purpose, the nature of the Greek and Romanian economic crises is investigated and in this connexion the similarities and particularities of the imposed policies and their impact on industrial relations are pointed out.

This comparative analysis could provide a better understanding of the specific causes and features of austerity policy measures and reformations of industrial relations in each of the two countries under crisis circumstances. This comparison could be valuable in order to investigate the potential differences in response to the economic crisis between a Eurozone member state – such as Greece – and an EU state that is not member of Eurozone – such as Romania.

The paper is structured as follows: the first section consists of the literature review concerning mainly the impact of economic crisis on industrial relations as well as the reconstruction of collective bargaining systems during the previous decades. In the second section a compendious consideration and comparison of the Greek and Romanian economic crises is presented. In the third and fourth sections, the imposed by Memoranda policies in Greece and Romania during the current economic crisis are investigated, with a focus on the restructuring of industrial relations. The paper ends with a brief concluding further discussion on the imposed policies.

The Economic crisis and Industrial Relations

In times of economic crisis reforms of the institutional and legal framework of industrial relations were enforced by the states (Rychly, 2009a: 2; 2009d: 1-12) providing “a supportive framework for collective bargaining” to deal with crises

(Glassner and Keune, 2010a: 2).

In many countries during the 70's crisis and till the middle of 80's, government intervention aimed at changing the legal framework in order to facilitate the salary freeze and the reduction of its impact on the production costs (Rychly, 2009b: 1). The changes of collective bargaining towards decentralization were prominent in this process.

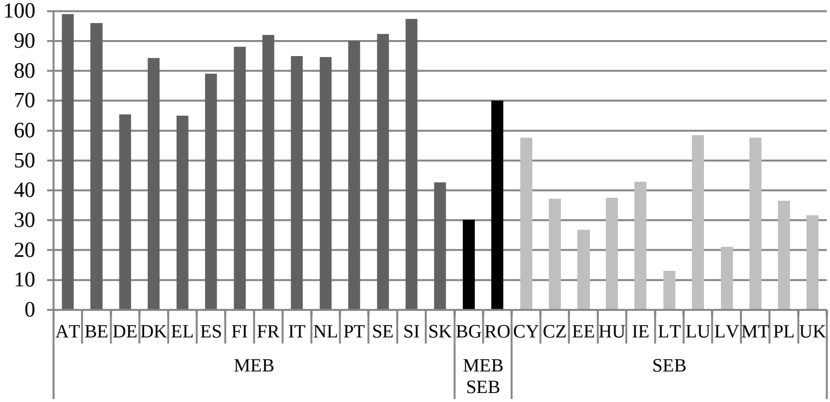
The developments in the EU during the 80's and 90's were similar. Even in those EU Member States where the sectoral or inter-sectoral (national) bargaining was dominant (multi-employer bargaining as opposed to the single-employer bargaining system), a process of gradual transformation towards the decentralization of industrial relations took place (Visser, 2005: 296). The "fundamental difference" between multi- and single-employer bargaining systems is "whether or not sector-level negotiations take place" (European Commission, 2010: 97).

Three clusters of countries were shaped in EU-27 by 2010, concerning the dominant level of collective bargaining (see figure 1). The first cluster consisted of countries where multi-employer bargaining (MEB) was dominant, while the second one where single-employer bargaining (SEB) was dominant. The third cluster consisted of countries in which MEB was dominant in some sectors of the economy and SEB in others (MEB/SEB). Greece belonged to the first cluster of countries (MEB) and Romania[1] to the third one (MEB/SEB) (European Commission, 2010). The countries in which MEB was dominant were characterized by higher levels of collective bargaining coverage (see also figure 1).

In the context of gradual transformation towards the decentralization of industrial relations, two basic and distinctive decentralization trends were shaped: organised decentralization and disorganised decentralization (Traxler, 1994: 186). In organised decentralisation certain bargaining issues, such as the working time and wages, have been regulated at enterprise level within the binding framework set by collective agreements at higher levels (Traxler, 2003: 19). The disorganised decentralisation refers to the replacement of MEB by SEB as a result of the devaluation of higher level arrangements (Marginson et al., 2003: 165; Traxler, 1994: 186).

[1] In Romania MEB was dominant in manufacturing and other industrial sectors, whilst SEB was dominant in the service sectors (European Commission, 2010: 97).

Figure 1: Collective bargaining coverage in EU-27 countries, 2000-2010



Source: The data for collective bargaining coverage derived from Visser (2013b). Authors' diagrammatic elaboration on the base of European Commission (2010: 97) MEB - SEB classification.
Note: The comparison is based on the averages of available data for the period 2000-2010.

The shift of the collective bargaining process to the enterprise level – where the correlation of power is unfavourable for the employees – is promoted in order to facilitate management control over the bargaining outcomes, and consequently to reduce labour costs (Leat, 2007: 362; Katz, 1993: 12-17; Windolf, 1989: 3-4).

In the current crisis MEB – which was "the cornerstone of labour market regulation" – considered by the international organisations "as a source of labour market rigidity". Thus, the decentralization process has been accelerated through the further undermining of sector and occupation level agreements in favour of enterprise level agreements (Marginson, 2014: 1-2).

The efficiency of MEB is determined by the articulation of collective bargaining across levels. The state supported the articulation of collective bargaining across levels through the legislation of the favourability principle and the extension of collective agreements (Marginson, 2014: 3; see also Visser, 2013a: 35). In current crisis the efficient articulation of collective bargaining has been undermined towards decentralization through: a) the opening clauses[2] concluded in common by employers and trade unions and b) changes imposed by the governments and international organizations. The first case concerns a group of countries "where multi-employer bargaining entails well-specified mechanisms to articulate the sector and company levels"; the second case concerns "those

[2] For the notion of "opening clauses" see Visser, 2013a: 42-43.

[countries] where such articulation mechanisms are weak or non-existent" (Marginson, 2014: 6). Greece and Romania are listed in the second group of countries as the collective bargaining system is "in a state of collapse" (Koukiadaki et al., 2014: 6; see also Marginson, 2014: 7-8).

In addition to the changes imposed on the industrial relations system, a significant consequence of the current economic crisis is the expansion of unemployment and job insecurity (Glassner and Keune, 2010b: 2-3). The increasing unemployment and the expansion of flexible forms of work led to the declining of trade unions' power and influence and enabled governments and employers to reinforce and accelerate the decentralization trend.

Moreover, during the recent crisis a wide range of measures, also related to the reduction of labour costs have been promoted by the international organizations, adopted by national governments and implemented by the capital. These measures are mainly related to: short-time work (Glassner and Keune, 2010a; 2010b; Hijzen and Venn, 2011); long-term enterprise restructure, facilitated by voluntary retirement; limitation of overtime and/or elimination of overtime bonuses; forced or voluntary redundancies; freeze of salaries and reduction of employer contributions to health and pensions schemes (Rychly, 2009c; Glassner and Keune, 2010a; 2010b).

The reformations briefly described above, i.e. the reduction of labour costs through structural changes in labour market and austerity policy measures, constitute the so called "internal devaluation" (Armingeon and Baccaro, 2012: 256). The latter is a substitute to currency devaluation for the Eurozone countries, especially for those that exhibit lower international competitiveness (Wolf, 2011: 3-4; see also Koukiadaki and Kretsos, 2012: 283). "Internal devaluation" is the basic aim of the Memoranda, imposed by the IMF along with the European Commission (EC) and the European Central Bank (ECB). As Koukiadaki and Kretsos have pointed out (2012: 277) "the imposition of austerity measures has been associated with a clear-cut transfer of policymaking process from national to international actors".

The economic crisis in Greece and Romania: a brief consideration

The Greek case

The Greek economy faced a crisis of twin deficits (trade and fiscal) in the onset of global economic crisis. The Greek economy displayed a high growth rate after Greece entered the Eurozone and before the global economic crisis. However, this period of "over-growth" was also a period of high current account deficit (see figure 2), which created needs for augmenting external borrowing

(Economakis et al., 2014-a; Economakis et al., 2014-b). The development of the Greek economy after country joined the Eurozone in 2001 was mainly based on the production of non-tradable goods and services, i.e. on the growth of productive sectors that were not exposed to the international competition. Furthermore, this was even more pronounced, compared to the EU-27 as a whole. Therefore, the type of economic growth of the Greek economy during 2000s neither presupposed nor led to the improvement of its international competitive position (Economakis et al., 2014-a). The increase of incomes in non-tradable sectors augmented the demand of tradable goods from abroad (Gibson, 2010: 337 ff.), deteriorating trade deficits. At the same time, the country experienced a high government debt. As seen in figure 3 the Greek government consolidated gross debt is well above EU-27 and Eurozone 17 government consolidated gross debt in all the years of the period examined (2000-2014) (see also below). The financing of the deficits of the current account balance before the crisis relied mainly on raising funds from the international financial market, particularly through the issuance of bonds and Treasury bills that created debt and not on foreign direct investments, the inflows of which were inconsiderable (Bank of Greece, 2012).

In the conjuncture of the global economic crisis (2007-2008) the continuously high deficits of the current account balance and the oversized gross external debt of the Greek economy[3] blocked this type of development which was based on extended borrowing. Thus, in the context of the global economic crisis, the Greek economy emerged as a weak link of Eurozone since the financial system entered in a process of reassessment of credit risks (Milios, 2011).

The coverage of the deficit of the current account balance is now based on official lending of "support mechanism". Namely, the Greek economy is in a regime of dependence by the "support mechanism" of the Troika (EC-ECB-IMF), as borrowing from international financial markets can no longer continue. In this sense, the imposed Memoranda, which followed Greece's recourse to the financial support mechanism of the EC-ECB-IMF in 2010, focus not only on the public debt problem, but also on the competitiveness problem of the Greek economy.

Greek governments and international organizations (the troika) attribute the problem of the low competitiveness of the Greek economy mainly to the labour

[3] The gross external debt (of the private and public sectors) is powered by current account deficits. The gross external debt in current prices from 138.25% of the GDP in 2007 (Bank of Greece, 2013: 38, table 19), reached 183.29% of the GDP in 2010 (Bank of Greece, 2014: 89, table V.16), 228.22% in 2013 and will reach, according to the Bank of Greece provisions, 233.00% of the GDP in 2014 (Bank of Greece, 2015: 126, table V.15).

market. According to the Bank of Greece "Annual Report 2009", the rigidities in the labour market led to wage increase and losses in price competitiveness. The latter "have worsened the problems caused by the structural weaknesses in production and are one of the primary factors underlying... the persistently low 'structural' competitiveness" (see Bank of Greece, 2010: 16 ff., 18).

In this direction, the "internal devaluation" is the main purpose of the planned Memoranda. This devaluation is achieved by austerity policy measures in the public and private sector and restructuring of industrial relations – as a necessary support for the imposition of austerity policy measures.

Current account deficit reduction after 2008 (see figure 2) is mainly due to the drastic reduction of the trade deficit because of the depression and the consequent reduction of import payments, rather than the increase of exports (Eurostat; Economakis et al., 2014-a). The deep depression, which continued until 2013, that followed the policies of "internal devaluation" of the Memoranda (see figure 4) and the resulting huge increase of unemployment rate[4] (from 7.8% in 2008 to 27.5% in 2013 and 26.5% in 2014 – AMECO) further reduce import demand, thus ameliorating even more the current account balance – by 2013.

It must be noted that this amelioration does not imply restructuring the productive base of the Greek economy, and the expansion of exports, but it is an outcome of the deep depression. More precisely, despite the fact that the average nominal wage has reduced by 18% since 2008 and the unit labour costs (in the business sector) have been reduced by 14.3% during the period 2009-2014, the prices of Greek exports have been reduced during the same period by only 3% (INE-GSEE, 2015: 61-62). Partly, this is because "[i]n 2007, the share of total labour cost in total manufacturing costs averaged [only] 15.2 per cent" (Dedousopoulos et al., 2013: 25).Thus, "internal devaluation" did not bring about the expansion of exports, though wages have dramatically been reduced. [5]

At the same time, as seen in figure 3, during the crisis period the Greek government consolidated gross debt augmented rapidly (from 103.1% of GDP in 2007 to 178.6% in 2014 – Eurostat), while, through the official lending of

[4] Apart from the rapidly increase of the unemployment rate since 2008, in the crisis period the total employment has been decreased after a 26 year continuing growth, from 1983 to 2008 (Dedousopoulos et al., 2013: 16).

[5] As Dedousopoulos et al. (2013: 25) have pointed out, the "wage reduction would lead to a temporary increase in profits, but to a severe reduction in domestic demand, i.e. the acceleration of deflation". It is a Schumpeterian "creative destruction" situation, without the "creative" part.

"support mechanism" the private debt was transformed to public (in this connection see Greek Dept Truth Commission, 2015).[6]

The Romanian case

The Romanian economy experienced a severe economic downturn during 2008-2010 (see figure 4), which, however, was not accompanied by a notable increase in unemployment (5.6% in 2008, 7.1% in 2013 and 6.8% in 2014 – AMECO). The global economic crisis decreased the main Romanian exports and this seriously affected the industrial sector, the production of which decreased considerably (Constantin et al., 2011: 163; Zaman and Georgescu, 2009: 615-616). Nevertheless, according to Voinea (2009: 2), the Romanian crisis is due not only to external reasons, i.e. the global economic crisis, but it is also related to domestic causes, mainly the excessive consumption which was financed by short term private debt. Zaman and Georgescu (2009: 620) point out that "the excessive increase in domestic private credit for consumption has fuelled the massive increase of imports". In the same vein, Constantin et al. (2011: 160) claim that the main reason for the Romanian crisis is rooted in the *"unsustainable economic growth before 2008, based mainly on the consumption of imported goods, financed by foreign money".* Thus, in conditions of decreasing exports, the Romanian crisis emerged as a "typical current account crisis" (Constantin et al., 2011: 161) (see figure 2).

As the global economic crisis limited the access to external financing, foreign direct investments also declined. Under serious current account deficits, these developments brought forth difficulties concerning private foreign debt service (Constantin et al., 2011: 160). Under these conditions, according to Zaman and Georgescu (2009: 622), "Romania's external financial position was on the edge of a crisis, which, in any way, would have rendered an external loan necessary to cover the financial gap". As a result of massive financial support from IMF, the EU (EC) and other organizations (such as the World Bank), after 2009 "stand-by agreement with IMF", Romania avoided a major macroeconomic crisis, namely a potential private debt crisis (Voinea, 2009: 9; Constantin et al., 2011: 160-162). Thus, what started as a typical current account crisis "is moving towards a public finance crisis", since after international loans "the structure of the foreign debt is changing from private to public" [7] (Voinea, 2009: 5, 9). However, even

[6] Greek governments have contributed largely to the financial support of banks since 2008, transforming private to public debt even before the Memoranda.

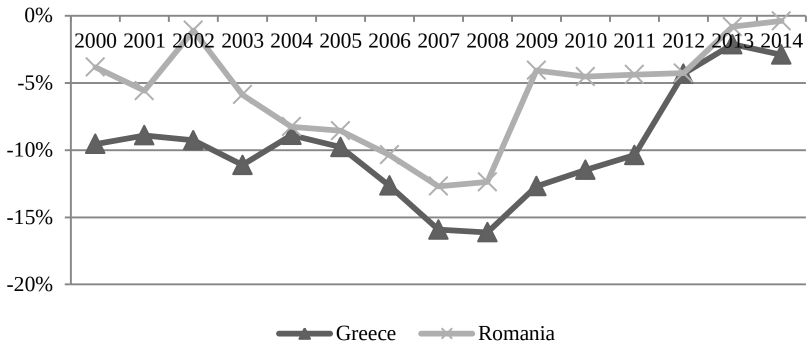
[7] The gross external debt from 50.9% of the GDP the fourth quarter of 2007 reached 75.67% of the GDP the fourth quarter of 2010 and 68.56% of the GDP the fourth quarter of 2013 (European Central Bank, 2014).

augmented (from 12.7% of GDP in 2007 to 39.9% in 2014 – Eurostat), Romanian government consolidated gross debt is well below the EU-27 and Eurozone 17 government consolidated gross debt (see figure 3).

Under the conditions of increased external and public debts, the IMF and the EC have demanded, through adjustment programs (Memoranda), austerity policy measures since 2010, including frozen wages and pensions in the public sector, as well as structural reforms in the labour market (see Voinea, 2009: 9-12; Constantin et al., 2011: 162 ff.).

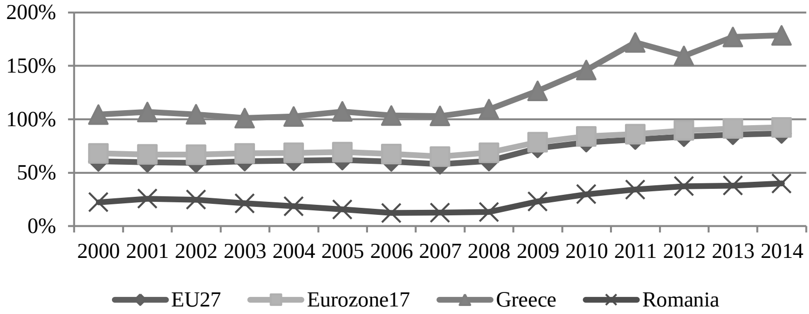
Current account deficit reduction after 2007 (see figure 2) is mainly due to the drastic reduction of the trade deficit because of the recession of 2008-2009, and the consequent reduction of import payments, rather than the increase of exports (Eurostat; Zaman and Georgescu, 2009: 617; Constantin et al., 2011: 161). It seems that austerity policy measures, which further reduce import demand as well as currency devaluation after 2008 (see UNCTAD) have enforced the improvement of current account balance. Moreover, as seen in figure 4, after 2010 Romanian economy faces positive GDP growth rates.

Figure 2: Current account balance as % of GDP in Greece and Romania (2000-2014, current prices)



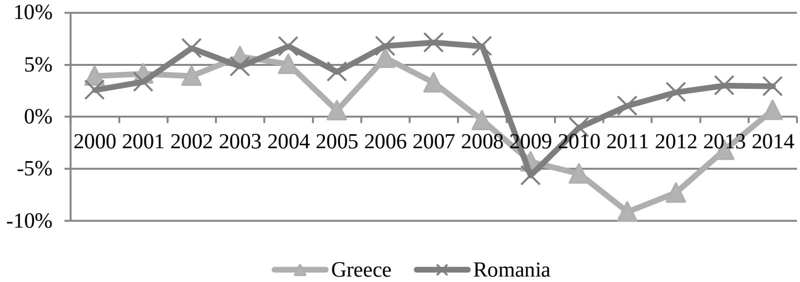
Source: AMECO

Figure 3: Government consolidated gross debt in Greece, Romania, EU-27 and Eurozone-17 as % of GDP (2000-2014, current prices)



Source: Eurostat

Figure 4: Real GDP growth rate - volume in Greece and Romania (2000-2014)



Source: Eurostat

Greek and Romanian crisis in comparison: a codification

Between the Greek and the Romanian economic crisis there are obvious similarities, such as:

- current account deficits due to augmenting import penetration as to export performance, as a consequence of
- an economic growth with augmenting consumption of imported goods financed by external borrowing;
- difficulties concerning foreign debt service in the conjuncture of the global economic crisis, which resulted to

- massive financial support from international organizations and the imposition of Memoranda.

However, despite these similarities there are serious differences, concerning the character of the current economic crisis and the available means to deal with it. In short:

- the Greek economic crisis is a deep and prolonged depression, accompanied by a huge increase in unemployment, while, the Romanian economic crisis was a two-year downturn with no severe increase in unemployment;
- the Greek economic crisis was from its beginning a twin deficits crisis, while the Romanian crisis, despite international borrowing, was not turned to a severe public debt crisis, given the very low Romanian government consolidated gross debt;
- in the Greek case the "internal devaluation" has been imposed by Greek governments and the troika as the only means for the confrontation of twin deficits crisis, while the Romanian economy disposes of the ability of currency devaluation.

Given the above, in the following analysis we will attempt to point out the similarities and differences of the industrial relations reformations in the two countries.

The restructuring of Greek industrial relations during the current economic crisis

The Greek labour market was to a high degree deregulated prior to the Memoranda, despite the fact that MEB was the dominant level of collective bargaining. During the 1990s and 2000s the use of flexible types of work (especially in the public sector) was expanded and the job insecurity (as depicted in the rise of hirings/dismissals ratios) was increased (Dedousopoulos et al., 2013: 18-24). Thus, recasting Greek industrial relations through the Memoranda accelerated the pre-existing trend towards a more flexible labour market.

Under conditions of the debt crisis, the imposed Memoranda and laws that followed these Memoranda, aim at "the recovery and improvement of cost and price competitiveness on a permanent basis" (as Law 3845/2010 points out), through the readjustment of individual and collective labour law. This concerns the "internal devaluation", mentioned earlier, which according to the IMF (2012) will be achieved through the interrelation of: a) austerity policy measures and b) context readjustment of collective bargaining.

Austerity policy measures originated from the public sector. They included the decline in any kind of payment for civil servants and employees in public utilities (Law 3845/2010 and Law 4093/2012). With the adoption of the "medium-term fiscal strategy framework 2013-2016"[8] (Law 4093/2012), Christmas, Easter and holiday allowances were abolished. Moreover, the collective agreements terms or arbitration decisions that provided wages increases for public servants and employees in public utilities were eliminated, leading to the abolition of their binding character (Law 3833/2010; Law 3871/2010; Law 3899/2010). Moreover, pensions have been reduced for retirees of public and private sectors (Law 3847/2010; 4024/2011; 4093/2012).

The wage costs reduction in the private sector was realised by the minimum wages reduction by 22% and the introduction of subminimum wages for employees of 18-25 years old, which was less than 32% of the minimum wage (Law 3845/2010; Law 3846/2010; Law 3863/2010; Law 3986/2011; see also European Commission, 2012; Dedousopoulos et al., 2013: 46; Koukiadaki and Krestso, 2012: 288; Kornelakis and Voskeritsian, 2014: 255; Yannakourou and Tsimpoukis, 2014: 338-339).

Along with the austerity policy measures – and as necessary supports for their imposition – a series of legislative interventions that followed the Memoranda radically transformed the Greek industrial relations system and especially collective bargaining towards decentralisation. The recasting of labour law in favour of decentralization contributes to the imposition of "internal devaluation", in order to achieve the target of cost competitiveness improvement (see Ioannou, 2012: 210). According to Dedousopoulos et al. (2013: 42), these interventions concern the collective bargaining structure, the mediation and arbitration procedure and the individual labour contracts.

Table 1 summarizes the main reformations in collective bargaining structure.

[8] With this Law (4093/2012) the second Memorandum was implemented.

Table 1. Reforms of Greek collective bargaining system during 2010-2013

	Before Memoranda	After Memoranda
National General Collective Agreement (EGSSE)	Determination of minimum wages and employment conditions	Determination of minimum non-wage terms of employment.
Sectoral collective agreements	Favourability principle in effect	Abolished
	Extension of sectoral collective agreements to all employees	Abolished
	Collective agreement time extension at least six months	Restricted to three months
Enterprise collective agreements	Could be concluded only by a trade union in enterprises in which were employed at least 50 employees	Can be concluded by a trade union or by an association of persons that consists of at least the 3/5 of employees in the same enterprise

A significant process towards decentralisation of collective bargaining was the weakening of the EGSSE. Prior to the "medium-term fiscal strategy framework 2013-2016" minimum wages and employment conditions were determined by EGSSE, while by this "framework" the establishment of the minimum (statutory) wage by the state was legislated (see Ioannou, 2012: 213; Yannakourou and Tsimpoukis, 2014: 338, 361). Thus, the role of EGSSE is limited only to the determination of minimum non-wages terms of employment while "[t]he replacement of collective negotiations with a statutory minimum wage (...) reduce even further the role of the trade unions in the Greek system of employment relations" (Koukiadaki and Kretsos, 2012: 301). In addition, according to the same Law 4093/2012, although higher wages than the statutory-minimum wages may have been contained in EGSSE, these higher wages do not bind the employers who do not belong to (or exit from) employers' organizations involved in the negotiations for EGSSE[9]. It is worth noting that the first EGSSE[10] concluded after the establishment of the statutory minimum wage, accepted the state determined statutory wage as the minimum wages (see EGSSE, 2013). In this way the EGSSE fully aligned with the "internal devaluation" policies of the Memoranda.

Devaluation of sectoral (and occupational) collective agreements is another development that contributes to the decentralisation of collective bargaining. In this direction the "favourability principle" has been abolished (Law 3845/2010; Law 3899/2010; Law 4024/2011; see also Koukiadaki and Krestsos, 2012: 290;

[9] The same applies to sector-level bargaining. The employers have already taken advantage of this provision and have refused to participate in sectoral collective bargaining or have threatened to withdraw from their association in order not to be bound by collective agreements (Papadis, 2012).

[10] It was signed on May 14, 2013 without the participation of the main employers' organization of Hellenic Federation of Enterprises.

Kornelakis and Voskeritsian, 2014: 354; Yannakourou and Tsimpoukis, 2014: 357). As a consequence, the collective agreements at enterprise level may contain less favourable terms than the terms of collective agreements at sector-level. In addition to the abolition of the "favourability principle", the extension of sectoral collective agreements to all employees of a sector has also been abolished (Law 4024/2011; see also Yannakourou and Tsimpoukis, 2014: 358).

Through the implementation of the second Memorandum the "collective agreement time extension" was also abolished (see Yannakourou and Tsimpoukis, 2014: 359). According to Law 4046/2012, if within three months after the expiry of a sectoral or enterprise agreement, a new collective agreement or an individual contract is not signed, then, employment terms and conditions are automatically determined by minimum conditions laid down by EGSSE and statutory minimum wages[11].

Negotiations at sector-level are further undermined by the weakening of the role of Organisation for Mediation and Arbitration (OMED) by the Laws 3899/2010 and 4046/2012. Until 2010 the arbitrational decisions were equivalent to collective contracts, regulating the wage and non-wage terms and conditions of employment. From 2010 and beyond, the role of OMED is restricted only to the determination of minimum wages at sectoral, occupational or enterprise level and not to other employment terms and conditions (e.g. allowances) (see also Dedousopoulos et al., 2013: 51-52; Kornelakis and Voskeritsian, 2014: 355; Yannakourou and Tsimpoukis, 2014: 360). The unilateral recourse to arbitration was eliminated by the law 4046/2012 until June 2014, when the Hellenic Council of State cancelled the related provision (paragraph 34, decision 2307/2014).

Given the above, enterprise level emerges as the prevalent level of collective bargaining. To this purpose, the limit of at least 50 employees for the signing of a collective agreement at enterprise level was abolished by the second Memorandum. According to Law 4024/2011 a collective agreement at enterprise level can be concluded if 3/5 of employees participate in negotiations – as an association of persons – regardless of the total employment in an enterprise, i.e. also for enterprises which employ fewer than 21 employees and thus no trade unions exists (see also Ioannou, 2012: 210; Koukiadaki and Kretsos, 2012: 292; Kornelakis and Voskeritsian, 2014: 354; Yannakourou and Tsimpoukis, 2014: 355). As a result of this law implementation, the enterprise collective contracts

[11] Before the implementation of the Law 4046/2012 the period of "collective agreement time extension" was at least six months. If employers and employees had not concluded a new collective agreement or individual contracts six months after the expiration of collective agreement, then, its terms were still in effect beyond the period of six months.

were drastically increased and especially those concluded by associations of persons (see table 2).

Table 2. Distribution of Enterprise Collective Contracts 2011-2012

	Concluded by Union		**Concluded by Association of Persons**		**Total**	
Year	Contracts	% of Total Contracts	Contracts	% of Total Contracts		
2010	238	100.00%	0	0	238	100.00%
2011	110	78.6%	30	21.4%	140	100.00%
2012	263	27.4%	696	72.6%	959	100.00%

Source: Ioannou and Papadimitriou (2013), adapted by the authors.

The enterprise collective contracts – and especially those concluded by association of persons – were the basic means for the deterioration of contracts wage-terms. Approximately 68% of the enterprise collective contracts concluded in 2012 were providing wage reduction (see Ioannou and Papadimitriou, 2013: 64).
These developments signal the dismantling of higher level arrangements (EGSSE, sector-level and occupational level) that were dominant in the period 1990-2010. During that period were in effect every year about 100 sectoral collective contracts, 90 occupational collective contracts and 150 enterprise collective contracts. In 2012 they were concluded only 29 sectoral and occupational collective contracts (Ioannou and Papadimitriou, 2013: 9-10, 47).

Consequently, the industrial relations system in Greece has been radically transformed from centralised to decentralised through– a process of disorganised decentralisation, as long as the bargaining system is transformed from MEB to SEB – especially by the second Memorandum, Law 4046/2012 (Yannakourou and Tsimpoukis, 2014: 333). The consequence of the decentralization of the collective bargaining system is the drastic reduction of sectoral and occupational contracts concluded (Koukiadaki et al., 2014: 55) and the restriction of coverage[12] “by sectoral collective agreements and collective agreements in general” (Ioannou, 2012: 2009; see also Yannakourou and Tsimpoukis, 2014: 357). Despite the fact that the enterprise collective contracts have proliferated, these cover a significant smaller part of the labour market and of the total economy compared to the coverage by sectoral collective contracts in the past (Ioannou and Papadimitriou, 2013: 23).

[12] According to Ioannou (2012: 209), until the recent crisis “around the 65% to 75% of wage and salary earners” were covered by collective agreements (see also figure 1).

Given the Greek structural conditions of employment (dispersion of employment in micro and small enterprises) (see figure 5, see also European Commission, 2011), the dominant position of enterprise level in collective bargaining leads to the complete weakening of the trade union movement. This weakening is further enforced by additional reforms imposed by the Memoranda, like layoffs' facilitation (e.g. increase of permitted limits for collective redundancies and reduction of severance pay)[13] as well as expansion of flexible forms of employment (e.g. short-time work,[14] part-time employment, temporary agency work),[15] which goes along with the decentralisation of the collective bargaining system. The weakening of trade unions constitutes a further pressure on employees to accept individual contracts based on the minimum employment terms set by EGSSE and the statutory minimum wage – also acceptable by the new EGSSE. According to the Economic and Social Council of Greece (2012: 23), during 2012 1,200,000 individual contracts were signed as a result of the undermining of sectoral collective agreements.[16]

According to Dedousopoulos et al. (2013: 50) the individualization of contracts is "[t]he philosophy behind the recent changes on collective bargaining law". In other words, the traditional protective nature of labour law has been replaced by returning to principles of the civil law (Koukiadaki and Kretsos, 2012: 277).

In the process of disorganised decentralization of the collective bargaining system, the policies of national and sectoral trade unions and unions of employers have played a major role. Employers' organizations representing the large companies, i.e. Hellenic Federation of Enterprises (SEV), Hellenic Retail Business Association (SELPE) and Association of Greek Touristic Business (SETE), have contributed to the devaluation of higher level agreements. More precisely, in 2012 SELPE refused to participate in the negotiations for the national sectoral collective agreement with the Greek Federation of Private

[13] It must be noted that there is no legal provision for protection against layoffs in companies of less than 20 employees (Kouzis, 2010a: 18; 2010b: 214).

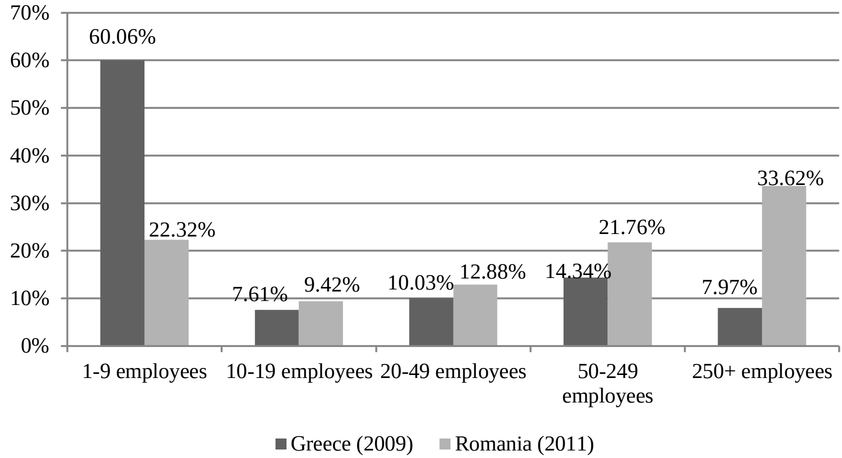
[14] "While much of the focus concerning short-time work has been on schemes that are publicly financed, short-time work can also include company-initiated reductions in overtime, the use of working time accounts and holiday entitlements, and numerous other types of bilateral arrangement between employers and employees" (Eurofound, 2013). In Greece short-time work is not publicly financed (Arpaia et al., 2010: 21).

[15] During the period 2009-2011 the Labour Inspectorate Body (SEPE) reported that 101,676 contracts were converted from full-time to part-time or job rotation contracts (SEPE, 2012: 37). The 55% of the new contracts that were signed in 2012 was full-time contracts, the 35.4% part-time contracts and the 9.6% job rotation contracts. In 2009 full-time contracts was 79% of the new contracts, part-time contracts was 16.7% and job rotation contracts was 4.3% (Dedousopoulos et al., 2013: 36).

[16] Before the imposition of adjustment programmes the use of individual contracts was marginal, due to the principle of extension of sectoral collective agreements to all employees of a sector.

Employees, despite the fact that employers' organizations representing small enterprises (GSEVEE and ESEE) participated in the negotiations. According to Dedousopoulos et al. (2013: 61) "SELPE... preferred to sign a separate sectoral collective agreement and then to terminate it unilaterally. It thus left wage fixing to enterprise level agreements". Moreover, in May 2013 SEV refused to sign the EGSEE. On the other hand, the General Confederation of Greek Workers (GSEE) "appears to have been weakened by the implementation of the Laws on collective bargaining. So far, GSEE does not seem to have a clear strategy to overcome the current situation" (Dedousopoulos et al., 2013: 62).

Figure 5: Employment by enterprise size class in Greece and Romania



Source: OECD (2014)

The restructuring of Romanian industrial relations during the current economic crisis

The crisis of the Romanian economy raised the problem of budgetary expenditures for public employees' salaries and social protection (especially pensions) and, in general, for the current account deficit. Therefore, the Romanian Government borrowed around EUR 20 billion from the IMF, the World Bank and the European Bank for Reconstruction and Development. Given the fact that the wage costs in the public sector doubled between 2005 and 2009, the Romanian government was forced to implement very unpopular policies in order to limit the budgetary deficit and the rising inflation. In the letter of intent sent to the IMF in 2009, the Romanian government underlined that it had already undertaken some measures, especially regarding public employees: 1) increasing the social security contributions by 3.3%; 2) reducing bonuses and other benefits for public employees; and 3) cutting 137,000 vacancies, considered by the new government to be an instrument used by the ex-government to grant higher salaries. According to the negotiations with the IMF, and following the agreed program, the Romanian government assumed other policies: 1) foregoing salary increases in the public sector by 5% scheduled for 2009 (or an equivalent reduction of the number of employees); 2) reducing public employment, by applying the rule of replacing only 1 out of 7 departing employees; 3) applying a new unified pay scale (the quota of the non-salary costs will no longer exceed 30% of the total non-wage personal expenditure); and 4) continuing the parametrical reform in the public pension system, by increasing the retirement age, especially among women (Romanian Government: 2009).

These measures were followed by new policies that affected public employees and the entire population as well. The Romanian government reduced the salaries of public employees by 25% and the number of public servants by 27,000.

Herein we will focus only on the change produced by the new legislation on the collective bargaining system. If the Romanian trade unions called the new labour code a slavery code, the government defended it and mentioned that these changes were necessary in order for the Romanian labour market to be competitive at the European and the global levels. The Romanian new labour code (Law no. 40/2011) abolished 10 articles that ruled collective agreements. The new social dialog law (no. 62/2011) goes on with the changes regarding collective negotiations; it removes the possibility of a general collective agreement, allowing only sectoral contract agreements (see table 3).

Table 3. Reforms of Romanian collective bargaining system in 2011

	Before labour reform in 2011	**After labour reform in 2011**
National General Collective Labour Agreement (CCMUNN)	Determination of minimum wages and employment conditions	Abolished
Sectoral collective agreements	Favourability principle in effect	Favourability principle in effect
	Extension of sectoral collective agreements to all employees	Conditioned by 50%+1 of the total number of employees in the sector employed by the companies represented by the Employer Organization(s) signatory of the Collective Labour Agreement
	12 - month collective agreement time extension	12 - month collective agreement time extension
Enterprise collective agreements	Could be concluded by 1/3 of the employees of the same enterprise	Can be concluded by a trade union with a membership of at least 50%+1 employees in the same enterprise, only for enterprises with over 20 employees

The National General Collective Labour Agreement (CCMUNN), that made possible the determination of minimum wages and employment conditions, was abolished. According to the Law no. 62/2011, collective agreements can be negotiated at the level of units, groups of units, and at sectoral level. The favourability principle of collective agreements is still available, but, due to the fact that in reality there are no sectoral collective agreements in the private sector[17] (see Trif, 2014: 14), this principle is put in place only at the level of group of units. The fact that after three years since the new social dialog law has come into force there is no sectoral agreement, can be explained by the condition imposed by the law, i.e. more than half of the total number of the employees of the sector must be represented by the Employer Organization(s) signatory of the Collective Labour Agreement. The employer's associations have been reluctant to re-sign collective contracts (see Koukiadaki et al., 2014: 55; Trif, 2014: 14).

At enterprise level, collective agreements are compulsory only for employers with at least 21 employees, and the initiative of the bargaining is realized by the

[17] According to Koukiadaki et al. (2014: 55), in March 2014 were in effect 3 sectoral collective agreements in the private sector but these "agreements were originally negotiated under the pre-existing regime and extended through additional acts until 2015".

employer. Moreover, the new social dialogue law sets as a prerequisite for the establishment of union the participation of at least 15 employees in the same enterprise (see also Trif, 2014: 15). Therefore employees and their unions from micro and small companies have few chances to be protected by enterprise collective agreements. During 2008-2013, the enterprise collective agreements declined from 11,729 to 8,726 (Koukiadaki et al., 2014: 57; Trif, 2014: 25). However, this trend is counterbalanced by the fact that a notable part of total employment in Romania consists of large enterprises (see figure 5). The latter could explain the fact that enterprise collective contracts increased after 2013 and reached the level before 2008 (approximately 12,000) (see Koukiadaki et al., 2014: 57).

In any case the new regulations have led to undermining collective agreements. The impact of the new social dialogue law has been the decrease of the number of employees covered by collective agreements from 70% (see figure 1) to about 20% (Visser, 2013a; see Cartel Alfa, 2012). According to Koukiadaki et al. (2014: 58), the MEB dimension of Romanian system has been further undermined while, “there was no evidence that the gap left by sectoral bargaining in terms of coverage was filled by company-level bargaining”.

It must be noted that the laws which determined the reformation of Romanian industrial relations were not discussed within the Romanian Economic and Social Council because trade unions protested against these changes by not participating in the debates. Thus, the trade unions and employers’ organizations had a rather minor role in the decentralization of the collective bargaining system. However, trade unions had neither a consistent and efficient public manifestation against the new policies (Frunzaru, 2012).

Conclusions

The imposition of austerity policy measures is a common feature of the economic policy that has been imposed on both countries. However, in the case of Greece austerity policy measures focus on both the private and public sectors. More precisely, austerity policy measures aim at directly reducing the wage costs in the public and private sectors, through the shrinking of employment and the reduction of wages in the public sector as well as the reduction of the minimum wage in the private sector. On the contrary, in Romania the measures that are directly related to the wage costs have been implemented predominantly in the public sector. A first explanation for this differentiation is the different nature and intensity of the crisis in the Romanian and Greek economies. In the case of Romania, the crisis emerged as a crisis of private foreign debt service under serious current account deficits, which evolved into a not particularly serious debt crisis due to the conversion of the private into public debt. On the other hand, in the case of Greece a much more serious twin deficits (trade and fiscal) crisis, which has taken the form of a deep depression accompanied by a huge increase of unemployment and public debt, is attempted to be addressed.

A complementary explanation for the different dimension of austerity policies in Greece and Romania is the fact that while in the Greek case the "internal devaluation" seems to be the only means for the confrontation of this twin deficits crisis, the Romanian economy disposes the ability of currency devaluation.

In relation to the reforms in collective bargaining systems, a common element in both countries is their decentralization and reduction of the collective bargaining coverage rate.

However, in the case of Greece, the process of decentralization has the characteristics of the disorganized decentralization process towards a SEB system, as the sector level collective bargaining has been completely undermined. This development contributes significantly to the weakening of sectoral trade unions. Moreover, the employment structure of the Greek economy (see figure 5), that is dominated by micro and small enterprises, does not favour the development of collective bargaining at enterprise level in a large-scale. On the contrary, this employment structure creates the preconditions for an extensive use of individual contracts, particularly in micro and small enterprises where there is no ability of setting up a union and thus the collective resistance is restricted. The disorganized decentralization process has been both encouraged by the employers' organizations representing large enterprises and by the lack of strategy to deal with the new circumstances from GSEE.

On the other hand, in Romania, despite the abolishment of collective agreements at national level, collective agreements at sectoral level still have formal validity and the favourability principle is still in effect. However, the already weak collective bargaining at sector level has further worsened – without any serious opposition from the trade unions. This means a weakening of the MEB/SEB character of the collective bargaining system in favor of SEB. It must be noted that the employment structure of Romanian economy – where the employment in large enterprises is a notable part of total employment, as seen in figure 5 – constitutes a factor that will contribute to the endurance of collective bargaining and unionization at enterprise level. Obviously, the same could not be argued for small enterprises.

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