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**Europeanization and Labour Market Policy**

**Case Studies: Greece and Finland**

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## **GREEK AND FINNISH LABOUR MARKET POLICIES IN COMPARATIVE PERSPECTIVE**

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## **Abstract**

Nowadays EU countries seem to be interested more than ever before in the coordination of their labour market policies. They are confronted with problems which are becoming increasingly common in an era of globalized economy and challenge social cohesion. The European countries' interest in a common labour market policy is not something new. However, it was not only until 1997 that the initial concern turned into a real policy through the European Employment Strategy (EES). A Europeanization process is on-going under the principles and the objectives of EES and the aim of this essay is to compare the Greek and the Finnish labour market policies; Given the distinctive institutional structures and peculiarities of the two countries, questions arise as to whether Finland, a representative case of the successful Nordic group of countries, can be considered a case of “best practice” from which lessons can be drawn for Greece, a representative Mediterranean country with difficulties and delays.

## **Introduction**

European countries' interest on labour market harmonization is not something new. At the very beginning, some provisions on common social policy -part of which is also employment policy- can be found in the content of the Treaty of Rome<sup>1</sup>. However, it was not only until 1997 through the European Employment Strategy (EES) that the initial concern turned into a real policy (Wilthagen, T. 2008).

A Europeanization process has been developed under the principles and the objectives of EES. The aim of this paper is to compare the Greek and the Finnish labour market policies; due to their distinctive institutional structures and peculiarities, account has been taken of their special characteristics, and possible obstacles and difficulties. The choice of these two countries is not accidental; they are both EMU members, so the choices for reaction to economic fluctuations and markets' tendencies are limited, while any option for financial adjustments -devaluation for example- are excluded (Bertola, 2008). In this context it can be maintained that the challenges for labour markets in a recession period are greater when compared to other member states or states outside the EU pursuing the OECD strategy. The greater the challenges, the more the risks for a given labour market to become a target issue with severe social implications. On the other hand, Greece represents the Mediterranean countries that have faced more difficulties in the Europeanization process when compared with other groups of countries due to their own special characteristics, while Finland represents the Nordic group which is considered to be the most successful in adjusting to the EU policies. Consequently, a question arises as to whether Finland can be used as a case of “good practice” for Greece in order to be able to coordinate with the rest of labour market policies in EU towards a EU Integration. Before forming an answer on this very

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<sup>1</sup> . The Treaty establishing the European Community (TEC) set down fundamental social objectives: promotion of employment, improved living and working conditions ... proper social protection, dialogue between management and labour, the development of human resources with a view to lasting high employment and the combating of exclusion (<http://www.etuc.org/a/2771>).

important question, it would be appropriate to examine some crucial concepts of the EU labour market policy in order to assess the development of the Europeanization process.

### **EU Labour Markets, the European Social Model and the effects of Globalization**

To begin with, it might be appropriate to state that there is an interaction between supply and demand of labour services (Bok, 2005). This interaction creates dynamics which not only appear to be different in each country, but also present a great variation. In the light of the fact that a labour market is very much linked with the economy, EU has always been interested in the tendencies of the labour markets. This interest has been accompanied with a great attention and concern for social cohesion too, providing the well-known European Social Model (ESM). This is expressed through the already mentioned EES, that applies the “Open Method of Coordination” (OMC) (already seen and implemented both in the EMU and enlargement processes with success), a method aiming to support member states in the implementation of any kind labour market reforms (Juncker, J-C, 2008). The main concept of the EES, in which I place the focus of this thesis, is the concept of flexicurity (a combination of flexibility and security), as it is promoted by the EU Commission. Flexicurity can take numerous forms depending on the way it is applied to succeed a certain political, economic or social development (Raisanen H. & Schmid G. 2008). It is considered as the best approach that can support the European Social Model. That's why it will be very interesting to determine whether flexicurity is mirrored to any reforms that were made by the under-examination countries in order to conclude whether they have succeeded so far in the Europeanization of their labour market policies.

The EU does not have common social policy. More specifically, it does not have any employment policy, which means that each member state has its own policy with its own peculiarities. However, many challenges are constantly presented that are common for all EU member states such as the european and international economic integration, or globalization; the development of the new technologies, particularly in the information and communication areas; the demographic ageing of

European societies, combined with still relatively low average employment rates and high long-term unemployment that endanger the sustainability of social protection systems; and the development of segmented labour markets in many countries where both relatively protected and unprotected workers coexist (EC, COM(2007)359).

Despite the fact that the EU member states are forced to face the same challenges, problems exist not only on agreeing a common policy due to the diversity of labour market behaviours, institutions and policies between individual member states but also on adapting these policies. Differences among the national policies actually reflect the different levels of support for socialist parties, the varying power of national trade union movements, the historical development of compromises between capital and labour, and the nature of specialization in national economies (Esping – Andersen, 1990; Hall and Soskise, 2001 in Hix, 2005).

However, the high unemployment rate within the EU and its political and economic consequences, as well as the effect that it has on the legitimacy of the EU integration project was the most important factor (EC, SEC (2010)114) that has generated the necessity for raising the issue of employment and social policy within the EU agenda and made a coordination of labour markets really essential.

In that respect, it can be argued that the top employment challenge for the EU should be to minimize job losses, prevent unemployment from becoming long-term, facilitate transitions back into employment and boost job creation, and pave the way for economic renewal and for sustainable recovery and growth (EC Employment in Europe 2009 p 45). This requires stronger cooperation between all stakeholders, better policy coordination and mutual learning – i.e. with a shared commitment to develop and implement the right policies and actions (COM (2009) 257 final).

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
EU-27	:	8.7	8.5	8.9	9.0	9.1	8.9	8.2	7.1	7.0	8.9
Euro area	9.3	8.4	8.0	8.4	8.8	9.0	9.0	8.3	7.5	7.5	9.4
Belgium	8.5	6.9	6.6	7.5	8.2	8.4	8.5	8.3	7.5	7.0	7.9
Bulgaria	:	16.4	19.5	18.2	13.7	12.1	10.1	9.0	6.9	5.6	6.8
Czech Republic	8.6	8.7	8.0	7.3	7.8	8.3	7.9	7.2	5.3	4.4	6.7
Denmark	5.2	4.3	4.5	4.6	5.4	5.5	4.8	3.9	3.8	3.3	6.0
Germany	8.2	7.5	7.6	8.4	9.3	9.8	10.7	9.8	8.4	7.3	7.5
Estonia	:	13.6	12.6	10.3	10.0	9.7	7.9	5.9	4.7	5.5	13.8
Ireland	5.6	4.2	3.9	4.5	4.6	4.5	4.4	4.5	4.6	6.3	11.9
Greece	12.0	11.2	10.7	10.3	9.7	10.5	9.9	8.9	8.3	7.7	9.5
Spain	12.5	11.1	10.3	11.1	11.1	10.6	9.2	8.5	8.3	11.3	18.0
France	10.4	9.0	8.3	8.6	9.0	9.3	9.3	9.2	8.4	7.8	9.5
Italy	10.9	10.1	9.1	8.6	8.4	8.0	7.7	6.8	6.1	6.7	7.8
Cyprus	:	4.9	3.8	3.6	4.1	4.7	5.3	4.6	4.0	3.6	5.3
Latvia	14.0	13.7	12.9	12.2	10.5	10.4	8.9	6.8	6.0	7.5	17.1
Lithuania	13.7	16.4	16.5	13.5	12.5	11.4	8.3	5.6	4.3	5.8	13.7
Luxembourg	2.4	2.2	1.9	2.6	3.8	5.0	4.6	4.6	4.2	4.9	5.4
Hungary	6.9	6.4	5.7	5.8	5.9	6.1	7.2	7.5	7.4	7.8	10.0
Malta	:	6.7	7.6	7.5	7.6	7.4	7.2	7.1	6.4	5.9	6.9
Netherlands	3.2	2.8	2.2	2.8	3.7	4.6	4.7	3.9	3.2	2.8	3.4
Austria	3.9	3.6	3.6	4.2	4.3	4.9	5.2	4.8	4.4	3.8	4.8
Poland	13.4	16.1	18.3	20.0	19.7	19.0	17.8	13.9	9.6	7.1	8.2
Portugal	4.5	4.0	4.1	5.1	6.4	6.7	7.7	7.8	8.1	7.7	9.6
Romania	7.1	7.3	6.8	6.6	7.0	8.1	7.2	7.3	6.4	5.8	6.9
Slovenia	7.3	6.7	6.2	6.3	6.7	6.3	6.5	6.0	4.9	4.4	5.9
Slovakia	16.4	18.8	19.3	18.7	17.6	18.2	16.3	13.4	11.1	9.5	12.0
Finland	10.2	9.8	9.1	9.1	9.0	8.8	8.4	7.7	6.9	6.4	8.2
Sweden (1)	6.7	5.6	5.8	6.0	6.6	7.4	7.6	7.0	6.1	6.2	8.3
United Kingdom	5.9	5.4	5.0	5.1	5.0	4.7	4.8	5.4	5.3	5.6	7.6
Croatia	:	:	:	14.8	14.2	13.7	12.7	11.2	9.6	8.4	9.1
Turkey	:	:	:	:	:	:	9.2	8.7	8.8	9.7	12.5
Norway	3.0	3.2	3.4	3.7	4.2	4.3	4.5	3.4	2.5	2.5	3.1
Japan	4.7	4.7	5.0	5.4	5.3	4.7	4.4	4.1	3.9	4.0	5.1
United States	4.2	4.0	4.8	5.8	6.0	5.5	5.1	4.6	4.6	5.8	9.3

(1) Break in series, 2001.  
Source: Eurostat (tsiem110)



**Table 1. Unemployment rates**

[http://epp.eurostat.ec.europa.eu/statistics\\_explained/images/archive/5/55/20100909074500%21Table\\_unemployment\\_rates.PNG](http://epp.eurostat.ec.europa.eu/statistics_explained/images/archive/5/55/20100909074500%21Table_unemployment_rates.PNG)

There can be found no extensive or comprehensive legislation at the EU level on social policy (which includes labour market policy or otherwise employment policy) Most of the existent provisions concern mainly topics such as the free movement of workers, health and safety at work, working conditions, worker consultation, equality between men and women, anti-discrimination and employment (Hix, 2005, p.256). It is worth mentioning what Giandomenico Majone (1993a in Hix, 2005) argues, that social policy at the EU level is predominantly 'social regulation', designed to address market failures rather than to redistribute resources between employers and workers or between rich and poor". At this point, it would be appropriate to consider the interest of the EU for the efficient function of the individual labour market of the member states justified and more economy-oriented, as it can affect in a way the whole procedure of the European Integration.

Discussing about the ESM, it is worth mentioning that it is distinguished from the US model.

According to the European Trade Union Confederation (ETUC)<sup>2</sup> “the ESM was developed in the post-war period and it is characterized as a social progress that has matched economic growth and it can be seen as the vision of society that combines sustainable economic growth with ever-improving living and working conditions, while the US model have benefited small numbers of individuals at the expense of the majority”. In the light of the fact that these definitions belong to the ETUC- a strong representative of working people at the EU level- they they can be a subject for debate, while there is a lot of discussion upon which model can be considered more successful. However, nobody could dissent that the “ESM is largely synonymous with the discourse of the social dimension of European integration” (Rogowski, 2009).

The ESM is related to the theory of transitional labour market(TLM) and both concepts promote the idea of justice and fairness, albeit from a different approach. The TLM<sup>3</sup>, a new approach through soft law mechanisms of coordination of policies (a development of ESM) is interested in reducing risks (TLM aims at solidarity in risk-sharing and at developing individual agency by providing institutional guarantees for flexible transitions in the labour market), while the ESM was created insisting on a social *acquis* that comprises core employment and welfare rights and developed out of fifty years of creation of rights that were established by using hard law instruments such as regulations, directives, and decisions. (Rogowski, 2009)

Globalization is intensifying competition for markets around the world. The EU growth rates are not the expected ones. In a more competitive environment, Europe can no longer afford the “luxury” of strong welfare measures. ETUC<sup>4</sup> suggests that the EU must cut on the spending on

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2 . <http://www.etuc.org/a/111>

3 . The concept of Transitional Labour Markets analyses five major transitions into and within the labour market: 1) transitions from education and work, 2) family and work, 3) work and retirement or disability, 4) employment and unemployment and 5) transitions within the labour market, including change from employment to self – employment and change of type of employment (part – time and other atypical employment)(Rogowski, 2009, p 5)

4 . [www.etuc.org/a/2771](http://www.etuc.org/a/2771)

social protection and ease the regulation for business if it is to compete with developing economies like China and India. Therefore, nowadays the ESM is challenged more than ever before.

### **Europeanization through the European Employment Strategy (EES)**

The concept of TLM played an important role in the design of the European Employment Strategy (EES). The EES constitutes a process of negotiations and adjustments between the MS and European Institutions. In a certain sense it depoliticizes the unemployment issue and turns it into a matter for labour market experts (Goetschy 2003, Oxford, p.73) at a national level. Furthermore, the EES constitutes a radical shift from the idea of a European social policy that focuses on the establishment of a floor of basic rights at the supranational level to a concept of employment policies that foster on the labour market and companies as well as employees (Rogowski, 2009). This shift from employment protection to employment promotion has the potential to undermine established rights protected at the supranational level, as well as at the national level.

The EES (now an integral element of the Lisbon strategy) is a process that took place in the wake of the single market and alongside with the preparations for the Economic and Monetary Union (EMU). According to Bernard Casey (2004) “it is differentiated from the OECD jobs strategy<sup>5</sup> which is predicated on neoclassical perceptions, whereby market solutions predominate, while the EES owes more to ‘social market’ theories, whereby the state intervenes to moderate the negative effects of market relationships and to enhance the efficiency of market performance”.

The EES has been developed in the mid-1990s in the context of high unemployment and rising

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<sup>5</sup> . Considering macro-economic stability and a favourable business environment, the EES relates high levels of employment directly to the achievement of economic goals. The OECD jobs strategy considers employment rates, and particularly older people’s employment rates, when it considers the economic and particularly fiscal consequences of societal ageing. However, it does not manage to bring its discussions of the interrelationship between employment and social protection policy together in the way in which the EES manages. Nor does the OECD merge an interest in reducing social exclusion with an interest in employment promotion (or social protection) in as wide-ranging a fashion as does the EU. (Casey, 2004).

pressures on social expenditure budgets, and was elaborated at the 1997 Amsterdam Summit as to the content of an Employment Strategy. An Employment Committee was set up to draft Guidelines and monitor progress. Employment Guidelines centred on adaptability (new forms of flexibility), employability (emphasis on active labour market policies), equal opportunities, and entrepreneurship (SMEs, startups and entrepreneurial skills) (Martin and Ross, 2004).

In this process, every member state draws up a National Action Pact (NAP) explaining how it intends to implement the Guidelines. Therefore the Commission and the Council issue a Joint Employment Report, while the Commission issues the own Annual Report on employment performance. Major changes to the Guidelines were implemented in 2003 (Watt, 2004); following a radical reform in 2005, they are now presented in conjunction with macroeconomic and microeconomic policy guidelines for a three-year period. The so-called 'Integrated Guidelines for Jobs and Growth' form the basis for the successors of the NAPs, the National Reform Programmes.

In 2000 the Lisbon European Council updated the EES, specifying that by 2010 the Union should regain conditions for full employment and strengthen cohesion for the EU to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion (ECOM, 2009). According to the so-called Lisbon Strategy, the EU-level targets with a 2010 deadline are 70% total employment and a 3% GDP spend on R&D (ECOM, 2010).

The EES involves the most elaborate application of the 'Open Method of Coordination' (OMC), a system of intergovernmental cooperation combined with supranational elements offering a compromise between alternative visions of European integration (Jacobsson, 2004: 357). It can be claimed that its impact on EU integration is open to diverse interpretations; however, it is worth mentioning that the most sympathetic accounts treat it as a satisfactory compromise between EU-wide convergence and respect for national diversity (Goetschy, 2003).

At this point it should be mentioned that the two crucial concepts which are promoted through EES

as valued political prerequisites, namely the ‘flexicurity’, which is advocated as a preventative approach to unemployment, and the importance of ‘activation’, have in many Member States been placed at the core of the political agenda as a result of the OMC (Barbier, 2005).

Flexicurity, combined with comprehensive active inclusion policies, remains the right approach to both modernizing (in other words Europeanizing) labour markets and ensuring a successful recovery (COM(2009)639 final) from recession when reforms are needed.

### The concept of Flexicurity

In order to achieve the objectives of the renewed Lisbon Strategy, the Commission suggests an integrated flexicurity approach. The European Commission, in its communication of June 2007, Towards Common Principles of Flexicurity: More and better jobs through flexibility and security (COM (2007)359), has set a number of important objectives helping MSs to face the challenge of modernization and be adapted to globalization and change. In particular, it puts forward possible responses to a number of challenges and dilemmas that the European policymakers, social partners and workers are facing in the present social and economic environments (Eurofound, 2008, p 2)

In the same EC document, “adaptation requires a more flexible labour market combined with levels of security that address simultaneously the new needs of employers and employees”. This entails a shift from job security to employment security for workers and the possibility for companies to adapt their workforce to changes in economic conditions. In the latter case, companies ‘should be able to recruit staff with a better skills match, who will be more productive and adaptable leading to greater innovation and competitiveness’.

This approach constitutes the so-called flexicurity<sup>6</sup>. In the same document it is declared that:

the Commission and the Member States, drawing on experience and analytical evidence, have reached a consensus that flexicurity policies can be designed and implemented across four policy components:

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<sup>6</sup> . Analytically, the conundrum of flexicurity stems from the complex interrelationship between the various elements of the concept's two constituent dimensions: flexibility and security (Raisanen H. & Schmid G, (2008).

- Flexible and reliable contractual arrangements (from the perspective of the employer and the employee, of "insiders" and "outsiders") through modern labour laws, collective agreements and work organization;
- Comprehensive lifelong learning (LLL) strategies to ensure the continual adaptability and employability of workers, particularly the most vulnerable;
- Effective active labour market policies (ALMP) that help people cope with rapid change, reduce unemployment spells and ease transitions to new jobs;
- Modern social security systems that provide adequate income support, encourage employment and facilitate labour market mobility. This includes broad coverage of social protection provisions (unemployment benefits, pensions and healthcare) that help people combine work with private and family responsibilities such as childcare.

A reform following the flexicurity approach can take numerous forms, depending on its scope. The EU labour market policy has been inspired by the Danish flexicurity policy (long-lasting and successful one) which is in accordance with its social protection interests.

There aren't few those who argue that the efficiency of the Danish flexicurity model cannot be replicated successfully. There are many other mediating factors that affect the result and constitute a hindrance to the way to modernization or Europeanization. Cultural differences, historical evolutions and social developments are some of the subjective factors while Employment Protection Legislation, Collective Relations Legislation and social protections constitute objective factors, all known as rigidities (Siebert, 1997). Political will could intervene and remove potential rigidities; however, Algan and Cahuc (2006) argue that the efficiency of the Danish flexicurity model cannot be replicated to cultural differences. It is assumed that the Mediterranean European countries cannot successfully implement the Danish Model because their citizens lack the required "public spiritedness". On the other hand some countries are more closely to the concept of flexicurity approach as it is reflected to their national traditions – most notably the Nordic countries of Denmark, Finland, Norway and Sweden. Even in these countries, however, there are cases where flexicurity tends to remain rather abstract and does not preclude the presence of harsh criticism but in certain circumstances it can emerge as an important element of the shared objectives of the

government and the social partners (Eurofound, 2008).

### Labour market institutions and Rigidities

Nickell (1997) classifies labor market institutions into the following categories: 1) employment protection and labor standards, 2) benefit replacement ratio and benefit duration, 3) active labor market policies, 4) union density and coverage of bargaining agreements, 5) coordination of wage bargaining, and 6) the tax wedge.

EU Commission adopts the idea that economic growth is curved by the contradiction between the needs and the legal framework of the labour market (employment protection slow down job creation, labour law is a hindrance). Consequently, some of the labour market institutions seem to constitute rigidities and do not at all facilitate the transitional procedures in the labour market.

In this context, the EU proposes common policies. A number of southern European countries like Spain, Portugal, Greece, however, score quite high in relation to the level of employment protection. This can be detected in a well known observation in the Industrial Relations literature: it can be very difficult for a company to dismiss employees in these countries if they are employed on a permanent contract. As a consequence, companies in those countries are often reluctant to engage employees in permanent positions (Algan, Y., & Cahuc, P. 2006). This has led to a major increase in the number of employees engaged in part-time jobs or other types of non-permanent employment. Therefore, flexicurity implementation depends on societal preconditions and each flexicurity version is related to the institutional and organizational characteristics of the labour market and the degree of the rigidities.

Alacevich and Burrioni (2002) describe the expected role of institutions like this: “clearly, institutional actors do not intervene just to compensate for the excess of liberalization of the

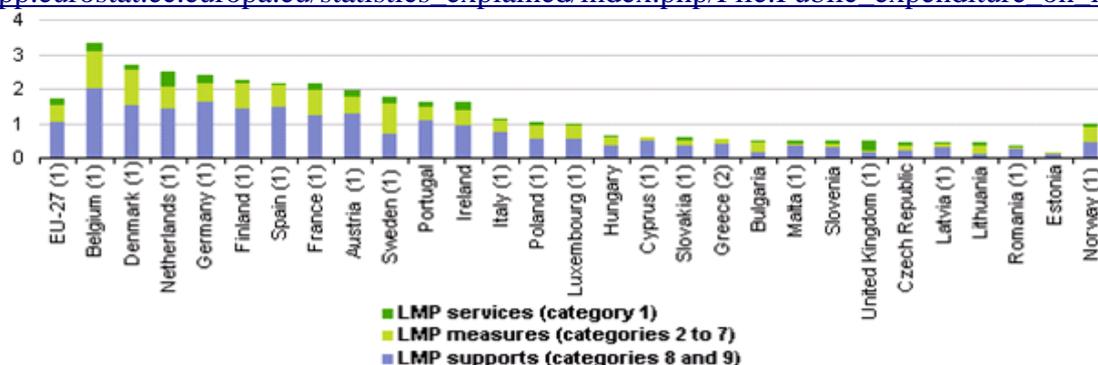
labour market, nor to maintain existing ‘rigidities’; they aim to adapt labour markets with such objectives as ‘negotiated flexibility’” (Leonard, 2005).

### Active Labour Market Policies (ALMPs)

Finally, “active” labor market policies (categories 1-7)<sup>7</sup> constitute an important element of EES and they are differentiated from “passive” (categories 8-9). The most important AMLP categories across European countries are: 1) training programs, which essentially comprise all human capital enhancing measures, 2) private sector incentive schemes, such as wage subsidies to private firms and start -up grants, 3) direct employment programs, taking place in the public sector, and 4) Service and Sanctions, a category comprising all measures aimed at increasing job search efficiency, such as counseling and monitoring, job search assistant, and corresponding sanctions in case of noncompliance (Kluve J. 2007).

**Table 2. Public expenditure on labour market policy interventions, 2007**

[http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/File:Public\\_expenditure\\_on\\_labour](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/File:Public_expenditure_on_labour)



(1) Includes estimates.

(2) 2006; includes estimates.

Source: Eurostat (Imp\_exsum)

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#### OECD classification

1. Public employment services and administration: a) Placement and related services b) Benefit administration c) Other
2. Training : a) Institutional training b) Workplace training c) Alternate training d) Special support for apprenticeship
3. Job rotation and job sharing: a) Job rotation b) Job sharing
4. Employment incentives: a) Recruitment incentives b) Employment maintenance incentives
5. Supported employment and rehabilitation: a) Supported employment b) Rehabilitation
6. Direct job creation
7. Start-up incentives
8. Out-of-work income maintenance and support : 1) Full unemployment benefits 1a) Unemployment insurance 1b) Unemployment assistance 2) Partial unemployment benefits 3) Part-time unemployment benefits 4) Redundancy compensation 5) Bankruptcy compensation
9. Early retirement a) Conditional b) Unconditional (<http://www.oecd.org/dataoecd/38/41/42116566.pdf>)

## **GREEK AND FINNISH LABOUR MARKET POLICIES IN COMPARATIVE PERSPECTIVE**

### **FINLAND**

#### **A brief historical background and major labour market reforms**

Finland became a member of the EU in 1995, and it is the only Nordic state that adopted the single currency. An extensive welfare state such as other Scandinavian countries, whose industrial relations system was characterized as centralized (Aho and Lehtonen, 2002; Kettunen, 2001). Before the economic crisis of the 1990s Finland was close to full employment, with the level of unemployment at 3% of the labour force, a population of just over five million and an economy strongly oriented towards the Russian market, which still remains important (Saloniemi & Zeytinoglu, 2007). Active labour market policies were already introduced into employment policy in the 1980's, and the right to unemployment benefit was dependent on one's willingness to accept an offer of work or training (Sakslin & Keskitalo, 2005).

The economic recession in the early 1990s had a profound influence on Finnish policy and led to cutbacks to all parts of the welfare state benefit system (Heikkila and Uusitalo, 1997). It was time for labour market reforms. After 1994 the Finnish economy recovered rapidly, whereas unemployment rates decreased only slowly. Because of the structural<sup>8</sup> characteristics of the unemployment, after the recession the employment growth was rapid in the capital region and

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<sup>8</sup> Structural unemployment is a form of unemployment resulting from a mismatch between the sufficiency skilled workers seeking employment and demand in the labour market. Even though the number of vacancies maybe equal to the number of the unemployed the unemployed workers may lack the skills needed for the jobs – or may not live in the part of the country or world adhere the jobs are available ([http://en.wikipedia.org/wiki/Structural\\_unemployment](http://en.wikipedia.org/wiki/Structural_unemployment))

southern Finland, and much slower in the high-unemployment regions in northern and eastern Finland (Koskela & Uusitalo, 2006, p 159). It is claimed that the unemployment benefit system, clearly slowed down the adjustment by lessening the incentives for regional and occupational mobility (Koskela & Uusitalo, 2006, p 160).

The main tools for raising the employment rate have included general economic policy and employment policy. Because the unemployment rate has not been declined as quickly as expected, the risk of the long-term unemployed becoming totally excluded from the labour market has increased. On the one hand, the response has been to: a) improve the efficiency of employment services and other conventional tools of active labour market policy and b) develop new “active social policy” instruments. These new activation measures are part of an international trend in which the right to social assistance benefits is increasingly tied to work (Lodemel & Trickey, 2001). The national employment policy has been influenced by the Employment Guidelines of EU Commission since 1998, adopted the activation policy and contract approach which were both required.

The 1998 employment policy reform adopted individual job-seeking plans as a means of activating jobseekers and reforming employment service provision (Skog & Raisanen, 1997). Individual action plans was a contract between an unemployed person and the authorities which would support active job search and employment – that were viewed as a means of balancing the rights and duties of the unemployed, but they also were aimed at increasing the effectiveness of the employment services. Activation was understood more as a means of labour market integration than as a means of broader integration to prevent social exclusion (Sakslin M. & Keskitalo M., 2005).

The next step in the reform process was the establishment in 2003 of the Joint Service Points and the introduction of Employment Service Centres in 45 localities between 2004 and 2006. The Joint Service Points included employment services, social work and, in some cases, health services (Spangar et al., 2003). The Employment Service Centres target long-term and hard-to-employ

clients, whereas the traditional employment offices are meant to provide conventional employment services (Ministry of Labour, 2003).

In 1995 the reform of fundamental rights came into force. It was drafted during a period when Finland confronted economic recession and severe unemployment. The financing of social security was under pressure and social security benefits have been cut back. This had an impact on the discussion of social rights. If the authorities were not able to arrange work for unemployed persons, the constitution was interpreted as securing the right to unemployment benefit during the period of unemployment. The right to unemployment benefit was dependent on one's willingness to accept an offer of work or training. Now, by giving priority to work-related rights, the legislator has interpreted the scope of the right to social assistance and social security in a restrictive way. It adopted the view that the threat of withdrawing all or part of an individual's benefits does not violate his or her core social rights (Sakslin & Keskitalo, 2005, p 377) and thus the recipient has a share of responsibility in case he continuously refuses to accept an offered by the authorities' job.

### **The role of Key Actors in Finnish labour market policy**

In the following analysis Duell, N., D. Grubb and S. Singh (2009) briefly present the structure of the labour market in Finland. The main actors in employment policies are: a) the Ministry of Employment and the Economy (MEE), b) the Ministry of Social Affairs and Health, c) the Ministry of Education, d) the municipalities, e) the Social Insurance Institution (KELA) and f) the Unemployment Funds.

Moreover, Local Employment Offices, called "Employment and Economic Development Offices" since January 2009, are financed by the MEE but have considerable autonomy and the social partners participate mainly in the design of employment policies. In the implementation of policies, a range of actors are involved: various types of training institutions, providers of special services (e.g. in the area of rehabilitative work), private placement agencies, social enterprises, and to some

extent local representatives of the social partners.

The whole system is rather fragmented and responsibilities with regard to active and passive measures are split across different actors.

KELA is mainly responsible for the income-support aspects of labour market programmes, however, it is not the only actor in this area. Wage-related Unemployment Insurance benefits are granted by the Unemployment Funds. The responsibility for deciding on eligibility for benefits is split across the different type of actors and varies by target group. Co-operation between the different institutions is thus a key issue.

Social partners have a significant role in labour market policy while the tripartite co-operation between the Ministry of Labour, the employer organizations and the trade unions has a long tradition in Finland. Almost all legislation concerning working life is based on tripartite dialogue (EIRO, 2007). There exist numerous tripartite advisory boards to the MEE. The wage bargains-containing an agreement on the general wage increase applied to all wages- are negotiated at the industry level between the worker and the employer organization. Collective agreements cover the 95% of the workers in Finland.

### **The current situation of labour market in Finland:**

#### The characteristics of employment and unemployment in Finland

According to Duell, N., D. Grubb and S. Singh (2009) the current Finnish labour market performance indicates that Finland's employment rate increased steadily, from its recession of 60.7% in 1994 to 72.5% in 2008. By contrast, the unemployment rate at 6.4% was still close to the EU15 average. In 2008 structural unemployment was still a major challenge. During the ongoing global downturn, Finland is experiencing significant job losses. Duell, N., D. Grubb and S. Singh (2009) argue that this current situation reveals that Finland needs to increase employment rates in order to maintain the welfare state and to ensure that sufficient labour resources and skills are

available in the long run. This implies continued efforts to raise employment rates among older workers and people with disabilities.

#### Recent policy, legislative and structural developments

Reforms adding to the requirements of receiving unemployment benefits have been, except in the case of youths, introduced quite cautiously and progressively. The main changes have been: in 1997, the contributions required to qualify for Earnings-related Allowance were increased from 26 to 43 weeks; a 1998 reform called for the employment service to establish job-search plans after five months of unemployment; a 1998 reform of social assistance legislation gave force to benefit sanctions for LMS; the 2001 Act on Rehabilitative Work Activity created sanctions for failure to participate in activation plans (even though participation in rehabilitative work itself has not yet been made obligatory); and the LMS reform of 2006 made municipalities financially responsible for half the cost of LMS benefits paid to people who have been unemployed for 100 weeks. (Duell, N., D. Grubb and S. Singh, 2009, p 14).

During 2004 and 2006 a reform of the PES with significant contribution to adjustments was implemented by setting up: i) Job-Seeking Centres in order to boost efficiency and effectiveness in the first phase of job seeking by ameliorating the availability of information and by helping people to find job by themselves; and ii) Labour Force Service Centres (LAFOS) for the difficult-to-place unemployed, jointly staffed by municipalities and the PES. What is interesting is that they are structured in such a way to treat different groups of unemployed according to their real needs (Duell, N., D. Grubb and S. Singh, 2009, p 17).

All these reforms have probably contributed to the reduction of unemployment: e.g. unemployment in Finland was stable or falling in the early 2000s when a number of other countries suffered a minor recession, and the LMS caseload fell by nearly 30% from 2005 to 2008. Nevertheless, so far they fall short of the more drastic activation measures in countries such as Denmark, the Netherlands and Sweden. While these countries mainly use “sticks” (i.e. benefit conditionality) to

ensure participation in active labour market programmes, Finland partly uses “carrots” (*i.e.* pays additional allowances to attract participants into programmes) (Duell, N., D. Grubb and S. Singh, 2009).

In the table below, the development of the employment and unemployment in Finland from 1998 to 2008, the period of reforms which have been described right above, can be detected in numbers (estimated by Eurostat and published in the Employment in Europe Report 2009)

**Table 3. Labour market indicators: Finland**

All	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Population in employment aged 15-64	2 212	2 282	2 319	2 350	2 354	2 345	2 345	2 378	2 416	2 459	2 497
2. Employment rate (% population aged 15-64)	64.6	66.4	67.2	68.1	68.1	67.7	67.6	68.4	69.3	70.3	71.1
3. Unemployment rate (% labour force 15+)	11.4	10.2	9.8	9.1	9.1	9.0	8.8	8.4	7.7	6.9	6.4

Source: Eurostat (*Employment in Europe Report 2009*)

### Main active labour market policies in Finland

The results of empirical Finnish studies on the effects of ALMPs indicate that participation in training programs has, in general, improved labor market prospects. The labor market training has increased post program employment probability to find a job and has shortened the duration of unemployment.

The results on the subsidized job programs are less encouraging. The program participation has even reduced the probability of finding a job from open labor markets. Subsidized jobs have been less effective than other labor market programs, but notes that placements to the private sector improve labour market opportunities more than placements to the public sector. According to Duell, N., D. Grubb and S. Singh, (2009) employment subsidies—ranging from schemes that create temporary jobs in the public sector to subsidies for private employers who hire unemployed workers with a permanent contract—account for a noticeable share of ALMP spending and participants in some countries that have experienced or still face high unemployment, as in the case

of Finland. Finland has a wide range of subsidies to support the employment of the long-term unemployed, youths, and people with disabilities: 1) Job-rotation and job-sharing approaches. Both approaches build on the idea that an employed person on leave or reduced working hours can be replaced by an unemployed person. In order to cope with work fatigue, and to promote the reconciliation of work and family life, people can voluntarily transfer from full-time to part-time work for a maximum of one year and be granted compensation for their reduced income. The employer hire a registered unemployed person for the same time period but there is no compensation for this person except for the part-time wage from the job and in relevant cases an adjusted allowance 2) Training measures: a) Labour Market Training: It consists of preparatory and vocational Labour Market Training, mainly vocational training in the case of adults who already have work experience. (MoL, 2006b) b) Apprenticeship training: The company is compensated by the organiser of the training to cover the estimated costs of providing workplace training c) On-the-job training and work-life training: A company undertakes to use the subsidy for improving the skills of a participant for whom an assessment of deficiencies has been made 3) Measures for specific target groups: Most labour market programmes in Finland can be used for a range of target groups. Nevertheless, a few sub-measures are tailored for other specific target groups, in particular disadvantaged young people, older workers and people with disabilities.

### Main flexicurity measures

So far it is quiet easy to observe that there was much improvement in relation to labour market reforms. In most of them it is not hard to indentify the flexicurity influence.

Concerning contractual arrangements, the possibility to use fixed-term employment contracts has been tightened by limiting the use of successive contracts. Stricter control regarding temporary work was introduced in 2008. (Eurofound, 2008 p 16). In Finland, the annualization of working time and the extension of reference periods, with the use of working time accounts, a relatively

common solution in this country, proved particularly interesting in the trade–retail, tourism, hotel and catering sectors. The establishment of such working time accounts allowed for the strengthening of permanent jobs by avoiding the use of fixed-term employment contracts during seasonal peaks. In this way, workers on open-ended employment contracts can use time off for long leave periods during a low season, thus enabling the employer to maintain a more stable and experienced workforce (Eurofound, 2008 p 19).

As it has been already mentioned above (see: The concept of Flexicurity approach) Lifelong Learning is targeted by the EU Commission guidelines. In the case of Finland the LLL system is relatively well developed. Active labour market policies as they have been explicitly described above have been considered a considerable amount of investment in new labour market policies. Briefly we can concentrate here that in 2005, a labour market reform introduced more individualized employment services and emphasized guidance and counseling; Moreover, stricter eligibility criteria for unemployment benefits were introduced to encourage long-term unemployed people to take up training and job offers. In 2005, economic incentives to support the recruitment of older low-wage workers were introduced as a temporary measure expected to last until 2010.

Finally it would be appropriate to recall the 2004 income policy negotiations. A new system to assist workers involved in redundancy procedures includes collectively-agreed action plans, individualized employment services, training and enhanced unemployment benefits. More security was introduced for atypical jobs, such as paid sick leave, the right to study and annual holiday compensation for part-time workers

The role of social partners there, this is characterized by flexicurity approaches because there is a high level both of social dialogue and collective bargaining. Centralized income policy based on tripartite cooperation has been the main tool of the Finnish employment strategy, so as to foster economic growth and employment creation. In general, social dialogue and collective bargaining have been important sources of flexicurity measures (Eurofound, 2008).

## **The Draft Joint Employment Report 2009/2010 of the EES for Finland**

According to the Draft Joint Employment Report of the Council of European Union 2009/2010, member states have stepped up considerably their employment and social policies under the EES. In particular the following are reported in relation to Finland:

- Measures are introduced to improve incentives and make work pay, by increasing tax-free income thresholds or an upward adjustment of brackets as well as reducing income tax rates, often targeted at low income earners. These reforms have improved work incentives for low income earners.
- Because of the rise of unemployment among young people (aged 15-24) that calls for stronger policy action, there is an increase of apprenticeship training that has potential to become a more permanent vocational education and training (VET) provision.
- Specific measures have been chosen to attract highly skilled people and simplify visa extension and residence permit procedure
- Due to the crisis, no new measure has been taken for gender equality except support to new jobs in the care sector.
- Some new measures have been taken for the gender pay gap.
- Action taken to reduce the tax burden on labour includes the reduction of social security contributions and revising the tax system to reduce labour costs.
- Skills upgrading strategies as short-term measures have been implemented with ESF support and additionally, there was an improved cooperation between social partners in identifying future needs with social partners playing a key role.
- A new advanced system is being developed in Finland with ESF support for short term forecasting that is necessary to prevent bottlenecks.
- Initiatives have been taken to strengthen the role of higher education in continuing professional or personal development for those already in the workforce.

## **GREECE**

### **A brief historical background and major labour market reforms**

Before democratization in 1974, the industrial relations system in Greece was characterized by restrictive labour practices and the exclusion of independent trade unions. Tsarouhas, D. (2008) describes the development of the labour market policy in Greece during the last decades as follows. Collective bargaining was state sponsored and sanctioned under the terms of the law of 1955, leading to a centralized and hierarchical structure, providing limited possibilities for collective bargaining. Attempts to institutionalize structures conducive to social dialogue failed.

In the 1980s, a series of changes led to the transformation of Greek social partnership and the emergence of concerted action on the part of labour and business representatives: a) the Socialist Party (PASOK), in government for nearly a decade, toned down its anti-business rhetoric after 1985 and the Federation of Greek Industry (SEV) acquired a dominant position in business representation and its coverage and membership grew rapidly in the late 1980s and early 1990s (Lanza and Lavdas, 2000) and b) the liberalization of the legal framework regarding interest representation assigned equal status to business and labour as legitimate representatives of their respective members.

In 1990 the National Unity government adopted a law with the consent of both General Confederation of Labour (GSEE) and the three employer organizations, institutionalizing free collective bargaining. It also created a framework for decentralized bargaining and abolished compulsory arbitration. For the first time, two new levels were recognized in the bargaining sphere,

sectoral and enterprise, and the traditional craft-based representation was made irrelevant. The two new tiers dominate collective bargaining and complement the centralized National General Collective Labour Agreement (EGSEE) signed between SEV and GSEE every few years since the early 1990s, which sets minimum wages and basic labour conditions, is legally binding and covers all employment relationships. In this framework, the incentives for commonly agreed solutions have been greatly enhanced (Zambarloukou, 2006), and central agreements have so far been reached without the need for arbitration. The last EGSEE was signed in spring 2008 for a two-year period.

### **The role of Key Actors in Greek labour market policy**

Papadopoulos T., (2000) presents the structure of labour market as follows: Overall responsibility for employment and vocational training policies lies with the Ministry of Labour and Social Security (MLSS). Within the MLSS, there are the Directorate-General of Labour and the Directorate-General of Working Conditions and Health and Safety. The MLSS provides support for Greek workers abroad and regulates the employment of foreigners in Greece. A large Directorate administers European Social Fund (ESF) transfers. The MLSS also supervises a number of semi-autonomous institutions, in particular the Workers Fund (Ergatiki Estia) that provides a number of social policy programmes and in-kind benefits; the Workers Housing Agency (Ergatiki Katoikia) that provides subsidized housing and low-interest loans for the purchase of housing property; the Organization for the Employment of the Labour Force (OAED), the Greek PES agency; and the Social Insurance Institute (IKA).

OAED is the main institution that delivers job-broking, unemployment benefits and hiring subsidies, while also provides training through its many directly-managed training centres. Among its additional responsibilities are the organization of apprenticeship training, the registration of hiring, the administration of training grants to firms financed by LAEK (the Employment and

Vocational Training Fund), and the administration of family and maternity allowances. OAED has built up a network of several dozen adult vocational training schools addressed at different target groups for initial and continuing training (the KETEK centres). Among the key areas of OAED's responsibilities are the registration of the unemployed; the registration of labour market vacancies; collection of information regarding labour market trends; The development of a strategy for the institutional restructuring of OAED became a key policy issue in consecutive National Employment Plans. This strategy included the creation Employment Promotion Centres (KPA). Among the basic aims of the KPAs are "a more effective link between supply and demand in the labour market; more efficient service for the unemployed, the working population, special social groups, employers and businesses; a more effective link between training, education and employment and the conversion of the OAED's employment policies from passive to active".

The MLSS is the main decision making body for labour market policy in Greece. Still, a number of other bodies are also involved in labour market policy planning and formulation such as the Supreme Council of Labour (ASE) -a tripartite council which provides advice on issues related to the implementation of labour and social policy- and the National Council for Vocational Training and Employment (ESEKA) -which involves a larger number of social partners.

Labour market policy formulation and implementation is further facilitated by the work of LAEK and EPA (National Employment Observatory). The main resources of LAEK are employee and employer contributions to the Special Joint Unemployment Fund and various grants from the Special Fund for Vocational Training Programmes. Further, the creation of EPA in 1996, aimed at reorganising the collection of statistical data in order to create the necessary knowledge base for technical and information support for policy decisions (European Commission, 1999: 46) (Eurofound, 2000).

Institutions were created with the explicit aim of promoting social dialogue. The most important are the Arbitration and Mediation Organization (OMED),. the Economic and Social Committee (OKE)

– which must be consulted over industrial relations legislation and can also issue opinions on its own initiative on general issues of economic and social policy – and the National Employment Council (NEC).

In Greece, the main social partners on the union side are the General Confederation of Labour (GSEE) and the Confederation of Public Servants (ADEDY), and on the employers' side the Federation of Greek Industry (SEV), the National Confederation of Commerce (ESEE) and the General Confederation of Small Businesses and Trades (GSEVEE). The Greek social partners have traditionally approached the country's labour market problems from an interest group perspective concerned with everyday issues and ignoring the wider socio-economic context of their demands. This has had a negative impact on their ability to assume responsibility for policy reform (Tsarouhas, 2008, p 356 ).

### **The current situation of labour market in Greece:**

#### The characteristics of employment and unemployment in Greece

The structure of employment in Greece is characterized by relatively low activity rates, especially for women; high levels of self-employment and low levels of part-time employment; a large - albeit declining - agricultural sector; and a rapidly expanding service sector (Eurofound, 2008).

By the end of 1990's the share of employment in industry and in agriculture as a percent of total employment has been reduced significantly. The same period, however, saw the expansion of the service sector - from 50.2% in 1990 to 60.1% in 1999. These changes reflect the intensification of economic restructuring precipitated by the gradual opening of Greek economy to European and global competition and employment structure in Greece follows the EU trends. By the second half of the 1990's this economic restructuring was taking place within the context of Greece's effort to join the EMU. This effort was eventually successful but it demanded a series of socially painful economic measures and it took place against the backdrop of rising unemployment.

In conclusion, unemployment in Greece has increased significantly during the 1990's. A number of social groups have been hit particularly hard, namely: long-term unemployed, who comprise more than half of total unemployment; women, whose unemployment rate is more than twice that of men; young people, aged between 15-29, who comprise more than half of the unemployed; unemployed in specific regions, especially in areas of Northern-western and Central Greece. A change came after 2000. In table (2) below we can determine that there was a decline of unemployment rates and employment started to increase slowly until 2008.

**Table 4. Labour market indicators: Greece**

All	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1. Population in employment aged 15-64	3 917	3 937	3 996	3 999	4 087	4 181	4 235	4 287	4 365	4 424	4 474
2. Employment rate (% population aged 15-64)	56.0	55.9	56.5	56.3	57.5	58.7	59.4	60.1	61.0	61.4	61.9
3. Unemployment rate (% labour force 15+)	10.8	12.0	11.2	10.7	10.3	9.7	10.5	9.9	8.9	8.3	7.7

Source: Eurostat (*Employment in Europe Report 2009*)

<http://ec.europa.eu/social/main.jsp?langId=en&catId=113&newsId=642&furtherNews=yes>

#### Recent policy, legislative and structural developments

According to Papadopoulos T. (2000) the following developments occurred in Greece. There was a need for a change in the administrative structures of labour market policy monitoring and implementation in Greece. The creation of a large number of KPAs across the country was part of the process. Indicative developments following the same trajectory are: the establishment of the LAEK; the reorganisation of the collection of statistical data undertaken by the EPA; the implementation of MLSS' Operational Programme 'Combating exclusion from the labour market' and the creation of the National Centre for Certification (EKEPIS) and a series of changes regarding accreditation regulations aiming at improving the quality of vocational programmes. Essentially most of these measures aimed at creating new administrative structures partly to facilitate a better statistical/knowledge base for labour market policy monitoring (required by the NAPs) and partly to support active labour market policies understood as vocational training co-funded by ESF. At the

beginning 2001, the prime minister initiated discussions on the implementation of the programme Network for Social protection. However, no clear commitment to a form of guaranteed minimum income or an equivalent 'safety net' measure was recorded. It appears that the political will to tackle the basic inadequacies of the unemployment compensation system - especially the absence of a 'safety net' for the long-term unemployed - had not matured yet. As a result, only a fraction of the unemployed receives any benefit in Greece, thus, making the unemployment compensation system part of an activation policy. The effectiveness of the active labour market measures depicted that some emphasis was given to job subsidisation the main emphasis was given to vocational training and the utilisation of ESF funding. However, it is widely accepted that their effectiveness is directly related to the availability of resources, qualified personnel etc. which is precisely were problems had been identified and where efforts were at that time concentrated (Papadopoulos T., 2000). Kottis (1997) considered that previous activation measures had negligible results and the most recent (at that time) data did not indicate any change in this pattern. Indicators on the table (4) above, depict an employment increase starting from 1998 to 2008, there is a debate, however, on whether this increase is the result of the well-functioning undertaken ALMP's measures, or whether these measures -alongside with other factors- have shaped a more vulnerable than sustainable development.

#### Main active labour market policies in Greece

Papadopoulos T. (2000) reports the following main ALMP's in Greece. At the end of the 1990's total public expenditure on labour market policies, i.e. both "active" labour market policies and unemployment compensation, was the lowest in the EU. Remarkably, despite rising unemployment, the levels of expenditures remained static or even fell slightly during the period of 1990-97. This might appear paradoxical but it can be adequately explained when at least three factors are taken into account: a) unemployment benefits in Greece are available mainly to individuals with long or

uninterrupted contribution records. People with short or interrupted contribution records (women, youth) or no records (first-time job seekers) are entitled to unemployment benefits for very short periods after which no entitlement to benefits is granted b) unemployment benefits are available for a short-term period and maximum for a year. There is a lack of any safety net/social assistance arrangements for the long-term unemployed. Access to some form of income support is available through participation in vocational training programmes, participation which is neither obligatory nor guaranteed for all and c) the monetary value of benefits is very low.

Types of benefits and Entitlement Conditions: Unemployment compensation takes two forms: regular benefits and special allowances. The insurance-based Unemployment Benefit (UB) (*Epidoma Anergias*) is the predominant form of unemployment compensation in Greece. It provides coverage to all salaried employees who are insured against sickness with a social security fund. Self-employed persons are not entitled to this benefit.

A number of other special allowances provide compensation to different categories of unemployed. In particular, entitlement is provided to: a) unemployed due to special circumstances (e.g. interruption or termination of activity of the enterprise), b) seasonally unemployed, c) unemployed groups with particular social circumstances (e.g. certain categories of repatriates; ex-convicts; reservists whose military service was extended due to a state of emergency; farmers who due to natural events have lost their produce) d) all young persons 20-29 years old who are seeking employment for the first time.

With regard to social assistance benefits no safety net for the unemployed exists in Greece. A number of social assistance benefits are primarily targeted to groups in high risk of poverty and especially disabled people and bob-insured elderly.

Various comparative studies of the adequacy of UBs have confirmed that the Greek income 'package' for the unemployed is among the lowest in the EU (OECD, 1999; Papadopoulos, 1997; CEC, 1995) and combined with the fact that there is no safety net after entitlement to insurance

benefit has expired the institutional characteristics and operational principles of the Greek unemployment compensation system result in a large number of the Greek unemployed fall through the net of social protection.

Against this background, it can be argued that unemployment compensation in Greece operates as a *de facto* activation policy. As Kottis (1997) argued “although the ungenerous nature of the Greek UB system results from budgetary constraints it has the same effects as if it were part of an activation strategy”. On the other hand, although those who receive unemployment compensation are obliged to search for employment they are not obliged to participate in training programmes and stopping benefits in the case of refusal to take a “suitable job offer” is rarely implemented. However, Kottis (1997: 27) identified as the most serious problem associated with the UBs system, the lack of financial incentives for the beneficiaries to accept part-time or casual work mainly.

#### Main recent flexicurity measures

There is a report of European Foundation for the Improvement of Living and Working Conditions, (2008) that reviews the present situation concerning the relevance and implementation of flexicurity in Greece. According to this report, contractual restrictions were introduced regarding the use of successive fixed-term employment contracts.

In relation to life-long learning, a National Scheme for the Certification of Job Qualifications is being discussed. The scheme aims to recognise all qualifications held by employees, irrespectively of how they were acquired. This effort seeks to boost mobility in the labour market.

Some economic incentives for recruitment can be considered as measures providing active labour market policies.

In the issue of the participation of social partners it can be argued that the social dialogue is very low, and the same applies for the collective bargaining. This indicates that their role and contribution to a flexicurity approach for any labour market reform is very restricted almost non-

existed. It is worth mentioning that Koutroukis T. & Kretsos L.,(2008) after an investigation on social partnership and dialogue in some areas in Greece have concluded that the necessity to utilize the essential funding possibilities given by the EU, has created an ad hoc activation of multipartite social partnerships. A type of “pseudo-partnership”, that is to say a social partnership/social dialogue model without a simultaneous development of an authentic social dialogue culture, has been implemented, which is EU-oriented and adapted to the preconditions of EU funding.

Finally, no specific policies were reported regarding any social security measure.

### **Employment dynamics**

In recent years, European member states have faced a market crisis that forced them to enter in a transition period. The difficult fiscal and financial position of Greece alongside with the market crisis force the greek government to pursue a transition period towards a more open and competitive economy implementing not just economic and financial policies but also structural policies by strengthening labor markets and income policies. In the framework of a huge-amount loan contract between Greek government and IMF, it is possible to distinguish a new pathway for the implementation of EES' principles regarding flexibility in the labour market. Apart from the social partners' and government's participation in a social dialogue, there is more a participation of the EC and ECB working together with IMF in an absolute top-down implementation process in an attempt to impose certain structural and economic policies which should be in line with the objectives of EU. For the first time the mechanism of the “open coordination method” is limited and the promotion of social dialogue under the provisions of the EES is marginalized.

### **Comparing Greek and Finnish labour market policies / Can Greece learn from the Finnish attempt to Europeanize labour market?**

In table (5) there are some Greek and Finnish data of activation policies for the year 2007. To begin

with, it can be noticed that Finland had taken measures that covered more citizens in a population of just 5 million people compared to Greece that has a population of 10 million. Moreover, in Greece, there is no evidence concerning the participation in job rotation, job sharing and direct job creation. These data indicate that in Finland there are at least elements of flexible labour and mobility -if not many- which prove, furthermore, that Finland has a priority -that of the Lisbon Strategy focused on growth and jobs-, while Greece seems to favour just job subsidies not necessarily with the expected results to reach the Lisbon Strategy aims.

**Table 5. Labour market policy measures, participants by type of action, 2007 (annual average stock in 1**

**000)**

	Training (1)	Job rotation & job sharing	Employment incentives (2)	Supported employment & rehabilitation (3)	Direct job creation (4)	Start-up incentives (5)
EU-27	3 446.8	111.5	5 617.3	830.6	822.3	703.9
Greece	42.3	-	14,2	0.1	-	5,2
Finland	50.2	7,8	16,1	8,4	13,8	4,5

(1) Greece and Malta, 2006.  
(2) Germany and Greece, 2006.  
(3) Greece, 2006.  
(4) Germany and Spain, 2006.  
(5) Greece, Italy and Lithuania, 2006.  
Source: Eurostat (Imp\_partsumm)

In relation to the debate on flexicurity at national level in the cases of Finland and Greece, it's possible to examine the tendencies between trade unions and employers. According to the analysis on the flexicurity and the industrial relations from the European Foundation for the Improvement of Living and Working Conditions (2008) in Greece, the trade unions express significant criticism towards the concept of flexicurity and there is no significant process in any flexicurity implementation. That flexicurity requires a great deal of mutual trust to become an effective reference to the negotiations with the support of public authorities acting as a guarantee that both dimensions of flexicurity will be implemented, promoting and balancing the interests of both sides of industry (Eurofound, 2008 p 23).

On the other hand some convergence can be found in Finland. In 2006, the Ministry of Labour set up a high-level tripartite group to study a possible flexicurity model for Finland. The main social partner organizations drafted joint proposals for wide-ranging employment policy packages to boost employment and labour mobility (Eurofound, 2008, p16 ).

A research from Algan Y. & Cahuc P. (2006) has concluded that the flexicurity model is hardly sustainable in countries displaying weak public-spiritedness because the unemployment insurance design raises moral hazard issues that are much more difficult to overcome in countries where individuals are more prone to cheat over government benefits. This is the case of Greece which is ranked as one of the most corrupted countries, while Finland is the sixth among the least corrupted ones<sup>9</sup>. Civic attitudes cannot be systematically changed quickly just by changing institutions and a country may be unlikely to succeed in its labor market reforms without a comprehensive policy affecting civic behavior of its citizens.

The impact of the EES in Greek social partnership is limited. According to Garcia et al. (2004) ‘in those countries where there is no tradition of participation by the social agencies in the taking of decisions, there was no opening up to greater participation’. This is confirmed in the case of Greece. The heavy politicization of industrial relations until the early 1990s and the fragmented nature of both unions and employers have had a negative effect on the ability of social partners to conclude long-lasting agreements and influence government policy (Tsarouhas, 2008).

On the other hand Finland has been confronted with a crisis too that reached its peak in 1994. Reforms took place not without disputes as the content of fundamental social rights has been put in question. However, because the flexicurity concept so as the social partnership were familiar to Finnish traditions and there were significant governmental guarantees and measures, the labour market institutions and actors were successfully coordinated, concluded to reforms making high and persistent unemployment to fall. Finland is well-known for the long lasting strikes and the strong

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9 <http://www.worldaudit.org/corruption.htm>

union reactions, ranking at one of the first places in Europe; that results to companies been reluctant to invest in a country with a history of industrial strikes. Rigid rules on job security weaken the labour market's ability to adjust (Confederation of Finnish Industries, 2006). It can also be argued that the existence of a significant safety net could support any reform. Additionally key actors are able to cooperate and make policy decisions. However, in a competitiveness global market any extensive legal liberalization regarding the contributions to labour costs in a long-term could reduce social security and put social cohesion in risk.

Finland and Greece are two member states with different starting positions, different legal models, and culture with a long history. Finland could be considered a "best practice" in particular in terms of the role of social partners in transitional labour market and the existence of significant social safety net. However, the latter requires sufficient public budget. There could be no fully adjustment of Finnish practice in Greek reality as there is no similar background in terms of civic attitudes, an adequate social safety net and the institutional structures. However Greece provides reforms which could be inspired from Finnish good practice, adjusted in the Greek environment.

## **Conclusions**

Europeans have decided that their labour markets should take into account social cohesion; thus social concerns can be identified all through the European Union documents.

Europeanization process for a EU labour market policy is on-going. Two kind of questions arise: first, whether it has been a successful story so far in a sense that there is a significant progress; and second, whether in a globalized market where market rules prevail a ESM could be vital and not collapsed because of its complex system and thus its inability to respond rapidly to changes caused by aggressive market's behaviour. There is a diversity of labour market institutions and social policies within EU and some member states respond quicker and succeed to harmonize their rules, while others are lagging behind of their institutional and organizational structures.

This diversity is evident when examining the Greek and Finnish cases. On the one hand Finland has made a significant progress and in some cases has already reacted with sufficient flexibility and on time -although there is a need for more flexibility- to bad labour market indicators. It tends, however, to adopt a more neo-liberal approach in order to face the global market competitiveness and the new challenges.

On the other hand the EES (as a mediating factor) had a less impact in Greek case. Greece should try more to adjust its institutions, change mentality and penetrate public spiritedness to its citizens. This learning process could last long. However, it might be possible for a bad scenario to occur; instead of trying to adjust national rules to EU guidelines, Greece might exhaust its “innovations” to adjust EU guidelines to national structure (for instance creating the conditions to receive and spend EU funds without managing to promote EU labour market policies). The current crisis could be seen as a chance for taking the necessary drastic measures. However, it could be acknowledged that the pathway which has been structured for taking the measures with the EU Commission’s monitoring along with others has more neo-liberal characteristics and concepts such as flexicurity and social protection are missing or are not on the agenda before a period of an attempt to reduce the national debt leaving the most of the society without any stronger social safety net.

Moreover, it could be claimed that European transitional labour markets, which should account to a flexicurity approach, tend to minimize its importance when global market is more aggressive and works with its own neo-liberal rules. The ESM can be seen as an example for the rest of the world of a society based on social justice and solidarity, where economic and social advancement take equal priority, and where decent work and social protection combat poverty and social exclusion. The ETUC argues that the success of Social Europe is important not only for European citizens, but also for the development of just and fair political systems in other countries<sup>10</sup>. Can globalization be more socialist and Europe impose its moral and cultural interests as crucial elements of markets?

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10 <http://www.etuc.org/a/111>

Yet, this is another question...

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