

**Human Resource Management in Greece in Comparative Perspective: Alternative Institutional Perspectives and Empirical Realities**

Alexandros G. Psychogios and Geoffrey Wood

**Abstract**

This paper seeks to understand the effects of institutions on the practice of HRM in Greece. Hence, it evaluates how alternative approaches to institutions conceptualize contexts such as Greece, and the relevance of such approaches in the light of empirical evidence. The latter would suggest that, in common with other Mediterranean economies, Greece has been undergoing a long evolution, marked by reforms both towards greater liberalization and greater coordination. However, the ultimate direction remains unclear, and embedded ways of doing things - above all, a strongly paternalist tradition - persist. Again, as with other Mediterranean economies, the Greek economy is an essentially dualistic one, divided between larger organizations (both within the state and private sectors) and the SME sector: the relative importance of the latter has increased in recent years. Empirical research evidence would underscore the importance of conceptualizing institutions as subject to both continuity, and uneven, contested, yet constant change, and the extent to which internal diversity persists within national institutional frameworks.

**Key words:** *Comparative HRM, Varieties of Capitalism, Institutions, Labour Flexibility, SMEs, Greece*

**Introduction**

This paper seeks to understand the effects of institutions on the practice of HRM in Greece. The literature on comparative capitalism suggests that the manner in which firms manage their people - and indeed, other social and economic relations within and beyond the firm - will depend on specific institutional configurations, and the particular complementarities made possible in a particular space and place. Yet, the bulk of the literature on

comparative capitalism has focused on the most prosperous countries of Western Europe, North America and the Far East. There has been relatively less attention devoted to understanding the nature of Mediterranean capitalism and transitional economies (Goergen et al. 2009). In seeking to contribute to filling this gap, this paper evaluates how alternative approaches to institutions conceptualize contexts such as Greece, the relevance of such approaches in the light of empirical evidence, and the theoretical implications of the Greek experience.

How can one understand the effects of institutions on HR practice? As Goegen et al. (2009) note, at the broadest level, institutions may be conceived of in rational-hierarchical or relationship terms. The former, grounded in rational choice economics assumes that the choices rational actors make is framed by specific institutional incentives and disincentives; it is held that, above all, of central importance is private property rights (La Porta et al. 1999; 2002). In legal terms, the latter may be direct (e.g. anti-director rights) or indirect (e.g. an absence of employment protection, which, of necessity weakens owner power) (Botero et al. 2004). Where they are strong, owners can reign in managers and employees, and firmly direct them

to maximizing profits. We commence our analysis of the Greek case through a review of both rational hierarchical approaches that focus on the effects of the law in safeguarding owner (and conversely, employee) rights) and those that explore the effects of political systems in this regard.

Relationship or socio-economic approaches to institutions reject the view that a single relationship (e.g. private property rights) will over code all others. Rather, what firms do reflects complex webs of ties, involving not just owners, but also employees, associations, wider society, and directly or indirectly, the state. What in practical terms this means is that a range of different combinations of relationships may prove equally functional: the relative strength of property rights are not necessarily the most important institutional feature in every contexts, and indeed, there are contexts where weaker property rights may prove more functional than stronger ones. Such approaches (most notably the Varieties of Capitalism literature) has been influential in both the literature on comparative political economy, and increasingly within the field of HRM (Goergen et al. 2009). Hence, it is from this literature that we go on to explore the existing empirical evidence on

Greece, systematically comparing and contrasting such approaches in theory and practice with the alternative rational-hierarchical tradition.

The present paper is structured in four sections. The first two sections attempt to set up the theoretical framework of our analysis by examining the literature regarding rational hierarchical and socio-economic approaches to institutions additionally. The third section focuses upon a specific country case by examining the structure of economy, employment relations, interdependence with employees, delegation issues, and labour law. The last section discusses the institutional context of current HRM perspectives in Greece.

### **Rational Hierarchical Approaches to Institutions**

Particularly influential in the finance and associated literatures, but also in the strategic management literature (Di Maggio and Powell 1983), *as noted above*, rational hierarchical approaches to institutions seem them primarily as providers of incentives or disincentives to rational actors. Such approaches have tended to focus on the effects of one overriding institution on another, and

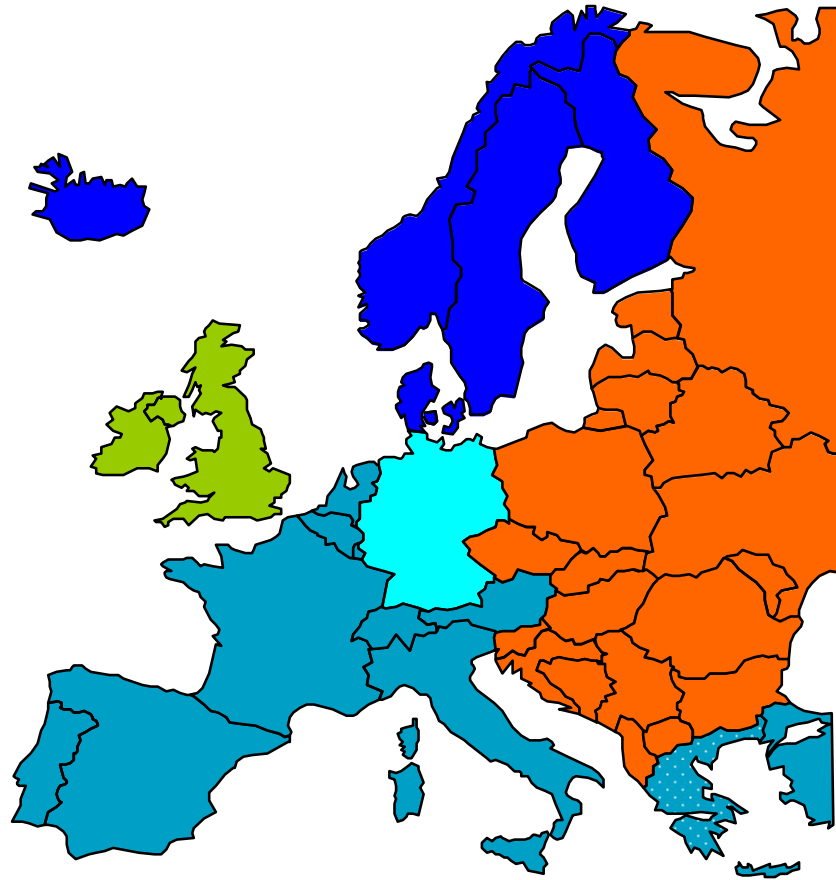
ultimately on practice (Boyer 2006). In other words, if effects are hierarchical, then one key institutional feature will impact on others; contradictory pressures from different but equally powerful institutional frameworks are discounted (ibid.). This approach has meant that employer and employee rights are at least to some extent antagonistic; should one be stronger, the other will necessarily be weaker (Botero et al. 2004). But, what institutional feature is likely to be most important? As noted above, within the mainstream finance - and associated economic - literature, a primary concern is on property rights, following on Douglass North (1990). It is held that strong property rights are a prerequisite to growth: anything that weakens them - for example, countervailing employee power - will detract from it (ibid.). There is, however, within this camp, some debate as to what the most important institutional mechanism for securing this is.

La Porta et al (1999) argue that of central importance is the issue of legal system. Essentially, countries closest to the common law ideal are associated with stronger owner rights and weaker employee rights; the converse is true with civil law/French tradition countries. This would reflect the strong importance attached to property rights

in the former legal tradition. Again the broad brushstroke approach to law means that much depends on court decisions; testing ones rights via litigation will naturally tend to favour the better resourced party, and, within the employment relationship, the employer over the employee (Harcourt et al. 2004).

La Porta et al (2002) classify countries according to a number of basic families of legal systems, within the civil/common law nexus as depicted in map 1; three - German, Scandinavian and French - are civil law and one - English - is common law.

Map 1: Legal Origins - European Variations



Key

- German (Civil) Law
- French (Civil) Law
- Scandinavian (Civil) Law
- Socialist/Post Socialist
- English (Common) Law

Source: Djankov et al. (2004) and La Porta et al. (1999)

Greece belongs to the French (i.e. archetypical civil law) legal tradition, characterized by relatively weak owner rights (Djankov et al 2004; La Porta et al. 1999). They further classify countries according to the degree of

employment rights accorded to individuals ("employment laws") and collectives/bargaining rights ("collective relations laws) (Botero et al 2004); see table 1. It can be seen that in Greece, the legal rights accorded to individual employees are weaker than continental Western European, and Scandinavian countries, and even other Mediterranean economies, but rather more than those encountered in the UK.

**Table 1: Legal System, Collective and Individual Employment Rights and Anti-Director Rights**

Civil Law	Anti-director Rights(1)	Individual Employment Laws Index (2)	Collective Relations Laws Index (3)	Legal Tradition
Austria	2	0.5007	0.3601	Civil/ French
Belgium	0	0.5133	0.5133	Civil/French
Denmark	2	0.5727	0.4196	Civil/ Scandinavian
Finland	3	0.7366	0.3185	Civil/ Scandinavian
France	3	0.7443	0.6667	Civil/French
Germany	1	0.7015	0.6071	Civil/ German
Greece	2	0.5189	0.4851	Civil/French
Netherlands	2	0.7256	0.4643	Civil/French
Portugal	3	0.8088	0.6488	Civil/French
Spain	4	0.7447	0.5863	Civil/French
Sweden	3	0.7405	0.5387	Civil/ Scandinavian
Norway	4	0.6853	0.6488	Civil/ Scandinavian
Italy	1	0.6449	0.6310	Civil/French
UK	5	0.2924	0.1875	Common/English

**Source: Botero et al. (2005); La Porta et al. 2002)**

*Notes*

(1) This scale is about the ease in which directors can be reigned in by shareholders, and hence, management more closely aligned to the shareholder agenda; countries range on a scale of 1 to 5. It is "formed by adding one when i) proxy votes may be mailed in ii) whether shares are required to be deposited in advance of AGMs iii) whether voting is cumulative or whether minorities are proportionately represented on boards iv) an



oppressed minorities mechanism is in place v) share capital required to call general meeting vi) when shareholders have preemptive rights (La Porta et al. 2002: 1156).

(2) Measures the protection of labour and employment laws as the average of i) the range of alternative employment contracts ii) cost of increases in working hours iii) cost of firing workers iv) dismissal procedures. The scale ranges from approximately 0.2 to 0.7 (Botero et al. 2004: 1348).

(3) Measures the effects of laws governing collective organizational rights in terms of an average of i) union power over working conditions (in terms of organizational rights) and ii) collective disputes (in terms of protection given to employees during disputes). The scale ranges from approximately 0.2 to 0.7 (ibid.).

In terms of collective rights, Greece is again at the lower end of the civil law scale, but not the same extent as in the case of individual rights. This is of particular relevance given the composition of the Greek economy. The prominence of small family owned businesses would make the enforcement of individual labour laws more difficult across large areas of the economy (Michail, 2003: 550; c.f. La Porta et al. 1999). Again, logistical (i.e. the challenges of servicing many small, rather than a few big workplaces) and victimization issues make organizing small businesses more difficult; this would mean that unions would be more likely to concentrate their efforts on the state sector and larger private owned enterprises. This would suggest that the employment rights enjoyed by Greek workers were often more limited than suggested by this scale. However, even if this scale is accurate, it is evident that in Greece - particularly when compared to Scandinavia and continental North-Western Europe, but even when compared to Mediterranean countries such as Spain, Italy and Portugal - employee rights are relatively weak, both in individual and

collective terms. However, they are stronger than in common law countries such as the United Kingdom, even if, owing to the uneven nature of enforcement, this gap is not so great as it may first seem.

Pagano and Volpin (2005) argue that laws are ultimately the outcome of political processes; hence, in understanding the relative position of owners vis-à-vis employees, the manner in which politics operate in a country will have a critical determining role. Within the employment relationship, there are two basic sets of laws of concern to relevant stakeholders: owner rights and employee rights (ibid.: 1006). Employees desire job security and formal rules governing the employment contract; shareholders are concerned with the degree to which their rights are protected in relation to other stakeholders in the firm. They argue that proportional electoral systems are likely to produce laws that provide weak shareholder and strong employment protection; the converse is true for majoritarian/first past the post systems (ibid.: 1007). This is owing to the importance of a pivotal group of ideologically uncommitted voters in marginal constituencies, who are "assiduously courted" by rival parties each representing the interests of owners and

workers (ibid.: 1016); by implication, pivotal voters can be more easily swayed by the better resourced. Table 2 contrasts differences in employment protection (here, basically defined as legal job security for those in temporary and permanent contracts), shareholder rights, and type of electoral system.

Table 2 compares proportionality in electoral systems with shareholder protection and employment protection, with Greece being contrasted with a number of North-West European and Mediterranean economies. It can be seen that Greece is middle ranking in terms of both shareholder protection and proportionality. Greece is, however, somewhat an exception in that employment rights are relatively strong; in most other countries, employment protection is generally in line with proportionality and shareholder rights. However, as mentioned earlier, there is evidence to suggest that weak enforcement means that employee rights are rather weaker than a review of the legislation would suggest (Michail, 2003: 550).

**Table 2: Electoral System versus Shareholder Rights and Employment Protection**

	Shareholder Protection (1)	Employment Protection (2)	Proportionality Index (3)
Austria	2	2.39	3
Belgium	0	3.02	3
Denmark	2	2.22	3
Finland	3	2.22	3
France	3	2.73	1
Germany	1	3.55	2
Greece	2	3.61	2
Italy	1	4.15	3
Netherlands	2	3.06	3
Norway	4	3.09	3
Portugal	3	4.20	3
Spain	4	3.66	2
Sweden	3	3.45	3
United Kingdom	5	1.27	0

**Source: Pagano and Volpin (2005)**

1. This is the anti-director rights introduced in table 1.

2. An average derived for job protection for individual and collective contracts, values ranging from just over 3 (strong) to 0.2 (weak).

3 "The index, which is available for 1985-2002, is equal to zero if none of the seats are assigned via a proportionality rule, 1 if a minority of seats are assigned by such a rule, 2 if the majority of seats are assigned by this rule, and 3 if all of the seats are assigned proportionally"; the index here ranges from 0-3 (Goergen et al. 2009; c.f. Pagano and Volpin 2005).

Rational hierarchical approaches that accord primary attention to law and electoral systems both categorize Greece as a mid ranking country according to proportionality, owner rights and employment protection. Greece can be seen as something of an in-between context; this could be on a trajectory of convergence with one or the other. However, Gordon and Roe (2005: 29) argue that efficient convergence is only likely if institutions adapt in the light of corporate needs or vice versa; in a system with very mixed regulatory pressures, this may be very difficult.

**Socio-Economic Approaches to Institutions:**

Central to the literature above is the assumption that what sets Greece apart is not different, but variations in similar institutional features. In contrast, the literature on comparative capitalism, treats Mediterranean economies in general, and Greece specifically, differently to the economies of north-western Europe. Such socio-economic approaches to institutions see them primarily as centres of webs of social relations (Goergen et al. 2009). This assumption means that the effects of institutions on practice will not necessarily be hierarchical. Whilst one institutional feature may have particular relevance on what firms do, institutions react with each other and practice; in other words, rather than a single institutional feature over coding all others, institutions mould and re-mould each other and social actions (see Sorge 2003). This process makes for both evolution and complementarity (Hall and Soskice 2001). By the latter it is meant that certain rules and practices work together better than they do on their own, building on systemic strengths or compensating for weaknesses (Crouch 2005). In turn, complementarity means that certain sets of practices are likely to persist within a particular context, and actors are unlikely to jettison

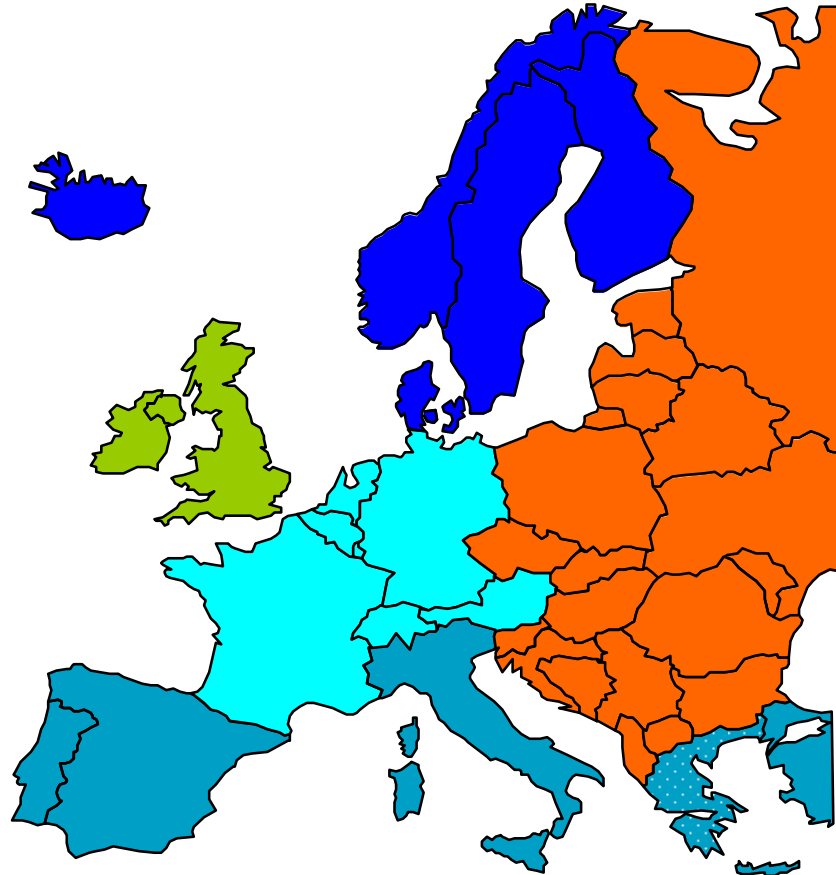
them without good cause; this means that nations and regions are likely to persist on distinct trajectories (Hall and Soskice 2001; Crouch 2005).

Particularly influential have been dichotomous accounts, which divide developed nations into two distinct categories, liberal market (or Anglo-American/shareholder orientated) and coordinated ("Rhineland" and Scandinavian/stakeholder orientated) (Hall and Soskice 2001; Dore 2000). Such accounts have accorded rather less attention to Mediterranean economies such as Greece. Hall and Soskice (2001) suggest that the categorization of such countries is ambiguous, but that they may fall into a Mediterranean category, characterized by a large agricultural sector, histories of state intervention (leaving some room for non-market coordination of financial relations), and relatively deregulated employment relations (ibid.: 21). This rather "mixed" scenario echoes the above-mentioned accounts of Botero et al. (2004) and Pagano and Volpin (2005).

Other writers in this tradition have argued that there are several other alternative capitalist archetypes in the developed world. Encompassing Far Eastern economies and Italy, Whitley (1999) argues that there are six distinct

business systems. As is the case with Hall and Soskice, Whitley (1999) suggests that governance arrangements are a key variation between varieties of capitalism. Drawing on a very much wider cross section of institutional features, Amable (2003) identifies five capitalist archetypes, including South European (Mediterranean) Capitalism; the four archetypes encountered in Europe are depicted in Map 2. Amable (2003) derived his categorization through a cluster analysis of a range of institutional features (for example, relative availability and effectiveness of training systems).

Map 2: Capitalist Archetypes in Europe



Key

Continental European Capitalism

Mediterranean Capitalism

Social Democratic Capitalism

Transitional Capitalism

Market Based Capitalism

Source: Amable (2003) and Goergen et al. (2009)

Greece is seen as a typical example of Mediterranean capitalism. In terms of employment relations, what sets the latter apart is the high employment protection



encountered in the large firm and state sectors (Amable 2003: 104). Employment protection reflects not just the law, but also the relatively prominent countervailing power of unions in such areas, and the possibilities of large scale industrial conflict (ibid.). Hence, Molina and Rhodes (2007) argue that southern European economies are more likely to experience class conflict, as they lack "the micro-foundations for constructing coordination to match that at the macro-tier"; in other words, centralized bargaining does not always effectively translate in coterminous understandings, implicit or explicit at the micro-level. Indeed, a history of heavy state regulation inevitably has weakened the capacity of local actors to autonomously coordinate their activities. This also reduces the chances of structural changes in these areas; in addition, employment stability in these areas reduces the demand for social protection (Amable 2003:113).

In contrast, employment protection is weaker amongst smaller, family owned businesses. Amable (2003: 104) argues that there is a flexible fringe of employment in temporary and part time work; a tradition of centralized wage bargaining is offset by a lack of active employment policies. Weaknesses in both higher and vocational

education means that firms are likely to have to contend with persistent skills gaps (Amable 2003: 106). Hancke and Goyer (2006) argue that it is relatively difficult to construct new non-market institutional framework should existing arrangements no longer work; in contrast deregulation is much easier. Piecemeal reforms are likely to fail if they prove incompatible with other areas of the institutional framework; this means that there is a strong likelihood of existing arrangements "muddling" on.

We will now turn our focus towards Greece, examining the structure of economy, employment relations, interdependence with employees, delegation issues, and labour law.

### **The Structure of the Greek Economy**

The Greek economy historically was based on agriculture. In the 1950s it accounted almost 30% of Gross Domestic Product (GDP). This figure had fallen to 11% in 1993 and in 6.9% in 2004 (see table 3). This was mainly due to the fact that Greece as a member of EU should decrease its agriculture production in order to reach the average percentage of the EU (Kritsantonis, 1999). Additionally, manufacturing output almost tripled between 1960s and 1980s, rising from 25% to 30.5% of GDP (ibid.). However, it is mainly based on

traditional (and sometimes low value added) industries, such as textiles, clothing and foodstuffs while higher value added incrementally innovative areas remain underdeveloped (ibid). During the 1980s and the beginning of 1990s these traditional industries were hit by a real competitiveness crisis, whilst investment levels remained low (ibid.). From the mid-1990s, manufacturing businesses tried to recover through a process of consolidation, mergers and acquisitions and franchising.

**Table 3: The percentage share of the various sectors in the total GDP**

<b>% Of GDP</b>	<b>1984-85</b>	<b>1994-95</b>	<b>2003-04</b>
Agriculture	13.5	10.7	6.9
Industry	30.5	24.4	23.8
Services	56	65	69.3

**Source: [economywatch.com](http://economywatch.com)**

Service industry is the most developed sector in Greece. Since 1961 it has accounted for more than half of GDP, and is currently around 70%. The most rapid expansion has occurred among banking and finance, insurance, health services commerce, import-export services and tourism (Kritsadonis, 1999). Also, the last two decades great development in telecommunications was observed, owing to the introduction of mobile telephone services offered by private companies and due to the restructuring of the Greek Telecom Organisation. Finally, the last ten years the stock

market in Greece has rapidly expanded and the positive indicators have led many investors to enter in the stock market.

Although there is no specific governmental policy to support and promote Small and Medium Enterprises (SMEs), this area remains centrally important with 99% of industrial business activities being performed by them. In the *manufacturing sector*, SMEs contribute 27% to manufacturing GDP and account for 63.6% of total employment in the sector. In the *commercial sector* they contribute 20% to GDP and account for 14% of total employment (Economic and Social Committee 2003).

Greek SMEs constitute almost two thirds of total employment (Mulhern, 1995). In particular the vast majority (95%) of firms employing less than 10 employees are mostly family-run. These micro-firms account for 65.5% of total employment. On the other hand, firms employing less than 50 employees account for 73.5% of total employment and 59.2% of firms' revenues (Economic and Social Committee 2001). The majority of these small firms tend to employ female and part-time labor and have lower wages than large firms

(Mulhern, 1995). SMEs, also, amount considerably to the creation of new jobs.

### **Work and Employment Relations in Greece in Practice**

But, what are the defining features of national HRM? A simply approach might be to cover all the functional areas of HRM, from employee relations, to development, to reward and planning. A limitation of such an approach is that any coverage that sets out to be blanket is rarely exhaustive; the relative importance of specific HR systems and the presence of specific features may be open to very different interpretations. For example, widespread usage of temporary labour may reflect generally weak tenure, or simply the extent to which firms use this as a means of screening recruits earmarked for secure long term employment. Alternatively, Whitley (1999) argues that the defining features of employment relations at a national level encompass two dimensions: delegation and interdependence (c.f. Brookes et al. 2005). The former concerns the degree of participation and involvement encountered, ranging from collective bargaining through to individually orientated forms of communication (Whitley 1999; see Brewster et al. 2007). Meanwhile, the latter concerns employment security and the degree to which the firm and its people are

prepared to invest in organizationally relevant skills (ibid.). Focusing on such relations (as adverse to an exhaustive range of practices) is of particular utility from a socio-economic institutional perspective, in that the types of relationships encountered within the firm may be contrasted to those without.

We go on to explore a third dimension: the relative efficacy - and degree of enforcement - of labour law across large areas of the Greek economy (c.f. Goergen et al. 2009). Central to rational-hierarchical approaches are the legal basis property rights, in terms of legal tradition, or, alternatively, the type of legislation likely to be enacted by different types of government. Therefore, the analysis of Greece will be based on the following three-fold framework: interdependence - delegation - labour law and compliance.

### **Employer-Employee Interdependence**

As noted above, interdependence concerns both employment security, and training and development. Employment security is an ambiguous measure in that, as noted earlier, temporary working may either denote genuine insecurity or simply represent a probation device. Genuine job security

is about both formal job protection and actual turnover rates. We explore the efficiency of job protection under the law in a subsequent section, and hence devote our discussion under 'delegation' to training and development.

According to Amable (2003) there are three categories of European economies regarding training and development regimes: the liberal market (LMEs) (UK & US), the social democratic economies (Finland, Sweden, Denmark), continental European capitalisms (France, Germany, Austria, Belgium) and finally, southern European or regimes (Italy, Spain, Portugal). Greece seems to belong to the latter group (Amable, 2003). Training and development (T&D) in Mediterranean economies seems to follow a hybrid model composed of public sector providers and, especially, the last decades, of private sector ones (Patiniotis & Stavroulakis 1997). In general, these systems seem to be dominated by structural weaknesses in both training and education that influence the level and quality of employee's skills (Amable, 2003).

Nevertheless, T&D became part of the Greek managerial agenda. Indeed, the last 20 years have witnessed important changes in Vocational Education & Training (VET) systems,

such as the development of new institutions, the application of innovative programmes, and the activation of social partners towards this direction. The main purpose was to promote parity of esteem for vocational education pathways in a country where people strongly favour general and university education and focus to a far lesser degree on opportunities or possibilities on the labour market.

In particular, the initial VET system, supervised by the Ministry of Education was set up from 1992 onwards around Institutes of Vocational Education (IVE) and with the Organisation of VET (OVET) as the responsible agency (Ecotec 2007). OVET Provides initial or supplementary vocational training, establishes and operates the IVE, determines the curricula of public and private Vocational Training Institutes, recognizes and qualifies the professions which correspond to vocational education and training, determines vocational rights of all VET levels (ibid.).

Moreover, the Ministry of Employment and Social Protection is active in the field of continuing vocational training through IVE centres and through the National Accreditation Centre for Continuing Vocational Training (NACCVET).



NACCVET, established in 1997, aimed to assure quality in the provision of continuing vocational training and improve effectiveness of training services in Greece (Ecotec, 2007). The major target was to reach European standards.

In reality, the VET system in Greece never really flourished and was under-funded until the 1990s (Sotiropoulos, 2004). At the beginning of 90s VET system has been reformed to secure flexibility in the training specializations offered and improve training quality by instituting a national accreditation process for vocational knowledge and skills (Vretakou and Rousseas, 2003). However, much remain to be done to bring the Greek VET system in line with those of the others EU Member States.

Given this, private sector firms gradually lost patience with the system, resulting in a diminishment of their participation (Karalis and Vergidis 2004). The European Social Fund (ESF) has provided support for Greek life-long education, especially after the Structural Funds' reforms in 1988 and 1993 (Prokou, 2008), although it can be argued that it has not had the desired impact.

Greece is making a slow progress towards formulating a coherent national strategy of life-long education (Rauner

2008). For example, the responsible organization for life-long learning is the General Secretariat for Adult Education (GSAE). GSAE supervises the Institute of Adult Lifelong Education (LLE), which aims to implement actions in the field of lifelong learning in Greece (Ecotec, 2007).

Beyond these developments though, the need for a better qualified and trained workforce has become of increasing concern to Greek firms (Papalexandris and Nikandrou, 2000). In a study conducted by Nikandrou et. al.,(2008), Greece appeared in the list of low performance-oriented societies, which is significant in identifying and enacting training needs analysis, as an effective practice that would contribute to positive firm results. The higher the performance orientation, the stronger the relationship between training needs analysis and firm's performance (Nikandrou et al. 2008). However, in most cases, the process remains an ad hoc one: skill needs are primarily identified by frontline departments, with HRM professionals often being relegated to a backseat. The same applies also to the contents of training provided (Papalexandris and Nikandrou, 2000).

Furthermore, Greece has the lowest GDP expenditure on education (3.79%) compared to the other EU14 states. In practice, it is expected that the gap in skill levels obtained by the public educational system will be filled by organizations (Nikandrou et al 2008).

Other existing research (Papalexandris and Nikandrou, 2000; Papalexandros and Chalkias, 2002; Galanaki and Papalexandris, 2004; Stavrou-Costea, 2005) points out an increased emphasis on the use of on-the-job training, rather than a reliance on external courses. However, off-the-job training courses are usually provided by private training firms (Papalexandris and Nikandrou 2000; Galanaki et al., 2008).

Based on the findings of the Cranet surveys, Goergen et al (2009) found that firms in Greece generally spent more time on staff training across the job bands than their peers in north-western Europe. However, there is no evidence that this reflected a greater willingness to invest in people, but rather appeared to reflect gaps in the existing training system and poor skills sets (ibid.). And, companies may devote a great deal of time to training, but do it cheaply and informally on the job (ibid.). Whilst

this may reduce the need for professional training staff, at the same time such methods pose indirect costs in that they divert operative's attention from concentrating on immediate production (ibid.).

Since Greek economy is dominated by SMEs that are confronted with variety of problems including low specialization and low financial resources, investment on training is quite limited and, thus, SMEs are often staffed with inappropriately trained personnel (Zambarloukou and Constantelou, 2002; c.f. Goergen et al. 2009).

In Greek SMEs the main components of training are: unstructured training, informal job instruction and socialization (Vlachos, 2008). Moreover, Vlachos (2008) noticed that training and employee development practices are more common in rapid-growth firms, and these kinds of practices are influenced also by the age of the organization; the older the organization is the greater reluctance to take training seriously. In Greece, for example, this situation is enhanced by a limited lifelong learning tradition. This resulted in the emergence of issues regarding job security, mainly among younger employees and especially those working in SMEs. As Goergen

et al., (2009) point out "older employees in larger firms are likely to continue to enjoy relatively high job security, which is likely to be more conducive to human capital development". In contrast, SMEs are generally less able to invest in enhancing employees' skills and knowledge through training and development programmes (Amable, 2003). Moreover, in Greece, job security is relatively weak and it is highly related to the employees' familiarity with 'hard' management skills (Psychogios, forthcoming 2010): treating employees as a disposable resource means that firms would be more reluctant to invest in them.

More broadly speaking Amable (2003) argues that the education system in Mediterranean economies seems not to follow the needs of an expanding technology industry in other regions. There is a large proportion of employees with higher education degrees, but with a serious lack of skills (ibid.:167).

As can be seen from tables 1 and 2, employment protection in Greece is relatively strong; however, in practice such security is confined to larger employers. Owing to the fragility of many SMEs and uneven law enforcement,

employment protection in smaller firms in practice is weak. Nonetheless, the extent of employment protection provided has been challenged: the lack of flexible types of employment in the country such as the part-time workers has been blamed for relatively high unemployment (Greek Ministry of Labour and Social Security, 2001). It is held that the limited choices in the labour market in terms of flexible forms of work inhibit the expansion and development of labour force (ibid.).

Hence, there has been some discussion on the advisability of introducing a *Flexicurity* system into Greece. However this has run into strong opposition, the main reason being that as long as Greek employees are the lowest paid in Europe, they will oppose to anything that may imply loss of job security or reduction of pay. Moreover, industrial relations in Greece lack a tradition of collective bargaining and a 'culture' of social consensus (Kritsadonis, 1999). Hence, the Economic and Social Council (ESC) of the country decided, instead of attempting to make a synthesis of social partners' views on *Flexicurity*, to simply outline their two divergent positions on modernizing labour law along the European Commission's line of argumentation (Predosanu and Pirgiog, 2008); given this, it

is most unlikely that a *Flexicurity* system will be implemented for the foreseeable future.

### **Delegation to Employees**

Employee participation, has become an organization's main policy towards demanding global market competition (Lansbury, 1995). US organizations mainly emphasizes direct employee participation that is defined as an organizational process through which management shares information and empowers its subordinates to be involved in decision making, in a group and/or individual level (Sagie and Koslowsky, 2003). In contrast, European (and mainly continental) countries focus upon an institutionalized approach of participation of employee representatives in decisions that are relevant to labour-management relations (indirect participation). For example, in a European comparative study by Gill and Krieger (1993) among 7,326 European employees, Greece had mid-ranked position, echoing its position in terms of collective employment rights under the law.

The actual nature of employee participation in Greece has been relatively under-researched. A study by Kufidu and Mihail (1999) explored the extent to which new forms of

participation have been adopted by large manufacturing companies. This study supports the view that employee involvement practices in decision making is in a developmental stage. According to their findings "management utilises systematic meetings with employees and/or trade unions to pass on information, in compliance with relevant regulations" (ibid.:497-498). Indirect involvement is quite limited to an informational level and mainly with relevant regulations (Kufidu and Michail, 1999).

On the other hand, direct participation is equally limited and it is mainly practiced through teamwork approaches developed for particular projects (ibid). Again, the level of participation "varies over a series of issues including training, new technology introduction, company relocation, labour force reorganisation, employment/lay-offs, health/safety and production" (ibid, p. 496). Finally, according to Kufidu and Michail (1999) EU legislation has had a major effect in terms participation, an example being the European Works Council (EWC) directive. However, the role of EWCs is largely consultative, and is only applicable to firms with a significant presence in more than one EU member state. And, in Greece the entire concept



of work councils is less developed (Kufidu and Micail, 1999) and their legal status is weaker than in more coordinated countries (Germany, Italy, and France) in which they have strong legal foundation and more involvement in key management decisions.

Psychogios and Szamosi (2007) argue that Greek organizational culture is based more on emotion than on rationality and reflects a more autocratic style of managing people and organizations. This style is not conducive for the development of employee participation and involvement (c.f. Lansbury, 1995). This reflects the persistence of a paternalist tradition in Greece, characterized by high levels of formalization and low levels of decentralization (Joiner, 2000). Cummings and Schmidt (1972) argue that although Greek managers may advocate participative styles of management, they often show little trust in other individuals' capacity to take decisions. It is interesting to note that in the Greek vocabulary there is the word '*Euthynophobia*' that has been deployed to describe the lack of willingness that Greek managers have to assume responsibility (Psychogios and Szamosi, 2007). However, recent work suggests that within firms more willing to experiment with new managerial

techniques, greater participation is likely to be encountered, at least among those in the higher job bands (c.f. Psychogios et al. 2009).

### **Greek Labour Law**

Individual labour law has traditionally been the main source of regulating industrial relations; collective bargaining has played a secondary role in this process (Zambarloukou, 2006). Major issues, such as flexibility and security in the labour market, the impact on non-standard employment relationships on employees' collective rights tend to overwhelm an "embryonic social dialogue" (Predosanu and Pirgiog, 2008). Social dialogue has developed mainly the last 20 years (c.f. Soumeli, 2004), but it is still in a developmental stage mainly due to the poor tradition of collective bargaining and social consensus among social partners. For instance, the General Confederation of Greek Labour supports the view that the modernisation of labour law should have as a result labour market deregulation (Predosanu and Pirgiog, 2008).

According to Kritsadonis (1999) the Greek business system is traditionally represented by small and medium family-owned businesses with low productivity, which however, the

last decades have increased their employment rates proportionality (European Commission, 2002). Nevertheless, this situation has resulted due to "the ability of Greek SMEs not to comply with the labour law regulations" (Michail, 2004:550). In other words, Greek SMEs are often able to evade labour law due to weak enforcement. It could be argued that employment relationships in Greek SMEs are characterized by pragmatism and flexibility (Marlow and Patton, 2002; Wilkinson, 1999) However, the existence of informal employee relations in SMEs does little for *de facto* employee rights. More specifically, Burtless (2001) SMEs do not tend to follow labour legislation on issues like overtime limits, compensation and benefits, dismissal procedures, etc. This is confirmed by a European Foundation survey (2001), which argues that employees working in Greek SMEs work significant amounts of overtime, they have poor job security, they receive less training, they are not much involved in decision making and they take more risks with regard to their physical health.

This informal status of industrial relations seems to gives a lot of flexibility to the heads of SMEs (Michail, 2004), with personalized relationships being offset by often poor terms and conditions of service.

The last decades witnessed an effort by the Greek governments to enhance the application of employment flexibility in Greek organizations. In particular, a series of legislative initiatives (for example, Law 1892/1990, Law 2639/1998, Law 2874/2000, Law 2956/2001) focused on regulating flexible contracts, part-time workers, overtimes, temporary employment, etc (Michail, 2003 and 2004). These changes received little opposition from SME owners; this reflected the fact that what it really matters for SMEs are the informal or internal employee arrangements reached and the ad hoc solutions that can be found in work-related problems (Michail, 2004). In other words, it could be supported that beyond the effort given by the Greek State to formalize industrial relations within the main element of the Greek economy - SME sector - through legislative changes, most SMEs retain the capacity to evade the law, and continued with informality.

### **Conclusion**

As with many other Mediterranean economies, Greece occupies a position somewhat midway between lightly regulated liberal market economies and more coordinated varieties of capitalism. But, Mediterranean capitalism - at least in

the Greek case - does not simply represent a mix of two archetypes. For example, the law is simply less effective in the Greek case than in either liberal markets or coordinated ones. Hence, it is clear that purely dichotomous approaches to capitalist diversity cannot adequately explain the nature of both institutions and practice in many developed economies, most notably in Mediterranean ones. Again, in common with other Mediterranean economies, Greece has been undergoing a long evolution, marked by reforms both towards greater liberalization and greater coordination. However, the ultimate direction remains unclear, and embedded ways of doing things - above all, a strongly paternalist tradition - persist. This supports approaches to institutions that see them as dynamic and evolving in a manner that combines incrementalism with the potential for rupture (Boyer 2006); there is little doubt that the process of change in regulation and practice in Greece has been an uneven, contested and uncertain process.

Again, as with other Mediterranean economies, the economy is an essentially dualistic one, divided between larger organizations (both within the state and private sectors) and the SME sector: the relative importance of the latter

has increased in recent years. In other words, the practice of HRM is also dualistic. Larger employers are more inclined to follow the law, and be unionized: this makes the practice of HRM more consistent and regulated both in de jure and de facto terms. Whilst employees may enjoy fewer individual and collective legal rights than, say, in the Scandinavian economies, they generally have considerably more than in liberal market economies, at least in those areas of the economy where compliance with the law is high. In contrast, it is apparent that many SMEs have effectively opted out of the official system in many areas, with apparent impunity, legislative reforms notwithstanding. The resultant HRM policies are likely to be unprocedural, flexible, highly personal, but also arbitrary, and with little in the way of formalized mechanisms for involvement and participation; this is matched by often poor terms of employment and working conditions. What affects both large firms and SMEs are serious limitations in the training system; in the case of SMEs, a lack of resources may force an over-reliance on ad hoc on the job training, which may pose a range of hidden costs. Quite simply, Greek capitalism - as is the case with many other varieties of capitalism - is internally diverse. This would reflect both very specific historical

legacies (in the Greek case, of a highly interventionist state and periodic experiments in centralized authoritarianism) and regional diversity (large enterprises are clustered in a few major cities) (c.f. Lane and Wood 2009).

Indeed, the Greek case can tell us a great deal about the process of diversity, evolution and change in both regulation and practice in more general terms. The Greek economy has underperformed for many years, yet institutional frameworks have been slow to adjust, with market reforms often apparently doing more harm than good. As Boyer (2006) notes, institutional redesign (whether in the form of substitution, innovation, or a combination thereof) is an experimental one, with the possibility of both serendipitous discoveries and failures. And, even if aspects of institutional arrangements may be dysfunctional in outright terms, they may persist if they are highly functional to specific social interests (Wood and Frynas 2006). Finally, the uneven nature of compliance with the law highlights the limitations of rational hierarchical approaches that prioritize a single institutional feature; one cannot simply understand Greece through an analysis of formal property rights. Again, whilst the Greek electoral

system may result in certain types of government assuming power, there are clear limits to state power. And, diversity both in terms of firm governance (above all, between large firms and SMEs) and compliance further underscore the limits of approaches that focus purely on a limited range of national level features. The law and the electoral system may indeed help us understand aspects of Greek HRM, but the picture is an incomplete one. This would suggest that the more nuanced approach of writers such as Amable (2003) may represent the most useful starting point for placing the practice of HRM in Greece and associated formal and informal rules and norms in comparative context. At the level of practice, the Greek case highlights the complex relationship between rules and actual practice: it is not only in Greece that large numbers of smaller firms choose to regularly evade the law. Regulation is not just about formal laws, but tacit understandings (Jessop 2001). The latter dimension and the extent to which evasion of the formal rules of the game may in fact be a more general feature of capitalism than is commonly assumed may be an important issue to consider in considering HR practice around the world. Secondly, and, again, not unique to the Greek case, practice should be seen not only in terms of formal hierarchies, but also informal networks on kinship



and spatial lines; whilst a large body of the existing literature on HRM does acknowledge the centrality of the latter, such relationships are all too often poorly mapped with analysis rarely moving beyond the most general.

## **References**

Amable B (2003) *The Diversity of Modern Capitalism*, Oxford: Oxford University Press.

Botero, J., Djankov, S., La Porta, R. And Lopez-de-Silanes, F. (2004) 'The Regulation of Labor', *The Quarterly Journal of Economics*, November: 1339-1382.

Boyer, R. (2006) 'How do institutions cohere and change', in G. Wood and P. James (eds.), *Institutions and Working Life*, Oxford: Oxford University Press.

Boyer, R. and Hollingsworth, J.R. (1997) 'From national embeddedness to spatial and institutional nestedness', in J.R. Hollingsworth and R. Boyer (eds.), *Contemporary Capitalism: The Embeddedness of Institutions*, Cambridge and New York: Cambridge University Press.

Brewster, C., Wood, G., Croucher, R. and Brookes, M. (2007) 'Collective and Individual Voice: Convergence in Europe?', *International Journal of Human Resource Management*, 18(7): 1246-1262.

Brookes, M., Brewster, C., and Wood, G. (2005), 'Social Relations, Firms and Societies: A Study in Institutional Embeddedness', *International Sociology*, 20(4): 403-426.

Burtless, G. (2001), 'The Greek labour market', in Bryant, R., Garganas, N. and Tavlas, G. (Eds.), *Greece's Economic Performance and Prospects*, Bank of Greece/The Brookings Institutions, Athens.

Crouch, C. (2005) 'Three Meanings of Complementarity', *Socio-Economic Review*, 3(2): 359-363.

Cummings, L. and Schmidt, S. (1972) 'Managerial attitudes of Greeks: The role of culture and industrialization', *Administrative Science Quarterly*, 17(2):265-278

Di Maggio, P. and Powell, W. (1983) 'The Iron Cage Revisited', *American Sociological Review*, 48: 147-160.

Dore, R. (2000) *Stock Market Capitalism: Welfare Capitalism*, Cambridge: Cambridge University Press.

Ecotec (2007) European inventory on validation of non-formal and informal learning GREECE, C3342 December 2007 ECOTEC Research & Consulting Ltd.

European Commission (2002) 'Highlights from the 2001 Survey', Observatory of European SMEs, No. 1, European Communities, Luxembourg.

European Foundation (2001) 'Jobs in EU Micro Firms: Summary', *European Foundation for the Improvement of Living and Working Conditions*, Dublin.

Galanaki, E. and Papalexandris, N. (2004) 'Outsourcing of human resource management services in Greece', *International Journal of Manpower*, 26(4):382-396

Galanaki, E. et al (2008) 'A decision model for outsourcing training functions: distinguishing between generic and firm-job-specific training content', *The International Journal of Human Resource Management*, 19(12):2332-2351

Gill, C. And Krieger, H. (1993) 'Participation in product and service quality: recent survey evidence from the European community', *Total Quality Management*, 4(3):261-273.

Goergen, M., Brewster, C. and Wood, G. (2010) 'Corporate Governance and Training', *Journal of Industrial Relations*, 51(4) (in print).

Goergen, M., Brewster, C. and Wood, G. (2009) 'Corporate Governance Regimes and Employment Relations in Europe', *Industrial Relations/Relations Industrielles*, 64(6): 620-640.

Gordon, J. and Roe, M. (2004) 'Introduction', Gordon, J. and Roe, M. (Eds.), *Convergence and Persistence in Corporate Governance*. Cambridge: Cambridge University Press.

Greek Ministry of Labour and Social Security (2001), National Action Plan for Employment 2002, Greek Ministry of Labour and Social Security, Athens.

Grugulis, I. (2009) 'Training and Development', in Redman, T. and Wilkison, A. (Eds.) *Contemporary Human Resource Management*, Third Edition, Prentice Hall

Hall P, Soskice D (2001) 'An introduction to the varieties of capitalism'. In Hall P. and Soskice D, eds, *Varieties of Capitalism: The Institutional Basis of Competitive Advantage*. Oxford: Oxford University Press.

Hancke, B. and Goyer, M. (2006) 'Degrees of Freedom', Morgan, G., Whitley, R. and Moen, E. (eds.), *Changing Capitalisms*. Oxford: Oxford University Press.

Harcourt, M. and S., and Wood, G. (2004) 'Do Unions Affect Employer Compliance with the Law?', *British Journal of Industrial Relations*, 42(3): 527-541.

Jessop, B. (2001) 'Series Preface', Jessop, B. (ed.), *Regulation Theory and the Crisis of Capitalism Volume 4 - Developments and Extensions*. London: Edward Elger.

Joiner, T.A. (2000) 'The Influence of National Culture and Organizational Culture Alignment on Job Stress and Performance: Evidence From Greece', *Journal of Managerial Psychology*, 16(3):229-242.

Karalis, T. and Vergidis, D. (2004) 'Lifelong education in Greece: recent developments and current trends', *International Journal of Lifelong Education*, 23(2):179-189

Kritsantonis, N. (1999) 'Greece: The Maturing of the System' in Ferner, A. and Hyman, R. (Eds.), *Changing Industrial Relations in Europe*, Oxford: Blackwell-Business

Kufidu, S. and Mihail, D. (1999) 'Decentralisation and flexibility in Greek industrial relations', *Employee Relations*, 21(5):485-499.

Lansbury, R.D. (1995) 'Workplace Europe: new forms of bargaining and participation', *New Technology, Work and Employment*, 10(1):47-55.

Lane, C. and Wood, G. (2009) 'Diversity in Capitalism and Capitalist Diversity', *Economy and Society*, 38(4): 531-551.

La Porta, R. Lopez-de-Silanes, F. and Shleifer, A. (1999) 'Corporate Ownership around the World', *The Journal of Finance*, 54(2):471-517.

La Porta, R., Lopez-de-Silanes, F., Shleifer, A. and Vishny, R. (2002) 'Investor Protection and Corporate Valuation', *The Journal of Finance*, 57(3): 1147-1170.

Marlow, S. and Patton, D. (2002) 'Minding the gap between employers and employees: the challenge for owner-managers of smaller manufacturing firms', *Employee Relations*, 24(5):523-39.

Michail, M. D. (2003) 'Atypical working incorporate Greece', *Employee Relations*, 25(5):470-489

Michail, M. D. (2004) 'Labour flexibility in Greek SMEs', *Personnel Review*, 33(5):549-560

Molina, O. and Rhodes, M. (2007) 'The Political Economy of Adjustment in Mixed Market Economies', Hancké, B., Rhodes, M. and Thatcher, M. (Eds.), *Beyond Varieties of Capitalism*. Oxford: Oxford University Press.

Mulhern, A. (1995) 'The SME sector in Europe: a broad perspective', *Journal of Small Business Management*, 33(3):83-88

Nikandrou, I., Apospori, E., Panayotopoulou, L., Stavrou, T.E. and Papalexandris, N. (2008) 'Training and firm performance in Europe: the impact of national and organizational characteristics', *The International Journal of Human Resource Management*, 19(11):2057-2078

North, D. C. (1990) *Institutions, Institutional Change and Economic Performance*, Cambridge, Cambridge University Press.

Papalexandris, N. and Stavrou-Costea, E. (2004) 'Italy, Greece and Cyprus: HRM in the South-Eastern Mediterranean

Cornenr of the EU', in Brewster, C., Mayrhofer, W. and Morley, M. (Eds.), *Human Resource Management in Europe: Evidence of Convergence?*, Elsevier Butterworth-Heinemann, Oxford,

Papalexandros, N and Chalkias, J. (2002) 'Changes in training, performance management and communication issues among Greek firms in the 1990s: inter-country and intra-country comparisons', *Journal of European Industrial Training*, 26(7):342-352

Papalexandris, N and Nikandrou, I. (2000) 'Benchmarking employee skills: results from best practice firms in Greece', *Journal of European Industrial Training*, 24(7):391-402

Pagano, M. and Volpin, P. (2005) 'The Political Economy of Corporate Governance', *American Economic Review*, 95(4):1005-1030.

Patiniotis N, Stavroulakis, D. (1997) 'The development of vocational education policy in Greece: a critical approach', *Journal of European Industrial Training* 21(6-7): 192-202.

Predosanu, G. and Pirgiog, S. (2008) 'Perspective of Flexicurity in southeastern countries of Europe - A regional approach', Unpublished Paper, Romania

Prokou, E. (2008) 'A Comparative Approach to Lifelong Learning Policies in Europe: the cases of the UK, Sweden and Greece', *European Journal of Education* 43(1):123-140

Psychogios, G. A. and Wilkinson A. (2007) 'Exploring TQM awareness in the Greek national business context: between conservatism and reformism cultural determinants of TQM', *The International Journal of Human Resource Management*, 18(6):1042 - 1062

Psychogios, G. A. (Forthcoming 2010) 'Restructuring the Employment Relationship in South-Eastern Europe? Total Quality-Based Changes on Managers' Careers and Job Security', *Employee Relations*

Psychogios, G. A. and Szamosi, L. (2007) 'Exploring the Greek National Business System: Towards a Modernization Agenda', *Euro Med Journal of Business*, 2(1):7-22

Psychogios, G. A. and Wilkinson A. and Szamosi, L. (2009) 'Getting to the Heart of the Debate: 'Hard' Versus 'Soft' Side Effects of TQM on Middle Manager Autonomy', *TQM & Business Excellence*, 20(4):445-466

Rauner, F. (2008) 'European vocational education and training: a prerequisite for mobility?', *Journal of European Industrial Training*, 32(2-3):85-98

Sagie, A. and Koslowsky, M. (2003) *Participation and empowerment in organizations: Modeling, effectiveness and application*, SAGE, Thousand Oaks,

Sotiropoulos, D. (2004) 'The EU's impact on the Greek welfare state: Europeanization on paper?', *Journal of European Social Policy*, 14(3):267-284

Soumeli E. (2004) 'Industrial relations and undeclared work: the case of Cyprus', eironline, <http://www.eurofound.europa.eu/eiro/2004/06/tfeature/cy0406104t.htm>

Stavrou-Costea, E. (2005) 'The challenges of human resource management towards organizational effectiveness: A comparative study in Southern EU', *Journal of European Industrial Training*, 29(2):112-134

Vlachos, I. (2008) 'The effect of human resource practices on organizational performance: evidence from Greece', *The International Journal of Human Resource Management*, 19(1):74-97

Vretakou, V. and Rousseas, P. (2003) *Vocational Education and Training in Greece: Short Description*. CEDEFOP Panorama Series.

Wilkinson, A. (1999) 'Employment relations in SMEs', *Employee Relations*, 21(3):206-17

Whitley, R. (1999) *Divergent Capitalisms: The Social Structuring and Change of Business Systems*, Oxford: Oxford University Press.

Wood, G. and Frynas, G. (2006) 'The Institutional Basis of Economic Failure: Anatomy of the Segmented Business System', *Socio-Economic Review*, 4(2): 239-277.

Zambarlounkou, S. (2006) 'Collective Bargaining and Social Pacts: Greece in Comparative Perspective', *European Journal of Industrial Relations*, 12(2):211-229

Zambarlounkou, S. and Constantelou, A. (2002) 'Learning and skills formation in the new economy: evidence from Greece', *International Journal of Training and Development*, 6(4):240-253