Employee Relations against Economic Crisis in the Countries of South-East Europe - The case of Bulgaria, Cyprus, Hellas and Romania

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Abstract

In the era of globalization and economic crisis, an alarming issue has been raised in relation to employee relations both in the public and the private sector. The aim of this article is to depict changes in employee relations during the recession period in the countries of South-East Europe [members of EU], that have been severely struck by the crisis. Over the past few years, a gradual deregulation of employee relations and a reduction of employment percentage with a parallel increase of managerial rights have been noted. Gradually, typical employment and stable working models have been downgraded, the appearance of flexible ways of employment, the 'haircut' of employee rights and provisions, the downgrade of employees' role into decision making progress, the reduction of wages with parallel reduction of working time through collective agreements, the "borrowing" of employees inside and outside the mother company, the reorganization of technical services and the closure of shopping malls, all led to the creation of personnel surplus. At the same time, an effort to replace existing personnel with cheap personnel from subsidiary companies is being promoted. This research is based (i) on the study of written evidence, (ii) in the usage of the historical method, in order for the evolution of the phenomenon to be conceived and (iii) on the comparison method, for the troop with the administration of other countries, experiencing the same problems, to be clarified. Conclusions are significantly important and whatever their utilization will contribute essentially to the understanding of the concept flexicurity and the improvement of employee relations, in the globalization frame.

Keywords: Flexicurity, Human Resource Management, Business Management, Employee Relations, Employee Law

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1. Introduction

In Greek mythology the Story of Sisyphus is famous. Sisyphus was punished by the “judges of the dead” because he despised the Gods, he loved life excessively and hated death. The “judges of the dead” condemned him to carry a rock on the top of a mountain. Reaching the top, the rock was not stabilized and fell over the other side. This punishment is eternal for the “vima” of Hades. That’s how industrial relationships are formed in Southeastern countries of Europe in the period of economic crisis as well.

The investigation of industrial relations in the private and public sector has gained particular interest due to the recession and the implementation of the principles of the Memorandum in South-eastern countries of Europe, especially in Greece and Cyprus. The economic crisis has had significant impact on the human resources management of enterprises, on industrial relations, as well as on the overall management. In times of recession, such policies result in a major blow to the people, rather than the actual job loss or the reduction of income. These policies harm the “psychological contract” between employer - employee, the psychological basis of coexistence and creation (Anagnostopoulos et al, 2010).

According to Marx and Engels (2004) “in crises a social outbreak bursts out which at any other, past, time would seem like absurdity, the epidemic of overproduction. The society is suddenly thrown back, into a momentary barbaric situation; someone would say that a famine, a universal war of desolation cut all the means of existence. The industry, the commerce appears annihilated”.

In this paper we will try to record the developing concerns regarding the configuration of industrial relations in times of crisis in South-eastern countries of Europe. The recommendation relies on the study of written documents, the use of the historical method and the research process.4

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2. Literature Review

The economic crisis is a result of the globalized economy (Vergopoulos, 1999), according to M. McLuhan (1968), the internationalisation, mainly, the economy (infrastructure) and subsequently the superstructure (Vasiliou et al, 2000). In all capitalist economies, a long-term upward trend of the produced product is observed with intense, but, short-term fluctuations (business cycles). The business circle refers to fluctuations of real economic activity around the meddle course of economic expansion. The most important phases of this business cycle is the phase of recession, with main features the economic stagnation and high unemployment rate and the phase of blossoming, when the economy heats up, when production and employment develop (Siskos, 2012; Stiglitz et al, 2009).

The recession is a phenomenon in which an economy and in this case, the Greek economy is characterized by persistent and significant reduction of economic activity and specifically in its macroeconomic figures, such as employment and others. Economic crisis constitutes one of the two phases of economic fluctuations and specifically the phase of descent, namely when economic activity is in continuous shrinkage. From statistical observations it was found that business cycles last about 7 to 11 years (European Commission, 2009).

According to the British Institute of Personnel Administration HRM is “the total of all responsibilities of those who are involved in the personnel administration and at the same time it is the project of skilled scientists engaged in this” (as mentioned in Vaxevanidou et al, 2012; Dessler, 2012). In times of crisis, every enterprise is forced to reduce the personnel, to freeze the recruitment process, to reduce the budget for training and human resource development, to reduce wages and benefits, to eliminate allowances and redefine the role and responsibilities of managerial staff. Shrinkage is planned job cuts and requires management on the part of both the employers and the workers’ side and especially those who lost their work (Robbins et al, 2012). Professor N. Papalexandri (2012), stressed that “the role of those involved in human resources is to help the enterprise to embrace the philosophy / mentality of HRM, which is no more than the recognition of the strategic importance of the human factor, by understanding its needs and behaviour, exploiting its potentials and providing opportunities for development, participation and bidirectional communication” (http://news.kathimerini.gr/4dcgi/_w_articles_economyepix_2_13/05/2012_482063 ).
3. Economic Crisis and Labour Relations in the Southeast Countries of Europe

In the global competitiveness index for the period 2013 – 2014, and in a total of 148 countries, Bulgaria is in 57th place, Cyprus is in 58th place, Romania is in 76th place and Greece is in 91st place (Global Competitiveness Report 2013 – 2014).

In a Eurobarometer survey carried out in the 28 EU member-states (April 2014), it is found that 57% of workers mentions deterioration of working terms in their country. Of course, despite the fact that most workers are satisfied with their own working terms (average EU 77%), there is a great difference between the EU member states, which ranges from 94% in Denmark to 38% in Greece. Most Europeans express high levels of satisfaction for their working hours (80%), as well as for health and safety issues in their workplace (85%). Greece has the lowest rate of satisfaction at country level (16%) and only the 36% of employees are satisfied with their current working terms. Satisfaction levels are low in Croatia (18%), Spain (20%), Italy (25%), Bulgaria (31%), Slovenia, Portugal and Romania from 32%, as well as in Slovakia (36%) and Poland (38%). The divergence in the levels of satisfaction is not only due to the crisis which affects the social and economic context and is also justified by the structural characteristics of each member (appendix 1) (http://www.thetoc.gr/koinwnia/article/ellines-oi-pio-dusarestimenoi-ergazomenoi-stin-eurwpi; http://ec.europa.eu/public_opinion/flash/fl_398_en.pdf).

3.1. Bulgaria

Each crisis is twofold – on one hand it is a period of instability and a threat to the organization, but on the other it is a new opportunity...

Nowadays, characteristics of the economic environment such as instability, unpredictability and imbalance have strong influence on the employee relations and determine the importance of the human resources management for the existence of every organization. This applies to the current economic situation in Bulgaria and also to the situation in the recent past. That is why, during the last 10 years many of the Bulgarian researchers have turned their attention to the problems associated to the employee relations and especially, to the employee relations in the new economic conditions related to the global economic crisis and its consequences.

5For labour relations in the U.S. read Gomez-Mejia, et al (2012). There have been many books written for the global economic crisis and we indicatively mention of Lewis M., (2010). Thelisment, etc.
The review of the surveyed sources which reflect Bulgarian theoretical, research and applied experience on these issues, confirmed existing significant interest in them. In the Bulgarian modern historical development of human management and employee relations, Dimitrov (2009) identified four periods: a period of socialism - until 1990; a period of political and economic instability - 1990-1998; a period of stabilization and reforms - 1998-2007; a period of Bulgaria's membership in the European Union - 2007-up to day. Each of these periods is characterized by specific features in the human resources management and employee relations. They are imposed by the specific economic and political conditions of the environment. According to the same author, after the 90 years of the 20c, Bulgaria proved to be economically dependent on foreign investments. This was due to the specificity and magnitude of the national market and the crisis of transition. Leading companies refrained from production and business activities in Bulgaria, because of the low income per capita, deep demographic problem, expiry of intellectual capacity, almost missing development of clusters, sub contractive chains, etc.

This led to a delay in the introduction of modern management practices for the successful and financially profitable development of the organizations in Bulgaria and the modernization of the country. In such situation in Bulgaria were realized some practices to increase the efficiency and to reduce the costs of the organizations such as reduction of headcount, reengineering, reduction of management levels, etc. They directly affected the employee relations. Simultaneously, merger, acquisition, joint ventures created conditions for the innovativeness, the training and qualifications of the staff, the exchange of knowledge and information between the employees, the development of the relationship with the needs of the costumers, etc. These conditions, also, directly affected the employee relations. So, there were two real existed different types of opportunities to ensure the profitability of the organizations in the country under the new economic conditions. Also, the Bulgaria's entry into the European Union stressed the necessity of adaptation of the Bulgarian business culture to the European. Regardless of all of that, the global economic crisis became a pretext many of the Bulgarian organizations to give precedence to the measures of the first type. That was so, because their results were immediately visible and tangible, although not developing fast in long term.

According to the surveyed sources, in Bulgaria before the global economic crisis the labor market was relatively flexible.
In the country were revealed numbers of jobs and workplaces and unemployment was comparative low – under 6% - 2008 (Ganev, 2012). The negative impact of the economic crisis reflected in lower economic activity, lack of investments, weak consumption, etc. and had direct impact on the employee relations in the organizations. This led to an increase of the unemployment rate in the country - 12, 9% - 2013; 11, 5% - June 2014 (NSI, 2014). That is why, in the conditions of the global economic crisis, Bulgaria initially implemented policy to preserve jobs and workplaces. The State first made attempt to thwart the negative impact of the economic crisis on the rising unemployment using measures such as to increase public expenditure, placing more orders in some sectors, bearing the insurance and the salaries of the employees and etc. The effect was, first of all, the delay of the negative processes in many organizations. However, this policy failed to stop them. This pointed out as the main problem the lack of jobs - the problem of unemployment. Therefore, the focus shifted again on the creation of new, non-administrative planned jobs mainly in the private sector and primarily in the small and medium-sized enterprises.

Each crisis is twofold - on one hand it is a period of instability and a threat to the organization, but on the other a new opportunity for its development. In the practice are observed two basic types of organizational behavior in conditions of economic crisis – a fight for survival at present and a fight for survival in the future. According to Max (2008), the last global crisis is a crisis of the model. According to the conditions, a large part of the organizations in Bulgaria need to deal with problems directly related to the human resources management and the employee relations. In order to resolve them the organizations in Bulgaria implemented measures such as creation of a crisis plan; optimization of curb and costs; optimization of stuff; "freezing" of the investment projects and review of the development programs in the new crisis conditions; focusing primarily and mainly on key customers; improve service. Many organizations in Bulgaria carried out measures as restructuring and focusing on the main activity of the organization; outsourcing part of the administrative and support activities; increasing productivity; reorganising positions; restructuring of teams; introduction of flexibility in working hours; admission of staff with two or more professions; stuff training in accordance with the new requirements for skills and competences; search and find the forms for retaining and motivating the key specialists; establishing a core of employees, who support the changes; intensification of internal organizational communications; building the commitment to the new conditions.
However, according to the Eurobarometer survey-2014 only 31% of the Bulgarian respondents consider working conditions in the country to be good.

Surveyed theoretical, research and applied experience in the employee relations in Bulgaria in the conditions of the global economic crisis gives ground to conclude that large part of the organizations in the country perceive the global economic crisis as a change which final result is difficult to be seen clearly from the start. Under the global economic crisis's conditions, these organizations rely on the experience, the good working models and practices, the potential of the stuff. The human resources management and the employee relations in them are associated with the implementation of activities, which give priority to innovation, personal qualification, various forms of storage of the staff, free information exchange between employees. For these organizations the need of adaptation of their business culture to the European is a priority and the profitability in the period of economic crisis is a part of their successful existence in the long-term perspective, in the future.

3.2. Cyprus

The individual devalorisation of values becomes social and economic impoverishment ..... When the economic and social impoverishment causes obsolescence of institutions and degradation of values.

Kr. Harakis, 2013

According to the recent Eurobarometer survey (April 2014) Cypriots believe to a percentage of 54% that the working conditions are collectively judged as good, although 75% believe that over the last five years the conditions have deteriorated. Generally, Cypriot workers are satisfied with their hours of work, the balance between personal and professional life, they are aware of the financial problems and the financial situation of the company they work for, the 48% declares that it has been asked about the organisation of work and the working conditions. Finally, exposure to stress is the major health risk in their workplace and 77% declares that there is provision of information concerning health and safety issues and 58% declares that the company has taken measures in response to accidents and accident prevention issues (http://ec.europa.eu/public_opinion/flash/fl_398_fact_cy_el.pdf).
Unemployment in Cyprus has exceeded 17%, while for 2015, it is projected to exceed 19%. At the same time the wages and pensions in the private sector have officially dropped by 30-40%, industrial relations have deteriorated, it is a matter of time for the public property to be sold, last year the GDP decreased by 5.4%, this year (according to Ernst and Young) it is expected to shrink by 4% and in 2015 by 0.5%, all this in a year that was predicted by the EU to mark a return to development (http://unfollow.com.gr/print/from-issue/12268-cyis/). However, in the private sector the situation is very different. The unemployment rate has exceeded 17% and there is still no clear sign of its stabilization. Wages have declined significantly and working conditions have deteriorated (http://www.tovima.gr/finance/article/?aid=577607).

According to Eurostat, unemployment in Cyprus amounted to 16.4% of the active population and 72,000 individuals in absolute numbers (http://www.sigmalive.com/news/local/132031#sthash.qI0ZAWGe.dpuf).

Cyprus and Romania signed a Memorandum of Understanding in the field of industrial relations, in order to address the problems that have emerged from the economic crisis in their countries. The purpose of the MoU is constructive collaboration in areas of common concern and interest, which will be extremely fruitful for both countries. The Memorandum undertakes the quest to establish a framework for cooperation between the two countries, both in the field of working conditions and the protection of labour rights (http://www.sigmalive.com/news/politics/506593#sthash.3CuFUYGi.dpuf).

According to Dr. Kr. Harakis (2013a; 2013b) the crisis in Cyprus is a “culture crisis, behavioral crisis of reciprocity and solidarity, crisis of the European integration, where the trend of bankruptcy of values cover the whole spectrum of the European globalisation ... chaotic behaviours of bankruptcy of values that develop without restrictions by cultural criteria and cover the entire polymorph spectrum of internationalised societies”.
3.3. Hellas

We must declare unto them, “Unfortunately we have bankrupted”.

Ch. Trikoupis, 10/12/1893

It’s been almost 80 years since the last “bankruptcy” of Greece. It was the year of the latter of the four Greek bankruptcies of years 1827, 1843, 1893 (raisin crisis) and 1932. The bankruptcy of 1893 led the Greek society to become more conservative and the occurrence of social conflicts, emigration, urbanisation, the movement in Goudi, the change in the political system and others. The crisis of 1932, an emanation of the global economic crisis in 1929, had repercussions in the society as well with many social conflicts, strikes, peasant uprisings, student protests and thereby the collapse of the republican regime (National Geographic, 2010; Provopoulos 2009; Drakatou, 1988).

In today’s recession, the Memoranda that were voted and implemented in Greece resulted in dramatic changes in industrial relations in the country. The Memoranda led to the reduction of employment in the public sector, facilitated the redundancies, resulting in the unemployment bulge, reinforced the feeling of job insecurity and promoted flexible and precarious forms of employment (Aspridis, 2013). They dislocate the system of collective negotiations and collective labour agreements. The general minimum wage has decreased; the increases in basic salaries and the implementation of sectoral and similar professional conventions in the total employment of the industry is suspended. The time of after-effect of collective agreements in the event of expiration or denunciation is reduced. The possibility of unilateral resort to the arbitration in case of failure of mediation was repealed. Newer settings appeared to reduce the cost of the daily and weekly working hours overrun and the social state is weakening (Koyzis, 2012α ; 2012β).

After the appeal to the IMF, salaries, pensions and other social expenditures remain at a low, while labour rights are reduced, due to the flexible working relationships and the market. Next to the unemployed – poor, the workers – poor are multiplying at a rapid rate. At the same time, workers face forms of distributed poverty and unemployment that turn us several years back (http://www.insurancedaily.gr/blog/?p=19475).
82% of Greek workers consider that the working conditions are bad, stress is clearly the most important risk, 88% believe that they have worsened, and 35% declares satisfaction with their working hours. Regarding the organization of work, in relation to the balance of work and family life, 52% of the respondents declares dissatisfaction. In the field of health and safety in the workplace, fewer than 33% of employees said that in their workplace there are measures to address emerging risks or measures directed at older workers and those suffering from chronic diseases. 27% believes that repetitive movements and tedious or painful positions are the main dangers for health and safety at their workplace. This percentage amounts to 17%, regarding the risks caused by the lifting, carrying or moving of loads on a daily basis (http://www.thetoc.gr/koinwnia/article/ellines-oj-pio-dusarestimenoi-ergazomenoi-stin-eurwpj; http://ec.europa.eu/public_opinion/flash/fl_398_en.pdf).

The unemployment rate reached 27.8% in the first quarter of 2014, according to figures from the Hellenic Statistical Authority (http://www.statistics.gr/portal/page/portal/ESYE). The deteriorating situation in the field of employment contributed to the reduction of the Gross Domestic Product (GDP) by 0.9% in first quarter of 2014)

(http://www.statistics.gr/portal/page/portal/ESYE). The real wages of workers in the private sector - without taking inflation into account - have dropped dramatically over the last period.

During the last period the General Confederation of Greek Workers has developed initiatives, with equivalent bodies of the Balkan countries, on issues relating to economic and social consequences of the crisis. At the same time, the Labour Institute has undertaken publications and events on issues relating to labour relations and other (Panagopoulos, 2013). A final dimension of the recession, is the violation of labour rights of immigrants residing permanently in Greece. In particular, any labour rights they had, were trampled upon and phenomena, such as racism, xenophobia, intolerance and cannibalism are dominant in Greek society (Pirlot de Corbion et al, 2013).
3.4. Romania

According to the Eurobarometer survey (April 2014) 32% of Romanians believe that working conditions are judged overall as good and 64% as awful, while 55% believe that in the last five years the conditions have deteriorated. Generally, Romanian workers are satisfied with their working hours, the balance between personal and professional life, are aware of the financial problems and the financial situation of the company they work for; 50% declares that they have been asked about the organisation of work and the working conditions (Williams et al., 2013). Romanian employees consider that personal features as correctness and seriousness or taking responsibility are the most important contributions for which is expected a just reward. Job security, respecting employee rights and appreciation of direct supervisor are the main rewards expected in return for contributions (Buzea et al., 2013). Finally, exposure to stress is the major health risk in their workplace and 22% declares, as well, that there is provision of information relating to health and safety issues and 62% declares that the company has taken measures in response to accidents and accident prevention issues (http://ec.europa.eu/public_opinion/flash/fl_398_fact_ro_en.pdf).

Unemployment in Romania amounted to 7,1% in June 2014 or to approximately 700,000 unemployed individuals (in absolute numbers) (http://newpost.gr/tag/%CE%A1%CE%BF%CF%85%CE%BC%CE%B1%CE%BD%CE%AF%CE%B1).

The most alarming issue in Romania is the elimination of collective bargaining power. Historically and according to the law, a collective agreement can be concluded in Romania at company, sectoral and national levels (Mesaros, 2005, as cited in Wannoffel et al., 2007). In public service, collective agreements are concluded at the administration level or at the level of the local public service, as well as at the departmental level for the subordinate institutions. Collective agreements are binding on all companies with more than 21 employees. Collective agreements can only be concluded by the representative social partners at national, sectoral and company level and are valid for all employees. The coverage of collective wage agreements amounts to about 60%. The object of sectoral wage agreements are regulations governing working time, holidays, pay, working conditions, industrial safety, vocational training and strikes.
In 2005, there were a total of eighteen collective agreements which had become effective (Chivu, 2006, as cited in Wannoffel et al., 2007). On the other hand and due to the economic crisis and the memorandum signed by the Romanian Government with the IMF and EU, though, all the above have completely changed on the opposite side. Collective bargaining is not existent and all employment agreements have changed into personal agreements with social representatives being only as a means of control against employees rights.

4. Conclusions - Epilogue

The deregulation of labour relations and the present wage compression, cause violent degradation of the work content, but simultaneously it is expected for entrepreneurs to emerged as the major beneficiaries of these options (Kouzis, 2012a; 2012b). The social, henceforth, crisis is associated with high unemployment, technological changes, and the internationalization of markets, high competitiveness with the imposed policy of the new jobs creation policy. Furthermore, the expenses are being truncated, employees’ wages are being reduced and dozens of employees are dismissed daily, resulting in a greater purchasing power reduction and an even bigger increase of unemployment. Unemployment, social exclusion, poverty are not eliminated, but on the contrary, they increase dramatically (Joll, 2006).

In Greece there was a rapid change for the worse in labour relations, which maximized flexicurity of labour relations. P. Kyriakoulis (2012; 44) poses the question “Whether and how much these interventions subvert or substantiate the very institution of the liberal collective bargaining, which from 1990 onwards contributed to a minimal level the labour protection and the establishment of industrial peace, by substituting the highly confrontational labour relations which had reigned in the country over many decades”.

The European Commission suggests, in its report, that the social dialogue mechanisms and tools, have provided Europe with good service for a long time and they continue to constitute suitable means to tackle the crisis and contribute to the creation of favorable conditions on industrial relations (European Commission, 2013).
We believe that it is necessary for policies which will increase the tax income to be followed, and also facilitate the transfer of resources from the government consumption to the public and private investment, in priority areas and in areas of proliferative strength. Mostly, however, it is necessary for new economic development strategies to be designed and implemented, with the adoption of new developmental model which will turn to technology, innovation, quality and it will create new jobs (LI - GSEE, 2010; Sklias et al, 2010).

One of the Universal Declaration of the Human Rights drafters, French Ambassador St. Hessel envisions “a society in which we will be proud again, where pensions will not be affected, the achievements of social insurance …… Fundamental rights are under threat, such as the right to health, to pension, to the trade-union organisation, to housing immigrants. We owe to defend a value system on which modern democracies will be based. These values are described in the Universal Declaration of Human Rights”.

“As long as we do not lose our joy” as Ingmar Bergman wrote (‘Magic camera”, Cactus, Athens, 1989).

5. Bibliography


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5.2. Websites

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6. Appendix

Appendix 1: Employment relations in the four countries of South-East Europe

Source: Eurobarometer, 2014