

**Human Resource Management and Greek SMEs in a Context of Crisis**

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Table of Contents

[1 Chapter 1: Introduction 1](#_Toc175688815)

[1.1 Research Background 1](#_Toc175688816)

[1.2 Rationale and Contributions of this Study 2](#_Toc175688817)

[1.3 Aim, Objectives, and Research Questions 3](#_Toc175688818)

[1.4 Thesis Structure 4](#_Toc175688819)

[2 Chapter 2: Literature Review 6](#_Toc175688820)

[2.1 Introduction 6](#_Toc175688821)

[2.2 Importance and Challenges of SMEs 7](#_Toc175688822)

[2.3 Human Resource Management Practices in SMEs 13](#_Toc175688823)

[2.3.1 Recruitment, Selection, and Hiring Practices 16](#_Toc175688824)

[2.3.2 Working Patterns, Wages and Dismissals 19](#_Toc175688825)

[2.3.3 Bogus Self-Employment and Undeclared Work 23](#_Toc175688826)

[2.4 Employment Regimes 25](#_Toc175688827)

[2.4.1 Reactions to the Crisis of SMEs in Different Employment Regimes 27](#_Toc175688828)

[2.5 Employment Reforms During the Greek Economic Crisis 29](#_Toc175688829)

[2.5.1 Greece before the Economic Crisis 29](#_Toc175688830)

[2.5.2 The Global Financial Crisis and Greece 34](#_Toc175688831)

[2.5.3 Impact of the Economic Crisis on Greek SMEs 35](#_Toc175688832)

[2.5.4 Employment Reforms During the Economic Crisis 40](#_Toc175688833)

[2.6 Summary 52](#_Toc175688834)

[3 Chapter 3: Methodology 54](#_Toc175688835)

[3.1 Introduction 54](#_Toc175688836)

[3.2 Research Philosophy and Paradigm 55](#_Toc175688837)

[3.3 Research Approach 58](#_Toc175688838)

[3.4 Sampling Strategy 59](#_Toc175688839)

[3.5 Data-Collection Methods and Techniques 63](#_Toc175688840)

[3.5.1 Semi-Structured Interviews 66](#_Toc175688841)

[3.6 Data Analysis, Coding, and Themes 69](#_Toc175688842)

[3.7 Trustworthiness of the Study 75](#_Toc175688843)

[3.8 Ethical Considerations 77](#_Toc175688844)

[3.9 Limitations of the Research Design 78](#_Toc175688845)

[4 Chapter 4: Working Patterns and Dismissals 81](#_Toc175688846)

[4.1 Introduction 81](#_Toc175688847)

[4.2 Business Owners’ Responses to Employment Policy 82](#_Toc175688848)

[4.2.1 The Retail Sector 82](#_Toc175688849)

[4.2.2 The Tourism Sector 89](#_Toc175688850)

[4.2.3 The Construction Sector 95](#_Toc175688851)

[4.3 Summary 100](#_Toc175688852)

[5 Chapter 5: Recruitment, Selection, and Reward Practices 103](#_Toc175688853)

[5.1 Introduction 103](#_Toc175688854)

[5.2 The Tourism Sector 104](#_Toc175688855)

[5.3 The Retail Sector 110](#_Toc175688856)

[5.4 The Construction Sector 115](#_Toc175688857)

[5.5 Summary 121](#_Toc175688858)

[6 Chapter 6: Social Security and Undeclared Work 124](#_Toc175688859)

[6.1. Introduction 124](#_Toc175688860)

[6.2. Social-Security Contributions and Undeclared Work 126](#_Toc175688861)

[6.2.1. The Tourism Sector 126](#_Toc175688862)

[6.2.2. The Retail Sector 132](#_Toc175688863)

[6.2.3. The Construction Sector 137](#_Toc175688864)

[6.3. Summary 143](#_Toc175688865)

[7 Chapter 7: Conclusion 147](#_Toc175688866)

[7.1 Introduction 147](#_Toc175688867)

[7.2 Changes in Employment Status and Work Patterns 148](#_Toc175688868)

[7.3 Recruitment, Hiring and Selection 150](#_Toc175688869)

[7.4 Undeclared Employment and Self-Employment 152](#_Toc175688870)

[7.5 Practical Implications and Contribution 153](#_Toc175688871)

[7.6 Strengths and Limitations 156](#_Toc175688872)

[7.7 Future Research 159](#_Toc175688873)

[7.8 Overall Conclusion 160](#_Toc175688874)

[8 References 162](#_Toc175688875)

[Participant Information Sheet: 187](#_Toc175688876)

[Study Title: Human Resource Management and Greek SMEs in a Context of Crisis 187](#_Toc175688877)

[Invitation 187](#_Toc175688878)

[Who has reviewed the study? 188](#_Toc175688879)

[Research Questions: 189](#_Toc175688880)

[Interview Guide 189](#_Toc175688881)

List of Figures

[Figure 1‑1 Timeline of the Economic Reforms 2](#_Toc175687904)

[Figure 2‑1 GDP - Greece 29](#_Toc175687905)

[Figure 2‑2 Unemployment Rate - Greece 30](#_Toc175687906)

[Figure 2‑3 Unemployment Rate in Greece, 2008–2018 40](#_Toc175687907)

[Figure 2‑4 Part-Time vs Full-Time Employment in Greece, 2008–2018 44](#_Toc175687908)

[Figure 2‑5 Full-Time vs Part-Time & Temporary Employment Rates in Greece, 2013–2018 45](#_Toc175687909)

[Figure 2‑6 Self-Employed Workers as a % of Total Workers – Greece and EU28, 2008–2018 46](#_Toc175687910)

[Figure 2‑7 Greek Sectors with Highest Rates of Undeclared Employment, 2013–2018 51](#_Toc175687911)

[Figure 3‑1 Greek SMEs by Geographical Region, 2010 60](#_Toc175687912)

[Figure 3‑2 Greek SMEs in Attica and Central Macedonia, 2010 61](#_Toc175687913)

[Figure 3‑3 Number of Greek SMEs by Sector, 2010 61](#_Toc175687914)

|  |  |
| --- | --- |
|  |  |
|  |  |
|  |  |

List of Tables

[Table 2‑1 EC Definition of an “SME” 7](#_Toc157972089)

[Table 2‑2 European SMEs by Sector 8](#_Toc157972090)

[Table 2‑3 Number of SMEs in Europe by Country 12](#_Toc157972091)

[Table 2‑4 Number of SMEs in Greece, 2009–2018 32](#_Toc157972092)

[Table 2‑5 Numbers of Employees in Greek SMEs, 2009–2018 32](#_Toc157972093)

[Table 2‑6 Numbers of Private-Sector Employees Paid the Minimum Salary 39](#_Toc157972094)

[Table 2‑7 Dismissals and New Hires in the Private Sector 43](#_Toc157972095)

[Table 2‑8 Undeclared Employment – Greece 44](#_Toc157972096)

[Table 3‑1 Qualitative Studies of SMEs 51](#_Toc157972097)

[Table 3‑2 Number of SMEs by Region of Greece, 2010 55](#_Toc157972098)

[Table 3‑3 Research Questions and Proposed Methods 62](#_Toc157972099)

[Table 3‑4 Codes Developed During the Data Analysis 67](#_Toc157972100)

[Table 3‑5 Themes Developed During the Data Analysis 68](#_Toc157972101)

[Table 5‑1 Tourism Sectoral Agreement on Salaries 103](#_Toc157972102)

[Table 6‑1 Example: Social-Security Contributions for a Service Worker in the Tourism Sector in 2013 124](#_Toc157972103)

[Table 6‑2 Social-Security Contributions Under EFKA for Full-Time and Part-Time Employees in the Tourism Sector 125](#_Toc157972104)

[Table 7‑1 Indicative Literature Review – Studies of SMEs and Their Research Methods 154](#_Toc157972105)

Table 7-2 Similarities and Differences Between the Three Sectors of the Greek Economy 158

List of Abbreviations

ALE: Adequate living expenses

BEA: Athens Chamber of Small & Medium Industries

EC: European Commission

EFKA: Unified Social Security Fund

EPL: Employment-protection legislation

ESEE: Hellenic Confederation of Commerce and Entrepreneurship

EU: European Union

EYPEA: Special Agency of Insurance Control

GDPR: General Data Protection Regulation

HR: Human resources

HRM: Human resources management

IKA: Retail sector before the unification

IKA: Social Insurance Institute

MoU: Memoranda of understanding

OEE: Workers’ Social Fund

OEK: Workers’ Housing Organization

SBA: EU “Small Business Act”

SEPE: The labour inspectorate

SETE: The Greek Tourism Confederation

SME: Small and medium-sized enterprises

TAXY: Social-security fund for the hospitality sector

**ABSTRACT**

The global economic crisis of 2008 cascaded through the countries of the Eurozone, with some being more adversely impacted than others. Greece was one of the countries to be badly affected, facing the risk of a default and having to enter into a tripartite partnership with the International Monetary Fund, the European Central Bank, and the European Commission. Employment protection was also at risk, as the political economy of Greece was already characterised by high flexibility and low job-security. The main providers of employment and the majority of businesses in Greece are small and medium-sized enterprises, and this political context – and the resulting labour reforms – elicited a range of responses from business owners. Specifically, the responses of business owners were contingent upon the sectors to which they belonged and influenced by the pressures exerted on their respective businesses by the external environment. Examining empirical evidence and deploying a qualitative research approach, this study discusses the differences between the responses of business owners in three sectors of the Greek economy: retail, tourism, and construction. The findings of the study suggest that the key practices implemented in this context were changes in employees’ working hours and status, dismissals of temporary and seasonal employees, and increases in underdeclared work and bogus self-employment. Overall, a lack of efficacy in policymaking and the failure of the Greek government to implement effective inspections and monitoring mechanisms reinforced the use of atypical employment by SMEs and of practices that further endangered employment protections.

# Chapter 1: Introduction

This chapter discusses the research aim and questions of this thesis and provides information about the context of the research. The aim of the study is to explore how the human resource management (HRM) practices of small and medium-sized enterprises (SMEs) in Greece were affected by the economic crisis that began in 2008. The study examines the direct effects of economic turbulence on SMEs and the influence of the labour policies that the Greek government introduced in response to the crisis. Greece was greatly affected by the economic crisis of 2008, and the labour reforms introduced by Greek policymakers to address the crisis had a particularly challenging impact on SMEs. Thus, an exploration of the HRM practices of SMEs in the context of the crisis – practices already shaped by the prevailing labour regime in southern Europe – provides a unique opportunity to deepen our understanding of how labour and social-protection policies influence the HRM practices of business owners and the consequences of these practices for the businesses and their employees.

## Research Background

The 2008 economic crisis found Greece in a particularly vulnerable position, given that it was already suffering under conditions that posed various threats to its economy – despite the country’s admission to the Eurozone in 2000 having been followed by significant growth in GDP (Georgiadis *et al.*, 2018). In 2008, the most serious threats were the country’s extensive foreign borrowing, a lack of solid institutions to support the enforcement of more effective policymaking, and the use of control mechanisms for the implementation of policies (Meghir *et al.*, 2017). The financially distressed situation of the Greek government considerably limited its ability to support public spending (Cohen, 2017). The decision of Greece in 2010 to ask for financial support from the International Monetary Fund (IMF), the European Commission (EC), and the European Central Bank (known as the “Troika”) resulted in the implementation of a bailout programme, accompanied by a series of reforms that were unprecedented in number and speed (Kyriakoulias, 2012). Figure 1.1 below graphically presents this timeline, including the critical milestones in policymaking during the economic crisis. In 2010, the Greek government received a package of 80 billion euros from the EC and 30 billion euros from the IMF, with the aim of covering the financial needs of the Greek economy and supporting the country’s banking systems. In exchange, the Greek government had to implement a series of reforms, among which were a number of labour policies. In 2012, Greece signed the second memoranda with the Troika and received a package of 172.6 billion euros, with the aim of enhancing the competitiveness of the Greek economy through the continuation of the fiscal and financial reforms already implemented with the first memorandum. Finally, in 2015, Greece signed the third memorandum and received an additional 86 billion euros, intended to foster further the Greek economy through a series of austerity measures and fiscal policies (Costa de Magalhães *et al.*, 2017).

Figure 1‑1 Timeline of the Economic Reforms

The majority of the reforms introduced during this 10-year period targeted labour policy, and the overall aim was the liberalisation of the labour market and the reduction of labour costs as a means of boosting the Greek economy and reducing Greek debt (Papapetrou, 2014). Influenced by the neoliberal style of political economy already in place in Europe (Lapavitsas, 2019), the Greek economy had – even before the economic crisis – begun to assimilate characteristics of a less-regulated and more-flexible labour market. The labour law reforms introduced during the economic crisis aimed to tackle unemployment and implement policies that would allow the authorities to improve businesses’ compliance with labour law and tax-collection rules. In 2008, at the beginning of the financial crisis, the unemployment rate was recorded at 9.8% (ELSTAT, 2013). Despite the reforms introduced by policymakers, in 2013, the unemployment rate reached its peak of 27.8%[[1]](#footnote-1) (Hübner, 2013).

The businesses most affected by the crisis were SMEs, given that they constituted 99.8% of the total number of businesses in Greece in 2009 (Mylonas *et al.*, 2016). These firms experienced substantially increased pressure to reduce their costs, which had direct consequences on their HRM practices, particularly in relation to recruitment, retention, and pay. In addition, SMEs adjusted their HRΜ practices in response to the reforms of labour rights and social protections that the Greek government introduced at the behest of the Troika.

## Rationale and Contributions of this Study

The size of the public debt of the Greek government as at the start of the economic crisis in 2008, coupled with a lack of a rigorous and effective policymaking strategy, were both partially responsible for the country’s negative economic performance and lack of competitiveness (compared to those of the other countries in the Eurozone). Furthermore, Greece’s ability to respond successfully to the pressures of the economic crisis was also affected, forcing the country to enter the bailout programme supported by Troika. The impact of the reforms suggested by the Troika – and the ways in which these reforms informed the labour regulations introduced during the economic crisis – have been discussed in past research studies focusing on their impact on large businesses. However, the impact of these reforms on employment relations in Greek SMEs and the factors shaping the practices implemented by their business owners have not been adequately analysed. This is despite SMEs being the backbone of the Greek economy and accounting for the majority of employment positions, even today, in 2024.

It is vital to understand how SME owners manage their human resources (HR), and a deeper understanding of how these firms manage and organise themselves could provide the basis for more-effective policymaking. The empirical evidence provided through this study, concerning outcomes in three sectors of the Greek economy, constitutes a distinctive opportunity to assess the efficacy of efforts to protect employment by public institutions following the rules of a market economy. With a focus on SMEs, the findings show how the owners of these firms responded to the pressures exerted upon them by the external environment and how they chose to operate in a context of economic turbulence, thereby clarifying the dichotomy between large and small firms. Moreover, the contextualization of the underlying drivers of these responses provides valuable insights, suggesting a need to deviate from the “one-size-fits-all” policies that proved to be ineffective and which contributed to the failure of the Greek government to achieve its overarching goal of employment protection.

## Aim, Objectives, and Research Questions

This thesis examines the consequences of the labour reforms introduced by Greek policymakers, which involved cuts to minimum wage, changes in working patterns, changes in social-security contributions, and reduced levels of employment protection through collective dismissals and lack of collective bargaining. It explores how SME owners responded to the reforms, focusing on three key sectors of the Greek economy: retail, tourism, and construction. It traces the impacts of the reforms on employment regulations during the entire 10-year period of the crisis (2008–2018), showing how these regulations then affected employment practices and relations in SMEs. In this way, this thesis provides a holistic appraisal of the effectiveness of this policymaking (Georgiadis *et al.*, 2018).

The main objectives established for the thesis are as follows:

* Discuss and analyse how SMEs organise themselves and how they respond to changes in their external environment
* Develop insights and a deeper understanding of how employment relations are shaped in SMEs
* Analyse and discuss how the economic crisis has affected, if at all, the operation and management of employees in Greek SMEs
* Discuss the political economy of Greece during the economic crisis, including the introduction of the labour reforms
* Explore the factors influencing the decisions and reactions of the business owners with respect to the policies

The thesis is guided by the following three research questions:

* + 1. What was the impact of the economic crisis on Greek SMEs’ employment and staff-retention practices?
    2. How did the crisis affect SMEs’ recruitment, selection, and reward practices?
    3. What effect did the crisis have on SMEs’ propensity to employ workers on an undeclared or disguised basis?

The principal research method in this study was semi-structured interviews. A total of 45 interviews with business owners were conducted over the period of 2019–2020. Due to the COVID-19 pandemic lockdown and restriction measures enforced by the Greek government during then fieldwork phase of this study, the interviews were mainly conducted online. The interviews focused on the labour policies introduced during the economic crisis, examining changes in minimum wage, working patterns and status, and social-security contributions. The aim was to acquire insights, based on the views of the business owners, into how these changes might have affected employment relations in the businesses.

The findings and analysis – and the empirical outcomes they point to – contribute to our understanding of how SMEs adjust their labour practices to the pressures of the external environment. While these policy reforms were introduced horizontally, across all sectors, the differences in the characteristics and nature of the businesses in the different sectors – and even between businesses in the same sector – affected whether the policies were focused and effective and whether they ultimately served the Greek government’s objective of protecting employment relations.

## Thesis Structure

The thesis comprises seven chapters. *Chapter 1: Introduction* establishes the research context, the rationale, and aim of this study, all of which are shaped by the research questions addressed in the study. *Chapter 2: Literature Review* discusses the research pertinent to SMEs, given their role as the focus of the study and their importance and contribution to the global economy. The chapter also discusses the importance of SMEs’ HRM practices and shows how these were shaped by policymaking during the Greek economic crisis. Finally, a comparative analysis of the employment regimes in Europe is presented to further contextualise the employment relations of SMEs and the practices employed during the crisis.

*Chapter 3: Methodology* explains the methods used for the data collection and analysis, as well as the philosophical perspective adopted by the researcher when conducting this research. The research design is also described in detail, with sound justification given for the choices of methodological tools and techniques. Chapters 4, 5, and 6 present the findings of the study and discuss the insights developed by the SME owners in three sectors of the Greek economy under study. Specifically, *Chapter 4: Employment Status and Work Patterns* discusses the impact on working statuses and patterns of the practices implemented by the business owners. *Chapter 5: Recruitment, Selection and Hiring* focuses on the recruitment, selection, and hiring practices implemented by the Greek SMEs during the economic crisis. Finally, *Chapter 6: Social Security and Undeclared Work* discusses the changes made by the Greek government in relation to social-security contributions which led to a number of major reforms and influenced practices of underdeclared and undeclared employment. Thus, the practice of bogus self-employment is analysed and discussed as an example of the practices that promoted the growth of black economy. Each of the findings chapters discusses the study’s empirical outcomes comparatively, illuminating the differences between the three sectors examined. The final chapter, *Chapter 7: Discussion*, presents a discussion of the findings and an overall comparative analysis of the practices in the sectors of retail, tourism, and construction, with the aim of identifying the similarities and differences. This chapter also discusses the main contributions of the study, its limitations, and some possibilities for future research.

# Chapter 2: Literature Review

## Introduction

This chapter reviews the literature relating to the employment practices of SMEs and the consequences of the 2007/8 financial crisis for the Greek economy. It establishes the context for the research and for the findings of this study and explains how the employee management practices of SMEs are influenced by adverse economic conditions and how SME owners respond to policies and economic pressures when formulating their decisions on employee management and relations.

Section 2.2. discusses the relevant literature on the importance of SMEs in the global economy. SMEs are contrasted with larger firms, and their role in – and contributions towards – innovation, social cohesion, and the local economy is acknowledged, supported by scientific evidence and academic studies. Section 2.3 examines the HRM practices in SMEs. These practices are discussed with reference to the concept of “employment regimes”, drawing attention to the importance of the regulatory context within which SMEs operate. The discussion provides a comparative analysis of the different employment regimes exemplified by various member states of the European Union (EU), examining how these regimes shaped the labour markets and employment relations during the 2008 economic crisis.

Section 2.3.1 discusses in more detail the recruitment and selection practices of SMEs and how these differ in structure and formality from those exercised in larger organisations. Moreover, attention is given to how these practices are affected by economic turbulence and the conditions of the labour market. Section 2.3.2 discusses wages as an example of the reward practices of SMEs and looks at working patterns and dismissal strategies, showing how these are influenced by the decisions of business owners. This section also discusses the dismissal practices in SMEs and how these are influenced by crisis contexts when unemployment – particularly among young workers – is tending to increase.

Section 2.3.3 discusses the practices arising in specific sectors of the Greek economy and in unregulated labour markets which contribute negatively to employment protection and to fair employment practices. These practices have attracted the attention of the policymakers and been identified as bogus self-employment and underdeclared employment. While these practices existed even before the economic crisis, the conditions of the economic downturn reinforced their prevalence. Data from other EU countries is also presented in this section as a means of showcasing the market conditions and sectoral characteristics that allow these practices to flourish.

Section 2.4 discusses the various employment regimes, with a focus on European countries, and how these have shaped labour regulations and subsequently the employment practices implemented by businesses, especially in a crisis context. This study focuses on the reactions of Greek SMEs to the economic crisis of 2008; hence, in Section 2.5, the employment reforms designed collectively by the Greek government, the European Central Bank, and the International Monetary Fund are discussed in detail. A preliminary analysis is presented, examining how the global crisis cascaded to Europe and specifically to Greece and the ways in which the Greek economy and Greek SMEs were affected. Finally, Section 2.6 of this chapter summarises the key issues and insights discussed in the literature and the gap identified by the literature review with respect to the research questions addressed by this study.

## Importance and Challenges of SMEs

SMEs constitute the majority of businesses worldwide and thus make a very large contribution to employment. According to the World Bank, in 2022, SMEs represented 90% of all businesses and accounted for 50% of employment worldwide.[[2]](#footnote-2) The number and size of SMEs strongly influence the global economy, given the contribution of SMEs to employment, innovation, and society overall. The definition of an “SME” varies worldwide, and emphasis in this chapter is given to the SMEs of the EU. The European Commission Recommendation identifies SMEs by using two criteria – namely, staff headcount and the turnover of the business (The European Commission, 2003). Specifically, as shown in Table 2.1, medium-sized, small, and micro businesses are defined[[3]](#footnote-3) by the number of people employed in combination with the company’s turnover (or balance sheet total) in million euros.

Table 2‑1 EC Definition of an “SME”

|  |  |  |  |
| --- | --- | --- | --- |
| Company category | Staff headcount | Turnover  (million euros) | or Balance sheet total |
| Medium-sized | < 250 | ≤ € 50 m | ≤ € 43 m |
| Small | < 50 | ≤ € 10 m | ≤ € 10 m |
| Micro | < 10 | ≤ € 2 m | ≤ € 2 m |

Source: European Commission, 2003

Based on the definition provided by the EC, SMEs constitute 99.8% of all businesses in Europe, while larger organisations constitute just 0.2% of the total. More specifically, in 2020, large (non-financial sector) businesses accounted for 42,000[[4]](#footnote-4) of the 23.4 million businesses in the EU. In terms of sectoral activity, a significant number of SMEs engage in the wholesale and retail trade and in accommodation and food services.[[5]](#footnote-5) The exact numbers of SMEs, by sector, as of 2022, are displayed in Table 2.2, which shows data derived from the Statista database.[[6]](#footnote-6)

Table 2‑2 European SMEs by Sector

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Sector | Micro | Small | Medium | Total SMEs |
| Wholesale and retail trade, repair of motor vehicles and motorcycle | 5,251,961 | 322,247 | 58,847 | 5,633,055 |
| Professional, scientific, and technical activities | 4,407,275 | 248,851 | 41,282 | 4,697,408 |
| Construction | 3,345,745 | 203,790 | 22,769 | 3,572,304 |
| Manufacturing | 1,684,684 | 189,103 | 18,219 | 1,892,006 |
| Accommodation and food services | 1,562,261 | 115,467 | 16,213 | 1,693,941 |
| Administrative and support services | 1,473,299 | 90,789 | 15,250 | 1,579,338 |
| Real estate activities | 1,351,057 | 87,299 | 14,061 | 1,452,417 |
| Information and communication | 1,174,977 | 53,833 | 11,708 | 1,240,518 |
| Transportation and storage | 1,130,915 | 22,482 | 3,317 | 1,156,714 |
| Electricity, gas, steam, and air condition supply | 174,266 | 10,766 | 3,079 | 188,111 |
| Water supply; sewerage, waste management, and remediation activities | 63,853 | 3,230 | 1,238 | 68,321 |
| Mining and quarrying | 13,079 | 2,892 | 609 | 16,580 |
| TOTAL |  |  |  | 23,190,713 |

Source: Statista.com

SMEs are distinct from larger firms in a number of ways, making them subject to different treatment by policymakers. Specifically, SMEs are more flexible than larger firms in responding to market changes and in taking advantage of business opportunities (Cunningham, 2011), often leading to novel business models (Groenewegen and De Langen, 2012) that foster innovation in the local economy (Cavallo *et al.*, 2021). Compared to SMEs, larger firms have the ability to appeal to a larger customer base and are thus less dependent on a small number of customers. This quality makes them less vulnerable and less inclined to business risk (Raymond and St-Pierre, 2004). SMEs, in contrast, face more uncertainty in the face of changes to the external environment (Pasnicu, 2018).

With startup businesses able to respond with more flexibility to market changes – and even to introduce novel business ideas and competitive business models – there is a need to acknowledge their significant potential to grow into SMEs, thereby supporting and contributing to the competitiveness of the local economy (Wymenga *et al.*, 2012). Previous studies have demonstrated that innovation contributes not only to the success of a firm but also to its ability to withstand economic pressure (Tsigkas, 2014). Thus, the contribution of SMEs to the stability and even the growth of the economy is vital (Hoffmann and Lange, 2016).

SMEs contribute to societal cohesion by incorporating inclusive practices that create employment opportunities for marginalised populations, such as young individuals and women (Bayraktar and Algan, 2019). A large number of SMEs – primarily micro firms – are family businesses (Siakas *et al.*, 2014), and as such, they have a critical role in generating income and supporting the survival and financial growth of families (OECD, 2009). SMEs have positively contributed to job creation in local communities, thereby supporting local economies (Ayalu *et al.*, 2023) and promoting social cohesion, particularly during economic crises (Ntasios, 2020). Additionally, SMEs' dependence on local labour has provided income-generating opportunities for people in local communities (Ayandibu and Houghton, 2017).

Moreover, with the unemployment of young people being a concern of policymakers in many countries, SMEs can positively contribute by bringing young unemployed people into the workforce (Ismail Albalushi and Naqshbandi, 2022) and by providing opportunities for young people to find entry-level jobs. According to the 2015 report issued by the Solutions for Youth organization: “Young people account for roughly 40 percent of the world’s unemployed and are up to four times more likely to be unemployed than adults” (Goldin *et al.*, 2015, p.2). The main reason for this is the lack of skills or education required for them to be employable and this is reality aligns with the reports’ data, which states that one-third of young people are not in education, employment, or training (Goldin *et al.*, 2015). The lack of a formal HR department in SMEs and the reliance on informal and on-the-job training practices for their employees provides more opportunities for the younger population in the labour force to find a job (Doern, 2022).

Overall, SMEs play a critical role in local economies and society, but they face a number of challenges to their formation to their growth, often leading quickly to their failure (Filho *et al.*, 2017). Acknowledgement of the barriers and reality faced by SMEs is important when designing strategies to mitigate the challenges relating to their size, such as limited material and human resources, limited access to finance, dependency on customers, changes in the external environment, and high levels of informality.

SMEs are usually dependent on funding and capital provided by their owners or owners’ family members (Eggers, 2020). However, SMEs need access to finance in order to invest and grow further, given their typically limited resources. Their ability to tap into the funding options provided by large financial institutions is also limited, given that such institutions deem SMEs a source of high risk (Fanelli and Cernov, 2011). Therefore, SMEs are frequently forced to engage microfinancing solutions and borrow money from micro-foundations at unfavourable terms, such as higher interest rates than those offered by large banks and to which larger firms have access (Fanelli, A. and Cernov, 2011). Data from the World Bank, derived from an Enterprise survey of 2016, reveals that lack of access to financing is the most significant factor affecting the growth of SMEs (Ndiaye *et al.*, 2018) and, indeed, the challenge posing the greatest difficulty to overcome (Wang, 2016).

SMEs demonstrate greater customer dependency, particularly when their customers are larger firms and have power over them (Kinnie *et al.*, 1999). This is particularly true in times of crises, when SMEs need to cope with limited resources, and focusing on their relationships with their existing customers and engaging in less experimentation to find new ones is a safer strategy in terms of financial performance and stability (Brockman *et al.*, 2012). This practice is particularly common amongst business owners whose intention is to maintain stability of income at the expense of growth in other markets (Ndiaye *et al.*, 2018). SMEs also have limited access to markets and opportunities than larger firms, with the latter able to deploy their resources and efforts to tap into international markets and exploit opportunities for development (Liñán *et al.*, 2020).

The ability of SMEs to network and form alliances with other firms is critical for their growth and expansion to other markets (Javier *et al.*, 2023). Specifically, when SMEs develop partnerships with larger firms, they tend to survive longer (Javier *et al.*, 2023). In cases where the small firms need to commercialise novel products and services, such as an innovative use of technology, larger firms can provide the necessary resources to make these products and services available to the market (Vanhaverbeke, 2017). Moreover, the startup risks and costs can be largely eliminated for SMEs if they participate in the supply chains of larger firms (James *et al.*, 2014); and as part of this value chain, smaller firms acquire knowledge and experience that can be used to support their growth and expand to reach more customers and larger markets. However, this collaboration is not without cost, and there have been cases where smaller firms were treated opportunistically by larger firms (James *et al.*, 2014), with the larger firm aiming to protect its own interests and not those of the smaller firm. In some cases, the smaller firms were exploited to the point of going bankrupt (Verlag and Verlag, 2006). Therefore, the relationship between the SME and the larger firm can prove detrimental to the former if the partnership and alliance does not contribute to the strategic goals of the latter. Another incentive for smaller firms to partner with larger ones is the opportunity to participate in more markets and to internationalise. However, this exposure needs to be very carefully planned, given the intense vulnerability of SMEs to their external environment (Wymenga *et al.*, 2011).

Even when operating in a single market, SMEs are vulnerable to the external conditions of that market. This “external business environment” is defined as the factors outside the firm which may have an impact on the business’s operation, structures, and decision-making and over which the firm has no control (Aguilar, 1967). Child (1972) claims that an organisation needs to be adaptive and flexible to survive the uncertainty arising from the variability of the external environment. Moreover, the nature and the diversification of the organisation’s operations, related to its external environment, determine the level of environmental complexity, which – when coupled with organisational illiberality[[7]](#footnote-7) – greatly impact the decision-making processes within the organisation (Child, 1972). The decision-making process of an SME is predominantly determined by its owners and how they react to the changes in the external environment (Metaxas *et al.*, 2006). The impact of the environment and the responses of business owners differ according to the size of a firm and the level of uncertainty (Pasnicu, 2018) regarding the general external environment (Kourteli, 2005b). Thus, their size makes SMEs more vulnerable to external changes (Curran, 2006). Moreover, a lack of formal organisational structure and processes (Child, 2016), a lack of adequate resources that would allow SMEs to implement more competitive strategies (Lai *et al.*, 2016), and informal HR practices that restrict the firms from attracting skilful employees (Bacon *et al.*, 1996) are all highly detrimental to SMEs’ survival.

Due to their weak structures and limited resources (Eggers, 2020) and vulnerability to the external environment (especially when operating in times of uncertainty), SMEs tend to implement strategies focused on survival, rather than growth (Hoffmann and Lange, 2016). The environment for domestic SMEs can make a difference to a country’s overall economic growth (Albaz, Dondi and Rida, 2020). Research further supports that the development of SMEs can be enabled by a simplified business environment, supported by fiscal and budgetary policies (Viorel Brașoveanu, 2008). The importance of SMEs for the growth of the local economy increases the need for support by governments and policymakers (Albaz *et al.*, 2020), especially when the economic environment becomes more complex and hostile to them, such as in a crisis situation.

One critical dimension of this growth is attributed to the fact that SMEs contribute significantly to global employment. This growth and contribution of SMEs to net jobs can be partially explained by their labour-intensiveness, given the nature of their business activities – for example, in the hospitality and food and beverages sectors (Biljana *et al.*, 2014). However, given the impact of economic downturns on labour-intensive sectors (Suryahadi *et al.*, 2012) and the contribution of these sectors to employment opportunities, the creation and preservation of jobs in SMEs is critical for a country’s economic development. If employment in SMEs is not protected by policy, these businesses will make a significant contribution to the unemployment rates in times of crisis (Kok *et al.*, 2011). This can be partially attributed to the SMEs’ heavy reliance on the local labour market (Biljana *et al.*, 2014) and the significant impact of their business activities on domestic and local employment. When this business activity is impacted by external economic conditions, SMEs are forced to reduce their employment costs, often dismissing employees (Kok *et al.*, 2011), even when the business is already dependent on a small workforce and it is difficult to downsize this further (OECD, 2009). In this respect, the HRM practices implemented by SMEs during times of crisis and economic turbulence are critical (Psychogios and Prouska, 2019) to the national and international economy (Aktürk, 2014).

The global economic crisis of 2008 affected the operation and business performance of SMEs worldwide. In the EU, although the number of SMEs fluctuated throughout the crisis, even today (in 2023), SMEs comprise 99% of the total number of businesses.[[8]](#footnote-8) The number of SMEs in Europe during the economic crisis was impacted by changes in economic activity due to the recession. Table 2.3 presents data compiled from OECD and Eurostat showing the changes in the numbers of SMEs in the EU countries. A focus is applied on the countries of the south, such as Greece, Italy, Spain, and Portugal, as these countries suffered the most during the economic crisis, mainly due to the large government debts that these countries had already accumulated at the beginning of the period (Matsaganis, 2012; *OECD Economic Surveys - Greece*, 2018a). However, although most countries in Europe experienced significant falls in their numbers of SMEs at the peak of the economic crisis in 2012, no country experienced as severe a decline as Greece did. As shown in Table 2.3, the number of SMEs in Greece fell to 531,059 in 2012, well below the 2011 figure of 727,883. This decline of 27% was well above the EU average.

Table 2‑3 Number of SMEs in Europe by Country

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| EU Average | 665,491 | 699,787 | 735,713 | 723,776 | 726,068 | 731,374 | 755,970 | 751,678 | 753,348 | 756,927 | 771,838 |
| Austria | 291,362 | 288,225 | 299,250 | 301,773 | 305,928 | 315,769 | 319,165 | 319,839 | 321,449 | 330,212 | 313,966 |
| Belgium | 445,289 | 475,108 | 506,497 | 546,622 | 561,982 | 561,627 | 589,524 | 597,753 | 607,070 | 627,706 | 629,398 |
| Bulgaria | 273,148 | 312,416 | .. | 305,787 | 308,440 | 309,991 | 315,512 | 321,822 | 331,752 | 336,251 | 339,461 |
| Croatia | 164,468 | 177,542 | 162,993 | 151,295 | 146,362 | 144,459 | 145,384 | 144,711 | 145,641 | 147,503 | 151,555 |
| Cyprus | 50,798 | 50,607 | 48,920 | 48,009 | 47,709 | 46,551 | 46,414 | 47,801 | 49,458 | 52,062 | 54,683 |
| Czech Republic | 898,301 | 937,954 | 967,174 | 994,938 | 997,936 | 979,522 | 986,443 | 991,536 | 1,008,940 | 1,010,220 | 1,033,710 |
| Denmark | 211,735 | 203,992 | 205,980 | 211,096 | 211,093 | 209,204 | 210,544 | 208,527 | 216,336 | 221,120 | 223,396 |
| Estonia | 50,141 | 50,189 | 51,799 | 54,480 | 57,983 | 62,114 | 63,457 | 67,538 | 70,031 | 75,162 | 76,909 |
| Finland | 222,582 | 222,205 | 222,135 | 223,541 | 224,047 | 230,028 | 226,995 | 226,894 | 226,420 | 228,730 | 227,526 |
| France | NA | 2,188,690 | 2,509,020 | 2,562,680 | 2,837,570 | 2,969,540 | 3,128,900 | 2,865,540 | 3,013,590 | 2,741,040 | 2,822,820 |
| Germany | 1,866,820 | 2,018,860 | 2,053,600 | 2,133,280 | 2,169,040 | 2,172,130 | 2,487,260 | 2,385,260 | 2,443,310 | 2,479,310 | 2,575,930 |
| Greece | 829,229 | 849,389 | 745,677 | 727,883 | 531,059 | 653,944 | 692,286 | 704,339 | 703,326 | 829,677 | 821,209 |
| Hungary | 565,178 | 548,055 | 546,922 | 542,468 | 521,165 | 493,138 | 507,807 | 529,180 | 543,564 | 562,220 | 591,579 |
| Ireland | 237,731 | 237,122 | 223,162 | 223,162 | 235,235 | 235,608 | 231,139 | 241,333 | 241,601 | 262,401 | 261,082 |
| Italy | 3,914,760 | 3,856,830 | 3,836,380 | 3,813,680 | 3,796,340 | 3,743,050 | 3,686,940 | 3,655,260 | 3,691,720 | 3,683,730 | 3,669,340 |
| Latvia | 75,823 | 77,432 | 80,456 | 78,424 | 91,036 | 95,850 | 99,179 | 108,274 | 114,026 | 111,489 | 111,404 |
| Lithuania | 139,155 | 111,080 | 112,213 | 124,775 | 139,007 | 150,523 | 171,616 | 183,351 | 189,466 | 199,581 | 208,215 |
| Luxembourg | 26,602 | 27,536 | 28,515 | 28,909 | 29,006 | 30,543 | 31,125 | 31,666 | 32,015 | 33,476 | 34,065 |
| Malta | 25,072 | 25,711 | 28,511 | 27,317 | 26,459 | 25,052 | 25,880 | 25,756 | 28,836 | 29,121 | 30,086 |
| Poland | 1,531,060 | 1,421,560 | 1,457,210 | 1,499,810 | 1,496,290 | 1,471,970 | 1,525,540 | 1,582,770 | 1,670,610 | 1,720,150 | 1,937,260 |
| Portugal | 936,126 | 900,743 | 853,912 | 824,988 | 787,372 | 771,788 | 777,180 | 801,520 | 827,356 | 862,282 | 890,087 |
| Romania | 504,581 | 489,646 | 442,241 | 404,338 | 420,875 | 431,209 | 450,687 | 452,799 | 460,122 | 479,617 | 496,350 |
| Serbia | NA | NA | NA | NA | NA | NA | NA | NA | 89,915 | 84,548 | 86,387 |
| Slovak Republic | 61,833 | 61,030 | 402,135 | 411,064 | 394,451 | 389,679 | 416,608 | 425,232 | 442,406 | 468,022 | 489,639 |
| Slovenia | 107,416 | 110,508 | 113,883 | 116,148 | 118,315 | 125,446 | 128,747 | 133,337 | 137,511 | 140,718 | 144,250 |
| Spain | 2,628,170 | 2,524,520 | 2,478,210 | 2,406,320 | 2,359,960 | 2,328,880 | 2,349,860 | 2,437,260 | 2,649,660 | 2,630,340 | 2,618,420 |
| Sweden | 579,888 | 590,880 | 617,500 | 645,806 | 656,248 | 657,531 | 651,614 | 664,673 | 697,676 | 706,870 | 633,213 |
| Switzerland |  | 136,432 | 134,239 | 133,358 | 132,930 | 141,963 | 145, 388 | 141,339 | 139,948 | 140,386 | 139,535 |

Source: OECD and Eurostat

Policymakers have long treated SMEs as similar to larger organisations in terms of their degree of vulnerability and sensitivity to changes in the external business environment. It is only in the last few decades that research has acknowledged and identified the nuanced differences between the two (Filho *et al.*, 2017). Policymakers and governments in most countries have also come to acknowledge differences between SMEs and large organisations which extend beyond the size of the firms (Wincent, 2005). When compared to larger organisations, SMEs are very different not only in terms of how they react to external developments, but also in how they organise and operate internally, displaying a high level of informality (Mallett and Wapshott, 2014; Ndiaye *et al.*, 2018). Moreover, the structure and organisation of SMEs is highly reliant on their owners, who have control of the decision-making (Matlay, 1999) and who influence the strategy and growth of the firms (Blackburn *et al.*, 2013).

## Human Resource Management Practices in SMEs

Welsh and White (1981), in their study of small businesses, question this traditional view of SMEs as small-scale replicas of larger firms (Kotey and Sheridan, 2004) and suggest that small businesses actually comprise a distinct group, subject to constrained financial resources, skill deficiencies, and short-term perspective of management (Welsh and White, 1981). Cassell *et al.* also clearly distinguish SMEs from larger organisations with respect to their HRM practices, even suggesting that, due to the diversity in SMEs, key managers should not follow a unified strategic approach to managing their human capital (Cassell *et al.*, 2002). The use of HRM practices in SMEs has attracted significant attention in the literature, as these practices have a direct impact on the employees of a firm. Employees are considered to be a valuable resource (Barney, 1991) and a major source of the competitive advantage, especially for a small business. Thus, problematic and ineffective employee management can even lead to the failure of the business.

Boselie suggests that HRM “involves management decisions related to policies and practices that together shape the employment relationship and are aimed at achieving certain goals” (Boselie *et al.*, 2021, p.484). HRM practices in SMEs are exercised in a more loose and informal way than in larger firms, either relying on the manager or owner (Tocher and Rutherford, 2009) or on external support and advice from a “business friend” (Kitching, 2016), rather than in a formal and systematic way designed to attract and develop the necessary talent for the organisation (Boxall, 2014). This level of informality is partially attributable to the small size of the firms and the high level of proximity between the employees and the business owner (Wapshott and Mallett, 2015). However, SME employers are often willing to abandon this informality and move to more formal ways of managing their human resources when they believe such practices will be valuable for the firm (Tocher and Rutherford, 2009) and beneficial for its performance. The extent to which these practices are used and the importance assigned to their strategic impact depend on a variety of factors, which does not suggest homogeneity between firms (Cassell *et al.*, 2002). Nonetheless, despite this informality, empirical research has identified that HRM practices are used in small firms (Tocher and Rutherford, 2009) and that there is a need for them manage effectively their employment relations.

Research further suggests that the smaller the enterprise, the less structured and less formal its HRM practices (Kok and Thurik, 2002). HRM practices increase with both the size and the growth rate of the firm (Kotey and Slade, 2005), and as firms grow, they develop more necessity for formal HRM practices. Thus, more practices are implemented in medium-sized firms than in small or micro firms. The HRM practices of mature firms also differ from those of firms that are fast-growing, thus indicating a clear link to the life-cycle of the firm (Rutherford *et al.*, 2003). The implementation of HRM practices is further related to the growth rate of a firm. Small and medium-sized businesses are already constrained by their small numbers of employees, given their typical inability to sustain high employment costs. Thus, in order to cover the business’s needs in terms of skills and competencies, especially during the early stages of its operations, a relatively small number of employees might have to undertake responsibility for more tasks and engage in working-time schedules and arrangements which are complex and demanding (Smith and Zagelmeyer, 2010). Moreover, a firm in its “birth stage”, not having grown sufficiently to “convince” applicants that it is a worthwhile employer, will have more trouble attracting talented people than a firm that has acquired market resilience and obtained positive performance results (Rutherford *et al.*, 2003). In general, firms that lack recognition as a reliable employer are not easily trusted by prospective employees, who generally prefer to work for larger firms that have established solid reputations (Guz Hamberg, 2011).

In addition, SMEs do not form a cohesive category, which makes the management of their human resources even more complicated. As well as the issues of business size, other aspects also contribute to this high level of heterogeneity, and size is frequently not the most appropriate way of determining the business behaviour and management practices of SMEs (Wapshott and Mallett, 2015). SMEs might differ significantly by industry and by required employee-skills, given the firms’ lack of resources and their dependency on a small workforce. Their distinct nature and characteristics may also be responsible for differences in structure and performance (Barney, 1991). The internal organisation and management of SMEs have a significant impact on the firms’ competitiveness and strategic orientation, which in turn are very dependent in some cases on the owner-managers. In small and micro firms, more specifically, owner-managers have control over decision-making (Matlay, 1999). Although this is not the focus of this thesis, we cannot neglect the impact of the owners’ individual characteristics, motives, and aspirations on the strategies and growth of the small firms (Blackburn *et al.*, 2013).

The lack of formal HR practices in small businesses, and the reasons why small firms may not fully comply with labour laws and policies, have attracted the attention of researchers (Kotey and Sheridan, 2004). SME owners are occasionally reluctant to follow labour laws, and some are not adequately informed regarding changes in labour legislation. Indeed, it is often difficult for SME owners to monitor changes in employment legislation (Atkinson and Curtis, 2009) and to ensure that their businesses comply with labour laws. This is usually accompanied by a lack of unionisation and inadequate representation of trade unions, further resulting in the absence of formal arrangements in small firms (Marlow and Patton, 1993). The formal and informal processes of people management in the workplace shape the employment relations of a business (Debrah and Mmieh, 2009), and while in larger organisations these relations are more formally managed and organised, the lack of resources in SMEs impedes them from acquiring HR professionals who can suggest and implement more formal and structured employment practices (Harney *et al.*, 2022). Thus, the HRM practices in SMEs are usually designed and implemented by the owners of the business and the HR function is the last to be delegated to a manager or professional (Kroon *et al.*, 2013).

The issues of SMEs’ heterogeneity and diversity, lack of resources, and significant dependency on the decisions of owners–managers also becomes problematic when generalising findings and conclusions regarding small firms (Wapshott and Mallett, 2015) to identify practices which might be effectively transferred to other small firms in similar industries and of similar sizes and structures. However, it seems to be more effective and meaningful to examine small firms in relation to the contexts and market conditions in which they operate (Eatough and Smith, 2008). Seeing SMEs within this prism might allow us to classify them more meaningfully and to identify their common practices, eventually helping us to draw valuable conclusions regarding their practices and operations. The context investigated in this thesis is that of the economic crisis in Greece, and the focus is on how this context affected the HRM practices of the SMEs.

The labour-market characteristics in various European countries have led to different policies and HRM practices being used by SME firms. As an example, in France and the Netherlands, SMEs have been excluded from regulations relating to such matters as the working hours of employees. This example demonstrates that policymakers have allowed some flexibility and informality in the operations of SMEs (Smith and Zagelmeyer, 2010). However, although it is clear that labour laws may come at the expense of the flexibility of a small firm, they are absolutely required to ensure equal and fair treatment of employees (Kotey and Slade, 2005). One theme in this debate is that the close relationships in a small firm facilitate a “small and beautiful” working environment in which employment relations are pleasant and beneficial for the employees (Kotey and Sheridan, 2004). Others claim, however, that these types of relationships correspond to a punitive environment of a “bleak house”, where employment relations may be harmful, thus emphasising the need for employment regulations. However, these differences depend on the nature of the job, the industry sector, and a number of other factors, suggesting that it is not a straightforward dichotomy. Moreover, to develop a better understanding of these practices, it is important to identify the context in which SMEs operate in terms of labour management and policies and the relevant employment regimes, as determined by the geographical location of the business.

### Recruitment, Selection, and Hiring Practices

Recruitment and selection are amongst the HR practices most widely researched by scholars (Sarkodie Baffoe, 2016). When a firm is at a nascent stage, most of the business activities and functions are performed by the owner (Bacon *et al.*, 1996), but as the business grows and develops, a need arises for new skills and knowledge (Cardon and Stevens, 2004). The staffing strategy of business owners at the beginning is often to rely mainly on family members, and it can prove difficult to eventually replace family with professionals (Bacon *et al.*, 1996). Family members are trusted to provide certain skills because they are trusted by the business owners, and the expectation is that they will perform their role “fairly” (Sampe, 2019), although there is no formal job description and the tasks are not explicitly defined. Thus, the strategy of relying on family members impedes the business owners from exercising effective management of their resources and often leads to failed outcomes (Chen *et al.*, 2019). The soft skills of new recruits can be far more important to SME owners than hard qualifications, such as educational background (Barber *et al.*, 1999). This is particularly true for younger employees, and the main recruiting and selection criteria used by the owners of many European SMEs are the soft skills of the candidates (Höffkes and Harris, 2021). In addition, in the process of recruiting and selecting candidates, business owners focus on matching the skills and knowledge of the recruits with the general organisational culture, rather than with the specific tasks associated with the job (Cardon and Stevens, 2004). Thus, the choice of a new recruit is mainly based on the instincts of the owner, the owner’s perception of how well the applicant will fit the organisation (Timming, 2011), and the firm’s culture overall (Black and Wiliam, 1998). A study of Greek SMEs in Crete (Pagkalakis, 2010) demonstrated the need for business owners to hire employees who complement their weaknesses, so that a business can acquire the skillset required for its operations.

Recruitment and selection practices, and the way they are used, are also determined by the sector and the nature of the job (Cassell *et al.*, 2002). For example, in the tourism industry, which is considered to be low-skill and lacking in high specialisation (Ioannou, 2021) attracting and hiring new employees might be easier than finding specialised knowledge and skills (Mallett and Wapshott, 2013). Moreover, due to the seasonality and the temporary nature of the job in some industries, such as tourism and hospitality, it is easier for firms to recruit employees from the local areas in which they are operating. This is because prospective employees usually have access to a close circle of family and friends, and the firms can hire employees whom they trust and with whom they share a common local culture (Bolter and Robey, 2020). Moreover, social and spatial proximity – meaning that employees and employers have very close interactions at work – and established relationships increase the probability of new people smoothly integrating with the existing team (Wapshott and Mallett, 2015).

The management styles encountered in SMEs are reflected in the processes applied to recruit and select new employees, which are typically sets of “tried and trusted” processes (Timming, 2011) aimed at identifying “known quantities” (Carroll *et al.*, 1999). Only rarely do small firms and their owners assign the task of recruiting to experts outside of the firm, given that they usually do not have the financial resources to outsource (Guz Hamberg, 2011). Moreover, Leung *et al.* suggest that small firms, given their stage of growth, tend to be bound by constraints such as a lack of resources and thus may choose to either “buy” or “make” their employees (Leung *et al.*, 2006). More specifically, at the startup phase, they tend to buy or acquire skills from the open market and from social and business networks, while during the growth stage, they tend to rely more on business networks.

According to Carroll *et al.* (1999), when small businesses have a need to fill a position, they design the needs of the job and the job description, and if they cannot cover the needs internally, they hire externals. One of the most popular ways for SMEs to recruit and select employees is by word of mouth and referrals from a close circle of friends and from the current employees of the business (Psychogios and Prouska, 2019). Where word of mouth is used in the process, there is a chance of reducing employee turnover (Carroll *et al.*, 1999), as the new recruits have been referred by existing employees and are thus likely to socialise better with them.

However, recruiting processes based on the criteria of cost and ease bring multiple challenges for the owners of SMEs, and these processes may seem simplistic and discriminatory (Marlow and Patton, 1993). Moreover, covering the position internally or through employee recommendations is not always appropriate, for a variety of reasons. For example, by using this method, the firm may fail to tap into the most skilful human capital (Timming, 2011), which is more attracted by larger organisations that use more structured processes to match roles with new talent of a younger age (Saru, 2007). Moreover, in larger firms, recruitment is usually done by a group of dedicated managers who are trained in assessing and hiring new employees (Barber *et al.*, 1999). Smaller firms, on the other hand, rely on ad hoc policies and practices, with varying criteria for different positions. The high levels of informality in the recruitment processes and HRM practices can leave SMEs struggling to attract and hire appropriately skilled workers (Bilan, 2020). However, when owners use formal processes and employee-management practices, the selection of employees has been associated with positive outcomes on the performance and the growth of the firm and the employees (Black and Wiliam, 1998). Staffing is critical for businesses, and the failure to attract and hire new people can have a severe impact on a firm (Black and Wiliam, 1998). In addition, the competitive advantage of a firm can be dependent on its people, depending on the sector characteristics, so the employment of talented and irreplaceable people should be the outcome of sound HR recruitment practices (Black and Wiliam, 1998). In such contexts, the recruitment of talented and experienced workers might prove to be a source of competitive advantage for some small and medium-sized businesses (Mura *et al.*, 2017).

In times of economic crisis, SMEs tend to freeze the recruitment of employees (Ratko and Ulgen, 2009), in fear of economic downturn; or if feasible, they recruit only cheaper labour (Vardarlıer, 2016). However, experienced employees will eventually retire and businesses might then need to recruit new employees with the required skills to replace them (De Leede *et al.*, 2019). Moreover, during periods of economic crisis, youth unemployment increases drastically (Bentolila *et al.*, 2022) and many younger individuals are unable to secure permanent jobs. Financial strain and poor working conditions, among other reasons, may force young individuals to leave the country and seek employment abroad. Greece is a very good example of such a case, with a large number of young people having left the country during the economic crisis, causing a “brain drain” challenge for the Greek economy (De Leede *et al.*, 2019). As a result, businesses must deal with a mismatch between the jobs and skills available (Avagianou *et al.*, 2022), and this mismatch may be intensified in certain locations.

The challenges of SMEs’ recruitment and selection strategies are intensified during periods of economic crisis. In the literature reviewed for this thesis, these challenges are associated with the informal methods of recruitment and selection; the business owners’ use of their own potentially limited perspectives to identify the necessary skills and match jobs to employees; and the overall lack of structured recruitment practices, given the absence of HR professionals. Economic crises reduce the financial resources available to support formal internal HRM structures, which further impedes the businesses from implementing efficient recruitment and selection practices. Thus, such practices depend heavily on the judgement of the business owners and their need to limit labour costs.

### Working Patterns, Wages and Dismissals

#### Working Patterns and Wage-Cuts

The reward and compensation strategies in small firms contribute significantly to the satisfaction that employees acquire from their jobs and are amongst the main incentives to work (Hsin-Hsi Lai, 2011). An attractive reward strategy has an obvious impact on the performance, commitment, and engagement of employees (Prouska *et al.*, 2016). SMEs typically provide lower pay than larger firms (Wapshott and Mallett, 2015), and rewards may vary according to the SME sector – with incentive pay awarded to sales employees in the retail sector, for example, and housing to tourism and hospitality employees (Wapshott and Mallett, 2015). The reward strategies of SMEs, when compared to those of larger firms, differ in ways which can be attributed to the resource scarcity faced by SMEs and the uncertainty of their long-term survival (Cardon and Stevens, 2004). Traditionally, businesses have implemented pay systems based on the productivity of the employees in terms of their status and working hours. However, a practice often implemented by SMEs today is a “total rewards strategy” which includes non-financial benefits, such as a style of working environment, opportunities for learning and development, and professional recognition (Prouska *et al.*, 2016). SMEs assign more value to – and focus more heavily on – the total rewards strategy than larger firms tend to do (Cardon and Stevens, 2004), as the non-monetary rewards offered by smaller firms are more important to the firms’ relationships with their employees (Wapshott and Mallett, 2015). These rewards influence both the employees’ performance and the overall performance of the business (Lawal and Ojokuku, 2022). The rewards and the non-monetary benefits (Cassell *et al.*, 2002), also known as “intrinsic rewards” (Lawal and Ojokuku, 2022), are strong incentives for job performance.

It seems, however, that level of pay is not always directly related to performance and satisfaction in small and medium-sized firms. The relationship between the owner–manager and the employees in small firms, which is highly characterised by informality, is better described as a continuous process of negotiation (Mallett and Wapshott, 2014). The owner-managers typically view their employees as both valuable business assets and an opportunity for cost-optimisation, and the employees view the small firms as stepping stones that will allow them to moving onto competitor firms with more favourable terms of work. The rewards of employees in SMEs are highly dependent on the business owner’s reward strategy, and SMEs are not always attractive employers, compared to larger firms, and tend to provide lower pay (Cardon and Stevens, 2004). In an SME, the pay and reward systems are comprised of formal and informal processes, highly dependent on the business owners and managers (Bacon *et al.*, 1996; Kotey and Sheridan, 2004). In practice, the pay systems used in most cases are not performance-related, but are rather based on the business owners’ judgement regarding the performance of their employees, which might be subjective and discriminating. Moreover, the extent to which the acquired skills and knowledge of the employees are reflected in their rewards is, again, subject to informality in small firms (Wapshott and Mallett, 2015). While the need for structure and formality is acknowledged to some extent by the owners of the businesses, the need for informality in employment relations obstructs the implementation of structured reward strategies (Bacon *et al.*, 1996). Moreover, formal HRM practices, according to owner-managers, create a burden of cost and bureaucracy (Sheehan, 2014), as they require HR practitioners and methods and systems for monitoring performance.

Studies have demonstrated that a major influence on wages and rewards is the sector to which the SME belongs; and certain sectors, such as retail, are more competitive than others (Arrowsmith and Keith, 1999). In addition, the relationship of the firm to the labour market also influences how workers are compensated in small firms (Wapshott and Mallett, 2015), and although this influence is uneven, the availability (or scarcity) of talent and skills in the labour market necessarily affects the pay levels of workers.

Overall, the reward schemes in SMEs are typically less favourable for employees than those of larger firms; and as rewards are negotiated rather than strictly defined, they are highly dependent on the business owner and the culture of the firm. In terms of their pay, employees are protected to an extent by government regulations on minimum wage, and they can negotiate their terms of pay based on their contribution to company performance, their skills, and the knowledge they acquire through their tenure and experience (Wapshott and Mallett, 2015). However, these governmental employment policies are not uniformly implemented by SMEs. Specifically, Arrowsmith *et al.* (2003) looked at how firms in the clothing and hotel industries in the UK adopted the national minimum wage regulation and found that practices were characterised by variety and informality (Arrowsmith *et al.*, 2003).

The lack of formality in SMEs, and the fact that the pay systems are subject to various influences, depending on the culture and judgement of the business owners, is enhanced when SMEs are subject to financial pressure. In times of economic crisis, firms are more likely to cut wages to reduce labour costs than to lay off employees or implement redundancy strategies (Lai *et al.*, 2016). In a study of Swedish SMEs, the pressure of economic turbulence and uncertainty led many businesses to reduce their labour costs by renegotiating the contracts of their employees (Thorgren and Williams, 2020). As a further example of this, it is noted that the main responses of Greek SMEs to the pressures of the economic crisis were wage adjustment, workforce adjustment, and work redesign (Psychogios and Prouska, 2019). In times of economic crisis, business owners adopt practices such as changing employees’ working patterns; shifting from full-time to part-time and even to temporary employment; and adjusting their pay systems according to their labour cost structure, thus reducing salaries, bonuses, or wages (Psychogios *et al.*, 2017). Another practice implemented by businesses in response to a changing business environment is to reduce their employment costs by assigning “cheaper” employees to jobs (Vardarlıer, 2016). However, the productivity of the business might be affected as a result. In fact, studies have shown that the employment of many temporary employees is likely to have a negative effect on business productivity (de Grip and Sieben, 2005). Additionally, another common practice is the intensification of work, often used in combination with redundancies (McDonnell and Burgess, 2013). In the case of Greece, the employees that remained in the businesses and who were not made redundant during the economic crisis were often asked to work overtime hours, without compensation for the extra time worked (Psychogios *et al.*, 2020).

Overall, during periods of economic crisis, SME owners have been seen to implement practices that worsen the working conditions of their employees, negatively affecting the latter’s commitment and engagement (Psychogios and Prouska, 2019). Due to the financial difficulties faced during a period of economic downturn, firms may feel the need to lower their labour costs (Cho *et al.*, 2011). In periods of economic crisis, wage cuts and layoffs are very popular strategies in the majority of SMEs (Simões, 2013), although attempts may also be made to avoid layoffs by reducing working hours and terminating temporary employment contracts (Vandenberg, 2009). The case of the 2008 economic crisis provides proof of this, with many companies choosing to dismiss their employees in an effort to withstand the financial strain that they anticipated from the economic downturn (Ratko and Ulgen, 2009). When the dismissal of employees is implemented as a strategy, business owners are usually prepared to sacrifice quality in exchange for productivity by assigning more jobs to fewer employees (Vardarlıer, 2016). If work intensification is also accompanied by wages and salary cuts, the morale and satisfaction of the employees in the business will be damaged, leading to feelings of insecurity and uncertainty about their jobs (Psychogios and Prouska, 2019). Moreover, the downsizing sends a negative signal to the employees regarding their productivity and performance, given that the employees made redundant are typically those with the lower performance (Iverson and Zatzick, 2011).

The employment practices used by SMEs can usually be adapted with ease, given the lower degree of unionisation in the firms and employees’ relative lack of power to confront strategies affecting their job security, job status, and pay levels (Lai *et al.*, 2016) or to engage in collective bargaining (Psychogios and Prouska, 2019). As a result, employees frequently find themselves in a position of having to accept part-time jobs over full-time work (Whyman and Petrescu, 2015) or to accept lower financial rewards and freezes on their wages and salaries (Lai *et al.*, 2016). Overall, efforts to save on labour costs are a prevalent strategy for the owners of SMEs, given their emphasis on protecting the financial conditions of their businesses.

#### Dismissals

The employees of a business are one of its most valuable resources. However, small businesses are usually subject to resource poverty (Cassell *et al.*, 2002), given that newness and smallness typically mean fewer resources (Cardon and Stevens, 2004). Hence, SMEs prefer to attract the right people to their businesses and to retain them through training and competitive pay systems, rather than hiring employees with moderate skills who might need to be made redundant at a later stage. The main reason for this is the high cost associated with dismissing employees and then recruiting and training their replacements (Stocker *et al.*, 2018). This cost element is also identified in the research as a barrier to dismissal, and studies have found that employers are sometimes cautious about dismissing staff, wishing to avoid disputes that might be costly and complex to resolve (Jordan *et al.*, 2013).

A fear expressed by employers is that they might invest time and effort in the training and development of an employee who then eventually leaves the business and seeks a job with a rival firm (Saru, 2007). In fact, voluntary turnover can prove disastrous for a firm, given that the operation and competitiveness of the business can depend on the qualities of its employees (Psychogios and Prouska, 2019). Thus, firms cannot afford to lose talented and trained employees (Saru, 2007). There are many reasons, however, why employees might voluntarily leave a business, such as more attractive opportunities in competitive firms, a lack of development and progress in their current position, and even personal reasons (Wapshott and Mallett, 2015). Employers, furthermore, might choose to lay off their employees for disciplinary or economic reasons. Such decisions can also depend on whether employers wish to establish a stable or more flexible relationship with their employees (Signoretto and Valentin, 2019). If they wish to establish a stable and long-lasting relationship, they will maintain a low turnover of employees, whereas flexibility demands greater freedom to dismiss employees.

Employers in SMEs do not often implement objective criteria for the assessment of their employees’ performance and instead usually rely on their own judgement (Lai *et al.*, 2016). Thus, it is common for employers to lay off employees due to performance inefficiencies, but it is not always easy to prove the objectivity of such decisions, thereby leading to unfair dismissals (Psychogios and Prouska, 2019). Other reasons for employee dismissal include problems in operations, a lack of knowledge and skills, lack of employee development, and poor communication between the employer and employee (Stocker *et al.*, 2018). Overall, however, it is more difficult for SME owners and managers to dismiss their employees than it is in larger organisations, given the closer relationships established in smaller businesses (Cardon and Stevens, 2004).

Nevertheless, the group of workers most affected are not the low performers but rather the younger workers, and this is clear in the cases of Spain (Martínez-García and Cámara, 2022) and Greece (Panagiotakopoulos, 2020), where the youth unemployment rates reached as high as 48% during the economic crisis. Disengaging young people from the labour market is harmful for the economy and society overall – not just for employers – as it widens the mismatch between the jobs and the available skills and levels of education (Lewis and Heyes, 2017).

The dismissal of employees is frequently used as a buffer for the owners of SMEs under financial strain, often leading to cases of unfair dismissal. These practices are more common where there is lack of unionisation (Psychogios and Prouska, 2019) and end enforcement agencies are weak (Heyes and Lewis, 2015).

### Bogus Self-Employment and Undeclared Work

Job insecurity often leads employees to accept terms of employment that are unfavourable to them. The practice of undeclared employment endangers the job security of the employees and deprives them of their employment rights, as this affects their right to employment benefits, health insurance coverage, pensions, and overall employment protection (Burgstaller *et al.*, 2022). Although undeclared employment can also be the choice of an employee, a large number of employees engage in this form of employment because employers ask them to do so and because it would otherwise be very difficult to find a job, especially during periods of high unemployment (Williams and Horodnic, 2010). Thus, in periods of economic crisis, the dichotomy between state morality and citizen morality is magnified and there is an increased tendency for business owners to disregard the laws and regulations (ILO, 2016), especially when they have lost faith in them. The shadow economy adversely affects unemployment rates and working conditions (Kelmanson *et al.*, 2019), both of which are already worsened in times of economic crisis. This situation is manifested in those sectors of the economy which offer low opportunities and limited benefits to employees in formal jobs, especially young people and those in certain other demographics (Kelmanson *et al.*, 2019). According to EC data, the sectors of the economy which most commonly use undeclared work are hospitality, construction, and retail (Burgstaller *et al.*, 2022).

Undeclared employment is not the only driver of the informal economy, especially during periods of economic downturn. A practice which has captured the attention of policymakers is that of bogus self-employment. According to the ILO, bogus self-employment is “a form of non-standard employment that falls between the categories of employment and self-employment”. It can take the form of a “disguised employment relationship”, in which “an employer treats an individual as other than an employee in a manner that hides his or her true legal status as an employee”, or “dependent self-employment”, in which “workers perform services for a business under a contract different from a contract of employment but depend on one or a small number of clients for the incomes and receive direct guidelines regarding how the work is done” (ILO, 2016: 36). Although many individuals in European countries are identified as self-employed by choice, there is also a percentage of self-employed individuals who have acquired this status by necessity because they were unable to find other work (Vermeylen *et al.*, 2017). The financial pressure exerted on SMEs and their owners by the economic crisis led them to use bogus self-employment to avoid incurring the costs of social-security contributions for their employees (European Commission, 2010). Employees were also forced to engage in disguised employment to avoid being dismissed and left unable to find another job, given the high levels of unemployment (Voskeritsian *et al.*, 2019). Rates of bogus self-employment are influenced by a number of factors in the legal framework of the labour relations in a country, the level of tax and social-security contributions paid by the employers, and the culture of the firm and business owners with respect to employment relations (ILO, 2016).

During the economic crisis, the degree of regulation and deregulation in the labour market – and the labour laws introduced by the policymakers – impacted different sectors of the economy in various ways, causing rates of bogus self-employment, atypical work, and undeclared employment to rise. The construction sector was one sector in which self-employment and bogus self-employment were observed in many markets (Ales and Faioli, 2012). The share of self-employment as a total of all employment varied between countries, with Greece having the highest percentage, well above the EU average. Differences in self-employment figures were identified even between countries representing the same labour regime, with the Mediterranean countries (European Commission, 2010) seeing the number of self-employed workers outnumbered that of employed workers in the construction sector. The countries of the EU in which bogus self-employment was identified as a dominant form of employment were Greece, Italy, Ireland, Latvia, Netherlands, Spain, and the United Kingdom (Heyes and Hastings, 2017).

Construction workers, especially in these countries, were found to regularly – even multiple times in a year – change their employment status from self-employed to employed, between different projects and different employers (Whitston, 2018), making them more prone to fall into a bogus self-employment status. Moreover, in Europe, many workers in the construction sector are either immigrants or of foreign nationality, which further encouraged bogus self-employment and undeclared work. The construction sector in Greece saw a steady increase in rates of self-employment, exceeding by far the EU average. Despite the efforts of the EU countries to tackle the problem of bogus self-employment, the financial crisis led many nations to unintentionally encourage it by imposing labour taxes that both businesses and employees sought to avoid paying.

Bogus self-employment was typically accompanied by a large number of employees being identified as “undeclared”. This was not just in the construction sector, but also in sectors such as retail and tourism, which are the focus of this study. The detrimental effects of undeclared employment on workers have been acknowledged by the EU and the member states; and in 2016, a platform was created by the EC to ensure that the cases of undeclared employment would be better monitored by the member states (Williams, 2019). The financial crisis, however, strengthened once more the practice of undeclared employment, especially amongst SME owners, causing significant harm to employees’ employment rights, learning and development, access to the health system, and pensions. Moreover, Mediterranean countries such as Greece, where tourism is a dominant sector of the economy,[[9]](#footnote-9) provided perfect opportunities for undeclared work due to the high numbers of seasonal and temporary jobs. Unfortunately, the lack of adequate inspections of such cases by labour inspectorates, and the absence of a coordinated mechanism to tackle undeclared employment, especially in the countries of southern Europe (Williams, 2019), reinforced this phenomenon, with obvious social implications. Institutional inadequacy and weak law-enforcement practices encourage informality and undeclared employment practices (Kelmanson *et al.*, 2019). As a result, rates of undeclared employment are higher in countries where government policies are only weakly enforced. This can be seen in the southeast of Europe (Williams and Horodnic, 2010), such as Greece.

## Employment Regimes

Before the 2008 financial crisis, labour markets in Europe exhibited distinct characteristics that influenced its countries’ diverse policymaking strategies. These strategies subsequently shaped the employment relations of the affected firms, with European countries and institutions designing policies for work and employment also known as “employment regimes” (Gallie 2007). Gallie explores the quality of work through different perspectives as part of the social agenda of certain countries in Europe. Through his work (2007), it is explained that the employment regimes placed less emphasis on the role of the employers, which used to be the centre of focus of the production regime theory, and the focal point instead, was the mediated relationship by the state, between employers and the labour market. The emergence of neoliberalism in Europe and the focus on financial institutions had already weakened employment protections in the market economy long before the financial crisis of 2008. Influenced by the trend towards liberalisation that was evident in Europe before the financial crisis, the EU had invested its efforts in “flexicurity” as a strategy to provide security to employees and flexibility to employers in order to maintain the social balance (Gialis et al., 2015). EU member states were also encouraged to design their own “flexicure” employment policies at a national level (Heyes and Rychly, 2013). Thus, various types of employment regimes were developed in Europe, based on the social structures of the respective countries and the influences of other market economies, demonstrating varieties of capitalism (Vallejo-Peña and Giachi, 2018). These varieties of capitalism emerged from the historical backgrounds and ideologies of the individual countries. Thus, the Scandinavian countries applied social democracy as a form of capitalism; Germany and continental countries such as France and Belgium developed a corporatist form; the Anglo-Saxon countries of the United Kingdom and Ireland implemented a liberal form; and the Mediterranean countries of the south – such as Greece, Spain, and Italy – developed a mixed model.

The UK market regime was aligned with US labour-market reforms, being more focused on the protection of business competitiveness and less on the protection of the employees, which weakened the position of its workers (Gallie, 2007). The rationale for the market regime was that the protection of businesses – and their ability to hire employees on flexible terms of employment – would ultimately lead to high employment, thereby securing growth and jobs. At the same time, countries such as Germany implemented a dualist employment regime that aimed to protect the core labour force, who enjoyed government protection of their rights, while the remaining part-time and temporary workforce, known as the “periphery” (Gallie, 2007), were considered less important and thus not equally protected. Therefore, the aim of the dualist regimes was not to maintain employment levels but rather to protect long-term employment (Heyes and Rychly, 2013). Other countries, such as those in Scandinavia, particularly Sweden, maintained a focus on the protection of employment rights and implemented inclusive employment regimes (Gallie, 2007). In those countries, social dialogue facilitated the strong presence of the trade unions and collective bargaining regarding employment terms. A very good example of the strong presence of the trade unions is the Ghent system implemented in Belgium which gave the unions more resources and power to negotiate unemployment insurance (Pulignano, 2017). The southern European countries aimed more for employment protection than social protection (Vallejo-Peña and Giachi, 2018). The presence of a large number of SMEs, the largest share of which being family businesses, led to a workforce with minimal skills and limited educational levels, thus hindering the ability of the businesses to be competitive and productive. The working schedules and extended working hours in the countries of the south, such as Greece, had been shaped historically. For example, the extended working hours were the outcome of the “moonlight” effect (Vallejo-Peña and Giachi, 2018), referring to the hours spent working in a second job to increase one’s income.

In the late 1990s, Southern European countries like Spain, Italy, Portugal, and Greece recognized the need for a policy framework to protect social welfare, especially in comparison to Northern European countries. This led to initiatives such as Portugal's secured minimum income and Spain's social protection for vulnerable citizens (Petmezidou and Papatheodorou, 2010). However, the neo-liberal ideas in Southern Europe put an emphasis on fiscal policies to reduce public expenditure and budget deficits, through increased taxation, or improvements in the tax collection mechanisms and increased efficiency in public spending and in public revenues (Xiarchogiannopoulou and Aganidis, 2013). Thus, the social spending was significantly reduced and labour protection was weakened, especially for those outside the “protected core of the labour market” (Ferrera, 1996, p.21) who did not belong to the “clientele” of the political parties that supported the government and the public system through their vote. Eventually, labour market reforms in the countries of the South, and specifically Greece led to the introduction of more flexibility in the labour market, and to an increase in precarious employment conditions (Prokou, 2011). These conditions were exacerbated by political ideologies influencing public institutions and fostering a culture of informality. For example, insufficient inspections to ensure business compliance with enacted labour policies left employment conditions largely at the discretion of business owners.

The austerity measures adopted during the period of the economic crisis in 2008 challenged the implementation of social democratic policies (Petmezidou and Guillen, 2015) and allowed more space for the neo-liberal narrative (Petmezidou and Papatheodorou, 2010). The economic crisis revealed significant inefficiencies within public institutions and the policymaking processes, which allowed neoliberal policies—focused on labour market flexibility and liberalization—to take precedence over the preservation of the welfare state. This shift resulted in the widespread adoption of austerity measures and market-oriented reforms, leading to the erosion of social protections and an increase in economic and social insecurity (Xiarchogiannopoulou and Aganidis, 2013).

The retrenchment of social welfare in Greece compelled the country to enter an austerity program during the period of the economic crisis which led to the labour market deregulation (Petmezidou and Guillen, 2015) higher levels of unemployment (Galata and Chrysakis, 2017) and growing inequality. The main reason for this inequality was the already existing dualistic character of social protection (Ferrera, 1996), and the divide of the labour market to an institutional labour market and to a secondary market. Similarly to other countries in Southern Europe, the institutional labour market in Greece enjoyed better salaries, more employment protection and job security in contrast to the secondary market which consisted of low-wage workers, part-time and temporary employees who faced job insecurity (Featherstone, 2008). The lack of a robust and fair employment policy scheme shifted the burden of the crisis mainly onto the secondary labour market that was highly dependent on familial support and informal networks (Petmezidou and Papatheodorou, 2010). This situation led to high levels of unemployment, with employees willingly surrendering their employment rights out of fear of being laid off (Xiarchogiannopoulou and Aganidis, 2013).[[10]](#footnote-10) Thus, the political economy of Greece before the economic crisis had already shaped the path for more liberal policies and a less regulated labour market.

### Reactions to the Crisis of SMEs in Different Employment Regimes

SMEs were severely affected by the economic crisis, with the crisis having a critical impact on employment and labour policies (Amorim *et al.*, 2013). The financial crisis of 2008 forced SMEs to redesign their employee management practices in response to policy changes. In the EU, the majority of SMEs adopted a key strategy of reducing their labour costs to alleviate the financial pressure exerted upon them, using practices such as cutting wage and salaries, postponing recruitment of employees until the post-crisis period, and dismissing employees as short-term survival strategies (Psychogios and Prouska, 2019).

The aim of the SMEs was to reduce the negative impact of this financial pressure on their business. The financial crisis took the focus away from employment protection, owing to the lack of adequate economic resources available to safeguard working conditions, salaries, and pension levels for workers (Papadopoulos, 2014). Flexibility became more important than employment security, employers’ interests were deemed more important than workers’ benefits, and economic goals superseded social goals (Gialis *et al.*, 2015). Moreover, the austerity measures introduced in many European countries in response to the financial crisis made social dialogue more difficult to pursue and employment protection less feasible (Heyes, 2013). Responses to the crisis were very much shaped by the internal employment regimes of the different countries and their orientations towards employment protection before the crisis. Thus, market regime economies such as the United Kingdom did not prioritise the protection of jobs and, instead, implemented policies that did not support strongly “labour hoarding” (Heyes, 2013), leading to a rise in unemployment, especially among younger workers. The main policies implemented were designed to provide subsidies for the training of employees in SMEs to enhance their skills. Germany, representing the countries with dualist regimes, was also hurt by the economic crisis. However, the main policy implemented in Germany to promote employment protection was designed to encourage short-term working patterns and the reduction of overtime to limit the need for mass layoffs (Lesch *et al.*, 2017). Moreover, businesses were provided with financial subsidies to cover employees’ social security costs and incentives for training (Heyes, 2013). The “German *Wunder*” was mainly concerned with reducing working hours (rather than employment; Crimmann *et al.*, 2010) and the sharing of work, known as *Kurzabeit*. The practices followed by the German government and employers (Heyes and Lewis, 2015) led to lower levels of unemployment than seen in other EU countries. The flexibility introduced into working hours increased the businesses’ flexibility to adjust to market conditions and meant that layoffs could be avoided. In countries such as Sweden, where social democracy and an inclusive regime prevailed, the policies implemented during the time of the financial crisis provided support to the workforce and protected the trade unions (Vaughan-Whitehead, 2015), which strengthened the workers’ wage bargaining powers (Pulignano, 2017).

In Europe, the focus on competitiveness and the liberalization of the employment regulations during the period of the financial crisis, promoted the precariousness of work, leaving many jobs vulnerable, underpaid, uncertain, and demanding long working hours (Pulignano, 2017). Precarious work was even more prevalent in the countries of the south, being the weaker countries of the EU, due to the declining power of the trade unions, the lack of collective bargaining, and the dominance of the micro businesses (Ioannou, 2021). Therefore, during the financial crisis, precarious work saw rapid growth, further eroding youth employment levels and denying young workers employment opportunities (Kretsos, 2014).

In Greece, employment levels were significantly depleted by the financial crisis, and unemployment rates grew rapidly, along with the flourishing of atypical forms of employment. A high degree of flexibility was thus introduced into the labour market following the EU’s strategy on flexicurity (Gialis *et al.*, 2015). Responding to the labour market regimes in the Mediterranean member states and the policy adjustments made in response to the economic crisis, SME owners engaged in a number of employment practices that reshaped employment relations business owners and employees.

## Employment Reforms During the Greek Economic Crisis

### Greece before the Economic Crisis

The fall of the authoritarian regime that governed Greece from 1967 until 1974 was followed by Greece being accepted as a member state of the European Union in 1979, signalling its desire for alignment with the Western countries of Europe. In the early 1990s, Greece accelerated its market liberalization and economic reforms, entering a phase of preparation for integration into the Economic and Monetary Union, formalized by the 1992 Maastricht Treaty. The Maastricht Treaty marked a significant step towards deeper European integration and the formation of the Economic and Monetary Union (EMU), establishing a new framework for economic policy. This framework required member states aspiring to join the EMU to adhere to specific macroeconomic policies, significantly constraining national policy autonomy (Siouta, 2010). The prerequisite for Greece to enter the EMU was to finalize a Convergence Program which lasted between 1993-1999 and met the requirement to reduce the public sector deficit to no more than 3% of GDP by the end of the program period and lower the public debt-to-GDP ratio to close to the target of 60% (Largkova, 2015). By the end of the Convergence Program, Greece had successfully met the criteria to join the EMU and adopt the euro currency in 2000, despite an increase in public debt in absolute terms.

The period following Greece's entry into the EMU was marked by significant development and economic growth, driven in part by the 2004 Athens Olympic Games and sustained economic expansion until 2008. Figure 2-1 depicts the annual percentage change of the country’s GDP from 2000-2008.

Figure 2‑1 GDP - Greece

Source: Macrotrends

Greece's GDP experienced sustained growth for several years before the economic crisis, reaching its peak of nearly 356 billion dollars in 2011[[11]](#footnote-11). However, in 2008 it was the first time after a number of years that the country experienced a negative annual percentage change in its GDP.

As depicted in Figure 2-2, in line with GDP growth, the country's unemployment rate steadily declined after 2000, reaching its lowest point of 7.66% in 2008. This was partly attributable to the significant increase in politically motivated public sector hires, often used as a means to secure electoral support (Routoula, 2018), as well as increased hires related to the 2004 Olympic Games (Georgiadis and Theodorikakos, 2016).

Figure 2‑2 Unemployment Rate - Greece

Source: Macrotrends

Thus, the period of 2004-2008 was also characterized by a period of high public spending on wages, pensions and social benefits (Routoula, 2018), contributing to the steady increase of the public debt during this time. Specifically, the wage bill of the public expenditures, increased steadily and included generous wages, pensions and retirement plans. While during the years before the economic crisis, the public sector workers enjoyed a state of employment with generous benefits, job security and protection of their employment rights, the private sector workers were part of a more competitive labour market defined by less job security and precarious work conditions (Karavitis, 2018). The social benefits received by the public sector workers and their dominance in employment (22-25% out of the total workforce of the country) with easy and politically motivated hiring, made the public sector a more attractive option for employment (Karavitis, 2018).

Overall, after joining the EMU Greece experienced a period of steady growth in its economy reflected in the growing numbers of its GPD. However, this growth was not matched by a corresponding rise in productive investment (Routoula, 2018), and the country’s access to cheap borrowing as a Eurozone member led to a significant increase in debt. Additionally, Greece's lack of competitiveness in international markets, combined with fiscal policies driven by electoral motives, further weakened the economy. The global financial crisis of 2008 ultimately exposed these vulnerabilities.

#### The Construction Sector

The construction sector in Greece has seen significant growth, particularly following Greece's entry into the Eurozone in 2000, which was followed by a period of steady economic expansion. Greece's positive economic outlook and its accession to the Eurozone had a favourable impact on the construction sector, which had been experiencing steady growth for several years prior to the 2008 economic crisis. This growth can be attributed primarily to several factors outlined below:

1. Public Construction: the development of road and harbors as part of the public infrastructure following the strategic priority of Greece to become a hub of international trade (*The Greek Construction Sector - B 2010*, 2011).
2. Private Construction: The movement of Greeks to urban centres created an increase in the demand for real estate. In the period of 1995-2005 the supply of real estate was steadily increasing with an average annual growth rate of 8.4% (Kourliouros, 2014).
3. European Union Funding: the European Union provided significant funding to the Greek economy through the Community Support Frameworks (CSF) and Public Investment Programmes. A significant portion of this funding was devoted to the construction activity of the country (Patsia, 2010).
4. Athens 2004 Olympic Games: The Athens 2004 Olympic Games provided a significant boost to construction activity, not only for the Olympic events but also for tourism infrastructure (Kourliouros, 2014)
5. Access to Funding: Businesses and individuals gained easier access to banking funds and loans. For example, banks offered various types of consumer loans, such as Personal Loans, Car Purchase Loans, Student Loans, Shareholder Loans, Vacation Loans, Wedding Loans, Home Equipment Loans, among others (Karastergiou, 2010). These loans typically had favourable interest rates, encouraging consumers to overspend. A significant portion of this increased activity was directed towards construction.

However, the excessive growth of the construction sector was faced with a number of challenges in the aftermath of the Olympic Games of 2004. One of these challenges emerged after the Olympic games, the construction companies faced serious liquidity problems (*The Greek Construction Sector - B 2012*, 2012) due to the drop in the demand of the sector. The cash deficiencies (*The Chronicle of the Big Crisis: 2008-2013*, 2013) destabilized the construction sector. Furthermore, the construction sector's heavy reliance on public spending and European funding was another factor contributing to instability. The imposition of the VAT tax and the increase on the cost of the construction material (*The Greek Construction Sector - B 2010*, 2011) were another two important factors that undermined the ability of the sector to withstand the impact of the economic crisis.

#### The Tourism Sector

The tourism sector in Greece experienced consistent growth for several years before the economic crisis of 2008, reaching its peak after the country's entry to the Eurozone. However, even before the economic crisis a number of challenges undermined the country’s ability to withstand the impact of the forthcoming economic crisis of 2008. The main reasons for this growth and the underlying risks and challenges are outlined below:

1. Increase of Tourism Worldwide: The social and economic changes after the Second World War there led to a rise in tourism internationally. Greece was one of the preferred destinations given its ancient history and monuments, the natural beauty of the country and its geographical location (Darviniakis and Bormpoudakis, 2012).
2. Heavy Promotion and National Campaigns: Greece implemented strategic targets and destination management strategies to promote the country as a tourist destination (Chardouvelis, 2009).
3. Schengen border-free zone: Greece officially entered the Schengen Area in 1992 but the abolition of internal border controls for Greece was officially implemented in 2000, leading to the significant increase of the inflow of tourists in the country**[[12]](#footnote-12)**.
4. Olympic Games of 2004: The Olympic Games of 2004 in Athens, increased the need for the development of the tourism infrastructure to host the significantly higher number of tourists, and led to an increase of tourists in the country (Diamantopoulou, 2021).
5. European Funding: Greece's membership of the EU provided access to €500 million from the European Investment Bank (EIB) for the construction of new infrastructures and the upgrading of existing facilities related to the Athens 2004 Olympics.[[13]](#footnote-13)

Overall, the tourism sector had a significant impact on the Greek economy with revenues that reached 11.2 billion euros in 2008 (Mandanas, 2019). However, a number of challenges and problems were identified in the sector leading it to experience a negative impact during the period of the economic crisis. One of these problems was the lack of a competitive advantage of the Greek tourism services, when compared to other Mediterranean countries which provided more value for money services (Darviniakis and Bormpoudakis, 2012). Another issue with the tourism economic activity was the high seasonality and the fact that Greece was mainly perceived as a summer destination. The seasonal activity of the tourism sector and its reliance on seasonal and temporary employment caused uneven flow of revenues and long periods of inactivity, also impacting negatively the levels of unemployment in the market (Mandanas, 2019). Moreover, before the economic crisis of 2008, Greece heavily relied on international tourists, with a significant portion coming from Germany and Britain, both of which were entering economic downturns themselves (Papastefanatou, 2015). Finally, the bureaucracy and the unfavorable taxation faced by the Greek tourism businesses, the majority of which were SMEs and family businesses, deterred investment and hindered further sectoral growth (Darviniakis and Bormpoudakis, 2012).

#### The Retail Sector

The entrance of Greece into the Eurozone increased the access to low cost funding given the low interest rate loans offered by the banks. The result was an increase in consumption and growth in the retail sector, followed with an increase in employment. Several factors supported this growth, including:

Increases in GDP: The period before the economic crisis was a favourable economic period with significant increases in the country’s GDP (Figure 2-1 Indicatively, in 2003 the GDP of Greece was 5.9% higher than the previous year. In 2008 the annual difference with the previous year (2007) was negative for the first time[[14]](#footnote-14).

Consumer Spending: Access to “cheap” loans and the steady increase of salaries after 2002, mainly for the public sector, led to increased spending on a variety of products and services (Mandanas, 2019).

Political stability: The steady growth of the Greek economy provided enough confidence in the market for new investments in the retail sector (*The Chronicle of the Big Crisis: 2008-2013*, 2013).

Other factors, such as the Athens Olympic Games, infrastructure developments, and European funding, which were discussed in previous sections and impacted the Greek economy overall, also influenced the retail sector. However, the overreliance of the Greek economy on excessive borrowing and consumption made it vulnerable to the changes of the external environment, and to the economic turbulence which was to be experienced due to the economic crisis. Moreover, the bureaucratic processes of the public sector were a serious drawback of the growth of the Greek economy and its ability to adopt to the new market conditions (*The Chronicle of the Big Crisis: 2008-2013*, 2013). In addition to that, the reliance of the Greek retail sector mainly on imported goods, and the high cost of transportation, reduced the ability of the Greek products to be competitive when compared to those from other Mediterranean countries.

### The Global Financial Crisis and Greece

A “recession” is typically identified as a situation in which the GDP of a country declines for more than two consecutive quarters of a year. This can be persistent and may extend for a few months or even years (Walby, 2015). This definition has been criticised, though, as simplistic and arbitrary; and it has been suggested that additional measures such as unemployment rate, income levels, and productivity and output should also be considered (Layton and Banerji, 2003). There can be various causes of a recession – such as the emergence of a financial crisis, similar to the one of 2008, impacting the economic environment in which businesses operate, creating great instability (Walby, 2015) and disrupting all aspects of the economy (Livadaros and Gargalianos, 2014).

The global financial crisis that started in the United States in 2008 with the collapse of Lehman Brothers was the main reason for the global economic recession that followed (Cho and Tseng, 2009), cascading into other countries and other economies. Large organisations and world banks, as well as companies and governments, were affected by the financial crisis, and the impacts on them triggered further series of effects (Sharma *et al.*, 2011). The consequences of the crisis were evident in the domains of employment, volume, productivity, and business activity, as well as living standards. Some countries have never managed to return to the levels that they had attained in these areas before 2008. According to the IMF, a 7.5% decrease was recorded in the real GDP of the advanced economies towards the end of 2008 (IMF, 2009). Countries which experienced increases in asset prices and financial leverage seemed to have suffered less of a GDP loss than countries whose economies were heavily dependent on durable goods and hi-tech manufacturing (Elmeskov, 2009). Western European countries that had invested in the American banking system were heavily affected by the financial crisis, but the degree of influence differed depending on the political and economic outlooks of each country. For example, Ireland’s and Latvia’s banking systems collapsed, with significant consequences for their respective economies. Greece, Ireland, Italy, Portugal, and Spain faced serious debt crises due to the excessive debts of their governments and their insufficient cash flows, and each had to suffer austerity measures imposed on them by the interventions of the Troika[[15]](#footnote-15) (*Great Recession*, 2023).

At one stage, there was considered to be a 70% probability of Greece leaving the Eurozone due to the default of its economy (Hübner, 2013). Before the economic crisis, while Greece was enjoying a high GDP and strong productivity growth, at the same time, its economy was struggling with a number of afflictions, such as tax evasion, public debt, uninsured employment, and bureaucracy (Livadaros and Gargalianos, 2014). These pathologies were exacerbated by a lack of solid institutions and high levels of corruption, which were leading the country to default and bankruptcy (Mitsopoulos and Pelagidis, 2011). This lack of solid institutions was well-demonstrated by the inability of the Greek government to enforce tax collection. Indeed, for the period of 1996–2000, direct taxes accounted for an average of 20.6% of Greece’s total government revenue, far below the EU average of 29.7% for the same period (Livadaros and Gargalianos, 2014). The strong GDP growth in Greece followed for a long period after the entry into the euro (Meghir *et al.*, 2017) and was partly attributable to the extensive construction projects that took place in the country for the hosting of the Olympic games in 2004.[[16]](#footnote-16) The problem, though, was that this spending was heavily dependent on foreign borrowing, which amounted to 15.8% in 2007 (Meghir *et al.*, 2017) and led to high levels of public deficit.

Therefore, the crisis in Greece, one of the longest lasting worldwide, reshaped the macroeconomic environment and forced businesses to adopt stricter credit policies and liquidation schemes, in a climate of intense political reforms and instability, to ensure they could maintain their competitiveness and acquire resilience.

### Impact of the Economic Crisis on Greek SMEs

The global economic crisis of 2008 revealed some significant differences between SMEs and larger organisations. The recession that began that year was the most severe of the four main recessions experienced by the world economy since 1950 (Soininen *et al.*, 2012). In some countries, including Greece,[[17]](#footnote-17) the recession extended for a decade. The crisis had a greater impact on those firms that lacked control over their external environment and were thus more sensitive to change, due to the lack of flexibility (Aktürk, 2014) in their internal structures (Ratko and Ulgen, 2009). In short, SMEs were worst affected by the challenging economic conditions (Kishore *et al.*, 2012), and the economic crisis provided proof of that (Aktürk, 2014). Moreover, the average period of survival of a small business during the crisis was just 12.5 months, compared to 15.5 months for medium-sized businesses (Mylonas and Athanasopoulos, 2013), suggesting that the smaller the firm, the more difficult it was to survive. One of the main reasons that SMEs were worst affected by the economic crisis was their lack of liquidity and capital (Lekkos and Vlachou, 2014), coupled with a lack of access to financing from the banking sector (Lacina and Vavřina, 2013a). Moreover, the uncertainty of the economic environment placed more pressure on the owner-managers of SMEs, who occasionally became passive reactors to changes in their business environment, finding them difficult to understand (Diana *et al.*, 2010).

This section discusses the effects of the economic crisis of 2008 on the Greek economy – and specifically the impact on the SMEs, which were indeed severely affected. Greece, being part of the EU, was destabilised by the global economic crisis (Li *et al.*, 2011) and attracted special attention, given that the crisis began there in 2008 and lasted for a period of 10 years – a period far exceeding that of any other crisis in any other developed country, outside of wartime (Lenoël *et al.*, 2022). Right from the beginning of the crisis, the Greek economy suffered significant losses in its GDP, with a 12.5% reduction by 2009 (Maris and Sklias, 2017).

Had a default began in the Eurozone with Greece, this would have created a precedent for other countries such as Italy and Spain, whose debts were much higher than that of Greece (Grant, 2010). Thus, Greece and some other countries of the Eurozone impacted by the financial crisis were the first to accept the austerity programmes and the support of the EU in order to escape the risk of default. Greece also agreed to discharge its government and bring in a new administration to support the austerity programme enforced by the EU (Hübner, 2013). However, in 2015, the newly elected government of the political party SYRIZA lacked understanding of the fundamental features of EU institutions, creating a considerable delay in Greece’s acceptance of the rescue programme. The government formed by SYRIZA also held the firm belief that the Greek crisis was partly attributable to the country’s intense efforts to adopt the eurocurrency despite its weak financial condition and weak institutions (Grant, 2010). Thus, the option for Greece to leave the eurocurrency and engage in a “Grexit” became part of the political dialogue in 2015. Ultimately, the EU’s support for Greece prevented a Grexit in 2015, but the complexities of political life and the internal conflicts in SYRIZA meant that there was guarantee of stability for the years to come (Tsebelis, 2016). The threat of Grexit and the capital controls[[18]](#footnote-18) imposed in summer 2015 significantly increased the cost of debt and raised considerable barriers to bank lending, for both businesses and individuals. Moreover, individuals and businesses withdrew their deposits from the banks and some even managed to transfer them abroad, which damaged the liquidity of the business economy (Dasilas and Papasyriopoulos, 2015).

In effect, the Greek government was led into a tripartite collaboration with the Troika, in the form of a bailout programme. The Troika, an international organisation, provided financial support to Greece (Cohen, 2017) – and in compliance with Troika directives (Lewis and Heyes, 2017), Greece had to sign three memoranda of understanding (MoU) which suggested a number of financial targets. Interestingly, Greece was the only country among those that sought the support of Troika (i.e., Ireland, Portugal, Cyprus, and Spain; Cohen, 2017) to sign more than one MoU. The targets set by the Troika mandated significant changes in the employment protection law (Theodoropoulou, 2015), though the strategies implemented to attain these targets were decided by Greek policymakers.

In the process of implementing this bailout programme, Greek policymakers introduced several employment reforms and austerity measures, with the aim of enhancing the competitiveness of the country. The main labour reforms introduced were Law 4093/2012, signed during the first memorandum, and Law 4387/2016 (the “Katrougalos Law”), signed during the third memorandum. Law 4093/2012 stipulated a number of changes which introduced more flexibility in the use of part-time employment and flexible working patterns, a reduction in the minimum wage, significant changes in collective bargaining and collective agreements, and the elimination of the legal barriers to dismissals. The second law, signed four years later when the crisis was still at its peak, introduced major changes in social-security contributions and pensions. The overall objective was to harmonise the social-security contributions of all employees and professionals – including self-employed workers – in all sectors and to reduce pension levels. The Katrougalos Law was criticised for lacking clarity and leaving room for arbitrary interpretations that would facilitate bogus self-employment and the promotion of undeclared and undeclared employment. Undeclared work patterns (ILO, 2016) were being used by employers in Greece as a means of avoiding the social-security contributions suggested by the new agency EFKA, and employees were complying with these illegal employment activities – either because they were afraid to lose their jobs or because they had lost trust and faith in the new pension system.

These employment reforms introduced by the Greek government were intended to slow the increase in unemployment, but the benefits of these reforms were questioned by wider Greek society (GSEVEE, 2018). The “Life in Transition” report of the European Bank, published in 2016, reported that 44% of Greek households had experienced a wage or pension reduction due to the economic crisis (European Bank for Reconstruction and Development, 2016), which had considerably decreased the income and standards of living of the Greek people. The loss of jobs and income were the consequences of the reshaping of the macroeconomic environment and of business activities, with the crisis having forced many businesses to adopt stricter credit policies and liquidation schemes (Magginas, 2015). This pressure was exerted on SMEs, a large number of which did not survive the crisis (Wapshott and Mallett, 2015; Timilsina, 2016). The Greek economy saw mass closures of its micro firms (Kotsios and Mitsios, 2013), which in 2019 constituted the majority (97.4%) of Greek businesses and were responsible for 29.7% of the total employment (Rekkas, 2021).

Table 2.4 shows the number of SMEs in Greece during the period of 2009–2018,[[19]](#footnote-19) based on the EU classifications of “micro”, “small”, and “medium-sized” businesses. Specifically, micro enterprises are enterprises that employ up to 9 people and have an annual turnover of 2 million euros or less. Small enterprises employ between 10 and 49 people and have an annual turnover of less than or equal to 10 million euros. Medium enterprises employ between 50 and 249 people and have an annual turnover of less than or equal to 50 million euros. Large enterprises are thus defined as having 250 or more employees and an annual turnover of more than 50 million euros.[[20]](#footnote-20)

Table 2‑4 Number of SMEs in Greece, 2009–2018

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Micro | 820,021 | 719,952 | 703,648 | 513,780 | 629,811 | 669,773 | 682,132 | 676,816 | 807,666 | 800,075 |
| Small | 25,789 | 22,832 | 21,586 | 14,978 | 21,669 | 20,058 | 19,631 | 23,826 | 19,662 | 18,958 |
| Medium-Sized | 3,579 | 2,893 | 2,649 | 2,301 | 2,464 | 2,455 | 2,576 | 2,684 | 2,349 | 2,176 |
| Total | 849,389 | 745,677 | 727,883 | 531,059 | 653,944 | 692,286 | 704,339 | 703,326 | 829,677 | 821,209 |

Source: EU’s “Small Business Act (SBA) for Europe” Reports for Greece

As shown in Table 2.4, the number of Greek SMEs decreased throughout the years of the economic crisis, and it took until the end of 2018, when the third memorandum expired, to return to the original level. The lowest point occurred in 2012, which saw a 38% decrease from the 2009 figure. In addition, Table 2.5 shows the number of people employed in Greek SMEs for the years of 2009–2018.

Table 2‑5 Numbers of Employees in Greek SMEs, 2009–2018

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Micro | 1,538,632 | 1,447,218 | 1,338,671 | 916,074 | 1,130,794 | 1,225,566 | 1,264,804 | 1,288,988 | 1,337,320 | 1,527,075 |
| Small | 459,784 | 438,732 | 404,290 | 282,808 | 398,503 | 361,207 | 361,331 | 412,490 | 402,493 | 398,514 |
| Medium-Sized | 312,489 | 264,428 | 255,492 | 227,958 | 227,832 | 228,692 | 241,105 | 254,639 | 256,483 | 239,627 |
|  |  |  |  |  |  |  |  |  |  |  |
| Total | 2,310,905 | 2,150,378 | 1,998,453 | 1,426,840 | 1,757,129 | 1,815,465 | 1,867,240 | 1,956,117 | 1,996,296 | 2,165,216 |

Source: EU’s “Small Business Act (SBA) for Europe” Reports for Greece

Similarly, there was a significant decrease in the number of employees during the years of 2010–2018. For the micro businesses, this decrease had eventually been reversed by 2018, whereas for the other businesses (small and medium-sized), the number of employees had not been restored even by the end of the economic crisis.

The closure of such a large number of SMEs significantly affected employment (Kotsios and Mitsios, 2013). Only two years after the beginning of the crisis in Greece, the number of jobless people reached 1,295,535, with 65.3% having been unemployed for more than a year (Kok *et al.*, 2011). Some sectors were more impacted than others. The majority of the jobs lost in 2008–2015 were in the retail and construction sectors, with each of these sectors having lost 300,000 jobs by 2015 (IMF, 2018). Businesses were faced, on the one hand, with a decrease in their turnover due to the economic downturn, and on the other hand, with an increase in their costs due to increased taxation and other employment reforms, leading to a high number of employee dismissals. As depicted in Figure 2.1, the unemployment rate in 2009 for the 25–74-year age group was 9.8%, whereas at the peak of the economic crisis, in 2013, it was recorded at 27.8%.

Figure 2‑3 Unemployment Rate in Greece, 2008–2018

Source: ELSTAT

The 2017 annual report of INE/GSEE (The Labour Institute of the Greek General Confederation of Labour) reported an unemployment rate of 22.6% for the third quarter of 2016 in the private sector (INE GSEE, 2017). This was still very high compared to the EU average, which was 8.6% for the same period, according to the same source. The rates of unemployment depicted in Figure 2.1 show simply that, despite the reforms and austerity programmes imposed in Greece, the economy did not manage to regain its pre-crisis levels. In 2018, the unemployment rate was recorded at 19.8%, ten percentage points higher than it had been almost a decade earlier (2009).

### Employment Reforms During the Economic Crisis

In Greece, government spending on social welfare was below the EU average even before the crisis. Specifically, for the period of 1995–2009, the average rate of spending on social welfare for the EU countries was 18.9% of GDP, compared to 16.5% in Greece (Livadaros and Gargalianos, 2014). The Greek government was heavily dependent on external borrowing and was carrying a significant amount of public debt due to overspending. Specifically, the fiscal expenditure of the Greek government for the first semester of 2009 was 40% higher than that of the same period of 2008.[[21]](#footnote-21)

National policies and reforms were introduced to redesign employment laws and regulations, with the aim of fighting unemployment and enhancing the country’s competitiveness (Zaharopoulos, 2017). After 2008, laws were introduced to instil more flexibility and reduce tenure in employment (Kouzis, 2009). In 2012, the government of SYRIZA, elected in the same year, engaged in negotiations with labour organisations such as GSEE(General Confederation of Greek Workers), aiming to protect employment and halt further economic decline. The reform programmes adopted by Greece during the economic crisis introduced three main changes and sought to boost employment. Specifically, the first wave of changes was designed to reduce the employment costs associated with dismissals, the second to encourage temporary and fixed-term contracts (Kouzis, 2009), and the third to introduce more flexibility into the working patterns of employees.

In an attempt to understand the evolution of employment law during the economic crisis, there is a need to refer back to 2000, when Law 2874/2000 was introduced with the aim of promoting employment. This law introduced the following main changes:[[22]](#footnote-22)

* There was a 2% reduction in the social insurance contributions paid by employers for full-time employees.
* Employees were obliged to work for an additional 3 hours per week (a total of 43 hours), and anything exceeding the weekly total of 43 hours was considered to be overtime and had to be compensated as such.
* The salaries of part-time workers paid the minimum wage and working less than 4 hours per day were increased by 7.5%.
* The government encouraged employers to hire part-time or full-time individuals who had been unemployed for more than a year, providing the incentive of a subsidy of almost 80 euros (30,000 Greek drachmas).
* Workers who had been unemployed for more than 12 months and were now over the age of 60 years (men) or 55 years (women) were permitted to pay their own social insurance fees to cover the remaining years (no more than 5) required to receive a pension.

This law, however, caused great discontent amongst the trade unions, leading to its removal and the replacement of the Minister of Labour. A new law (3029/2002) introduced by the new Minister of Labour replaced Law 2874/2000, with the aim of bringing in more favourable terms for newly insured employees and pensioners.

All of these previous laws were eventually revised by Law 4093/2012 (Ministry of Labour, 2012), which enforced special measures in alignment with the “European Financial Stability” memorandum, the rescue programmes signed by Greece, and the strategy implemented by the International Monetary Fund. The aim of the new law (4093/2012) was to reduce unit labour costs, which were higher than labour productivity, to improve the country’s employment rates and competitiveness in comparison to those of its trading partners (International Monetary Fund, 2011).

In fact, the new regulatory framework of employment stipulated a number of changes with respect to dismissals, contractual agreements and payments, and working patterns of employees. These changes were as follows (Ministry of Labour, 2012):

* The Minimum wage[[23]](#footnote-23) was reduced to 586 euros per month for employees over the age of 25 years and to 510 euros for employees up to the age of 25 years.
* Previously, employees who had completed a probationary period of up to three months could claim unfair dismissal protection under Greek law. With the introduction of Law 4093/2012, this probationary period was increased to 12 months.
* Prior to the reforms, under Greek law, a business was exercising “collective dismissals” if it dismissed more than five employees in the same month and a total of 20 employees in four months. Under the new law, dismissals would only be considered as collective if they involved more than six employees in the same month. Moreover, the dismissals-approval process was simplified, and the law provided greater flexibility to employers, allowing them to reduce the severance pay and the period of notice.
* The number of years within which fixed-term employment contracts had to be renewed was extended from 2 years to 3 years.
* Businesses were allowed to define their own contractual terms, deviating from collective bargaining restrictions. Given that arbitration and mediation were not allowed, the number of firm-level agreements subsequently increased significantly, rising from 227 in 2010 to 975 in 2012 (Argyropoulos *et al.*, 2019).
* Employers’ social-security contributions were reduced by 5%. These contributions were designated to fund the operations of the Workers’ Housing Organization (OEK)[[24]](#footnote-24) and the Workers’ Social Fund (OEE), which were partially funding the trade unions (Patra, 2012). The operations of OEK and OEE ceased in 2012, following the second MoU with Troika, after 70 years of operation, and their activities were incorporated into the Organization for the Employment of the Workforce (ΟΑΕΔ).
* The law permitted more flexible working hours, and employers were allowed to adjust their employees’ working hours according to the needs of the business.
* More flexibility was provided to employers for hiring part-time employees. At the same time, the compensation rate for overtime worked by part-time employees was reduced from 150% of the standard rate to 125%.

The new employment policies entailed a 22% reduction of the minimum wage from the 2011 level, equal to 751.39 euros per month (Apostolos and Trintafyllou, 2012), for employees over 25 years and a reduction of almost 32% for people under the age of 25 years (Hastings and Heyes, 2016). Specifically, Law N.4093/2012, which came into effect in 2012, mandated that the minimum wage for all employees, 25 years and above, be reduced to 586.08 euros per month (gross amount before contributions and taxes) and to 510.95 euro per month for employees under the age of 25 years. Moreover, the law introduced a new form of employment for students aged 15–18 years: effectively, an internship compensated by 70% of the minimum wage for young employees, equal to 357 euros (510.95 euros x 70%). The reduction in the minimum wage received a lot of criticism from Greek citizens who were struggling to maintain a decent standard of living (Ioannou, 2021). The minimum wage remained at these levels until 2019, with no increase anticipated before 2036, when the unemployment rate would be exprected to be less than 10%.

The changes in the labour market were registered and monitored through the ERGANI system, introduced by Greek policymakers in 2013 (5072/6/25.2.2013, ΦΕΚ 449/Β΄/25.2.2013)[[25]](#footnote-25) to automatically record all employee status changes, hires and dismissals, to be monitored by the authorities and the labour inspectorate (SEPE). In addition to the minimum wage law, the signed memorandum allowed Greek business owners to introduce flexiblity into the forms of employment that they offered.

At the peak of the economic crisis, in 2012, 46% of contracts were recorded as part-time (Kouzis *et al.*, 2013). Thus, the shift to part-time and flexible employment was mainly attributable to the economic crisis and to the efforts of business owners to reduce labour costs (Mylonas Pavlos, 2016; Gialis, 2009; Gialis, Tsampra and Leontidou, 2017) by offering lower wages and salaries (IOBE, 2015; Ministry of Labour, 2015). At the same time, employees were willing to work longer hours (Ventouratos and Cooper, 2015), with no social insurance, for fear of being dismissed (INE., 2016). New employment schemes – such as work without contracts, hires and fires based on seasonality and demand, fixed-term contracts, and unpaid work – were being implemented (Labrianidis and Vogiatzis, 2013) with greater ease, given that collective-bargaining powers had been considerably weakened by the new law (Dimoulas, 2014).

In 2015, the number of full-time jobs declined, whilst part-time jobs had increased to 340,000 – from the 2008 figure of 260,000. Figure 2.2 presents data compiled from OECD (*OECD Economic Surveys – Greece*, 2018a), confirming the steady increase in part-time employment during the years of the economic crisis in Greece.

Figure 2‑4 Part-Time vs Full-Time Employment in Greece, 2008–2018

Source: OECD data

As shown in Figure 2.3, there was a steady increase in part-time and temporary employment during this period,[[26]](#footnote-26) leading to high levels of job insecurity for employees in Greece (Psychogios and Prouska, 2019).

Figure 2‑5 Full-Time vs Part-Time & Temporary Employment Rates in Greece, 2013–2018

Source: ERGANI

According to data from the ERGANI system for 2017, almost five years after the introduction of Law 4093/2012, 32.7% of all employees in the private sector, both full-time and part-time, earned a maximum monthly salary of 600 euros. As shown in Table 2.6, in 2017, the majority of employees in the private sector (67.3%) were employed as part-time or seasonal workers, according to the official records, thus earning less than the minimum wage (Ministry of Labor, 2017). Approximately 210,000 employees (11% of the total in the private sector) were registered as full-time employees and earned a salary below the minimum wage. In reality, though, many employees, especially those in precarious jobs, would formally appear as part-time workers whilst actually working full-time and receiving the money for their extra hours of work in cash, thereby contributing to undeclared employement (Ioannou, 2021).

Table 2‑6 Numbers of Private-Sector Employees Paid the Minimum Salary

|  |  |  |
| --- | --- | --- |
| Total Number of Employees | 614,000 |  |
| Part-time and Temporary | 413,285 | 67.3% |
| Full-time | 200,760 | 32.7% |

Source: ERGANI, 2017

In addition to many full-time employment contracts being exchanged for part-time, a number of part-time – and even some full-time – workers were converted to self-employed status. Many employees in Greece appeared to be self-employed, as the definition of “self-employment” introduced during the crisis stated that a person receiving income from one or two employers would fall into “dependent self-employment” status, with their insurance contributions to be split between the employers and the employee (Heyes, 2019). A person receiving income from more than *three* employers was defined as “independently self-employed” and was obliged to pay their own social insurance contributions in full (Wilkens, 2017).

These increases in social-security contributions thus led to an increase in the percentage of people considered “self-employed”. As depicted in Figure 2.4, in 2013, the EU average for self-employed workers as a percentage of total workers was 16.5%, whereas in Greece, the rate for the same year was 37%.[[27]](#footnote-27) While a number of individuals acquired self-employed status legally, a large percentage (29.4%) of own-account workers fell into the “grey zone” of self-employment (Heyes, 2019), without fully adhering to the genuine self-employment criteria. In reality, self-employed status was frequently acquired by former employees who continued to work for their previous employers, but on a self-employed basis in order to relieve the businesses of their obligations to pay social-security contributions and taxes (Ales and Faioli, 2012; Greet Vermeylen, Mathijn Wilkens, 2017).

Figure 2‑6 Self-Employed Workers as a % of Total Workers – Greece and EU28, 2008–2018

Source: OECD data

The trend towards self-employment was also supported by the introduction of EFKA, a unified social security fund for all sectors which standardised the benefits and social-security contributions across all sectors, as mandated by Law 4387/2016, also known as the “Katrougalos Law”,[[28]](#footnote-28) named after the Minister of Employment who introduced it. EFKA is a legal entity supervised by the Ministry of Labour, which merged the social insurance funds for all employees of principal insurance – namely, IKA (employees), ETAA (engineers, doctors, lawyers), OAEE (self-employed), OGA (agricultural workers), NAT (seafarers), TAYTEKW (public welfare organisations employees), and ETAT (bank employees) – to create a single social security fund (European Commission, 2015). The Katrougalos Law increased the social-security contributions of both employers and employees, thus also increasing employment costs. The law was a result of the third MoU signed by the Greek government and the Troika, and its main focus was pension reform.

The key changes also enacted by EFKA are outlined as follows:

* Self-employed individuals were incorporated in the system of EFKA. Previously, self-employed and freelance professionals had been subject to a level system of insurance, and the amount paid as social-security contributions was calculated on the basis of their projected income, which also indicated their social-security contribution class and percentage (Bachlava Despina, 2019). Under the new system, the amount of social-security contributions claimed by the government was based on actual and not projected income.
* The law increased the contributions that high-earning self-employed individuals were required to pay to EFKA.[[29]](#footnote-29)
* The law reduced the contributions that small-business owners were required to pay to EFKA, with the aim of supporting small business growth.
* The law introduced a single rate (of 20%) for social-security contributions for all workers, including employees and self-employed individuals, which was intended to simplify the social security system and reduce administrative costs and delays.
* The new law mandated that employers pay two-thirds of the total social-security contributions of each employee, with employees paying the remaining third.
* The new law established a minimum national pension of 384 euros per month, aiming to match the poverty threshold. This amount corresponded to 20 years of contributions. For those who had not worked the full 20 years, the sum was reduced by 2% for every year under that figure – up to 15 years, which was the minimum number of years that an individual must work to be eligible for the national pension (Ziomas and Theodoulakis, 2016).
* Pension levels were frozen until their value reached the new levels introduced by the law.

The ambiguity caused by the new EFKA law and the increase in costs of social security for both employers and employees led to a considerable increase in bogus self-employment, undeclared employment, and unemployment (European Commission, 2016b). Many employers resented paying the additional social security costs for their employees, as the new law required (Salourou, 2017). As a consequence, many employees, in fear of being dismissed, were forced to accept wage reductions equal to the increase in costs of EFKA paid by the employer. Where there was a trusting relationship between the employer and the employee, the latter would usually engage in a partially formal form of employment, meaning that the employer paid the social security fees in part and the employee worked the remaining hours uninsured – or, worse, employees would be employed with no insurance (ILO, 2016). Many employees agreed to register as self-employed and pay their own social-security contributions to make themselves more attractive to their employers. As a result of policies to tackle tax evasion and reduce undeclared employment, self-employed workers were forced to electronically record all payments for work performed, and there was some discussion about extending this obligation to include e-invoicing (*OECD Economic Surveys – Greece*, 2018b). Uninsured employment was also encouraged by the introduction of flexible forms of employment and the weakening of the trade unions. Moreover, the reforms of the Katrougalos Law were introduced across all sectors, without any specific consideration of the differences between the impacts of the crisis on the different sectors of the economy.

According to a report in the newspaper *Kathimerini*,[[30]](#footnote-30) a year after the voting on the Katrougalos Law, 111,212 self-employed professionals had ceased their operations and switched their status to “owner of a sole proprietorship”. However, given that sole proprietorships were not favourably taxed, many self-employed people chose to operate under a new legal form of business, as a private company known as “IKE” (*Ιδιωτική Κεφαλαιουχική Εταιρεία*), which was created under Law 4072/2012[[31]](#footnote-31) to provide an incentive for entrepreneurship and startups. According to this new legal form, the insurance of the partners of the firm was optional and only the administrator had a responsibility to be self-insured. The favourable insurance policy for IKE provided an incentive to SMEs and previously self-employed professionals to switch to this new legal form, thus distorting the figures on the emergence of new businesses during the economic crisis in Greece.

Another way for employers to avoid the increased labour costs and social-security contributions was to dismiss their employees. In 2018, the balance between new hires and dismissals in Greece was negative (ERGANI, 2018), although dismissals might have been inflated by bogus self-employment (European Commission, 2016a). Moreover, the new hires recorded in the ERGANI system (Table 2.7) did not reflect the multiple jobs of people who had a formal job in the morning (part-time work, for the majority) and an informal one in the afternoon (European Commission, 2015).

As shown in Table 2.7, for the years of 2013–2018, the percentage of dismissals was higher (13.4%) than that of new hires (12.46%), suggesting that businesses were not hiring new personnel. Of the total dismissals between January and October 2017, 55% were contract terminations and 45% were voluntary resignations. When calculating the number of contract terminations and voluntary resignations, it is important to take into consideration the conversion of these dismissals into self-employment (or even bogus self-employment), given that, in 2015, 43% of own-account workers did not possess all the characteristics of formal self-employed workers, despite having acquired self-employed status. This clearly suggests that many former employees had simply assumed the status of “self-employed” (Heyes, 2019).

Table 2‑7 Dismissals and New Hires in the Private Sector

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| I. New hires | 1,149,194 | 1,566,139 | 1,809,552 | 2,142,974 | 2,400,398 | 2,668,923 |
| II. Dismissals | 1,015,706 | 1,467,017 | 1,709,852 | 2,006,714 | 2,256,853 | 2,527,920 |
| A. Contract terminations | 679,548 | 881,424 | 1,004,705 | 1,140,773 | 1,281,388 | 1,552,874 |
| B. Voluntary withdrawals | 336,158 | 585,593 | 705,147 | 865,941 | 975,465 | 975,046 |
| III. Balance | 133,488 | 99,122 | 99,700 | 136,260 | 143,545 | 141,003 |

Source: ERGANI

The discrepancies between employees’ statuses and working hours, as well as the rates of bogus self-employment, further encouraged the shadow economy activities during the economic crisis. Even before the economic crisis, Greece was already reporting a rate of 22% undeclared employment (Kouzis, 2009), with businesses violating employment and social security regulations in order to lower their labour costs. As a result, shadow economy activities were estimated to represent nearly 28% of the Greek GDP (Dimoulas, 2014). The reform of the labour inspectorate body in 2011[[32]](#footnote-32) was a serious attempt to tackle the problem of undeclared employment in Greece, although it did not prove successful on its own. According to SEPE, the problem lay in the lack of a culture of social security, compliance, discipline, and respect for government policy, amongst both employers and employees (Voskeritsian *et al.*, 2019).

During the economic crisis, undeclared employment increased drastically in Greece. SEPE, the inspection body of the Ministry of Labour, conducted inspections for the period of 2013–2018 and concluded that, in all sectors of the Greek economy, for all types of business and in all locations, the percentage of undeclared employment peaked at 16.3% in 2015 and 2016. (The relevant data is shown in Table 2.8.) Moreover, undeclared employees represented approximately 7.0% of all employees. Both of these figures saw significant decreases in 2018, with the percentage of businesses with undeclared employees falling to 10.4% and the percentage of undeclared employees falling to 5.1% of the total (SEPE, 2018).

Table 2‑8 Undeclared Employment – Greece

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Undeclared Employment – Greece | | | | | |
| Year/period | 15.09.2013-31.12.2023 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Number of inspected businesses | 6,519 | 27,635 | 34,054 | 34,241 | 36,683 | 37,270 |
| Number of business with undeclared employees | 277 | 3,827 | 5,562 | 5,577 | 5,357 | 3,869 |
| % of businesses with undeclared employees | 8.85% | 13.85% | 16.33% | 16.29% | 14.60% | 10.38% |
| Number of employees | 39,618 | 135,566 | 142,570 | 130,608 | 139,021 | 112,073 |
| Number of undeclared employees | 906 | 6,177 | 9,975 | 9,270 | 8,335 | 5,689 |
| % of undeclared employees out of total employees | 2.26% | 4.56% | 7.00% | 7.10% | 6.00% | 5.08% |

Source: “Artemis” Report[[33]](#footnote-33)

According to “Artemis”, the national plan of the Greek Ministry of Labour to combat undeclared and uninsured employment (SEPE, 2018), the businesses with the highest rates of undeclared and uninsured employment during the period of 2013–2018 were in the following sectors:

* food and beverages (e.g., restaurants, coffee shops, nightclubs)
* manufacturing and production
* hairdressing
* car workshops
* transportation and courier services
* retail
* construction
* hospitality
* cleaning services
* security services
* processing of goods

According to the Special Agency of Insurance Control (EYPEA), in 2013, 40.5% of the inspected businesses in Greece were undeclared or uninsured, and 50.2% of the business were using undeclared employees (Kapsalis, 2015). Furthermore, for the worst offender businesses, the average figure for undeclared employees was as high as 31.6% of the total workforce, as recorded in February 2013. Figure 2.5 depicts this data, compiled and published by the Ministry of Labour, and shows the average annual rate of undeclared employment in those sectors of the economy with the highest rates (SEPE, 2018).

Figure 2‑7 Greek Sectors with Highest Rates of Undeclared Employment, 2013–2018

Source: “Artemis” Report of Ministry of Labour

The changes in collective bargaining were supported by changes in collective agreements introduced by the first memorandum (IMF, 2018). Collective agreements were replaced to a great extent by firm-level agreements, resulting in an average of 416 for the period of 2012–2017, compared with 220 for the mainly pre-crisis period of 2005–2010 (Argyropoulos *et al.*, 2019). Enterprise collective agreements could be signed only by the labour unions of firms which employed 50 people and more. In small and micro enterprises, collective agreements could be signed by the “Association of Persons”,[[34]](#footnote-34) which were associations that could be formed with greater ease[[35]](#footnote-35) in terms of bureaucratic work (Patra, 2012) and required the participation of three-fifths of the workers in an enterprise.[[36]](#footnote-36) The new policies permitted the signing of collective agreements by these associations in businesses of any size, as long as no union was present in that company (Psychogios and Prouska, 2019).

According to the Ministry of Labour and Social Security inspectors, 90% of the job agreements were individual, rather than collective (Kouzis, 2009). During the period of 2012–2014, arbitration and mediation were also restricted, and arbitrations were limited to the definition of the basic wage or salary (Kouzis, 2009). As a result, employees were occasionally forced to accept unfavourable terms of employment.

## Summary

The literature suggests that SMEs have a defining role in the local and global economy, given that they constitute 90% of all businesses worldwide and account for the 50% of the jobs in the global economy. In most countries, including in the European south, policymakers have long treated SMEs as similar to larger organisations (Mallett *et al.*, 2018). However, in recent years, policymakers have come to understand that SMEs are not, in fact, simply smaller versions of larger enterprises (Kindström *et al.*, 2022), but rather a distinct concept. In recent years, SMEs have been recognised as the main drivers of the global and the European economy, fostering growth through sustainable and innovative solutions (OECD, 2023). Many SMEs rely heavily on owners’ family members (Siakas *et al.*, 2014) and friends for their core workforce (Gialis *et al.*, 2015), thus supporting societal cohesion. When these factors are taken into consideration, the role and contributions of SMEs to the economy are clearly critical, despite these firms’ small size and smaller workforces. The difference between SMEs and larger firms becomes particularly evident during periods of economic crisis, given the lack of control that SMEs have over changes in their external environment and their lack of resources and access to finance (Lai *et al.*, 2016). Moreover, dependence on a business owner’s family and friends might hinder a firm’s competitiveness where the workforce has a limited skillset and educational level (Beynon *et al.*, 2015). As a result, SMEs are more vulnerable to changes in their external environment and in situations of economic crisis (Lai *et al.*, 2016).

SMEs can grow in size and turnover at a much faster pace than larger organisations can, and this growth demands changes in the management and development of their structure (Kindström *et al.*, 2022). The way in which an SME organises and manages itself internally will be partially reflected in its employee management practices. As SMEs grow in size, they need to move away from informal and unorganised processes in the workplace to instil a more formal structure, with practices that support their employment relations (Harney *et al.*, 2022). Formality and structure essential define the differences between SMEs and larger organisations (Lai *et al.*, 2016).

The aim of this study is to explore the consequences of the economic crisis for human management practices in Greek SMEs**,** given that Greece experienced a longer economic crisis than any other Eurozone country (Lenoël *et al.*, 2022). By exploring the context of the Greek economic crisis – which was a rather hostile environment for SMEs – and how owner-managers adjusted their HR practices to acquire resilience and stability, we will have a unique opportunity to understand how Greek SMEs changed their HR strategies during the economic crisis and under the new labour policy framework. The insights provided will contribute further to the body of literature on SMEs and might prove useful for policymakers in the future.

# Chapter 3: Methodology

## Introduction

This chapter discusses the methodology used for this study, including the specific methods and tools employed to collect and analyse the data. The research design is discussed, and justification is provided for the use of the specific methodological tools. The research questions (Bhattaherjee, 2012) are addressed using an interpretive research epistemology and an inductive research ontology, and the justification for this is provided in later sections of this chapter. The research approach chosen for this study is qualitative, as the researcher, the main agent of the research, is working to see and interpret the world in order to gain a deeper understanding of the research problem (Tuli, 2011).

Specifically, the aim of this study is to explore the “consequences of the economic crisis for human resource management practices in Greek SMEs”, with the aim of understanding how SMEs adjusted their HRM practices – particularly their hiring, selection, and dismissal processes – in response to the economic crisis and associated labour policies.

The research questions derived from the research objective are as follows:

1. What was the impact of the economic crisis on Greek SMEs’ employment and staff-retention practices?
2. How did the crisis affect SMEs’ recruitment, selection and reward practices?
3. What effect did the crisis have on SMEs’ propensity to employ workers on an undeclared or disguised basis?

Section 3.2 of this chapter discusses the different approaches of the various research philosophies and paradigms and provides justifications for the current researcher’s choice of the epistemological and ontological perspective for this work. Section 3.3 discusses the research approach deployed in this study and justifies the use of a qualitative approach. Section 3.4 explains the sampling strategy and criteria applied for the final sample of businesses explored in this study. Section 3.5 discusses the data collection methods and techniques, including the semi-structured interviews conducted with the business owners who participated in this study. Section 3.6 discusses the tools, techniques, and software used for the thematic analysis. The assignment of the codes and their subsequent development into key themes are explained as a step-by-step process. The level of detail provided in the data analysis contributes to the transparency of the research design. Section 3.7 explains why the chosen research design – and methodologically appropriate processes – was essential for ensuring the trustworthiness of the study findings. Section 3.8 discusses the ethical considerations raised and addressed in this study and how these may have led to challenges and biases. Section 3.9 presents a reflective discussion of the limitations of the study and the strategies used by the researcher to overcome them to preserve the validity of the outcomes. The last section of this chapter (3.10) provides a summary of the methods used in this thesis and sets the ground for the discussion of the research findings in the subsequent chapters.

## Research Philosophy and Paradigm

The term “paradigm” was coined by Kuhn in 1972 (Kuhn, 1972). This notion was considered revolutionary, as it provided a model with which to solve research problems according to the nature of the research field. Kuhn related the term of paradigm shift to changes in the natural sciences mandating a different philosophical stance in solving problems. Kuhn’s notion of a “research paradigm” was mainly related to the natural sciences, although it was also used in social sciences, where the nature of the problems and the study approaches differed significantly (Harvey, 1982). These differences were said to reflect a “paradigm war” (Bryman, 2008), manifested in the use of an objective versus a subjective view of the world and in the problems under study. Essentially, the use of one approach versus the other displayed the research’s main philosophical stance and the perspective of the research problem as either functional and numeric in nature or interpretive (Tuli, 2011). Burrell and Morgan, writing in 1975, identified four main paradigms used in the social sciences: the “radical humanist”, the “radical structuralist”, the “interpretive”, and the “functionalist” (Burrell and Morgan, 2019). The radical humanist’s focus is on the radical changes occurring in relation to domination and liberation, whereas the structural humanist’s focus is on the structural relationships of the society, as seen from an objective point of view. The functionalist paradigm is rooted in the positivistic model deployed in the natural sciences and is a theoretical model borrowed from the social sciences. The interpretive model detaches even more from objective reality, which sees human behaviour as the outcome of a cause and effect relationship (Tuli, 2011), and identifies the need to explore expriences and truths within the social context and through a subjective interpretation of reality (Burrell and Morgan, 2019). Under this paradigm, the use of qualitative research methods is suggested, given that the aim of qualitative research is to see the world as experienced and co-created by its agents, within a social context (Tuli, 2011).

The main difference between qualitative and the quantitative research is that quantitative research questions are answered by quantifying data and analysis, based on the assumption of an interdependent relationship between variables (Apuke, 2017). In contrast, in the case of qualitative research, the answer to the research question is provided through socially constructed truths and knowledge of the world (Sloan and Bowe, 2014). The research question is defined in the design of a qualitative study (Bertomeu *et al.*, 2023) and needs to be properly formulated, usually as a normative question (Baškarada and Koronios, 2018) in order to produce value-adding outcomes.

The nature of the problem researched, the philosophical stance of the researcher, and the methods used suggest, respectively, the epistemology, ontology, and methodology to be applied (Kojo, 2020). Cunningham defines epistemology in research as the “ study of what can be counted as knowledge, where knowledge is located, and how knowledge increases” (Cunningham *et al.*, 1996, p.1). Thus, the epistemological stance of the researcher is critical for addressing the problem being studied, and it demonstrates the point of view taken with respect to what constitutes knowledge, how knowledge is generated, and the overall relationship with the world. Ontology, as part of the research philosophy, explains our understanding of the nature of reality and how objectively or subjectively this reality is defined, reflecting an objectivist or constructionist point of view (Al-Saadi, 2014).

Research in the social sciences, and specifically in the field of management, deploys diverse research paradigms (Shepherd and Challenger, 2013), which suggests the lack of a unified approach. In terms of ontology, the question asked in the social sciences tend to focus on the nature of social reality (Kant, 2014). Such questions ask whether reality is independent of the researcher and whether social phenomena can be objectively observed (Saunders *et al.*, 2019). The epistimological and ontological philosophies applied in the social sciences differ in terms of how knowledge and reality are perceived and created. If, indeed, knowledge and reality are perceived as co-created with the researcher and as subjective, then the methods used to assess the research problem differ from those used in natural sciences and align with the ontological position of constructionism and the epistemological position of interpretevism (Al-Saadi, 2014). A constructionist position assumes that reality is dependent on social actors, that social meaning is created based on social interaction, and in contrast to the objectivist view, that social phenomena cannot be explained by a cause-and-effect relationship. The ontological perspective of constructionism aligns with the epistemological position of interpretivism, which deviates from the view that knowledge can be explained through hard facts. Instead, the interpretivist view proclaims that any knowledge derived is acquired through the study of social actors, given that social meaning can only be explained through the human behaviour of the social actors (Saunders *et al.*, 2008) who are part of that social reality (Baškarada and Koronios, 2018).

Following the assumptions and claims identified in the literature with respect to ontology, epistemology, and methodology, this study takes an interpretivism approach given that the focus is to understand the subjective interpretations and the meanings that the business owners of the Greek SMEs attached to their HR practices during the period of the economic crisis and the social context of Greece at that time. This approach also suggests the use of qualitative research methods, already used in a number of studies to explore the operations and practices of SMEs and which have provided valuable findings and insights. Table 3.1 provides an indicative list of the qualitative studies discussed in the literature review of this thesis.

Table 3‑1 Qualitative Studies of SMEs

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Title | Author | Publisher | Year | Vol. | Issue |
| “Labour flexibility practices in Dutch SMEs” | Verbiest, Sarike | Personnel Review | 2019 | 49 | 3 |
| “Family SMEs in Ireland as learning organisations” | Birdthistle, Naomi | The Learning Organization | 2008 | 15 | 5 |
| “The practice of employee learning in SME workplaces: A micro view from the life-cycle perspective” | Gray, David E. | Journal of Small Business and Enterprise Development | 2016 | 23 | 3 |
| “Making and measuring ‘good’ HR practice in an SME: The case of a Yorkshire bakery” | Norton, Ann | Employee Relations | 2014 | 36 | 2 |
| “Labour flexibility in Greek SMEs” | Mihail, Dimitrios M. | Personnel Review | 2004 | 33 | 5 |
| “How Do Regulations Affect SMEs? A Review of the Qualitative Evidence and a Research Agenda” | Vorley, Tim | International Journal of Management Reviews | 2018 | 00 |  |
| “SME international business models: The role of context and experience” | Zhang, Yunlu | Journal of World Business | 2017 |  | August 2016 |
| “The Perception of Crisis by Greek SMEs and its Impact on Managerial Practices” | Christopoulou, Vasiliki | Procedia – Social and Behavioral Sciences | 2015 | 175 |  |
| “Survival competence in Russian SMEs in a changing business environment” | Lampela, Hannele | Journal of East-West Business, | 2014 | 20 | December 2014 |
| “The impact of the global crisis on the growth of SMEs: A resource system perspective” | Yu, Naryoung | International Small Business Journal | 2020 | 38 | 6 |
| “Firm relocation in times of economic crisis: evidence from Greek small and medium enterprises ’ movement to Bulgaria, 2007–2014” | Kapitsinis, Nikos | European Planning Studies | 2017 | 4313 |  |
| “An Empirical Investigation of Employee Training and Development Enterprises” | Panagiotakopoulos, Antonios | PhD Thesis, The University of Leeds | 2009 |  |  |
| “Varieties of crisis and working conditions: A comparative study of Greece and Serbia” | Brewster, Chris | European Journal of Industrial Relations | 2020 | 26 | 1 |
| “The impact of employment regulation on the employment relationship in SMEs” | Curtis, Susan | Journal of Small Business and Enterprise Development | 2009 | 11 | 4 |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| “Growing or Coping? Evidence from small and medium sized enterprises in fragile settings” | Lange, Paul | Netherlands Institute of International Relations | 2016 |  |  |
| “How Do Regulations Affect SMEs? A Review of the Qualitative Evidence and a Research Agenda” | Vorley, Tim | International Journal of Management Reviews | 2019 | 21 | 3 |

This study also applies the principles of social constructionism, whereby “the sociology of knowledge must first of all concern itself with what people ‘know’ as ‘reality’ in their everyday, non- or pre-theoretical lives” (Berger and Luckmann, 1966). The context discussed is that of the economic crisis and how Greek SMEs responded to policymaking with respect to their HRM practices, and this is viewed as a form of social reality and social knowledge. The discussion of the financial crisis in Greece focuses on the policy level (macro change). Thus, the philosophical stance of the researcher is that the social phenomenon under study – namely, employment relations in SMEs in a crisis context – can be explained via the subjective reality of the business owners participating in this study. Moreover, the knowledge acquired here is subjective and observed through the lens of the researcher, who is the main agent of the study.

## Research Approach

By also taking an interpretive epistemological stance, this study is able to analyse the experiences of SME owners in terms of how they reacted to policymaking during the economic crisis and to generate patterns of meaning based on their experiences and responses. Specifically, thematic analysis is deployed to clarify the concepts and issues that emerged from the participant interviews. Braun and Clark claim that thematic analysis can provide valuable outcomes and may even be considered a distinct method of analysis, given that it is compatible with the majority of epistemological philosophies in qualitative research (Braun and Clarke, 2006). Thematic analysis entails the identification of themes as they emerge from a thorough analysis of the data and from the application of codes to group together concepts into cohesive categories. A challenge of thematic analysis can be the flexibility that it provides (Braun and Clarke, 2006), which may lead the researcher to a set of themes that lack consistency (Nowell *et al.*, 2017). The ways in which the challenges and limitations were overcome are discussed later in this chapter.

Qualitative research involves a number of tools and techniques. The main forms of qualitative research are grounded theory, narrative, phenomenological, historical, and ethnographic studies, as well as case studies (Chigbu, 2019). The narrative approach involves in-depth interviews and storytelling as their primary forms of empirical research and relies on language as a key instrument (Bruce *et al.*, 2016). The case-study method is considered appropriate for an in-depth explanation of a social behaviour or community-based problem (Zainal, 1997). Moreover, case-study research can help to explain a real-life situation through analysis of a context, its conditions, and the relationships between them (Yin, 1984). The historical qualitative research approach involves the description of past events and how these events evolve through time (Chigbu, 2019). Ethnographic qualitative research is used to study cultural settings and involves rich practices based on the interpretation of data, along with the observations and experiences of a cultural context (Ploder and Hamann, 2021). Phenomenology is another qualitative approach used to assign meaning to the experiences of participants. According to the *International Encyclopedia for Education*, “Phenomenological methods are engaged to describe and interpret these meanings as they present themselves and are shaped by consciousness, language, our cognitive and noncognitive sensibilities, and our personal, social, and cultural preunderstandings” (M. van Manen and Adams, 2010). Thus, phenomenology in qualitative research is employed to explain phenomena by avoiding pre-existing assumptions about the experiences under study (Santis *et al.*, 2020).

## Sampling Strategy

SMEs are dominant in the Greek economy (Rekkas, 2021), due to their large number in all sectors of the economy and their substantial contributions to employment and GDP. The research objective of this study concerns Greek SMEs and their HRM practices, and these are explored from the perspectives of business owners who were active during the economic crisis of 2008. Therefore, effective representation of this population was an important objective of the sampling strategy.

This study required a purposive sample of Greek SMEs to obtain valuable insights into how SMEs adjusted their HRM practices during the economic crisis (Campbell *et al.*, 2020). Thus, the sampling criteria for the data collection were derived from the research objective and reflected the focus on SME firms. The criteria concerned the profile of the Greek SMEs, the nature of their business activities, their numbers (in various sectors of the economy and locations), and their numbers of employees. An initial analysis was conducted based on secondary data derived from national statistical databases and industry reports on the types and numbers of SMEs existing at the beginning of the economic crisis. According to a survey of Greek SMEs, conducted by the National Bank of Greece and the Department of Strategic Planning and Research in July 2012 (Mylonas and Athanasopoulos, 2013), half of the annual turnover generated by Greek SMEs was derived from small firms, including micro firms, with the remainder attributable to medium-sized firms. The same survey indicated that, in 2012, approximately 750,000 SMEs in Hellas generated a turnover of 150 billion euros. Moreover, four out of five SMEs were sole proprietorships (including self-employed businesses), but the largest share of the turnover (over 60%) was produced by 60%companies of various other legal statuses (SA, limited liability, limited partnership, etc.).

Table 3.2 and Figure 3.1 below present the geographical data from ELSTAT for 2010.[[37]](#footnote-37) This data (ELSTAT, 2013) shows that Attica, home to Athens, the capital of Greece, was home to half of all the SMEs in the Greek economy.

Table 3‑2 Number of SMEs by Region of Greece, 2010

|  |  |  |
| --- | --- | --- |
| Region | Number of SMEs (in thousands) |  |
| Attica | 13,362 | 50% |
| Central Greece | 2,496 | 9% |
| Northern Greece (Macedonia and Thrace) | 6,744 | 25% |
| South Greece + Islands | 4,372 | 16% |
|  |  |  |
|  | 26,974 |  |

Source: ELSTAT 2010

Figure 3‑1 Greek SMEs by Geographical Region, 2010

Source: ELSTAT, 2010

As depicted in Figure 3.2, in the two metropolitan areas of Greece (Attica and Central Macedonia), the top four SME sectors in 2010 were (1) wholesale and retail trade, (2) manufacturing, (3) construction, and (4) accommodation and food services.

Figure 3‑2 Greek SMEs in Attica and Central Macedonia, 2010

Source: ELSTAT, 2010

Figure 3.3 depicts the number of Greek SMEs operating in 2010, based on data derived from ELSTAT, indicating that the sectors dominated by SMEs were retail and trade, where 25% of SMEs were operating during this period; manufacturing, 20%; accommodation and food services, 19%; and construction, 9%.

Figure 3‑3 Number of Greek SMEs by Sector, 2010

Source: ELSTAT, 2010

A sectoral analysis of the Greek SMEs for 2012 reveals that the manufacturing sector was the least affected by the economic crisis, while construction performed negatively in key areas of performance such as employment, strategic priority, and resilience (Mylonas and Athanasopoulos, 2013). The retail sector was also negatively affected by the crisis, and the main reason for this was the lack of liquidity due to decreased demand (Balios *et al.*, 2015). During the economic crisis, Greek retail companies demonstrated high levels of inefficiency in relation to their use of equity, their liabilities, and their operating costs, leading to lower sales and operating profits (Balios *et al.*, 2015). Indeed, a study of the economic efficiency of Greek retail SMEs between 2005 and 2011 (a period in which the sector’s GDP experienced significant fluctuations), took a sample of 1,845 companies in three geographical regions and demonstrated that the efficiency of SMEs generally declined as the crisis worsened. An exception to this, however, was those SMEs located on the mainland, as their average efficiency values actually increased in 2011 (Balios *et al.*, 2015).

The service sector remained the most important employer amongst Greek SMEs, accounting for 70.5% of jobs in 2010. The tourism industry was also home to a very high number of SMEs (accounting for 19% of the total SMEs in 2010) and provided significant part-time and temporary employment (Gialis and Tsampra, 2015). Tourism-related businesses dominated the regions of the Ionian Islands, North Aegean, South Aegean, and Crete, with the South Aegean economy focusing exclusively on tourism (Gialis and Tsampra, 2015).

Taking the above characteristics of the Greek SMEs into consideration, the sampling criteria developed for this study were identified as follows:

* **Sectors**: The sectors chosen for the study were construction, tourism, and retail. The justification for this selection was based on the data presented above, given that the construction sector was severely affected by the economic crisis, while tourism was the least affected, and retail and trade were moderately affected. Thus, these sectors represent three segments of the Greek economy, each with a distinct financial outlook. Moreover, these three sectors are worthy of special attention and interest due to their respective associations with particular forms of employment and self-employment practices. In particular, the construction industry was clearly affected by the widespread use of bogus self-employment (Colin and Horodnic, 2017), whilst the tourism sector relied extensively on part-time and flexible employment due to seasonality, as well as demonstrating high rates of undeclared employment (Gialis and Tsampra, 2015). The retail sector was also affected by the economic crisis and labour policy reforms, with a large number of businesses in the sector using employee dismissals as a cost-efficiency practice (Balios *et al.*, 2015).
* **Region**: The businesses included in the sample were located in the metropolitan area of Athens, as Athens was, at that time, “hosting” the largest numbers of SMEs from all sectors of the economy. In addition, Athens – along with Thessaloniki – ranked in the top two cities for its contribution to total national employment. Moreover, as depicted in Figure 3.2, Athens had the largest population of SMEs in all three sectors studied in this thesis.
* **Size**: The businesses studied were all micro, small, or medium-sized businesses. Although the micro businesses were not expected to employ formal structures for their HRM functions, they were included in the sample because they constitute a very large percentage of Greek SMEs (almost 60%) and because the reforms studied in this research had a serious impact on them, their operations, and their rates of survival.
* **Years of Operation**: The businesses included in the sample had each been operating for at least three years by 2019, when the data collection process began. This meant that each business had experienced the consequences of the economic crisis (i.e. the policy reforms).

Forty-five businesses were included in the sample, drawn from three sectors of the Greek economy (construction, tourism, and retail). The final sample size, was determined on the basis of data saturation, when the data collected was deemed sufficient for data analysis (Kenny and Fourie, 2015). At the start of the data-collection phase, a list of SMEs was acquired from the ICAP Greek Financial Directory,[[38]](#footnote-38) the most complete directory of Greek business. This directory has been used in previous studies of Greek companies (eg. Kourteli, 2005; Kottika *et al.*, 2020) and is considered accurate and complete, thus providing reliable business information. Access to the ICAP directory was officially provided via the educational institution at which the researcher was employed (the American University of Greece). The list of all SMEs that had engaged in financial activities during the period of 2016–2018 was downloaded from the ICAP database, and the companies were then organised by size, region, and sector. Filters were then applied to generate a more precise list of micro, small, and medium-sized firms in the construction, tourism, and retail sectors. The location of the SMEs was set to Attica, as 50% of the businesses were located in that area. The final sample was then generated using the “random” formula in MS Excel to select 100 businesses per sector, in line with the sampling criteria.

## Data-Collection Methods and Techniques

The data-collection phase for this study was completed during the period of 2019–2020. This proved particularly challenging due to the COVID-19 pandemic[[39]](#footnote-39) restrictions applied on the businesses in the sectors studied. On 13 March 2020, the Greek Prime Minister announced the official lockdown for Greek businesses,[[40]](#footnote-40) and this ultimately lasted for two years, during which time a number of measures were periodically lifted and reinstated, depending on the epidemiological outlook of the country.

The data-collection phase is described in chronological order as follows:

1. The ethics application (#024634), invitation letters, and participant consent forms (which can be found in Appendix I) were prepared in alignment with the Ethics Guide of the University of Sheffield and approved in August 2019.
2. The interview guide (discussed in Section 3.5.1 of this chapter) was finalised in January 2020, with many iterations produced before the final set of questions was developed.
3. The field work commenced in February 2020, after a test run of three face-to-face interviews (McGrath *et al.*, 2019), 2019) with three business owners from the professional network of the researcher, who each volunteered to sit for an interview before the actual data collection began. This allowed improvements to be made in the use of language and the types of questions. These test interviews were very useful for the researcher because they contributed to the preparation process (DeJonckheere and Vaughn, 2019). The test interviews were also insightful with respect to the order of the questions asked and the prompts used to encourage the participants to provide more detail. When the actual data-collection period began, the researcher managed to successfully complete two interviews. The process involved choosing participants from the randomly generated list of businesses. The selected business owners were then initially contacted by phone. If the owner-managers were successfully reached this way, the researcher introduced herself and explained the purpose of the study. If the owner agreed to participate in the study, a written invitation and participant consent form were sent via email, and a response containing the participant’s written confirmation and a signed consent form were requested before the interview took place. Once the written response had been received, the researcher scheduled an interview at the business premises of the participant.
4. Following the lockdown announcement by the Greek government, face-to-face interviews were no longer possible due to the potential health risks for the researcher and participants. Moreover, social interaction in general was avoided during the pandemic, so it would not have been possible to conduct the interviews even in outdoor public spaces. Hence, the researcher had to reapply to the Research Ethics Committee of the University of Sheffield to request approval for the interviews to be conducted virtually. Approval was granted at the end of March 2020. The period of the pandemic was a very stressful period for business owners, who experienced fear and uncertainty in both their personal and working lives. Regarding the latter, all businesses had been closed down, and it was not yet known – even to the government authorities – when business activity would be returning to normal. Thus, the business owners were experiencing the financial strain of professional inactivity, along with the pressure due to a set of dynamic employment policies enforced by the Greek government (Betcherman *et al.*, 2023). The overall climate was very negative, and even when the business owners could be reached – which was challenging, given that the businesses were closed due to the lockdown – many were reluctant to participate in the study. Furthermore, when businesses returned to limited operations during the summer of 2020, the health and safety measures implemented meant that only strictly limited numbers of customers could be serviced at a time, leaving the business owners very busy and unable to spare time to participate in the study.

A gap of six months after the first face-to-face interviews followed, and the researcher had to reconsider her chosen method of finding participants for the study, given the low response rate for the email invitations and phone calls. After a number of ineffective and unsuccessful attempts to reach prospective participants, a convenience and snowballing sampling strategy was applied (Biggerstaff, 2011). The convenience sampling method allowed the researcher to approach prospect participants from a network of professional groups and communities (Sabarwal, 2014). A snowballing strategy can be used to find participants whom it is particularly difficult to reach (Naderifar *et al.*, 2017) and is thus a very effective sampling method for qualitative research. Given the restrictions imposed by the pandemic measures, the sampling method proved to be very effective for this study.

Using the convenience and the snowball strategies, the researcher identified and approached a number of professional associations, as follows:

* The Hellenic Confederation of Commerce and Entrepreneurship (ESEE) – an organisation representing the Hellenic commerce community, as well as SMEs at both the domestic and international levels.[[41]](#footnote-41)
* The Institute of SETE-INSETE[[42]](#footnote-42) – a non-profit organisation run by the Greek Tourism Confederation (SETE), representing critical areas of the Greek tourism market.
* Athens Chamber of Small & Medium Industries (BEA)[[43]](#footnote-43) – a non-profit organisation representing small and medium enterprises in the Athens area.
* Technical Chamber of Greece – “a professional organization that serves as the official technical advisor of the Greek state and is responsible for awarding professional licenses to all practicing engineers in Greece”.[[44]](#footnote-44)
* The Hellenic Hoteliers Federation – an organisation representing the owners of hotel enterprises in Greece.[[45]](#footnote-45)

These associations and professional bodies were able to provide a number of contacts, who ultimately agreed to participate in the study. To reach more participants, the researcher then asked these contacts to refer her to other business owners from their professional networks. The prerequisites for a referral was that the prospect participant was in a different area of Athens and preferably represented a sector other than the one occupied by the participant providing the referral. The aim was to represent in this way a diverse range of businesses – in terms of location, size, and nature of business activity – and to diminish the limitations of the snowball method, namely the lack of randomised sampling (Naderifar *et al.*, 2017) and the risk of misrepresentation by representing similar types of businesses and excluding others. The data collection was finalised in March 2021, almost a year after the data-collection process began.

### Semi-Structured Interviews

The data-collection method chosen for this study was semi-structured interviews, owing to the nature of the research questions and the information required for data analysis (summarised in Table 3). Semi-structured interviews generally involve an interview guide, but the order of the questions can differ for different participants and be posed in a flexible manner, allowing opportunities for more constructive dialogue between the participant and the researcher (DeJonckheere and Vaughn, 2019).

Table 3‑3 Research Questions and Proposed Methods

|  |  |  |  |
| --- | --- | --- | --- |
|  | Research Questions | Information Required | Method |
| 1 | What was the impact of the economic crisis on Greek SMEs’ employment and staff-retention practices? | Public labour policy changes,  changes in HR practices in line with new legislation | Analysis of policies and discussion of secondary and primary data |
| 2 | How did the crisis affect SMEs’ recruitment, selection, and reward practices? | Understand and identify changes in HRM practices | In-depth interviews with business owners |
| 3 | What effect did the crisis have on SMEs’ propensity to employ workers on an undeclared or disguised basis? | Understand the impact of the changes in social security policy, identify practices of undeclared or underdeclared employment | In-depth interviews with business owners |

The aim of the researcher – namely, to acquire insights and take a deep dive into the topic, while exploring the feelings and perspectives of the participants – also pointed towards the need for semi-structured interviews (DeJonckheere and Vaughn, 2019). Moreover, the use of the probe questions during the interviews provided a means for an in-depth discussion of the research questions, allowing the interviewees to share their practices and experiences in an open manner. Semi-structured interviews have been used in a number of research studies exploring similar research questions (e.g. Psychogios *et al.*, 2020) and are suitable for qualitative studies that wish to explore phenomena from the perspectives of the participants. A successful interview, though, requires a relationship of trust between the interviewer and the interviewee (Horsfall *et al.*, 2021). In this study, a trust relationship (McGrath *et al.*, 2019) between the researcher and interviewee was critical, owing to the sensitive information that was discussed and the need for transparency and honesty, such that the interviewees would feel comfortable revealing even any illegal practices that they had implemented (such as the use of undeclared employment). For this purpose, the researcher emphasised to the interviewees that the information provided by them would remain strictly confidential and that, by being honest and transparent, they would add significant value to the study, which was intended to provide insights for policymakers. Moreover, the researcher shared her own background and genuine interest in exploring the research questions and thereby contributing to the pool of knowledge of the social sciences. The interviews took a hermeneutic phenomenological perspective, given that hermeneutics is the theory and practice of interpreting the meaning of texts (Elliott *et al.*, 1999). Interpretative phenomenological analysis is an approach to qualitative research concerned with exploring and understanding people’s lived experiences of a specific phenomenon (Eatough and Smith, 2008).

The interview guide was originally prepared in English, and the first questions related to demographic information and the business activities of the SMEs. The next set of questions concerned the period of the Greek economic crisis and how the policy changes has affected (if at all) the operations of the participant’s business. The interview guide was translated into Greek, as it was considered important for the interviews to be conducted in the native language of the participants to preserve the authenticity of their responses (DeJonckheere and Vaughn, 2019). This translation was conducted by the researcher and then validated by a professional translator. The key questions from the interview guide are presented below, and the complete guide can be found in Appendix II.

1. How many years has your business been operating?

2. What are the main activities of the business?

3. How many people are currently employed in the business?

4. You have been operating for at least 5 years, so I would like to ask how the economic crisis which occurred in 2008–2018 affected your business (if at all), and in what ways?

5. I assume you noticed that, during the crisis, the government implemented measures that affected labour costs and employment incentives.

1. Which government reforms made during the crisis (with respect to employment) are you familiar with?
2. As the owner of the business, do you believe that the new labour laws are generally favourable for your business? If yes, in what ways?
3. Overall, have these measures affected your relationships with your employees? How? Please explain.

6. As far as the wages of your employees are concerned, do you follow collective wage agreements at a sectoral or company level? Please explain why.

7. How many of your employees (if any) are represented by trade unions?

1. Do you have a trade union representative in your company? If yes, what is his/her role?
2. What is the relationship between management and the trade union?
3. What issues are discussed with the trade union representatives?
4. Which employees in your business are most likely to “unionise” (e.g. younger employees, full-time workers)?

8. One of the changes implemented was a decrease in the minimum wage in 2012 (specifically, the wage was cut to 586 euros per month and was not increased again until recently, in 2019 and 2020). Did you cut wages during the period of 2012–2018? And if yes, how was this measure implemented?

9. Another change made by the government was the establishment in 2017 of a “Unified Social Security Fund” (EFKA), which also affected the level of pensions. How did that affect your business operations and the contributions made for your employees?

Two interviews were conducted face-to-face and the rest virtually, each for an average duration of 60 minutes. For the virtual interviews, the participants received an email invitation to one platform (Skype), but they had an option to recommend a different platform, if Skype were not convenient to them. The researcher made sure that all technical issues affecting the interviews were dealt with promptly. The interviewees were also asked to be in a quiet place while the interviews were conducted, and they were of course given the options of audio-only or audio and video. The majority of the participants, with the exception of one, chose not to activate their video cameras, given that most were located in their homes due to the lockdown and the researcher did not want them to feel that their privacy was being violated. At the beginning of each interview, the participant was asked for their consent to record the discussion, so that the evidence could be captured in the recording. The interviews were properly conducted and the discussions were effective and productive (Lobe and Morgan, 2021), despite the use of a digital medium (Lupton, 2021).

Each interview was promptly transcribed by the researcher, ensuring that the latter had retained a clear recollection of the interview (Bhattacherjee, 2012). The transcripts of the interviews were then translated in English for data analysis. To preserve the anonymity of the participants (Saunders and Kitzinger, 2015), the interviews were coded sequentially as INTXX (“XX” being the sequential number), in a random order. A sample of the translated interviews from the pilot study were checked for accuracy by an English professor (a Greek native speaker and colleague of the researcher). The transcripts were subsequently subjected to data analysis, using the thematic-analysis process, techniques, and tools.

## Data Analysis, Coding, and Themes

The data-management programme used for the data analysis and coding, was NVIVO. The licence for this software was provided by the University of Sheffield and the translated interview transcripts were saved on the Google Drive attached to the researcher’s student account, following the guidelines of the University of Sheffield. As part of the preparation for the data analysis, the researcher attended two workshops, titled, “Intermediate and Advanced Data Analysis with NVIVO” [[46]](#footnote-46), and acquired certifications on both. For this investigation, the researcher applied a manual coding system, rather than the auto-coding feature of NVIVO, to limit the risk of data misinterpretation and for better engagement with the data (Bhattacherjee, 2012). Thus, all of the interview transcriptions were reviewed and codes were assigned to selected quotes to highlight the key messages being delivered. The codes generated from the first interview were used for the coding of the subsequent interviews and more codes were generated during this process. For example, the codes assigned to the response below were “Laying off and downsizing” and “New hires and status”:

**Interviewee**: We never fired anyone; we simply did not hire new employees unless it was absolutely necessary because someone had left. Additionally, the new hires that took place were on a part-time basis and not full-time contracts, as had been the case with all the previous hires before the crisis.

Laying off & downsizing

New hires and status

A complete list of the initial codes assigned to the interviews during the data-analysis process, constituting the first attempt at the codebook, is given below:

* Average number of years employed – loyalty
* By-the-book and legal business – heavily taxed
* Change of status due to the economic crisis – cost issues
* Change of working hours – impact of crisis
* Customer relationships and impact on these during the economic crisis
* New hires and status
* Difficulty hiring new people due to the cost of training
* Effectiveness of policymaking
* Emotions – expression of fear and disappointment
* External environment pressures and SMEs
* Heavy taxation – impact on business profitability
* High levels of insecurity and expressions of emotion
* Hiring outsourced employees as part-time
* Memoranda and economic crisis – impact on business
* Importance of the team for maintaining employees
* Lack of representation of the sector and trade unions
* Laying off and downsizing – impact of crisis
* Minimum wage and recruitment
* Customer relationships and impact of pandemic
* Expression of emotions regarding the pandemic
* Feelings about/expectations for the future
* Laying off and downsizing
* Perceptions of previous crisis
* Successful strategies for coping with the pandemic
* Suspension and effectiveness of policy
* People willing to give up rights in exchange for steady employment
* Relationship with employees and partners
* Retention of employees based on cost
* Seasonality of work for full-time and part-time personnel
* Sectoral agreements – abiding by laws and regulations
* Social security and EFKA and changes in pension levels
* Specialisation of skills required for work
* Status of employees – self-employed
* Trade unions – non-essential role and problems
* Undeclared employment
* Supervision and control by authorities
* Wage cuts due to the crisis

However, the researcher identified that this original codebook was very descriptive and less helpful for identifying the themes. Therefore, a second round of coding took place in a new file, and the researcher began creating new codes from scratch. Table 4 presents the codes that emerged from the interviews and which were used eventually to develop the themes (Braun and Clarke, 2006). Initially, all of the codes were developed as “open codes”, and no hierarchy was applied (Nowell *et al.*, 2017). However, the researcher then applied the refocused coding process. Recurring patterns were identified in the interviewees’ responses, and some of the codes were elevated as more-inclusive categories (Kenny and Fourie, 2015). In Table 3.4, the elevated categories are displayed in bold, representing the “parent” codes, and the list of codes underneath these are the “child” codes.

Table 3‑4 Codes Developed During the Data Analysis

|  |
| --- |
| Codes |
| Dismissals and Change of Employment Status and More Flexible Work Patterns |
| Average number of years employed – loyalty |
| Change of status due to the economic crisis – cost issues |
| Change of working hours – impact of crisis |
| Importance of the team for maintaining employees |
| Laying off and downsizing – impact of crisis |
| People willing to give up rights in exchange for steady employment |
| Retention of employees based on cost |
| Seasonality of work for full-time and part-time personnel |
| Sectoral agreements – abiding by laws and regulations |
| Wage cuts due to the crisis |
| Economic Crisis – Impact |
| By-the-book and legal business – heavily taxed |
| Customer relationships and impact on these during the economic crisis |
| Effectiveness of policymaking |
| Emotions – expression of fear and disappointment |
| External environment pressures and SMEs |
| Heavy taxation – impact on business profitability |
| High levels of insecurity and expressions of emotion |
| Memoranda and economic crisis – impact on business |
| EFKA, Bogus Self-Employment, and Undeclared Work |
| Lack of representation of the sector and trade unions |
| Social security and EFKA and changes in pension levels |
| Status of employees – self-employed |
| Trade unions – non-essential role and problems |
| Undeclared employment |
| Supervision and control from authorities |
| Recruitment, Selection and Hiring, Incentives, Skills, and Expertise |
| Difficulty hiring new people due to training |
| Hiring outsourced employees as part-time |
| Minimum wage and recruitment |
| Relationship with employees and partners |
| Specialisation of skills required for work |

A number of iterations were developed before the final overarching themes were reached (Apuke, 2017). According to Braun and Clarke, “A theme captures something important about the data in relation to the research question, and represents some level of patterned response or meaning within the data set” (Braun *et al.*, 2006, p.10). Despite the themes being developed coherently (Boatwright and White, 2020) and based on recurring patterns in the data, in qualitative research, a higher number of occurrences of a concept in the interviewees’ comments does not make a theme more important than other (Braun and Clarke, 2006). Thus, the themes in this study were not assigned a higher (or lower) level of importance due to a higher (or lower) frequency of occurrence. The final themes developed, as presented in Table 5, were also viewed in alignment with the research questions for this study.

The first theme was ‘dismissals and change of employment status and more flexible work patterns’, and this incorporated changes in employees’ status (full-time vs part-time) and mode of work during the economic crisis. This theme also included any topics concerning the dismissal of employees due to increases in the cost of operations – specifically labour costs. The second theme was “recruitment, selection and hiring incentives (minimum wage and subsidised work)”, and this incorporated all topics related to the recruitment, selection, and hiring of new employees in response to the incentives provided to businesses by the government to reduce unemployment during the economic crisis. The final theme developed during the thematic-analysis process was “social-security contributions (EFKA), bogus self-employment, and undeclared work”, encompassing all discussion around the unified social security fund of EFKA and the businesses practices that supported the black economy.

Table 3‑5 Themes Developed During the Data Analysis

|  |  |  |  |
| --- | --- | --- | --- |
| Themes | Theme # | Codes | Theme Descriptions |
| Dismissals and change of employment status and more flexible work patterns | theme 1 | Average number of years employed – Loyalty | Dismissals and change of employment status and more flexible work patterns:  This theme describes how business owners responded to employment cost issues that arose due to the economic crisis, including the use of strategies such as changing the statuses and working hours of their employees. One topic that emerged during the interviews was the importance of the team and the strength of employment relationships, which proved far more important than the cost pressures. Business owners generally tried to take advantage of employment policies and laws to implement cost-effective strategies, but this was not their main priority. This is a cross-sectoral finding. |
| theme 1 | Change of status due to the economic crisis – cost issues |
| theme 1 | Change of working hours – impact of crisis |
| theme 1 | Importance of the team for maintaining employees |
| theme 1 | Laying off and downsizing – impact of crisis |
| theme 1 | People willing to give up rights in exchange for steady employment |
| theme 1 | Retention of employees based on cost |
| theme 1 | Seasonality of work for full-time and part-time personnel |
| theme 1 | Sectoral agreements – abiding by laws and regulations |
| theme 1 | Wage cuts due to the crisis |
| Recruitment, selection, and hiring; incentives (minimum wage + subsidised work); skills and experience | theme 2 | Hiring outsourced employees as part-time | Recruitment, selection and hiring, incentives (minimum wage + subsidised work), skills and experience  This theme describes the main concepts around the effectiveness of the employment laws introduced during the economic crisis and the incentives provided to business owners to hire new people and contribute to reducing unemployment. A key finding in relation to this theme was that the skills and the experience of the employees – and the cost of training new hires – was far more important than the employment costs incurred by the business. That is also a cross-sectoral finding. |
| theme 2 | Minimum wage and recruitment |
| theme 2 | Relationship with employees and partners |
| theme 2 | Specialisation of skills required for work |
| theme 2 | Difficulty hiring new people due to training |
| Social-security contributions (EFKA), bogus self-employment, and undeclared work | theme 3 | Social security and EFKA and changes in pension levels | Social-security contributions (EFKA), bogus self-employment, and undeclared or underdeclared work  This theme describes the topics related to self-employment status amongst employees (applied in response to the changes to rules on social-security contributions). This increase in social-security contributions led many employers and employees to engage into a form of undeclared employment. In the construction sector, bogus self-employment became almost the standard practice. The presence of trade unions was very sparse and their priorities mainly political. Those few employers who had experienced the presence of trade unions confirmed that employees represented by trade unions were not seen by the rest of the workforce as a “protective mechanism”. |
| theme 3 | Status of employees – self-employed |
| theme 3 | Trade unions – non-essential role and problems |
| theme 3 | Undeclared employment |
| theme 3 | Supervision and control by authorities |

## Trustworthiness of the Study

In the pursuit of meaning through qualitative research, the issues of subjectivity and validity become a challenge for researchers, given the absence of statistical and mathematical methods of analysis which would permit a higher level of objectivity (Adler, 2022). To ensure the trustworthiness of its findings, a qualitative study requires transparency in the methods used, with clear explanations of the reasons for choosing those methods and the tools of analysis (Tuli, 2011).

Guba identifies four criteria for trustworthiness in qualitative research (Guba and Lincoln, 1994). Also referred to as the “four dimensions criteria” (Enworo, 2023), these are credibility, confirmability, dependability, and transferability. Guba and Lincoln suggest that credibility depends on the degree to which the research findings can be viewed as authentically and convincingly representing the reality studied. According to their study, this can be achieved through “prolonged engagement, persistent observation, triangulation, peer debriefing, negative case analysis, referential adequacy and member checks” (Enworo, 2023, p.373). The criterion of dependability refers to the likelihood that the same results would be produced if the study were replicated under the same conditions (Bhattacherjee, 2012). Given that, in practice, it would be very difficult to replicate a study under identical conditions, especially with respect to data collection, for the criterion of dependability to be fulfilled, the research processes should be at least auditable (Enworo, 2023) and provide clear and transparent documentation of the methods. The third criterion of confirmability suggests that the outcomes of the study are based on the data and not on the theoretical assumptions of the researcher – and that other researchers would be in a position to confirm this if they were to review the data collected and analysed (Forero *et al.*, 2018). Finally, the fourth criterion of transferability, when fulfilled, suggests that the outcomes of the research have the potential to be generalised or transferred to other similar contexts (Forero *et al.*, 2018).

The “four dimensions criteria” used to check this study for trustworthiness – and the strategies applied for each criterion – are as follows:

* Credibility or internal validity: One of the strategies implemented to fulfil the criterion of validity was prolonged engagement (Enworo, 2023), as the researcher spent substantial time transcribing the interviews and translating them into English. The researcher listened carefully to all of the audio and engaged closely with the data during the translations, as well as in the data-analysis phase and through the process of coding and refocused coding (Kenny and Fourie, 2015). Moreover, the credibility of the study was also ensured by the use of quotes in the discussion of the findings (Nowell *et al.*, 2017), which provided evidence that the conclusions regarding the perspectives of the participants were based on their actual statements.
* Dependability: The main strategy applied in this study to ensure dependability was the clear documentation of all processes and the creation of an audit trail, with all steps clearly identified and systematically discussed with the research supervisors to acquire guidance and direction. Specifically, a worksheet was maintained, showing the key tasks for the data-collection and analysis processes, with their dates and progress monitored to ensure their successful completion.
* Confirmability: The strategy used to fulfil the criterion of confirmability was that of reflexivity (Korstjens and Moser, 2018), meaning that the researcher considered her own bias and presumptions with respect to the aims of the research, the profiles of the interviewees, and the nature of their business activities. For example, undeclared employment – especially of young individuals – is a practice extensively used by Greek SMEs in the tourism sector, especially during summer time. As part of the self-reflection process, the researcher sought to eliminate this assumption when interviewing owners of tourism businesses who claimed that they employed young individuals as temporal or seasonal workers.
* Transferability: The criterion of transferability was critical for this study, given that the aim was to generate insightful outcomes that could help policymakers to better understand the operation of SMEs – not just in Greece, but also in other European countries with similar labour conditions – and thus to design more-effective legislation (Silverman, 2017). Therefore, the strategy used to fulfil this criterion involved “thick description” (Korstjens and Moser, 2018), meaning that the findings were not just based on the perspectives and behaviours of the participants, but also on clear explanations of their context and circumstances. In this study, the context discussed was that of the economic crisis of 2008, and this was extensively analysed in Chapter 2 to set the scene for the data analysis. Moreover, the primary employment regime in the Greek labour market was also discussed in a great detail, so that the SMEs and the practices of their owners could be seen within the prism of the prevailing labour-market conditions.

Owing to the above analysis and dimensions criteria, it is believed that this study fulfils the primary criterion of quality research, which is trustworthiness. Thus, the findings are expected to prove useful for designing policies to improve employment relations in Greek SMEs (or indeed, SMEs in other markets with similar characteristics and external environmental conditions).

## Ethical Considerations

The interview data was collected in line with the ethics policy of the University of Sheffield, described in, “The University’s Ethics Policy Governing Research Involving Human Participants, Personal Data and Human Tissue”, which acknowledges that the responsibility for maintaining ethical conduct lies primarily with the researcher.[[47]](#footnote-47) The researcher read and understood the guidelines provided by Sheffield University and has fully adhered to them. Moreover, as part of the ethics approval process, the participants each received an invitation letter fully explaining the aim of the study and their own contribution and rights, and they were provided with the option to opt-out of the research at any point during the process. Moreover, each participant was asked to sign an informed consent form (Appendix I), and all interviews followed the “Rules of Integrity and Ethics for Studies with Human Participants” of the University of Sheffield. Moreover, the data were collected and stored in line with the General Data Protection Regulation (GDPR)[[48]](#footnote-48) effective in May 2018.

Finally, prior to the data-collection period, the researcher completed a required training course on research ethics and integrity (FCS6100 Research Ethics and Integrity), offered by the University of Sheffield. For assessment on this course, the researcher had to critically engage with – and respond to – three workshops, each discussing a single case. The first workshop was titled, “Approaching Research and Starting Out”; the second workshop was, “Doing Research”; and the third was, “Disseminating Research and Beyond”. The researcher’s answers to these scenarios were assessed and discussed with her thesis supervisors, who confirmed that the training criteria had been successfully met.

In addition to the regulations and guidelines provided by the University of Sheffield, a number of ethical considerations were also discussed in relation to the study. These included the psychological states of the participants. The interviews were administered during the period of the pandemic, and the majority of the business owners had been forced by the Greek government to cease their business activities. With the business owners participating in the study already feeling uncertain about this new crisis, asking them questions about the economic crisis which had just ended could have been extremely distressing for them. Therefore, it was critical that the researcher was careful not to cause stress to the participants by asking them to recollect a potentially very difficult period in their lives. Moreover, a number of the business owners had engaged in the practice of dismissing employees to reduce their employment costs. The practice is particularly stressful for owners of small firms, given the close relationships that can develop between employers and employees due to the social proximity (Lefebvre, 2023). Therefore, the dismissal of employees and practice of demoting full-time workers to part-time, accompanied by a decrease in the renumeration, were particularly unpleasant for the business owners, especially when dealing with employees who had worked in the businesses for a long time. For this reason, the business owners were occasionally expressed feelings of guilt for these practices. The ethical challenge in this case, then, was that the researcher had to be careful not to react in any way that would portray her as a moral evaluator.

Equally stressful to the business owners was the sharing of illegal practices, particularly that of undeclared employment, and cases in which employees had been asked – or even, at times, psychologically threatened – to assume a bogus self-employment status, in fear of being dismissed. These practices were described by the participants as inevitable for the survival of the businesses, and once again, the ethical challenge presented in those cases was for the researcher to remain neutral and not express any reaction that could make a participant feel that the image of their business had been damaged or that they personally were being judged for breaking the law.

Owing to the above challenges, and in line with the applied guidelines, it was critical to preserve the anonymity of the participants throughout the study (Kojo, 2020). As explained, anonymity was preserved in the coding process and in the referencing of the participants’ quotes in the findings chapters. In addition, the participants were reassured that their confidentiality would also be preserved and that the audio files and transcripts of the interviews would be stored in a secure location, accessible only to the researcher, in line with the storage guidelines provided by the University of Sheffield.

## Limitations of the Research Design

The research methods used in this study were thoughtfully considered and applied, in alignment with the nature of the research questions and the chosen research paradigm. However, a number of limitations are acknowledged as providing room for improvement and as opportunities for future researchers to enhance the validity of the findings by employing more methods and tools.

One limitation was related to the sampling method and sampling criteria. Specifically, the SMEs chosen represented only three sectors of the Greek economy, and all were located in the Athens area. The sampling criteria could thus be further expanded to include more locations and other sectors of the Greek economy, as this would enhance the generalizability of the findings (Guba and Lincoln, 1994). Nonetheless, the sectors included in the study are critical for the Greek economy and representative of the labour market conditions during the economic crisis. Furthermore, the city of Athens is the most populated of all cities in Greece,[[49]](#footnote-49) being home to 40% of the country’s population, and 50% of all Greek SMEs are located there. Another limitation related to the chosen sampling methods – namely, snowballing sampling (Naderifar *et al.*, 2017) and convenience strategies. The researcher was obliged to rely on these two methods due to the restrictions applied on businesses’ day-to-day activities during the COVID-19 pandemic, and they did indeed prove to be very effective. However, in the absence of pandemic restrictions, a more randomised and systematised sampling method could have been applied, thus eliminating the risk of an unrepresentative sample (Naderifar *et al.*, 2017) – a risk associated with the snowballing method.

Another limitation is the absence of triangulation methods as a means of enhancing the trustworthiness of the study findings, specifically in relation to fulfilling the credibility criterion (Guba and Lincoln, 1994). The chosen research design was suitable for the nature of the questions explored, given the aim was to acquire in-depth insights. However, with respect to the data analysis, there is a lack of rigorous literature on thematic analysis (Nowell *et al.*, 2017). Therefore, if the time and the available resources allowed it, quantitative analysis and a survey method could be used (Korstjens and Moser, 2018) to further validate the outcomes of the study and potentially enhance their transferability (Cavallo *et al.*, 2021). However, the time constraints on the researcher – who, as a part-time student, had to complete the study within a specific timeframe – and the constraints on her access to potential participants prevented the use of a triangulation method.

The data-collection limitations were discussed earlier in Section 3.5 of this chapter. To reiterate, the period of the pandemic was a period of great uncertainty for both the researcher and the participants, and it led to a very different set of circumstances to the one assumed in the original design of the fieldwork (Lupton, 2021). The researcher had to adjust not only to the technical conditions required for the virtual administration of the interviews, but also to events in her personal life. As an example, the researcher became infected with COVID-19 before the vaccine was available and was faced with the risk of being hospitalised for treatment. The pandemic was a particularly stressful period, as a life-threatening situation that had to be faced by all of the participants. The attendant feelings of stress and anxiety might have contributed to bias in the answers of the participants.

Finally, it should be noted that the study was conducted over a period of seven years. The status of the researcher, a part-time PhD student who was also employed during the period of the study, led to a fragmented mode of work which required self-discipline and effective time-management. This proved very difficult, given the researcher’s family responsibilities and professional engagements. Moreover, the status of the researcher as a remote student presented particular restrictions with respect to access to the University of Sheffield’s resources. If the researcher had had full-time and on-site status, this might have impacted the momentum of the study and reduced the number of chapter revisions required.

The research approach and methods used in this study were chosen to reflect the nature of the research objective and research questions. The researcher decided to explore the answers from an interpretive philosophical stance, taking an inductive research approach, which she deemed appropriate for the fields of social sciences and, in particular, management studies. The research paradigm led to the use of a qualitative research method, with the choice of thematic analysis to analyse the data collected.

The processes of collecting and analysing data, as well as the challenges encountered during these processes, have been discussed in detail in this chapter. The detailed analysis and criteria deployed to ensure the trustworthiness of this research have also been extensively discussed, ensuring the validity of the results and the robustness of the study. A number of ethical considerations have been addressed – along with the limitations of the study – with the aim of acknowledging them and presenting strategies to effectively respond to them. This chapter is thus critical for the rest of the thesis, setting the ground for the findings chapters that follow it.

1. **Chapter 4: Working Patterns and Dismissals**
   1. Introduction

The research question addressed in this chapter asks how Greek SMEs adjusted their employment-management strategies – and particularly their employees’ working patterns – in response to labour-policy changes during the crisis. These changes were made at the behest of the IMF, ECB, and EC, and they affected – amongst other things – self-employment and both full- and part-time contracts. The policy changes concerning employment law, largely introduced by Law 4093/2012, enacted on 12 November 2012,[[50]](#footnote-50) introduced several amendments with respect to the national minimum wage and the termination of employment contracts.

The new laws made it easier for business owners to change the working patterns of their employees, moving some individuals from full-time contracts to part-time and others from part-time work to a self-employed status. These practices significantly affected the working patterns and status of employees. The analysis of the data reveals that many business owners in fact used numerous employment strategies to reduce their employment costs and limit the negative financial impacts on their business. The most important changes were the reduction in the working hours of employees, the altering of employees’ statuses from full-time to part-time (and in some cases, to self-employed), and the dismissal of employees.

The chapter begins by presenting the business owners’ views of the effectiveness of the labour policies introduced by the Greek government. These perceptions differed significantly between sectors. Thus, in the subsequent sections of this chapter, the three sectors are examined separately. Section 4.2.1 discusses the retail sector, Section 4.2.2 the tourism sector, and Section 4.2.3 the construction sector. The topics of discussion (relating to all three sectors) emerged throughout the research and the data-analysis process, and they are as follows:

* changes in employment status, from full-time to part-time and even to self-employed
* changes to the working hours of employees
* the criteria used to lay off employees, and the reasons underpinning the owners’ decisions to dismiss workers
* the enforcement of salary cuts in line with minimum wage levels

The sectoral analyses highlight the key employment practices implemented by the business owners – as well as factors such as the size of their businesses and nature of their business activities that may have contributed to differences in the strategies pursued by business owners in those sectors. The aim was to understand why business owners operating in the same sector might have responded differently to the same public policy reforms. For example, SMEs might differ significantly by industry, nature of job, and employee skillset required, and their unique characteristics may also be responsible for differences in employment relations (Barney, 1991).

A summary is provided at the end of the chapter, presenting the key findings of the analysis and the differences between the three sectors.

* 1. Business Owners’ Responses to Employment Policy

The strategies implemented by the business owners in response to the policies differed across the three sectors, reflecting the different ways in which the business owners perceived the impact and the value of the new reforms for employment relations, as well as how the economic crisis had affected their respective sectors. The following sections present the responses of the business owners by sector.

* + 1. The Retail Sector

The retail sector was heavily impacted by the economic crisis. In the period of 2008–2015, almost 25% of all retail SMEs closed down (Balios *et al.*, 2015), primarily due to the decreased demand for goods and the lack of liquidity. According to the Hellenic Confederation of Commerce and Entrepreneurship (ESEE),[[51]](#footnote-51) of the 324,000 retail businesses operating in 2009, 68,000 had closed down by August 2011. Due to economic pressure, a large number of retail businesses sought to cut costs (including the cost of employment) by introducing more flexible working patterns, such as changing the working status of their employees from full-time to part-time. According to another report by ESEE, during the second trimester of 2011–2012, part-time jobs increased by 6,629 and full-time jobs decreased by 100,132 (Aivanouli, 2013).

Many large chains in the retail sector closed several of their stores due to the shrinking of the retail market and the decrease in demand. One of the study participants from the retail sector (INT 07) confirmed that, before the financial crisis, their business comprised multiple stores, but when the crisis began in 2008, they were obliged to close two of their stores in locations where competition had intensified as consumer demand fell. As a result, the 12 employees working in those stores were dismissed.

According to the participants, sales gradually declined each year between 2010 and 2017, with a reduction ranging from 20–40% over this time period. In addition, the capital controls introduced in 2015 to prevent capital leaving the country had a detrimental effect on the sector (Tsebelis, 2016). Owing to the restrictions on moving cash abroad or making online payments to overseas banks and accounts, the majority of business owners importing or reselling items were unable to pay their suppliers and eventually ran out of stock.

The owner of a business that sold wedding dresses and wedding accessories imported from abroad explained:

We thought that we were safe because we had no loans, but the heavy taxation was the first blow to the business, and then in 2015, we had the capital controls and that was the end. (INT 29)

The financial strain and market pressures led the business owners to dismiss employees in order to survive the crisis, also given that the regulations introduced in 2018 allowed employers to give a shorter period of notice when dismissing a worker. This primarily affected the newly hired staff, as well as the youngest and most inexperienced individuals which were the easiest to target. In addition, the supply of young and inexperienced workers was very high – and the supply of jobs very limited – because the majority of SMEs were avoiding hiring new employees.

In the retail sector, the perception of the business owners with respect to employment protection during the economic crisis was described by two respondents as follows:

With respect to protection of employment, I would say that nothing changed [as an impact of the new employment reforms] after 2011, 2012… (INT09)

The business owner of an accessory store said:

[Following the new employment policies] I laid off people more easily; mainly the low-skilled employees, and I did not have to pay any compensation. But apart from that, nothing serious [policy wise] was introduced by the government to support us. (INT40)

The opinions expressed by the two respondents above support the view that business owners in the retail sector took advantage of some of the reforms, such as the decrease in the minimum wage and the ease of dismissing employees, to support their efforts to decrease the employment costs of their firms.

According to the business owners, the decision to lay off employees was not an easy one to make, and it created emotional strain and feelings of guilt. As the owner of a retail business said:

This is a family business […] When someone was hired by my father in the business, they were never fired. They would join the business in their youth and they would leave when they reached their pension age […] Me and my sister had to take the hard decision to let everyone (15 people) go. (INT 24)

The business owners used various criteria to decide who should be dismissed. Some of them dismissed the employees whose salaries were the highest, while others dismissed the youngest workers, and a few dismissed the most-recently hired.

The owner of a shop selling fashion/clothing accessories said:

Older employees are more serious and they know the job better. While young people would sometimes prefer to work temporarily to earn the money for a holiday, or even work for the tourism sector. (INT 01)

This interviewee stressed the importance of employing experienced employees and expressed serious concerns about the commitment of the younger employees to finding permanent work. Thus, according to the business owners, younger and more inexperienced employees were more motivated to find part-time work or temporary jobs than full-time contracts.

Some business owners said that they had been reluctant to dismiss employees and had waited to see what their competitors would do. The owner of a bookstore (INT05) said, “I took the decision to dismiss employees when I started seeing all the stores adjacent to mine were starting to close down, and then I got scared”. The dismissal criteria employed by this business owner were unclear, though, and their responses demonstrated that the decisions taken with respect to employee dismissals had been both rational and emotional. The same respondent said that, in 2008, they had had four employees (two part-time and two full-time), but by 2016, they had just one. During the period of 2008–2016, the two part-time workers had been dismissed due to the gradual reduction in sales. Eventually, one of the two full-time employees were also dismissed. The employee who remained had been with the business the longest, and the decision of the business owner to keep this employee had been based on sentiment and an emotional attachment to that employee. During the interview, the business owner said:

I only kept Maria, who had been with me in the business since she was 18 years old. To be honest, I could not even afford her, and I used my personal savings to subsidise her salary for a couple of years, hoping that the crisis would soon be over. But we were literally out of work, and there were times that the actual drop in sales was 60%. (INT05)

This practice of keeping the most tenured employee was not a pattern followed consistently throughout the sector. Another respondent in the retail sector (INT07) said that “we had to close down two of our stores, and then inevitably the employees of these stores were dismissed”. To avoid laying off all 12 workers, they decided to lay-off half and transfer the other half to the remaining stores. The sole criterion applied when choosing whom to lay-off was the performance of the employee; and the business owner confirmed that they had wanted to make every possible effort to keep the most highly skilled and experienced workers.

However, we kept half of these employees and we tried to employ them in the rest of our stores because they were very good in sales and we did not want to lose them. (INT04)

This business primarily sold women’s clothes, and all of the employees were women aged 20–30 years old. According to this business owner, the employees who were dismissed were the youngest and the most inexperienced. Some were university students, who were studying and working in parallel. Therefore, when the stores had to close, these students were the first to be dismissed. The owner of the business justified this decision by saying that,

The university students will not be staying in the business for more than one or a maximum of one-and-a-half years. Also, unfortunately, being a salesperson is considered to be a fairly easy job with no requirement for any particular skills. In other countries, employees are trained to work in sales, but in Greece anyone can do the job. (INT07)

Thus, the youngest workers and the newly hired employees with no significant training or experience were targeted for dismissal in this case.

Occasionally, the lack of clear dismissal criteria led the business owners to implement more radical practices, such as abolishing a whole functional department. In the case of one retail business (INT 09), which had to lay off 10 employees, the solution implemented by the business owner was to outsource the business function for which these workers had been employed. Abolishing the entire department was much easier for the business owner than having to decide which employees to dismiss. In addition, the cost of the tasks associated with that function was significantly lowered. According to that respondent:

Everyone in the marketing and promotions department had to leave. The decision was taken in 2012–2013, when things were really bad. It was not an easy decision and it was clearly taken for financial reasons. In the aftermath of that, though, we discovered many problems in the operation of the business. When this department was in-house, we used to have the total control over the quality of the processes and the outcomes. After the decision to outsource the marketing function, we experienced issues with the quality. (INT09)

Businesses that chose to dismiss staff often experienced skill shortages as a result, even in areas such as sales, which typically did not require extensive training or technical skills. Business owners had invested in the training and development of the skills of their employees, and they were clearly reluctant to lose these and then be obliged to re-invest time and effort in new workers when the crisis was over. This challenge was further coupled with the difficulty of finding replacement workers with the required skills and experience for the jobs.

One of the business owners in the retail sector (INT 13) said that hiring young and inexperienced employees could be dangerous. Competition intensified during the economic crisis, and this business owner had sought to ensure that their services were of an excellent level and quality, attempting to ensure that their customers were not lost to competitors.

Another respondent added:

It is hard to find skilled employees in sales […] I am always on the side of the employees… So, if the law says that I should pay the salespeople 540 euros per month, I give them 600 or even 700 euros. I want to make sure that the employees working for me are happy so that they can perform. This is my concern… because they need to pay the rent, they need to eat and spend money for clothing. (INT 04)

Overall, the business owners had to find effective ways of keeping their employment costs low, while at the same time retaining employees with valued skills and experience. Remaining cost efficient while providing competitive rewards to employees – especially skilled ones – was challenging. Examples of this challenge come from two retail businesses: one producing and selling wooden accessories, such as bags, for women, and the other creating and selling wedding dresses. In the first business, the employees who were trained to work with wood and who had acquired experience in crafting wooden items were valued by the owner as highly skilled. Similarly, in the second business, the employees who knew how to design dresses and how to promote the right dress to the right customer were appreciated for their skills by the business owners.

In some cases, the policies on the wage reduction and flexible working patterns allowed the business owners to acquire a level of flexibility in their employment practices with respect to scheduling and status. The changes introduced by Law 3899/2010[[52]](#footnote-52) meant that an employer and employee could sign a private agreement to define the employment as daily, weekly, or monthly and for a finite or indefinite time period. Hence, the working status of an employee could frequently alternate between full-time and part-time, perhaps changing from one month to the next. This was mainly done by asking full-time employees to work for three days a week, instead of five, and part-time employees to work four hours on three days a week.

The practice of changing the status and working patterns of employees was the most popular at that time, given the flexibility introduced by the laws. However, the business owners claimed that they took this decision only when they had exhausted all other means of lowering their costs. This was explained by one of the respondents, the owner of a store, who said:

We were operating at a loss. Yes, yes. We were not making any sales. I was telling myself, “it’s only a crisis and it will end, it will soon be over, we will work around it, we will fight it”, and I had to spend my savings in order to survive and keep my business alive… but I could not make it. I had to change one of the two [full-time employees] to part-time. (INT 05)

The changes made to employees’ working patterns and the extent of their wage reductions varied depending on the level of seniority and the skills possessed by the employees. One respondent from the retail sector (INT 09) mentioned that more experienced and senior employees tended to feel more secure in their jobs, given their skills, and they felt more confident about negotiating the terms of their employment or even demanding higher salaries. Typically, these senior employees were older individuals with family obligations, so any changes in their salaries would directly impact the standard of living of their families. So, they were often not willing to accept a reduction in their salary unless they believed that they would otherwise be dismissed. The reality for most was that, if they were to become unemployed, it would be very difficult to find another job, given the high rates of unemployment.

We were willing to pay more for the employee who crafted the accessories and the man who cut the wood for the bags, so that we could deliver the quality required… because by then, they knew what we wanted and how to work with materials such as cork, because this is a material rarely used. If new people had to learn how to do it, we would be lost. (INT01)

In contrast, the younger and less-experienced employees tended to be more willing to accept unfavourable terms, which was probably a reflection of the extremely high unemployment rate for young people during the crisis. Thus, the main reasons for accepting unfavourable terms of employment were the need to remain employed and a fear of what a job loss would entail in the long run. Thus, the reality was that business owners could more easily target one group – namely, the younger and more-inexperienced individuals – if they chose to lay-off their employees or change their working status.

Although the government provided incentives to hire new employees, including a significantly reduced minimum wage, and even though there was an increase in the labour supply due to the high unemployment rate, business owners in the retail sector did not perceive these incentives favourably, as they did not want to hire untrained personnel. Many preferred to either change the working statuses of their existing employees or negotiate lower salaries with them.

The businesses had to devise their own strategies that would help them to preserve the trust and the loyalty of their employees, whilst reducing their employment costs to acquire resilience and secure survival. These strategies were not applied in a uniform and standardised manner, but rather in ways that suggested the business owners were implementing different practices depending on the external factors concurrently affecting their businesses. Where competition was fierce, some businesses had to close some of their stores and dismiss their employees. In other cases, competition exerted pressure on businesses by limiting their market share and restricting the ways in which they could attract and retain their customers. For a number of companies, a key competitive advantage was the quality of their products and the services they offered to their customers. Therefore, the businesses needed to maintain their highly trained and skilled employees to hold onto their talent and experience. As a consequence, young and inexperienced employees were the most likely to be made redundant.

For example, the owner of an optics store said:

In order to survive the competition and the loss of sales, we had to keep the experienced employees. So, out of the four people in the store, the most inexperienced employee had to be dismissed, two more changed from full-time to part-time, and one maintained full-time status. (INT28)

In contrast, if the type and nature of the products and services provided by the businesses did not require a high level of experience and skill, young and inexperienced employees were preferred over more senior and experienced staff, given their lower wage costs.

Explaining this argument, the owner of a retail store selling women’s underwear said:

Our products are addressed to young people, and so our average employees are young women, who are usually university students. (INT07)

Wage cutting was a practice also exercised in some cases in the retail sector, and once again, it tended to disproportionately affect young and inexperienced employees. Moreover, close relationships with the business owners created sentimental and emotional bias, which led to the favouring of workers who had been employed for the greatest number of years.

The nature of a business and the extent of its internationalisation – through importing or exporting activities – had an impact on its operations during the economic crisis. As explained by the participants in this study, the downturn in the Greek economy, high levels of inflation, and capital controls all created more barriers to the acquisition of goods and services from international suppliers. This created a need to further reduce business costs, as importing became more expensive than ever before. In this context, labour costs became a primary expenditure to consider.

* + 1. The Tourism Sector

Tourism is a significant sector of the Greek economy, employing almost 10% of all workers in the country in 2018.[[53]](#footnote-53) Tourism relies not only on the domestic market, but also on the foreign market, given the number of international tourists who visit the country every year. According to the OECD (2020), in 2017, the tourism sector contributed 6.8% of Greece’s GVA, with a total of 33.1 million international tourists.[[54]](#footnote-54)

During the economic crisis, however, the majority of the SMEs in the tourism sector experienced a significant reduction in sales, with declines ranging from 30% to 50%. As one of the hotel owners reported:

I am not sure about the market share and whether there was a drop, because the entire market had shrunk, but we had a considerable drop in sales of approximately 40%. (INT 23)

This decline in turnover was primarily due to the decrease in domestic tourism, as the austerity measures in force at the time included the imposition of higher taxes, which reduced disposable incomes. For example, the government gradually increased the VAT on food and beverages from 8% to 13%, and eventually, in 2016, to 23%. The resulting increase in prices reduced the real value of the incomes of Greek citizens, who could then no longer afford holidays and leisure travel.

The increase in VAT also affected international tourism, as the countries that typically compete with Greece for tourists – such as Turkey, Portugal, Italy, and France – levied VAT rates of 7–10% on their own tourism sectors, much lower than the 16% VAT rate in Greece.

As one of the respondents, an owner of a hotel, said:

We were not competitive, when compared to other countries […] and which offered packages with a 6% VAT while we had to apply 16%. As you may understand, the difference [for tourists] is huge. (INT37)

Increased taxation also had a negative impact on businesses in the tourism sector. As the tourism sector had been growing until the beginning of the economic crisis, becoming the most profitable sector of the Greek economy, business owners felt that their sector had been targeted by the government in order to increase tax revenue. The public policy of tax increases was disliked by the business owners. One of the respondents emphasised their discomfort, sharing somewhat exaggerated speculation regarding the government’s thought process:

The government thought, “is the tourism sector making money? Let us impose 662 new laws!” (INT 31)

Overall, a large number of participants from the tourism sector expressed feelings of disappointment regarding policymakers’ failure to support them and their businesses.

The owner of a restaurant, working in the tourism sector, said:

[…] clearly, we were not supported by the new employment reforms offered [by the government]… At least I can speak on behalf of the [tourism] sector. (INT17)

Another respondent from the tourism sector said:

I don’t believe that the government did anything to support us [with respect to employment relations]. I believe that all of us in the [tourism] sector were left trying to support ourselves. (INT19)

These respondents agreed that the policymaking around employment relations had not proved useful overall and had not provided the means needed to formulate an effective employment strategy that would have helped them to respond effectively to the pressures of the economic crisis.

The obvious consequence of the pressure created by tax increases and the decrease in post-tax profits was that the jobs of the employees were at stake. The objective for the employers was to avoid laying off their employees and risking their relationships with them. In fact, the majority of the business owners expressed feelings of discomfort about dismissing their employees. One of the interviewees, who was in charge of maintaining a chain of restaurants, said:

As a company, we do not play with our employees. (ΙΝΤ 08)

Another interviewee from the food and beverage sector said, “this is a relationship of mutual respect and we had to support our employees even if [that meant] we had to lose money” (INT 32). They went on to explain that the company had tried to find ways of supporting their employees and their families by reducing their working hours, rather than dismissing them. This practice was not unusual – in fact, it was a standard practice in the tourism industry even before the crisis (Gialis and Tsampra, 2015).

Another owner of a chain of restaurants said:

[…] we were trying to be fairer […] because our employees wanted to continue working, so we tried to reduce their working hours. So, if they had a contract of 40 hours, we would reduce them to 35 hours […] This practice was particularly common in relation to part-time employees. (INT17)

Given these reductions in their working hours and the changes in their working patterns, employees subject to these changes were then free to seek other part-time work to complement their income.

The business owners in the tourism sector claimed that, when they implemented these changes, they did so with transparency and openness. They said that they had organised open meetings with all employees and announced their intention to make changes in the working statuses and patterns, under the pressure of the economic crisis. The employers expressed their intentions to avoid laying off employees and to restore their workers’ original statuses once the economic crisis was over. This intention was solely expressed verbally, so it required the employees to simply take the word of their employer on trust. Employees were informed that they would need to agree to a change in their contractual status until the end of the crisis, otherwise the business owners may consider dismissing them – if proven that they could not afford to employ them, as was required by the law (Stamati and Syriopoulos, 2014).

According to the employers, all changes in status and working hours were agreed with the employees. It was clear to everyone that this was a short-term strategy and a compromise, which the employers felt was serving the interests of all parties. On the one hand, employers were cutting down their labour costs and reducing their payroll expenses; and on the other hand, employees would keep their jobs. According to the business owners, employees were positive about the new terms of employment, given the high levels of vulnerability caused by the crisis and workers’ consequent feelings of insecurity and concern about the absence of alternative employment.

One of the interviewees in the tourism sector said:

I gathered all of them together and in an open and sincere manner I told them that the business was struggling financially but we would go through it together […] They accepted it because of the crisis and due to the massive layoffs. And to be honest with you, I explained to them, “you would not be able to find another job”, and that was the truth. It was not blackmailing. The employees knew that you were telling them the truth. (INT19)

Whilst there was a tendency to preserve employment for the full-time and part-time workers, seasonal and temporary workers were made redundant once the season was over and not hired again. As an employer of a restaurant said:

20% of the employees changed to part-time, and the seasonal personnel had to leave. But this is a standard practice with the seasonal personnel. You would always let them go once the season was over. (INT32)

In essence, the redundancies of seasonal employees – and the decisions not to hire them again over the subsequent years – reduced employment costs, which partially covered the cost of maintaining the full-time and part-time workers. A respondent and owner of a hotel explained:

Full-time and part-time employees would not get the annual leave to which they were entitled to by law. So, if they had to leave for 22 days, they would only use half the days and then provide cover for the extra work during high season. Of course, eventually, we would give these days back to them, maybe the following year, but in this way, we managed not to hire new employees (or increase employment costs) during summer time, which was a busy period. (INT15)

In essence, full-time and part-time employees worked for more hours than they were paid for during the high season, so that the businesses could survive through the busy periods without recruiting seasonal workers.

As mentioned at the beginning of this chapter, the Greek government reduced the national minimum wage in 2012.[[55]](#footnote-55) The aim of this measure was to discourage employers from laying off young, inexperienced, and precarious workers, such as students, and to provide cost incentives to businesses owners to retain their employees. However, wage cuts seem not to have been a common practice in the tourism sector. The owner of a hotel said:

The minimum salary based on the sectoral agreements was 750 euros and that would eventually increase, whereas at that time, the minimum wage was 560 euros and it could even go lower than that. So, you understand the difference […] You took the collective agreement as the minimum, but we always paid more money [to our employees]. (INT37)

Although one might assume that employers would consider a lower minimum wage to be an incentive to hire more employees, in reality, the owners of the businesses expressed feelings of frustration regarding the measure, claiming that young people in particular were significantly exploited under the new law. They explained that young and unemployed workers offered to work under very unfavourable conditions, often for very long hours and for small salaries. However, this was not considered to be an ethical way to treat to them.

One hotel owner said:

This is the truth. In reality, employees who were working for 550 euros in the heat and under the sun experienced the greatest losses. You could even fire them [because it was very easy to replace them] for not smiling. The working-class, however, supported the Greek economy [during the years of the economic crisis]. So, the government had to support them back. (INT37)

Some cases were identified of businesses laying off employees due to a reduction in sales. In those cases, the businesses were faced with employment costs higher than their revenues. The owner of a coffee shop said:

We laid off six employees in total. Three of them were part-time, but we had to dismiss three full-time employees as well […] We could not afford them and these were service assistants who were employed when we had too much work. The drop in sales, though, was as big as 50% and there was no reason to employ so many employees. Originally, we dismissed the part-time employees and then we suggested a reduction in salary for the rest […] They eventually left because they said that they could not cover their living expenses with that money. (INT25)

Another challenge for the business owners when deciding whether to lay off employees or change their working times and patterns was the need to maintain workers with the necessary skills required to run the firm.

In businesses such as restaurants and coffee shops, employers may hire young and untrained personnel, such as university students, to work for a season. The owner of a coffee shop said:

Our core team is 70% of the total employees, and the rest are seasonal employees who come and work the busy months. These are mainly university students who wish to earn money for their holidays. (INT03)

As the owner of a hotel explained, once the season was over and the employment period of these seasonal employees had ended, the businesses did not hire any new employees for the following season:

Because of the economic crisis, once the seasonal employees were laid off, we did not hire any new for the next season. (INT08)

At the same time, the employers stressed the importance of their relationships with their core employees, some of whom had been with the businesses for many years.

One of the employers in the tourism sector said:

I consider this [my mindset] to be part of my success. And this is true even for my customers and not just for my employees. I do not see them as euros… I want them to come to my store because they enjoy coming here… I am not that interested in walk-in customers – of course I will serve them, but I am mainly interested in loyal customers, who mainly come here because of the service that they get… This is what allows me to build a long-lasting relationship with them. (INT 19)

The owner of a high-end hotel in the Athens riviera said:

We never laid off any of our employees… They only left once they were able to get their pension. We had an excellent team and relied on them during the economic crisis. (INT20)

The overall message conveyed was that the employers could not afford to lose employees with valuable skills and experience, as this would have had a negative impact on the ability of the firm to deliver high-quality services to their customers and clients. Indeed, the quality of the services provided was primarily the outcome of a co-created experience between the employees and customers. This relationship seemed to be highly valued by the business owners, who wanted to have very skilled employees – and the main skills that they appreciated were in communication, empathy, planning, and organisation.

The business owners in the tourism sector felt that, overall, the government had not supported them by implementing measures that would have enhanced the resilience of their businesses. Instead, policymakers had transferred the challenge of managing employment costs to the employers, leaving them to find a way of preserving the morale of their employees, providing salaries that could support a decent standard of living, and simultaneously reducing the labour costs to their businesses.

This situation created various tensions and challenges for those business owners who acknowledged the value of their employees and preferred to find ways of reducing costs and expenses other than by cutting payroll. However, this was not easy, and payroll remained the best target for cost-saving measures.

One of the business owners in the tourism sector said:

Well no, we did not use any of the “weapons” provided to us by the government to help businesses, mainly because we maintain steady relationships with our employees and we do not change our employees that easily […]. (INT 15)

This view was echoed by other business owners in the tourism sector. A large number of participants expressed their gratitude towards employees who had been willing to accept lower salaries to help the business survive and avoid unemployment.

A summary of the key practices implemented in the tourism sector reveals that the most common practice was the avoidance of dismissals, despite the incentives provided by the government to implement more flexibility in recruitment and dismissals. These practices could, indeed, lead to reductions in employment costs, but they would also affect the relationships between employers and their tenured and most-loyal employees, who worked mainly on a full-time basis. Employers were reluctant to lose these employees, and instead, they preferred to adjust the working patterns and statuses of their employees, mainly exchanging full-time contracts for part-time. These practices were implemented as a short-term strategy, with the intention to return to the original situation when the crisis was over.

However, differences between the businesses (e.g., the nature of the business, the type of customers and guests, a domestic or international character) affected the employment practices implemented by the business owners. When compared to the food and beverage sector, the hospitality sector relied more on seasonal and temporary personnel. In practice, that meant that the food and beverage sector could employ individuals who were relatively inexperienced and unskilled, such as university students who were only seeking part-time work for the summer season. Of course, seasonality and location were also very important differentiating factors for tourism businesses. Businesses that operated only during the summer months and in areas that attracted large numbers of summer tourists tended to hire younger and more-inexperienced employees, who were paid the minimum wage. However, premium businesses, with more high-end customers who demanded a higher quality of service, and businesses operating throughout the year were more likely to keep tenured and full-time employees, whose working patterns would be adjusted if required.

* + 1. The Construction Sector

The construction sector was the sector most severely affected by the economic crisis in Greece (Mylonas and Athanasopoulos, 2013). According to the EC Observatory data, the construction sector in Greece experienced a 77.3% reduction in turnover between 2010 and 2017 (European Commission, 2021). This decline meant that the market became almost inactive, with no expectation of easy recovery in the long run. According to the interviewees in this study, during the economic crisis, the decline in sales reached as high as 80%. Most of the business owners in the construction sector said that there had been no new projects during the worst years of the economic crisis (i.e., 2011–2017). The businesses in this sector then experienced a steeper decline of sales following the government’s imposition of the heavy taxation on real estate. Construction activity ceased almost entirely after 1 January 2006,[[56]](#footnote-56) when the Greek government applied a 24% VAT rate on real estate. In practical terms, that meant a 24% tax imposed on the trading and selling of any house or building, thus considerably increasing the total price of any construction project meant for resale. Although VAT was initially imposed in January 2006,[[57]](#footnote-57) thus before the crisis, the real impact was experienced during the crisis, given the time needed for completion of construction projects. The imposition of VAT discouraged many individuals and businesses from buying new houses. To survive this significant decline in demand, business owners had to take on projects involving maintenance services and the issuing of certificates to building owners to register assets with the authorities for taxation and other purposes.

The participants felt that this newly imposed taxation was one of their biggest burdens at that time. The new laws and measures introduced during that period of adversity were considered to be disastrous. The burden of taxation was a particular source of frustration for the business owners, who felt that it jeopardised their business resilience. The perception of three of the business owners was that the sector had been so badly impacted by most of the reforms introduced during the economic crisis – not just those related to employment relations – that this obscured any effectiveness of the policies designed to protect employment in the sector. One of the business owners said:

The policymaking of the government did not generally protect the business activities of the [construction] sector. The problem was not the policymaking on employment relations, which provided more flexibility, but the fact that the employment costs increased dramatically […] which forced us to lay people off. (INT02)

Another business owner in the same sector expressed the following view:

The government did not support the businesses in the [construction] sector at all, and there was no genuine interest in protecting employment relations. That is why all the reforms were a complete failure. Employment reforms were meaningless when 60–70% of the business owners were out of business. (INT21)

A similar view was expressed by a respondent from the construction sector who maintained an architect and real estate office:

A business owner needs business activity and not subsidies to hire more employees […] We did not ask the government to reduce employment costs by allowing us to cut down salaries by 200 or 300 euros when we were experiencing a reduction in sales of 97%. (INT33)

During the economic crisis, the construction sector experienced a severe decline in sales, so the employment reforms – such as changes in working patterns and the reduction of the minimum wage –seemed irrelevant, given that the business owners in the sector were fighting for their survival, rather than seeking to reduce the costs of their operations.

The business owner quoted above continued by providing the following explanation for this situation:

The construction and real estate market shrank by 97%. The policymakers should try to understand what the reason for that was, and they should understand that this was mainly due the increase in VAT… The business owner does not want the government to subsidise their employment costs or offer loans to their business. What they need is work. (INT33)

The owner of a civil engineer’s office claimed that they had not expected the impact of the crisis to be as severe as it ultimately was:

I had just expanded the office so that I could accommodate 8 more employees (from 6 to 14 offices)… and then I started feeling anxious. And unfortunately, this feeling found ground in the crisis… (INT 43)

The policymaking on taxation, coupled with other memoranda laws – such as the liberalisation of the fees[[58]](#footnote-58) in the construction sector – exerted pressure on business owners. The liberalisation of fees, in practical terms, meant that there was no price floor for construction and architectural project fees. Thus, young and fairly inexperienced professionals in the sector could offer lower prices as a means of attracting new customers.

As one of the business owners said:

We ended up with a 90% drop in sales due to the introduction of the 3919 law in 2011, which liberated the fees in the sector. That was the end. (INT 27)

Explaining the unfavourable situation experienced in the construction and real estate market, one of the interviewees said:

The need to survive created problems in terms of competitive practices and meant that we were occasionally forced to offer prices below cost… That was done so that we could take the job and earn the bid. (INT 13)

The participants also reported feelings of anger and despair and a pessimistic view about the future. They expressed very powerfully how they and other business owners had felt during this period. One respondent claimed that the crisis has been the worst period ever experienced by their business, and a third (INT 44) said, “I could see no future, just a dead end”.

The morale of the business owners was very low, with no expectations of growth in the construction sector in the near future. The uncertainty and pressures coming from the external environment had a direct impact on employment in the sector. Managing the decrease in sales and profitability and the employment costs of the business was not an easy task for the business owners, who were struggling to follow the changes in legislation, whilst protecting their firms and the interests of their employees.

Contrary to those in the retail and tourism sectors, business owners in the construction sector frequently made dismissals as a key survival strategy, feeling that they had no other option. This was clearly illustrated by one of the interviewees in the construction sector, who said:

[We had to dismiss employees] because the cost of employment increased 2.5 times per employee. That, in conjunction with the taxation and the insecurity of the external environment, led us to that decision. (INT 02)

He continued by saying:

In 2015, we were ready to hire two more employees. Instead, we ended up laying off six more employees that year, which resulted in an overall loss of eight working places. (INT 02)

The owners of construction businesses claimed that, during the economic crisis, the dominant form of employment had been self-employment, with most workers considered external associates rather than employees of the business. This provided an escape strategy for those business owners who had dismissed their employees to remove them from their payroll. The former employees were then asked to disguise themselves as self-employed contractors, while continuing to work for the business, performing the same tasks as before (and not being permitted to work for other businesses). In this way, the employment costs of the businesses were significantly reduced, as the business owners avoided paying social-security contributions for the ostensibly independent contractors.

Many employers also confirmed that a standard practice in the sector, mainly followed by the large companies, was to fire employees collectively when given the flexibility to do so by the legislation at that time. According to the business owners, this practice was agreed between the employers and the previously employed individuals to develop a more flexible relationship that would allow employers to pay their workers less and avoid paying social-security contributions for them.

Moreover, as one of the business owners of a construction company explained, relatively inexperienced professionals were hired by large companies, ostensibly as external self-employed contractors for part-time projects, when in reality, they were working on a full-time basis. However, they were actually committed to work for a maximum payment of 500 euros per month for the services rendered:

I never thought of reducing the salaries of my employees, and I can assure you of the following: my colleagues in the sector with less than 5 years professional experience are hired by large offices that offer them very low wages, up to 400 or 500 euros, and they appear to work part-time whereas in reality they are working full-time and even overtime. And when we say “salaried”, we always mean “self-employed” in this context. (INT43)

This dependent self-employment status that was extensively implemented in the sector was what the government wished to capture through the ERGANI system, which was meant to record all changes in status and employment in the private sector from 2013 onwards. However, a large number of these cases went unnoticed, disguised as legitimate employment, given the lack of labour inspections and government controls.

In addition, there were cases in which business owners had to permanently dismiss employees because they could not afford to pay their salaries, given the reductions in turnover. In these cases, business owners would choose to keep the most experienced and skilled employees and make the rest redundant. In such cases, the practice followed by the business owners was to assign the tasks and responsibilities of the dismissed employees to those who remained employed by the business, rather than hiring new employees.

As the owner of the business in the sector said:

I never had any part-time employees. In 2008, I had four employees working for me full-time. In 2012, though, I had to dismiss the three of them and I kept only one working with me. Five years later, I had to dismiss that person as well, and ever since then, I have been working alone. (INT14)

The owner of a company that had employed 85 people at the beginning of the economic crisis (INT 36) said that 15 of their workers – mainly administrative and support personnel – had been permanently dismissed in 2010. The criterion used to decide which employees to dismiss was their skills, which is why, according to the same respondent, they did not lay off any engineers. However, the business owner also said that, of the 60 engineers used by the business, 15 were external independent associates with whom they had worked even before the crisis, and the company eventually ceased engaging with these external engineers, as there were simply not enough projects to assign.

In conclusion, construction-sector employers responded to the labour-law reforms by dismissing full-time employees and re-engaging them as ostensibly independent self-employed contractors. Self-employment was already widespread in the industry, and many professionals, such as architects and civil engineers, preferred working on this basis because it provided them with the flexibility to choose which projects to undertake. However, when the sector was badly hit by the economic crisis, a self-employed status became the standard in the industry, allowing employers to retain their employees and workers to retain their jobs. Micro and small businesses were the first to begin dismissing employees in an effort to reduce their employment costs. Larger companies implemented different modes of working, with employees asked to register as self-employed and work for the business as external associates. One of the most important criteria for employers when deciding which employees to dismiss was their level of experience and expertise: in short, the more experienced and skilful employees were considered more important assets of the business and were thus the last workers to be made redundant.

* 1. Summary

During the economic crisis, the Greek government, in alignment with the Troika, introduced a series of labour-law reforms, with the aim of avoiding further increases in unemployment, reducing the public debt, and introducing a unified pension system. The policy reforms enabled, amongst other things, more flexible working patterns, easier dismissals, and wage reductions.

The pressures from the external environment, the impact of the policymaking on SMEs, and the perceptions and feelings of the business owners were discussed in this chapter through an analysis of the participants’ responses. In all three industries under study, the owners of the SMEs tried to protect the interests of their core employees, mainly for their own economic interests. They felt that their employees were their most important assets and that it would be very unfortunate to lose them. The responses from the business owners implied that the development of their businesses before the economic crisis had been highly dependent on their full-time and tenured employees, who had always been very supportive and had contributed positively to the growth and success of the firms.

Overall, although the government provided an incentive to hire new employees by making a significant reduction to the minimum wage – and even though there was an increase in the labour supply, alongside reduced salary levels due to the high unemployment rate – business owners wanted to retain their existing employees. Hence, they sought to devise strategies that would help them maintain the cohesion of their teams, preserve the trust and loyalty of their employees, and reduce costs as a means of acquiring resilience and securing their survival. One of these strategies was the introduction of flexible working patterns that allowed employees to remain employed, but for fewer hours and/or with a demoted status. This strategy was pursued under the assumption that employment costs would be reduced only whilst the business was generating low profits (or even a loss) and with the aim of retaining as many employees as possible.

Although the economic crisis had a negative impact on all three sectors of the Greek economy addressed in this study, the business owners in each of the sectors implemented different employment practices in response to the policies introduced by the government. These differences can be attributed to the varying levels of competition in the three sectors, the different seasonal cycles of the sectors, the nature of the products or services that the businesses offer, and the skillsets of the required employees.

In the construction sector, the sector which suffered the most, bogus self-employment was a widespread practice. There were efforts by businesses to retain the most experienced employees (who could undertake more tasks) and to lay-off the more-inexperienced ones. Larger organisations, though, required their employees to become self-employed, meaning that they would no longer appear on the payroll but instead be registered as independent contractors, whilst in reality remaining economically dependent on the firm. Therefore, the larger size of these organisations and the lack of demand in their sector provided the conditions to implement terms of employment that favoured the businesses, rather than their employees. Moreover, the skills and experience of an individual employee were critical factors influencing the decision relating to their dismissal.

In the tourism sector, the most common strategy was to lay-off newly hired, seasonal, and part-time employees who were no longer required in the business due to the decline in sales and to retain the employees who had been employed for the longest amount of time and who were trusted the most. However, differences in the types of service (such as food and beverage vs hospitality) led to different decision-making criteria with respect to employment practices. Employers in the food and beverage sector required workers with less skill and experience, thus “cheaper” employment, so a high staff turnover became part of their employment strategies. However, when the products and services offered to customers were higher quality, this placed more importance on employees’ skills and experience, thus making the tenured and trained employees more appreciated and required by the business owners.

The strategies identified in the retail sector were mainly the dismissal of employees, especially part-time staff, and changes (including reductions) in working hours. In the tourism sector, dismissing employees was not the standard practice. Instead, some employees chose to resign because of the changes in their working status (for example, moving from full-time to part-time employment) and the changes in their working patterns. A common practice was to ask individuals to work fewer hours during the non-busy periods and more hours during the busy periods, so that firms could avoid hiring seasonal and temporary workers. The construction sector, however, experienced mass lay-offs, and many employees were required to switch to a self-employed status, whilst continuing to work for the business and remaining economically dependent upon it.

Similar to those in the tourism sector, the majority of temporary employees in the retail sector were made redundant, and business owners occasionally tapped into the labour supply of seasonal employees, paying them the minimum wage. Competition in the sector influenced the employment strategies implemented by the business owners. In locations where competition was intensified, such as city centres, businesses sought to reduce labour costs and many took the decision to dismiss employees. The degree of internationalisation of the business was also a differentiating factor, as the increases in the costs of inventory and capital – which were higher for the importing companies – encouraged employers to reduce their labour costs in order to maintain profitability. Therefore, the changes in the working patterns (exchanging full-time for part-time) and in working hours were a practice that was followed most often by businesses that were importing goods, such as clothes or food. Moreover, if the nature of the product sold, such as expensive jewellery and accessories, and the quality of the service delivered, such as high-end restaurants and hotels, required skilled and experienced employees, then employers would make every possible effort to preserve this talent in their business, so that they could sustain their market share.

The retail, tourism, and construction sectors differed in terms of the nature and seasonality of the business. They each experienced different competitive forces and required different skills and competencies. These differences led the business owners in these three sectors to develop unique employment practices in response to the economic crisis and the policies introduced by the government.

According to the business owners, the changes introduced and the decisions made were not easy, given that they had a negative impact on their employees, some of whom had worked for the businesses for many years and with whom employers had developed strong relationships. Taking the decision to change the working hours of the employees, reduce their statuses, and even dismiss them amidst the financial crisis – a period in which unemployment was steadily increasing – added an element of difficulty and stress for the business owners. Moreover, the policy reforms relating to social security and minimum wages, discussed in the following chapter, help us to understand better the labour practices implemented by business owners.

1. **Chapter 5: Recruitment, Selection, and Reward Practices**
   1. Introduction

This chapter addresses the research question of how Greek SMEs adjusted their employment strategies – and particularly their recruitment, selection, and reward practices – in response to labour-law reforms. The recruitment, selection, and reward practices in the retail, tourism, and construction sectors of the Greek economy, and the differences identified among them, coupled with the insights discussed in Chapter 4 on the changes of employment status and flexible work patterns and dismissals, provide valuable insights into the responses of SME owners to policy changes relating to employment relations.

The key changes in employment relations were introduced by Law 4093/2012. As a result of this change in the law, the Greek government provided incentives and subsidies to businesses to hire long-term unemployed individuals (i.e., those unemployed for more than 12 months) and young people under the age of 25 years.[[59]](#footnote-59) Other government programmes provided incentives to business owners to hire unemployed individuals aged between 30 and 66 years.[[60]](#footnote-60) These programmes were co-funded by the Greek government and the European Social Fund, and the salary subsidy amounted to 18 euros per day, for a maximum of 25 days per month, and for 12 months in total. Moreover, the decrease in the minimum wage, from 751.39 to 586 euros per month (and to 510 euros for employees under the age of 25 years) was intended to incentivise business owners to hire new employees. For the Greek government, the expected outcome of this strategy was to stabilise unemployment by lowering wages, implementing a more flexible hiring and firing policy, and decreasing the power and impact of the trade unions (Nikolopoulos and Patra, 2012).

In addition to these measures, as already discussed, in 2012 the terms of employment were no longer based on sectoral-level agreements, and business owners were allowed to deviate from them and replace them with enterprise-level collective agreements. In smaller and micro enterprises, firm-level agreements could be concluded as collective agreements by an “association of persons”. Most importantly, though, the company-level agreements took precedence over the sectoral, as long as the minimum wages were not lower than the national minimum wage levels.[[61]](#footnote-61) Moreover, according to Law 4093/2012, sectoral agreements were frozen indefinitely until the unemployment rate reached a single-digit figure, and wage increases were frozen until the unemployment rate fell below 10%, which was not predicted to occur before 2036. The changes enacted on the collective agreements gradually transferred the power of the employment relations to the employers, instead of the employees, who were less protected under the new memoranda.

These regulatory changes regarding the hiring and reward practices had a direct impact on the practices of the small and medium-sized firms, who were provided incentives by the government to hire employees on lower salaries and reduce the pay of their employees. Business owners in different sectors reacted in different ways to these policies, and the aim of this chapter is to analyse and discuss the variations in these reactions.

Section 5.2 of this chapter analyses the findings on the recruitment, hiring, and reward practices in the tourism sector, with the aim of understanding whether the new policies of the Greek government provided incentives to the business owners to change their employment practices. Section 5.2.2 discusses and analyses the changes in the retail sector with respect to the same policies, and Section 5.2.3 discusses and analyses the views of the participants in the construction sector.

Overall, the business owners in all three sectors claimed that the new policies on hiring had not provided a strong incentive to employ new workers, and mainly younger in age as it was the original objective of the policy makers. The sectors that took most advantage of the new hiring policies were tourism and retail, given their extensive use of part-time and temporary employees, who could be employed under a subsidised programme or be paid the minimum wage. These findings will be discussed in more detail in the last section of this chapter (5.3), which will compare and contrast the employment practices followed in all three sectors.

* 1. The Tourism Sector

The new laws introduced by the Ministry of Labour in 2012 (Ministry of Labour, 2012), as discussed in Chapter 4, introduced a monthly minimum wage of 586 euros per month as the standard – and a rate of 510 euros for workers under the age of 25 years. Moreover, this new law[[62]](#footnote-62) increased the threshold of the number of employees who could be collectively dismissed to six per month (from four, which had been the previous limit[[63]](#footnote-63)) and allowed employers and employees to decide on working schedules and rewards through private agreements.

Thus, the path was paved towards laying-off employees and hiring new employees with lower wages. Some of the interviewees in the tourism sector claimed that the changes in the minimum wage and the subsidised programmes provided by the government were useful and supportive. In particular, one of the business owners from the tourism sector claimed:

[…] because, at the beginning, you do not start by hiring a star. Until you have established your brand, you should be taking steady and slow steps. So, you cannot hire people that would ask for a salary of 1,500 euros because they have a working experience of 20 years. […] So, this [hiring employees under the new minimum wage policy] was really helpful. (INT20)

Another interviewee, a restaurant owner, said that the decrease in the minimum wage had been a very useful policy. It had allowed more flexibility and was mainly used for seasonal and temporary employees, who were used to being paid an hourly rate. Under the new law, they were offered a salary and worked for more hours:

Yes, of course I took advantage of that policy […] They usually say, “This is how much I want per hour”, or, “how much I want for 8 hours”. Instead, I was hiring temporary and seasonal employees on a salary – and, to be honest, with a salary and no strict working schedule. (INT16)

The same view was expressed by the owner of a coffee shop [INT 18], who claimed that the changes in the minimum wage were a great incentive to hire new seasonal employees, who were normally paid on an hourly rate. Evidently, if these workers were paid at the minimum wage, their compensation and the associated employment costs were actually reduced. Thus, the lowering of the minimum wage was received positively by these employers.

What I did was to replace the daily pay for eight hours, or the hourly rate rewards, with a fixed salary. In this way, I avoided paying [seasonal or temporary] employees overtime. Because in the past, if they had stayed one or two extra hours, they would have to be compensated for that, and I would have to pay them 3 euros for every extra hour. With a salary, I did not have to declare any extra hours if they worked longer. (INT18)

From the above responses, it is evident that employers used the lowering of the minimum wage as a means of avoiding paying overtime hours to employees, who were instead paid a fixed salary and given overtime hours as a normal extension of their working schedule.

The owner of a hotel (INT18) said that the wages of their already employed personnel were never adjusted to the levels of the new minimum wage. Instead, the new minimum wage – especially the rate that applied to young workers – was offered to new hires so that the payroll costs could be reduced:

This [policy] was helpful for us for decreasing the [payroll] cost for the new hires. We are a business which is very “serious” with the employees and very careful with the [employment] practices. We never used outsourced employees or agreed on working schedules of four hours per day. (INT18)

A similar view was expressed by the owner of another hotel, who said that businesses did not have a strong incentive to hire new employees and train them unless their salaries would be fairly low:

You do not fire employees on a high salary to hire new people. We did not follow this practice. This might be wrong but… well, I don’t know. The essence is that the decrease in the minimum wage made sense to us for the younger employees under 25. What I mean is that there was no benefit to hiring a young employee of 22 years old and training him on the basics… But if he was “cheap”, that made sense. (INT31)

In addition, a few tourism-business owners took advantage of the programmes that provided subsidies for hiring employees, especially younger workers. For example, the owner of a private jet company providing private tours said that they had employed one or two young individuals by making use of the subsidised salary programme.

I don’t remember very well for how long, but we did hire one or two such young individuals in the business. But it was only temporarily for as long as the programme lasted. (INT30)

Other employers were more concerned about the low levels of rewards, and they considered the new minimum wage levels to be unfair to employees. As such, they avoided implementing it. For example, the business owner of a restaurant said:

I had the opportunity to hire young employees on such salaries, but I did not do it, thinking that my children could be in their place in the future. I even said that to other business owners in the sector who were in the same area as me – I asked them not to hire young people on such low salaries. (INT19)

However, the same business owner claimed that they aimed to hire the same employees as temporary seasonal workers every year; and if the employees who worked the previous season were not available, they would then search for and hire new people. These young employees were mainly individuals who lived in the area in which the business was located and were known to this business owner. For example, the temporary waiters were from her close circle of contacts and were mainly university students who worked during the summertime to earn extra income. This might explain the business owner’s emotional attachment to these employees and reasons for not paying the lower minimum wage (511 euros per month) and instead choosing to pay the upper limit of 586 euros.

Overall, it appears that the incentives provided by the government for the hiring of unemployed and young workers mainly affected temporary and seasonal employees. The main incentive for the employers to take advantage of these hiring policies was the reduction in the payroll costs incurred by their businesses at the time. That was mainly because their revenues had significantly reduced, given that the tourism sector overall suffered a decrease of sales during the economic crisis.[[64]](#footnote-64)

In addition to the policies on the minimum wage and the subsidies of salaries, a further policy provided businesses of the tourism sector with flexibility to conclude contracts that would deviate from the sectoral agreements. In 2013, the hospitality sector had already seen a decrease in the salaries of its employees due to the economic crisis.[[65]](#footnote-65)

Table 5.1 compiles the data[[66]](#footnote-66) on the salary changes for the period of 2010–2017, with data for four levels of employees, as described in the sectoral agreements, based on their roles and degree of specialisation. It is evident that, in 2013, following the directives of the IMF and the governmental guidelines, employees in the tourism sector experienced a decrease in salary of almost 15%, and levels had not fully recovered even by 2017, when the crisis was almost over.

*Table 5‑1 Tourism Sectoral Agreement on Salaries*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Levels | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Level A | 947.96 | 957.44 | 967.01 | 821.96 | 821.96 | 830.18 | 830.18 | 838.48 |
| Level B | 927.96 | 937.24 | 946.61 | 804.62 | 804.62 | 812.67 | 812.67 | 820.80 |
| Level C | 909.57 | 918.67 | 927.86 | 788.69 | 788.69 | 796.58 | 796.58 | 804.55 |
| Level D | 869.22 | 877.91 | 886.69 | 753.69 | 753.69 | 761.23 | 761.23 | 768.84 |

(\*the numbers are monthly amounts in euros)

The hotel owners in this study claimed that they followed the sectoral agreements for the salaries of their employees and that these salaries were already higher for their low-skilled employees than for low-skilled employees in other sectors. For example, the owner of a hotel said:

We followed exactly what the law said and what the sectoral agreements suggested. We could not have deviated from that even if we had wanted to. (INT14)

In addition, the owner of another hotel claimed:

Even the companies from which we hired temporary employees, such as housekeeping staff, were following the sectoral agreements. You could find, however, companies that followed the national collective agreements, but that was not entirely legal. […] When it came to employment rights, you could not deviate from the policies. There was some flexibility, which was offered via the partnerships with companies outsourcing temporary employees, mainly housekeeping staff, who could be employed for four hours. That was a way for us to save money and reduce the employment costs [by not offering the national minimum-salary, rather than sectoral-agreement minimum]. (INT31)

The owner of another hotel said that the minimum monthly wage of 586 euros could never have applied to hotels, as the sectoral agreement required that the lowest salary of a level D employee (such as housekeeping staff and kitchen staff) was higher than that:

[…] however, the national minimum wage never applied in the hospitality sector. We always had a sectoral agreement which was more favourable to the employees than the national collective agreement, and this is what we used. (INT15)

This view contradicts that of another hotel owner, who claimed that the freezing of the sectoral agreements,[[67]](#footnote-67) effective from February 2013, was beneficial for businesses in the tourism sector because it temporarily abolished the sectoral-level agreements on the minimum wage. He claimed:

That [the freezing of the sectoral agreements] was a favourable measure. We needed this money. We paid out less money then. The sectoral minimum was 750 euros and changed to 560 euros. (INT37)

As mentioned in the introduction of this chapter, the freezing of the sectoral agreements allowed individual agreements on salary levels to be reached between the employer and the employee – as long as the agreed salary did not fall below the national minimum wage. According to a number of employers interviewed in this study, outside the hospitality sector – amongst businesses such as travel agencies, coffee shops, and restaurants – the salary levels agreed with the employees were also defined based on the demand and supply in the labour market. The owner of a coffee shop claimed:

So, even if there was a minimum wage defined in this sector, it did not apply in reality because no one would come and work for you [at that rate]. Instead, they would go and work for a supermarket. I have no idea why they preferred to work for a supermarket. In our sector, I think that the employees decided the levels of salaries, rather than the employers, and if you did not meet these levels, could simply could not find employees willing to work for you. (INT19)

In addition, an owner of a travel agency claimed that employees who had acquired more experience and training were considered an “expensive choice” because they expected to receive a higher salary:

[Whether a business paid the minimum-wage levels] depended on a number of things. If you hired an employee who had been working in the industry for the last 20 years, you were expected to give them a net salary of 1,000 euros. (INT20)

The presence of a trade union in an enterprise was one reason for an employer to follow all legal requirements with respect to employment rights and reward levels. Thus, the hotel employers who reported strictly following the sectoral or national agreements were those who suspected their employees included trade union representatives. As one of the business owners said:

[…] We did not really know who was a member of the trade union because it was illegal for us to know the union members. (INT31)

Almost all business owners interviewed in this study opposed the presence of the trade unions, and they considered their presence and actions minimal and not useful even for the employees. The business owner quoted above went on to say:

They [trade unions] could not really do anything. We did not even experience any strikes. Even when they announced a strike, almost none of our employees participated. However, you had a doorman of 100 years old and you could not fire him because of the trade union. That was the only challenge with the trade unions… Moreover, they [the trade unions] were more of a dead weight. So, in 2012, when we had a 15% decrease in salaries, we had to apply it horizontally to all employees, even those we would have liked to compensate with a higher salary. (INT31)

However, the owner of another hotel said:

In my hotel, even the employees would go against the trade unions. They [the trade union representatives] were ridiculous and not really concerned with employment rights – rather, their motives were political and incited by the opposition political party. (INT37)

The business owners outside of the hospitality sector revealed that they had completely disregarded the presence of the trade unions. As an example, the owner of a restaurant said:

In the food and beverage sector, the presence of the unions and their representation by the employees is still at a nascent stage. (INT17)

The participants in the tourism sector suggested that, overall, the reduction in the minimum wage had only been an incentive for hiring temporary and seasonal employees and had not led to a reduction in wages for the employees who they wished to retain. Rather, the temporary and seasonal employees who had previously been rewarded on an hourly rate were hired on a fixed salary.

The legislation enacted following the new memoranda signed between the Greek government and the EC in 2010, on the freezing of the sectoral agreements, and the considerable enforced-reduction in salaries (15%) in 2012, provided incentives to the business owners. As a result of these incentives, the business owners cut their minimum salaries to levels close to the minimum wage for specific levels of employees (mainly levels C and D[[68]](#footnote-68)), such as porters, service assistants, and housekeeping and cleaning staff.

In the interviews, the business owners indicated that they had had more flexibility to reach individual and private salary-agreements with their employees, given that the sectoral agreements could be superseded by the company-level agreements. The absence of a strong trade-union presence in the sector facilitated the formation of private agreements between employers and employees which often disadvantaged the latter.

* 1. The Retail Sector

The majority of the business owners in the retail sector had not made use of their option to reduce wages. There were a number of reasons for this. First, they considered the minimum wage insufficient for young individuals who wanted to work and earn a “decent” salary that would allow them to support themselves. The business owners said that they would have felt guilty to take advantage of the decreases in the minimum wage, given that a salary of this level would never allow a young individual to acquire financial independence.

This was explicitly stated by the owner of a retail store, who referred to his own past as an employee:

I am a self-made business owner and I have also been an employee in the past, and I am always on the side of the employees. I would never pay an employee 540 euros [a month]… I am willing to give more because I know that, unless employees are well paid, they will not perform… I cannot follow what the government says because we all know that a young lady cannot live on 540 euros. She’s paying rent, she wants to eat, to clothe herself. It’s impossible to cover all these expenses with that money. So, I told them, “If you are good, you will earn 600, 700, or even 800 euros. I don’t really care”. (INT07)

Some business owners were also reluctant to hire young and inexperienced employees because they believed they would be insufficiently trained to adequately perform in their roles. For example, an owner of a business that sold computers and electronics systems claimed that they did not offer the minimum wage because, at that rate, they would be unlikely to attract workers with sufficient skills and knowledge:

Our job demands employees that have a certain level of expertise […] So, a “cheap” young employee would most probably not be useful. We might even damage the business by hiring such an individual. (INT13)

The owner of an accessories store expressed a similar view:

Their [young individuals’] way of thinking is a bit superficial. They are thinking that they could work for 500 euros for a month to fund their summer holidays […] If we had to train these people from scratch, we would be lost. (INT01)

On this same topic of the government encouraging businesses to hire unemployed, untrained young people, another respondent said:

“The government says one thing and does another. So, if I wanted to hire a new employee, I would have to hire them without any trial. How could I commit to hiring an employee who is inexperienced? [INT38]

The owner of a jewellery store expressed the view that hiring employees simply to take advantage of the subsidies provided by the Greek government would not have been a useful strategy, given that a large number of individuals – especially young people – would accept the jobs as a temporary solution, covering their living expenses in the short run whilst they searched for a job better suited to their background and education:

No, no. I did not take advantage of any of these [hiring] policies. So, the point of all that was to hire someone… You see, businesses were getting the subsidies and they were hiring and hiring… The point was to hire someone who you would pay as a business. […] Young individuals, especially university graduates, were accepting the jobs paying 500 euros [a month], so that they had secured a job and could then search for a better one. That is why they accepted these terms. (INT39)

Clearly, these business owners considered the government subsidies to be an ineffective measure that did not provide an incentive to hire unemployed individuals, especially younger workers.

Even when the subsidy schemes were used by the business owners, the schemes were considered a short-term solution to the problem of unemployment, with only questionable results and benefits. Indeed, one business owner who took advantage of a programme that sponsored the salary of an unemployed individual for a period of 12 months claimed:

Actually, a driver that we hired for the delivery of the products was hired under this programme, so we only had to pay a very small amount for his salary. But, it [the programme] was not useful at all. He [the hired employee] proved to be inefficient and we terminated the programme. Instead, we found other ways to cut down our expenses and what we did was to outsource the delivery to a courier. (INT11)

The owner of another retail business claimed that they preferred to hire employees as temporary and seasonal personnel (if and when needed), rather than hiring employees and adding them on the payroll:

Yes, I know that this was a more expensive solution, but it was better to hire employees if and when we needed them. So, for example, during peak seasons, such as Christmas time, we would hire one or two employees from an office that provided outsourced employees […] To be honest, I cannot explain exactly why; that was just the culture of our business… We had many chances to take part in one of these programmes announced by the government, but we never wanted to take any support from the government. We believed that if you took advantage of such programmes, there would be a point in time that you would have to pay everything back triple. (INT24)

Thus, the respondents indicated their concerns regarding the effectiveness of these policies intended to encourage the hiring of unemployed individuals. The incentives provided by the government were evaluated more holistically by the business owners, and when weighing the benefits against the drawbacks, the balance tilted in favour of the drawbacks. The key drawbacks for business owners in the retail sector were the lack of training of the individuals whose employment was supported via such policies and the likelihood that their employment engagement would be temporary. Both of these concerns were considered to be hidden costs for the business, which were not easy to quantify and which could also affect the quality of the business and of the products and services provided to customers.

Moreover, a number of business owners expressed their need to hire individuals whom they could trust. For this reason, they would mainly recruit from the areas in which the stores were located. As one of the interviewees said:

I grew up in this area. […] They trusted me and I trusted them. I cannot hire someone randomly just because they will cost me less. I did not want to do that. I grew up with the mother of one of my employees. There is a different relationship. She is not just an employee, I feel close to this family. I am looking for this type of relationship, so that mutual trust is established between me and my employees. (INT05)

With respect to the sectoral agreements and rewards of employees in the retail sector, on 31 October 2013, employers acquired the right to redefine the basic salaries of their employees, given the expiration of the sectoral agreement for the retail sector.[[69]](#footnote-69) Moreover, according to Law 4046/2012, the employer and employee could establish a new private agreement, as long as the agreed salary was not lower than the national minimum wage. Finally, according to this law, an employer could choose not to adjust the salaries of the employees and rather to keep them stable for as long as the market conditions were deemed adverse. The sectoral agreement signed on 31 July 2012,[[70]](#footnote-70) which introduced the changes to the reward systems for the retail sector in alignment with the austerity measures introduced by the government, acknowledged that the agreement had been reached in the midst of turbulent economic conditions and contained unfavourable terms for employees. Moreover, it was stated in the agreement that the policies enacted by the government before that date had proved to be ineffective and led the country and the retail sector into a vicious cycle of economic downturn.

Essentially, the government policies relating to sectoral agreements provided the flexibility that business owners needed to reduce the salaries of their employees. The employers who chose to implement new reward strategies claimed that these had to reflect the turbulent market conditions of that moment. The owner of one business claimed:

Well, actually, the year that the sectoral agreements froze, we did not decide any salary increases. To be honest, no one complained about it. Well, indeed, the relationship with the employees was always positive, we never experienced any issues. (INT13)

Moreover, the minimal presence of trade unions in the sector provided the freedom for new salary agreements. Indeed, trade unions were absent from all of the retail businesses covered in this study, and the business owners were generally opposed to trade-union representation. For example, one retail business owner said:

Hold on a second. A basic principle that all employees had to respect, since this is a family business, and I refer to them as a family, was that any form of union representation would mean that I would cease doing business. I was against unions, as simple as that. […] This is non-negotiable. (INT04)

A further example came from the owner of a shoe store, who said:

Let me explain one thing to you. This is a family business, and my father gave me, at the age of 18 years, the responsibility to hire employees for the business. I never hired “such people” [representatives of trade unions or trade union members] in the business… My relationship with the employees is based on trust. Even if I had to fire someone, I would call him in and say, “Look, [name of employee] I will not be able to pay you in six months from now”. (INT40)

The other responses from the business owners regarding trade union representation all clearly demonstrated similar opposition. The responses implied that they regarded trade unions as employee bodies that would interfere with their business. As another business owner said:

We did not have any employees who were trade union representatives, and we never had to interact with the trade union because we never had an issue with an employee… I do exactly what the law says. (INT07)

The absence of trade-union representation strengthened the freedom of the business owners to adjust their payment strategies in ways that would prove beneficial to the business. For example, one store owner claimed that there was complete absence of sectoral agreements during the economic crisis and that salaries were strictly private agreements between the employer and employee:

No, we did not have [sectoral agreements]. They did not exist in the sector. Everyone was getting paid according to the nature of the job and their experience. (INT26)

The owner of an optics store similarly stated that individual agreements had prevailed over sectoral:

I am not aware of the practices in the sector, but I know that every store follows its own policy. As far as we are concerned, we had an individual agreement with each employee, where we agreed the salary and the working schedule. (INT28)

There were also examples of owners who had followed a double standard when it came to salary arrangements. In these cases, the salary of newly hired employees followed the sectoral or national agreement, but the salaries of the senior and more experienced employees were decided individually. As an example of this practice, the owner of a retail business explained:

We did not follow the sectoral agreements… Well, maybe only for the newly hired and inexperienced. However, for the employees who had worked for many years in our business, salaries were privately agreed. (INT42)

One of the employers claimed that the salaries of the employees in their business followed the sectoral collective agreements but that there were also a few terms that were privately agreed between the employer and employee:

The basic salary was agreed based on the sectoral agreement. However, there were a few cases where the employees would earn a commission on the sales, such as 10%, and that was privately decided and agreed. (INT01)

Overall, the hiring and reward practices in the retail sector demonstrate that the new policies on minimum wage and wage subsidies did not result in the hiring of unemployed workers. One of the main reasons for this was that the business owners considered the minimum wage levels to be very low and thus unattractive to employees who would wish to stay with a firm for the long term. According to them, the minimum wage would only enable employees to cover their living expenses for the short run, whilst they searched for more attractive career opportunities. Moreover, the business owners said that they would not have been able to recruit more competent employees with more experience if they were offering only the minimum wage as a reward. Another concern of the business owners, especially with regard to products that required more expertise and skills to produce (e.g., technology, as opposed to underwear), was that a lack of experience and knowledge amongst untrained employees could harm the relationships with customers, as mistakes would be more likely. With respect to recruiting and hiring practices, the business owners also claimed that they valued their trusting relationships with their employees and thus preferred to recruit individuals from the local area, or even from their own circle of contacts, whenever possible.

The freezing of the sectoral agreements and the absence of a strong trade-union presence provided business owners with the freedom to arrange the salaries of their employees as private agreements. A number of reward practices were implemented, such as a basic salary in line with the sectoral agreement of 2012 (before the freezing) or a salary higher than the minimum sectoral levels for senior and experienced employees. Finally, other reward practices included the agreement of a basic salary in line with the sectoral minimum standards and bonuses agreed in personal arrangements between the employer and employee. In essence, there was no standard practice followed in the sector, or even within companies, with employees of the same business being rewarded with different salaries based on the criteria and judgement of the employer.

* 1. The Construction Sector

The construction sector was highly impacted by the economic crisis, and one outcome of the reduction in business activities and sales was the closure of a large number of businesses. Specifically, 37% of all construction sector businesses closed down between 2004 and 2016. Almost two-thirds (64.6%) of the employees in the sector lost their jobs during the period between 2008 (the outbreak of the economic crisis) and 2016.[[71]](#footnote-71) The impact of the crisis on the construction sector was a major concern for the business owners in this study, and discussing this period revived bad memories and negative feelings. In short, the majority of the business owners had felt that their businesses were at stake and that even their short-term futures were unknown. During the economic crisis, the construction of new buildings slowed to a near-halt, and businesses were undertaking maintenance projects and carrying out activities to assure the quality of the properties in line with criteria imposed by the regulators. In this context, business owners were also looking for ways to reduce their expenses so that they could offer attractive prices to their customers and remain competitive.

The decrease in the revenues of the sector led to a decision to reduce basic salaries by 18%, as announced in the sectoral agreement signed by the relevant bodies on 8 July 2012.[[72]](#footnote-72) Payroll expenses did indeed seem to be a challenge for business owners in the sector, who were seeking to attract experienced employees whilst keeping their spending on salaries as low as possible.

Government policies, such as the minimum-wage reduction, which were meant to provide an incentive to business owners to either recruit new employees or reduce the salaries of their existing personnel, made no difference to the pay and employment practices of the construction-sector business owners. For example, on the use of the minimum-wage policy, one business owner claimed:

No [there was no impact on the sector from the decreases in the minimum wage]. We were not waiting for the government to save us the money paid [as salaries] to our employees. Our turnover had dropped by 97% […] and we were surviving on the 3%. (INT33)

The owner of an engineering office said:

We always made sure of that [i.e., that employees were paid more than the minimum wage]. We would never, never pay them the minimum salary levels, and I am pretty sure that they would not accept a salary of that amount […] Yes, the notion of the minimum wage never existed for us. (INT25]

Another respondent, referring to the young employees of the business, commented:

[…] Yes, I know that the minimum wage was almost 560 euros [per month]. The young employees were working for longer hours and you had to pay them more. It was inevitable that you would pay more than the minimum wage, because otherwise no one would come and work for you. (INT10)

The focus of the business owners in the construction sector was on how to reward employees with salaries sufficiently competitive to attract experience and talent. In that context, one business owner who participated in this study expressed concern that he would not have been able to attract experienced workers if he had offered a salary at the level of the minimum wage.

Well, I could start with the minimum wage, but to be honest, it was meaningless… I could not ask someone to work for that money when I knew what was going on in the market. Since you also wanted to get some experience… I am not talking about a fully experienced employee, I was taking it for granted that I would hire a *somewhat* experienced person and then I would train them. (INT12)

Still on the topic of experience and training, the owner of an engineering and project management office claimed:

A construction consulting office cannot operate exclusively with highly experienced or non-experienced employees. It should employ individuals with different years of experience: no experience at all; 3, 5, or 12 years of experience; and more… So, salaries are relative to experience. We had employees earning 8 euros per hour, and in the same office someone else earning 15 euros per hour, and another one earning 30 euros per hour. (INT06)

The same rationale seemed to have been used by the owner of another business, who stated:

Apart from a small number of employees earning an entry-level salary, for the rest, you are only concerned with their performance and how useful that employee is for the business… So, we have very young employees earning more money than tenured [employees]. (INT36)

The views of these two business owners clearly suggest that the salaries they paid were related to the employees’ experience and educational background employees’ experience, educational background, and project-management abilities. This was explicitly stated by the owner of another construction office employing 12 full-time personnel:

We did not have any employees on the minimum wage. All our employees had graduate or undergraduate degrees… By “all”, I mean 100% of them. So, they had to be paid for their skills and knowledge. (INT02)

The comments quoted above suggest that the salaries of the employees in the construction sector were highly dependent on their skills and their professional experience. There was also an underlying assumption that the employees working in the offices – with the exception of those with administrative support roles – had to be highly educated and trained, given the nature of the work, which required a strong educational background and/or prior experience in the field. As the sector was experiencing a decline in sales, business owners had to find ways to reduce their employment costs whilst retaining their experienced and skilled employees. Payment of the minimum wage was not a practice followed in the sector by many SME owners, but according to the participants in this study, this did occur in larger construction offices that were still in a position to offer jobs that could nonetheless be attractive to unemployed professionals. Many professionals who had lost their jobs were willing to accept lower salaries, as long as it meant they could be employed again. In contrast, as discussed in Chapter 4, the owners of small and micro businesses used other employment practices – such as reclassifying their employees as self-employed – in order to decrease their employment costs.

In addition, the personal relationships between employers and their employees seemed to be very important for smaller firms. As an architect who owned a sole-proprietor business with one employee explained:

[…] when you only have one employee in your business and you work together, you do not necessarily follow governmental policies. You are trying to build a personal relationship… Are we making a profit or not?… Then you are getting a bonus… For micro businesses like mine, the policies do not play a significant role. (INT27)

Consequently, the compensation of employees in small businesses was not determined through a regulated relationship, but rather a mutually defined agreement based upon a personal relationship. This view was shared by the owner of another construction business:

Overall, we are based on steady relationships with our employees, given that our aim is to create teams. (INT02)

The salaries of the newly hired employees in the construction sector were also protected by the sectoral agreement signed in 2012,[[73]](#footnote-73) which stated that the wages of young employees should follow the national sectoral agreement of 3 April 2008 and not the national minimum-wage level (506 euros per month). Rather, the sectoral agreement of 2008 set the basic salary for a newly hired engineer with 0–3 years of experience at 1,267.07 euros.[[74]](#footnote-74)

The majority of the business owners in the construction sector said that they had not followed the sectoral agreements, and they also claimed that they rarely enacted the pay decisions reached through sectoral agreements. The two main reasons for this were the high percentage of employees who had switched their status from employed to self-employed and the large number of private agreements between employers and employees. The owners of two construction offices (INT02 and INT10) claimed that neither their businesses nor any others in the sector had adhered to the sectoral agreements.

However, the business owner of another office said that they used the sectoral agreement for the salaries of their employees working in the field (such as builders):

There were different minimum daily rates that we were paying [following the sectoral agreements] to our employees depending on their years of experience and role. So, we had assistants, technicians, and builders. (INT21)

According to the sectoral agreement of 2008, the salary of a person in any of these three roles (assistants, technicians, or builders) should be set at a minimum of 890.35 euros per month, far above the national minimum wage.[[75]](#footnote-75)

Another participant, the owner an engineering office, claimed that the salaries of their office employees had been far above the industry average. Specifically, they said:

The salaries that we were paying were way above the sectoral minimum levels. In 2009, however, the salary increases were frozen for a number of years… Our employees were always earning more than the industry average though. I remember that we had to visit a legal adviser for employment practices, because we wanted to decrease the salaries of the employees, and he was impressed by the high salaries that we were paying them. He even told us that we were paying them more than what a bank manager would earn who had huge responsibilities. (INT36)

With the weak application of the sectoral-agreement reward guidelines in the sector and the absence of a strong trade-union presence, the employees’ power of negotiation over their salaries was damaged. The majority of the business owners participating in this study claimed that there had been no trade-union representatives in their businesses and that, overall, the trade unions had had minimal impact and representation. As an owner of an architectural design office explained:

I did not notice anything [i.e., any representation of the trade unions in the construction sector]. I was never bothered by anyone… But 20 to 25 years ago, when I first started, things were different… Whereas now, nothing at all. It could be because of the crisis. (INT06)

The overall perception of the business owners was that the trade unions had had a stronger presence before the financial crisis. However, the business owners claimed that the unions had not actively represented employees throughout the years due to the unions’ political orientation and aim of protecting and promoting the ideology of the main political party that they represented.

With respect to the representation of the employees by the trade unions during the economic crisis, one of the business owners said:

I do remember slightly that there were a few objections from the trade unions, but really nothing special. Occasionally, a few representatives of the trade unions would show up and distribute leaflets. But it was really unimportant. (INT36)

As one of the business owners commented:

The sector suffers from a lack of trade unionism, and I am saying that because I am a member of a syndicate. I am part of a form of trade union called the “Free Self-employed Engineers”, which is not related to any political party… Overall, however, the sector is not actively engaged in representation and trade unions. Just to give you an idea, the total number of registered civil engineers is 150,000. Participation in the elections is just 30,000 members. (INT43)

To summarise, the employment practices in the construction sector with respect to rewarding and hiring new employees demonstrated that the business owners were not following a consistent practice. The salaries of the construction-sector employees were higher than the levels specified in the national collective agreements. This was mainly due to the nature of their jobs and the education backgrounds required for the roles of architect, engineer, field project manager, and so on. At the outbreak of the economic crisis, which was mainly experienced in 2011 in this sector, with many employees in the sector (as discussed in Chapter 4) changing their employment status from employed to self-employed, the terms of employees’ reward were often negotiated as private agreements between the employer and employee. The employees who did remain employed in the businesses were mainly rewarded according to their experience and skills. The employers’ focus was on attracting and retaining trained and skilled employees, whose salaries would be above the levels cited in the sectoral agreement (especially the agreement of 2012, which introduced an 18% decrease in salaries), but whose skills and experience would assure the high quality of the services that customers required. Therefore, despite minimum wage being substantially decreased by the government by Law 4093/2012, these new policies had no impact on construction-sector businesses.

The business owners in the construction sector further claimed that their relationships with their employees were very important to them and had had an impact on their employment practices. Employers who claimed to have long-tenured employees in their businesses stressed the importance of maintaining good and sincere relationships with their workers, explaining that this had set the ground for honesty and transparency with respect to salaries.

In addition, the sectoral agreement for the construction sector in 2012 protected the salaries of newly hired young[[76]](#footnote-76) employees, stating that these salaries should not follow the national collective minimum wage levels, but rather the sectoral ones – namely, 890.35 euros per month for newly hired, junior-level employees.[[77]](#footnote-77) This figure was almost 34% higher than the national minimum wage of 586 euros. The business owners, however, especially those in small offices, were willing to pay their employees higher salaries in order to attract talent and experience, allowing them to target the minimum number of employees required to maintain the business. Thus, they preferred to pay these employees higher than the minimum sectoral salaries, because they were aware that it would be very difficult to recruit experienced professionals by offering the minimum sectoral salary. The larger offices, though, were more competitive than smaller offices, given that many professionals would prefer to join larger organisations, as they can generally provide more job security than smaller businesses. This made it easier for larger firms to offer the lower salaries recommended by the sectoral agreements.

Finally, the absence of trade unions was perceived by the business owners as providing more room for negotiations and private agreements between employers and employees in the construction sector. The business owners expressed the view that very few of their employees had had an interest in participating in trade unions, and as such, employers had felt no pressure to enforce the sectoral-agreement guidelines, especially with respect to rewards and payments. This was particularly true for small and medium-sized businesses, which could choose at times to offer even lower wages than the minimum sectoral salaries. The challenge for everyone, albeit mainly for micro businesses, was to maintain a fine balance between salary expenses and the provision of value-for-money to the customers.

* 1. Summary

In summary, the findings with respect to the recruitment, hiring, and reward practices of the business owners in the tourism, retail, and construction sectors demonstrate various differences in the practices employed, both between and within sectors. These differences were mainly attributable to the different impacts of the crisis on these sectors, the nature of their respective business activities, the different demands imposed by the labour market on each sector, and the skills and experience required in the various sectors.

The tourism and the retail sectors were less affected by the economic crisis than the construction sector. Thus, the business owners in the latter sector experienced greater cost pressures, and a critical component of their survival strategy was often the reduction of employment costs. However, although the government’s decision to decrease the minimum wage had affected the reward practices in the tourism and retail sectors, it had no impact on the construction sector, mainly because these business owners believed that paying the minimum wage would decrease their ability to recruit skilled workers. Hence, the minimum wage was used for temporary and seasonal jobs in the tourism and retail sectors, but business owners in the construction sector did not even attempt to hire new employees by offering the minimum wage, as they were aware that wages at that level would not attract skilled workers.

In the retail and tourism sectors, the minimum wage was paid to inexperienced young employees with only basic skills and knowledge. These employees were also usually hired on the assumption that they would not stay long in the business and would eventually be searching for better jobs.

The focus of the business owners in this study was not paying less money to their employees, but rather hiring and retaining employees who would allow them to optimise the ratio of skills and experience to salary paid. Their objective was to hire and retain employees who would help them to offer high-quality services and products to remain competitive. Ultimately, the relationships with the more-experienced and skilled employees was more important to the business owners than potential savings on payroll costs. This was especially true in the construction sector, where most of the office employees were university graduates who needed a good level of experience in order to provide high-quality services to customers.

In 2012, the government voted on a number of policies that made the national and the sectoral agreements almost optional, given that they were superseded by company and private agreements. Moreover, arbitration and mediation ceased under the supervision of the Troika (Gavroglou, 2013), which led to the weakening of employees’ negotiating power over their salaries and rewards. The tourism sector, particularly the hospitality industry, followed more closely the salary levels suggested by the sectoral or national agreements. This was mainly because they usually had a larger number of employees than other businesses in the sector, which made it easier to follow more general and consistent practices than to customise their practices to each employee. In the retail sector, however, salaries were mainly based on private agreements between the employer and employees, and these were often dependent on the personal relationships between the two parties. Similarly, the sectoral agreement salary levels were not used in the construction sector – again, because the basic agreements were private and personalised. In the small offices in particular, which were mainly micro businesses employing an average of 2–3 employees, salary levels were typically the outcome of a mutual agreement based largely on the personal relationship between the employer and employee. Moreover, the skills and experience of construction-sector employees influenced reward practices to a greater extent than in tourism and retail.

The relationships between employer and employee were valued by the business owners in all sectors, who considered the trust and the openness between them to be the determining factors of good cooperation. The importance of this relationship may even explain why business owners were opposed to trade-union representation, feeling that this would be a sign of a lack of trust. However, in the tourism sector, and specifically in the hospitality sector, the business owners were more familiar with the presence of trade-union representatives, although they did not appreciate their practices. Indeed, they considered their involvement to be harmful to the business and to their employees. In the retail sector, the representation of the trade unions was minimal, and in the construction sector it was non-existent. According to the employers, the trade unions were mainly political bodies that did not offer any protection to workers. However, this is a one-sided perspective which it might be worthwhile investigating in future research to confirm whether this view was also shared by the employees of these businesses.

The findings suggest that the business owners in all three sectors employed various hiring and reward practices which deviated significantly from those that government policies were intended to encourage. The business owners did not view the reduction in minimum wage, the subsidised salary schemes, or the freezing of the sectoral agreements to be incentives to hire employees. Instead, private agreements and individualised reward practices, based on sets of subjective rather than objective criteria, created a high degree of heterogeneity in the hiring and reward practices of businesses even within the same sector (and certainly between sectors). Moreover, in practice, all of these policies introduced more flexibility in the hiring and reward practices implemented by the business owners, who had the freedom to act as they deemed appropriate. However, the majority of the business owners did not want to endanger their relationships with their employees or even to create unfavourable terms of employment, especially for their long-term employees. This points to an overall conclusion that the policies reducing the minimum wage and allowing salary levels to be defined by company-level agreements (superseding the national and sectoral agreements) proved to have limited application in practice, given that they did not boost recruitment. Moreover, whilst the aspiration of the Greek government was to design policies that would provide business owners with the means to employ out-of-work professionals, thereby reducing unemployment rates, in reality, these policies were not perceived as such by the business owners. Instead, what was important to them was to reward their employees in ways that would help them sustain their businesses and cover their employment costs. To maintain the stability of their businesses and ensure their survival, they sought to provide competitive salaries to their employees, fearing a loss of talent and consequent reduction in the quality of their products and services.

# Chapter 6: Social Security and Undeclared Work

* 1. Introduction

This chapter discusses the responses of the SME owners with respect to the changes in social-security contributions. The “Katrougalos Law” (4387/2016) was intended to integrate the social-security funds – previously different for each sector – into a unified fund for all employees in the public and the private sectors. The name of this new fund was “EFKA” (the National Unified Social Security Agency), and as stated in the law, it was envisioned to secure social protection and decent standards of living through fairness and social justice.[[78]](#footnote-78) For example, the social security fund of the engineers, architects, and freelance professionals in the construction sector (known as “TSMEDE”) was financially healthy before the launch of EFKA. When EFKA was created, this fund was used to counterbalance the losses experienced in other funds, such as that of the Social Insurance Institute (IKA), which had seen a loss of close to 1 billion euros[[79]](#footnote-79) in 2016.

The new law also increased social-security contributions, especially for public servants, the self-employed, and freelance professionals. In effect, the total pension contribution was 20% of the employee’s earnings, with a further 6.96% for health coverage. However, the employee paid 6.67% of the total contribution, with the remaining 13.3% being the share of the employer (ΕΦΚΑ, 2017). The increase in overall social-security contributions and in the percentage to be paid by employers caused problems for employment relations, with employers opposing to the added cost of their insurance.

The new law received significant criticism from various professional associations[[80]](#footnote-80), as the pre-existing funds had been unequal in size and separated by sector, but they were now merged into a single fund, leading to a considerable reduction in pensions (almost 30%). Some of the sectoral funds were financially stronger than others, with large reserves that allowed retired professionals to enjoy substantial pensions, reflecting the relatively high levels of social-security contributions[[81]](#footnote-81) that they had paid throughout their time of employment. The Katrougalos Law stated that these funds were to be used to cover the losses suffered by other funds.

This practice was perceived as unconstitutional,[[82]](#footnote-82) and professional bodies such as the Technical and Economic chambers of Greece, the Confederation of Greek Civil Servants’ Trade Unions, and the Unified Network of Pensioners, citing the unconstitutionality of the law and requesting its annulment, appealed to the State Council, the first European Convention on Human Rights, the UN International Covenant on Civil and Political Rights, and the Charter of Fundamental Rights of the EU.[[83]](#footnote-83)

The changes in the social-security contributions also affected the status of employees. Specifically, the working schedules and statuses of employees were greatly affected, as the new law provided business owners with the flexibility to shift the burden of the insurance and employment cost onto their employees, who in turn sought to avoid paying the social-security contributions to preserve their net income (Christodoulakis, 2018). As a result, many cases of undeclared employment and bogus self-employment were identified in all three sectors discussed in this thesis (retail, tourism, and construction). The spread of these forms of employment were reinforced by the lack of adequate inspections by bodies such as SEPE (the Hellenic Labour Inspectorate) and the ambiguity of the criteria used to define “self-employment”.[[84]](#footnote-84) SEPE’s 2017 annual report identified an urgent need for more labour inspectors to facilitate effective and productive operations to combat undeclared employment (*SEPE Annual Review Report*, 2018). The same SEPE report provides data on the number of inspections in the various sectors of the Greek economy and the number of violations identified. According to the analysis in the report, the top three sectors for highest number of inspections and violations were retail, construction, and food and beverages. Furthermore, according to SEPE, rates of undeclared employment were as high as 13.58% of all employment in 2016, 16.48% in 2015, and 19.17% in 2014.[[85]](#footnote-85) The high rate of self-employment, as well as the large number of businesses with fewer than 10 employees, are both indicative of how widespread this practice was.

The impact of the social-security contributions and the changes introduced through the creation of EFKA are analysed and discussed in more detail in this chapter. The second section of this chapter (6.2.1) analyses the impact on the tourism industry, as seen through the views of the business owners in that sector. The business owners were asked about the unification of the social-security funds and the direct impact of that on employees and businesses. Section 6.2.2 examines the impact of the creation of EFKA on the retail sector, again drawing insights from the participants’ comments regarding the strategies implemented and the impacts for them and their employees. The construction sector, one of the sectors most significantly impacted by the changes in social-security contributions, is discussed in the last section of this chapter, Section 6.2.3. Bogus self-employment is widespread in the construction sector, and the changes in the social-security contributions considerably affected employment relationships in the industry. Finally, Section 6.3 presents a summary of the findings and a comparison of the practices in the three sectors. It concludes by reflecting on the effectiveness of the Katrougalos Law and its impact on employment relations, undeclared work, and the use of employment practices that supported the “black money” labour market.

* 1. Social-Security Contributions and Undeclared Work
     1. The Tourism Sector

The social-security fund for employees in the hospitality sector (“TAXY”) merged in 2008 with the fund of the Social Insurance Institute (IKA).[[86]](#footnote-86) Subsequently, with the formation of EFKA, the employees insured by IKA were transferred to EFKA. In the tourism sector, the merging of TAXY and IKA to create EFKA in 2016 changed the contributions paid by both employees and employers. However, according to the employers interviewed for this study, the low salaries and wages in the tourism sector – especially for the lower-ranked workers such as service assistants and housekeeping staff – the changes in social-security contributions for the employees as incurred by EFKA were not significantly higher, and at times they would prove to be even slightly less than before. Overall, the social-security contributions paid by the employees of the sector, resulted to a lower salary than the cost of living. For example, an employee in a household with two children earning a gross salary of 1,000 euros per month and a net salary of approximately 619 euros (Table 6.2) would be taking home less than half of the “adequate living expenses” (ALE) threshold for 2017, which was estimated to be 1,497 euros (Andriopoulou *et al.*, 2019). Therefore, many employees preferred to be paid part (or all) of their salary “undeclared” in order to reduce their social-security contributions. This resentment was further exacerbated by the social-security fund of the hospitality sector having been rather financially healthy before the unification, with the health services provided to the employees then deteriorating in quality after the creation of EFKA.

In 2013, the social-security contributions for a service worker in the hospitality sector were calculated as 36.31% of the gross salary, with 13.95% paid by the employee and 22.36% by the employer. An example of a service worker with a gross salary of 1,000 euros per month is presented in Table 6.1.[[87]](#footnote-87)

*Table 6‑1 Example: Social-Security Contributions for a Service Worker in the Tourism Sector in 2013*

|  |  |
| --- | --- |
| Social-Security Contributions (Salary: 1,000€) |  |
| Employee contribution 13.95% | 139.50€ |
| Employer contribution 22.36% | 223.60€ |
| Total contributions 36.31% | 363.10€ |
| Net Salary | 636.90€ |
|  |  |

Table 6.2 provides an example for the contributions of a part-time and a full-time service worker, to be paid by the employer and employee, following the unification of the tourism-sector social-security funds under EFKA.[[88]](#footnote-88)

*Table 6‑2 Social-Security Contributions Under EFKA for Full-Time and Part-Time Employees in the Tourism Sector*

|  |  |  |
| --- | --- | --- |
|  | Full-Time Employee (8 hours per day) | Part-Time Employee (4 hours per day) |
| Wage | 25 x 40 (daily rate) = 1,000€ | 25 x 16.75 (daily rate) = 418.75€ |
| Social security paid by employee | 1,000€ x 16.72% = 167.20€ | 418.75€ x 16.72% = 70.01 € |
| Social security paid by employer | 1,000€ x 21.38% = 213.80€ | 418.75€ x 21.38% = 91.20€ |
| Net salary | 619.00€ | 257.54 € |

For an employee earning a gross salary of 1,000 euros, the unification of EFKA resulted in an increase of almost 2.8% in their overall net salary, but an increase of 2.72% in their social-security contributions. In the example provided above, that meant that an employee’s contributions would increase by 27.7 euros a month. The rise in contributions to be paid by both employers and employees, amounting to almost 38% of the gross salary, and the uncertainty about the possibility of receiving a decent pension in the future, led the business owners to express negative views about the creation of EFKA. For example, one hotel owner claimed:

[…] the unification impacted the employees a lot, but not as much the owners. They [the employees] were against the unification and they were right… The social-security fund for the hospitality sector was one of the strongest funds and one of the best funds. And after the unification, the health and other services provided to the employees in the sector deteriorated. (ΙΝΤ08)

The owner and manager of another hotel said:

Our [hospitality] insurance fund was a “rich” one. We were enjoying many premium services, such as visits to good doctors. When I saw the changes in the services, I insured myself with a private company. (INT37)

Both of these comments show clearly that business owners in the tourism sector believed that the unification under EFKA would entail a decrease in the quality of the health services offered to their employees and to them personally. This view was confirmed by the following participant, from another hotel, who actually felt that the contributions to social security had no value at all to the employees:

I do not quite remember, but the decrease in contributions for the employees [paid by the employer] was roughly 3%… 4% or maybe even 5%, and it was welcome, of course. However, it was a waste of money. If the employers had a choice, I would have used this money for private insurance for the employees. I had already insured them through a private insurance company, and if I could have used the money for the social-security contributions as well, they could have enjoyed premium health services. (INT31)

The above points of view, expressed by the interviewees, suggest that, for the employees, the social-security contributions increased slightly as a percentage, whilst the contributions from the business owners and employers decreased. Overall, the unification of EFKA increased the total contributions by 2–3%.

According to the business owners, the problem was that the social-security contributions were simply not worth paying, given the low-quality services provided through the health programme of EFKA and the small pensions expected by the employees. Overall, according to the interviewees, the high cost of living and relatively low salaries led many employees to suggest to the business owners that part (or all) of their salaries should be paid as “undeclared”. Evidence to support this claim was provided by the owner of a restaurant, who said:

I remember the case of a staff member who was washing dishes in the kitchen and asked me to fire her so that she could register as unemployed and receive a subsidy by the government for six months, whilst she continued to work [for me] uninsured. (INT16)

The owner of another restaurant, employing an average of 35–40 people, claimed:

Of course, in that period, we were tempted to use undeclared employment, but in part… and because I do not like to use the term “undeclared”, I prefer to say that the employees were in part paid in cash. So, for example, we had an employee who was working and was registered to get paid for 30 hours, but he was working for more hours and he would get this money in cash. That was a practice that we followed which was beneficial to our employees because it meant they would receive more money. (INT17)

This was a popular practice among other business owners as well, who similarly stressed that the request for undeclared work always came from the employees themselves and for the reasons mentioned earlier – namely, so that they could increase their net earnings and cover the cost of living. According to the owner of a travel agency:

There were a few occasions where we would employ individuals uninsured. We did not really want to, but since they [the employees] were asking you, and if you wanted to employ them you had to follow this practice… Their main incentive was to earn more money, given the high taxes and contributions. (INT20)

The owner of a hotel, on the other hand, claimed that they would never have employed someone entirely uninsured because they would be anxious about the labour inspections by SEPE. He went on to explain his own understanding of undeclared employment as follows:

We could not allow employees to be undeclared because that was illegal. However, what we did say was that if they wanted to work an extra day, over and above the five days, then they would receive the payment for that in cash. (INT37)

This interviewee did not appear to realise that he was describing a clear case of undeclared employment, and instead, appeared to believe that his business was abiding by the law.

This issue was also raised by other business owners who claimed that, because their businesses were located in the centre of Athens, they were anxious about the SEPE labour inspections because their premises were easily accessible for inspectors. These business owners said that, as a result, they did not use undeclared employment as a practice:

Well, we were located in the centre of Athens, so we were scared of such practices [undeclared employment]. (INT15)

Another business owner expressed a similar view:

This [undeclared employment] was not our mentality. All the personnel of the hotel had their pictures on our official website, and when guests would come in, they would see all of them working. We were not located on an island… I had this experience myself when, in the summer, I went on holiday to one of the islands and all the employees in the tourism businesses were “legitimately” working as uninsured. This is a huge problem in Greece and in our sector… and that makes my business less competitive because my employment costs are higher than in other hotels. (INT35)

The business owners explained that, during the economic crisis, a large number of workers in the Greek tourism sector were willing to sacrifice their employment rights and social-security protections by working as undeclared so that they could earn more money at that time. In addition, in businesses outside the centre of Athens, where inspections by SEPE were not frequent, the use of undeclared employment was accepted and may be even encouraged by business owners.

The only participant in this study who claimed that undeclared employment was used by employers to reduce the cost of employment was the owner of a hotel, who said:

We were trying to change the status of specific employees, such as the maintenance team, and we asked them to work as self-employed, but that did not work. So, instead, a few of them were working and receiving cash. (INT31)

According to the above participant, the change of an employee’s status to self-employed was a practice used by business owners to lower their employment costs by avoiding their obligation to contribute to social security. However, when this was not feasible or mutually agreed upon between the employer and employee, another solution was to have the employees work as undeclared. Moreover, as mentioned by the interview in the above quote, the use of cash to reward employees was the standard practice when individuals were “undeclared”. It should be noted that, during the economic crisis in Greece, electronic transactions were not popular, and cash was the typically used for payroll payments for part-time and temporal or seasonal employees. In a survey conducted in 2017 by the Hellenic Federation of Enterprises,[[89]](#footnote-89) 46% of the participants indicated that their employers had paid them in cash and without registering their income with the authorities.

The above analysis suggests that the rate of social-security contributions did not change dramatically in the tourism sector, with an overall change in the range of 2–3%. However, the already high contribution rates and the taxes applied on salaries made it difficult for workers in the sector to cover the cost of living. According to the employers in this study, the creation of EFKA through the unification of TAXY (the social-security fund of the hospitality sector) and other funds (such as IKA) for supporting employees in the tourism sector, created dissatisfaction amongst the employees. The main reason for this was that pension levels were expected to be very low and the health services received through the national health system were perceived to be of low quality. The uncertainty around the stability and viability of the national social-security system after the creation of EFKA, as well as the extension of the retirement age, were two more reasons, according to the business owners, why employees did not trust the national security system and policies implemented by EFKA.

In that context, undeclared employment flourished in the sector, and many employers were willing to support and implement it as a practice, even though it was against the law. According to the interviewees, one of the main reasons for the growth of undeclared employment was that employees asked to work under this status so that they could avoid paying social-security contributions and taxes. It appears that workers were willing to sacrifice their employment status and insurance so that they could earn more money.

The employers also claimed that the use of undeclared employment had a positive impact on their employment costs and business overall, given that it meant they could also avoid paying social-security contributions and taxes for their employees. The employers also claimed that the undeclared employment was a practice mainly applied to employees earning relatively low salaries and those whose status was mainly seasonal or temporary. According to the answers collected in this study, employers used undeclared employment as a hybrid model, meaning that the employees in their business were insured for a number of days (or hours), but not for their entire workload. A popular practice was that overtime work was almost always undeclared.

The business owners who participated in this study regarded undeclared employment as the norm in the industry and as a practice used by almost all businesses. Indeed, the majority of the respondents admitted to having made use of undeclared employment during the economic crisis. Geography, however, played a significant role in the extent to which employers and employees would engage in undeclared employment. If a business was located in the centre of Athens, it was less likely to use uninsured employees, as there was a greater likelihood of labour inspections taking place. The lack of strict and regular inspections by the authorities (Heyes, 2019) thus created the room for such illegal practices. This is very well-demonstrated by the extent to which undeclared employment was used in areas outside Athens – but within the prefecture of Attica – where the authorities rarely conducted inspections. For example, the tourism businesses in this study, each located almost 40 kilometres away from the centre of Athens, did not experience any labour inspections by SEPE during the period of 2017–2018.

The findings from the interviewees suggest that the hospitality sector had more undeclared employees of seasonal or temporary status, whereas the restaurants and coffee shops were using undeclared employment as the standard. One of the main reasons for this was that the hotels would usually employ more personnel than the restaurant and coffee shops, which were mainly micro businesses employing no more than 10 people.

Finally, the use of cash to pay employees also enabled employers to avoid paying legal salaries and associated taxes and social-security contributions. This was further encouraged by the imposition of capital controls in Greece in 2015, which caused serious problems in Greek businesses with respect to the use of electronic payments for payroll (Diogou, 2017)[[90]](#footnote-90) and made the monitoring and inspection of undeclared employment even more difficult.

* + 1. The Retail Sector

Business owners in the retail sector did not regard the unification of EFKA and the changes in social-security contributions as having had a significant impact. The employees in the retail sector were insured by IKA, the Social Insurance Institute fund, which was almost depleted prior to the creation of EFKA. The contributions for pensions and the health services under IKA and EFKA were near-identical (IKA, 2015), with a few differences depending on the nature of the job. Thus, according to the employers interviewed in this study, employees in the sector saw the unification as an upgrade to the social-security system.

The owner of a retail store selling lingerie, said:

I do not quite remember exactly how much the increase was for the employees [of the social-security contributions], but it was a slight increase. (INT07)

The same view was expressed by the owner of another retail store:

There were some fluctuations in the percentages paid for the employees… The social-security contributions of the employees have changed so many times in the past… Overall, however, the changes were not significant. (INT09)

On the other hand, responding to the same question, a number of employers claimed that the changes in social contributions were minimal for the employees but considerable for the businesses. The owner of an electronics store said:

With respect to the contributions to EFKA for the employees, we were not impacted at all. However, my partner and I, who were considered to be freelancers, had to pay much higher social-security contributions… because the method of calculation was irrational. So, it was practically based on what we had declared two years ago, as a gross amount, without taking into consideration our expenses. If, for example, you were paying 300 euros until that time, all of sudden you would have to pay 1,200 euros – so, you could see your contributions quadruple… and then the government would come and say “We will correct the mistakes”. (INT13)

The same claim was made by the owner of a store selling wedding gowns:

I remember there was a new law called the Katrougalos Law, if I am not mistaken. That was a total disaster… I mean for me and my husband as managers, because for the rest of the employees it was nothing serious. That was a disaster and the final blow financially for the business. (INT29)

The owner of a shoe store, however, said that the changes in the social-security contributions were not significant but the changes in the health services provided were substantial:

No, it [the social-security contribution] did not increase, and for the employees it was almost the same. However, I used to be in TEBE, and after the unification I was registered in EFKA. When I was in TEBE, I would call my doctor and book an appointment and the doctor was paid by TEBE… and you could find 40 general practitioners, 40 orthopaedists, 40 cardiologists… You could choose the doctor of your preference and you were getting the same service that you would get had you visited a private doctor. These were super premium services. (INT40)

The above responses reveal a perception amongst the business owners that the social-security contributions for employees were not significantly changed, whilst the contributions for them, as owners, dramatically increased, forcing them to pay substantially more, even retrospectively. The increases in social-security contributions for their personal insurance also led some business owners to fall behind on their payments, which then grew steadily, given the 8% annual penalty applied.[[91]](#footnote-91) Thus, insurance was expensive and difficult to sustain, they no longer expected to receive a decent pension upon retirement, and their health services were worsening (when compared to the level they had enjoyed previously), all of which meant that they could not benefit from the face value of their contributions. The pressure exerted on the business owners due to the EFKA increases left them with the impression that the new insurance agency had not been properly designed and that the national security system was weaker than it had been. Moreover, although the increase in the cost of the owners’ personal insurance did not directly increase the employment costs of the businesses, it nonetheless increased the expenses of the business overall and squeezed the profit margins. The outcome of this was that the business owners lost faith in the social-security system and were less motivated to implement any practices that would increase insurance costs for them and their employees – even when not doing so would be deemed illegal.

One of the ways of avoiding these increases was to implement practices of undeclared employment. The use of this practice was confirmed by a number of the business owners participating in this study, although most claimed that they had done so because their employees were asking for it. Another claim was that the practice was almost never employed exclusively, and it was almost always used in part (or mainly) for the overtime income earned by the employees.

The owner of a bookstore said:

Well, Maria [a full-time employee] was paid her monthly salary and I used to give her some extra money that was “black money”… I felt sorry for her because she was the only employee left and she was loaded with extra tasks… If I had paid her the total amount legally as her salary, she would have earned a much lower net income. (INT05)

A very similar case was described by another business owner, who initially said that undeclared work was a practice never implemented but then claimed:

Well, actually, I remember now… We had the case of an employee who had to work on Saturdays and the accountant asked me to offer him the choice of being paid in cash, because we were trying to figure out how to declare his overtime through the system and the accountant ended up saying that the employee would end up earning a ridiculous amount of a few euros, instead of the 100 euros that was finally paid for this extra work. (INT13)

This same “hybrid” model of paying for overtime work with “black money” was attested to by the owner of a store selling shoes:

I am clear and frank with my employees. So, I told them, “We will use some flexibility. You will get paid for the eight hours and we keep a record of the overtime”. Every Friday, I would pay them for the overtime work in cash. I used to ask them how many hours were recorded of extra time and then pay them 10 euros per hour. (INT40)

The use of undeclared employment, though, seemed to be dependent on the nature of the business and type of products sold. Other business owners selling products such as pet produce and food, glasses and optical products, jewellery and accessories, and lingerie claimed that undeclared employment was a very risky practice.

The owner of the jewellery and accessories store located in the centre of Athens said:

…the Facebook page was run by a young woman remotely, and she would get “black money”, but in the store there was no way to have undeclared employees. The penalty was huge and I would never have risked that. It was also not cost-efficient for us to use undeclared employment because we needed to justify the expenses. (INT39)

Similarly, the owner of an optics store said:

This [undeclared employment] was a practice used in our sector, but not in my store because I never thought it right. However, in our sector, you observed it frequently and it affected the sales and bonuses of the employees. What I mean is that, in chain stores of large companies, instead of paying the employees’ salaries, they paid the money as bonuses in order to evade taxes. (INT28)

In line with the above two participants, the owner of a store selling pet food and pet supplies claimed that it was very difficult for the retail sector to use undeclared employment:

Some employees were asking for it and I am sure that some companies in our sector did implement such practices. However, I don’t think that this is easy in the retail sector. I am sure that this is much easier in the service sector. (INT26)

Finally, the owner of a store selling lingerie in a central area of Athens, also said:

You couldn’t just use people and pay them “black money” and, at the same time, claim that you were legitimate and creative. No way. From the beginning ‘til the end, what you do should always be right and legal. My way of thinking is that it was what it was, and then at the end of the year, you had to simply deduct your expenses from your income and you were left with the rest. Most probably, you ended up with less in this case, but you also stayed out of trouble. (INT07)

The above views indicate that the owners of stores in the centre of Athens or in popular market places would avoid using undeclared employment, fearing the penalties that would be imposed if the businesses were subject to inspection. The perception of these owners was that the inspectors could more easily visit popular areas and the centre of Athens, which had higher concentrations of stores than the suburbs. This perception was confirmed by the responses of other interviewees, given that the business owners who attested to their use of undeclared employment all maintained stores in less-popular and less-crowded areas.

Overall, the retail sector was impacted by the changes in the national social-security system, which came about through the creation of EFKA. The changes in employees’ social-security contributions were not perceived as significant by the business owners, but the owners felt that the creation of EFKA had dramatically increased their contributions for their own personal insurance. In addition to increasing social-security contributions, the unification of EFKA resulted in an extension of the retirement age. All of these changes, coupled with the deterioration of the health services provided under the new system, had a negative impact on the business owners’ perceptions of the social-security contributions. Thus, it was easier for them to sympathise with their employees (especially the younger ones) who preferred to work uninsured and receive more money, rather than paying their social-security contributions. The owners were also sympathetic to the employees’ fears that their contributions would not ultimately earn them a pension sufficient to retire and live a decent life. However, the beliefs of the business owners were not always followed by actions, and a many were unwilling to engage in illegal practices that could have jeopardised their businesses. The fear of being penalised for the use of illegal employment practices was stronger for those business owners whose stores were located in the centre of Athens, or in other central and busy market areas, given that these were more accessible to the inspectors. However, none of the employers who participated in this study claimed that the inspections and the controls were very strict. However, the particular lack of strict inspections of stores located in suburbs and in less-populated areas on the outskirts of Athens left many owners more willing to rely partially (or even fully) on undeclared employment.

The extent to which undeclared employment was used in the retail sector was also determined by a number of factors. One of these factors was the size of the business. According to the business owners, micro and small enterprises were more easily targeted by the authorities, as these firms’ small numbers of employees made inspections easier. Another factor which impacted the use of undeclared employment was the nature and type of the products sold. According to the interviewees, stores selling less-expensive products such as books, office supplies and shoes were more likely to have uninsured employees, compared to the stores selling products such as electronics, glasses, and jewellery. One explanation for this was that the shops with more expensive products enjoyed higher profit margins, which allowed the businesses to cover their employment costs with greater ease.

Back-office employees working either part-time or full-time could more easily operate as “undeclared”, given that these employees could also work remotely, making it impossible for the authorities to detect them. Furthermore, another interesting finding was that none of the employers participating in this study attested the use of bogus self-employment in the sector. Although employees were asking their employers for permission to work uninsured and receive “black money”, they never sought to engage in a “disguised” form of employment, as this would have provided only insignificant decreases in their social-security contributions.

The “black money” received by undeclared employees was typically paid in cash, so that the transactions would go undetected by the authorities. Finally, the ease with which the business owners discussed the topic of undeclared employment in their interviews with the researcher, and the views of the majority of the business owners that this was common practice, suggest that this was indeed a practice used extensively in the retail sector.

* + 1. The Construction Sector

The construction sector was heavily impacted by the economic crisis, with SMEs experiencing a decline of 33% in value added and a 35% decline in number of employees (GCWG, 2015), during the period of 2008–2012 (Lacina and Vavřina, 2013b). With the majority of the businesses in the sector (98.1% in 2016) being micro or small (*Development Prospects of Construction in Greece.*, 2019), the impact was severe and 47% of businesses ceased their operations during the period of 2009–2018.[[92]](#footnote-92)

In addition to the decline in sales in the sector, the unification of social-security insurance for the employees of private companies into a fund known as “ETAA–TSMEDE” resulted in significant increases in social-security contributions.[[93]](#footnote-93) As of 1 January 2017, all freelance and self-employed workers in the construction sector were required to pay 20% of their income for social-security insurance. Moreover, the national pension of 384 euros per month was applied in the sector, along with the “contributory pension”.[[94]](#footnote-94) As an example, the social-security contributions of a self-employed engineer earning an annual income of 24,000 euros were 385.10 euros before the unification and 779 euros after. The percentage increase in this case was 102%, or more than double the original amount. The increase in social-security contributions for both employers and employees in the construction sector had a large impact on the working status of the employees, given that business owners were only willing to hire or retain their employees if salaries were set to levels that could accommodate (or offset) the increases in social-security contributions (Heyes, 2019).

Even before the crisis, the construction sector was dominated by self-employed and freelance professionals. The problem in the sector was that the ambiguity of the criteria for self-employment created a grey zone, facilitating the development of bogus self-employment. Thus, although many employees in the construction sector appeared to be self-employed, they were violating one of the three criteria set by the EU, as they had only one client, where EU regulations state that work with a single client should not exceed a period of 10 months (Heyes, 2019).

The overall outcome of the social-insurance reforms in the sector was that employers who were experiencing a significant decline in their sales had to lay-off their employees in order to reduce their employment costs and balance out the increases in their personal insurance. This was well-demonstrated by a civil engineer, who was maintaining an office of eight employees until the beginning of 2017, who said:

What was the outcome after all and what did the government achieve [through the social-insurance reforms and the creation of EFKA]? … The government was dragging the business down with ineffective policies, during turbulent times. There was no flexibility… and the employees wanted their money […] What did we do? We had to pay them [i.e., pay what was owed to them] and fire them. So, the employees paid the price of the tight policies which were forcing the business owners to pay extra money… and they were eventually fired. What did policymakers achieve? A business like ours, which used to insure 4–5 people, ended up with no employees. (INT33)

One of the owners of a construction office of “green buildings” employing 16 employees before the unification of EFKA said:

That was the final blow. What can I say… the final blow. It was one of the worse periods of my life and one of the reasons why a financially healthy company operating with no problems since 1996 experienced the worse times of its operation… And this was strictly due to the changes introduced in the social-security contributions. (INT02)

In practice, the owners of these three businesses experienced significant increases in their respective social-security contributions, which they found very difficult to cover due to the significant decline in their sales (based on the figures in the footnote, an 83% decline in 2016 from the 2015 figures[[95]](#footnote-95)). The business owners attempted to justify these increases in social-security contributions at the peak of the crisis, but there was no rational explanation for this paradox. Even worse, the decrease in pension levels following the new policies and the loss of faith by business owners that their contributions would eventually lead to a decent pension contributed to a view that the policymakers were being irrational.

Another interviewee claimed that the changes in social-security contributions, along with the increases in taxation had had a serious impact on employment relations. The owner of that business, employing mainly engineers (with two administrative assistants), claimed:

There were huge increases in the social-security contributions during that period [2017], and at the same time, we were experiencing an increase in taxes… The taxes and social-security contributions would range between 40% and 65% of our total income, so the net income was significantly reduced. […] We were trying to find different ways to cope with that reality. So, for example, we figured out that it was mutually beneficial for newly hired employees to receive a lower salary than the tenured employees, to employ them as full-time administrators and insure them on EFKA. However, we had employees who had to change their status to self-employed… That would depend on the number of employers, whether they had more than one. (INT36)

This was an insightful answer, revealing the reality of that time: in short, employees and employers were choosing the status of self-employed, as a disguised form of employment, when this would allow them to decrease the social-security contributions that they were required to pay.

Bogus self-employment became more common in the construction sector during the economic crisis. Many employees were faced with no choice other than to accept this form of employment, as employers were not willing to the social-security contributions required for their employees. Therefore, a business would formally appear to employ only a small number of employees, and these individuals would have a work space in an office and operate there on a daily basis; but in fact, a large number of professionals, previously employed on a full-time basis by the business, would be working remotely and appear to be self-employed. There were cases, however, of self-employed workers operating from an office as full-time employees, despite their official status. One of these cases was explained by one of the participants as follows:

I was the project leader and I was the one to sign off the projects. So, they had to come to the office and work 9–5. There was some flexibility, though, with the working schedule, and if they could not come to work they knew which tasks had to be completed… But they had to be there [in the office] because I had to supervise the project. It was my name in the signature and, bottom line, it was my responsibility. (INT41)

The same form of employment was described by the owner of an architects’ office, who claimed:

I told them [the former employees], “you can work for others as well, but I prefer that you stay in the office”, and, “I am not asking for a commission if you work on a different project, I just want you to come at the office and work, because we will eventually overcome the crisis and new projects will come in”. (INT43)

According to the participants in this study, bogus self-employment was particularly evident in the larger companies – rather than the small or medium-sized firms – because they had more employees, so it was easier for them to operate with a few working in the office and others working remotely. This view that bogus self-employment was more prevalent in small and medium-sized businesses was supported by the owner of an office with five employees, who claimed:

There was a number of large offices that would present themselves as large businesses with 60–70 employees. But in reality, you would go to their offices and you would only find five employees. The rest were working from home […] The increase in the social-security contributions and overall employment costs had an impact on larger offices who had many employees […] One day, they [the larger offices] fired almost everyone and the next day these employees would be working for them remotely. (INT25)

The use of this practice was also confirmed by the business owner of a small firm, who admitted that 15% of their own employees had changed their status to self-employed to avoid being laid-off. This owner even went on to justify this practice, saying that it was a short-term tactic to allow the business to navigate through the crisis:

The increase in employment costs led us to the decision to lay people off. There were cases of employees who left the company to work abroad, and we also had cases of employees who changed their status to self-employed but continued to work solely for us, so that they would not lose their job. (INT02)

Whilst the larger businesses (compared to micro businesses) experienced the pressure of the increases in social-security contributions, the micro businesses were not equally affected. A common perception, though, was that the new pension levels were significantly lower and that the past payments and contributions – intended to ensure a decent pension upon retirement – had been wasted. The owner of one engineering office claimed that the unification of EFKA with the previous insurance fund for the sector (TSMEDE) had not had a serious impact on their own personal social-security contributions or those of the employees, but the overall perception was that it had negatively affected the new pension levels:

The whole thing started with the social security insurance for the engineers and its integration with EFKA, after the first memorandum… The impact was indeed, disastrous, because all the money accumulated in the past was lost… We had by far the best insurance, and of course everything was seized by EFKA and the banks, so our hopes for any increases in pension levels were lost. (INT27)

The damage caused to the insurance fund was also stressed by a previous interviewee [INT33], who said:

TSMEDE had a reserve of 4 billion euros… and that was lost… Who knows if we will get a pension in 10–15 years… We used to have an insurance fund that had a ratio of 7 to 1. That meant that, for every pensioner, there were seven actively insured professionals… This was all lost. (INT33)

The same frustration and disappointment with respect to the lower pension was expressed by another interviewee, who claimed that the unification of EFKA had amounted to “theft” by the government:

I was paying an average of 15,000 euros per year for 37 years, and I am now expecting to get a pension of 800 euros per month… Well, it’s obvious that I will never get a pension and so I prefer to work, because no matter what, I will always manage to earn an income of 800 euros through work… So, this was robbery… I don’t want and I don’t need a pension anymore. (INT43)

This disappointment regarding the low pension levels and increases in social-security contributions led to the use of undeclared employment in the construction sector, given that neither the employees nor the employers recognised the value of the social insurance. Employees who did not have to be present in the office, such as engineers and architects, could easily work undeclared and from home. However, as one of the business owners explained, the long-term problem was that those professionals would ultimately lack the years of insured employment needed for retirement. However, as one of the business owners explained, the long-term problem was that those professionals would ultimately lack the years of insured employment needed for retirement.

This situation was explained by one of the respondents as follows:

Imagine that in the past [before the economic crisis] we used to charge 20,000 euros for a construction project and we had to prepay 10% taxes to the government. On top of that, we were paying the social-security contributions. What happened after the new policies, was that we claimed that the value of the project was 10,000 euros instead. We would pay the taxes for the 10,000, and the employment costs for that amount only, and the rest would be undeclared. That was how the vicious circle started. (INT33)

In addition, the business owner of another construction office, asked about undeclared employment, claimed the following:

[As employers] we had to pay the insurance for our employees. So, what I used to do – with their consent – was, if they worked for 25 days per month, I would register and pay the insurance for, let’s say, 22 days instead… That was not clever for them though, and now they have regrets for doing that in the past, because they want to get a pension now and they lack the required insurance contributions. They were trying to “buy” these employment years. (INT06)

Undeclared employment was also detected in the fieldwork with freelancers and construction workers, mainly because inspections of these areas by the authorities were almost non-existent. This was mainly because the employment inspection body, SEPE, had not been provided by the government with the authority and tools needed to detect cases of undeclared work (Heyes, 2019).

As one of the business owners claimed:

There was a large number of freelance workers and technicians who we used and who worked on the site as undeclared. They were builders, plumbers, painters, etc. No one bothered to see if they were undeclared. (INT10)

Undeclared employment was identified by the authorities through the inspections carried out in 2017, revealing that 15% of construction workers were uninsured (ILO, 2016). However, the inspections were not focused on battling undeclared employment as much as collecting the unpaid social-security contributions; and for this reason, it was much easier to target smaller businesses than larger ones.

Overall, the construction sector was heavily impacted by the unification of EFKA and by the changes in social-security contributions under the new system. Specifically, the integration of the previous insurance agency (TSMEDE) with the newly established EFKA significantly affected the social-security contributions of the self-employed and freelancers. At the same time, through the creation of EFKA, the large pensions secured under the previous insurance system were replaced by smaller pensions. The changes in the social-insurance system and in the employment law imposed by the memoranda caused frustration amongst the professionals and business owners in the sector, given that they felt “ripped off” by the government and entirely abandoned. Thus, professionals and business owners had to cope with the disastrous effects of the economic crisis that had stalled their business activities, as well as these huge increases in social-security contributions. Although the insurance contributions of the administrative employees in the sector, previously insured under IKA, were not greatly affected by the unification with EFKA, the economic pressures exerted on their employers led to a large number of them being laid-off. This was particularly evident in small- and medium-sized organisations. Even micro businesses employing up to 10 employees had to lay-off employees, and formerly full-time personnel were often engaged in forms of bogus self-employment. These professionals, appearing to be self-employed, would actually be working exclusively for a specific business (for periods of longer than 10 months), with some even provided office space, if needed. In reality, this form of employment violated the criteria of “self-employment” set by the policymakers, which stated that the income of a self-employed professional should not depend on any single customer for a period longer than ten months. While this form of employment was mutually agreed upon between the (former) employee and the employer, the disguised self-employed individual typically felt that they had no choice but to accept these new terms of collaboration, as the alternative would be to find themselves unemployed if the employer were unable to support the increase in labour costs. The business owners who encouraged bogus self-employment through such practices claimed that the excessive costs and economic pressures caused significant financial distress to their businesses and to them personally, and it was simply impossible for them to pay the substantially higher social-security contributions for their employees. According to them, by asking their former employees to continue their collaboration through a disguised form of employment, they were creating a fair basis on which to split the risk caused by the increases in employment costs.

Finally, the circumstances of the business owners during the economic crisis also led to the use of undeclared employment. Undeclared employment was most prevalent in the field and with employees who could work remotely. Thus, construction workers and technicians were typically insured for fewer days than they were, in fact, working. Moreover, some professionals – such as architects and engineers – chose to work remotely and with no insurance to avoid paying social-security contributions and taxes. Undeclared employment, though, had negative consequences for these individuals, as they have not paid sufficient insurance to retire at the proper age and receive a decent contributory pension.

The lack of proper inspections by the authorities and the grey zones of self-employment that emerged due to the unclear criteria set by policymakers increased the rates of undeclared employment and bogus self-employment in the construction sector.

* 1. Summary

The above analysis suggests that the unification of EFKA had a serious impact on employment relations in the tourism, retail, and construction sectors. However, the three sectors were not all affected in the same way, and business owners in the different sectors each devised their own ways of responding to the changes introduced mainly by the Katrougalos Law. The establishment of EFKA as a unified insurance agency was funded through the reserves of various sectoral funds, each of which was achieving either a profit or a loss. In the case of the tourism sector, the established fund of the hospitality sector (TAXY) was in a healthy financial condition. The same was true for the construction-sector fund (TSMEDE), which was supported by the social-security contributions of architects, engineers, and other freelance and self-employed professionals in the sector. Indeed, the ratio of actively insured professionals to pensioners was 7 to 1, resulting in significantly higher inflows than outflows. However, the insurance agency supporting employees in the retail sector before the unification (IKA) was experiencing substantial losses. Thus, overall, the unification of EFKA affected adversely the funds of the tourism and the construction sectors, which were then used to cover the losses of other sectoral insurance funds, such as IKA.

A common view amongst the participants from all three sectors was that the unification of EFKA resulted into the deterioration of the health services, the raising of the retirement age, and a decrease in pension levels, as compared with the status quo. The business owners expressed the view that neither they nor the employees would benefit from their social-security contributions, as the contributions would not be providing either a quality health programme or a decent pension. While this study cannot confirm the views of the employees, the practices used by the employers in the three sectors suggest that employees were mainly focused on receiving a higher net salary, rather than paying the full amount of the social-security contributions.

The social-security contributions paid by employers in the tourism and retail sectors were not significantly affected overall, and they even decreased in some cases. However, both sectors were already dominated by precarious work, especially for seasonal and temporal workers, which led to the widespread use of undeclared employment. The overall increases in employment costs for employers and in the cost of living for employees encouraged employees to become uninsured, allowing both parties to evade social-security contributions and government taxes. The use of undeclared employment, though, was subject to a number of conditions which differed between these two sectors. Retail outlets located in central areas were more likely to be subject to inspection, hence the business owners were less likely to use uninsured employees. A difference was also identified with respect to the type of job and nature of the products sold. Back-office jobs were an easier target for undeclared employment, as opposed to jobs performed by the employees in the stores. Some of the back-office jobs, however, such as social media support, were assigned to professionals who appeared to be self-employed but who were, in fact, working full-time for a single retail business. Bogus self-employment, though, was not used extensively in the retail sector, given that very few employees could work remotely. Another finding of this study was that the stores selling more expensive items were less likely to use uninsured employees, compared with the stores selling cheaper products. In the tourism industry, coffee shops and restaurants were more likely to use uninsured workers – and these workers were mainly seasonal and temporary. Hotels, on the other hand, used less undeclared employment, as they could be more easily targeted for inspections by the authorities. In the tourism industry, bogus self-employment was not identified as a problem, as the majority of employees were working on the front-end of the business and this form of disguised self-employment did not provide them with real benefits, according to the business owners.

The lack of adequate and consistent inspection processes was a critical factor in the growth of undeclared employment. According to the participants in this study, it was easier for micro businesses to escape detection than for small and medium-sized businesses, as the latter were more likely to be the targets of inspection authorities. Such inspections were not primarily intended to protect the rights of the employees who were working uninsured, but rather to collect the contributions that ought to be paid to the government by the businesses. In addition to the size of the business, another factor that affected the likelihood of inspection (in all three sectors) was the location of the firm and whether this location was easily accessible by the authorities. Unless the location was a popular tourist destination (e.g., the Athens riviera) the centre of Athens, it was unlikely that the firm would be subject to an inspection. In fact, all of the business owners (in all three sectors) claimed that they had never been inspected by SEPE during the period of 2016–2018.

The reality for the construction sector was very different, given that the sector was already dominated by self-employment and freelance work. The substantial increases in the social-security contributions for professionals in the sector, in addition to the significant decline in business activity, increased the use of bogus self-employment and – albeit to a lesser extent – undeclared employment. Following the launch of EFKA, social-security contributions in the construction sector increased by almost 20%. According to the business owners in this study, the enforcement of the new insurance system meant that businesses had to lay-off their employees or ask them to assume the status of self-employed, so that the employee could cover the cost of their own personal insurance. These were clear cases of bogus self-employment, as these professionals continued to work for the same single employer – who now appeared to be their “client” – for periods of longer than a year, thereby violating the criteria of self-employment.

The stress caused to both the business owners and the employees by EFKA resulted in practices that had the opposite outcome to the one originally envisioned. In short, the goal had been the development of a fair and legal system that would provide social protection and the means for a decent standard of living. In reality, the employees were left looking for ways to increase their net income, and the only way to achieve that was to eliminate their social-security contributions and taxes. However, at the same time, the price to be paid for working uninsured was the right to a pension and to a national health programme. Therefore, the changes in employment practices following the creation of EFKA did not prove to be beneficial for employees, who became even more vulnerable and were left unprotected.

It should be emphasised that the findings discussed in this chapter are based strictly on the views of the business owners; and according to them, the employees were unhappy with the majority of the changes introduced by EFKA. However, it would be worth investigating whether employees were willingly accepting these changes in their employment status and insurance, or whether they were simply given no choice but to accept them, fearing the loss of their jobs if they refused.

Finally, it is worthwhile mentioning that, on 4 November 2019,[[96]](#footnote-96) the Supreme Council of State judged the Katrougalos Law to be unconstitutional, owing to the method used to calculate the social-security contributions of freelancers and the self-employed and with respect to the substantial decreases in pensions enforced through this law.

# Chapter 7: Conclusion

* 1. Introduction

The objective of this chapter is to summarise the findings and discuss the contributions of the research to the body of literature on SMEs and their HRM practices. Past research has revealed the importance of SMEs for employment, innovation, and the economic growth of local and national economies. Therefore, there is a need to understand the factors that influence the strategic choices, survival, and growth of these firms. These factors are variously identified in the literature as the characteristics of the business owners, the informality of the firms due to their size, and the firms’ vulnerability to the pressures of the external environments in which they operate.

The main contribution of this study is its focus on SMEs in the context of the Greek economic crisis, which lasted for 10 years, longer than in any other Eurozone country (Lenoël *et al.*, 2022). The deep impact of the crisis on the Greek economy had many causes and led to the weakening of the country’s competitiveness, compared to other countries of the Eurozone. The internal factors that drove the negative impact of the crisis were the weak institutions and vulnerable state of the Greek economy necessitating a number of structural reforms. The unsustainable conditions of the Greek economy, even at the beginning of the crisis, forced it to adopt a number of austerity measures and an adjustment programme designed by Troika which lasted for almost 10 years. Thus, the Greek economy during the economic crisis exemplifies how changes in the external environment can particularly impact the operations of SMEs, given their degree of vulnerability to external forces (Lai *et al.*, 2016). Moreover, given the importance of policymaking for protecting employment, Greece provides a unique environment of study, given the long period of supervision of its economy by the EC, the IMF, and the ECB and the numerous neoliberal-style reforms imposed (Lapavitsas, 2019). A number of studies have focused on the impact of the economic crisis on the Greek economy and businesses, but the main focus with respect to employment relations has been large organisations, with less importance assigned to SMEs, despite their value for employment and job creation (Bayraktar and Algan, 2019).

This study explores the underlying factors of the Greek economy that have shaped its employment relations and influenced the responses of the SMEs owners to the labour reforms. Thus, by also taking into consideration the significant impact on SMEs of labour-market characteristics and employment regulations, the findings of this study contribute to a deeper understanding of the employment conditions in countries employing the Mediterranean model. These countries are characterised by minimal state intervention (Psychogios *et al.*, 2020), more flexible working conditions (Pulignano, 2017), and private agreements prevailing over national terms of employment (Patra, 2012).

The thesis has shed light on the HRM practices of SMEs in Greece and shown how they were affected by the economic crisis that began in 2008. This study adds to the body of academic literature by providing insights into how SMEs organise and manage their employment relations and HR practices. The HRM practices of SMEs in Greece have received little attention to date. To achieve this, it addressed three specific questions:

1. What was the impact of the economic crisis on Greek SMEs’ employment and staff-retention practices?

2. How did the crisis affect SMEs’ recruitment, selection, and reward practices?

3. What effect did the crisis have on SMEs’ propensity to employ workers on an undeclared or disguised basis?

The first section of this chapter (7.1) summarises the findings relating to changes in working practices, the employment statuses of employees, and the dismissal practices implemented by the SME owners. Section 7.2 summarises the findings relating to the recruitment, hiring, and selection of employees in response to the policy reforms introduced by the Greek government. Section 7.3 summarises the findings on atypical forms of employment identified in all three sectors covered in this study and highlights the practices that promoted undeclared employment. All these findings are discussed with reference to the literature reviewed in Chapter 2 to show how they address the identified knowledge gaps. Section 7.4 discusses the contributions of this study and the practical implications of the findings for policymakers. Section 7.5 discusses the strengths and limitations of the study, whilst Section 7.6 suggests directions for future research. The last section of this chapter (7.7) presents the concluding remarks.

* 1. Changes in Employment Status and Work Patterns

Previous studies have shown how SMEs have adjusted to periods of economic crisis by changing the working patterns of their employees, exchanging full-time contracts for part-time and even using forms of temporary employment (Lanara, 2012; Gialis and Tsampra, 2015; Psychogios *et al.*, 2017). In many cases, employees of Greek SMEs were asked to support their employer’s business by working more hours without extra reward (McDonnell and Burgess, 2013; Psychogios *et al.*, 2020). The findings of this study demonstrate that, during the economic crisis in Greece, SMEs adjusted the working patterns of their employees and changed the status of some workers from full-time to part-time or even to self-employed. In addition to these changes, and as part of their survival strategy, business owners reduced the contracted working hours of their employees to compensate for the decrease in demand and to reduce their employment costs. However, this study reveals that these changes in working hours and status were mutually agreed upon with the employees, according to the business owners, as a short-term strategy to help the business cope with the decrease in sales and increase in labour costs. The owners claimed that this agreement was mutually beneficial, and the employees – according to the business owners – were willing to compromise, not only for the sake of the business, but also because they would have felt anxious about leaving and seeking new jobs given the high rate of unemployment. Moreover, employers in the retail and the tourism sectors, in particular, often preferred to reduce employees’ working hours and change their employment status, rather than reducing their wages, as the close relationships that they had developed with their employees made those types of decisions very difficult. The new employment status, however, did not reflect the employees’ true working hours, and a large number of Greek business owners asked their employees to work longer hours without payment for overtime. As the tenure of an employee with the business increased, employers became more likely to demonstrate a sentimental bias towards them, resulting in a higher degree of favouritism, which contrasted with the practices used in respect of younger and newly hired employees. Another practice used by the business owners was to ask employees to adjust their working hours according to how busy or quiet the business was, hence working overtime during busy periods and fewer hours during quiet times.

The findings of the study highlight specific sectoral differences with respect to changes in working patterns and dismissal of employees, suggesting that SMEs’ HRM practices were dependent on the sector, the nature of the work, and even the location of the business. Specifically, the practice of adjusting working hours according to the customer demand was particularly common in the tourism and retail sectors, which were affected by seasonality and by the nature of the service offered. It was also used to avoid hiring more employees during busy times, especially in touristic and busy areas. This study also demonstrates that, although the collective dismissal of employees was made easier by policymakers during the economic crisis (OECD, 2018), the SME owners in the retail and tourism sectors avoided laying-off their employees unless it became unavoidable due to increased labour costs. In particular, business owners in the retail and tourism sectors preferred to make their temporary employees redundant and hire seasonal employees, if and when necessary, on the minimum wage. This meant that they could retain their “trusted” and tenured employees and thereby protect the competitiveness of their businesses.

In the construction sector, wage reductions and changes in the working patterns (exchanging full-time contracts for part-time) were perceived by the employers as unproductive measures, given the severity of the decline in demand in the sector. Instead, the construction sector largely utilised dismissals to reduce employment costs, reflecting the level of inactivity in the sector. However, these dismissals in the construction sector were notable, given that a large number of these employees subsequently assumed a bogus self-employment status. In other words, many employers dismissed employees but reengaged them on a disguised basis on the condition that they would cover their own social-security contributions.

Overall, most SME employers in all three sectors were reluctant to dismiss their employees, despite the need to reduce labour costs following a decline in sales. In the tourism and retail sectors, wage cuts were implemented as an alternative to layoffs. However, when layoffs became unavoidable, business owners in all three sectors commonly adopted "job intensification" (longer working hours) for the remaining employees to offset the increased labour costs caused by reduced sales The business owners claimed that they made these decisions with transparency and openness. They reported organizing open meetings with all employees to announce their plans to change working conditions or even lay off some staff, due to the pressures of the economic crisis. Many employers interviewed in this study admitted that they also assured their employees of their intention to avoid layoffs and to restore their original working conditions once the crisis was over. This assurance was communicated verbally, relying on the employees’ trust in their employers’ word, and it was an emotionally stressful situation for them.

* 1. Recruitment, Hiring and Selection

According to the findings of this study, the skills and experience of employees influenced employers’ decisions regarding retention and dismissal – decisions which constituted a significant emotional burden for the business owners. The rapport developed between a business owner and their experienced, loyal employees can have great significance for them. The SME owners also recognised the invaluable contribution of those employees who had remained with the firms for extended periods and developed vital experience and knowledge, essential for the business’s survival and competitiveness during the economic crisis. As a result, younger and more-inexperienced employees were typically the first to be made redundant, whilst the tenured and experienced workers were the last to be dismissed.

During the economic crisis, the Greek government introduced subsidy programmes and favourable terms to encourage the hiring of new employees. These terms eased the hiring process and reduced compensation for any employees made redundant (Ministry of Labour, 2012). The aim of these policies was to increase employment and their primary target was the young and long-term unemployed (Papadakis *et al.*, 2021). Past research has clearly demonstrated that youth unemployment grows dramatically during periods of economic recession (Bentolila *et al.*, 2022), given the reduction in opportunities. In Greece, these policies were also meant to work in conjunction with changes in the national minimum wage (Zioutou, 2017) and to help employees find permanent work – rather than part-time or a temporary jobs. However, for Greek SME owners, it proved easier to use temporary and seasonal workers and pay them the minimum wage (Labrianidis and Vogiatzis, 2013) This was especially true for the tourism and retail sectors, where the majority of the workforce did not require specialised knowledge or skills (Ioannou, 2021). The changes in minimum wage were accompanied by significant changes in the national- and sectoral-level agreements, and this provided business owners with the liberty to deviate entirely from these and replace them with private agreements (Kretsos *et al.*, 2015).

This study suggests that the policies of the government intended to boost employment and reduce unemployment had no significant impact on the HRM practices of SME owners in Greece. The new minimum wage and subsidies offered by the government were occasionally taken advantage of by businesses in order to hire temporary personnel – mainly younger people, earning the lowest-rate minimum wage. However, these measures were almost never used for the recruitment and hiring of permanent employees. On the contrary, especially in the tourism and retail sectors, which are characterised by precariousness, the government incentives were used to attract “cheap labour” for a short period of time. Furthermore, there were cases in which the new minimum wage, which was insufficient to cover the cost of living, actually reinforced the use of various forms of atypical work, particularly undeclared employment. The majority of business owners were reluctant to offer the minimum wage suggested by the new labour policy, especially to workers of more than 25 years old, as the amount of 586 euros per month would not be sufficient to cover the basic living expenses of an individual (and certainly not of a household). Thus, the minimum wage was recorded as the official wage of the employee, but it was then complemented with “black money”, with the employees’ wages supplemented to a sufficient level to support their living expenses. The minimum wage was never offered to prospective full-time employees who possessed high levels of experience and knowledge of the sector.

In the construction sector, the minimum wage was almost never offered to new employees, given the business owners’ lack of interest in hiring new personnel and the fact that almost every business had actually downsized its workforce. Moreover, the lack of experience of young employees was a more-significant barrier for them, given that business owners could not risk bringing on board untrained employees, but nor could they afford the time and cost needed for training. In addition, the sectoral minimum wage in 2008 was 1,267.07 euros, or more than double the minimum wage introduced during the reforms (586 euros per month). Thus, according to the business owners in the construction sector, the new minimum wage would simply never have appealed to experienced and knowledgeable employees.

The crisis demanded flexible and quick responses for recruitment and the SME business owners had to use discretion for the new hires in a way that would also help them respond effectively to the cost pressures affecting the business. Although it could be easily argued that these decisions inevitably involved discrimination, the reality appeared to be more complex. The criteria used by the business owners were different depending on the sector and the labour market conditions at the time, and had to be in alignment with the financial condition of the business, its location, its dependency on familial support and the nature of the product or service offered. Therefore, although this study sheds some light on the recruitment criteria used by the business owners it is worth further exploring and untangling their decision-making process, especially during periods of uncertainty and economic pressure.

The findings of the study also demonstrate that the cessation of collective bargaining, mediation, and arbitration during the economic crisis destabilised the labour market and restricted the rewards offered to employees. The main reason for this was the prevalence of private agreements, over collective agreements, which allowed the business owners to apply their own criteria and reward standards. According to the business owners, salary cuts were applied only in extreme cases, with salaries usually restored after a number of years. Business owners also claimed that the salary levels were determined through mutual agreements with the employees, with an overarching goal of ensuring employee satisfaction. This practice stemmed from a concern that employees might consider leaving the business if they were not satisfied, as the business owners did not want the burden of having to recruit replacements. In short, the policies with respect to minimum wage and hiring incentives did not prove to be very helpful for those SME owners whose impetus was to survive the crisis but not at the expense of their core employees. Many SME owners also felt uncomfortable offering the minimum wage to prospective employees, as they knew that this salary would deprive the worker of a decent standard of living. Instead, they preferred to find other ways of reducing the costs of their business operations to overcome the negative impact of the crisis – rather than reducing labour costs through downsizing, salary cuts, and hiring employees on the minimum wage. Many even felt more comfortable engaging into atypical forms of employment if that left their employees more satisfied with their level of income. Traxler's concept of "ultimate decentralisation" of pay (Traxler, 1996) is evident in the practices of Greek SMEs. The decentralization occurs not only through formal agreements but also via informal arrangements like non-declared payments and personalized reward systems​, shifting decision making of the reward strategies from the policy makers to the business owners of the firms.

* 1. Undeclared Employment and Self-Employment

The creation of the unified social security fund in Greece in 2016, following the implementation of the Katrougalos Law (4387/2016), ultimately reinforced the use of undeclared employment and bogus self-employment, which was particularly prevalent in the construction sector. The literature explains that bogus self-employment became common where there was a loss of faith in the new pension system (Theodoropoulou, 2015), precarious work (Ioannou, 2021), and a lack of adequate inspections due to the understaffing of SEPE (Heyes, 2019). The main outcome of this bogus self-employment was then a reduction in the social-security contributions paid to the government, which led to a deficit in payments and consequent reduction in the protection of those employees who had assumed a bogus self-employment status.

The changes in the working patterns of employees, which resulted from the decline in market demand and the increase in social-security contributions, led the owners of many Greek SMEs to employ workers on an undeclared basis. This study demonstrates that undeclared employment was present in all three sectors under study (tourism, retail, and construction) and was used to evade taxes and social-security contributions. However, practices differed, depending on the location of the businesses, the nature of the jobs, and the types of products and services offered. Specifically, undeclared employment was more easily implemented in those firms located on the periphery of the cities, rather than in the centre, given that they could not be easily targeted for inspections. Moreover, if the work of an employee could be done remotely, such as the management of social media accounts, a business would be more likely to use undeclared employment for this – and less likely to use it for tasks that necessitated the physical presence of the employee. Moreover, in both the retail and the tourism sectors, the businesses that provided high-end products and services could not risk using undeclared or underdeclared employees, as they were reliant on trained and committed employees who could ensure the delivery of high-quality services to customers. Furthermore, these businesses were also far more easily targeted by inspectors. In contrast, businesses located in busier and more-touristic areas, such as beach bars and coffee shops, were more prone to using undeclared employment for seasonal and temporary employees, who could easily fly under the radar of the inspectors.

The findings presented in Chapter 6 demonstrate further that, whilst undeclared employment was evident in the retail and the tourism sectors, in the construction sector, employers were more likely to change the working statuses of their employees, registering individuals as self-employed when they were actually working exclusively for their (former) employer. These former employees were forced by their employers to assume the bogus self-employed status if they wanted to remain with the business and keep their jobs. In these cases, the former employees would appear to be external contractors and they would be required to take on the financial responsibility for their own social-security contributions. According to the business owners in this study, this practice was well-received by the employees, who saw their net salaries shrinking and wanted to avoid paying the social-security contributions resulting in increased reductions on their salaries. Thus, the intention of the government to fight undeclared employment proved to be unrealistic, given the absence of a robust inspection system and enforcement mechanism.

This thesis also demonstrates that the business owners in all three sectors, albeit particularly in the construction sector, were disappointed with the changes introduced to the pension system, with the creation of EFKA reducing the pensions that they expected to receive. The common perception amongst the business owners was that EFKA’s horizontal pension system, cutting across all sectors, meant that their pensions would be significantly lower than expected, despite the increase in social-security contributions. The lack of faith in the new pension system and in the public institutions gave rise to the behaviour of the business owners’ in terms of their use of atypical employment and provided justification for the HR practices that they implemented.

* 1. Practical Implications and Contribution

Policymakers are presented with the challenge of designing effective policies to address policy problems. An effective way of handling this challenge is to base policies on empirical evidence (Mortari *et al.*, 2023), so that connections can be drawn between theory and practice. Thus, the findings of this study provide valuable insights for policymakers working on labour policies and seeking to formulate effective frameworks for employment protection. The focus on SMEs and the comparative analysis of three sectors together provide a clear understanding of the failures and inefficiencies of the “one-size-fits-all” policies that neglect the peculiarities of different sectors, the nature of their work, and the policy subsystems, all of which need to be taken into consideration. In the case of the Greek SMEs operating during the economic crisis, the crisis context amplified these differences, and the subsequent policymaking proved ineffective in many ways, given that the responses of the business owners were not those anticipated by the policymakers. For example, the reduction in the minimum wage introduced by the Greek government was intended to decrease unemployment, under the assumption that it offered business owners an incentive to hire more employees. In fact, the business owners did not perceive this measure as an encouragement to hire new employees. By clarifying the behaviours and reactions of the owners of the SMEs, this study provides policymakers with a sound explanation for the expectations gap that was created (Ates and Bititci, 2011) – namely, the gap between the expected outcome of the policy reforms and the actual outcome.

Building on this understanding, the employment regimes framework provides a theoretical lens to analyse the employment practices of the SME business owners, investigated in this study, and how the external economic environment influenced their behaviours and the management of their employees. The divide between more secure jobs – typically offered in large companies – and more precarious work and less job security typical in SMEs, demonstrate the prevalence of the dualistic character of the Mediterranean regime, during the period of the economic crisis. The employment practices of the SMEs during the Greek economic crisis were influenced by, and at the same time reflected the labour conditions of South Europe that led to the weakening of the social welfare, while neoliberal ideology introduced more flexibility and less regulation in the labour market. This study provides additional empirical evidence supporting Gallie’s (Gallie, 2007) argument that changes in a country’s competitive and economic pressures have a greater impact on the quality of jobs, than state intervention and policy making. Different countries and economies, experience varying levels in the quality of work and its protection via policy making. Although, there is a general trend in the latest years to improve the working conditions and protect employment (Gallie, 2007), the shape of a country’s economy, its social structure, and the pressures of the external environment may undermine the job quality.

Long before the economic crisis, the Greek economy was already experiencing a number of difficulties such as tax evasion, lack of productivity, and excessive public spending. Thus, its ability to compete with the rest of the Eurozone during the period of the economic crisis was already impeded. The labour reforms introduced by the government were primarily intended to strengthen employment protections and decrease unemployment. The findings of this study however, suggest that what they actually achieved was the strengthening of the undeclared economy and the encouragement of bogus self-employment. Thus, the reforms proved to be inapplicable, poorly designed, lacking adequate planning and control for their effective monitoring. Moreover, Greek SMEs operating under the Mediterranean employment regime constituted the majority of the businesses in the Greek economy, with many workforces comprised of family members. In an effort to maintain social cohesion SMEs relied on informal and private agreements with the employees and developed familial ties with them. Specifically, this study has demonstrated that the business owners of the SMEs were reluctant to dismiss employees who mainly belonged to the local community where the business operated. This reluctance stemmed from the relationships developed with these employees, their awareness of the employees' family conditions, and the understanding that their dismissal would deprive families of income. However, in order to improve the competitiveness of the firm businesses were adjusting the working patterns and hours of their employees, when necessary. The SME business owners were not unaware of the changes in the policy making and did not seem to lack information about the changing laws. In fact, their responses indicate that they were not only informed of the reforms of the Greek government, but also took strategic initiatives and actions based on their interpretation of the laws, under the circumstances of their business at the time. Consequently, they adopted employment practices aimed at balancing legal compliance with reducing financial strain on their businesses, significantly affecting the employment status and job security of their employees.

Another, contribution of this study, through the empirical evidence provided by the example of Greek SMEs, is the relationship of SMEs with the youth labour market. In countries of the Mediterranean regime, younger employees were not easily integrated into the labour market and were left unprotected and vulnerable, especially during the period of the economic crisis. Thus, the attempt of the Greek government to incentivize SME business owners to hire younger people with the minimum wage of 510 euros was not successful. On the contrary, when SME business owners hired younger employees, especially from their close circles, they aimed to compensate them with wages higher than the minimum, so that they could support themselves financially without relying on their families. Younger employees were also the primary target of undeclared employment especially when hired as temporary and seasonal personnel. In these cases, the business owners felt more comfortable taking the risk of engaging in informal employment practices, as younger employees within their inner circles were unlikely to disclose these practices due to mutual trust. Overall, the practices of the Greek SME business owners and the crucial role of these firms towards social cohesion should be greatly acknowledged also taking into consideration that in Greece during the period of the economic crisis, the incentives provided for employability such as vocational training, would favour the privileged and not the socially excluded groups (Prokou, 2011), such as young people and women.

This study also contributes to the literature on the Great Recession by exploring its impact on small and medium-sized firms and specifically the HRM aspect that impeded the survival and growth of the affected firms. The vulnerability of SMEs to their external environment, mainly due to the limitations attributable to their size, is clearly demonstrated by the findings of this study. This evidence must be considered by policymakers who wish to develop effective labour strategies that both protect employment and are appealing to business owners. In fact, policy makers should acknowledge that there is a need for nuanced approaches to policymaking and that the responses of the SMEs to the labour reforms reflect an interplay between internal and external factors. The findings of this study also suggest that the government’s role should be more focused on ensuring the necessary institutions and mechanisms to monitor and control unfair and illegal HRM practices that damage employees’ statuses and employment relations. The implementation of such systems would promote healthier labour market conditions, especially for small firms. This study effectively links theory to practice, making its findings a valuable resource for both academia and policymakers.

* 1. Strengths and Limitations

Past research concerning employment relations in SMEs has included a number of both quantitative and qualitative studies. Table 7.1 below lists the studies reviewed for this research. Previous studies of SMEs have tended to use quantitative methods, whereas the current study employed a methodological approach that afforded a more in-depth look at the salient issues, thereby contributing to current knowledge and thinking on the subject. The qualitative method employed in this study thus provides a deeper explanation (Elliott *et al.*, 1999) of how SME owners perceived the reality of the crisis and its impact on their businesses.

*Table 7‑1 Indicative Literature Review – Studies of SMEs and Their Research Methods*

|  |  |
| --- | --- |
| Abbott, B. (1993) “Training Strategies in Small Service Sector Firms Employer and Employee Perspectives”, 4(2), pp. 70–87. | Qualitative |
| Amorim, C., Vera, V., and Rocha, C. (2013) “Employment and SMEs during crises”, (April 2011), pp. 9–25. doi: 10.1007/s11187-011-9343-6. | Quantitative |
| Ates, A. and Bititci, U. (2011) “Change process: a key enabler for building resilient SMEs”, *International Journal of Production Research*, 49(18), pp. 5601–5618. | Mixed Method |
| Atkinson, C. and Curtis, S. (2009) “The impact of employment regulation on the employment relationship in SMEs”, *Journal of Small Business and Enterprise Development*, 11(4), pp. 486–494. | Quantitative |
| Balios, D. *et al.* (2015) “Economic efficiency of Greek retail SMEs in a period of high fluctuations in economic activity: a DEA approach”, *Applied Economics*, 47(33), pp. 3577–3593. | Quantitative |
| Bilan, Y. (2020) “Hiring And Retaining Skilled Employees In SMEs : Problems in Human Resource Practices and Links”, 21(2), pp. 780–791. | Quantitative |
| Biljana, P., Suzana, S., and Danijela, S. (2014) “Study on dynamics and constraints of the employment in the Serbian SMEs during a crisis“, Economic Themes, vol. 52, pp. 33–50. | Quantitative |
| Chen, H., Hsu, W., and Chang, C. (2019) “Family Ownership, Institutional Ownership, and Internationalization of SMEs”, 2778. | Quantitative |
| Cho, J., Lee, K., and Lee, J. (2011) “Dismissal law and human resource management in SMEs: Lessons from Korea\*”, *Asia Pacific Journal of Human Resources*, 49(1), pp. 105–123. | Quantitative |
| De Leede, J. *et al.* (2019) “Labour flexibility practices in Dutch SMEs”, *Personnel Review*, 49(3), pp. 791–807. doi: 10.1108/PR-02-2019-0086. | Case Study |
| Debrah, Y. A. and Mmieh, F. (2009) “Employment relations in SMEs: Insights from Ghana”, *The International Journal of Human Resources Management*, 20(7), pp. 1554–1575. | Case Study |
| Diana, S., Adina, P., and Nicolae, B. (2010) “SMEs Competitiveness and Environmental Influences.” *Annals of the University of Oradea, Economic Science Series*, 19(1), pp. 699–702. | Quantitative |
| Kindström, D., Carlborg, P., and Nord, T. (2022) “Challenges for growing SMEs: A managerial perspective”, *Journal of Small Business Management*, 00(00), pp. 1–24. Available at: <https://doi.org/10.1080/00472778.2022.2082456>. | Qualitative |
| Mylonas, P. and Athanasopoulos, A. (2013) “National Bank of Greece: Survey of the Greek SMEs”. | Quantitative |
| Prouska, R., Psychogios, A., and Rexhepi, Y. (2016) “Rewarding employees in turbulent economies for improved organisational performance Exploring SMEs in the South-Eastern European region”, *Personnel Review*, 45(6), pp. 1259–1280. | Quantitative |
| Ratko, Z. and Ulgen, K. (2009) “The Impact of Economic Crisis on Small and Medium Enterprises: in perspective of Swedish SMEs”, (May), pp. 1–72. | Mixed Method |
| Sampe, F. (2019) “Cultural Relationship and HRM Practices in Indonesian SMEs”, *International Journal of Research and Innovation in Social Science*, 3(7), pp. 637–644. | Quantitative |
| Soininen, J. *et al.* (2012) “The impact of global economic crisis on SMEs: Does entrepreneurial orientation matter?”, *Management Research Review*, 35(10), pp. 927–944. | Quantitative |
| Surya, B. *et al.* (2021) “Economic growth, increasing productivity of SMEs, and open innovation”, *Journal of Open Innovation: Technology, Market, and Complexity*, 7(1), pp. 1–37. Available at: https://doi.org/10.3390/joitmc7010020. | Mixed Method |
| Thorgren, S. and Williams, T. A. (2020) “Staying alive during an unfolding crisis: How SMEs ward off impending disaster”, *Journal of Business Venturing Insights*, 14(May), p. e00187. | Quantitative |
| Vos, A. D. and Willemse, I. (2011) “Leveraging Training Skills Development in SMEs”, *OECD working paper series*, p. 50. Available at: www.oecd.org/cfe/leed.%0D. | Mixed Method |

Another strength of this study is the period in which the interviews were conducted. Specifically, they took place after 2018, which is considered to be the end of the economic crisis in Greece, which allowed the participants to reflect on the entire period of the crisis, including all the labour reforms implemented by the Greek government. Therefore, although this study is not longitudinal, the business owners were able to discuss the cumulative effect of the reforms throughout the 10 years.

A further strength of this thesis is its comparative focus on three sectors of the Greek economy – retail, tourism, and construction. The Greek construction sector is of particular interest with respect to the black economy (Ales and Faioli, 2012). With this being the sector where undeclared employment prevailed, with higher rates than seen elsewhere in the Eurozone (Heyes, 2019), there are many lessons to learn here which could help policymakers to design more-focused labour policies (Whitston, 2018). As an example, it is noted that the vagueness around the definition of “self-employment” in Greek labour law allowed employers to circumvent the spirit of the law without engaging in illegal practices. Thus, the greater the clarity of the labour policies and laws, the more difficult it is for business owners to operate in a grey zone and to adjust their interpretations of the labour policies as they see fit.

This study is limited by a number of factors, one being the challenge presented for data collection during the pandemic and under the COVID-19 restrictions.[[97]](#footnote-97) Hence, only a small number of interviews were conducted face-to-face, with the remainder conducted online, following research ethics committee reapproval. Overall, personal interviews have a higher degree of effectiveness, mainly due to the rapport developed between the interviewer and the participants (Horsfall *et al.*, 2021), although the quality of the data does not seem to have been affected in this case. This is proven by the quality of the answers provided, and the depth of the discussion which were equally insightful and strong, when compared to the face to face interviews. Nonetheless, with face-to-face interviews, the interviewer might have been presented with more opportunities for social interaction with the respondents (Lobe *et al.*, 2022) and thus better able to create a more relaxing environment for the interviews.

Another potential limitation of this study is the research method used, with the investigation having been solely qualitative in nature. A triangulation or mixed method approach might have proven more revealing and would have allowed the researcher to validate the insights provided in the interviews, using tools and techniques such as statistical methods to provide more objectivity by eliminating the researcher’s potential biases. For example, a survey addressed to SME owners – representing these three or perhaps other sectors – could have been used to acquire more support for the findings of this study. This “third paradigm” of methodological approach as described by Jogulu *et al*. (2011) as a method well-suited for management studies and social science overall, using both inductive and deductive methods of data analysis. The use of a mixed method design could strengthen the results of this study and provide the ground for more research synergies and enhanced knowledge transfer.

A third limitation of this study relates to the research design and, specifically, to the method of sampling. The pandemic created significant barriers to the recruitment of participants for this study, and the researcher was ultimately led to use a snowballing sampling method. Snowballing is a common method in qualitative research (Naderifar *et al.*, 2017), but does not guarantee a representative sample. To that extent is not possible to judge whether the business owners that participated in this study were representative of the population of business owners in the sectors in which they operated.

* 1. Future Research

This study has set the scene for future research that could expand and build on its contributions. This study has focused on three sectors of the Greek economy, each impacted by the economic crisis in different ways. An investigation of a larger number of sectors might prove to be more enlightening and useful for policymaking, illustrating the perceptions of SME owners in other sectors of the economy that might have been differently impacted. As an example, agriculture could be examined, given the large number of people employed in this sector – and, in particular, the large number of immigrants working in the sector – and the lack of labour inspection controls and monitoring.

The current study explored the perspectives of SME owners, and it would be valid to claim that this is a one-sided perception that would have been enriched by including the perceptions of the employees. Thus, future research could extend this knowledge by eliciting the views of employees whose employers participated in the current study. The inclusion of those employees’ views would provide a more holistic understanding and a more objective way of validating the claims of the business owners (Tsui *et al.*, 1997).

With respect to the exploration of more effective employee-management practices, a case-study approach or a longitudinal study might complement the findings of this research. According to Yin (1984), the purpose of the case-study method is not to provide generalisations and quantify outcomes but rather to understand, develop, and expand theories (Yin, 1984). In this specific case, the case study method would provide the opportunity to engage with other members of the organization, such managers and employees and explore their views as well, with respect to the changes in HR practices. Moreover, if data are managed and organised systematically, case studies do not have to be lengthy (Zainal, 1997). In this case, a single case-study design with embedded units could be used (Yin, 1984), where the single case-study would refer to SMEs in three sectors (retail, construction, and tourism) and the embedded units would refer to different enterprises belonging to these sectors and their respective HRM practices.

A final potential path for future research could be the exploration of employee-management relations and the impact of policymaking on them in the context of the pandemic crisis, which began immediately after the economic crisis. The pandemic crisis presented a unique case of government regulations and labour policies enforced to support employment protection, although a number of wage reforms and changes were implemented worldwide (ILO, 2020). Due to the total cessation of business activities and the closure of businesses, many employees submitted to a forced furlough status, whilst others were obliged to work remotely from home. During the pandemic, SMEs in Greece (and elsewhere) were faced with unprecedented levels of uncertainty (Harney *et al.*, 2022) and left almost entirely reliant on governmental support. Although the pandemic crisis possessed very different characteristics to the post-2008 economic crisis, such as the total cessation of activity in some sectors of the economy, it sustained the turbulence of the external environment originally caused by the economic crisis. Thus, the comparison and the contrast of the labour policies and their effect on Greek SMEs might provide valuable insights with respect to policy making and how effective this is, especially in times of crisis.

* 1. Overall Conclusion

This study has successfully addressed the research aim, exploring “the consequences of the economic crisis for employee-management practices in Greek SMEs”, and it has provided meaningful answers to the research questions posed, namely:

1. What was the impact of the economic crisis on Greek SMEs’ employment and staff-retention practices?
2. How did the crisis affect SMEs’ recruitment, selection, and reward practices?
3. What effect did the crisis have on SMEs’ propensity to employ workers on an undeclared or disguised basis?

The study has also analysed the differences and similarities between three important sectors of the Greek economy - construction, retail and tourism. The differences and similarities in the practices of the business owners in the three sectors with respect to the policies enacted are presented schematically in the Table 7-2:

*Table 7‑2 Similarities and Differences between three sectors of the Greek economy*

|  |  |  |  |
| --- | --- | --- | --- |
| **Policies** | **Sector** | **Differences** | **Similarities** |
| **Recruitment** | Retail | Focus on cost-effective hiring.  Lower wages compared to other sectors | High demand for skilled labour  Reliance on local labour market  Informal recruitment methods |
| Tourism | Seasonal hiring practices.  Performance-based rewards common |
| Construction | Project-specific hiring needs.  Competitive wages to attract talent |
| **Wages and Contributions** | Retail | Lower wages compared to other sectors | Competitive wages to attract talent  Use of bogus self-employment to reduce costs  Informal work common in smaller businesses  Performance-based rewards  Social security contributions paid by businesses  Use of informal employment arrangements |
| Tourism | Variable social security contributions |
| Construction | Challenges in enforcing social security contributions |
| **Dismissals** | Retail | Frequent changes in employee working hours | Increased temporary employment  Widespread use of part-time and casual contracts  Use of short-term contracts  Increased layoffs during economic downturns |
| Tourism | Seasonal fluctuations affecting employment stability.  High turnover during off-peak seasons |
| Construction | Irregular work schedules due to project-based work |

The mapping and exploration of the factors influencing HRM practices, supported by empirical evidence and original research findings, have established a foundation for future investigations into the key issues, considerations, and challenges. This thesis is intended to contribute to informing policy development and decision-making in the specific case-study context of Greece, as well as having broader implications internationally for the HR practices of SME businesses, considering the global significance of SMEs and their contribution to employment.

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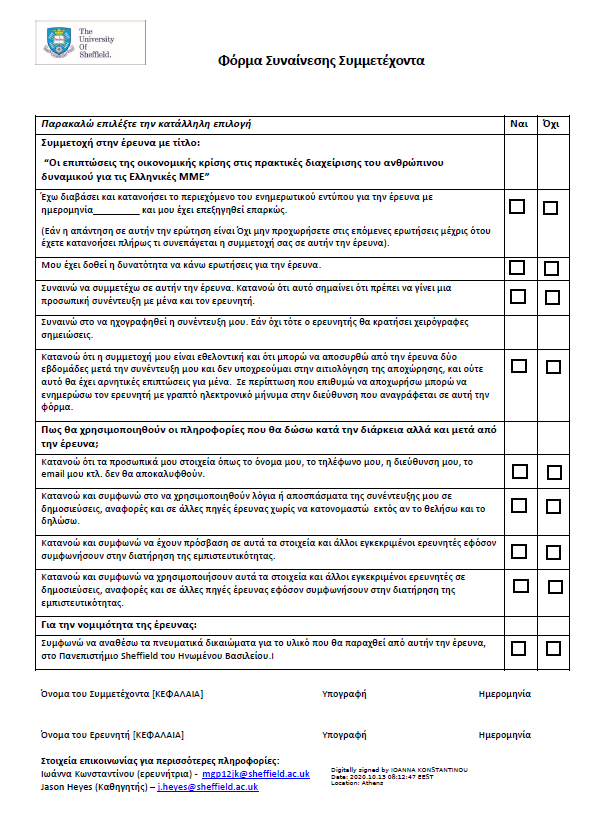
**Appendices**

**Appendix I: Invitation Letter and Consent Forms**

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**Participant Consent Form**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Please tick the appropriate boxes*** | | | **Yes** | **No** |
| **Taking Part in the Project titled:**  **“The consequences of the economic crisis for employee management practices in Greek SMEs”** | | |  |  |
| I have read and understood the project information sheet dated \_\_\_\_\_\_\_\_\_\_\_\_\_\_or the project has been fully explained to me.  (If you will answer No to this question please do not proceed with this consent form until you are fully aware of what your participation in the project will mean.) | | |  |  |
| I have been given the opportunity to ask questions about the project. | | |  |  |
| I agree to take part in the project. I understand that taking part in the project will include a personal interview with me and the researcher. | | |  |  |
| I agree that this interview is audio recorded (if No the researcher will keep manually notes) | | |  |  |
| I understand that my taking part is voluntary and that I can withdraw from the study two weeks after the interview; I do not have to give any reasons for why I no longer want to take part and there will be no adverse consequences if I choose to withdraw. In case that I wish to withdraw I can notify the researcher via email, using the email address listed on this form. | | |  |  |
| **How my information will be used during and after the project** | | |  |  |
| I understand my personal details such as name, phone number, address and email address etc. will not be revealed to people outside the project. | | |  |  |
| I understand and agree that my words may be quoted in publications, reports, web pages, and other research outputs. I understand that I will not be named in these outputs unless I specifically request this. | | |  |  |
| I understand and agree that other authorised researchers will have access to this data only if they agree to preserve the confidentiality of the information as requested in this form. | | |  |  |
| I understand and agree that other authorised researchers may use my data in publications, reports, web pages, and other research outputs, only if they agree to preserve the confidentiality of the information as requested in this form. | | |  |  |
| **So that the information you provide can be used legally by the researchers** | | |  |  |
| I agree to assign the copyright I hold in any materials generated as part of this project to The University of Sheffield. | | |  |  |
|  |  |  | | | |
|  |  |  | | | |



**Translated Invitation Letter** **Participant Information Sheet**

Dear (owner of the business),

We are conducting interviews as part of a research study to increase our understanding of how Greek SMEs adjusted their employment management strategies - and particularly their hiring, selection, reward and dismissal practices - in response to public labour policy changes that have occurred in Greece during the years of the economic crisis, following the new labour directives imposed by International Monetary Fund (IMF) and European Central Bank (ECB) and with respect to self-employment and full and part time contracts.

As a business owner of a Small Medium sized enterprise you are in an ideal position to give us valuable first-hand information from your own perspective. The interview takes around 60 minutes and your responses to the questions will be kept **strictly** confidential. Each interview will be assigned a number code to help ensure that personal identifiers are not revealed during the analysis and write up of findings. There is no compensation for participating in this study. However, your participation will be a valuable addition to our research and findings could lead to greater public understanding. You will receive a follow-up call on this email and If you are willing to participate please suggest a day and time that suits you and I'll do my best to be available. If you have any questions please do not hesitate to ask.

If you do not wish to be contacted via phone, please send a reply to this email notifying the researcher about it so that so that we do not inconvenience you with no reason.

Moreover, please see attached the participant information sheet for more information, and a consent form that needs to signed and returned to the researcher if you agree to participate in the study.

Thank you for your time! (interviewer)

Participant Information Sheet:

Study Title: Human Resource Management and Greek SMEs in a Context of Crisis

Invitation

As business owner of a Small or Medium sized business operating in Athens, and having experienced the economic crisis during the last years, you are being invited to take part in this research study.

Before you decide whether to take part, it is important for you to understand why the research is being done and what it will involve.

Please take time to read the following information carefully.

Please note: The researcher is a Doctoral Student at Sheffield University, UK.

What is the purpose of the study?

The purpose of the study is to explore the Human Resource Management (HRM) practices of SMEs when and if they are present, and identify how the employee management relations are affected in a period of crisis, given the labour policy reforms which are introduced due to the economic downturn, and how these practices may differ across different sectors. Specifically, the context to be studied is the one of the economic crisis which begun in 2008, with the aim of identifying its consequences on labour policy making and employee management practices. Greece has been chosen as the country of operation of SMEs for this study, given that it is still (in 2018) experiencing the most enduring economic crisis from the countries of the Eurozone

Why have I been invited to participate?

The business owners that have been selected to participate in this study are randomly selected from a database of all SMEs operating in Athens, having a life of at least three years of operation, representing the sectors of retail and trade, construction and tourism and employing no more than 50 employees.

Do I have to take part?

It is up to you to decide whether to take part. If you decide to take part, you will be given this information sheet to keep and be asked to sign a consent form. Even if you decide to take part, you are still free to withdraw at any time throughout the research, but the data can only be withdrawn up to the point of analysis

What will happen to me if I take part?

You will be invited to participate in one semi-structured interview of approximately 1 hour in length. With your consent, the interview will be audio recorded, and you will be given a copy of the transcript once it’s prepared. If you wish to withdraw a comment of yours, you may inform of your decision by recording it on tape and/or sending an e-mail to the researcher so that the comment be deleted and not included in the data collection.

Your anonymity will be preserved: no names, or quotes which signpost a participant’s identity, will be used in the final thesis.

What are the possible benefits of taking part?

The contribution of this study is to further explore and understand employee management practices and share experiences and strategies from SME owner-managers as these have been changed or adjusted in response to new regulations during the years of the economic crisis in Greece. The outcomes of the study might provide more implications on the effectiveness of the policy reforms which have been designed with the aim of protecting employment, and will also enlighten us on how business owners and employers have shaped and developed the employment relationship in that context, being one of the most valued relationships in their business.

Will what I say in this study be kept confidential?

All information collected about participants within this research (and people that they speak about during the interview) will be kept strictly confidential (subject to legal limitations). Confidentiality, privacy and anonymity will be ensured in the collection, storage and publication of research material.

Data will have to be transcribed and translated and this process might be completed by the researcher herself or an external party with the consent of the participant. If the participant does not wish that the data transcription and translation is completed by an external party, then these tasks will have to be completed by the researcher.

Coding will be used in data analysis to ensure that names are removed from this process. Any quotes used to illustrate themes will not contain names or information that could clearly pinpoint an individual.

Data will be password protected when in soft copy, and locked when in hard copy. Data generated by the study will be retained in accordance with the guidelines of Sheffield University on Academic Integrity. Therefore, data generated in the course of this research will be kept securely in electronic form for a period of ten years after the completion of a research project. Participants will have the option to withdraw from the study at any point of the research, but the data can only be withdrawn up to the point of analysis.

What should I do if I want to take part?

Please respond to me by email indicating that you are happy to be involved ([mgp12jk@sheffield.ac.uk](mailto:mgp12jk@sheffield.ac.uk)). You will then receive an email with a consent form, that you will have to print and sign and return the original signed copy to the researcher. I will then contact you to arrange a meeting time and place to conduct the semi-structured interview.

What will happen to the results of the research study?

Research from this study will form part of my PhD thesis and it will be submitted to Sheffield University. If requested, you can be provided with a summary of the findings, once they have been anonymised. You can also request an electronic copy from me if you wish to do so. Moreover, the findings of this study may be published and words may be quoted in publications, reports, web pages, and other research outputs. Participants will not be named in these outputs unless they specifically request this.

Who is organising and funding the research?

I am conducting this research as a student at Sheffield University, UK. This research is being mostly funded by Deree-The American College of Greece, as part of my development, and part funded by myself.

Who has reviewed the study?

Prior to approaching you to commence this research, the research has been approved by the University

Research Ethics Committee, Sheffield University.

**Appendix II: Interview Guide**

# Research Questions:

This study aims at identifying:

**How have SMEs adjusted their human resource (HR) practices, and particularly their hiring, selection, reward and dismissal practices - due to the economic crisis and how these practices have helped them acquire resilience?**

* + 1. What was the impact of the economic crisis on Greek SMEs’ employment and staff-retention practices?
    2. How did the crisis affect SMEs’ recruitment, selection, and reward practices?
    3. What effect did the crisis have on SMEs’ propensity to employ workers on an undeclared or disguised basis?

# Interview Guide

The purpose and focus of this study are to explore the way that Small and Medium sized businesses have operated during the years of the economic crisis in Greece. I am particularly interested in the way that these businesses handled human resource issues, both in terms of people management but also in response to changes in the regulation for labour relations. The regulations imposed on Greece may have affected labour relations and this is what I would like to discuss with you.

Following in our discussion I will focus on practices such as changes of the status of the workers from full time to part-time, or ways that you have used in order to control labour cost in your business.

Introductory Questions:

To start with, it would be helpful though if you could share some of your history and business background, as well as some information about the people working for you so that I can become more familiar.

So, for example:

1. How many years has this business been operating?
2. What are the main activities of the business?
3. At the moment, how many people are employed in the business?
   1. How many are male (approximately in number or as a percentage)?
   2. How many are female (approximately in number or as a percentage)?
   3. How many are working with a full-time contract at the business?
   4. How many are working as part-time (approximately in number or as a percentage)?
   5. How many have a permanent contract (approximately in number or as a percentage)?
   6. How many have a temporary contract (approximately in number or as a percentage)?
   7. As a business, during the years of the crisis (2008-2018) did you have to lay off people working as full time and hire new people as part time or temporary workers? If yes, how many people did you have to layoff and how many did you hire instead?
   8. Have you hired part time and temporary employees taking advantage of the law that provided businesses the ability to dismiss employees and the freedom to hire workers on temporary contracts (Law 4024/2011)? So, has this law, encouraged this decision?
   9. Which type of workers did you decide to layoff? (in terms of skills and wage levels?)
   10. Are you happy with the outcome of this decision? Please explain why or why not.
   11. How many independent contractors (such as self-employed) do you have working for you (approximately in number or as a percentage)?
   12. What is the average number of years that people work in your business?
4. You have been operating at least for the last 5 years and I would like to ask how has the economic crisis which occurred in years 2008-2018, if at all, affected your business, and in what aspect?

In example has your business been affected in terms of:

1. Profitability
2. Competition and market share
3. Who is responsible in your business for the hiring, the rewarding and the dismissal of employees?
4. With respect to employment practices, did you have to implement any changes during the years of the crisis?
5. Where these changes the outcome of the new policies enforced by the government?
6. When did these changes mainly took place (which year or which phase of the crisis)?
7. What was the focus and the main objective for these changes?
8. Since we are now so many years after the implementation of the new policies, would you say that these policy changes - as implemented – proved to be effective?
9. What is the impact of these changes on your business?
10. Can you identify any other impact on your business during the years of the economic crisis?
11. In your opinion, how was the sector overall been affected by the economic crisis during these years?
12. I assume that you must have noticed that the government has undertaken measures, during the years of the crisis, that affect labour costs and employment incentives.
    1. Which reforms of the government, during the crisis, with respect to employment are you familiar with?
    2. As the owner of the business, overall, do you believe that the new labour laws introduced are favourable to your business? If yes, in which ways?
    3. Overall, have these measures affected your relationship with your employees? How? Please explain.
13. As far as the wages of your employees are concerned, do you follow collective wage agreements at a sectoral or company level? Please explain why?
    1. Which are the factors that influence the wages and the salaries paid by the business and how does pay compare with the pay offered by other similar businesses?
    2. What was the impact in your business from the freezing of the sectoral level agreements in 2011?
    3. In 2018 the sectoral level agreements have been reinstated. Has this new policy which is back in force affected your business with respect to employment relations?
    4. Did the policy of the suspension of collective agreements give you the freedom and the flexibility to adjust the wages of your employees?
    5. What was the reaction of the employees in your business for this policy change?
    6. How has that affected the hiring practices in your business?
    7. Have the employees in your business formed an Association of persons (For the small and micro enterprises collective agreements could be signed by Association of Persons, which are associations that can be formed with a great ease and consist of the 3/5 of the workers in an enterprise)? If yes, what are the issues that they are concerned with and which changes have they recommended with respect to wages and social security?
14. How if at all are employees represented by trade unions?
    1. Do you have a trade union representative in your company and if yes what is his/her role?
    2. What is the relationship of management and the trade union?
    3. What are the issues discussed with the trade union representatives?
    4. Which employees in your business are more likely to “unionize”? (younger employees, full time?)

One of the changes also implemented was the decrease of the minimum wage in 2012 (specifically the wage was cut down to 586 euros and it has not increased until recently, that is in 2019 and 2020)

1. Did you cut down wages during the period of 2012-2018?
   1. If yes, which group of employees were affected by this reduction (younger, females, low skill, newly hired)
   2. What was the rationale of this wage adjustment (i.e. alignment with the new law, cut down the cost) and the impact on your business? (i.e. people, labour cost)
   3. Did you have to lay off people with higher salaries so that you could recruit employees with lower minimum wages? (given the high unemployment rate and the flexibility in dismissals under the new policies)
   4. How many people did you have to layoff overall and which types of employees (full time, part time, low-skilled, young or aged)?
   5. Has this new policy on the decrease on minimum wages affected your selection and hiring practices? If yes, how?
2. Another change by the government was the establishment in 2017 of a ‘Unified Social Security Fund’ (EFKA), which also affected the level of pensions.
3. How has the creation of EFKA impacted the way that you run your business in terms of labour management?
4. Have any people working as dependent self-employed approached you in order to register on the platform of EFKA and if yes why?
5. Has the new law of EFKA, affected the social security cost paid by your business for the employees working for you?
6. Did you have to lay off any people because of the increase in the social security cost paid by the employer?
7. Did you have to adjust the wages of the people in the establishment to accommodate for the increase in the cost of social security?
8. Did you have to change the status of employment of people in the establishment from full time to part time or even self-employed due to the increase in the social security contribution of the employer?
9. Has this cost affected the hiring of new people? Do you prefer to hire self-employed or temporary employees for your business?
10. How is the pension level of the employees in your company affected by the new law for EFKA? Was the pension cost lowered or increased for the employees in your business and for which type of employees?
11. Is there any other way that the new labour laws impacted your business with respect to employee compensation and social security?
12. **Overall**, would you say that the efforts of the government to protect employment have been successful or not and in what end?

1. Source of data: ELSTAT [↑](#footnote-ref-1)
2. https://www.worldbank.org/en/topic/smefinance#:~:text=SMEs%20account%20for%20the%20majority,than%2050%25%20of%20employment%20worldwide [↑](#footnote-ref-2)
3. Commission Recommendation of 6 May 2003 concerning the definitions of micro, small, and medium-sized enterprises (2003/361/EC), Official Journal of the European Union, L 124/36, 20 May 2003 [↑](#footnote-ref-3)
4. https://ec.europa.eu/eurostat/documents/15216629/16825859/KS-04-23-195-EN-N.pdf/3f72cb73-0ba3-bcfe-0a2f-7bbc03ea5361 [↑](#footnote-ref-4)
5. The retail, construction, and accommodation and food services sectors are the focus of this study. [↑](#footnote-ref-5)
6. https://www.statista.com/aboutus/ [↑](#footnote-ref-6)
7. Organisational illiberality is defined as the threat of the external environment due to competition, or hostility (Child, 1972). [↑](#footnote-ref-7)
8. https://single-market-economy.ec.europa.eu/smes/sme-definition\_en [↑](#footnote-ref-8)
9. According to the Association of Greek Tourism Enterprises (SETE), in 2022, the tourism sector contributed 18% of Greece’s national GDP and employed more than 900,000 people.

   Source : https://www.mfa.gr/usa/en/about-greece/tourism/for-sustainable-tourism-industry.html [↑](#footnote-ref-9)
10. The state where people were ready to give up their employment rights in the fear of being laid off is characterized as a stated of “flaxonomy” (Xiarchogiannopoulou and Aganidis, 2013). [↑](#footnote-ref-10)
11. https://www.macrotrends.net/global-metrics/countries/GRC/greece/gdp-growth-rate [↑](#footnote-ref-11)
12. https://www.europarl.europa.eu/topics/en/article/20190612STO54307/schengen-a-guide-to-the-european-border-free-zone [↑](#footnote-ref-12)
13. https://www.eib.org/en/press/all/2002-122-eur-500-mio-for-olympics-2004-related-infrastructure [↑](#footnote-ref-13)
14. https://www.macrotrends.net/global-metrics/countries/GRC/greece/gdp-growth-rate [↑](#footnote-ref-14)
15. The term “Troika” is used to refer to the European Commission (EC), the European Central Bank (ECB), and the International Monetary Fund (IMF) as a single body. [↑](#footnote-ref-15)
16. https://olympics.com/ioc/news/athens-infrastructure-boosted-by-olympic-games-2004 [↑](#footnote-ref-16)
17. https://www.bankofgreece.gr/enimerosi/grafeio-typoy/anazhthsh-enhmerwsewn/enhmerwseis?announcement=fc915812-ab24-47ab-9e60-a566653a1f42 [↑](#footnote-ref-17)
18. https://www.taxheaven.gr/law/%CE%A0.%CE%9D.%CE%A0.%2018.7.2015/2015 [↑](#footnote-ref-18)
19. Data is compiled from the EU’s “Small Business Act (SBA) for Europe” reports of 2009–2018. [↑](#footnote-ref-19)
20. https://single-market-economy.ec.europa.eu/smes/sme-definition\_en [↑](#footnote-ref-20)
21. https://www.kathimerini.gr/politics/764419/2009-i-elliniki-oikonomia-se-epitirisi/ [↑](#footnote-ref-21)
22. Government Gazette 286/12–2000 [↑](#footnote-ref-22)
23. According to the Greek labour legislation, the minimum wage is the lowest salary that an employee can be paid, and the minimum wage rate is the minimum rate for an hour’s work. [↑](#footnote-ref-23)
24. The Worker’s Housing Association (an association for social housing), also known as “OEK”, and the Worker’s Social Fund, also known as “OEE” (an association to support the trade unions) were supported by the social-security contributions of both employers and employees. [↑](#footnote-ref-24)
25. [https://ec.europa.eu/social/BlobServlet?docId=18723&langId=en](about:blank) [↑](#footnote-ref-25)
26. In the second quarter of 2013, employers were obliged to record electronically – through the newly launched ERGANI information system – the employment status of their employees and any changes in their statuses. For that reason, data for the period of 2008–2013 is not always represented in this study. [↑](#footnote-ref-26)
27. Data retrieved from [https://data.oecd.org/emp/self-employment-rate.htm#indicator-chart](about:blank#indicator-chart) [↑](#footnote-ref-27)
28. [https://www.e-nomothesia.gr/kat-ergasia-koinonike-asphalise/nomos-4387-2016-phek-85a-12-5-2016.html](about:blank) [↑](#footnote-ref-28)
29. [http://www.greeklawdigest.gr/topics/employment/item/312-social-security-in-greece](about:blank) [↑](#footnote-ref-29)
30. https://www.thetoc.gr/oikonomia/article/o-uperogkes-eisfores-eksafanisan-111212-mplokakides [↑](#footnote-ref-30)
31. [https://www.taxheaven.gr/law/4072/2012](about:blank); [https://tkcfinance.com/en/idiotiki-kefalaiouchiki-etaireia/](about:blank) [↑](#footnote-ref-31)
32. Law 3996/2011 [↑](#footnote-ref-32)
33. The Artemis project was initiated by SEPE in September 2013 to combat undeclared employment. [↑](#footnote-ref-33)
34. https://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:13101:0::NO::P13101\_COMMENT\_ID:3962772 [↑](#footnote-ref-34)
35. https://www.kepea.gr/aarticle.php?id=253 [↑](#footnote-ref-35)
36. Law 4024/2011, Government Gazette A226/27.10.2011 [↑](#footnote-ref-36)
37. “ELSTAT”, or the Hellenic Statistical Authority, is the national statistical service of Greece. It has provided no data since 2010. [↑](#footnote-ref-37)
38. At the time that this study was conducted, ICAP Greece was the leading business-information services provider, with the largest database for companies in Greece, Romania, Bulgaria, and Cyprus. [↑](#footnote-ref-38)
39. [https://www.who.int/europe/emergencies/situations/covid-19](about:blank) [↑](#footnote-ref-39)
40. [https://www.moneyreview.gr/society/19969/to-imerologio-tis-pandimias-stin-ellada/](about:blank) [↑](#footnote-ref-40)
41. https://esee.gr/en/ [↑](#footnote-ref-41)
42. https://insete.gr/?lang=en [↑](#footnote-ref-42)
43. https://acsmi.gr/ [↑](#footnote-ref-43)
44. https://web.tee.gr/ [↑](#footnote-ref-44)
45. https://www.hhf.gr/about-us/ [↑](#footnote-ref-45)
46. The workshops were administered by Dr Christina Silver, Global NVivo Certified Platinum Trainer. [↑](#footnote-ref-46)
47. https://www.sheffield.ac.uk/media/38148/download?attachment?attachment [↑](#footnote-ref-47)
48. https://gdpr-info.eu/ [↑](#footnote-ref-48)
49. https://worldpopulationreview.com/world-cities/athens-population [↑](#footnote-ref-49)
50. (Government Gazette 222, issue A, 12.11. 2012) [↑](#footnote-ref-50)
51. https://www.tovima.gr/2011/09/08/finance/ereyna-problepei-loyketa-se-53-000-emporikes-epixeiriseis/ [↑](#footnote-ref-51)
52. https://www.taxheaven.gr/news/29361/oi-mises-proslhpseis-to-2015-eginan-me-merikh-apasxolhsh-sxetika-me-tis-eyeliktes-morfes-ergasias [↑](#footnote-ref-52)
53. https://www.oecd-ilibrary.org/sites/f3180e03-en/index.html?itemId=/content/component/f3180e03-en [↑](#footnote-ref-53)
54. [https://www.oecd-ilibrary.org/sites/f3180e03-en/index.html?itemId=/content/component/f3180e03-en#section-d1e42370](about:blank#section-d1e42370) [↑](#footnote-ref-54)
55. Law 4093/2012 [↑](#footnote-ref-55)
56. ΠΟΛ.1083/25.5.2006 [↑](#footnote-ref-56)
57. https://www.taxheaven.gr/circulars/5632/pol-1083-25-5-2006 [↑](#footnote-ref-57)
58. Law 3919/2011 abolished the minimum fee for engineers and architects, thus allowing the charge for a transaction to fall to any agreed market value.

    https://www.e-nomothesia.gr/epaggelmata-tekhnes/n-3919-2011.html [↑](#footnote-ref-58)
59. Law 3144/2013 [↑](#footnote-ref-59)
60. Government Gazette Β΄ 440/24.02.2014 [↑](#footnote-ref-60)
61. Government Gazette Α’ 222/12-11-2012 [↑](#footnote-ref-61)
62. (Government Gazette 222, issue A, 12.11. 2012) [↑](#footnote-ref-62)
63. [https://www.hellenicparliament.gr/UserFiles/2f026f42-950c-4efc-b950-340c4fb76a24/k-apodi-eis.pdf](about:blank): the new law allowed collective dismissals of 6 employees in a month in enterprises which employed 20–150 people. [↑](#footnote-ref-63)
64. https://sete.gr/el/statistika-vivliothiki/statistika/ [↑](#footnote-ref-64)
65. https://www.taxheaven.gr/labordoc/148/content/746 [↑](#footnote-ref-65)
66. https://www.grhotels.gr/category/epicheirimatiki-enimerosi/ergasia-asfalisi-katartisi/syllogikes-symvaseis-ksenodochoypallilon/ [↑](#footnote-ref-66)
67. Law 4093/2012 [↑](#footnote-ref-67)
68. Classification of Levels is provided in Table 1 [↑](#footnote-ref-68)
69. Sectoral Agreement for the Retail Sector, ΠΚ 13/31.7.2012 [↑](#footnote-ref-69)
70. https://www.taxheaven.gr/labordoc/51/content/753 [↑](#footnote-ref-70)
71. https://www.kathimerini.gr/economy/business/911786/i-krisi-meiose-64-6-toys-apascholoymenoys-stis-kataskeyes/ [↑](#footnote-ref-71)
72. https://www.taxheaven.gr/labordoc/238/content/762 [↑](#footnote-ref-72)
73. https://www.stye.gr/3112D666.el.aspx [↑](#footnote-ref-73)
74. https://www.sate.gr/nea/2008%CE%A3%CE%A3%CE%95-%CE%A3%CE%A4%CE%A5%CE%95.pdf [↑](#footnote-ref-74)
75. https://www.sate.gr/nea/2008%CE%A3%CE%A3%CE%95-%CE%A3%CE%A4%CE%A5%CE%95.pdf [↑](#footnote-ref-75)
76. Below 25 years of age [↑](#footnote-ref-76)
77. https://www.sate.gr/nea/2008%CE%A3%CE%A3%CE%95-%CE%A3%CE%A4%CE%A5%CE%95.pdf [↑](#footnote-ref-77)
78. https://www.e-nomothesia.gr/kat-ergasia-koinonike-asphalise/nomos-4387-2016-phek-85a-12-5-2016.html [↑](#footnote-ref-78)
79. https://www.naftemporiki.gr/finance/1209547/ika-me-elleimma-1-dis-enanti-provlepsis-elleimmatos-2-dis-kleinei-to-2016/ [↑](#footnote-ref-79)
80. https://www.taxheaven.gr/news/45924/upd-rapisma-ste-kata-toy-nomoy-katroygkaloy-antisyntagmatikes-basikes-diataxeis-toy-oi-perilhpseis-kai-to-skeptiko-twn-apofasewn [↑](#footnote-ref-80)
81. https://www.taxheaven.gr/circulars/6994/tsmede [↑](#footnote-ref-81)
82. https://www.tovima.gr/2017/10/04/society/stin-olomeleia-toy-ste-o-nomos-katroygkaloy-gia-to-asfalistiko/ [↑](#footnote-ref-82)
83. https://www.sakkoulas-online.gr/news/andr-koutsolampros-mia-proti-kritiki-prosengisi-ton-apofaseon-tis-olste-gia-tin-antisyntagmatikotita-ton-diataxeon-tou-n-4387-2016-peri-efka/ [↑](#footnote-ref-83)
84. “Eurofound (2016a) uses three criteria to distinguish independent self-employed workers without employees (i.e. those working on an own account basis) from those who are economically dependent on an organisation: firstly, having more than one client; secondly, being able to hire employees if necessary; and, thirdly, being able to make the most important decisions about how to run the business. Eurofound (2016a, 2016b) regards workers as being in genuine independent self-employment if they meet all three criteria.” (Heyes, 2019) [↑](#footnote-ref-84)
85. https://www.taxheaven.gr/news/39069/adhlwth-ergasia-sto-1248-to-pososto-stoys-kladoys-ypshlhs-parabatikothtas-meta-apo-elegxoys-sepe-efka [↑](#footnote-ref-85)
86. https://www.e-forologia.gr/calendar/task.aspx?id=6820 [↑](#footnote-ref-86)
87. https://www.e-forologia.gr/lawbank/document.aspx?digest=F91101569F353800.1D031AEA53&version=2014/11/28 [↑](#footnote-ref-87)
88. https://www.myjobnow.com/tools/ypologismos-eisforon-kathara-meikta/ [↑](#footnote-ref-88)
89. https://www.sev.org.gr/Uploads/Documents/Special\_Report\_6\_11\_2017.pdf [↑](#footnote-ref-89)
90. Capital controls in Greece in 2015 were imposed by the government in response to a financial crisis. The controls were put in place to prevent a run on the banks and to stabilise the financial system, as the country was facing a shortage of liquidity. The measures aimed to prevent capital flight and protect the stability of the financial system. The European Central Bank provided financial assistance to the Greek banks, which helped to stabilise the financial system and prevent a complete collapse. The IMF was also involved in the negotiations over the terms of the bailout package, which included the imposition of capital controls as a condition for receiving financial assistance. The capital controls were seen as necessary to prevent further deterioration of the financial situation in Greece and to restore the stability of the country’s financial system. [↑](#footnote-ref-90)
91. https://www.den.gr/Post/189/782/el/Diadikasia-ekkatharisis-asfalistikon-eisforon-prosopon-pou-askoun-mi-misthoti-drastiriotita/ [↑](#footnote-ref-91)
92. [https://ecopress.gr/kataskeves-aktinografia15etias-kai-oi-nees-prooptikes/](about:blank) [↑](#footnote-ref-92)
93. [https://pedmede.gr/σε-καταστροφή-οδηγούνται-οι-μηχανικο/](about:blank) [↑](#footnote-ref-93)
94. Pension calculated based on the contributions during the years of employment. [↑](#footnote-ref-94)
95. The published financial statements of the company indicate that their 2015 sales were 2,374,332.02 euros, falling to 392,917.09 euros in 2016. [↑](#footnote-ref-95)
96. https://www.kathimerini.gr/politics/1045750/katedafistike-o-nomos-katroygkaloy/ [↑](#footnote-ref-96)
97. This is the official Greek governmental website where the COVID-19 restrictions and rules of contact were announced: [https://covid19.gov.gr/plirofories/](about:blank) [↑](#footnote-ref-97)