



*The evolving structure
of Collective Bargaining in Europe
1990-2004*

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National Report
Greece and Cyprus

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THE CASE OF G R E E C E

By Dr. Matina Yannakourou,

I. INTRODUCTION

A. Main features of the Greek system of labour relations. Legislation in Greece plays a crucial role in regulating labour relations and collective bargaining. The primary characteristic of the Greek system of labour relations is its *legal structure*, which arises from the interventionist role of the Greek State (Ioannou, 1999; Koukoules, 1998; Kravaritou, 1995). Its basic institutions, such as trade union freedom and democracy within the workplace, the structure and internal organisation of trade unions, collective bargaining and the right to strike, are areas regulated by statutory law.

In the Greek system, collective agreements have traditionally played a **secondary role** in regulating labour relations. This can be explained firstly by the fact that there is a tradition of intense intervention by the state in labour issues and this has resulted in making heteronomous legislation the chief vehicle of regulating labour relations. During politically uncertain periods, state regulations took the place of collective agreements. Secondly, until 1990, the structure of collective agreements was centralized and hierarchical and their provisions were exceptionally limited (only remuneration issues) compared to those of other European countries.

However, during the 1990s, the role of the social actors has been reinforced in the economic and social configuration (Lanza and Lavdas, 2000; Mavrogordatos, 1998), and this is reflected in a significant increase in the participation of the social partners (see below I.C.) in the policy process – making (Aranitou and Yannakourou, 2004). Representatives of the General Workers' Confederation of Greece (GSEE) participate in 140 Committees and Councils under the authority of various ministries (with dominant presence on the boards of the Ministry of Employment, the Ministry of Health and Social Solidarity, and the Ministry of National Education), in three District Councils, nine Committees of the Prefecture of Attica and Piraeus and on all the Monitoring Committees of the progress of the Third Community Support Framework.

In the meantime, the representatives of the three employers' organizations participate in more than sixty permanent national-level structures and in many more on a local level. They also take part in deliberation committees on specific issues, such as the social security and the taxation issues. The most indicative of such participations is on the Board of Directors of the Social Security Foundation (IKA), the National Consumer Council, the National Export Council and the Organizations of Workforce Employment (OAED), in which the administration is tripartite and equally distributed, the two social partners designating their own delegate as representative. They also participate in the National Commission on Competitiveness and the Competition Committee, the Capital Market Commission, the Monitoring Committees of the Third Community Support Framework for Greece, the Boards of Directors of the Workers' Welfare Organization, the Worker's Housing Organization, etc.

B. Political System. The era of Modern Greece began with the National Revolution of 1821 against the Turks, which led to the creation of the Liberal Greek State in 1832. Civil war (1946-1949) and political crisis characterised the post war years, which were marked by the imposition of a seven year dictatorship in 1967. The restoration of the democracy in July 1974 was a major turning point in modern political history of the country. Since 1975 Greece is a parliamentary democracy. General Elections are normally held every four years for the 300 seats of the Parliament. The most recent elections were on 7 March 2004. The parties represented in the Parliament after these elections are the New Democracy, the Pan-Hellenic Socialist Movement (PASOK), the Communist Party and the Coalition of the Left (Synaspismos). The ruling party under Prime Minister Constantinos Karamanlis is New Democracy, which is a liberal conservative party. It succeeded in power the Pan-Hellenic Socialist Movement, which remained in government for ten consecutive years (1993-2003), under the leaderships of Prime Ministers Andreas Papandreou (1993-1996) and Constantinos Simitis (1996-2003).

C. Social partners (*Lixouriotis, 1992*). Social partners in Greece are the most representative top level organisations of employers and workers who are signatories of the National General Collective Labour Agreements (EGSSEs) and are the following:

On the part of the workers (Ioannou, 1999; Koukoules, 1983;1984;1998) : The General Workers' Confederation of Greece (GSEE) which was founded in 1918 and is the only tertiary level trade union. GSEE is a confederation of secondary level trade union organisations; i.e. 116 inter-sector or inter-professional Federations and 82 Labour Centres which are regionally based and normally follow the division of the country in Prefectures.. The trade union movement, with approximately 4,500 primary level unions, reflects severe organisational fragmentation. Each primary level union can be member of one Federation and one Labour Centre. The primary level unions are traditionally organised based on occupation. Organisation based on an industry sector is an exception and enterprise-level unionism is a recent phenomenon which has just started developing. Law 1876/1990 attempted indirectly to intervene in these obsolete post war structures by bolstering the sectoral and enterprise-level bargaining as opposed to occupational-level bargaining.

G.S.E.E. represents wage workers in private law employment relationships who are employed either in the private or in the public sector and have a union density of 23-25% . In contrast, workers with a public law employment relationship (public servants) are represented at the highest level by the Confederation of Public Servants (ADEDY) which has 60 Federations, approximately 1,300 primary level unions and 230,000 members. ADEDY was founded in 1947 and is also a three-level organization with primary –level trade unions of civil servants forming secondary-level Federations, which are members of the tertiary-level Confederation. Public servant union density is approximately 60%. These days, there is discussion¹ on merging the two high-level Confederations.

Every Greek party, through its trade union front organisation, is represented in one way or another within all levels of the trade union structure. The major party trade union front organisations are: The Panhellenic Militant Labour Union Movement (PA. S. K. E.) which is associated with PA. SO. K.; the Democratic Independent Labour Movement (D. A. K. E.) which is associated with New Democracy; the Democratic Militant Cooperation (DAS) which is associated with the Communist Party; the Autonomous Intervention which is associated with the other left party Synaspismos

¹ Decisions of the extraordinary organising Congress of G.S.E.E., 23-24/11/02.

(Alliance of Progressive and Left Forces); and the Independent Trade Union Movement of Workers (ASKE), which seceded from DAKE. This fragmentation of the Trade Union structure along party lines contributes to the pluralistic orientation strategy and programs of Greek trade unionism (Ioannou, 1999).

Greek trade unions never managed to release themselves from state dependency (Koukoules, 1984). This is also reflected in the so called financial independence of the union organisations, which has become a matter of controversy. Since the time of Metaxas dictatorship (1936-1940), a compulsory system of paying dues and contributions by workers for the benefit of GSEE had been put into effect. For a number of decades both GSEE and the secondary level labour organisations were funded by means of this compulsory contribution system, by means of employers' and workers' social security contributions on behalf of the Workers' Welfare Organism ("Ergatiki Estia" – OEE). A 1990 law abolished the union funding through "Ergatiki Estia", but this resulted in a collapse of trade unions' operation. GSEE requested a return to previous system and achieved also the tripartite administration of the "Ergatiki Estia". Today the mechanism of the "Ergatiki Estia" remains the principal source of trade union funding, along with EU subsidies.

On the part of employers (Moudopoulos, 1994; Aranitou and Yannakourou, 2004): The Federation of Greek Industries (SEV), which was founded in 1907, remains the chief representative employers' organisation in manufacturing, the service industry and in the new economy. Apart from the EGSSE, it also negotiates and signs approximately 80 sectoral collective agreements a year. The General Confederation of Greek Small Businesses and Trades (GSEVEE) was founded in 1919 and represents a whole range of craftsmen, small business owners and merchants with 60 regional and sectoral federations and 1000 primary level union members. Finally, the National Confederation of Hellenic Trade (ESEE), which was established in 1994 as heir to the defunct Union of Commercial Associations of Greece, represents merchants with 12 Federations and 132 primary level union members.

D. Constitutional and Legal Framework. Greece is a country with a long constitutional tradition, which is marked by the existence of a written constitution. The present constitution was enacted in June 1975, after the fall of the dictatorship of 1967

and the re-establishment of democratic government in the country. The origins of the current constitution are traced back to 1864. The 1975 Constitution, democratised labour relations, extended and enlarged the already existing list of fundamental rights, under the heading “individual and social rights”. We may note especially the safeguarding of human dignity (article 2, paragraph 1), the free development of the individual (article 5, paragraph 1), the right to work (article 22, paragraph 1), the right to equal pay for work of equal value (article 22, paragraph 1b), the recognition of collective autonomy (article 22, paragraph 2), the right to social security (article 22, paragraph 5), the right to associate (article 12), the protection of trade union freedom (article 23, paragraph 1), the right to strike (article 23, paragraph 2).

The **right to collective bargaining** is guaranteed by Art. 22(2) of the Greek Constitution of 1975. This paragraph mentions that “*General working conditions shall be determined by law, supplemented by collective labour agreements contracted through free negotiations and, in case of failure of such, by rules stipulated by arbitration*”.

It should be noted that 1990 marked a turning point in the evolution of the institutions of labour relations in Greece, and ushered in a new era in the area of collective bargaining. In particular, with the passage of Law 1876/1990 regarding “Free collective bargaining and other provisions”, an attempt was made for the first time to develop free collective bargaining. It should be noted that Law 1876/1990 revises former Law 3239/1955 “On the means of settling collective labour disputes etc.”, the contents of which came under criticism for a number of years regarding their adverse impact on the trade union movement (Kouzis, 1992).

Law 1876 was passed during the all-party government of Prime Minister Xenophon Zolotas (November 89 – April 1990), by unanimous agreement of all political parties, as well as the representatives of the social partners, which are the General Confederation of Greek Labour (GSEE) and the three employer organisations (SEV, ESEE and GSEVEE) .

The legislative framework of the change was supplemented in 1996 by the ratification of ILO Convention 154 “Concerning the Promotion of Collective

Bargaining”², and later in 1999 by the passage of Law 2738/1999 regarding “Collective bargaining in public administration, permanent status for workers employed under open-ended contracts and other provisions”.

Law 2738/1999³ belatedly established the institution of collective bargaining in public administration. Until then, ILO Conventions 150 and 151, which provided for this possibility, and which were ratified by the Greek Parliament only in 1996, were not implemented. Law 2738 ensured the right and obligation to negotiate and to define the terms and conditions of work for public servants. Two levels of bargaining were instituted; one central and one decentralized, at the level of Ministries, Prefectures, public entities of public law, independent public services, as well as a third level of simple dialogue in the workplace. Referred to each level are the issues that were not the subject of bargaining at a higher level.

Finally, provisions for mediation if bargaining fails were created. In that case a relevant body is set up. Issues that may be the subject of collective agreements are defined in the law as changes in the terms of employment, training, measures for health and safety at work, national insurance-except for pensions-, the exercising of one’s trade union rights, leaves, work hours and interpretation of the terms of collective agreements. Because of constitutional restrictions, matters such as salaries, pensions, methods of employment etc. cannot be included in collective agreements but can be resolved as part of an informal agreement.

E. Social Dialogue Bodies and Practices

The introduction of institutions of social dialogue and their establishment in the consciousness of the various parties involved (state, employers and workers) has been considerably delayed in Greece compared to other countries in the EU (Aranitou and Yannakourou, 2004) . This delay is due to the fact that there is no tradition of social dialogue - its philosophy, techniques and procedures - and to that fact that the state’s autocratic behaviour created a prevailing climate of suspicion and conflict.

² International ILO Convention no 98 of 1949 had already been ratified by legislative decree 4505/1961.

³ Law 2738/1999 “Collective Bargaining in public administration and other provisions”, Government Gazette 180A/9-9-99

The effort to promote social dialogue in Greece began after the fall of the junta (1975) and has had three notable developments (Yannakourou, 2004).

Firstly, the social partners' steady quest for autonomy and the establishment of a climate of trust in their relations, together with an attempt to extricate themselves from the oversight of the state in collective bargaining.

Secondly, the partial abolition of traditional political perceptions regarding the state's exclusive right to create and implement social and economic policy. The state's retreat from this position could be ascribed mainly to the implementation of institutional changes brought about by membership in the EU.

Thirdly, the development of consensual institutions which aim to seek commonly acceptable solutions and the creation of a modern institutional framework within which they can function in the 90s. This development was a result of Greece's preparation for admittance into the EMU, that necessitated the incorporation of Community *acquis*, which includes social dialogue.

During the reporting period were established by Law permanent bodies of social dialogue, that is the **Economic and Social Council (OKE)**, the **National Committee on Dialogue for Employment** and the **National Committee on Dialogue for Social Protection** (OKE, 2003).

The **Economic and Social Council (OKE)**, was established in 1994 (Law 2232/1994) as an advisory committee and as a central forum for social dialogue with the most representative social actors in Greece (18 tertiary level organisations) on matters of social and economic policy. OKE is one of the few Greek organisms that remain exclusively managed by the social partners.

The two National Committees were also established by Law 3144/2003 and began to operate immediately on the initiative of the former Minister of Labour who chairs them. The task of the National Committee on Dialogue for Employment is to promote social dialogue in forming policies to increase employment and deal with unemployment, advising on, monitoring, and evaluating the National Action Plan for Employment and involvement in *labour policy and labour law*.

The National Committee on Dialogue for Social Protection deals with fighting poverty and social exclusion, developing a network for social protection and social integration, and it will also have an advisory role in forming, monitoring and evaluating the National Action Plan for Social Inclusion.

Apart from these permanent bodies, in **1997** the government introduced what was for Greece **an original method of dialogue**; *the tripartite social concertation among the state, employers and workers*, in order to ensure mid-term consensus so that political and legislative reforms could be adopted that would allow Greece to meet the EMU criteria. These discussions, which were informal yet structured, were not three-way negotiations as none of the parties wanted convergence of positions through mutual compromises.

In November 1997, following six-month discussions, the agreement known as the “Confidence Pact Between the Government and Social Partners Towards 2000” was signed (Robolis and Kouzis, 2000). The Agreement was signed by ADEDY and GSEE (with a marginal majority) for the trade unions and by SEV and ESEE for the employers. GSEVEE did not sign.

The impact of this Pact was not of real importance. This experience was not evaluated positively and thus was abandoned.

II. ANALYSIS OF THE GREEK SYSTEM OF COLLECTIVE BARGAINING

A. ACTORS INVOLVED IN COLLECTIVE BARGAINING

On the part of employees **only trade unions** are entitled to the right to conclude collective agreements. The capacity to conclude valid collective agreements is not attributed to all trade unions but only to those which are **the foremost representative** (according to article 6 of Law 1876/1990). The number of members of a trade union, who voted in the last elections in view of designating the board of administrators, figures as the **absolute legal criterion** of measuring representativity. Disputes on representativity are brought before the Special Committee of Art. 15 of Act 1264/1982.

According to law only **one trade union may be recognised as the most representative** for each branch, occupation and enterprise in the effect to conclude a collective agreement. The other trade unions do not have this capacity but are only entitled to intervene during the collective bargaining. A trade union, which has the capacity to sign a collective agreement, may do this only within the scope of its activity (branch, occupation, company), as determined by its statutes.

On the part of the employers, the capacity to sign a valid collective agreement is recognised both to an employer association, which has legal personality and is representative, and/or to each single employer who occupies at least 50 employees.

The National General Collective Agreement (EGSSE), which affects all wage earners in Greece, can only be signed by the most representative top level organisations of employers {SEV, ESEE, GSEVEE) and workers (GSEE), who are considered to be the social partners at national level (see above I.C.).

On the part of the employers the competence to sign industry wide collective agreements (branch or sectoral) is recognised to those organisations which represent similar or kindred enterprises. As regards to the banks, where there is no employer organisation responding to this criterion, the sectoral collective agreement is signed by single employers who represent at least 70% of the employees in the branch. The competence to sign occupation based collective agreements is recognised to employers' organisations, which represent several enterprises of various branches of the economy.

B. LEVELS OF COLLECTIVE BARGAINING

Four levels (categories) of collective agreements are provided for by statutory law (1876/1990) and signed in practice:

a. **National general** collective agreements (EGSSEs) which fix minimum wages and minimum working conditions in effect for **all dependent salary workers throughout the country**, regardless of whether they are members of a trade union. This minimum level of protection (safety net) set by the EGSSEs covers also workers under private law labour relationship in the public sector, legal entities of public law and local

government organisations, but not civil servants. The EGSSE is signed by the so-called “social partners”, i.e. GSEE, SEV, GSEVEE and ESEE (*see above*).

b. **Industry wide Collective Agreements** which cover workers in similar industries (e.g. metals industry, commerce, food and beverages etc.) in a particular city, region or in the whole country. These agreements are only binding to workers and employers who are **members** of the signatory organisations.

c. **Enterprise level** collective agreements, which regulate the terms of employment of **all the staff** of a company. Only employers with a staff of not under fifty (50) persons have the obligation by law to enter into bargaining of such agreements.

d. **Occupation based** collective agreements covering a certain profession either in the whole country (e.g. the accountants of the whole country), in which case they are national, or in a particular city or region (e.g. accountants in Thessaloniki), in which case they are local. They are binding only to those workers and employers who are **members** of the relevant signatory organisations.

Relationship among the collective agreements. The hierarchical relationship among the various collective agreements was abolished by law 1876. However, industry wide, occupation based and enterprise level collective agreements are *not* permitted to create terms of employment and remuneration which are more detrimental than those for workers under the national general collective agreement (EGSSE). When more than one collective agreement is applicable, workers are subject to the one with the most beneficial provisions, with one exception; in the case that either an enterprise level or an industry wide agreement and an occupation based agreement both apply, the former shall apply even if its terms are not as beneficial for the workers.

C. LEGAL NATURE (SCOPE – EXTENSION - PLACE AMONG DIFFERENT SOURCES OF LABOUR LAW)

a. **Definition.** By combining art 680 para 1 of the Civil Code and Act 1876/1990, a collective agreement is a written contract between representative organisations of workers and employers (and/or a separate employer), which regulates working

conditions for the members of these organisations by defining the terms, the conditions and the remuneration.

The written format is necessary for the validity of collective agreements in Greece.

There is a both right and obligation to bargain “in good faith” , i.e. to bargain with the intention to resolve the collective labour dispute which is at stake (art 4 para 3 of Law 1876/1990). An obligation was imposed on the employers’ side to provide the employees with “full and accurate information” so that bargaining would be substantial (art. 4 para. 4).

b. Legal Nature. Collective Agreements in Greece have *binding effect* for workers. Collective agreements in Greece act both as contracts and as laws. This means that some of their terms bind only the signatory parties (duration, way of termination etc), while others, fixing remuneration and work conditions, are legal –directly and compulsorily- binding for blue and white collar workers.

Directly binding means that the regulatory terms are automatically in effect in the individual work relationships which must conform to the terms of the collective agreement whatever the terms of the individual contract. **Compulsorily** binding means that any contradicting agreement is void. Article 7, paragraph 2 of Law 1876/90 does have an exception whereby the terms of an individual contract of employment can deviate from the regulatory terms of collective agreements if they provide greater protection for workers (favourability principle).

Although the rule is that collective agreements have a direct normative effect, **it is noteworthy that most of the provisions of the National General Collective Labour Agreements (EGSSEs) are ratified by law and acquire force of law.** Social partners consider (OKE, 2002) the ratification of the provisions of the EGSSEs as an issue of paramount importance, because the EGSSE has become a factor of stability in difficult economic circumstances and because it ensures smooth industrial relations and industrial peace. Precisely due to the increased importance of the EGSSE, social partners claim (OKE, 2002) that the government must commit itself - on the model of the political commitment of the European Commission to the legal ratification of European-level

collective agreements through EU Directives - to introducing all the EGSSE provisions that do not put a burden on the state budget into legislation without changing their content. It is also stated that at present the provisions of the EGSSE are ratified belatedly and selectively.

In the view of the social partners (OKE, 2003), this ratification serves practical reasons, and mainly the need to disseminate the content of EGSSE to employers and employees so that they get to know better their rights and obligations and the current legislation in force. However, it is an oxymoron to ask for heteronomous legislation to intervene into collective autonomy of the social partners.

c. Scope – Extension. As already reported, provisions of national general collective agreements are binding for all dependent salary workers throughout the country, including workers in a dependent labour relationship in the public sector, legal persons under public law and the local administration organisations.

Company collective agreements have an erga omnes effect towards all those working in the company (company staff). Industry wide and occupation based collective agreements are binding only to those workers and employees who are affiliated to the signatory organisations of either side. If they are declared obligatory (see Extension) they bind all workers and employers of the branch or profession.

Arbitration awards issued by an independent arbitrator, member of the Mediators and Arbitrators Corps working under the responsibility of the Mediation and Arbitration Service (OMED) are fully equivalent to labour collective agreements, both in terms of their binding effect and of their results.

Law 1876/1990 regarding “Free collective bargaining and other provisions” regulates, among other things, the question of procedures for accession to and extension of the scope of collective labour agreements.

With regard to the question of **accession/adoption** (“proshorissi”), which was introduced for the first time by Law 1876/1990, Article 11 of this law states that the trade union organisations and employers that are not bound by a collective labour agreement may jointly accede to a collective labour agreement referring to their

category. In addition, a workers' trade union organisation can accede to a collective labour agreement that is already binding on the employer. Accession is effected by private document, which is notified to the parties concluding the collective labour agreement, lodged with the local offices of the Ministry of Labour and recorded in the special book of collective labour agreements. An employer or a trade union organisation in another enterprise cannot accede to an enterprise-level collective labour agreement.

The scope of a collective agreement is usually **extended** on the initiative of the Ministry of Labour. Thus, by decision of the Minister of Labour, which is issued following an opinion from the Supreme Labour Council, the Minister of Labour may extend and declare generally mandatory for all employees in a sector or occupation a collective labour agreement which is already binding on employers employing 51% of the employees in the sector or occupation (potential extension).

Specifically, the extension of an occupation-based collective labour agreement is binding on all employees of that occupation, regardless of the type of enterprise or operation. It should also be noted, however, that sectoral or occupation-based collective labour agreements prevail in the event of concurrency⁴ with an occupation-based collective labour agreement. A competent employees' or employers' collective organisation may also request an extension by applying to the Minister of Labour. The extension shall be effective beginning on the date the Minister's decision was issued, and in the case of application beginning on the date such application was submitted.

For people employed in agriculture, animal production and related jobs and for domestic workers, the aforementioned provisions regarding the adoption and extension of collective labour agreements shall apply to agreements concluded in these sectors respectively.

It should be noted that *extension of collective agreements and arbitration awards is a rather common procedure in Greece. In such a case, the terms of the collective agreement are extended as is.*

⁴ Concurrency: If the employment relationship is regulated by more than one current collective labour agreement, the one most favourable for the employee shall apply, whereas in the event of concurrency with an occupation-based collective labour agreement, the sectoral or enterprise-level collective labour agreement shall always prevail over the others (Law 1876/1990, Article 10).

d. Coverage. There are no official data on the total number or percentage of workers covered by collective agreements . Neither are data on the coverage in various sectors of economy and/or professions, in small and medium size enterprises, in public and private sector etc. Unionists estimate that about 85% of the total workforce is covered by collective agreements or arbitration decisions, whilst the remaining 15% are covered only by national general collective agreement, i.e. are entitled to only the minimum wages provided thereby (Kouzis, 2002).

e. Place of a collective agreement among sources of law. There is a hierarchical order for the sources of the obligations arising out of the employment relationship. On a hierarchical scale, the Constitution is first in rank, followed by international regulations, conventions and treaties (article 28, paragraph 1 of the Constitution) and EU law (article 28, paragraph 2 of the Constitution) and then by ordinary labour law. Within the framework of these sources, may intervene the autonomous legislation of the collective agreements and arbitration awards and the company internal rules. An individual's contract of employment should respect all the aforementioned sources and is followed in hierarchy by customary practice within a company. Finally, the employer's managerial rights cover gaps left by the other sources. If there is conflict amongst these sources, on the basis of the favourability principle, a regulation, which is hierarchically lower overrides a higher one if it provides more favourable treatment for the worker.

D. CONTENT

Despite the full freedom, which the new law (1876/1990) accords, **the terms of collective agreements in Greece continue to be poor compared to other EU countries** (OKE, 2002; Yannakourou, 2004). They deal mainly with remuneration issues (basic salaries and various allowances). The social partners appear to be reluctant- even at the national level -to include current issues such as flexicurity, new work organisation and career breaks into the bargaining agenda. The issue of managing company restructuring, both as regards to the aspect of transfer of undertakings as well as to that of collective dismissals, and mainly its social consequences in labour relations, is completely foreign to the agenda of collective bargaining at any level.

Other issues, such as protection against racism, vocational training and life-long learning are only posited in EGSEEs as intentions on which initiatives should be taken.

With the exception of part time work, some aspects of which were regulated by EGSSSEs, other new forms of employment such as temporary agency work, or even widespread fixed term contracts have never been subject to any collective agreement at any level.

The national general collective agreements (EGSSEs), which are intersectoral and which usually have a duration of two years, have proved to be more innovative than the other categories of collective agreements.

Firstly, it is worth noting that Apart from their traditional function of ensuring the minimum acceptable conditions of work for workers on a national level (chiefly the establishment of a guaranteed minimum wage), collective agreements have also developed new functions. Thus, since 1993, collective agreements also focused on matters of employment, training and social policy which interest not only the workers but also the unemployed, while at the same time they began to target special categories of workers and or unemployed. A characteristic example of the new direction that collective agreements have taken is the foundation of an Independent Fund for Employment and Professional Training which is managed and funded exclusively by the social partners (the so called “LAEK”).

Secondly, a large part of the provisions of collective agreements are those that deal with the reconciliation of family and working life. The provisions have to do mainly with the establishment and/or increase in duration of various special leaves (e.g. maternity leave, marriage leave, breastfeeding and care giving, care of adopted children, care of dependants, participating in exams, etc.). They also have to do with matters of health and safety such as, for example, the establishment of the Greek Institute for Health and Safety at Work (ELINYAE), which is run by the social partners.

The issue of leaves for family reasons arose for the first time on the agenda of collective bargaining in 1993 and significant measures were adopted in the 1993 national general agreement (EGSSE) (Petroglou, 2000). Since then the subject was relegated to a drawer. With the exception of certain sectoral collective agreements where strong trade

unions have put in the agenda and managed to pass various provisions improving the minimum standards set by national collective agreements and of the Greek legislation in reconciliation issues, for many years (since 1993), there has been no noteworthy discussion or improvement of such issues at national collective bargaining level. It was in the framework of bargaining for the conclusion of the 2000-2001 national general collective agreement that various reconciliation issues were raised again by the trade unions. As a result, maternity leave was raised to 17 weeks, the right to reduced working hours was extended to adoptive parents of children under 6 years, the father's leave in case of the birth of a child was raised to 2 days with full payment and the unpaid leave for illness of dependent family members was raised to 12 working days per year in case of working parents of more than three children. New provisions were added by the 2004-2005 national general collective agreement.

Thirdly, collective agreements indicate the will to examine issues such as gender equality, drug abuse, alcoholism, environmental issues, productivity, racism and xenophobia. Furthermore, they touch upon the matter of equal treatment of economically dependent workers and the self-employed, but only in form of declaration of intentions.

In Greece, sectoral and occupation based collective agreements simply reiterate the regulatory terms of EGSSEs without any significant innovations. Enterprise level collective agreements deal with a broader spectrum of issues, particularly by linking remuneration with productivity, individual or collective performance, company profits, or special perquisites for workers (staff private insurance etc.).

III. CONCLUSIONS

1. As it has already been said, a collective agreement is a written agreement under private law, concluded between one representative trade union and one or more employers' organisations or a single employer in order to regulate working terms and conditions in a dependent employment relationship (Levendis, 1996). In the Greek system collective agreements are **directly and compulsorily binding** on all employees

and employers who are members of the contracting organisations, with two exceptions towards a wider scope of application: the national general and the company collective agreements. *Collective agreements have the validity of a law and constitute a source of labour law.* Apart from trade unions, no other actors are involved by law or in an atypical way in the conclusion of a collective agreement.

Other kind of agreements between an employer and either a works' council or a trade union, are provided by special laws ⁵, i.e. in case of a transfer of an undertaking or a procedure of collective dismissal, but are not qualified as collective agreements in the sense of the law. The legal nature of such agreements is a matter of controversy in Greek literature (Lixouriotis, 1998).

2. Law 1876/1990 marked a turning point and created the legal conditions for the development and expansion of collective bargaining in Greece (Koukiadis, 1999; Levendis, 1996; 2004; OKE, 2002):

- The new law brought a change in the perception of the role of collective bargaining. Whereas under Law 3239/55 collective bargaining was simply a means of settling collective disputes, under Law 1876/1990, the notion of collective dispute is downgraded, because the submission of demands by trade union organisations does not create disputes, but rather introduces the obligation to negotiate. In this way, collective bargaining turned from a process for resolving collective disputes, as foreseen by Law 3239, in a process for regulating financial interests and preventing disputes.

- A decentralized bargaining system was created, that at the same time, had the form of successive negotiations, instead of the centralised and hierarchically structured system of collective bargaining established by Law 3239/1955. This means that bargaining is free at any level. In this way free bargaining took on a rather more meaningful content at all levels and the notion of collective autonomy was restored. For the first time *two new levels of bargaining were legally recognised*: the sectoral and the enterprise levels, that were given

⁵ Law 1767/1988, L. 1387/1983 as modified, Presidential decree 178/2002, Government Gazette 162A/12-7-2002.

priority above the occupation-based collective agreements which had dominated until that time.

Law does not attribute a strictly defined content to the term “sector”. This is correct, since the concept of sector is defined on the one hand by economic rather than strictly legal terms, and on the other by the operation of collective autonomy of the parties to the agreement⁶. The practice shows that what is called a sectoral agreement (e.g. commerce, food and beverages) is not always a single agreement, but more than one occupational-level agreement that makes up only part of the picture of a broader sector. This phenomenon has its roots in the traditional guild-like view of representing the interests of workers by trade unions.

In addition, it must be noted that existing law does not recognise a group of companies as a potential bargaining level.

- The field of collective agreements was broadened. Under the 1955 Law only remuneration issues could be subject to collective bargaining. After 1990, any issue regarding the terms and conditions of work (except for pensions issues), exercising one’s right to belong to a trade union within the workplace, and the business policy can become subject to bargaining. Theoretically at least, this law allowed a wide range of issues to be introduced in collective bargaining.

- The personal scope of the Law was widened so that it includes all workers in agriculture, farming, domestic workers and all those who have an independent relationship contract, while in reality work in conditions of complete dependence (economically dependent workers) and, therefore, need protection like other workers (for example domestic workers, who are mostly women). It is highlighted that Law 1876/1990 does not cover maritime workers, workers to the level of groups of companies, sectors of economic activity in which salaries are determined by individualised remuneration systems.

- Arbitration tribunals and compulsory arbitration as the only method of resolving collective labour disputes were abolished. To replace this, a system

⁶ It should be noted that sectoral collective agreements with the same content existed before the introduction of the legal category of sectoral collective labour agreement.

of mediation/arbitration with voluntary, as well as mildly mandatory elements, was introduced. In essence, this system is an extension of collective bargaining, since it comes into operation after free bargaining fails (Yannakourou and Koukoules, 2003). A central position in the management of the new system is now held by the Organisation for Mediation and Arbitration (O.ME.D.), in whose administration the social partners participate, and the Special Mediators and Arbitrators Corps, from which the mediators and arbitrators are selected. During 1992-2002 (see ANNEX), only 21.4% of all collective labour agreements signed nation-wide were concluded through the mediation-arbitration services provided by OMED. This confirms that the parties to those agreements have as a rule the ability to reach an agreement without the necessity of mediation of third parties.⁷ However fewer collective agreements and more arbitration decisions were registered in 2003 than in previous years (See ANNEX)

3. New legislative framework brought about a liberalisation in collective bargaining. A variety of types of collective labour agreements came into being and a tendency towards decentralisation of collective bargaining was manifest. According to the Bank of Greece (2003:174)), the significant decree of *decentralisation of collective bargaining* can be deducted from the steady increase in the number of company-level agreements signed over the last few years⁸. Enterprise collective agreements have consistently outnumbered the occupation-based agreements, which have gradually become marginal. At the same time the number of collective agreements at sectoral level declined significantly from 2001 to 2003⁹.

4. Although the content of collective bargaining in Greece remains limited compared to other EU countries, there is an emerging tendency at national level (EGSSE) to deal with more qualitative issues (i.e. expansion of leaves, health and safety at work, active ageing, working time, protection of environment, harassment and sexual harassment, etc), although some of them are posited as declaration of intentions. It is also noteworthy that in the 2004-2005 national general collective agreement the parties

⁷ OMED's Report Activity 1992-2001, Athens, January 2002.

⁸ In 2000, 122 such agreements were signed; in 2001, 146; and in 2003, 175, which is more than half the total number of Agreements.

⁹ Euro-on-line, 2003 Annual Review for Greece, <http://www.eiro.eurofound.ie/2004/01/feature/gr0401102f.html>.

agreed to forward the codification, in view of simplification, of the provisions of all national general collective agreements since 1975.

More generally, the institution and mechanism of collective bargaining, completed by the mechanism of mediation – arbitration, functions very positively and its importance has increased during the 90's. It somehow led the state regulation to a partial decline.

We cannot claim the same statement as regards to the application of law 2738/1999 concerning the introduction of collective bargaining to public administration. The deficiency in bargaining culture observed till now has impeded the appropriate functioning of the new mechanism established by law.

5. National general collective agreements (EGSSEs) are considered to play a crucial role in regulating labour relations: they ensure the setting and annual readjustment of minimum wages and salaries (guaranteed wages) for the country's unskilled labour force.¹⁰

Social partners (OKE, 2002) view the EGSSEs as a factor of stability and perspective in difficult economic circumstances dominated by a climate of uncertainty and anxiety. They ascertained the need to extend the pioneering outcomes of the national level of collective bargaining to the other levels. They also find useful (OKE, 2002) to examine other margins for improving the agreements at this level, particularly in the direction of adopting European agreements with the consent of both sides, as well as in the direction of the processes of **implementation, monitoring** and **evaluation** of the agreements and obligations resulting from the collective labour agreements, which should be the responsibility of the social partners. This could resolve the systematic violation of collective labour agreements provisions in certain sectors of the economy (i.e. financial sector, commerce, tourism and hotel industry) and in a large part of small and medium enterprises, which is a frequent phenomenon in Greece.

6. Activating the Treaty of Maastricht, in terms of the possibility of incorporating community directives into national systems through collective labour agreements, has not had any impact in Greece to date. In Greece Council Directives are transposed into

¹⁰ The minimum wage is set at the national level in other European countries as well (Belgium, Denmark, Finland, Ireland).

domestic law through statutory law and mainly presidential decrees. There is no tradition in transposing Council Directives through collective agreements. As a result, no European directive has ever been implemented by collective bargaining in Greece. Nor does European social dialogue appear to have exerted any significant influence on the content or procedures for collective bargaining in Greece. In just one case, i.e. in article 10 on parental leave of the National General Collective Labour Agreement of 1996-7, the partners declared that they would like to implement the relevant European agreement that was signed in December of 1995 between the European social partners. In the recent EGSSE 2004-2005 the parties agreed to incorporate the European Agreement on telework, signed by the European social partners, into the Greek legal order by the 30.09.04.

7. A phenomenon is observed in which legislation of certain social policy measures [e.g. provision of health care, covered by the Fund for Unemployment and Vocational Training (LAEK), to unemployed youth up to 29 years of age (1998-99 EGSSE), recognition of the right of part-time workers to vocational training and the company's social services (1993 EGSSE), etc.] follows and ratifies collective regulation. In these cases the law is transformed into a supplement to collective bargaining and an auxiliary source of regulation, where collective autonomy and collective bargaining are of primary importance.

8. The arbitration mechanism does not seem to receive full consent from the employers' side. A November 2003 decision by the Committee of Freedom of Association of the ILO stated the non compliance of the system of compulsory arbitration provided by the Greek independent service OMED (art. 16 Law 1876/1990) with international labour conventions 98 and 154, which have been ratified by Greek law and take precedence over national law. Therefore it recommended the Greek government to start consultations with the most representative organisations of trade unions and employers in view of measures, which would restrain compulsory arbitration in cases involving companies providing goods and services covering substantial and vital needs of the population (mainly public corporations).

This decision was rendered after an appeal of the Federation of Industries of Northern Greece before the relevant ILO Committee. Its implementation, if it had been

considered binding for the Greek authorities, would necessitate for Greece to review its legislation on mediation and arbitration, through extended social dialogue with the social partners. *A possible outcome of this change could be the individualisation of labour relations.* Concluding collective agreements in several sectors or enterprises of the private sector - where either trade unions have a weak bargaining power or are completely absent- will be impossible, if unilateral appeal to arbitration is limited in theory to very few conflicts involving mainly public corporations, which in practice rarely reach OMED. Nevertheless, a decision of the Supreme Court ¹¹ stated that the mechanism of arbitration established by law 1876/1990 (art. 14-18) is compatible with the provisions of either the Greek Constitution (art. 22 para. 2) or the International Labour Convention 154 (art. 2).

9. If we look into the informal harmonisation of Greek collective labour agreements with the content of collective agreements in other countries of the EU, to see if they contain some sign of European influence, we will come to the conclusion that the Greek social partners refrain from introducing innovative measures in the collective labour agreements they draw up (Yannakourou, 2003). For example, whereas in Europe there are many collective agreements that regulate working time through “working time accounts” by crediting the worker with time liberation to be used for different types of leave e.t.c., in Greece there is unwillingness on both trade union and employers’ organisations to sign collective agreements even with the much restrained object of working time arrangements, thus rendering any legislative regulations inactive.

On the contrary, the effort to join the EMU and the single currency had a significant impact mainly on the wages policy of collective bargaining, and perhaps less so on its structure. On the national level, on which the minimum wages for unskilled industrial workers are agreed, and on which compliance with the national collective labour agreement is compulsory for all employers and salaried workers, a policy of restraint was followed and continues to be followed, or rather a freeze on wage increases, as a result of the effort to join EMU. Also, there was a decentralisation of

¹¹ Supreme Court, Decision 380/2004, *Deltio Ergatikis Nomothessias*, vol. 60/2004, pp. 969-972.

bargaining on the company level together with a differentiation of wages based on the company's profitability and the personal performance and productivity of every worker.

In Greece, European Enlargement is still not a perspective taken into account for future bargaining policies.

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ANNEX

Consolidated data on collective arrangements on the national level (1961-2003)

Year	EGSSE		National Occupational-based		Local Occupational-based		Special		Sectoral Nat. & Loc.		Enterprise-level		TOTAL		TOTAL	RATE	
	CA	AD	CA	AD	CA	AD	CA	AD	CA	AD	CA	AD	CA	AD		CA+AD	% CA
1961	1		12	21	36		14	19					63	40	103	61,2	38,8
1962	2		14	12	19		35	18					70	30	100	70	30
1963			10	24	31		20	24					61	48	109	56	44
1964		1	27	27	21		29	32					77	60	137	56,2	43,8
1965	1		21	30	59		40	29					121	69	190	63,7	36,3
1966			28	29	40		37	39					105	68	173	60,7	39,3
1967	1		10	24	26		26	15					63	39	102	61,8	38,2
1968	2	1	14	38	24		23	32					63	71	134	47	53
1969			13	33	16		21	17					50	50	100	50	50
1970		1	20	22	3		30	20					53	43	96	55,2	44,8
1971			17	33	7		22	19					46	52	98	46,9	53,1
1972			44	19	11		33	18					88	37	125	70,4	29,6
1973			47	25	18		93	28					158	53	211	74,9	25,1
1974			21	44	15		34	29					70	73	143	49	51,1
1975	3		30	59	13		85	48					131	107	238	55	45
1966		1	30	52	24		90	40					144	93	237	60,8	39,2
1977	1	1	29	80	15		101	70					146	151	297	49,2	50,8
1978			37	65	14		115	131					166	196	362	45,9	54,1
1979		2	42	94	15		116	126					173	222	395	43,8	56,2
1980		1	56	112	25		140	159					221	272	493	44,8	55,2
1981			54	130	26		153	170					233	300	533	43,7	56,3
1982		1	70	141	42		188	52					300	194	494	60,7	39,3
1983			9	46	8		40	25					57	71	128	44,5	55,5
1984	1		47	170	22		182	79					252	249	501	50,3	49,7
1985	1		51	103	29		194	45					275	148	423	65	35
1986	1		18	43	7		18	16					44	59	103	42,7	57,3
1987		1	21	41	11		44	19					76	61	137	55,5	44,5

Year	EGSSE		Nat. Occupati on-based		Local Occupati on-based		Special		Sector al Nat.+L oc.		Enterprise -level		TOTAL		TO TA L	RATE	
	C A	A D	CA	AD	CA	AD	CA	AD	C A	A D	CA	AD	CA	A D		CA+ AD	% CA
1988	1		83	43	28		98	18					210	61	271	77,5	22,5
1989	1		90	63	24		161	33					276	96	372	74,2	25,8
1990	1		65	41	20	18			46	34	53	9	185	102	287	64,5	35,5
1991	1		37	30	35	20			89	25	125	12	287	87	374	76,7	23,3

Inauguration of the OMED

Year	EGSSE		Nat. occupatio n-based		Local occupati on-based		Special		Sectoral Nat.+Lo c.		Enterprise -level		TOTAL		TO TA L	RATE	
	CA	A D	CA	AD	CA	A D	CA	A D	CA	A D	CA	AD	CA	A D		CA +A D	%CA
1992			28	12	14	5			66	8	63	7	171	32	203	84,2	15,8
1993	1		50	11	26	2			98	15	105	2	280	30	310	90,3	9,7
1994	1		44	14	26	2			99	17	117	4	287	37	324	88,6	11,4
1995	1		41	14	25	4			64	13	108	2	239	33	272	87,9	12,1
1996	1		46	16	20	6			76	18	242	3	385	43	428	90	10,1
1997			44	14	25	8			69	96	143	4	281	52	333	84,4	15,6
1998	1		51	13	16	10			87	28	137	7	292	58	350	83,4	16,6
1999			23	20	18	9			70	19	115	3	228	51	279	81,7	18,3
2000	1		54	15	22	4			98	17	122	6	297	42	339	87,6	12,4
2001			34	12	24	1			60	22	146	5	263	40	303	86,8	13,2
2002	2		43	19	32	6			96	20	175	11	348	56	404	86,1	13,8
2003	-	-	28	25	26	8			52	26	168	5	274	64	338	81,1	18,9

Source: Ministry of Employment and Social Protection and Mediation and Arbitration Service (OMED)

CA: collective agreement

AD: arbitration decision

THE CASE OF CYPRUS

By Evangelia Soumeli,

1. Introductory remarks

The present system of industrial relations in Cyprus has substantially been consolidated after the independence and the establishment of the Republic of Cyprus. In particular, in 1960, when Cyprus was declared an independent Republic, the industrial relations system developed on the basis of two fundamental principles, voluntarism and tripartite cooperation. Based on the same principles, collective bargaining has traditionally played a leading role in regulating industrial relations, and legislation has constituted a secondary tool for their regulation. Same line, State intervention generally in industrial relations and particularly in the formulation of terms and conditions of employment is limited to the minimum. In this framework, the role of the State is an advisory one, and it intervenes, as also laid down in the Industrial Relations Code (see below), through the Mediation Service of the Ministry of Labour, in cases where difficulty is encountered in achieving agreement in the direct bipartite bargaining between the employer organisations and the trade unions. However, there are exceptions where the State regulates by legislation minimum standards of basic terms and conditions of employment, such as minimum wage and working time for specific occupations.

In short, the system of industrial relations in Cyprus operates on a voluntary basis and there is a substantial lack of statutory regulation. In this context, the collective labour agreements are merely gentlemen's agreements, which are not legally binding.

2. The actors involved

Before elaborating further on the evolution of collective bargaining in Cyprus and how it functions in practice, it is necessary to look at the actors involved.

Regarding **trade unions**, since 1960, the Cyprus trade union movement both in the private and the semi public sector was firmly established and well organized both in terms of direction and structure.

The main national trade unions are the Pancyprian Federation of Labour (PEO), the Cyprus Employees Confederation (SEK), the Democratic Labour Federation of Cyprus (DEOK), and the Independent Trade Unions (POAS), an independent group of small unions organizing in minor enterprises and the British Sovereign Bases of the island. In the banking sector, dominates the Union of Cyprus Banking Employees (ETYK), actually the sole trade union in the sector, extremely strong in all aspects, membership, collective bargaining coverage and bargaining power. In the public/ government sector, four trade unions bargain independently with the government, with little, if any, cooperation and coordination among them. These are, the Pancyprian Union of Public Servants (PASYDY), representing the civil servants and by far the biggest and strongest trade union in membership and power in the public sector, the Pancyprian Organisation of Greek Teachers (POED) representing the elementary school teachers, the Organisation of Greek Secondary Education Teachers (OELMEK) representing the high school teachers, and the Organisation of Greek Technical Education Teachers (OLTEK), representing the teachers of technical schools. PEO is the oldest trade union in Cyprus and usually the biggest in terms of membership (numbers fluctuate from year to year between PEO and SEK), particularly dominant amongst blue-collar workers, the semi skilled and skilled workers, though recently is very active in all sectors of economic activity and among all occupations. SEK on the other side, as Sparsis, (1998) points out grew in stature to challenge PEO within its traditional sphere of influence and soon during the 1960s and the 1970s brought under its umbrella the trade unions in the sector of public utilities (p. 24). Finally, DEOK though small in terms of membership is rather influential in terms of bargaining power. In terms of affiliations at European and international level, PEO is a member of the World Federation of Trade Unions (WFTU), SEK is a member of the European Trade Union Confederation (ETUC) and the International Confederation of Free Trade Unions (ICFTU), while DEOK and POAS are members of the World Confederation of Labour (WCL).

It should be noted, that in Cyprus there is a tradition of pluralism in trade unionism, as well as strong ideological links between trade unions and political parties, as in the case of the left wing party AKEL, first in power during the last parliamentary elections in 2001 with 34, 5%, with the trade union of PEO. However, despite ideological and political differences or different affiliations, the trade unions in the private and the semi-public sector are fully coordinate with each other and up to now they have been particularly effective in promoting by common the rights and interests of their members.

Regarding trade union membership, as according to the most recent official data provided by the Ministry of Labour (Industrial Relations Service) the total number of employees that where eligible to joint a trade union were 159,409 as for the year 1993, 166,414 in 1998 and 174,577 in 2001. Data by gender are not available. According to the same source (Department of Social Insurance), the biggest trade union for the years 1993 and 1998, was PEO with 66,492 members and 63,981 respectively, followed by SEK with 55,143 and 60,692 members, PASYDY with 22,951 and 25,068 members and finally DEOK with 8,310 and 10,358 members. Same figures by gender refer to 23,259 women and 43,233 men for PEO as for the year 1993, and 20,847 and 43,154 as for the year 1998, while during the same years the figures for SEK were 18,355 and 20,907 women and 36,618 and 39,778 men, for PASYDY 10,191 and 12,321 women and 12,760 and 12,747 men and finally for DEOK 3,183 and 4,491 women and 5,117 and 5,867 men. In the year 2001, SEK was registered as the biggest trade union with 64,733 members, followed by PEO with 63,871 members, PASYDY with 26,498 members and DEOK with 11,827 members. Data by gender are not available for the year 2001.

As far as **employer organisations** are concerned, to date, the structure, organisation and operation of the employers' organisations in Cyprus have not been studied and examined in a systematic way. Most references to this matter are contained in papers, which either examine issues of labour law and industrial relations in general, or approach the issue of the organisation of employers' organizations historically. In total, the largest employers' organizations in Cyprus are the following five:

- The Employers' and Industrialists' Federation (OEB)
- The Cyprus Federation of the Associations of Building Contractors
- The Cyprus Association of Bank Employers

- The Pancyprian Association of Hoteliers (PASYXE)
- The Cyprus Chamber of Commerce and Industry (CCCI)

Of these, however, the most representative employers' association is the OEB, which is regarded as the main national employer peak association in Cyprus. Indeed, the main feature of the representation of the employers' interests in the field of industrial relations in Cyprus is considered to be the grouping of all employers' organizations almost exclusively in the OEB, an umbrella organisation which represents the whole spectrum of enterprises, in all sectors of economic activity. These include industry, constructions, services, trade, agriculture and private education.

In particular, OEB was established in 1960 soon after the establishment of the Cyprus Republic and has been operating since then as an independent organisation that represents the business community in Cyprus. Originally, it was known as the Employers' Advisory Association of Cyprus, and in 1970 it was renamed the Cyprus Employers' Federation. The change of its name over time was important, in that it reflects changes, both on the organisational level and in connection with the aims and competencies of the Federation. From a clearly advisory body in 1960-1970, the Federation became the third recognised social partner with a role equal of that of the trade unions in the shaping of the industrial, social and economic policy in Cyprus. In addition, OEB has to a large extent undertaken the role of a coordinating body in the field of employers as a whole.

The upgraded role of OEB as the key coordinating body of the majority of employers, as well as the high level of representation, has contributed decisively to the shaping of a relatively good climate in the industrial relations of Cyprus. The good climate, as it has been noticed above, mainly concerns the shaping of a system of industrial relations, which is largely based on tripartite cooperation between the parties, both at national and sectoral level.

Regarding organisation and development, as according to the last annual report of OEB for the year 2002, the federation comprises 51 professional associations and about 4,500 enterprises of which about 600 are direct members. The enterprises that are members of OEB employ about 57% of the total labour force of the country, a percentage corresponding to about 171,000 employees. With regard to the size of the enterprises, which belong to OEB, the overwhelming majority are small and medium enterprises,

whereas about 80% are active in the service sector. It should be noted that in the Cyprus economy the size of enterprises is determined as follows:

- Small enterprises: those, which employ 1-15 employees.
- Medium enterprises: those, which employ 15-249 employees.
- Large enterprises: those, which employ over 250 employees.

The growth and the development of OEB were been significantly affected on two occasions. The first concerns 1974 exclusively, when the Turkish invasion cut off the Federation' s course, many of its members closed down, and many members of the Secretariat either resigned or emigrated abroad. The second phase concerns the whole of the 1990s and in particular the rapid economic growth of the service sector. More specifically, during the 1990s 15 professional associations of the service sector joined OEB, while in the three year period 2000-2002 the members of the service sector increased from 19 to 26. In this framework, from 1989 onwards OEB became very active in an effort to promote the interests of the enterprises in services. These efforts included the establishment of the Services Department that has the responsibility for the systematic and in depth analysis of issues related to the service sector. Other initiatives include the publication of special editions and the organisation of the Euro-Mediterranean Services Fair.

As far as CCCI is concerned, it was established in 1927 aiming at the systematic monitoring of developments in trade and industry, as well as undertaking action and measures to promote the general interests in these sectors. However, and contrary to the provisions of its statutes, due to the absence of employers' representation in Cyprus, the CCCI was obliged to represent employers' interests for almost 30 years, both in the context of collective bargaining for the conclusion of collective agreements, as well as in the broader context of the shaping of an institutional framework of industrial relations in Cyprus. With the establishment of OEB in 1960 as a specialised organisation, its role as a negotiating body and official social interlocutor began to be restricted to its original duties. The result of this development was, and still is, the conflict between OEB and CCCI, mainly regarding the representation of employers' interests, as well as CCCI's efforts to claim a more active role in the industrial relations in Cyprus. Speaking in general lines,

both organisations have equal representation in the various tripartite bodies (see below). They also both offer extensive services to their members. Individual enterprises can become direct members to either, or both of these organisations, or they can be affiliated to them through membership to their professional association. In terms however of bargaining power, OEB is by far more influential, taking part in all negotiations with SEK and PEO.

Both the Cyprus Federation of the Associations of Building Contractors, as well as the Cyprus Association of Bank Employers' are registered members of OEB and are active on a sectoral level as the main negotiating bodies for their members. In contrast, PASYXE, following a recent disagreement with OEB joined the CCCI.

Finally, it would be an omission not to mention the existence in Cyprus of organisations of a mixed representation of interests. The largest such organisation is the Pancyprian Professional Small Shopkeepers Federation (POBEK) which today numbers about 8,000 members, of which about 60% are employers, who are active in the technical occupations, clothing, recreation centers and petrol stations.

In Cyprus, apart from employer organisations and trade unions, no other actors are involved in collective bargaining so far. When it comes to the role of the **government**, in general, as it has been described above the role of the State remains an advisory one, and as such the government is not directly involved in collective bargaining, apart from the public sector where it consists one of the negotiating sides.

3. The system of collective bargaining

The right to collective bargaining is guaranteed and safeguarded mainly by the Constitution of the 1960. In specific, Article 26(2) of the Constitution provides that "*a law may provide for collective labour agreements of obligatory fulfillment by employers and workers with adequate protection of the rights of any person, whether or not represented at the conclusion of such agreement*". However, up to now, a law as provided by Article 26(2) has not been enacted. Therefore, the regulatory part of the collective agreements (terms regulating pay and working conditions issues, along with other issues arising from provision of labour) is not directly and necessarily applicable to workers, so as for the

most people referring to collective agreements as mere gentlemen's agreements. This way, as Christodoulou, (1992) points out in accordance with the prevailing view, collective agreements as an autonomous legal institution creating legal rights and obligations, does not exist in Cyprus (p.281).

In practice, the system of free collective bargaining developed in the framework of the Industrial Relations Code (from now, IRC) that applies to both the private and the semi public sector. It is about a gentlemen's agreement freely negotiated and signed by the social partners, (Ministry of Labour on behalf of the government, PEO and SEK on behalf of the trade unions and OEB on behalf of the employer organizations) on 25 April 1977, that still remains in force, practically with no essential changes up to now. Prior to the signing of the IRC, a first agreement called the Basic Agreement was signed in 1962, a code founded again on the common acceptance of the three parties, following an initiative of the Ministry of Labour and Social Insurance. It was about a rather simpler set of "rules", which functioned however quite efficiently until has been succeeded by the IRC. The IRC, as its predecessor, is pertaining to the philosophy of tripartite cooperation in that the three parties accept, in principle, the existence, irrespective of their own objectives, of common ground for cooperation in the general interests of the country. In this line, the IRC is in fact governing the whole system of collective industrial relations in the private and the semi-public sector. The Code consists mainly of two parts. In the first part, under the title the "Substantive Provisions" the two main participating parties (trade unions and employer organizations) recognise and ensure certain fundamental rights to free collective bargaining as set out below:

- i. The right to organise.
- ii. The right to collective bargaining, collective agreements and joint consultation.
- iii. The definition of negotiable issues though collective bargaining, joint consultative issues and management prerogatives.
- iv. Strict adherence to the provisions of all International Labour Conventions, which the Government of Cyprus has ratified.

In the second part, titled "Procedural Provisions" the Code provides for separate procedures to be followed for the settlement of disputes over interests, and for the settlement of grievances/ disputes over rights. As set out in the Code, "disputes over

interests” means a dispute arising out of negotiations for the conclusion of a new collective agreement or for the renewal of an existing collective agreement or in general, out of the negotiation of a new claim. On the other hand, a “grievance” means a dispute arising from the interpretation and/or implementation of an existing collective agreement or of existing conditions of employment or arising from a personal complaint including a complaint over a dismissal. Shortly, regarding the settlement of disputes over interests the Code provides first for direct negotiations between the two sides both in cases of submission of claims for the conclusion of a new agreement, and for the renewal of an agreement, second for mediation by the Ministry of Labour, third for voluntary arbitration, where, both sides undertake to accept the arbitrator’s award as binding and finally for public inquiry. In the case of settlement of grievances/ disputes over rights, the Code provides first for direct negotiations both in cases of a grievance arising from the interpretation or implementation of a collective agreement and of personal complains, second for mediation by the Ministry of Labour and third for compulsory/ voluntary arbitration. Disputes over interests might lead to strikes or lockouts, while strikes or lockouts in disputes over rights are prohibited by the code. However, as Sparsis, (1998) points out “strikes are permitted in all cases where there is a flagrant violation of an existing agreement or practice” (p. 32). It should be noted that on 16 March 2004, after almost 9 years of negotiations, the social partners have finally signed a new voluntary agreement on the settlement of labour disputes in essential services¹². The new agreement that constitutes an extension of the IRC does not prohibit strikes in essential services.

As according to the right to organize as provided for by the IRC, both sides recognise the right of employers and employees to organise freely and to belong to organizations of their own choice without any interference or victimization from either side”, while in relation to the right to collective bargaining “it is accepted that free collective bargaining constitutes the basic method for the determination of conditions of

¹² The specified essential services are all the services and activities which are necessary to ensure:

- Continuous supply of electricity.
- Water supply.
- Operation of telecommunications.
- Safe operation of air transport and the control of air traffic.
- Operation of hospitals.
- Operation of prisons.
- Repair or maintenance of the equipment and electromechanical plants of the National Guard and Police, including the Fire brigade.

employment and remuneration”. When it comes to extension procedures however, in Cyprus there is no mechanism, set either by law or collective agreement, providing for the extension of collective agreements.

As with regard to the issues that are considered as negotiable through collective bargaining, these issues are not defined in the present code. In particular the Code provides for specification, if possible, in collective agreements, while no issues are defined as unsuitable of being regulated by collective agreements. Though not set out by law, collective agreements do not generally specify working conditions below the standards defined by law. It should be noted however, that with the enforcement of the EU acquis in the area of labour law, in some cases, new legislative provisions are providing for more favourable terms than those provided for in collective agreements (e.g. annual leave).

It should be noted, that the provisions of the IRC do not apply to the public/government sector. Instead the right to free collective bargaining, consultation and settlement of disputes in the public sector belongs to four separate and independent bodies:

- The Joint Staff Committee (for Civil Servants)
- The Joint Labour Committee (for government industrial workers)
- The Joint Committee (for Technical School Teachers and Teachers of the basic and secondary education)
- The Joint Committee (for Members of the Police Force)

As Sparsis, (1998) points out, these committees are modeled on the lines of the Whitney Councils, which were established in the UK during the 1940s.

4. Levels of collective bargaining

In Cyprus, collective bargaining as a whole is decentralized, and many of the Collective Labour Agreements are concluded on the enterprise level. It should be noted that in Cyprus there are no national general collective labour agreements. The two basic bargaining levels are the sectoral and the enterprise level, and the usual term of the agreements (subject to bargaining) is two years, and in a number of cases three years.

More specifically, according to the most recent available data from the Industrial Relations Service of the Ministry of Labour, currently as for the year 2003, there were 13 sectoral labour agreements in the following sectors of private economic activity: leather goods, clothing, footwear, metal products, construction, construction companies, electrical installations, transports, hotels, catering, oil companies and the financial sector, covering 26.7% of the total number of employees in Cyprus as for the year 2001, or 41,4% of all union members during the same year. Most of the aforementioned agreements were signed in 2001 and expired in December 2003; however there are no available data on the precise number of agreements signed each year.

Direct negotiations are always held between the two sides, in most of the cases between PEO, SEK and OEB. As Messios, (2004) points out, due to the extensiveness of these collective agreements direct negotiations are usually long, arduous and complex. The majority of sectoral collective agreements were first agreed upon a number of years ago, and have already been renewed many times, with further additional agreements also signed, leading to a very complex network of rules regulating employment in these sectors. Also the lack of coding, and of a follow up system, often leads to misunderstandings, misinterpretations, and differences of views as to what applies for a number of provisions of these agreements. In this context and given the complex nature of the agreements, many labour disputes arise from the interpretation of the agreements (disputes over grievances) leading to an ongoing stream of labour disputes (p. 5-7). It should be noted that the collective agreement in the construction industry, the second largest economic sector in Cyprus after tourism, has historically constituted a test run for the renewal of collective agreements in the other sectors. It is actually about the first agreement concluded between the sides on the sectoral level in 1938, and the Federation of Building Contractors Associations of Cyprus (OSEOK) was the first employers' association in Cyprus. Since then, the sector has been characterised by a tradition of bilateral relations between employers and workers.

Apart from the developments at sectoral level, trade unions and employer organisations, review developments in the labour market and the economy as a whole on a regular basis. Co-ordination is achieved at summit meetings and trade unions and employers' organisations agree, amongst their members, on a yearly basis on the strategy to be followed with respect to the renewal of the collective agreements.

Regarding collective bargaining at enterprise level, it is estimated that over 450 enterprise collective agreements are currently in force. These collective agreements are more predominant in the manufacturing sector, wholesale, and the tertiary sector. Again, the provisions of the IRC apply to these agreements, which again predominantly have two-year duration, though the duration remains negotiable. Collective agreements at enterprise level are drawn up and negotiated usually directly between the employer and the employees' trade union representatives. In a number of cases however, employers seek the professional assistance of their affiliated employer organisation. Furthermore, to a larger extent than at sectoral level, at enterprise level collective agreements are resolved at the direct negotiations stage, since employers prefer to resolve issues as quickly as possible, instead of engaging in lengthy procedures. At the same time, trade union representatives in private enterprises usually have more close and harmonious relations with employers, making the settlement of issues much simpler.

As to the semi-public sector, collective bargaining is similar to that followed in the private sector. However, in cases of direct negotiation deadlock the role of the Mediation Service many times hampered due to the fact that management fails to follow the guidelines issued by the Ministry of Finance for wage increases, or for agreeing to other employee demands. Consequently, if the proposed guidelines are not followed by the organisations, the final saying for the approval of a given agreement lies with the Ministry of Finance. This has the result of deadlocks in these companies being much more complex (Messios, 2004, p. 7-9).

5. Content of collective bargaining

Despite the fact that in the Cypriot system of industrial relations the collective bargaining has traditionally played a primary role in regulating terms and conditions of employment with the law playing a secondary role, the content of collective agreements is fairly limited. Although no study has been conducted with regard to the content of collective agreements on a sectoral and company level, the indications are that on these levels the agreements do not appear to take into account, in setting the terms and

conditions of employment, factors as gender, age, training and/ or retraining, mobility, stress at work etc.

Taking equal opportunities between men and women as an example, it could be said that there is no connection with the collective bargaining process, while the same it is also true for the sensitive area of health and safety at work.

Nevertheless, as according to the Industrial Relations Service of the Ministry of Labour, particular sectoral collective agreements, like for example in the Hotel and Catering Industry, the Banking sector, and other industry wide agreements, also regulate other particulars pertaining to much more specific details of the functioning of the companies involved. In addition, with the enforcement of the EU acquis in the area of labour law, legislation now also regulates a significant number of terms of employment, and in some cases providing for more favourable terms than those provided for in collective agreements (e.g. annual leave).

In the general context however, the agenda of negotiations include mainly purely economic issues (e.g. ATA, wages, benefits etc.) and traditional bargaining on working conditions, as working hours and annual leave. With regard to the setting of wages and salaries, this is the result of bipartite negotiations, between the most representative employers' organisations and trade unions on the sectoral and enterprise levels. In Cyprus there is no national minimum wage set by legislation or by collective bargaining. Nevertheless, based on existing legislation, minimum salaries and wages are set for six occupations: clerks, sellers, nurses, school assistants, baby and child minders. In particular, in April 2004, new increases came into effect for the minimum wage in those six occupations. The percentage increase was decided on the basis of a previous decision aimed at gradually bring the minimum wage up to 50% of the national median wage by 2008. Unlike the unions, which urge that the measure be maintained and improved, the employer organisations are asking that it is abolished. In the opinion of the OEB, the reasons that in the past made legislation covering certain categories of non-unionised workers necessary have long since disappeared. In particular, the law authorizing the issuance of the relevant order dates from 1941, (the Minimum Wage Levels Law of 1941), whereas since then the particularly high level of union density in Cyprus has made it unnecessary to continue the current practice, which among other things distorts the system of collective bargaining, since it pushes minimum wages, freely agreed in collective

agreements, upwards. According to the OEB, the reasons for abolishing the Order are even stronger in the case of nursery school teachers who since 1993 have been required to hold a university-level degree and therefore cannot be regarded as a “weak” category of worker in need of protection. In the OEB’s view, modernization of the labour market makes it imperative to abolish state interventions.

As to the setting of wages, it should be noted that all collective agreements in Cyprus, both at sectoral and enterprise level, incorporate the provision of Cost Living Allowance (ATA). The institution of ATA that is in force since 1944 is considered as one of the most important historic achievements of the trade union movement. According to the current system of calculating ATA, the total earnings of workers at the end of each six-month period are readjusted, on the basis of the percentage of variation of the Consumer Price Index of the six-month period compared to the numerical average of the index during the immediately previous six-month period. Both ATA and the present calculation system have been repeatedly attacked by employers’ organisations, which would prefer the abolition of the system. The issue of amending the institution, and in particular the relationship of ATA with productivity levels in Cyprus, has in fact been the object of social dialogue, which began in 1995 and lasted until January 1997. According to the OEB the promises of the then President of the Republic, Mr. G. Clerides, were never implemented, a fact which contrary to the opinion of trade unions, is particularly displeasing to the employers’ side. However, the social partners came to an agreement in 1999, according to which increases in indirect (consumer) taxation from the calculation process of the ATA system were removed. Though PEO disagreed on that particular change, has abided by the agreement. It should be said that the ATA system, unique throughout the EU, has not proved to be the cause of inflationary pressures on wages. This is mainly the result of trade union strategies that limit wage increases down to the level of yearly national productivity (plus ATA). Furthermore, over the last two years, in many cases collective agreements have been agreed upon with very minimum increases, especially in sectors or enterprises facing serious financial problems. In the opinion also of the Ministry of Labour, generally, the ATA system has proved to be a catalytic factor in ensuring the signing of long-term collective agreements, this way ensuring industrial peace too.

In relation to new forms of work, these are still in the first stages of development and study and have not been yet a particular subject of discussion or collective bargaining between the social partners. Adoption of the recent relevant legislation was rather a result of Cyprus's obligation to harmonise its legislation with the European acquis, and any evaluation of the content or the results of implementation of the new legislation would most probably be premature.

With regard to the issue of transfers of undertakings it could only be said that there is no connection with the collective bargaining process. However, on the legislative level and within the framework of harmonization of Cyprus law with the community acquis, Cyprus has enacted law 104(I) 2000 on "the Safeguarding of Employee's Rights in the Event of Transfers of Undertakings" which came into force on 7 July 2000 and is fully harmonized with Directive 77/187/EC as amended by Directive 98/50/EC.

Regarding collective dismissals, the IRC part II, paragraph C provides for specific procedure in case of dismissals for reasons of redundancy. In particular, as according to the relevant provisions "the employer should notify the union of his intention to effect dismissals at least two months before the date of the proposed dismissals. In the event of mass dismissals, it is desirable that the notification is given as soon as is practically possible, taking into account the number of employees to be dismissed, the chances of their re-employment, the need to retrain them, etc. After the said notification, consultations should be carried out with the unions and/or the employees, in accordance with the provisions of ILO Recommendation No. 119". Grievances over dismissals should be dealt with as expeditiously as possible and within the time limits prescribed in the IRC. According to the provisions of the IRC, it is also desirable that collective agreements should contain provisions on the issue of dismissals. Furthermore, law 28(I) 2001 on "Collective Redundancies" was passed on 9 March 2001 in harmonization with Directive 98/59/EC.

6. Social Dialogue

Though law does not institutionalize bodies of social dialogue, social dialogue in Cyprus is rather firmly established. As it has been mentioned above, the system of

industrial relations in Cyprus developed on the basis of two main principles, voluntarism and tripartite co-operation. In this context, the formulation and implementation of almost all proposals and policies regarding industrial relations, was and remains the result of social dialogue between the government, employers' organisations and trade unions. On the practical level, this cooperation is achieved through the operation of technical committees and other bodies of tripartite representation, but mainly through representation of the stakeholders in the Labour Advisory Body (LAB). Tripartite bodies like the LAB, regularly assign specific subjects to the tripartite technical committees, as according to their specific area of expertise, working together according to their assigned terms of reference. As Mallis and Messios, (2003) point out, this mechanism was used during the long and arduous harmonization process, with tripartite technical committees working individually on harmonizing draft legislation. Further to this, when draft legislation is sent to Parliament, or any other issue is about to be discussed at the House of Representatives, the social partners are always invited to participate in the discussion and presentation of the subject in question within the parliamentary committees. Another important feature of the policy formulating "power" of the social partners is the fact that when the LAB takes unanimous decisions, then the Parliament respects LAB' s decision, even in the cases where an opposite view prevailed in the Parliament prior to the LAB' s unanimity (p.19). However, when it comes to issues of economic and wage policy, these have rather failed of being subject of tripartite cooperation. In this area, the most competent committee of tripartite representation is the Economic Advisory Committee, which operates in the context of the activities of the Ministry of Finance. This Committee has a clearly advisory character; that is to say, the committee's proceedings have never led to the conclusion of relevant agreements. Between 1993-2003 it was practically limited to merely an annual formal meeting of the parties. Given that since 1960, Cyprus has been considered internationally a model of tripartite cooperation all three parties express the will to continue this tradition first by securing the existing institutions to the maximum degree and second by considering the expansion/ enlargement of the institution of social dialogue to other issues such as economic and monetary policy. A characteristic example to this direction is the discussion regarding the reestablishment, re-operation and upgrading of the National Productivity Board, which has so far not yielded any results. Furthermore, the Ministry of Finance expressed the will to call on the Economic Advisory Committee to

carry out a thorough exchange of views of the social partners on the issue of EMU membership and convergence with the macroeconomic criteria.

7. Evaluation of the evolution of collective bargaining

As it has already been said, the system of free collective bargaining currently in place, functions for almost 30 years in line with the content of the IRC, that is still in force and with no essential changes so far. At a theoretical level, and in particular with regard to the “legal status” of the collective labour agreements in Cyprus, this remains a moot point. It does not create rights and obligations in public law, but creates rights in labour and private law, since it incorporates terms from collective labour agreements in individual contracts. In practical terms, although collective agreements are not legally binding i.e. gentlemen’s agreements are fully respected by the social partners; In other words, the social partners demonstrate a high degree of social responsibility by faithfully observing the provisions of the collective agreements. This attitude on behalf of the social partners renders the existing system particularly effective. In addition and despite the fact that the content of collective labour agreements is rather limited (see above), the part they play in regulating the terms and conditions of employment, is a particularly important one. In short, collective bargaining in Cyprus is widespread and is by far the most representative method for agreeing terms and conditions of employment between the two parties.

However, prompted by Cyprus’ EU membership, a discussion has begun recently on industrial relations and how they take shape. In this context, the biggest trade unions have made a commitment to put forward specific recommendations and suggestions. Of significant importance is SEK’ s longstanding demand regarding the need for collective labour agreements to acquire a legally binding content, if not in their entirety then at least with regard to the basic terms and conditions of employment, namely earnings (including benefits and cost-of-living allowances), working time (including overtime and holidays) and social benefits (e.g. contributions to the health and welfare funds). Although at the moment, both the OEB and PEO are opposed to this specific demand, the social dialogue is definitely expected that will centre on the need to readjust the employment system in Cyprus, especially the non-statutory nature of the collective labour agreements. Of

particular interest it is also the discussion that takes place inside PEO and refers inter alia, to the following:

- The need, to lay down in law a procedure by which workers may easily and voluntarily organise in a union and be covered by collective agreements.
- The need, to create a mechanism for extending coverage of the collective agreements on the basis of specific criteria for all sectors.
- The need, to introduce legislative regulation of benefits such as thirteenth month's pay.

So far, irrespective of the differences between the social partners, all three parties express the will to continue the tradition of tripartite cooperation and to secure the existing institutions to the maximum degree. Accordingly, any changes with regard to collective bargaining in general, and the IRC in particular, should be based on the principles of voluntarism and tripartism, while in regulating the terms and conditions of employment the collective bargaining should remain the backbone of the present system. The willingness of the social partners to go on with the present system is very much expressed through the new agreement on the regulation of the right to strike in essential services. On one hand, this particular agreement puts into practice a commitment of the new government and a longstanding demand of the social partners, while at the same time forms part of the interventions aimed at modernising the country's labour institutions. On the other hand, the achievement of a consensus after almost ten years of consultations, and in particular the elimination of the gap regarding the manner of regulation, highlights the importance of the tripartite cooperation and the institution of social dialogue, and shows that despite its voluntary nature the current system in Cyprus can be particularly effective. Regarding the process of social dialogue and in particular its influence to the system of collective bargaining, recent political developments are considered to be of particular importance. More specifically, the result of the last presidential elections held on 16 February 2003 that brought in power Tassos Papadopoulos as the new President of the Republic is considered to be of particular importance for industrial relations in Cyprus. This is because, the governance of the

country in the ten years from 1993 to 2003 by the conservative Dimokratikos Synagermos Party supported by the EDIK (Liberal Democrats), with G. Clerides as President, had a negative effect on the institution of social dialogue on economic policy. It should be noted that in Cyprus the system of governance is a presidential republic, while the new President was elected with the support of four parties, the Progressive Party of the Working People in Cyprus (AKEL), the Cyprus Democratic Party (DIKO), the United Democratic Union of the Centre (EDEK) and the Ecologists/Environmentalists.

According to the Ministry of Finance, the membership of Cyprus in EMU remains an important strategic goal, which is set for around 2007, so as to give the country the necessary time for preparation. In line with this goal, collective bargaining with regard to the setting of wages and salaries is of critical importance, while it remains to be seen how the goal of meeting the Maastricht and Stability and Development Pact criteria will impact wage negotiation. The government's goal is to restore equilibrium in public finances through the fiscal recovery programme it has announced, thus enabling Cyprus to enter the euro zone. In this context, and with regard to wage policy, the government believes that wage increases should follow increases in productivity. In particular, in determining its policy, the government believes that the outcomes of collective bargaining between the social partners must be respected. The government is aiming at constant improvement in workers' living standards, at the pace of productivity increases. In as much as higher incomes go hand in hand with productivity, this maintains the competitiveness of the Cypriot economy and does not disturb the economy's macroeconomic stability. In parallel, in view of the EU requirement for reducing the tax burden on labour, the government is endeavouring to keep the tax burden on labour at low levels. In relation to future developments, according to the Ministry of Finance, the Cyprus's membership in EMU will certainly affect wage setting to some extent. However, the government believes, on the basis of the current social dialogue structures that it has at its disposal that it will be in a position to address pay demands within a framework which will, without underestimating the social partners' side, also take account of the economic priorities emanating from Cyprus's membership in EMU. In this direction and having as a basic objective the gradual convergence with the EU, the government is open to reaching agreements on a tripartite level, provided that the basic

economic policy priorities that have been set are pursued. Therefore, in the light of joining the EMU, the Ministry of Finance through the Economic Advisory Committee, will seek to achieve the greatest possible consensus on the issue. In this sense, the government is hopeful that the priority for meeting the Maastricht and Stability and Development Pact criteria, where even a budget surplus or a balanced budget are foreseen, will be feasible. In this framework, the new round of collective bargaining that began in mid-February 2004 is of particular interest, since it concerns the renewal of most of the agreements on the sectoral and enterprise levels. The interest lies mainly in whether the unions will demand pay increases above and beyond the increase in productivity, aimed at gradually achieving real convergence between wages and salaries in Cyprus and the EU as a whole. Collective negotiations so far, in critical sectors of the economy, such as in the hotel industry, show that the two parties have diametrically opposed positions, while of decisive importance are the different interpretations of the term of labour productivity. Furthermore, given the conflict between capital and labour with regard to ATA, the possibility of concluding tripartite agreements is being discussed, with the whole matter still being at the stage of discussion. Although up to now, any attempt to conclude a Social contract have failed repeatedly, it is beginning to become evident that in the context of the accession of Cyprus to the EMU, the need to conclude a Social Contract will be imperative. It should be noted that all calculations regarding the macroeconomic strategy to join EMU and how to meet its macroeconomic conditions are based on the assumption that there will be no solution of the Cyprus problem in the next years.

Regarding European law and its influence on the system of collective bargaining in Cyprus, given that most of the relevant laws have been enacted and came into force rather very recently, an assessment of their impact as well as their effectiveness is not feasible so far. Using as an example the new forms of employment, it should be noted, however, that in the trade unions' estimate the incorporation of the relevant Community directives in domestic law is a particularly positive development, since they will make a positive contribution to the formation of a framework of effective protection for those workers. They may also discourage the development of new forms of employment outside the institutional framework. Alongside this, however, the unions have expressed

concern over the possibility that particularly the extent of part-time employment may increase at the expense of steady and full employment.

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