



European Employment Observatory

EEO Review: Self-employment, 2010

Greece

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1. Introduction

Self-employment is relatively prominent in Greece, partly because Greece still has a large agricultural sector, where self-employment is the norm. In the first quarter of 2010, total self-employment (employers and own account workers) comprised roughly 30 % of total employment, higher than in most other EU Member States. During the last two years, that is from the first quarter of 2008 to the first quarter of 2010, self-employment increased by 1.53 % against a drop of 1.87 % in total employment, showing remarkable resistance to the economic crisis. Further analysis of the data reveals that in relation to the pre-crisis period, self-employment now involves more women than men and more own account workers.

Accounting for the high incidence of self-employment and its resilience during the crisis, several factors must have played a role. First, strict employment protection legislation makes the entry into wage employment difficult for the so-called ‘periphery’ of the labour force, i.e., the young and women. For these groups, self-employment constitutes an alternative to unemployment and/or inactivity. Second, during the last fifteen years or so, successive governments have invested heavily in incentives to move young persons and women out of unemployment and into self-employment. Start-up grants and self-employment aid are among the most basic and longer running ALMPs in Greece, being implemented largely thanks to European Community funds. Third, changes in the organisation of work, present in Greece as elsewhere, have inflated the numbers of the self-employed. Outsourcing of secondary activities, for example, is certain to have increased the amount of work sub-contracted to the self-employed. On top of these, cultural factors (tradition and family values) may also be at work. According to the results of a recent Eurobarometer survey, the majority of Greeks (56 %) prefer to be self-employed compared to the preference for employee status (40 %)¹. Preference rates for self-employment in Greece were among the highest recorded in the EU, where on average, 45 % would prefer to be employees and 50 % self-employed.

With respect to the question of whether self-employment constitutes a necessity or a choice, no definitive answer can be given. For some sub-groups: such as the better educated, mostly male, young entrepreneurs, engaging in modern service activities (financial intermediation, business services etc.), self-employment would seem to constitute a choice. For some other groups though, such as women for example, active in the fields of services or retail trade, self-employment may represent a necessity. It is safe to assume that under the current crisis, self-employment will out of necessity increase at the expense of self-employment by choice.

2. Assessment of national labour market policies and recovery measures

Over the years, Greece has established a number of ALMPs in order to promote self-employment and entrepreneurship. Most of these measures were aimed at young people and women. The most important of them are reviewed below².

In 2007, OAED (the main employment agency) launched three counselling/training actions aimed at unemployed youth aged between 18 and 27 years old: entrepreneurship training,

¹ Entrepreneurship survey of the EU, United States, Iceland and Norway, Flash EB Series 192, April 2007

² This section draws heavily on OECD 2010.

vocational guidance and job-search training. Entrepreneurship training aimed at young people who want to develop their own business has proved by far the most popular with 29 000 participants (approximately 10 % of unemployed youth in this age group) since it was introduced, compared with just over a thousand persons for each of the other two programmes. Programme participants received 70 hours of counselling in groups of 10-15, during which they learned about the steps required to set up a business and received support in developing a sound business plan. Since 2008, participation in entrepreneurship training has become compulsory for youth who enter a subsidised self-employment programme.

Financial support for young people who wish to start their own business has always been available during the past two decades. In 2008, OAED launched a programme providing financial support and counselling to young people who wish to implement innovative business ideas, primarily promoting the use of new technologies. All unemployed between 22 and 32 years of age, not resident in the Attica or Island regions, were eligible provided they fulfilled the following requirements: i) they were registered unemployed and had drawn up an individual action plan; ii) they had attended a seminar on entrepreneurship at a KPA (Centre for Employment Promotion); and iii) they were Greek or EU nationals and, if male, they have fulfilled their military obligations. After submitting an application, a committee decided on whether the business was to receive funding or not based on the adequacy of the business plan, the adequacy of financial resources, and the qualifications and work experience of the applicant and their relevance to the business. The maximum amount of funding available for each new business was EUR 29 000, paid in three equal instalments over 12 months and subjected to periodical satisfactory auditing of the business. In addition, businesses were able to hire subsidised employees through OAED. The programme has proved popular so far with more applicants than new entrepreneurial initiatives funded. In the second semester of 2008, 8 000 youth applied for the programme but only 6 000 were funded – approximately 2 % of the unemployed 22-32 year-olds – and obtained an average of EUR 18 000 financing.

Another programme has targeted young scientists. Since 2006, OAED has been providing financial support to young scientists who set up their own practice and who would not otherwise be allowed to register with OAED because they belong and pay contributions to specific professional bodies. The programme targeted doctors, dentists, veterinarians, pharmacists, lawyers, engineers and graduates of Polytechnic University Faculties during the first four years after graduation or after completion of a medical specialisation course. Participants had to be less than 34 years old with the exception of: medical doctors and mothers of young children for whom the age limit was extended to 40; and those who have enrolled in post-graduate studies before turning 34 for whom the age limit was extended until completion of their post-graduate studies. In addition, young scientists were required to hold a certificate proving registration with OAED. Eligibility was means-tested and only young people whose practice earned less than EUR 15 000 yearly were eligible. Of the 6 000 positions available every year – enough to cover approximately 13 % of young persons aged 34 or younger holding a university qualification – at least 60 % had to be filled by women. Other criteria used in the selection process included: family status of the applicant with preference given to mothers of small children and date of graduation, with preference given to those who had graduated earlier. The amount of the grant for each new

professional was set at EUR 12 000. All businesses created through the programme were subject to periodical auditing.

Recently (2010), OAED launched an aid for self-employment programme, targeting 4 000 unemployed women (22-64 years of age) with a focus on women currently receiving unemployment benefits wishing to start a business in one of the fields of the 'green' economy. The assistance amounts to EUR 24 000 for each self-employed worker, to be paid within a period of 36 months. The programme is expected to cost EUR 96 million, and it is to be co-financed by the ESF.

With respect to young people, an Observatory for Youth Entrepreneurship was also set up within the Secretariat General for Youth in accordance with article 8, under Law 3577/2007. The Observatory aims at supporting young entrepreneurs and developing an entrepreneurial culture among young people, by collecting, registering and processing data on entrepreneurship and by providing information to all people concerned. The Secretariat General for Youth has launched additional actions aimed at improving the business environment and enhancing young entrepreneurship. Following pilot implementation, a network of Entrepreneurship Desks is being expanded throughout Greece. The entrepreneurship desks provide technical support services to young entrepreneurs as well as assistance regarding how to set up a business (legal framework, marketing issues etc).

In addition to the above, new actions have been designed and implemented within the former Ministry of Development, and now Ministry of the Economy and the O.P. 'Competitiveness and Entrepreneurship' (EPAN II) for the time period 2007 – 2013. This programme focuses on supporting entrepreneurship among specific social groups, notably the young, women, parents with many children and Roma. Actions here are being implemented by the Hellenic Organization of SMEs and Handcrafts (EOMMEX). Mention should also be made of the Career Offices, established by universities and Technological Institutions (TEIs). Career Offices support and promote youth entrepreneurship amongst tertiary-level students.

Greece has also taken measures to simplify and improve the business environment.

The problems facing Greek SMEs are well known and frequently acknowledged in political and academic discussions. In brief, these problems include the following: low quality of final product, high production costs, low capital invested, organisational inadequacies, lack of information, weak supportive structures and difficulties in locating skilled personnel, especially in remote regions. The most acute problems however, relate to bureaucracy, and more recently, to access to credit.

Comparative data on the administrative burden upon enterprises caused by the obligations of the latter to comply with the regulatory framework and the respective regulations, as an obstacle for entrepreneurship, are provided for 183 countries by the World Bank (World Bank, Doing Business 2010). In most of the policy areas surveyed by the World Bank, Greece scores poorly. Greece, for example, is ranked 140th out of 183 economies in Ease of Doing Business, 147th in Employing Workers, 107th in Registering Property, and 154th in Protecting Investors.

Prompted by the current economic crisis and the need to introduce policy reforms, the government has placed the reduction of administrative burdens high in the political agenda. This is manifested, among other, by the recent bill on the simplification of procedures for the establishment of enterprises, which was submitted to parliament for discussion on 17 May 2010. The proposed legislative act foresees great reductions in costs. More specifically, 50 of the Citizens Centres (KEPs) and 100 Chambers of Commerce local offices are to participate as 'one-stop-shops' for establishing enterprises, thus reducing the time needed to one day (from 38 in 2008 according to World Bank Doing Business data) and total cost by more than 70 % (from EUR 1 900 to EUR 590 in the case of a limited company).

Turning to evaluation, recent studies on aid for self-employment schemes have arrived at mixed results, showing high survival rates for the enterprises created, but negligible employment effects. One of these studies, involving the aid for self-employment (NEE) programme, run by OAED, was commissioned during the second quarter of 2008. The study was based on the results of the programme for the year 2004, when the target set was to help approximately 7 500 unemployed workers to set up their own small enterprise. According to the findings of the evaluation, as regards the implementation of the programme's budget, this was largely achieved. With respect to the personal characteristics of the participants, the typical participant was, according to the study, a mature person (30-49 years of age), secondary school graduate, setting up a small business in the field of trade and other services. As regards survival rates, the evaluation study concluded that after 2-3 years from the beginning of their involvement with the programme, 75 % of the new entrepreneurs were still active. Only a minority of the firms created (18 %) however managed to increase employment, beyond the level of one person. As an end result, the contribution of the programme to employment increase was modest. The study has offered a number of suggestions for improvements, including assistance with the drafting of business plans and the mandatory participation of the new entrepreneurs in training courses.

In brief, Greece has taken various measures aimed at facilitating the entry of young persons and women in self-employment and in setting-up business. These two groups, apart from facing high unemployment rates, face also additional barriers in becoming self-employed/entrepreneurs. Compared to mature men, young people and women lack experience as entrepreneurs. In addition, youngsters and women tend to start with lower capital, tend to favour less ambitious projects, smaller investments and smaller loans. They have fewer market connections than older men and women exhibit less mobility due to family obligations. Lastly, in relation to mature men and women, young men and women possess lower levels of capital (both financial and human). The cumulative effect of policies and measures to foster self-employment and entrepreneurship has undoubtedly been positive, in the sense that the measures have facilitated the entry of numerous women and young persons in self-employment and in setting-up businesses. At the same time, in the absence of detailed evaluation studies, it is difficult to assess the cost-effectiveness as well as the overall impact of these measures.

3. Quality of self-employment jobs

Job quality depends on a number of features including job satisfaction, access to lifelong learning and career development, health and safety at work, work organisation and work-life balance,

overall work performance, etc. On top of these, the propensity for self-employment depends on a multiplicity of conditions ranging from the state of the economy to personal attitudes towards job insecurity, social protection arrangements and lack of finance. Most of these aspects have not been adequately researched in Greece, and this holds for both employees and self-employed workers. Under the current crisis, as unemployment rates increase and job opportunities in the wage sector decrease, self-employment provides an alternative to unemployment. This holds especially for the so-called periphery of workers, i.e., women and young people, many of whom can be expected to leave the ranks of family workers (a distinct category not counted as self-employed) and move to traditional self-employment in order to secure additional income.

An area of particular concern under the current crisis is the so-called ‘fake’ self-employment. This form of self-employment involves self-employed workers providing services to a single client in a continuous manner. This is a far from uniform category, comprising among others, home working, tele-working, franchising, etc. Although those working under these forms of employment are in reality employees, they are not entitled to severance payments and to unemployment benefits, just like the other self-employed workers.

Although data on ‘fake’ self-employment are not available, there is anecdotal evidence provided by the press, and even some statistical indications that the number of those engaged in these activities is increasing fast. According to the Labour Inspectorate (SEPPE), for example, the number of home workers recorded during inspections increased from 750 in 2007 to 1 991 persons in 2009, an increase of 165 %. There is also evidence that freelancers, being remunerated on a fees base are expanding, especially among the better educated young persons due to the scarcity of opportunities for regular employment contracts.

The employment protection of those working under the so-called ‘atypical’ employment forms has been the subject of a recent law, Law 3846 (May 2010). The new law states, among others, that in the event of an agreement for services between an employer and a worker, for a fixed or indeterminate time, especially in cases of pay per unit of work (work paid according to unit of work rather than salary), tele-working and home working, the agreement is understood to conceal employment in a position of subordination, provided that the work is carried out for the same employer for nine months consecutively.

In order to strengthen business sustainability of small and very small enterprises, the government set up, in 2007, the so called Programme of ‘Credit Guarantee Fund for Small and Very Small Enterprises’ (TEMPME). The aim is to facilitate access to the Greek banking system, by providing guarantees and counter-guarantees and undertaking part of the SMEs’ financial and commercial risk. Since May 2010, TEMPME has been able to provide low cost loans and guarantees to help SMEs with their tax and social insurance contributions debts, as well as for purchasing raw materials and services. Since the start of 2009 and until June 2010, TEMPME has served 56 907 SMEs, providing guaranties of more than EUR 4 billion, thus supporting the employment of 232 333 workers. The decision to extend the loan facility so as to cover debts has undoubtedly been prompted by the crisis and the extraordinary financial difficulties currently facing the SMEs.

In a rather similar vein, the Greek Bankruptcy Code was reformed in 2007. The new code has been designed according to the following principles: i) priority is given to rescuing businesses; ii) second chance opportunities are extended; iii) the bona fide principle is treated with more leniency than in the past; iv) much faster bankruptcy proceedings are adopted in the event that the company reconstruction efforts do not succeed; v) greater transparency; vi) conciliation procedures are introduced; vii) special treatment of small bankruptcies is provided for.

In relation to flexicurity, referring to the combination of flexible labour markets and a high level of employment and income security, it should be noted that the term has not yet been used in a positive manner, while the idea that there might be common links between labour laws, ALMPs, LLL and social security systems is not mentioned in public discussions.

The review of policies under the previous section indicated that in terms of training, active labour market policies and business creation, Greece has taken measures and continues to do so, partly thanks to ESF resources. What perhaps are missing are modern social protection provisions that help self-employed workers combine work with private and family responsibilities such as child care.

The self-employed are currently covered for the following risks: health care, maternity (benefits in cash and in kind), long-term care, invalidity, old-age, survivors and employment injuries. Family members are co-insured and are thus covered for sickness and maternity (benefits in kind and in cash) as well as for survivor's pension. Unemployment risk is not covered. Maternity and parental leave, sick leave, temporary replacement and leave to care for family members, are also not covered. In contrast with the self-employed, employees of the private sector are covered for both sickness and maternity leave. In addition, the self-employed must pay the whole sum of the insurance contribution, rather than a fraction (as is the case with employees). Lastly, no family allowances are provided for the self-employed (except in the case of large families). In all, the self-employed are worse off in terms of social protection compared to employees.

Extending the family-friendly social security benefits accorded to employees to cover the self-employed and assisting spouses is necessitated for reasons of fairness and is certain to hold benefits for self-employment and entrepreneurship. This action should assume priority under the current economic crisis, as many women turn to (traditional) self-employment as a means to support family income which is falling as a result of the crisis.

4. Conclusions

There is a strong sentiment for self-employment in Greece, which in combination with the structure of the economy and the institutional framework (labour market, taxation) and policies (ALMPs) accounts for the high incidence of this type of employment (roughly 30 % of total employment in 2010). An analysis of the LFS data for the period 1995-2008 reveals that self-employment has been expanding, albeit at a pace slower than paid employment. During the last two years, i.e. from the first quarter of 2008 to the first quarter of 2010, self-employment increased by 1.53 % against a drop of 1.87 % in total employment, showing remarkable resistance to the economic crisis. Further analysis of the data reveals that in relation to the pre-crisis period, self-employment now involves more women than men and more own account

workers in relation to employers. In spite of self-employment exhibiting favourable trends, it continues to remain a relatively neglected issue, as the focus of attention has now been placed upon avoiding job losses for regular employees and restricting unemployment mainly through employment subsidies.

Over the years, Greece has taken a number of measures in order to promote self-employment, entrepreneurship and business creation. Most of these measures were aimed at young people and women. The cumulative effect of these policies and measures has undoubtedly been positive, in the sense that they have facilitated the entry of numerous women and young persons in self-employment and in setting-up businesses. At the same time, in the absence of detailed evaluation studies, it is difficult to assess the cost-effectiveness as well as the overall impact of these measures.

Self-employment constitutes an important part of the economy and can contribute to overcoming the present pressure on employment levels triggered by the economic crisis. Under the present conditions, efforts to eliminate existing barriers and increase incentives for self-employment should assume priority. One such barrier, is social protection, where the self-employed are clearly worse off compared to employees. Extending the family-friendly social security benefits accorded to employees to cover the self-employed merits priority, especially for self-employed women who bear the burden of maternity and care for family members.

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