Industrial Relations at Crossroads: The Case of "Briefcase Professions" in Greece

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Abstract This paper wishes to analyse the “Briefcase Professions” issue in Greece as an answer to the prolonged economic crisis and the unemployment derailment. It briefly summarizes the domestic macroeconomic developments presenting a few key figures, which actually triggered the emergence of this kind of economic behaviour, focuses on Undeclared Work and Self-employment in Greece, discusses the term “Briefcase Professions” and contributes to the dilemma of selecting the most appropriate way to face this new type of business activity.

Keywords Economic Crisis, Undeclared Work, Self-employment, Shadow Economy, "Briefcase Professions", Greece

1. Introduction

Greece faces a deep economic depression since the inauguration of the crisis in 2008. GDP was, until recently, constantly falling, cumulatively loosing up to 26.3%, unemployment reached sky high levels reaching 28%, thousands of stores closed down and investments and bank deposits were heavily shrunk. The depression produced a variety of consequences. Especially, the crucial shortage of means of survival as well as the structure and the history of the Greek society, led to the emergence of the “Briefcase Professions” phenomenon. This phenomenon refers to a new kind of economic activity in which professionals and employers who have closed down their businesses or could not find a job due to the prolonged economic crisis, remain active but in informal terms. This choice was not driven by tax evasion, social insurance contributions and other costs but mainly it was considered as the only survival solution for the individual and his family. However, this phenomenon is a negative sum game situation for both the government and the individual professionals. This paper attempts to integrate this new, special working relationship, but also entrepreneurial activity, within the dense changes that the economic recession has bequeathed in productive relations. Undoubtedly, the Greek socio-economic structure was transformed under the weight of the crisis, the recession, the violent fiscal adjustment and the deregulation of labor relations. The pressure of the so called Memoranda of Understanding [MoU] was linked to the target of internal devaluation that dissolved very small entrepreneurship, resulting in a significant number of small entrepreneurs being forced into undeclared forms of entrepreneurship. The Briefcase Professions activity should be seen as an aspect of this pressure, being indeed a complex phenomenon that characterizes the Greek economy since 2008.


The recent economic crisis in Greece has proved to be much deeper and has been extended for a longer, than initially expected, period. The Greek government has agreed to three Memoranda (2010, 2012 and 2015) with the European Commission, ECB and IMF (the so called “Troika”), adopting bold austerity measures that would result in competitiveness improvement, through internal devaluation and fiscal adjustment, two contradictory goals in the first place. This led to the loss of more than 26% of GDP since the burst of the crisis, before the recent slow and fragile recovery. On the other hand, unemployment rates reached almost 28% in 2013 while in the age group of 15-24 it climbed up to 60% the same year, despite the domestic labor market deregulation (data from Eurostat). In 2013 private consumption lost 26% of its 2008 value and it has been stabilized at this low level the last five years, while business climate remains uncertain. Net National...
Disposable income decreased by 28.7% during the period 2008-2015 and Public Debt exceed 182% of GDP (or 335 bil. euros according to EL.STAT.)

Since January 2009, deposits and repos of private sector have been shrunk by 48.1 (or by 131,5 bil. euros) due to the deterioration of business climate, lack of trust and new tax burdens imposed on private activity, real estate owners etc. On top of that, non performing exposures (NPEs) reached 49.1% of total loans (June 2017) before a slight recent improvement, while NPEs in businesses reach today (Sept. 2018) 46.9% (or 48.3 bil. euros) of total business loans (Bank of Greece), acting as an informal pause to liquidity access for the private sector.

Therefore, it is obvious that the Greek economy has suffered a lot. Figure 1 depicts the huge loss of GDP since it compares the real GDP developments that have actually taken place compared to the scenario if the Greek economy had followed the average Euroarea-19 (EA-19) real growth rates since 2008.

![Figure 1. Real Greek GDP developments and according to average EA-19 growth rates since 2008 (Eurostat)](image)

At the same time, labour market was put under huge pressure. Net minimum gross wage was reduced to 683.76 euros per month (for those at the age of 25 or older) and to 596.11 euros (for those under 25 years of age) from 876.65 euros (the amounts are presented in 12month basis). The recent increase of the minimum gross wage by 10.9% to 758.33 euros per month rose a huge disaffection on Troika’s, and not only, side. On top of that, the majority of new jobs in the private sector refers to flexible types of employment (i.e. part time employment, short fixed-term contracts employment etc), which for the latest period (January – December 2018) accounted for 54.3% of new jobs (“ERGANI”, 2018).

From the entrepreneurial point of view, numerous and radical changes in tax and social insurance systems occurred, while severe wage and pension cuts have been imposed, crucially affecting entrepreneurship, labour market and demand. Despite the enormous wage cuts, competitiveness of the Greek economy remains disappointing (57th place in The Global Competitiveness Report 2018). At the same time, the slight improvement during 2018 in store closures, as shown in Table 1, does not address this challenge which is still quite dominant in Athens city center, without observing any serious differences when comparing to other major Greek cities. The pressure on small enterprises from the horizontal measures of fiscal adjustment was proved to be more intense on small enterprises compared to larger ones (Vlachos and Bitzenis 2016). However, the Greek business structure remained almost the same since very small (“micro”) enterprises are more compared to larger enterprises (Table 2).

<table>
<thead>
<tr>
<th>City</th>
<th>Period</th>
<th>Number of Stores</th>
<th>Number of Store Closures</th>
<th>% of Store Closures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Athens City Center</td>
<td>March 2013</td>
<td>6.461</td>
<td>1.855</td>
<td>28.7%</td>
</tr>
<tr>
<td></td>
<td>March 2014</td>
<td>6.269</td>
<td>1.969</td>
<td>31.4%</td>
</tr>
<tr>
<td></td>
<td>March 2015</td>
<td>6.529</td>
<td>1.795</td>
<td>27.5%</td>
</tr>
<tr>
<td></td>
<td>March 2016</td>
<td>6.608</td>
<td>1.710</td>
<td>25.9%</td>
</tr>
<tr>
<td></td>
<td>March 2017</td>
<td>6.603</td>
<td>1.736</td>
<td>26.3%</td>
</tr>
<tr>
<td></td>
<td>March 2018</td>
<td>6.607</td>
<td>1.645</td>
<td>24.9%</td>
</tr>
</tbody>
</table>

Source: IN.E.M.Y. -ESEE

Regardless of the “reforms” made so far, the Greek economy and above all the Greek society is still suffering from a huge living standards deterioration and has many and obscure challenges to overcome. The above mentioned enormous pressures on the labour market pushed the labour force to react in a way that was not expected by Greece’s debt holders. In this framework, the Greek Economic Model has been redefined (hundreds of thousands SMEs closed down), almost half a million (Lazaretou, 2016), mostly well educated, personnel has abandoned the country (brain drain) while Greeks seem to form rather blurred and gloomy expectations for the future (European Commission).

2.1. Hypothesis and Methodology

The main hypothesis of the paper is that regardless the devastating impact on the economy and the closure of thousands of enterprises, it seems that “micro” entrepreneurship and self-employment still survive, based on the overwork of the employer/ owner and own family’s support, which has been largely transformed into undeclared self-employment, the "Briefcase Professions"
phenomenon as presented in this paper. Small entrepreneurship, which has historical roots in the Greek economy, does not appear to be disintegrated and transformed into paid employment, but takes different, more subdued forms, justifying the failure of support programs and, on the other hand, contributing to the stabilization of the socio-economic structure.

The dynamic relationship between self-employment and unemployment has a historical depth (Oxenfeldt 1943) and has been extensively highlighted in the literature by pointing to the assumption that in times of economic recession, rising unemployment leads to an increase in self-employment due to the fact that the opportunity cost to start a new business is significantly reduced (Blau, 1987; Evans and Jovanovic, 1989; Evans and Leighton, 1990; Blanchflower and Meyer, 1994). In Greece, self-employment remains the highest among EU Member States while one of the special features of the Greek case is the growth of informal self-employment. This growth, apart from its historical features, is a “high risk option” for adapting to an unfavorable business environment. This contributed in creating and expanding the “Briefcase Professions” phenomenon as a reasonable reflection of this fact. It is a combination of self-employment and undeclared work that is adopted by all the professionals who have either officially closed their businesses or they recently became unemployed, but remain active in absolute informal terms as a survival strategy.

Regardless of the fact that this is an economic activity which is not recorded in the official economy and data and therefore does not contribute to taxation and to insurance system, the case of “Briefcase Professions” generates an income that ends up in supporting consumption, while allowing these individuals to survive. An additional element that derives from maintaining this informal business - a new type of entrepreneurship that characterizes the traditional petit bourgeoisie - reinforces the view that one of the basic characteristics of the Greek crisis was the fact that the fundamental structure of the society remains practically unchanged (Aranitou, 2018). One of the key assumptions of this paper is that part of the formal self-employment that has left the official economy has moved to the shadow economy in order to be able to replicate. At the same time, several employees in specialized jobs that have lost their employment status and have become unemployed, were led to perform a Briefcase Profession. These two categories of individuals actually are the Briefcase Profession phenomenon.

The methodology adopted here is twofold. On the one hand, the real data on the main indicators of the economy as well as the number of micro-enterprises and self-employment are being explored. However, given that this is a type of activity which is difficult to be traced, we conducted 30 open interviews as part of our research projects, which resulted in a series of qualitative data, mainly concerning the performance of these individuals according to their professional activity. At this point, it should be made clear that this article does not address the widespread in Greece “Bogus Self-employment” issue. The latter is driven by the motive of avoiding strict labor law and externalizing costs and for which it is possible to estimate its participation in GDP (Robson, 2003).

More specifically, it is noted that "Bogus Self-employment" differs from self-employment and “Briefcase professions” in the sense that the former “is a type of non-standard employment that falls between the categories of employment and Self-employment” (ILO, 2018). It can take the type of a “disguised employment relationship, in which ‘an employer treats an individual as other than an employee, in a manner that hides his or her true legal status as an employee’, and “dependent self-employment, in which workers perform service for a business under a contract different from a contract of employment but depend on one or a small number of clients for the incomes and receive direct guidelines regarding how the work is done” (ILO, 2016). In either case, workers in Bogus Self-employment are “typically denied employment rights and social protections that are provided to those workers whose status as employees is beyond dispute”.

On the contrary, in the case of "Briefcase Professions" it is almost impossible to estimate its participation in GDP as it is not a camouflaged form of dependent self-employment. Our perception relies on the daily observations that underline the importance of their presence on the labor market and not a quantitative data since there are not enough surveys on the subject.

3. Undeclared Work and Self-employment in Greece

At a parallel level, undeclared work refers to that form of work not recorded in the official economy. It is precisely this property that makes it extremely difficult to estimate its size and the consequent exploration of its characteristics. There are two ways of assessing undeclared work: Indirect and Direct (European Commission, 2007). The former uses comparisons of macroeconomic aggregates (national accounts, electricity consumption, etc.) and tends to overestimate the size of the undeclared work, without shedding light on its particular socio-economic characteristics. The latter, involves social research and tends to underestimate the height of undeclared work.

In any case, during the recent period, efforts are not focused on eliminating undeclared work, but instead on integrating it into the formal economy (Dekker et al, 2010; Williams 2014). For this reason, all available tools are being utilized, either the direct ones, such as ensuring that the benefits of formalizing economic activity outweigh those of undeclared work or the indirect ones, which are aimed at boosting confidence among economic actors and creating bold relevant culture in society.
Undeclared economy is estimated at almost 25% of Greek GDP (ILO, 2016), a performance that confirms the fact that shadow economy has rather become a common practice. Besides, in Greece, low tax compliance is associated with low trust in institutions and government (Kaplanoglou and Rapanos 2013). However, there are countries such as Bulgaria, Croatia, Romania, Lithuania and others with even higher rates of undeclared economy in the same survey. However, the performance of the Greek economy is not based only to the outbreak of the economic crisis, since Greece has always had high rates of undeclared economic activity (Figure 2).

Figure 2. Average Size of the Shadow Economies from 1996 to 2014 (interpolated values for 1997, 1999 and 2001), as % of official GDP (Source: Schneider F., 2017).

The majority of people participate in undeclared work, and especially young people who find it particularly hard to enter Labor Market and generally those facing financial difficulties. Of course, even financially bold professionals such as doctors, lawyers, engineers etc seem to benefit from this informal type of economic activity by both working in the shadow economy and also using undeclared work (e.g. maintenance of their homes, baby-sitting etc) to a considerable extent. The difference between those two groups is that for the former, there is no other alternative way for survival.

On a theoretical level, undeclared work arises when “state morality” (laws and regulations) is different from “citizens’ morality” (socially shared unwritten rules) (ILO, 2016). In Greece, those two types of morality are not aligned, judging from the levels of trust towards the government, a remark based on the traditional lack of trust either horizontally (among taxpayers) or vertically (between citizens and the state) (Ballas and Tsoukas, 1998).

In any case, it is confirmed that the divergence of state morality and citizens’ morality is due to (ILO, 2016): The relatively lower per capita GDP, the higher levels of corruption and lower quality of government, the poor expenditures on labor market interventions in order to strengthen the most vulnerable groups, the lower levels of social spending, the social transfers that are less effective in reducing the level of inequality and material goods deprivation.

The concept of self-employment in Greece and in this paper refers to employers without employees, but does not include employers with employees and unpaid family workers, as is the case with the official definition of the OECD. In particular, the OECD states that "Self-employment is defined as the employment of employers, workers who work for themselves, members of producers' cooperatives, and unpaid family workers. The latter are unpaid in the sense that they lack a formal contract to receive a fixed amount of income at regular intervals, but they share the income generated by the enterprise ", (OECD 2018).

However, even according to the above broad OECD definition, self-employment in Greece is the highest in the EU and the second highest after Colombia. Traditionally, Greek economy has been characterized by intense individual initiative and also by worth noting individual property. This is considered as one of the inherent phenomenon of the Greek social and economic structure and has caused severe criticism from «Troika», which actually pushed for measures against the self-employment, but without any significant results, as seen in Table 3. Nevertheless, self-employment in Greece remains very high, despite the shrinkage during the recent years due to the economic crisis, the fall of demand and the burst of uncertainty.

1 Of course, there are other related surveys (SEPE, INE-GSEE and others), which show higher rates of undeclared work, but the findings should be examined with caution as they are not based on a random sample, but on sectors and activities most likely to show labour law violating behavior.
Employed people are as those aged 15 or over who report that they have worked in gainful employment for at least one hour in the previous week or who had a job but were absent from work during the reference week.

One reason for those particularly high self-employed rates for the Greek economy is that the sectors of farming and commerce accumulate more than 30% of total employment (30.1% in Q2 2018). On top of that, the self-employment robust figures remain particularly high in Greece for many historical, social and economic reasons. The Greek civil war (1944 – 1949) actually had held a substantial part of the population (the ones who had supported the communist party and lost the civil war) away from the official state (could not work for the government as civil servants etc). Furthermore, as a southern European country, family pays a crucial role in Greek society, compensating significantly the rather poor role of the state itself and its provisions.

However, one should not forget that for the whole post-war period, large-scale investments were limited, so that the individual economic agents were “forced” to create a small business on their own, even a micro one. Finally, one could also mention the geographical reasons, given that Greece has many small islands and remote villages, making thus the establishment and operation of bigger enterprises (with employees) non profitable.

It is worth noting that for some countries, including Greece, unpaid family workers are extremely important in sectors like farming and retail trade, tourism, constructions, as well for professions like electricians, plumbers etc. However, self-employment does not necessary include only the ones who are empowered by entrepreneurial spirit and a desire to be one’s own boss but also those who choose to become self-employed as a survival strategy, especially for those who cannot find any other means of earning an income.

So, the conclusion lies in the sense that in Greece, self-employment has developed and expanded more as a survival strategy for those who were not able to make ends meet and find any other means of earning an income rather than encouraged by strong “business spirit” and the quest for bold profits. On top of that, the pressure of the recent economic crisis, followed by particularly strict austerity measures under Memoranda have led to the loss of more than 800 k jobs, which corresponds to more than 800 k potential “undeclared work victims”, who are ready to accept a job of almost any kind and under any terms, preferring to work for themselves in the so called “Briefcase Professions”. Finally, the negative business climate and austerity measures have been working complementary in favour of undeclared work and “Briefcase Professions”, e.g. confiscation on bank accounts for debts to Tax Authorities and/or Social Insurance Funds etc, which had been created during past business activities ended up inflating this phenomenon.

### 4. The "Briefcase Professions" Analysis

This framework, including new and harsher taxation and social insurance systems in Greece as well as radically reduced demand, gave birth to an unprecedented option for the European standards: The “Briefcase Professions”. This term actually refers to “professionals who have officially closed down their businesses but remain active in absolute informal terms, as a survival strategy, as well as the professionals who had been working as employees and are now unemployed.

This characteristic name came from the fact that these professionals are reaching the place of work usually carrying along a bag, or a “Briefcase”, which contains all the necessary equipment. Professions with the highest rates of this kind of work are those of Hairdressers (up to 40%), electricians, manicurists, plumbers, car repairing services (technicians of any kind), private lesson teachers, real estate agents, cooks and dieticians etc. It implies that professionals have officially paused their business activity, i.e. they no longer run a business or hire any employees. At the same time, they pay no taxes or fees nor social insurance contributions etc., but are still unofficially active by either visiting customers to their homes (e.g. hairdressers, electricians) or by accepting them in their own non-officially business permitted establishments (houses, garages etc.). It is estimated that about 11% of undeclared work can be characterized as “Briefcase Professionals” (estimation ILO, 2016). This new type of activity can be seen from two different aspects: As a new type of entrepreneurship and as a “shadow economy”. This means that we have to take under consideration both this new form of entrepreneurial spirit as well as the tax and social contributions evasion.

This activity is part of a wider entrepreneurial culture but is not as innocent as one might not think, nor can be ignored due to the special conditions under which it has emerged. The “Briefcase Professions” phenomenon exhibits both economic-business and sociological
characteristics. *Ab initio*, the economic-business features crystallize contradictory properties, as on the one hand there is overwork, insecurity for the future, while on the other uncertainty resulting from the lack of social insurance in the long run. At the same time, there is also the fear of being revealed by the state and having to pay a high fine. On top of that, there is no doubt that such extensive activity causes significant fiscal losses in the field of taxation, social insurance contributions and also shrinkage of rental tax revenues for the Greek budget. On entrepreneurship grounds, there is a double positive outcome: The first has to do with the survival of those professionals, who retain their skills and knowledge capacity, and the second with the hope that they could return to the official economy as soon as the economic perspectives allow it. However, the negative result of “unfair competition” towards the legitimate enterprises must not be neglected.

In particular, the first group of problems, as emerged from empirical research, refers to Overwork of the "Briefcase Professionals". Since the activity is totally unofficial, there is no legal framework and relative monitoring procedures and therefore, these professionals may end up suffering from "burnout" problems. This is also linked to high uncertainty, without insurance benefits. In this type of work there is no protection against unemployment, disease etc. hazards, the risk of fraud or pay denial from the client's side, which is actually increased, while these professional remain totally uninsured against occupational hazards. On top of that, in case of an accident during work, "Briefcase Professionals" lack insurance to cover either themselves or their customers.

The second category is related to losses at the level of public revenues. The unofficial type of "Briefcase Professionals" means that the government is losing money inflows, since the former group does not have any tax liabilities and therefore these professionals do not contribute to the state's tax revenues. The same holds for the Social Insurance System. The "Briefcase Professionals" are not considered to be active and therefore are not obliged to pay any social insurance contributions, thus depriving the Social Insurance Systems' of revenues. In macroeconomic terms, this exact deprivation of tax and social insurance revenues further weakens the already fragile Greek economy, jeopardizing its perspectives. In order to cover this gap, additional tax and social security burdens will become unavoidable in the near future for the honest and consistent taxpayers. Another challenge derives from the real estate value decline. The fact that "Briefcase Professionals" do not need a business estate to operate reduces demand for business premises and leads unavoidably to real estate value shrinkage. Further losses to the government's budget occur since a part of the "Briefcase Professional", say the non-benevolent one, can still receive public benefits (e.g. unemployment benefits) while working unofficially at the same time. This widens the fiscal gap and adds more pressure to the government's budget, while serving as a bad example towards legitimate professionals.

During those harsh times, when the private sector bears the major burden for Greece’s crisis exit, the "Unfair Competition" challenge arising from the "Briefcase Professionals" towards legitimate enterprises has to be addressed. The "Briefcase Professionals" are ahead of the game, since they have a much lower operating cost (no tax and social security duty, municipal fees etc.) pushing aside the legitimate enterprises. On the other hand, this could also be the start of a creative entrepreneurship, since the opportunity cost of “Briefcase Professionals” for testing new approaches and ideas is much lower.

Another aspect that emerged mainly from the qualitative research refers to their particular sociological and cultural characteristics. The main property is the good knowledge of a "Craft" and the confidence in it. All these "Briefcase Professionals" have been proven to be adequately trained and capable Professionals, often bearing a relevant school diploma or, moreover, having worked in a well-recognized by consumers company, or even having run their own business in the past. Therefore, one can argue that this is a kind of informal guarantee for the quality of the service provided by the Briefcase Professionals. Indeed, sometimes the customer feels lucky to receive services from the specific professional.

Furthermore, the personality of the latter has certain characteristics: seriousness, responsibility and consistency, as he/she must inspire trust in order to enter the private space/ home of the client. At the same time, the "Briefcase businessman" works longer hours but during the time schedule he prefers, acquiring sometimes even higher income than the corresponding income before the crisis, this time tax- and social contribution-free. Another sociological result that characterizes the "Briefcase Professionals” is the very low income they received during their last job or the “business dead-end” they had reached when they run their own business. It is worth noting that in the question of whether they would return to an employment relationship, most of them responded positively, "under certain conditions": a stable but higher salary and insurance for the time they work.

5. An Open Conclusion: Can "Briefcase Professions" Leave the "Shadow Economy"?

"Briefcase Professions" have become part of everyday life and what is probably worse of all, they have penetrated and contaminated the mentality of the labour force since besides a “solution” to unemployment it is considered as a necessary act against state biased interventions, uncertainty and economic crisis outcomes. The official state is before a crucial dilemma: Either 1. to use all tools available in order
to force the “Briefcase Professions” activity to rise itself to the surface or 2. to gradually enhance trust and make the avoidance of this kind of economic behaviour the only reasonable option.

Thus, according to the first choice, the state has to fully utilize its power and implement new tools in order to reveal the “Briefcase Professions” activity. On the other hand, the inclusion of the “Briefcase Professions” to the official business activity might be proven much more profitable for both government and individual entrepreneurs, since it is going to enhance tax and social security revenues along with standards of living. Besides, even if shadow economy is somehow miraculously captured by the state, this does not guarantee that the violators will continue to work under the new scheme (taxation, social security contributions etc), since they will probably soon realise that official economy activity practically absorbs almost all financial profits.

In conclusion, we could argue that undeclared work and “Briefcase Professionals” are the path on which the traditional middle class in Greece walks on in order to overcome the prolonged and severe economic crisis. These phenomena are born mainly out of desperation and are characterized as the Greek middle class strategy for survival. However, they bear a huge burden to the Greek economy today and put extra pressure on its perspectives. Collective Agreements, improvement of trust, reduction of taxes and social insurance contributions, less red tape and respect of the “game rules” might be proven as a better choice, compared to the proposed further deregulation and proliferation of monitoring tools for these undeclared forms of work.

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1 JEL Classifications: E26, H26, H32, J21