

New forms of employment Voucher-based work, Greece

Case study 53: West SA

This case study examines the introduction of the service voucher system for certain categories of casual worker in West SA, a private company in the communication and advertising sector. The experience has highlighted the need for greater guidance on the employment relationship, less red tape on recruitment and more knowledge by users of the specifics of each employment category in the scheme.

Introduction

In Greece, the service voucher is a special money order or cheque for a specific monetary value which includes the net wage of a named casual employee plus the employer's social insurance contributions.

The voucher system was introduced in articles 20–24 of Law 3863/2010 in 2010. Since then, a number of circulars have been issued in an attempt to regulate the scheme's implementation, the most significant being Circular 43 of 2013 titled 'Remuneration and deduction of contributions in casual employment with the process of issuing and redeeming of a specific money order: the service voucher'. The most recent modification of the system at the time of this case study (March 2014) took place with Law 4225/2014 titled 'Upgrade and improvement of the mechanisms for the collection of insurance contributions and fines for uninsured and undeclared work'.

The service voucher constitutes the only means of transaction between the employer and certain categories of casual employees for the provision of specified services. It covers:

- domestic workers in dependent employment who are employed by one or more employers for a specific period of time;
- individuals who provide cleaning and gardening services for public spaces of buildings;
- individuals employed by a private company for the distribution of printed advertising material without a specific address;
- individuals employed by a private company for the promotion of beauty care products and consumer products in supermarkets, food stores and department stores;
- individuals employed by professional and amateur athletic organisations or other legal entities during the course of athletic events that take place in athletic establishments.

Before the introduction of the service voucher system, private individuals who employed domestic workers had to pay their insurance contributions to the Social Insurance Institution

(IKA) and submit an ‘analytic periodic statement’ (APS) to IKA with information on the period of employment of each insured person, their wage, the sector of their employment and the amount of their social insurance contributions. In this sense, the APS system constituted a tool that could be used to monitor the employment of casual and domestic workers, among other employment categories, according to specific guidelines.

Since 2010 it has been compulsory for domestic workers and for other employment categories specified by the law to be employed through the service voucher system. This changed only the process by which such employees are paid and the system used for their social insurance. Employees are paid either through the banking system which credits the value of the voucher to their bank account or the voucher is handed over to them if it has been bought by their employer at a post office; if someone does not have a bank account they cannot get paid.

Finally, Circular 43 of 2013 introduced new employment categories besides domestic workers to the scheme. These mainly involve casual employees employed by private companies for the distribution of printed advertising material to unspecified addresses and the promotion of beauty care and consumer products.

Since this is a major change and indicates the intention to broaden the focus of the policy to include private companies, the case study presents a private company, [West SA](#), to illustrate the Greek service voucher system. Because the voucher scheme was relatively new at the time of this study (March 2014), there was no literature analysing this new employment form. So far, the public’s attitude to the voucher scheme has been neutral – there is neither a strong positive voice supporting the scheme nor a strong negative one calling for its abolition.

This case study is based on interviews with:

- the director of the accounting department of West SA;
- a casual worker employed by West SA under the voucher scheme.

In addition, desk-based research on the regulations relating to service voucher policy was undertaken and media publications were consulted.

General characteristics of the voucher system at West SA

West SA is a public limited company (PLC) that has been operating in the communication and advertising sector in Greece and Cyprus since 1994. The company is owned by four shareholders, with one holding 80% of the shares and the other three the remaining 20%. Two of the shareholders are women and two are men; their age ranges from 45 to 67 years-old.

The company began its operations at its current headquarters in Patras, Greece. It has three more offices in Greece and one in Cyprus. It offers four main services:

- sales promotion that includes in-store or outdoor promotion of products and services, product sampling, distribution of promotional material and organisation of corporate events;
- merchandising;
- distribution of promotional material either door-to-door, via mail or other methods;
- advertising.

West SA’s revenues were around €7 million in 2012 and €9 million in 2013, indicating a strong economic development. It employs 170 individuals on standard employment contracts and around 80–200 casual employees at a given time depending on the ongoing projects. The number of employees also depends on seasonality, with higher numbers during peak sales periods such as Christmas and the summer holidays. At the time of the case study (March 2014), the company did not have a formal human resources (HR) strategy or a works council.

The average tenure of employees with standard employment contracts is eight years. They are employed in:

- administrative functions such as HR, accounting, marketing, sales, advertising, merchandising, project management, event organisation and the distribution of promotional material;
- product sampling.

Two-thirds of them of these employees are women. They are all Greek citizens and their age ranges from 18 to 61 years-old. They cover a wide range of skills depending on their business function and a half of them have university degrees.

Almost two-thirds of the company's casual employees are employed through the voucher system, especially those who:

- distribute advertising printed material;
- promote beauty products in specialised stores;
- promote consumer products in supermarkets, food stores and department stores.

Most of these workers are women, both Greek and EU citizens, aged between 18 and 42 years-old, with good communication skills. The majority of service voucher workers do not have university degrees.

The voucher system was first implemented by West SA in January 2014. The company used to cover its casual employees through the APS system, which it still uses to cover those casual workers in employment categories not covered by the vouchers.

Social insurance contributions paid by the employer under the voucher system constitute 25% of the employee's gross wage. The minimum gross wage according to the National Collective Agreement is €586.08 per month for individuals above 25 years-old and €510.94 per month for individuals below 25 years-old in full-time employment.

Finally, just like those in standard employment, employees paid under the voucher system are entitled to severance payments, holiday entitlements (for Easter, Christmas and summer), sickness leave and sickness benefits.

The West SA representative interviewed for this case study was a 50 year-old woman who was a Greek citizen and had been working as the director of the accounting department for 10 years. The interviewed employee was a 22 year-old woman, who was a Greek citizen and a university student studying economics. She has been doing this job for almost a year mainly as a means of gaining some money for her studies.

Design and implementation process

The only reason behind West SA's decision to participate in the voucher scheme was because it was compulsory for workers distributing printed material or promoting beauty care products. This means there is no possibility of hiring someone on a standard full-time or part-time contract for these tasks. At the same time, West SA believes that the voucher system is beneficial for the company since it substantially reduces its social insurance contributions compared with the previous APS system (25% versus 35.4%).

Workers generally decide to undertake casual employment regulated through the voucher system at West SA for reasons including:

- access to the labour market;
- a source of income;
- insurance, health and social benefits;
- work experience;
- work-life balance.

However, some are forced out of necessity to take casual employment because they are unable to obtain a job with a standard employment contract.

At West SA there are three main categories of individuals who are employed as voucher workers:

- students who are looking for income to support their studies;
- women with children who seek employment and work–life balance;
- individuals who cannot find standard employment and for whom casual work is the main activity and source of income.

The director of the accounting department became aware of the voucher system after publication of Circular 43 on 11 July 2013. She informed the general manager and the owners, and began implementing the system for the employee categories included in the legislation. The casual workers themselves first gained knowledge about the voucher system when the accounting department informed them of the new rules.

At the time of publication of Circular 43 of 2013, the only things clear to West SA were that it had to buy the vouchers and the amount of the social insurance contributions. Apart from that, there were no clear guidelines on the scheme. This created much confusion as West SA did not know whether employment under the service voucher scheme was subject to the same employment guidelines applied to the APS system and the National Collective Agreement. For example, the company did not know whether it had to sign a formal contract, register the employee with specific organisations, register them in the Orange Book (a book provided by IKA where the company has to register all its employees every month) and so on. There was no transitional phase and the company posed a number of questions to the Ministry of Labour and Social Security asking for clarification. It took the ministry three months to issue a new circular clarifying these issues. In the meantime West SA decided not to implement the service voucher system – even though it was compulsory – until it received further guidance.

West SA finally started to use the system in January 2014. After January 2014, it became clear that the voucher scheme constitutes a different system of social insurance and a different means of providing remuneration only for specific categories of casual workers and is not a different form of employment. This means that, at West SA, voucher workers are offered the same contract as they used to get under the previous system. The company believes that this is the only way to attract and retain a group of motivated, efficient and effective casual workers.

Working method, processes and procedures

At West SA, the service voucher system is used as:

- a payment for the provision of specific services, including the employer’s social insurance contributions;
- a means of insuring those casual employees who belong to the categories specified by law.

The workers first gained knowledge about the voucher system when the accounting department of West SA informed them about the new regulation. West SA recruits its voucher workers in much the same way as it used to hire staff for the type of tasks covered by the system before its introduction. As soon as West SA receives a project from a client company, it starts to recruit and select potential workers to carry out the required tasks from its database of casual employees and their recruitment network. The HR department conducts the selection process following the guidelines of the project manager about the number of casual employees required for each project. West SA does not require high-level skills for the distribution of printed material and the promotion of products, so the selection process is straightforward. The challenging part of the recruitment process is organising the necessary and appropriate casual workers within the specified time frames. A typical assignment lasts from four hours to three days. When West SA finds a suitable individual, it agrees with them the required job, conditions, location and payment.

As with the APS system, West SA needs to draw up an employment contract and register the casual employees with the appropriate social insurance institution and the Manpower Employment Organisation ([OAED](#)) if the employee had a registration number, or the Hellenic Labour Inspectorate ([SEPE](#)) if they do not.

When the formal procedures are complete, West SA buys the voucher from a certified bank mainly through its online system and the bank deposits the amount to the employee's bank account when the work has been done. The bank then pays the social insurance contributions to the relevant insurance institution. There is also the option for West SA to buy the voucher from a certified bank or the post office and hand it over to the worker without any intermediary organisation. In this case, the voucher is issued in two copies. West SA keeps one as proof of payment and gives the second to the employee as a means of payment for the service provided and as proof of employment.

The following information is written on the service voucher:

- voucher number;
- legal issuer of the voucher;
- name of the employer;
- employer's AMKA (social insurance registration number);
- first name and surname of the employee;
- employee's social insurance organisation;
- amount of the voucher;
- social insurance contributions;
- issue and expiration dates of the voucher.

However, at the time of the case study (March 2014), the policy did not indicate when exactly the employer has to buy the voucher and hand it over to the employee. This information is important for West SA and for every private company as explicit guidelines eliminate the risk of being fined by the insurance institutions that monitor the implementation of the system.

There is no maximum amount of service vouchers West SA can issue per year. A single voucher's nominal value cannot be less than €5. The voucher expires four months after the issue date and cannot be cashed in by the employee after this date. The net sum (that is, the total amount minus the social insurance contributions) is paid to the worker as their wage. Vouchers that have been issued but have not been used by West SA are cancelled within three months of their issue date and West SA receives the whole amount of the voucher. If a service voucher has not been cancelled by West SA or cashed in by the employee, the issuing entity has the right to pay the nominal value on the voucher to the relevant insurance institution, and in this case, West SA needs to claim the amount from the social insurance institution. In cases of loss or destruction of an uncashed voucher, only West SA has the right to demand the re-issue of the voucher from the relevant issuing entity.

At the end of each year, the insurance institution issues an annual aggregated statement with the total contributions paid by the employer and the employee; this statement can be submitted with a tax return as a supporting document for tax deductions. Two-thirds of the social insurance contributions are deducted from the employer's taxable income, while one-third is deducted from that of the employee.

Following the procedures outlined in Circular 43 of 2013, West SA calculates the days of insurance using the formula:

Days of insurance = amount of social insurance contributions (in euros) / 11.63.

The voucher provided by West SA contains the net wage plus the social insurance contributions as specified by the law. In order to calculate the nominal value of the voucher, West SA needs to multiply the agreed net wage by 1.333. For example, if both parties have agreed on a net wage of €600 per month, then the nominal value of the voucher would be: $€600 \times 1.333 = €800$. The social insurance contributions would be the 25% of this amount, that is, $€800 \times 25\% = €200$.

The social insurance contributions are allocated as follows:

- 14.45% goes to the employee's pension contributions;
- 4.65% to sickness benefits (for example, hospital stays and medical tests);
- 0.86% to cash benefits for sickness;
- 4.32% to supplementary social insurance;
- 0.72% for social housing contributions.

Although the social housing organisation was abolished in 2012, employees and employers continue to pay 0.72% of their social insurance contributions for social housing even though they are not going to use its services. The cash benefits for sickness are provided to employees who have completed 120 days of insurance during the last year while, for the provision of maternity package, 200 days of insurance must be completed during the two years before labour. Sickness benefits are provided to service voucher employees who have completed 100 days of insurance during the previous year or the last 15 months excluding the last three months of the 15 months period. All this means that, even though voucher workers have to pay for their social insurance contributions, they do not get the corresponding social benefits unless they have accumulated the minimum required working days. It also means that if a voucher worker finds employment during the last three months of the 15 months period, they will not get the corresponding sickness benefits in kind.

The voucher system follows the National Collective Agreement for the daily minimum wage and employees are entitled to:

- a pension when they complete a specific number of insurance days and reach the official retirement age;
- severance payments;
- social benefits – the right to apply for public childcare;
- holiday entitlements – for Easter, Christmas and the summer);
- cash benefits for sickness, maternity leave, funeral expenses and sickness benefits in kind.

Finally, it is not clear whether there are strict regulations to which West SA and employees have to adhere. The wage level and all the other elements that fall under the employment agreement (training provision, working conditions, rest periods, maximum/minimum duration of work, notice periods, severance payments, holiday entitlements, bonuses and so on) are supposed to follow the employment law that regulates the APS system, but this is not stated explicitly in the relevant circular. West SA decided to follow the National Collective Agreement because it wanted to attract the best possible employees. In this sense, it provides casual workers with the wage levels, bonus schemes, overtime payments and severance pay as prescribed by the collective agreement and the previous APS system.

External support

Initially, there was no external support for the service voucher scheme. It is the responsibility of each company and their accounting personnel to stay on top of any changes in the employment status of its employees. But given the numerous problems associated with implementation of the scheme, West SA required extensive external support in terms of advice and specific guidelines

about implementation in order to follow the statutory procedures and avoid fines. It contacted the agencies that monitor and regulate the specific occupational categories – IKA and SEPE. Both tried to provide support by issuing further guidelines generally to all companies regarding the specifics of the implementation. Although the relevant institutions were initially slow to provide solicited information, less than a year after the announcement of the scheme for the occupational categories that concern West SA, most of the problems had been resolved.

Outcomes and effects

There are two main differences between the voucher system and the APS system:

- a reduction in the employers' social insurance contributions from 35.4 to 25% of the gross wage;
- employees now receive their pay and their social insurance contributions as a voucher – a special money order or cheque of specified value.

For West SA, the voucher system did not provide the necessary flexibility it had in mind when it implemented the scheme as the administrative burden that accompanies the beginning of the employment relationship has not been reduced. Moreover, West SA provides exactly the same wage and benefits to casual employees as it did before implementing the voucher system.

The service voucher per se did not create any more jobs at West SA, mainly because of the administrative burden and the so far limited legal guidelines. It did not improve the retention and tenure of workers and it did not change work organisation at the company.

There are issues about how West SA monitors and controls its casual employees, accesses appropriate workers and how efficiently it organises its processes, but these are problems that West SA as an employer of casual workers needed to address before the implementation of the voucher system. The voucher scheme had no effect on the way West SA tries and manages to deal with these issues. In general, West SA seeks to build a reputation of being a good employer which respects the rights of its casual workers and the National Collective Agreement and cares for them. It has developed systems for receiving feedback from its clients and it knows exactly when clients are satisfied with its services and how they can be improved. There are also project managers that design and oversee the provision of the services and monitor the workers. Finally, West SA tries to be an employer of choice; in this way, it hopes to develop an appropriate and efficient database of effective casual workers with which to deliver its services and to create commitment and motivate its staff.

The implementation of the voucher scheme for the employment categories specified by the law did not alter the profile of the casual workers looking for work at West SA. It is exactly the same profile as before and most of the individuals are recruited through West SA's database. Thus there are mainly the same workers who have to follow the new regulation. No casual workers at West SA used to work without being insured, so the voucher system did not legalise any undeclared work because there was no undeclared work. Moreover, the voucher scheme does not limit the amount of vouchers a worker can use per month or per year, or the number of days a worker can work on vouchers, so it does not restrict opportunities for employment for the casual workers that belong to the employment categories covered by the voucher service system.

All casual workers at West SA, whether or not they work under the voucher scheme, have exactly the same concerns regarding:

- job security;
- their desire to move to full-time employment;
- stability of working time;
- their employability;

- the management of relations with their co-workers.

Their concerns relate to the fact that, as casual workers, they always have to fight against unemployment; their jobs are always fixed term and their nature might not help them obtain the necessary qualifications for standard employment. There are times where casual workers feel as though they are second class citizens, but they state that West SA stresses their important role in the company's success and treats them as equals to its full-time employees.

There are, of course, some workers who prefer the flexibility provided by casual employment because it provides access to the labour market and work–life balance for individuals with family commitments or other engagements, such as higher education students. Moreover, some workers, especially those employed for the promotion of specific goods, might use this type of casual work to develop their personal skills of selling and promotion and a social network that might contribute to their transition from voucher work to standard employment either at West SA or another company.

The employees interviewed also mentioned that it had been difficult for them to get used to the voucher system as they had to learn how to use the formula with which to calculate their insurance days. Finally, they indicated that IKA had not yet managed (as of March 2014) to provide appropriate information about their days of insurance under the voucher scheme. Before the voucher scheme was implemented, employees used to get this information frequently since their social insurance institution was obliged to hold these data and inform the workers.

Finally, the initial plan for implementation of the voucher system did not adequately address specific issues raised by West SA and IKA had to issue a number of circulars to provide more specific guidelines. For example, a major issue that arose was whether West SA should create a formal employment contract for voucher workers just as they did before the scheme for casual employees and which procedures they should follow. This was not specified explicitly in Circular 43 of 2013. West SA made a formal request for clarification to IKA and, after three months, IKA responded that the company had to follow the same administrative procedures for employing casual staff as they did before the scheme was introduced.

Nevertheless, the service voucher scheme as applied to all the specified employment categories – especially the domestic workers – has the potential to:

- increase the legalisation of undeclared work;
- provide insurance benefits to casual employees.

In this sense, it improves their quality of life and at the same time contributes to increasing public revenues.

Strengths and weaknesses

The main strength of the system, as implemented by March 2014, is the reduction in labour costs for the specified occupational categories with the substantial reduction in social insurance contributions 35.4% to 25% of the gross wage. Moreover, the scheme has the potential to enhance the flexibility and further development of West SA, but only if the Ministry of Labour and Social Security can find a way to limit the administration burden. The voucher scheme also supports the legalisation of undeclared work and is desirable for casual employees as are covered for social insurance.

Because the administrative formalities regarding the process of appointment have not been reduced, West SA sees this is a major weakness of the system as it operates now. Moreover, the law needs to state explicitly that all voucher workers are subjected to the same employment law that regulated the previous APS system and their employment relationship. This is because the absence of such specificity might be interpreted by many employers that the employment relationship depends on the individual agreement between casual worker and employer. Even

though this is not currently happening in West SA, it may be the reality for many casual employees in these employment categories. Furthermore, according to West SA, further guidance is needed on exactly when the company should buy the vouchers.

During the implementation of the scheme, another serious problem arose concerning the location for the provision of the specific services. Circular 43 of 2013 indicates that individuals employed for the promotion of consumer goods in supermarkets, department stores and food stores should be covered by the service voucher scheme. In this way, they indicate specifically the location of the service provision. This means that the employees promoting the same products in any other location should be covered by a different insurance scheme, and be paid differently and not through service vouchers. There is great ambiguity regarding what it is meant by 'food stores' and which categories are included. For example, if West SA promotes mobile telephone cards in a supermarket it employs individuals through the service voucher scheme, but if the company wants to promote the same cards in a telecommunications company store or at the park next door, it has to employ the casual employees through a different insurance scheme. This complicates matters, especially when West SA negotiates with its clients on a bid for a project that involves all the above means and locations of distribution.

There were also instances where West SA had to decline a project because it was too complicated and too ambiguous in terms of the employment status of the different casual employees. In this sense, the legal framework that regulates the employment categories under the scheme needs to take into account the specifics of each occupational type. Future circulars might need to include individuals employed for the promotion of consumer goods without specifying the exact location for the provision of this service.

Finally, before the voucher scheme was introduced, West SA could give its employees immediately exact details of their insurance days and their total social insurance contributions because the company was obliged to keep all the records. With the voucher scheme, all the records regarding insurance days and social insurance contributions are kept by IKA and the company is unable to tell its employees their insurance status.

Future plans

West SA would like to extend the voucher scheme to cover more of its casual workers. Before this happens, however, the company wants the ministry to:

- issue further guidelines that will reduce the administrative formalities;
- remove the limitations on the location for the promotion of consumer products;
- provide more guidance on the protection of the casual workers with an explicit statement on the nature of their employment relationship.

Commentary

The service voucher system is a compulsory system that defines the way certain employment categories should be paid and insured. When a new system becomes compulsory, there is a need for a transition period and comprehensive guidelines on its implementation. When the service voucher scheme was introduced, there was no transition period and very few guidelines for its implementation, which created major problems for its operation by companies.

Greater care in scheme implementation and in-depth knowledge on the specifics of each employment category included in the scheme are required. There needs to be:

- a consultation period with the professionals who are going to implement the system;
- an exchange of knowledge and experience between these professionals and the committee designing the system to make it work in the best possible way.

Finally, West SA suggests that there should only be two documents to fill in: one indicating that a specific individual is going to be employed and another signed by the employer indicating that this individual has completed the task.

Information sources

Websites

Hellenic Labour Inspectorate (SEPE): <http://www.ypakp.gr>

Manpower Employment Organisation (OAED): <http://www.oaed.gr>

Social Insurance Institution (IKA): <http://ika.gr>

West SA: <http://www.westsa.gr/web/>

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