Brain Drain and the Implications for Greek SMEs: An Untapped Repository of Talent or a Bleak Picture?

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Abstract

Under the pressure of the prolonged financial crisis, a lot of the country’s most talented individuals are now seeking a better future abroad, leaving behind them what is considered by many a desperate situation. Nevertheless, a key issue for Greece’s recovery lays in growth and development, hence the key question, how can that be achieved, with the best of the labour force is constantly fleeing? This paper attempts to offer a general but critical overview of the extant situation, with emphasis placed on signposting the importance to view these two themes more closely and in conjunction. Another vital premise of the paper is to act as a springboard to spark interest on the field; hence, pertinent proposals to open a dialogue about further scrutiny are made.

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Introduction

Without a doubt, the economic crisis that has landed on the European South over the past two years has created a range of unprecedented phenomena in almost every facet of society. Particularly in the Greek context, one has merely to watch a broadcast in the news to glimpse at eloquent descriptions of utter despair. From an academic perspective, the extant economic environment creates opportunities but also practical necessity to seek paths away that can extricate the country from its current quandaries. This paper attempts to highlight two important aspects of the current crisis, the massive exodus of talented young employees often termed as brain drain and the impact it carries for economic life and especially for SMEs. Henceforth, there is an attempt to provide an overview of these two themes, attempting to sketch a general background picture as to how their interrelationships and level of interaction emerge. Through highlighting important dimensions, the intention is also to provide scope and suggestion for future investigation, with a more long orientation to inform relevant economic, business and social policies.

Theoretical and factual backdrop

Although a narrative of the causes behind the Greek crisis goes beyond the scope of this paper, a concise background portrait is important to understand some of the key challenges that are inflicting policymakers and Greek citizens alike. According to Nelson et al (2011), as the country joined the Monetary Union and adopted the Euro abandoning the drachma as its national currency, vast amounts of capital became readily available to the Greek government, stemming from the capacity to borrow at extremely low interest rates. Paradoxically, the country failed to take the necessary steps to enhance its competitiveness and empower its economic and fiscal position. The tapping of capital was used to fund internal needs of the public sector perpetuating a long history of gargantuan public sector, with umpteen inefficiencies and structural rigidities (Featherstone, 2011).

When the global economic downturn of 2008 eventually reached the Greek shores, the nation was at a state of immense sovereign debt, high unemployment and virtually no ability to cope. Due to fears of contagion to the members of the Eurozone, the Greek government reached an agreement in 2010 with the EU, IMF and ECB (also known as troika) for a financial bailout of 52.9 billions Euros in exchange of a draconian austerity measures to curb the escalating debt and bring the country’s fiscal quandary under control (EC, 2012). In February 2012, a second bailout was agreed among Troika and Greece, since in spite of the first programme, the financial turmoil had further exacerbated. An additional package of 130 billion Euros were pledged to succour Greece, under the firm prerequisite that even more acute austerity policies in multi-pronged areas would be introduced (EC, 2012:).
Some of the key measures agreed in the second memorandum and sanctioned by the Greek parliament consecutively in 2010 & 2012 entailed an overarching programme, enforcing dramatic cutbacks in public spending, massive reforms in critical areas such as public healthcare, privatization of key market areas and a complete restructuring of the labour market (EC, 2012; G.M.F, 2012). It would be worthwhile to note, that between the two bailouts packages, the successive governments stringently attempted to implement the terms of the agreements but with mixed results. The country continued to plummet in depression, public unrest soared and the structural rigidities of the Greek Public sector proved tremendously hard to crack down (EC, 2012). With emphasis on the restructuring of the labour market, the Greek government enacted a series of legislations to pursue a greater degree of flexibility, bring costs down and enhance competitiveness (GMF, 2012). The latest spate state of reforms included targeted measures such as (GMF, 2012: 6)

- The introduction of sub-minimum wages for the young employees
- The increase in the probation period
- The facilitation of part time and rotation work
- The reduction in the severance payments
- The increase in the threshold for collective dismissals.
- The reduction in the overtime cost.

Nevertheless, invariably of the ostentatious persistence on fiscal adjustment, the perpetuating austerity measures and innate flux in the political scene have raised significant voices as to the pragmatic rationale of the programme (Arestis & Pelagidis,2010; Mann, 2012). Although the purported decrease of national minimum wage by 22% generically and 25% for people under the age of 25, were considered indispensable to reduce labour costs and drive growth and development (EC, 2012), the statistics from the Greek Ministry of Finance (2012) spell a different picture. From the extant data (tables 1 through 3), it is quite easy to note a growing trend on employment patterns for all age bands being squashed and extremely adverse repercussions for young professionals aged up to 30. Whilst there might be some merit in the view imposed by the Troika that these are only short-terms effects; nevertheless, the pragmatic vista of Greeks is that of utter disappointment and fear for what is being portrayed as a completely bleak future (Bollier,2012). Pressed by an economy plunged into the depths of the abyss, with little to no room for employment and the social state in complete disarray, the results have been multi-faceted, in political, social and economic life. Within the domain of labour, the response and thoughts of young Greeks can be coined in one word – immigration. In 2011 alone, 23,800 Greeks immigrated to Germany in search of a better future, a 90% increase from 2010 (Papachristou & Elgood, 2012). On equal footing, in 2011 over 35,000 Greeks registered their CV under the Europass regime which is intended to increase mobility within the EU (Malkoutzis, 2011).
Brain Drain

A crucial and yet intriguing issue with the current propensity amongst young Greek to emigrate is that opposed to earlier migrant movements in 1960s & 70s, this generation is proportionately extremely educated and highly-skilled. Among the Greeks aged 20 and 24, the percent of upper secondary school education is 83.4% when the EU average is 79%. Furthermore, within the 25-34 group the percentage of people speaking at least one foreign language is 53.85 with the EU average at 39% (Malkoutzis, 2011). Another noteworthy factor is the exportation of Greek students for undergraduate and postgraduate studies abroad. According to Ivo (2011) approximately 30,000 students from Greece study abroad each year, a trend that has peaked due to the crisis. Traditional destinations of Greek students include predominantly UK, USA, Netherland and Germany (Doatatap, 2006).

The Brain Drain phenomenon is by no means new in the relevant literature, but instead has been noted as early as 1960s when scholars began observing important migration movements of skilled workers from developing countries to at the time booming developed economies, primarily the USA & Germany (Commander et al, 2004). Traditional definitions, view brain drain as the general movement of skilled workers from their home countries to other nations which can provide better employment prospects, remuneration and quality of life (Johnson, 1965; Beine et al, 2001). On similar note but on different classification, brain drain can also be considered as the lack of repatriation of foreign-educated individuals (Tansel & Gungor, 2003).

Since its inception, several streams of literature have attempted to shed light on many dimensions of the phenomenon, including the cost of brain drain from the effects to departure and receiving countries, specific occupational groups (e.g health professionals), national and international frameworks and many others. From scrutinising the literature, one of the ostentatious key themes, is an implicit assumption that the majority of skilled migrant movements involved people from developing countries, seeking a better future in more prosperous, developed economies. Nevertheless, over the years some works have highlighted equally significant moves of skilled individuals from developed to developed economies (Harvey, 2012). This strand of literature is of particular importance as it coincides with the extant circumstances of the Greek and overall Southern European brain drain, something.

Another important feature within the skilled workers movement is the motives that drive them. Obviously, the general prism of ‘seeking a better future’ is certainly cornerstone but albeit overly simplistic. A more delving dissection reveals a greater assortment of sociopolitical reasons apart from more appealing conditions of the host country (Tansel & Gungor, 2003). Nevertheless, it is not necessarily the perceived unfavourable conditions in the home country that can propel the outflow of skilled migrants, but also the contemporary globalised competitive environment and the inherent ‘war for talent’ thriving economies engage in (Beine et al, 2008).
Hadjimihalis (2011) noted the instance of corruption as an important determinant which can motivate people to seek exodus from their native environment. Particularly within the field of labour mobility and repatriation, an interesting notion that emerged, often as a remedy to brain drain, has been the so-called brain circulation, or put simply the return of skilled labour to the home country and the inherent deployment of talents, skills and even capital (Harvey, 2008). Some authors (e.g. Harvey, 2012) attempted to draw a distinction between brain circulation and return migration as he considers them to be closely aligned but separate themes. Whilst the latter refers to the return of migrants but to the home country, the actual benefits will depend on the effort the repatriated individuals will display but also the ability of the country to absorb that input. Similarly, according to the author, brain circulation is not necessarily tied with repatriation as it is possible for mobile workers to contribute to the dissemination of knowledge, introduction of monetary capital and investment and other formats of inputs without permanently returning. Correspondingly it is quite easy to discern the innate complexity in measuring the undeniably positive impact the circulation phenomena can hold, subject to numerous variables and influences.

Turning more into the current brain drain exhibited in Greece, there have been a few efforts to chart this very recent and topical phenomenon, but usually as part of a more general overview of the repercussions the crisis has (e.g. Monastiriotis 2011, Mylonas, 2011). Labrianidis & Vogiatzis (2012) work is among the very few dedicated projects concentrating on the present situation. The authors conducted a comprehensive empirical study comprising from a sample of 1,821 Greek living abroad. Among the requisites set by the authors, participants should have been educated at least to University level, having lived in Greece until the age of 18 and been working for a year abroad. Among their findings, striking was the level of extremely educated respondents, with over 50% of them having acquired a doctorate. The authors also found that only a minimal proportion would even consider at a later time return to Greece and even more so, the inflow of capital back to the home country is considerably small, with remittances coming only from 13.8% of the participants. The lack of repatriated remittances, quite rightfully according to the authors is a clear indication of augmented losses for Greece as besides the drain of the country’s best talent, there is very little counterbalance even in the form of economic returns. Some criticisms of the study could be that it was implicitly geared to mainly extremely highly educated individuals, and to a lesser extent to equal analysis of skills (which although often used interchangeably, are not always identical). Equally, as the authors note, there are important practical shortcomings into tracking and accessing Greeks living abroad, thus making empirical investigations quite challenging but also very important.

Despite the limitations of the study, the policy implications are quite important, as the authors note in essence the inability of Greek society and economic structure to make use of the highly-educated workforce which exists in the country, in effect making emigration the only viable option. Although the
crisis in the current study is underplayed, the absence of filtering capacity of the knowledge, skills and abilities this cadre of individuals carry, is in general accord with most of the theories in the field. Equally, the article hints on the negative effects on growth and development this bring for Greece, in effect constituting the circulation phenomenon at present slim to non-existent.

SMEs in Greece: Stringent Times

Turning the discussion to the area of the SMEs’ role in Greece, they surface as paramount. Evidence suggests that in fact they constitute the backbone for the national economy and business activity. Tsagaraki & Bougioukis (2011) estimate that there are about 800,000 micro and small-to-medium firms, accounting for the country’s 87% employment. An important distinction that should be drawn here is that due the size and characteristic of the Greek economy, micro-firms are predominant in the Greek economy. Within the field of SMEs, organisations in Greece are extremely familial and closely-knitted, with the owner usually mainly manning the firm with other family members and keeping a tight, personal control over the majority of operations (Mihail, 2004; Tsagari & Bougiouklis, 2011).

Another interesting issue is the informality in terms of management which follows as an aftermath of the concentration visible in the owner and the ones close to him (Sarantinos, 2008). Naturally, given the small size of SMEs and micro-firms in Greece, this could be attributed to the condensed scale of operations and finances which in effect does not allow for more complex organisation structures and in fact makes the informal management type more efficient (Sarantinos, 2008; Psychogios & Woods, 2010). Undeniably, the informal management style also has significant limitations as it can create an over-concentration of power, can cause human resource inefficiencies with adverse effects in the company’s overall competitive position, and might inhibit the capacity for growth (Psychogios & Woods, 2010).

A another considerable source of influence is without a doubt the macro environment and the broader influences, which have acted to shape the extant format of Greek businesses (Tsagari & Bougiouklis, 2011). Even prior to the current crisis, Greek organisations trailed behind their European counterparts in terms of innovation, levels of entrepreneurship and overall investment (Tsagari & Bougiouklis, 2011). The rigidities in the local context are evident in international comparisons, across the European Union where Greek companies fall behind in every criterion used to assess them as it can be seen in figure 1. It didn’t come as a massive surprise for many, that the dire economic situation came to exacerbate an intensifying conundrum. Indicative of the repercussion the ongoing crisis is the dramatic closure of numerous businesses within a span of simply two years. Tables 4 and 5 offer a view of how many SMEs and micro-firms were estimated to be operating in Greece in 2009 and 2010. Although the numbers are projections and susceptible to fluctuations, the sheer difference is immense, close to 100,000 less firms within a very short span.
Independent of the statistical leeway, the message comes across quite clearly, Greek firms are quite quickly moving to a situation which can easily be described as a bleak picture.

**Brain Drain and SMEs: Reconciling the two and planning the future**

From the discussion thus far a number of important points emerge, first of all it goes without saying that the state of the Greek economy is in a gridlock, stifled by a lifetime of internal weaknesses, lack of reforms and a inflated public sector. In addition, the current spate of austerity measures hitherto has done little to turn the situation around. As discussed, the impact of the escalating situation on both areas under scrutiny is extremely negative. First of all, Greek SMEs find themselves overburdened with taxation, operation costs skyrocketing and the margin for profits vanishing. The aftermath of these forces has been a sharp closure of businesses with many more to follow, in essence undermining any effort for recovery given that the country’s back is precisely this part of private sector.

To a great extent from the closing of businesses and the effort to curtail costs, there has been a drastic augmentation of unemployment whilst employment prospects have been further blunted. Correspondingly, it did not come as a major surprise that the migration of talented young Greeks which was simmering steadily since 1990s (Labrianidis & Vogiatizis, 2012) is experiencing an astonishing peak. There is an outright connection there, between the inability of organisations to use the skilled indigenous labour or even more to place them at the forefront of engaging in innovation, entrepreneurship, growth and development, the designated forward for the economy according to the Greek Premier (Samaras, 2012). A plausible theme therefore which springs to attention therefore is to try and identify possible ways to improve working conditions and employment prospects, in order to curb the outflow of emigration move and enhance the contribution of the workforce for domestic businesses. Nevertheless, apart from the practical and realistic issues that would be involved in such a paradigm transformation of the Greek economic and business model, there are some more subtle issues, particular to the current situation that should also be taken into account.

First of all, in the current literature both academic and industrial, although tacitly experts recognise the interrelationship between the two areas, no dedicated effort has been given as to study and analyse them in depth. The lack of research could be attributed to many factors, including the cataclysmic speed of development for once barely leaves time to document and investigate things that unfold so rapidly. Additionally, due to the vast array of emerging themes, it is virtually impossible in such a short stint to provide appropriate coverage from a theoretical and practical stance, especially when the need for implementation is so expedient. Nevertheless, within this territory lies a significantly uncharted area, which stands to offer a new dimension for SMEs. From recognising and tapping the highly-skilled workforce that exists in
abundance, to liaising and drawing on the ones who have left the country, there is ample space for positive input. Although it is possible to trace enough similarities as to what creates the current brain drain move, there are also elements which set this also apart. Firstly, it is among the few occasions that such a massive flight is occurring from developed economies to other developed economies driven by an unprecedented economic crisis which neither is yet to full settle down nor is possible to contemplate the repercussions of the various hypothesised scenarios (eg. Greece, Spain and Italy leaving the Euro). Another important issue that should also be taken seriously into consideration, is the contagion this phenomenon carries for the entire of the European South and countries with traditional stronger economies and larger population than Greece. If the phenomenon continues to escalate as it forecasted into these countries (Milio et al, 2012), the implications will be considerably far-reaching from every possible angle, both for home and host countries. Within this framework, it is vital to concentrate in delineating the relationships between the two streams, and in turn hopefully to provide vital insights to inform social and economic policies. First of all, it goes without question that both theoretical and empirical pieces are needed to formulate both conceptual and theoretical frameworks. Potential areas could include but not limited on understanding better what drives skilled-immigrants out and equally what could possibly retain them in the home country. In alignment, an inventory of the skills, knowledge and talents of those who have already left, and those who are profiled as candidates for leaving. Through such knowledge, it would be possible to crystallise a solid comprehension of the areas that knowledge and skills exist in the national employment pool; how these can be assimilated into the national economy and specifically contribute to SMEs’ welfare and vice versa. Equally, this could be a springboard for SMEs owners and management to realise what steps can be taken from their end to facilitate this process and from a governmental perspective what measures and directives need to be pursued. Equal attention should also be given in examining how the circulation phenomenon, in every feasible manner can be explored to increase the gains for the country and its citizens. Without a doubt, the challenges are enormous for researchers and practitioners alike. On its own, brain drain is quite subtle and intricate methodologically and logistically, and, given the supplemental dimension proposed here (Brain Drain in sync with SMEs), even further conundrums materialise. As a result, it is vital for co-ordinated efforts to take stock into interlinking the two areas, possibly attempting cross-national comparisons among home-home, & home-host countries.

Conclusion

This paper attempted to bring together two quite important issues within the overall crisis that is sweeping away the Southern European countries and afflicting mostly the Greek economy and society. Brain drain is by no means
an old issue as it has been noted for decades; nevertheless, the rapid changes forcing people to flee en masse from developed countries to other developed but more sustainable nations is unprecedented. As discussed, the issue is in strong correlation with the decline of SME activity, especially in Greece as they are the main source of employment and the backbone of economic activity. In addition, initial evidence from the literature suggests that the ability of circulation or some gain from this drain of the country’s skilled workforce is minimal.

Despite the pragmatic problems in investigating these topics in the present situation, there are material value both from an academic and practical standpoint to efficiently but also promptly, explore them more closely. From a short-term horizon, it could be possible to inform policies so as to facilitate recovery to the extent feasible, but also on a longer-term basis to prevent the flare up of the adverse repercussions in the future. Overall, depending on the course of events and the vital contribution of intuitive research effort, the contemporary bleak picture can in fact transform indeed into a repository of talent for Greek SMEs and the country.

References

Table 1. Unemployment rate for the 15-24 age group

<table>
<thead>
<tr>
<th></th>
<th>1Q2011</th>
<th>2Q2011</th>
<th>3Q2011</th>
<th>4Q2011</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>39.6%</td>
<td>43.0%</td>
<td>45.0%</td>
<td>49.9%</td>
<td>44.4%</td>
<td>32.9%</td>
</tr>
<tr>
<td>Males</td>
<td>33.9%</td>
<td>36.7%</td>
<td>39.5%</td>
<td>44.0%</td>
<td>38.5%</td>
<td>26.7%</td>
</tr>
<tr>
<td>Females</td>
<td>46.6%</td>
<td>50.7%</td>
<td>51.8%</td>
<td>56.8%</td>
<td>51.4%</td>
<td>40.6%</td>
</tr>
</tbody>
</table>

Source: GMF 2012:45

Table 2. Unemployment rate for the 20-29 group

<table>
<thead>
<tr>
<th></th>
<th>1Q2011</th>
<th>2Q2011</th>
<th>3Q2011</th>
<th>4Q2011</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>29.9%</td>
<td>32.0%</td>
<td>34.4%</td>
<td>38.5%</td>
<td>33.7%</td>
<td>23.6%</td>
</tr>
<tr>
<td>Males</td>
<td>25.7%</td>
<td>27.8%</td>
<td>30.1%</td>
<td>34.1%</td>
<td>29.4%</td>
<td>19.2%</td>
</tr>
<tr>
<td>Females</td>
<td>34.9%</td>
<td>37.0%</td>
<td>39.7%</td>
<td>43.7%</td>
<td>38.8%</td>
<td>29.0%</td>
</tr>
</tbody>
</table>

Source: GMF 2012:45

Table 3. Employment rate for the 20-64 group

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>61.3%</td>
<td>60.9%</td>
<td>59.7%</td>
<td>57.6%</td>
<td>59.9%</td>
<td>64%</td>
<td>-4.1</td>
<td>70%</td>
</tr>
<tr>
<td>Males</td>
<td>72.8%</td>
<td>72.3%</td>
<td>70.9%</td>
<td>68.1%</td>
<td>71.1%</td>
<td>76.3%</td>
<td>-5.1</td>
<td></td>
</tr>
<tr>
<td>Females</td>
<td>49.7%</td>
<td>49.4%</td>
<td>48.4%</td>
<td>47.0%</td>
<td>49.6%</td>
<td>51.7%</td>
<td>-3.1</td>
<td></td>
</tr>
</tbody>
</table>

Source: GMF 2012:45.

Table 4. Presence of SMEs and Micro-firms in 2009

<table>
<thead>
<tr>
<th></th>
<th>Number of enterprises</th>
<th>Number of persons employed</th>
<th>Value added (B€)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value</td>
<td>%</td>
<td>Value</td>
</tr>
<tr>
<td>Micro</td>
<td>820,021</td>
<td>96.5</td>
<td>1,538,632</td>
</tr>
<tr>
<td>Small</td>
<td>25,789</td>
<td>3.0</td>
<td>459,784</td>
</tr>
<tr>
<td>Medium</td>
<td>3,579</td>
<td>0.4</td>
<td>312,489</td>
</tr>
<tr>
<td>Total SMEs</td>
<td>849,389</td>
<td>99.9</td>
<td>2,310,905</td>
</tr>
</tbody>
</table>


Table 5. Presence of SMEs and Micro-firms in 2010

<table>
<thead>
<tr>
<th></th>
<th>Number of Enterprises</th>
<th>Employment</th>
<th>Value added</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Greece</td>
<td>EU27 Number</td>
<td>Share</td>
</tr>
<tr>
<td>Micro</td>
<td>710,952</td>
<td>90.5%</td>
<td>92.1%</td>
</tr>
<tr>
<td>Small</td>
<td>22,832</td>
<td>3.1%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Medium-sized</td>
<td>2,983</td>
<td>0.4%</td>
<td>1.1%</td>
</tr>
<tr>
<td>SMEs</td>
<td>745,677</td>
<td>99.9%</td>
<td>99.8%</td>
</tr>
<tr>
<td>Large</td>
<td>663</td>
<td>0.1%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Total</td>
<td>746,240</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

SBA (2011) Factsheet for Greece.
Figure 1. Greek SMEs vs EU counterparts

Source: SBA(2011) Fact on Greek SMEs.