

Unemployment and Poverty: Greece and Other (Post-)Programme Countries

KEY FINDINGS

- Greece is facing the **highest unemployment rate** in the EU (24.4 % in January 2016, up from 8.4 % in 2007) and the highest **long-term unemployment** rate with **one in five Greeks** (18.2 % up from 4.2 % in 2007) having been unemployed for more than twelve months in 2015. **More than half of the young labour force** (52 %) is unemployed (EU-28 = 19 %) meaning that 13 % of all young people in Greece aged 15 - 24 cannot find a job.
- An analysis of the development of unemployment in (post-)programme countries (CY, EL, ES, IT, PT) shows that **in all countries unemployment went down before the programmes came to an end.**
- **More than one in three Greeks lives in a situation at risk of poverty or social exclusion** (36 % in 2014). Greece is **among the countries with highest levels**, all in Eastern and Southern Europe. Contrasting with the general pattern in the EU, adults aged **18-64 are more affected** than children. One of five Greeks are confronted with income poverty, i.e. < 60 % of median income after social transfers (22.1 %, up from 20.3 % in 2007, EU-average = 17.2 %). Given high unemployment and a gloomy economic forecast, the situation is not likely to improve at short term.

This briefing gives a statistical update of labour market developments in Greece. Thus, it complements two briefing notes having been prepared by the Policy Department for the Employment and Social Affairs Committee in 2015 to support the work of the Committee's Monitoring group on the implementation of labour market and social reforms in Greece:

- [Youth unemployment in Greece: Situation before the government change](#)
- [Employment and social developments in Greece.](#)

Like the briefing note on youth unemployment in Greece, this note compares developments in Greece with those in selected other (post-)programme countries (Ireland, Portugal, Cyprus and Spain) which had received a lighter form of financial assistance.

Recent labour market developments took place in the **context of government change, difficult bailout negotiations and further economic adjustments**. As result of the parliamentary elections held on 25 January 2015, the left-wing Syriza government calling for a National Reconstruction Plan to replace the ongoing Economic Adjustment Programme came into power. Following protracted and controversial negotiations, a majority of Greek voters rejected austerity proposals from the country's creditors in a referendum called by the Syriza government. Three days later, on 8 July 2015, the Greek government sent a request for stability support to the ESM (European Stability Mechanism) to receive a new loan in order to meet its debt obligations. Mid-August 2015, a new Memorandum of Understanding was signed paving the way for the third Economic Adjustment Programme. This specified further reform policies, such as reforms of the VAT and pension systems, privatisation, recapitalising banks, fighting tax evasion, strengthening public financial management and modernising public

administration. In return, Greece receives financial assistance up to EUR 86 bn. Following Prime Minister Alexander Tsipras' announced resignation in August, new elections had to be held on 20 September 2015 confirming Syriza as strongest party reforming its coalition government with the right-wing party ANEL¹.

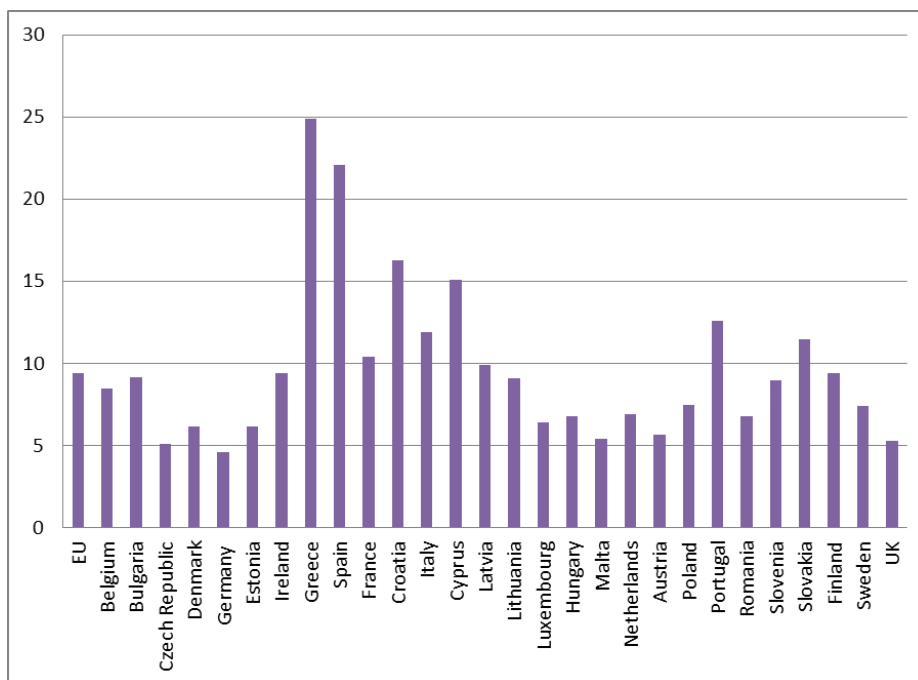
In particular, the planned pension cuts and tax hikes caused repeated mass public opposition, protests, strikes and clashes. The most recent reform package has been adopted by the Greek Parliament in the first week of May 2016 to complete the first review of the ongoing adjustment programme and to achieve debt relief measures².

The European Commission's economic forecast paints a gloomy picture with GDP shrinking in 2015 (-0.2 %) and in 2016 (-0.3 %) after Greece had returned to growth in 2014 (+2.7%). Public debt is expected to rise to 183 % GDP in 2016 (177 % of GDP in 2015) compared to 180% in 2014 implying further budget constraints³.

1. UNEMPLOYMENT AND YOUTH UNEMPLOYMENT: PEAK PASSED, THOUGH RECOVERY REMAINS MODEST

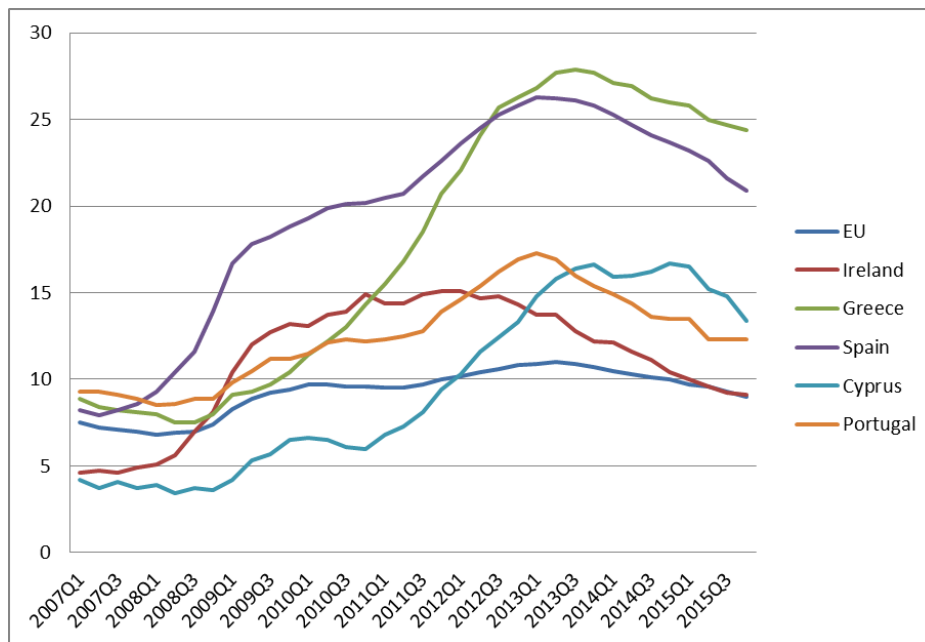
According to the most recent data available, Greece continues to be confronted with the **highest unemployment rate in the EU** (24.4 % in January 2016) followed by Spain (20.4 % in March 2016), thus more than doubling the EU-28 seasonally-adjusted unemployment rate of 10.2 %⁴. This confirms the trend of 2015 when Greece (24.9 %) and Spain (22.1 %) were the only EU countries where unemployment exceeded the threshold of 20 %, while it stood at 9.4 % in the EU. In six other Member States (France, Croatia, Italy, Cyprus, Portugal, Slovakia) the unemployment rate was higher than 10 % (see fig. 1).

Figure1: Unemployment rate in the EU (2015), %



Source: Eurostat - unemployed persons as percentage of the labour force (15-74)

A look at the longer-term development shows, however, that Greece and Spain have **passed the peak in unemployment** (see fig. 2 and table 1). **In all countries receiving financial assistance, unemployment began to decline in 2013 while economic adjustment was still ongoing**, in Ireland even from the second quarter of 2012. In Cyprus where the economic adjustment programme has been launched later, unemployment peaked end of 2013 and again, after having declined, in the fourth quarter of 2014. In Greece and Spain however, unemployment rose at a higher pace following the launch of the economic adjustment programmes and recovery was weaker than in other countries.

Figure 2: Unemployment rate in selected Member States (2007-2015), %

Source: Eurostat, own compilation

Table 1: Financial assistance and development of unemployment

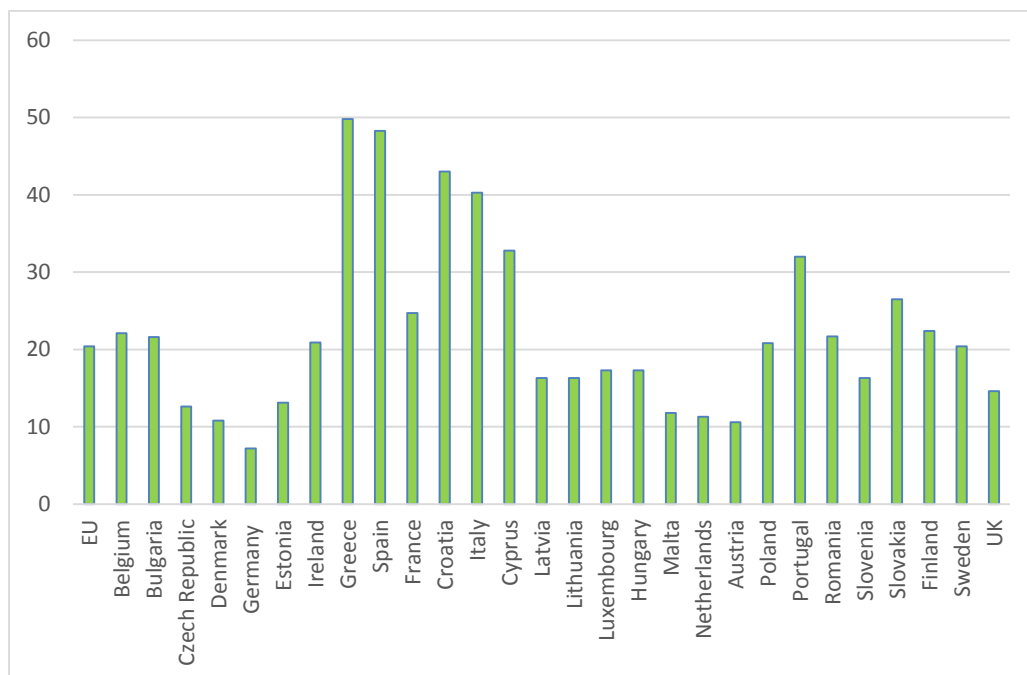
Country	Start / end financial assistance / adjustment	Decline unemployment (peak)
Greece	05/2010 - ongoing Third Economic Adjustment Programme since 08/2015	Q3/2013 - 27.9 %
Ireland	01/2011 - 12/2013	Q1/2012 - 15.1 %
Portugal	05/2011 - 06/2014	Q1/2013 - 17.3 %
Spain	07/2012 - 01/2014	Q1/2013 - 26.3 %
Cyprus	03/2013 - 03/2016	Q4/2013 - 16.6 % Q4/2014 - 16.7 %

Source: European Commission, own compilation

In all (post-)programme countries, **young people** (aged 15 - 24) **were much more affected by the crisis and budget constraints** than at the EU average and youth unemployment peaked in 2012-2013 except for Cyprus where the financial crisis became virulent later. But until now, Ireland alone reached a level of youth unemployment below EU average in 2015 which might be partly due to emigration (see fig. 3).

The proportion of **young unemployed** (aged 15 - 24) **among the labour force is highest in Greece (51.9 % - January 2016) followed by Spain (45.5 % - March 2016)**, Croatia (39.0% - first quarter 2016) and Italy (36.7 % - March 2016)⁵. In the EU-28, this proportion is significantly lower, even if still worrying: one in five (19.1 %) cannot not find a job.

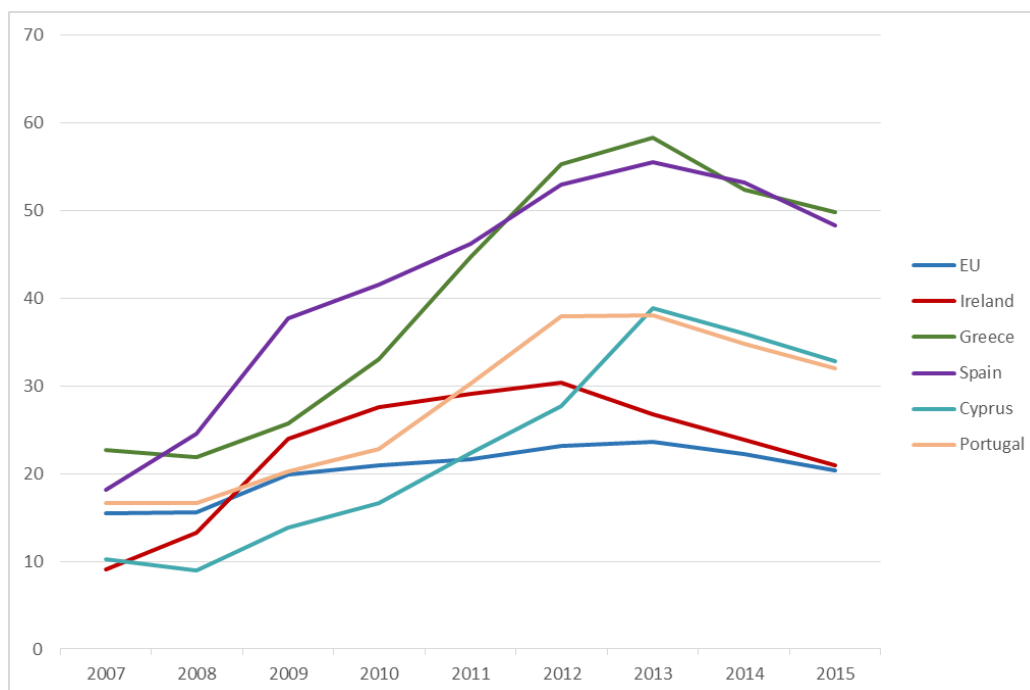
Figure 3: Youth unemployment rate in the EU (2015), %ⁱ



Source: Eurostat

Patterns of development have been strikingly similar in Greece and Spain from 2011, even if youth unemployment went up quicker in Spain after the crisis took its toll (see fig. 4). In all countries presented **youth was significantly more affected than in the EU as a whole**. At the same time, all countries saw an **incomplete recovery** since 2013 (2012 in Ireland).

Figure 4: Youth unemployment rate in selected Member States (2007-2015), %



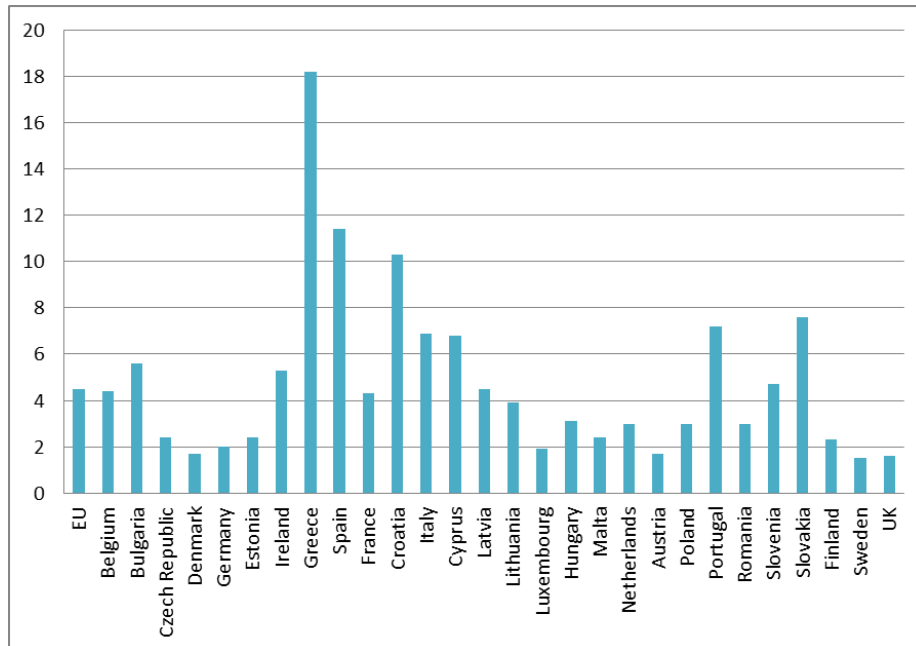
Source: Eurostat, own compilation

ⁱ Data on the youth unemployment rate should be interpreted with caution as the size of the young labour force strongly varies across countries due to different education systems and traditions. The **youth unemployment ratio**, i.e. the proportion of the total population aged 15-24, is more comparable showing a slightly different picture: Greece (12.9 %) compared to 16.8 % in Spain and 14.3 % in Croatia, EU-28 average - 8.4 % 2015.

2. LONG-TERM UNEMPLOYMENT: A BURDEN FOR THE FUTURE

A longer duration of unemployment reduces the chance to find a job due to loss of occupational skills and competences, work habits and often also of social skills. In countries, where social assistance or minimum income schemes do not exist or are on the policy agenda like in Greece⁶, long-term unemployed depend on **protection and support for subsistence by their families including retired receiving a pension.**

Figure 5: Long-term unemployment in EU Member States (2015), %



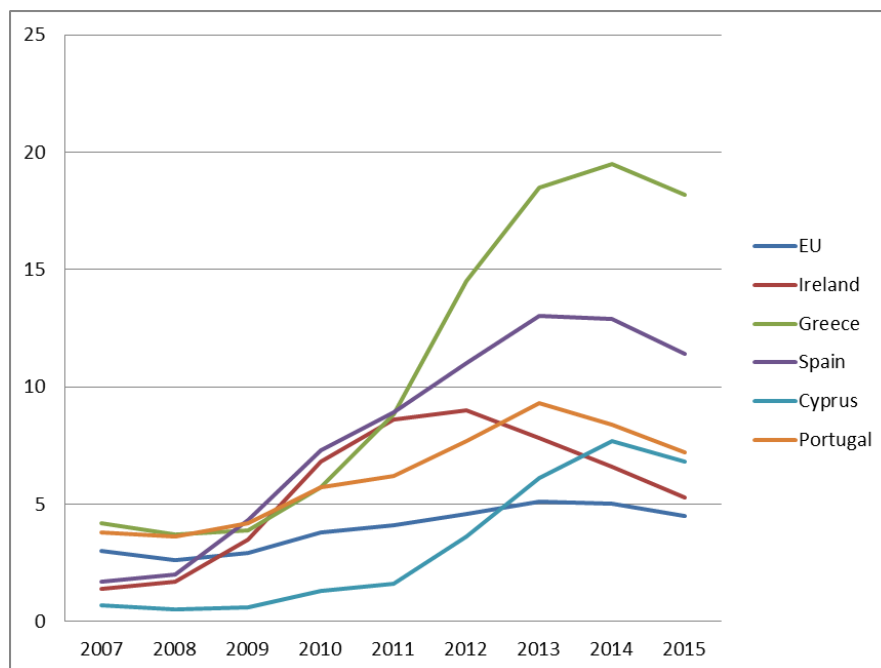
Source: Eurostat - share of persons unemployed since 12 months or more in the labour force

One in five Greeks (18.2 %) of the active population (employed together with unemployed) are long-term unemployed (see fig. 5). Most of those unemployed in Greece have been without a job for more than twelve months due to the protracted crisis and continuing job losses. This is four times higher than the EU average of 4.5 %. Only two other countries in the EU exceed the value of ten percent: Spain (11.4 %) and Croatia (10.3 %), thus demonstrating labour market problems, such as a lack of absorption capacity of the labour market as well as gaps in ALMP for unemployed.

Compared to the other (post-)programme countries, **long-term unemployment rose more abruptly and for longer** in Greece from 2009 onwards coming to halt in 2014 at an extremely high level (see fig. 6).

Even if the economy recovers, it will therefore take a while until long-term unemployed benefit from an increase in hiring as those with shorter unemployment spells have a competitive advantage in recruitment. As integration becomes lengthier and more costly the longer unemployment lasts, **high and persisting long-term unemployment will be a burden for the future.**

Figure 6: Long-term unemployment in selected countries (2007 - 2015) %

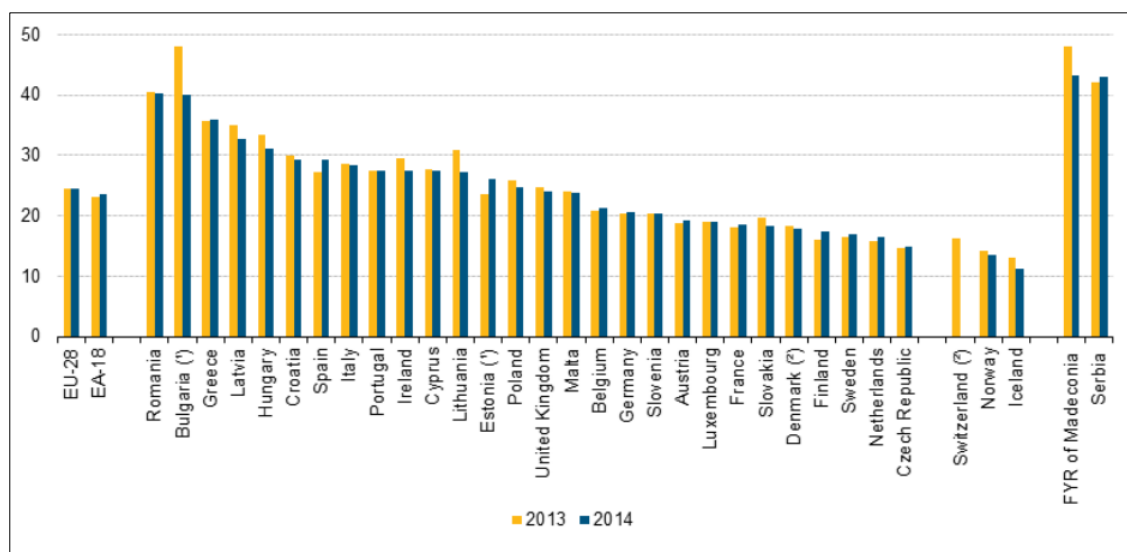


Source: Eurostat, own compilation

3. POVERTY: GREECE IS AMONG THE COUNTRIES WITH HIGHEST RISK OF INCOME POVERTY AND SOCIAL EXCLUSION

In 2014, in Greece **more than one in three people (36 %) lived in a situation at risk of poverty or social inclusion**. This share was higher only in Romania (40.2 %) and Bulgaria (40.1 %). Overall, 24.4 % were at risk of poverty or social exclusion in the EU, i.e. at least in one of three conditions: 1) at risk of poverty after social transfers (income poverty), 2) severely materially deprived (e.g. not able to afford a meal with meat, to keep the house warm, to buy a washing machine), or 3) living in households with very low work intensity.

Figure 7: At-risk of poverty or social exclusion (2013 and 2014), %



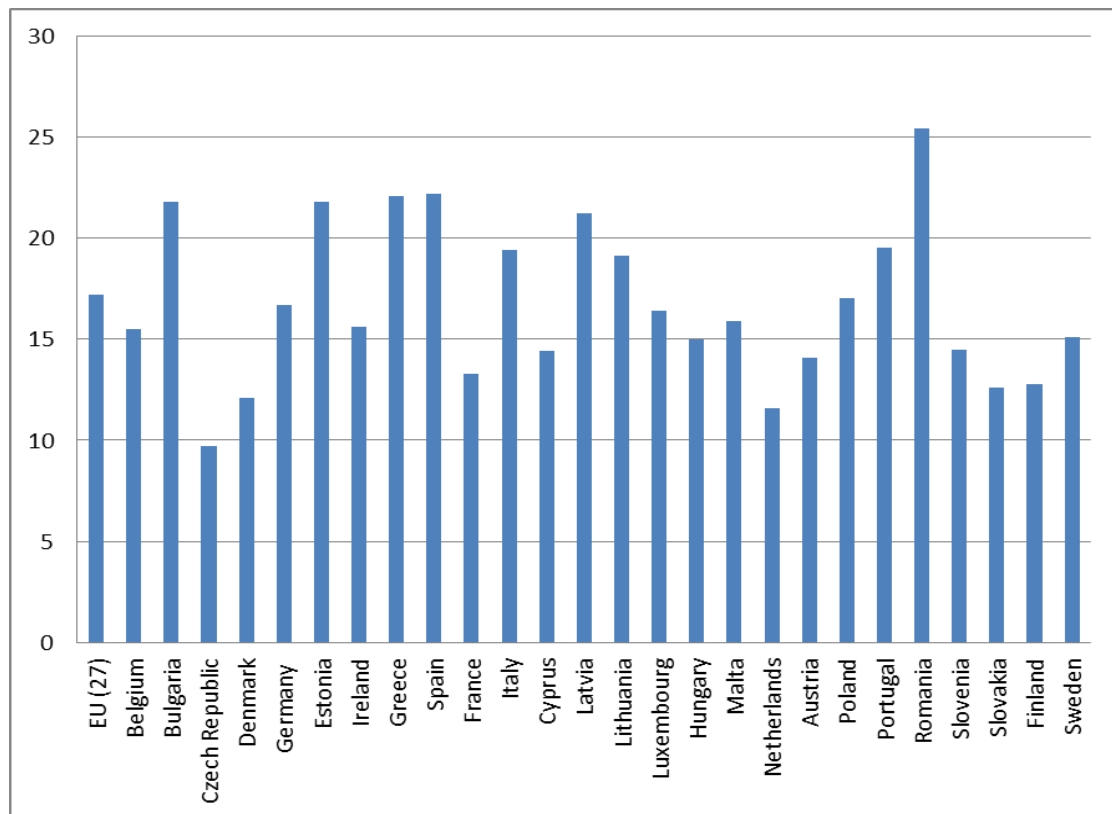
Source: Eurostat⁷, *) 2014: BG - Break in time series, EE - data not available

Contrasting with the overall development in the EU, this **rate went slightly up in Greece in 2014 compared to 2013**, similar to Spain. Furthermore, in Greece **adults aged 18-64** are even **more affected than children** (adults 40.1 %, children 36.7 %, while the EU-average was at 25.4 % and 27.8 % respectively). Elderly, like in the EU as a whole, face a lower risk of poverty and social exclusion (Greece 23 %, EU-average 17.8 %, see fig. 7). There are indications for a **risk of increasing social exclusion** within the Greek society as the rise in 2014 occurred despite a decline in the risk of income poverty.

Looking at **income poverty** alone (see fig. 8 and fig. 9), Greece again is **among the countries with the highest share of people at risk** of (relative) income poverty. This proportion rose dramatically from 2011 reaching its **peak in 2013** when **more than one of five Greeks (23.1 %) were at risk of income poverty**.

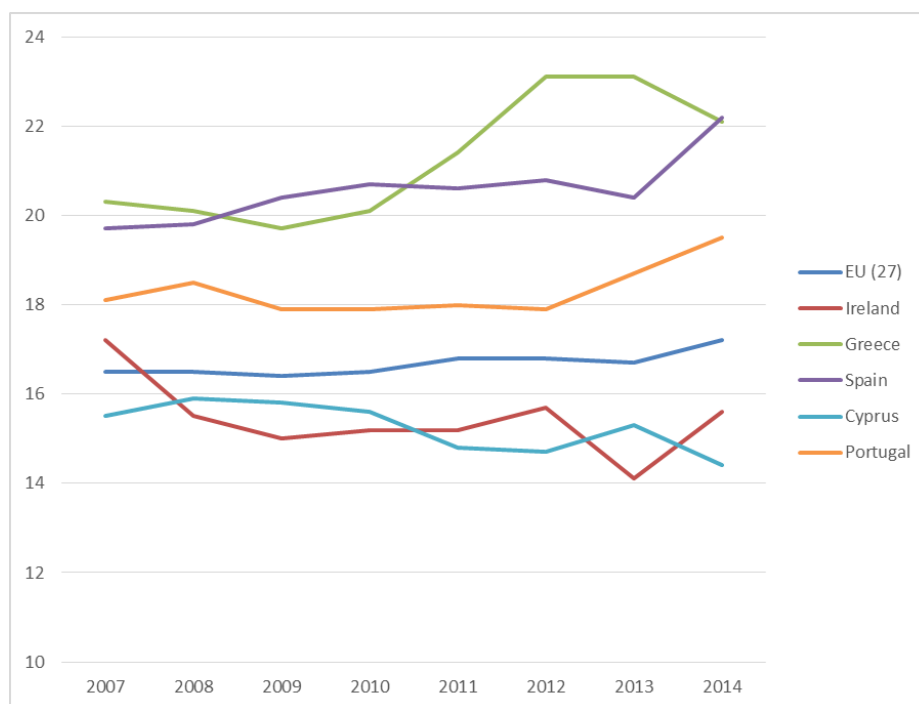
Comparing Greece **with other (post-)programme countries** demonstrates **considerable variety** of patterns and trends in the risk of income poverty. While there are first indications for a positive turn in Greece and Cyprus, the risk went up in other (post-)programme countries and also in the EU as a whole. More in-depth analysis is needed to explain the factors behind going beyond the remits of this paper.

Figure 8: Risk of income poverty in Greece (2014), %



Source: Eurostat, *) income poverty: < 60% of median equivalised income after social transfers

Figure 9: Risk of income poverty in selected Member States (2007-2014), %



Source: Eurostat, own compilation

- 1 <http://www.consilium.europa.eu/en/policies/financial-assistance-eurozone-members/greece-programme/>; <http://www.euractiv.com/section/euro-finance/news/greek-no-inflicts-heavy-blow-on-eu/>.
- 2 <https://www.theguardian.com/business/live/2015/nov/12/greek-general-strike-against-austerity-measures-business-live>; <http://www.euractiv.com/section/euro-finance/news/greece-adopts-more-austerity-reforms-ahead-of-key-eurogroup-talks/>.
- 3 http://ec.europa.eu/economy_finance/eu/countries/greece_en.htm.
- 4 http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics.
- 5 http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics.
- 6 Varvara Lalioti (2016): The curious case of the guaranteed minimum income (GMI): Highlighting Greek 'exceptionalism' in a Southern European context: <http://esp.sagepub.com/content/26/1/80>.
- 7 http://ec.europa.eu/eurostat/statistics-explained/index.php/People_at_risk_of_poverty_or_social_exclusion.

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