POLICY NOTE

An evaluation of the social and employment aspects and challenges in Greece

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Abstract

This note provides an overview of several social and employment challenges in Greece, including a presentation and discussion of issues arising from the implementation of the current adjustment programme. Sections of the note are devoted to the evaluation of Greece’s targets in relation to Europe 2020 strategy and to the respect of international social and employment standards during the implementation of the current economic programme. The positions of the social partners and social dialogue is also presented and discussed, while the last section is devoted to Greece’s immediate and longer term social and employment policy priorities.
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<tr>
<td>ADEDY</td>
<td>Confederation of Public Servants</td>
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<td>ALMP</td>
<td>Active Labour Market Measure</td>
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<td>DEKO</td>
<td>Public Utility Corporations</td>
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<td>EC</td>
<td>European Commission</td>
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<td>ECB</td>
<td>European Central Bank</td>
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<td>ELSTAT</td>
<td>Hellenic Statistical Authority</td>
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<td>ESEE</td>
<td>National Confederation of Greek Traders</td>
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<td>ESF</td>
<td>European Social Fund</td>
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<td>EVEA</td>
<td>Athens Chamber of Commerce and Industry</td>
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<td>EYPEA</td>
<td>Special Monitoring Service</td>
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<td>GENOP - DEI</td>
<td>General Federation of Employees of the National Electric Power Corporation</td>
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<td>GSEE</td>
<td>Greek General Confederation of Labour</td>
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<td>GSEVEE</td>
<td>General Confederation of Greek Small Businesses and Trades</td>
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<td>IKA</td>
<td>Social Insurance Foundation</td>
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<td>ILO</td>
<td>International Labour Office</td>
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<td>ITUC</td>
<td>International Trade Union Confederation</td>
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<td>LTU</td>
<td>Long term unemployment</td>
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<td>NEET</td>
<td>Not in employment, education or training</td>
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<td>NGCA</td>
<td>National General Collective Labour Agreement</td>
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<td>NRP</td>
<td>National Reform Programme</td>
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<td>OAED</td>
<td>Manpower Employment Organization</td>
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<td>OIYE</td>
<td>Federation of Private Employees</td>
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<td>OKE</td>
<td>Economic and Social Council</td>
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<td>OMED</td>
<td>Mediation and Arbitration Service</td>
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<tr>
<td>PES</td>
<td>Public employment Service</td>
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<td>PRES</td>
<td>Private Employment Services</td>
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<td>SEPE</td>
<td>Corps of Labour Inspectors</td>
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<td>SETE</td>
<td>Association of Greek Tourism Enterprises</td>
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<td>SEV</td>
<td>Hellenic Federation of Enterprises</td>
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<tr>
<td>SILC</td>
<td>Survey on Income and Living Conditions</td>
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<td>UDW</td>
<td>Undeclared Work</td>
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Executive Summary

In 2010, the Greek economy faced an unprecedented dual challenge: within a very limited time period, to restore fiscal sustainability and reverse its accumulated competitiveness losses of previous years. As a way out of the crisis, Greece opted for a radical internal depreciation, whereby wages fell sharply in relation to wages in the rest of the euro area.

The laws passed as a result of the conditions attached to the loan support given to Greece (on the basis of the Memoranda of understanding signed with the EC, IMF and ECB), brought extensive legislative changes, covering most policy areas. The most prominent of the reforms affected employment protection and wage setting mechanisms. Social security and taxation were reformed as well. The impact of the reforms in the labour market has been devastating: apart from falling employment and rapidly rising unemployment and poverty levels, the reforms led to a decline of the labour cost, as a result of wage cuts, and to an increase in labour market flexibility.

Within the frame of the Europe 2020 Strategy, Greece had set a number of employment and social targets. Under the current economic climate however, attainment of these targets is clearly not feasible.

The international labour standards and questions as to whether they have been respected or not during the adjustment process have been examined by the International Labour Organization (ILO) following complaints by the trade unions. On two occasions (in 2011 and in 2012), the examiners found that “unprecedented changes are being introduced in the Greek labour market institutions in a manner which seems to be disconnected from Greek realities” (ILO 2011, ILO 2012). Further, it was indicated that “the long list of complaints submitted by the trade unions demonstrate important and significant interventions in the voluntary nature of collective bargaining against the principle of the inviolability of freely concluded collective agreements” (ILO 2011, ILO 2012).

As regards the views of the social partners on the successive adjustment programmes and the measures imposed, representatives of the trade unions have repeatedly described the measures as “inefficient, harsh and unfair” and have indicated that the sacrifices they require would be pointless because they will not help the country emerge from its economic crisis. Employers have also argued that the strict austerity programme imposed on Greece in order to deal with the crisis had led to the high unemployment rate and had stretched social cohesion to the limit” (Stamati, 2013).

Greece has little tradition in social dialogue procedures. Since the start of the crisis, the government, pressed by its lenders to introduce measures urgently, did not pursue real social dialogue. It is likely that had such a real and substantial social dialogue taken place, more acceptable solutions and measures would have been introduced. It is also likely that social and employment issues would have figured more prominently in the discussions with the Troika.

Greece is currently faced with a dual challenge: it must ensure that the burden of the austerity measures be shared fairly, protect the most vulnerable and strengthen social cohesion. At the same time, it must increase job creation rates in order to put people back to work. In this respect, immediate priorities include the reform of the unemployment benefits system, the strengthening of Labour Inspectorate Body (SEPE) and of the Manpower Employment Organization (OAED), the strengthening and reform of the active labour market measures (ALMPs), and the establishment of a minimum guaranteed income scheme. Longer term priorities centre on sustainable job growth.
1. Introduction

Greece has been facing a protracted recession since 2008. Prior to the crisis, Greece had done rather well with economic growth. Real volume GDP increased by 5.5% in 2006 and by 3.5% in 2007. The crisis hit Greece in late 2008 and since then the economy is in recession. The economic situation deteriorated further in the following years, with sharp contractions of 3.1% (2009), 4.9% (2010), and 7.1% (2011) of GDP. In 2012, the overall contraction of the economy reached 6.4 percent.

The effects of the global economic recession on the Greek economy reached a crisis point in early 2010, when the country was found to be on the brink of bankruptcy. Greece was granted financial aid amounting to €110 billion from the European Commission, the European Central Bank and the IMF. In exchange Greece agreed to implement a structural reform programme in terms of economic, fiscal, financial and labour market policies. Based on the reforms provided for by the aid agreement, laws were passed in 2010 and in 2011 that made radical changes to employment relationships, and were aimed mainly at making the labour market more flexible and at minimizing labour costs (Karantinos. 2011a).

The measures included cutting the pay of civil servants, freezing pensions, raising State revenue by increasing taxes, including VAT, and overhauling pension and employment rules. In private sector labour relations, the austerity measures envisaged various policy reforms impacting minimum salaries, redundancies, collective bargaining arbitration and severance pay cuts. New legislation provided for a reduction in pay rates for overtime work and enhanced flexibility in the management of working time (Karantinos 2011a). The arbitration system also changed, so that both parties can now resort to arbitration if they disagree with the proposal of the mediator. Legislation on minimum wages was also adopted, that introduced sub-minima for groups at risk such as the young and long-term unemployed, and put measures in place to guarantee that current minimum wages remain fixed in nominal terms for three years. New rules extended the probationary period for new jobs to one year, reduced the overall level of severance payments and ensured that the same severance payment conditions apply to blue- and white-collar workers (Karantinos 2012).

The first financing programme was followed by a second one, designed to cover the country’s debt servicing needs until 2014 and put Greece on a sustainable path. The second financing programme totals €130 billion, plus €34.4 billion of the undisbursed remainder of the first programme. The second package aimed to cut the national debt to 120.5% of GDP by 2020.

As part of the “prior actions” which Greece was to take in order to secure its second bailout, the government was forced to introduce deep wage, pension and healthcare cuts in early 2012. In the area of labour market policy, the Government adopted an ambitious set of labour market measures, complementing the reforms passed in 2010 and 2011. In short, the most important of the reforms entailed: a/ a new type of firm-level wage agreement, allowing employers and employees to agree on wages that are less favourable than those stipulated in sectoral agreements, b/ a reduction in minimum wages in the private sector and a modification of wage-setting procedures, including the rules on the expiration of collective agreements and the arbitration of wage disputes, c/ measures to boost part-time work and facilitate more flexible work time, and d/ the introduction of non-subsidised sub-minimum wages for youths (Karantinos 2012).

The Government, pressured by its international backers under the terms of the second adjustment programme, legislated a reduction in minimum wages in the private sector and a modification of number
of wage-setting procedures. According to the new law, minimum wages were slashed by 22 per cent retroactively from February 14, 2012, at all levels and in all sectors, while payrolls were further trimmed in all public utility firms, where permanent tenure was summarily abolished, paving the way for mass layoffs (Mouriki 2012). These measures represent a severe curtailment of labour rights and mark the dawn of a new era for employees and pensioners. In addition, they are not the final ones that Greece will take on its austerity path, as more cuts may be instituted in the future.

Against this background, Greece’s GDP has not recovered yet, and the macroeconomic outlook of the Greek economy continues to remain negative. Real GDP is expected to have remained on negative ground in 2013 for the sixth consecutive year, having recorded a cumulative decline in real terms exceeding 20% since the end of 2007, while GDP growth is expected to resume starting from 2014. As expected, the impact of the crisis on the labour market has been severe. Since the start of the crisis, poverty rates have increased, employment rates have fallen and unemployment escalated to record levels. In addition, there is a wide spread feeling that the burden of adjustment has not been shared fairly and that decision-making is no longer in the hands of Greeks but has been transferred to the Troika.

The labour market reforms instituted by the government can be expected to lead to a more efficient functioning in the medium term. In particular, wage settlements and unit labour costs have moderated thanks to these reforms, leading to improved competitiveness. In the short-run however, there is concrete evidence that the social situation is markedly deteriorating. With labour market conditions expected to deteriorate further in the foreseeable future, the need to protect the unemployed and the more vulnerable becomes apparent and a pressing priority (Karantinos 2011a).

The objective of this briefing note is to evaluate Greece’s prospects and priorities in the social and employment fields. It is structured in five sections, including the introduction. The second section examines Greece’s progress in relation to the Europe 2020 Strategy. Social and labour standards and the role of social dialogue during the implementation of the current adjustment programme are taken up in sections three and four, respectively. The briefing note concludes with a series of policy suggestions.

2. Progress towards national Europe 2020 targets

Within the frame of the Europe 2020 Strategy, Greece set a number of employment and social targets in late 2010. In the area of employment, Greece set a goal of an employment rate of 70 per cent for those aged 20-64 by 2020. In the area of poverty and social inclusion, Greece set up two national targets: a/ Reduction in the number of people at risk of poverty and/or social exclusion by 450,000 by 2020, which means a reduction of the at-risk of poverty and/or exclusion rate from 28% in 2008 to 24% in 2020, and b/ Reduction in the number of children (0-17 years) at risk-of poverty by 100,000 by 2020, which is translated into a reduction of at-risk-of poverty rate for children (0-17) from 23% in 2008 to 18% in 2020.

Admittedly, attainment of these targets is clearly not feasible. In order to attain these targets, the Greek economy must achieve growth rates in excess of 5% annually and until 2020 (i.e., growth rates higher than those in the pre-crisis period), a scenario that currently hardly seems plausible.

As the recession unfolded, labour market conditions deteriorated dramatically (Karantinos 2013). According to Eurostat, the average employment rate (for people aged 20-64) declined to 55.3% in 2012 from 59.9% in 2011 and 64% in 2010 (Table 1). The employment rate continued its downward trend in 2013, and is predicted to fall further in the coming months. According to the latest national data, the rate
was estimated at 53.5% in the third quarter of 2013, having remained unchanged in relation to the previous quarter (ELSTAT 2014a). Along with the fall of the employment rate, unemployment escalated to record levels. The unemployment rate (ages above 15) rose to 24.2% in 2012, from 17.7% in 2011 and 7.6% in 2008 (ELSTAT 2014a).

As elsewhere, the young were the hardest hit by the increase in unemployment. The unemployment rate of those aged 15-24 more than doubled since the start of the crisis, up from 22.1% in 2008 to 55.3% in 2012, the highest unemployment rate recorded in the EU 27. Other conventional indicators also point to the same direction. The youth unemployment ratio, i.e., the share of the unemployed among the population aged 15-24, increased from 6.7% in 2008 to 16.1% in 2012 (the second highest in the EU 27, following that of Spain), while the share of the population aged 15-24 not in employment, education or training (NEET), increased from 11.7% to 20.3% during the same period (again the second highest rate following that of Italy) (Table 1).

Increasing unemployment rates, falling employment rates and austerity measures (notably wage and pension cuts) can be safely expected to lead to a rise in poverty. The latest data drawn from the Survey on Income and Living Conditions (EU-SILC) indicate that: a/ The at-risk-of poverty or social exclusion rate has increased (from 27.6% in 2009 to 34.6 % in 2012), b/ The population living in households with a very low work intensity rate has been increasing dramatically (from 6.5% in 2009 to 14.1 % in 2012), and c/ The severe material deprivation rate has also increased significantly (from 11.0% in 2009 to 19.5 % in 2012).

| Table 1: Selected labour market and poverty indicators, Greece, 2008 - 2012 |
|---------------------------------|--------|--------|--------|--------|--------|
| Employment rate (20-64)        | 2008   | 2009   | 2010   | 2011   | 2012   |
| Youth unemployment rate (15-24)| 66.5   | 65.8   | 64.0   | 59.9   | 55.3   |
| Youth unemployment ratio (15-24)| 22.1  | 25.8   | 32.9   | 44.4   | 55.3   |
| NEET rate (15-24)              | 6.7    | 8.0    | 10.0   | 13.0   | 16.1   |
| People at risk of poverty or social exclusion (%) | 11.7  | 12.6   | 14.9   | 17.4   | 20.3   |
| People living in households with very low work intensity (%) | 28.1  | 27.6   | 27.7   | 31.0   | 34.6   |
| People at risk of poverty after social transfers (%) | 7.4   | 6.5    | 7.5    | 11.8   | 14.1   |
| Severely materially deprived people (%) | 20.1  | 19.7   | 20.1   | 21.4   | 23.1   |


In terms of absolute figures, at-risk-of-poverty or social exclusion affected 3,795 thousand in 2012, almost 788 thousand more than in 2009. The Greek at-risk-of-poverty or social exclusion rate is the highest among the Eurozone countries and one of the highest in EU27. Although more recent data are not yet available, there is little doubt that the social situation continued to deteriorate in 2013.

Regarding the development of a ‘social safety net’ against social exclusion, Greece’s system of social transfers has been recently described as grossly inadequate, poorly targeted and suffering from poor administration and unequal standards and provisions across social funds (OECD 2013). There is heavy reliance on contributory benefits, while some benefits, such as family benefits for example, are not means-tested, thus benefiting poor and rich alike. Further, there is no universal means tested, minimum income to protect the poor, except in the case of uninsured old age workers. The cumulative result of all these features is that social transfers (excluding pensions) manage to reduce poverty only by a little, and to a much lesser extent in relation to other EU member states.
3. The international social and labour standards during the process of adjustment: the ILO reports

The passing of several laws with a serious bearing on workers’ rights and welfare during the 2010-2013 period brings to the forefront the issue of international social and labour standards and raises questions as to whether these standards have been respected during the adjustment process.

The ILO Mission in 2011

The international labour standards were the subject of a High-level ILO mission to Greece in autumn 2011, following complaints from the trade unions concerning the application of international conventions ratified by Greece in the area of freedom of association, collective bargaining, wages, social security, employment policy, labour inspection and non-discrimination. The ILO Committee held meetings with all the major social partners, as well as with representatives of the Troika.

Following the mission, a full report with the findings was delivered to the Greek government and the social partners. Among the findings, the report noted: “A loss of confidence in the capacity and effectiveness of the State as a regulator and provider of services, especially with regard to taxation, social security, and the justice system ... and ...a widespread concern across the board for social justice in handling the crisis” (ILO 2011).

Regarding Freedom of Association and Collective Bargaining, the report indicated that the commitments undertaken by the government in the frame of wage cuts (Law No. 3845 based on the May 2010 Memoranda) led to a series of legislative interventions in the freedom of association and collective bargaining regime which question “… the independence of the social partners, the autonomy of the bargaining parties, the proportionality of the measures imposed in relation to their objective, the protection of the most vulnerable groups and finally, the possibility of review of the measures after a specific period of time” (ILO 2011).

Furthermore, the mission expressed its deep concern at the provisions of Law No. 4024 of October 2011, empowering associations of persons to conclude collective agreements at enterprise level. Its report indicated that: “Associations of persons are not trade unions, nor are they regulated by any of the guarantees necessary for their independence”. The mission expressed its deep concern that the conclusion of “collective agreements” in such conditions would have a detrimental impact on collective bargaining.

Another important issue related to the on-going re-organization of the Labour inspectorate (SEPE). According to the view of the mission, “the reform is primarily focused on detecting undeclared work (social security contribution collection) and undocumented migrant workers (which reportedly constitutes an acute problem but could raise issues of application of Convention No. 81)”. In contrast, the mission stated that: “Priority should be placed on issues like ensuring wage payment and more generally the protection of wages, as well as non-discrimination and other labour rights especially in the informal economy” (ILO 2011).

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1 Greece has ratified the Freedom of Association and Protection of the Right to Organize Convention, 1948 (No. 87), the Right to Organize and Collective Bargaining Convention, 1949 (No. 98), the Labour Relations (Public Service) Convention, 1978 (No. 151), and the Collective Bargaining Convention, 1981 (No. 154) (ILO 2011).
Regarding Employment policies, the ILO Report mentioned the Convention No. 122, which calls for coordination of economic and social policies. In that regard, “the mission has been struck by reports that in discussions with the Troika employment objectives rarely figure, in opposition to the solemn commitment to promote full, productive and freely chosen employment”. In effect, the mission asked for improved policy coherence and reinforcement of the role of the Ministry and its social partners in discussions with the Troika. To sum-up, the High Level Mission found that important changes were being introduced in the framework surrounding the Greek labour market in a manner which seemed to be alien to the Greek society. The mission concluded that: “It was essential at that time of crisis to allow the Greek social partners and the Government the necessary space to find common solutions to problems that they all seemed to acknowledge, in a manner corresponding to the country’s conditions and in conformity with ratified ILO Conventions”. Finally, the mission noted that there was need for technical assistance with a view to the consolidation of labour laws which had been rendered almost inaccessible to non specialists due to repeated successive reforms (ILO 2011).

The ILO Mission in 2012

In late 2012, the ILO Committee on Freedom of Association – the supervisory body of the ILO that examines cases concerning employers’ and trade unions’ rights to organize, collective bargaining and social dialogue – examined a complaint which concerned the labour market impact of measures taken in Greece over the last three years, within the framework of the international loan agreement with the Troika.

According to the complainants, these measures, and especially measures under Laws Nos. 3833/2010, 3845/2010, 3863/2010, 3899/2010, 3896/2011, 4024/2011 and 4046/2012: “Have significantly affected workers fundamental right to free collective bargaining as well as the right to set uniformly binding minimum standards of decent work through national general collective agreements (NGCAs)” (ILO 2012, par. 784 - 1003)³. The complainants argued that: “By adopting the abovementioned legislation, the State not only violates its statutory obligation to respect the collective agreements, but essentially intervenes with permanent provisions of law in the free collective bargaining system by setting the minimum wages and working conditions in terms less favorable than those provided for by the minimum provisions of the national agreement. This directly contradicts the Government’s obligation under Convention No. 98 —to encourage and promote such a mechanism —with a view to regulating the terms and conditions of employment by means of collective agreements, under Convention No. 154 to refrain from taking inappropriate or inadequate measures that prevent free collective bargaining and the conclusion of collective agreements and under Convention No. 87 —to take all necessary and appropriate measures to ensure that the right to organize is freely exercised”.

The government provided substantial information in relation to the financial crisis and the severity of the situation. It once again stressed its firm commitment to the respect of international labour standards, but indicated that: “The financial crisis and the international economic environment have reduced the quality of labour rights, redefining the concept of core labour rights in an economically developed country, which necessarily reduces the quality of life of its citizens”. In short, the Government maintained that the

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² Complaint submitted by the Greek General Confederation of Labour (GSEE), the Civil Servants' Confederation (ADEDY), the General Federation of Employees of the National Electric Power Corporation (GENOP–DEI–KIE), the Greek Federation of Private Employees (OIYE), and supported by the International Trade Union Confederation (ITUC).
³ Information on the content of these laws can be found in Karantinos (2013).
measures taken: “Constitute special provisions established under specific fiscal conditions under which the country observes its commitments to lenders–partners to reduce public expenditure”. As regards the wage cutting in the public sector, in violation of existing collective agreements, the government stressed that this was necessary in order to achieve budget savings. In the same vein, the Government stressed that it was necessary to ban any increase in wages foreseen by collective agreements or arbitration awards in the public sector. For the private sector, the Government stressed that: “There were no legislative regulations on the reduction of earnings defined by the terms of collective agreements, nor were there other restrictions on the freedom of collective bargaining”. As regards the introduction of sub-minimum wages for young persons (less than 24 years of age), the Government indicated that: “Law 3845/2010 sets the minimum remuneration at 84 per cent for new entrants and at 70 per cent for persons aged between 15 and 18 who have concluded yearly apprenticeship contracts”. According to the Government, “these minimum wage rates have been stipulated by the law in connection with the subsidization of the social insurance cost and the purpose of the specific labour contracts, taking into account the lack of professional experience of young persons and the need to offer incentives for its acquisition”. As regards the additional measures taken within the Medium-term Fiscal Strategy Framework 2012–15, as well as within the loan agreement which followed, the Government stated that “the prerequisites for the loan agreement of February 2012 were based on the need for a drastic reduction in public spending and, at the same time, drastic reductions in wages, both in the public and private sectors, thus creating conditions of increasing economic downturn. The need to address these issues led to more drastic measures for the restructuring of the labour market”. Finally, on social dialogue the government indicated that because of the manner under which the loan mechanism had been implemented, there was not enough time for consultations with the trade unions. To sum-up, the Government maintained that: “All the measures raised were taken in the interests of fighting unemployment and supporting the sustainability and competitiveness of enterprises in a manner that is perfectly compatible with the freedom of collective bargaining as well as the terms of the collective agreements” (ILO 2012).

The Committee on Freedom of Association recommended the Greek government to strengthen and promote social dialogue procedures and respect the institutional framework for collective bargaining. On the multiple wage cuts in the public sector, the Committee indicated that: “If, as part of its stabilization policy, a government considers that wage rates cannot be settled freely through collective bargaining, restrictions should be imposed as an exceptional measure, without exceeding a reasonable period, and should be accompanied by adequate safeguards to protect workers’ living standards”. With respect to the introduction of wages for young people less than the statutory wage, the Committee noted that “the special wage remuneration for young workers is similar to systems of special job offers that it has examined in the past, which introduce a new set of rules for determining the wages of a particular category of employees under the pretext that they would otherwise face long-term unemployment”. Further, the Committee expressed its hope that the measures introduced will be valid only for a limited period of time. Regarding the allegations of interference in collective agreements and the system of collective bargaining in both the public and private sector, these included: “The abolition of the favorability principle, the nullification and banning of any future extension of collective agreements, the reduction of the negotiated national minimum wage by 22 per cent and its further freeze until the end of the programme period, the suspension of any clauses providing for wage increases or relating to seniority, the enforcement of a maximum duration for collective agreements of three years and the mandatory expiration of collective agreements in place for 24 months or more or with a residual duration of one
year”. According to the Committee, these issues demonstrate: “Important and significant interventions in the voluntary nature of collective bargaining and in the principle of the inviolability of freely concluded collective agreements”. Further, the Committee stated that: “Such repeated and extensive intervention in collective bargaining can destabilize the overall framework for labour relations in the country if the measures are not consistent with the principles of freedom of association and collective bargaining”. The Committee urged the government to re-examine the measures with the social partners, assigning priority to national minimum wage formation.

4. The role of social partners and of social dialogue during the adjustment process

Regarding social partners, the main actors are the Greek General Confederation of Labour (GSEE) and the Confederation of Public Servants (ADEDY), representing the workers, and the Hellenic Federation of Enterprises (SEV), the National Confederation of Greek Traders (ESEE), the General Confederation of Greek Small Businesses and Trades (GSEVEE) and the Association of Greek Tourism Enterprises (SETE), representing the employers.

Union density is estimated at 25.43% in 2011, according to the OECD labour market database. Union density appears to have increased somewhat during the crisis, as it was 24% in 2008. This change however hides the fact that the total number of employees decreased between these two years by 329 000. Union density is much higher in the public sector in relation to the private sector, due to the fact that the Greek economy is dominated by micro enterprises. In certain areas of the public sector, notably in banks and in enterprises under state control, union density is high.

As regards the views of the social partners on the successive adjustment programmes, these are summarized as follows: GSEE has repeatedly noted that the programmes have harmed the labour market in Greece and have pushed the Greek economy into recession; they have also created a major problem, that of growing unemployment. According to GSEE, further salary, pension and social benefit cuts will cause further recession and will lead to an intensification of the current problems. The ESEE estimates that “The measures have depleted the Greek market from the last liquidity reserves, which would allow rudimentary business activity”. The GSEVEE announced that “100,000 businesses have closed down in just two years, resulting in the destruction of approximately 500,000 jobs while the safety net of social protection is non-existent”. As for the employers, the President of the SEV has also argued that the strict austerity programme imposed on Greece in order to deal with the crisis had led to the high unemployment rate and stretched social cohesion to the limit (Stamati, 2013).

Trade union representatives have repeatedly submitted complaints to both national and international judicial authorities, questioning whether the imposed measures were compatible with the Greek constitution and international labour agreements (Lampousaki 2013). In this frame, apart from the complaint submitted to the ILO, GSEE submitted a complaint to the Council of State (December 2012), claiming that the laws passed to address the crisis were in breach of the Constitution. GSEE claimed that Law 4046/2012, cutting private sector salaries and reforming the collective labour relations system, infringes the constitutionally protected institutions of collective bargaining and collective labour agreements. At the same time, the Law will lead to even deeper recession, and this in turn to the closure of hundreds of thousands of enterprises, causing further job losses. However, the most damaging consequence of the Law, according to GSEE, is that the measures it introduces will destroy the collective
regulation of working conditions, as wages and institutional working conditions will be covered only by individual employment contracts. The judgment of the Council of State has not yet been made public. In another case ADEDY filed a complaint against labour reserve measures, alleging that they infringe the constitutional principle of the lifelong appointment of public servants and are therefore contrary to the national constitution. The provisions of the relevant law (Law 4024/2012) were declared contrary to the Constitution by the decision 3354/2013 of the plenary session of the Council of State, and those public sector employees vindicated by justice returned to their jobs.

The measures imposed by the government in the frame of the adjustment programmes provoked a “barrage” of demonstrations and general strikes across the country, with the participation of a large number of citizens, but in general, demonstrations ended up peacefully (Kousta 2012).

In contrast with other Eurozone member states, Greece has little tradition in social dialogue procedures. Since the start of the crisis, the government, pressed by its lenders to introduce measures urgently, did not pursue real social dialogue. It is likely that had such a real and substantial social dialogue taken place, more acceptable solutions and measures would have been introduced. It is also likely that social and employment issues would have figured more prominently in the discussions with the Troika.

The most notable events in this policy area during the last three years are the following:

- **In January 2012**, the government invited the main social partners to examine a variety of wage cost issues, with a view to agree upon wage cuts in order to boost the competitiveness of the economy as well as employment. The first meeting of the Prime Minister at the time, Lucas Papademos, with the social partners on 4 January 2012, invited the social partners to reach an agreement on the improvement of the economy’s competitiveness and the strengthening of employment by the end of January 2012. The social partners were asked to discuss a number of issues, including a reduction of the salary threshold planned by the National General Collective Agreement (NGCA), the freezing of any increases in 2012 (planned for July 2012), the freezing of wage increases due to multi-annual experience, the reduction or abolition of the 13th and 14th salary (holiday, Easter and Christmas bonuses), the abolition or amendment of the employment regulations of the public utilities, and the abolition or reform of the principle of the preservation of the effect of the agreement’s regulations for a period of six months after its date of expiration, if no new collective employment agreement is signed. After a number of meetings, the social partners drafted a joint letter to the PM, where they argued that competitiveness is affected much more by factors such as bureaucracy, state intervention and the taxation system than by wage costs. The social partners called for a trilateral dialogue to begin on the tax wedge and structural competitiveness, with legally binding conclusions. No overall agreement was reached among the social partners however, and in February the government unilaterally imposed a decrease of the minimum wage (Lampousaki 2012).

- **In September 2012** a thematic National Social Dialogue Committee was established, with a number of issues for consultation, including: a/the fight against unemployment, b/ the fight against undeclared employment, c/ non-wage costs, and d/ reforming the mechanism for the determination of the minimum wage. In addition, new representatives were appointed in the National Social Protection Committee, and in the National Employment Committee (both committees were established by Law 3144/2003). The National Social Protection Committee will promote social dialogue for fighting poverty and social exclusion. The National Employment Committee aims to promote social dialogue for the development of policies to increase employment and will monitor and evaluate the National Action Plan for Employment.
The social partners participate in these committees, but it remains to be seen whether the committees will function properly and ensure fair arrangements in the framework of the current crisis (Georgiadou 2013).

- **On 14 May 2013**, after three consecutive meetings, a new National General Collective Employment Agreement (NGCA) was signed by all the social partners except the Hellenic Federation of Enterprises (SEV). The new agreement was to be valid retrospectively from 1 January 2013 until 31 December 2013, while provisions exist to extend it for a further year with the agreement of the parties. The previous NGCA expired on 31 December 2012 and had set the minimum monthly wage at €751.30 gross. It applied to all workers, as laid down in previous legislation. However, in accordance with a new law introduced by the government, the power to set the minimum wage was handed over to the government. Collective agreements are now binding only for employees of enterprises that are members of the signatory employer organizations and may only concern issues of an institutional nature, such as leaves of absence. Hence, for the first time, the new NGCA does not include reference to the country’s national minimum wage, as this is now set by the government. In signing the agreement, GSEE representatives stated that despite the very difficult circumstances at present, the institution of the NGCA has been rescued. In contrast, employers (SEV) refused to sign the agreement and argued that the agreement had no legal foundation and offered no essential benefits for employees.

5. **Employment and social challenges**

In 2010, the Greek economy faced an unprecedented dual challenge: within a very limited time period, to restore fiscal sustainability and reverse its accumulated competitiveness losses of previous years. As a way out of the crisis, Greece opted for a radical internal depreciation, with prices and wages falling sharply relative to those in the rest of the euro area. Starting in 2010, an ambitious reform agenda has been put in place, in agreement with the EC, IMF and the ECB, to ensure a swift adjustment of wage and non-wage costs, and to diminish long-standing distortions and inefficiencies of the economy with a view to accelerating the recovery process, helping preserve employment and ensuring a sustainable and broad-based improvement in competitiveness.

The passing of laws on the loan support to Greece (Memoranda) brought extensive changes to legislation, covering many policy areas. The most prominent of the policy reforms affected employment protection and wage setting mechanisms. New provisions came into force regarding minimum wages, severance pay, mass dismissals, commercial shop opening hours, temporary work, arbitration, etc. Reforms were adopted in other areas, mainly social security (pension cuts, raising of the retirement age, reductions in non-wage costs for employers) and taxation (lowering tax-free thresholds, broadening the tax base, introducing new property taxes, fighting tax evasion).

The impact of the policy reforms in the labour market has been devastating. Apart from falling employment and rapidly rising unemployment and poverty levels (reviewed above) the reforms led to a dramatic decline of the labour cost as a result of wage cuts, and to an increase in labour market flexibility. Part time work and job rotation contracts are also increasing, as a direct result of the reforms. According to 2012 Labour Inspectorate data, 84,490 full time employment contracts have been converted into part

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4 The agreement was signed by the Greek General Confederation of Labour (GSEE), the Hellenic Confederation of Professionals, Craftsmen & Merchants (GSEVEE), the National Confederation of Hellenic Commerce (ESEE), and the Association of Greek Tourism Enterprises (SETE).
time employment or rotation work (SEPE 2012). Compared to 2011, there is an increase of 53.1% concerning part time employment, of 12.3% concerning rotation work with the consent of the employee, and of 80.4% concerning rotation work after the unilateral decision of the employer. This shift towards flexible forms of employment can also be reflected in the share of full time employment contracts in the labour market, which from 66.9% in 2010, fell to 59.7% in 2011 and to 55.0% in 2012 (Stamati 2013).

Against this background, prices have only recently started to fall. Slow price adjustment has been caused by a number of factors, notably by increases in taxation and possibly by employers utilizing the drop of the labour costs as a means to strengthen profits. On the other hand, the impact of the recession on the Greek labour market has been much sharper than initially expected, triggering an extensive restructuring by Greek firms. This has been verified by, among others, a recent statement by the IMF, according to which the IMF has seriously underestimated the negative effects of austerity policies imposed on countries such as Greece and Portugal. On top of this, there is a widespread feeling among the Greek citizens that the policy reforms were designed by technocrats (the Troika) with little knowledge of the realities of the Greek society, and will lead to nowhere.

Any recovery plan should take in account the basic features of the Greek economy, thus tackling structural problems as well as problems due to the crisis. There is a relatively low proportion of salaried work, and conversely a high proportion of self-employed workers (employers and own account workers). Furthermore, the labour market is dominated by the existence of hundreds of thousands of micro enterprises, which are often run by members of the same family. On top of these features, there is widespread undeclared work and tax evasion, while large segments of the GDP go undetected (Karantinos 2011a). Under these circumstances, designing and implementing a recovery plan is a difficult task.

As in 2010, Greece is currently faced with a dual challenge, albeit with different priorities: Greece must ensure that the burden of the austerity measures be shared fairly, protect the most vulnerable and strengthen social cohesion. At the same time, Greece must increase job creation in order to put people back to work and achieve a sustainable jobs expansion. In designing and implementing a recovery plan based along these lines, Greece will have the full support of all major international organizations and notably the support of the EU and the European Social Fund.

A starting point for such a “social recovery’ plan” will be to take stock of social developments, evaluate the impact of the reforms with a view to correct imbalances and tackle the most acute of problems as a matter of urgency (notably access to health care and housing benefits). In designing proper remedies, authorities must seek the involvement of social partners. Any recovery strategy has the best chance of working if it is shaped through social dialogue. It is also essential to search for policies that can reconcile social conditions and economic performance. Social inclusion policies and economic development policies strongly reinforce each other when developed in partnership.

A first need will be to strengthen unemployment protection, through the reform of the unemployment benefits system. Various measures were taken during 2010-2013 in order to adjust benefits to lower levels and to apply stricter controls to beneficiaries. As regards the regular unemployment benefits, these have been reduced as a result of the reduction of the daily minimum wage of the unskilled worker (Law

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5 This statement draws on the findings of recent empirical evidence on fiscal multipliers (Blanchard and Leigh 2013), according to which the effect of cutting government budgets has been severely underestimated.
4046/2012) by 22% and by 32% for people younger than 25 years. The current monthly unemployment benefit is €360 per month against €460 before. Other benefits linked to the minimum wage have also been impacted by Law 4046/2012. This is the case, among other, of seasonal unemployment benefits and of unemployment benefits targeted to specific geographical areas. Restrictions have also been imposed on the amount of benefits a person might receive. As from 1.1.2013 the unemployment benefits a person may be entitled to receive within a period of four years cannot be more than €4,500 while from 1.1.2014 the maximum amount is reduced to €4,000 (Law 3986/2011). This last measure will affect seasonal workers (i.e., construction workers, teaching staff and tourism-related workers) (Karantinos 2013).

A recent law (Law 4093/2012) defined new conditions for the grant of “long-term unemployed people benefit”. From 1.1.2014 the benefit may be paid to persons between 20 and 66 years of age provided that their annual family income does not exceed €10,000 (increased by €586.08 for every child under the age of 18). Previously, it was only people older than 45 years of age who could be entitled to this benefit (under means-testing conditions). Finally, a Special Fund for the “Self-Employed” has been established, (Law 3986/2011) providing for at least three months a special assistance in cases of proven ending of an occupation. Previously self-employed and currently unemployed workers are thus able to claim monthly unemployment benefits for the first time. The benefit amounts to €360 and the maximum period that self-employed professionals will be able to claim this benefit is nine months. Certain criteria however have to be fulfilled: beneficiaries should not owe any social security contributions and be able to prove that they are not working and not earning a pension (Karantinos 2013).

The standard unemployment benefit system in Greece is structured on the basis of previous work and contributions, as an unemployment insurance system. There is no typical unemployment assistance scheme in Greece (Karantinos 2011b). Since the start of the crisis, the number of the unemployed and in particular the number of long-term unemployed and unemployed young workers has increased dramatically. In spite of this development, the number of unemployment benefit recipients increased of a much smaller extent. In October 2013 there were 1,019,805 unemployed workers registered with OAED. Provision of benefits was confined to a minority of them (125,306, or 12.3% of the total). This paradox is explained by the fact that eligibility for benefits expires after 12 months in Greece, and most of the unemployed become ineligible for benefits, as they drift into long-term unemployment (Karantinos 2012a). Extending the duration of regular benefits for one more year and extending coverage for categories of the labour force that have so far remained practically without coverage, such as the new labour market entrants, constitutes a pressing priority.

A second need will be to limit undeclared work (UDW). According to all existing evidence, there is high incidence of undeclared work in Greece, and the task of reducing its size constitutes a major challenge for the authorities. Admittedly, estimates of the share of UDW are hard to come by and imprecise. Greece however is usually estimated to have one of the highest levels of UDW in the EU and the OECD. In a recent compilation of estimates, for example, it has been suggested that the size of UDW in the national economy, expressed as share of GDP, was 24% in 2012 (Schneider and Williams 2013). This was one the highest estimates among the countries considered.

The situation as far as UDW is concerned, is likely to have been aggravated by the economic crisis. Faced with a massive drop in the demand for their products and services, firms were forced to resort to UDW to a greater extent than in the past in an effort to cut costs and survive the crisis. Moreover, the crisis may have given birth to new forms of UDW, such as declaring to the authorities lower than actual earnings
and/or hours of work and ‘fake’ dismissals (so as to receive unemployment benefits). Multiple job holding (moonlighting) is also believed to have increased, with persons holding a formal job in the morning and an informal one in the afternoon. Finally, there are increasing reports by the press according to which tens of thousands of employees currently working, remain without wages for several months.

A third need will be to strengthen the **Labour Inspectorate Body (SEPE)**. SEPE’s role is to enforce labour legislation in the private sector, to protect the legal rights of the employees and to secure the health, safety and welfare of workers in Greece (SEPE 2012). The monitoring of illegal employment and uninsured employment is included among SEPE’s competencies (Presidential Decree 136/99). The SEPE was officially inaugurated in December 2000, following legislation adopted in 1998 (Law 2639/98). A recent law (Law 3996/2011) has foreseen restructuring, with a view to modernize the organization, simplify administrative procedures, accelerate procedures for the imposition and execution of fines and reorganize inspection work in order to increase effectiveness and efficiency. Unfortunately, the reorganization did not materialize, as it was affected by the reorganization plans for the whole public sector that was in force during 2011 and 2012 (Law 4024/2011). More recently (late 2012), SEPE became the subject of evaluation by ILO officials. ILO delivered a full evaluation report to the government, containing no less than seventeen recommendations, including the establishment of a dedicated internet site (providing relevant information) and increasing the remedial role of the Inspectorate (as opposed to the repressive role).

Currently there are about 700 labour Inspectors (permanent civil servants) working for SEPE. It can easily be argued that there are not enough inspectors to fulfil the task of combating UDW effectively. There are more than 800,000 very small firms in Greece. In addition, most of Inspector’s time is devoted on issues such as action to reconcile individual or collective labour disputes and checking archives, documents, registers, books and other data concerning an enterprise, with a view to determining whether the provisions of labour legislation are being observed. Second, labour inspectors have not been specifically trained on identifying illegal employment and on dealing with undeclared work. Presidential Decree 136/99 did in fact foresee training for SEPE personnel, but the training function has been given a low priority during recent years because of time and money constrains. The need to recruit additional inspectors and the need for training in order to adequately monitor undeclared work have both been frequently stated in labour inspector’s annual reports. On top of these, faced with severe wage cuts, curtailment of bonuses, increases in working time and the possibility of losing their jobs, civil servants are currently demoralized. It should be mentioned that the government has agreed with its creditors to freeze hiring in the public sector and to reduce the number of civil servants by 150 000 (i.e. 20%) until 2015. Thus new hiring is bound to be difficult.

Another priority is the strengthening of the **Manpower Employment Organization (OAED, the Greek Public Employment Service)**. Since at least 2000, OAED is undergoing a major organizational change, whose aim is to modernize the provision of employment services. In response to recommendations by the Commission, the new OAED is implementing, among other, the preventive approach to unemployment and the use of personalized assistance. OAED is also undergoing organizational change, including the frequent reshaping of the active labour market measures (Karantinos 2011a). Recently, OAED launched a

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6 These reports are available at: [http://www.ypakp.gr/](http://www.ypakp.gr/)
Eures-type portal enabling the efficient matching of the demand and supply of labour. Starting also in 2014, OAED is called upon to develop an implementation plan for the so called Youth Guarantee. According to the EU Council Recommendation of April 2013, establishing a Youth Guarantee, the scheme would ensure that every person under 25 gets a quality offer of a job, continued education, training, apprenticeship or traineeship within 4 months of leaving school or becoming unemployed.

Current reform efforts focus on the “re-engineering of the OAED”: this project, which is backed by the European Social Fund, envisages a plethora of actions and measures to be implemented in the course of the next two years. The reform of the OAED is clearly of critical importance for Greece, since the problem of the record high unemployment can only be effectively addressed by a modern and efficient organization. In this respect, improving the job matching capacity requires special attention. In implementing the reform, there are three issues that deserve to be classified as “items to watch”.

The first point relates to human resources. According to the re-engineering plan, since the start of the crisis, OAED has lost approximately 50% of its employees, in spite of the fact that unemployment has reached record levels. As in the case of SEPE, OAED must be strengthened with additional, specialized personnel, adequately trained and well remunerated.

The second point relates to three groups of the population, namely young people, older workers and immigrants which are grossly underrepresented among the registered unemployed (Karantinos 2011). It should be noted that these three groups were among the groups most hardly hit by the recession. For reasons of fairness, OAED must make an effort to address underrepresentation, and in this frame a number of policy options are available. These include changes in unemployment compensation and networking with education establishments and NGOs for the young, the design of employment and training courses aimed exclusively at older workers and information campaigns and training of PES staff for third country nationals (Karantinos 2011).

The final point relates to the issue of collaboration with other mediating structures. The scale of the unemployment problem is such that requires a lot to be done in this direction. With a few exceptions, OAED still holds a monopoly in job brokerage, and continues to this day to be the main agency responsible for the integration of the unemployed, although there is now much more variety as regards providers of active measures. By now, it is generally accepted that private placement agencies (PRES) should coexist with the PES, and ILO Convention No. 181, 1997 revised Convention No. 96, 1949 in this direction. This Convention balances the recognition of the productive role that can be played by PRES in the delivery of specific labour market services with the need to ensure that basic rights of workers covered by this Convention are protected. The Greek government must determine whether or not PRES can operate as businesses, and, if so, under what conditions will they operate. In developing collaboration ties with other mediating structures, it is evident that a new regulatory framework, providing a common code of practice, setting rules for collaboration and exploiting synergies, is clearly needed (Karantinos 2011 c).

In the area of active labour market measures (ALMPs), the potential for fighting unemployment is substantial, given the large informal sector, the low labour participation rate and the high level of structural unemployment. The recession hit employment and wages severely and aggravated the already high structural unemployment among vulnerable groups. Getting people back to work with active labour market policies, and boosting job growth over time are high priorities.
Since the start of the recession, the government has stepped up efforts to assist the unemployed. According to the latest National Reform Programme (Ministry of Labour 2013), numerous programs that aim to help the unemployed and the long-term unemployed in particular, are being implemented, including job-search assistance, counselling, employment subsidies, aid for self-employment and training. As most of these schemes are still ongoing, they are not evaluated so far and past evaluations provide little insight, given that conditions in the labour market have changed radically since 2010. However, the NRP estimates that thanks to these interventions, more than 1 million persons benefited at a cost of approximately €3.7 billion. According to the NRP, in the absence of these measures, unemployment would have been higher by as much as 4-5 percentage points. In the absence of evaluation studies it is difficult to verify this claim, especially since large categories of beneficiaries are either employed, or inactive.

With respect to active labour market programmes there is scope for improvement as Greece spends, relative to GDP, approximately one-third of the euro area average. In addition, the available indicators show that the amounts dedicated to active labour market policies are particularly low in comparative terms, as labour market policy expenditure seems to rely more on passive measures than on actives ones. Other indicators give additional evidence of the relatively low enrolment of the unemployed and inactive in education and training, as well as relatively fewer resources devoted to employment services (OECD 2010a). What is needed is placing a greater emphasis on activating the unemployed, especially youth and women. Existing employment subsidies should be better targeted to the most disadvantaged youth, such as early school leavers and individuals who have not been in employment, education or training for a long-term. Furthermore, employers should be required to provide training in exchange for the subsidy. Job-search training should be the top priority in individual action plans drawn with the help of personal advisers and participation should be mandatory after a period of unfruitful independent job search (Karantinos 2010).

One final, long overdue short term priority concerns the establishment of a minimum guaranteed income scheme. In contrast with other member states, Greece has never adopted a universal minimum income scheme. As noted in Section 2, Greece had one of the highest poverty rates before the cuts, and the austerity measures have aggravated the situation by pushing more people into poverty. The establishment of a social safety net has been a core policy objective for at least two decades.

The Greek system of welfare benefits was reviewed in 2013 by OECD at the request of the Ministry of Labour, Social Security and Welfare, with a view to achieve savings and raise efficiency (OECD 2013a). According to the findings “The Greek social welfare system has evolved for decades without any clear strategy, resulting in a highly complex, fragmented, duplicative and inefficient system. Reforms have been undertaken but they are fragmented and unfinished, and have fallen significantly short of what is needed to put the social welfare system on a sound footing”. The OECD report performed a cost benefit analysis of reform options and recommended that the system of welfare benefits should become anchored in means testing, while retaining at the same time distinct programmes aimed at different groups. As regards the main categories of benefits, OECD recommended the extension of unemployment assistance and its duration (based on a means test), the completion of the reform of family benefits currently under way, the replacement of the existing disability benefits with a means-tested benefit and the introduction of a new, means-tested housing benefit. Somewhat surprisingly, the reviewers did not recommend the establishment of a single, universal means-tested benefit, on account of the length of time, transitional cost and administrative difficulties of such a radical development in the current Greek context (OECD...
In contrast to the OECD report, a recent report by the IMF (IMF 2012) has recommended discontinuing non-essential programs and improving the targeting of core programs. Further, according to the same report, the largest potential savings would be possible through replacing most existing programs with a single, income-tested minimum income scheme targeted at the bottom 20 percent of the income distribution. Some of the savings from this reform could then be reinvested in strengthening core programs (for instance unemployment benefits) to protect the most vulnerable.

According to Law 4093/2012, Greece is to implement a pilot application of the minimum guaranteed income in two areas of the country, starting in January 2014, with the aim to expand the scheme to the whole of Greece as of 2015. The areas as well as eligibility have not yet been disclosed, as they are still under study by, among others, the World Bank. But it has become known that the scheme will receive €20 million in funding from the expected primary surplus of the 2013 budget. The pilot application of the measure should be closely monitored and evaluated in order to determine whether a minimum guaranteed income can be established in Greece, in spite of shortcomings (namely, large scale tax evasion and UDW).

Longer term priorities include the creation of jobs and sustainable job growth. In securing output and employment growth in the near future, Greece can benefit from: a/ access to bail-out schemes and resources from the European Structural Funds, b/ a large potential from market liberalization, reforms, privatization and the development of idle state property, and c/ rising sectors and investment opportunities such as innovation policies to develop more knowledge-based activities and promoting green growth.\(^7\)

Structural reforms have of course an essential role to play in boosting employment and growth. As shown by several recent OECD analyses, the modernisation of the Greek economy through the adoption of reforms in the public sector and labour and product markets will bring important employment, productivity and output gains. One study (OECD 2011) has concluded that the GDP per capita gain for Greece from undertaking ambitious reforms could be 17% over a 10-year period, compared to about 10% for the OECD on average. The ‘Greece 10 Years Ahead’ study (McKinsey 2012) has also estimated that provided that the Greek state embark immediately on a systematic, economy-wide and sector specific effort to remove competitiveness and productivity barriers in the economy, as many as 520,000 new jobs and €49 billion in additional annual GVA (€55 billion in GDP terms) could be realized in the five major and eight emerging, ‘rising star’ sectors alone, in the coming decade. This means that even if the rest of the economy would grow at a moderate annual rate of 1.5% over the next decade, this upside could double annual growth to 3%.

Irrespective of future success in structural reforms however, a strategic plan providing options for employment growth in the medium term, tackling the main problem of the Greek economy- the existence of a weak productive base- is still lacking. In this area, Greece needs the technical assistance of the international community in order to enhance in-country capacity and activate existing resources, skills and knowledge.

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