European Parliament

Briefing

EMPLOYMENT AND SOCIAL AFFAIRS

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

KEY FINDINGS

- Greece **continues to be confronted with the highest youth, total and long-term unemployment rate** in the EU (unemployment rate 23.6 %, long-term unemployment rate 17 %, youth unemployment rate 47.3 % in 2016). The (youth) unemployment rate relates to the labour force only and is very high. This does not mean that one in two young persons are unemployed. Indeed, in 2016, 12 % of all young people aged 15-24 were unemployed in Greece.
- **Further, more than one in three Greeks lives in a situation at risk of poverty or social exclusion** (35.7 % in 2015) even if the rate had slightly decreased compared to 2014. Greece remains **among the countries with highest risk:** one of five Greeks are confronted with income poverty, i.e. < 60 % of median income after social transfers (21.4 %, up from 20.3 % in 2007, EU-28 = 17.3 %).
- An analysis of the development of unemployment in five (post-)programme countries (CY, EL, ES, IT, PT) shows that **in all countries unemployment began to fall before the programmes came to an end**.
- Even if there are **indications that the peak of the economic and the employment crisis has been passed, recovery is incomplete**. According to the **Social Scoreboard 2017**, all South European (post-) programme countries are facing "*a number of substantial employment and social challenges*" with **Greece remaining the most worrying case.** The implementation of the third economic adjustment programme (2015 - 2018) causes repeated mass public protests and strikes.

This briefing complements three briefing notes that have been prepared by the Policy Department for the Employment and Social Affairs Committee in 2015 and 2016 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
- Unemployment and poverty: Greece and other (Post-)Programme Countries (2016).

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The note gives an update of recent developments adding information on employment and the public sector. It compares developments in Greece with those in selected other (post-) programme countries (Cyprus, Ireland, Spain and Portugal) which had received financial assistance.

Labour market developments in Greece took place in the context of implementing the **third economic adjustment programme** (August 2015 - August 2018). Following protracted and controversial negotiations, on 8 July 2015 the left-wing Syriza government had sent a request for stability support to the European Stability Mechanism (ESM) in order to avoid national insolvency. A majority of Greek voters had rejected the austerity proposals from the country's creditors in a **referendum** held three days before. The adjustment programme set as priorities to reform the VAT and pension systems, to privatise further state assets, to recapitalise banks and to modernise public administration. In return, Greece receives financial assistance up to EUR 86 billion. The loan packages from the ESM and European Financial Stability Facility are by far the largest the world has ever seen. The two institutions own half of Greece's debt.

This programme is gradually being carried out by the second **Tsipras' coalition cabinet** (leftist Syriza and right-wing ANEL) having been installed in September 2015. To boost bailout reforms Prime Minister Tsipras considerably **reshuffled the government in November 2016**[1].

In particular, pension cuts and tax hikes caused **repeated mass public opposition, protests, strikes and clashes**. In May 2017, trade unions have again called for a nationwide strike against further pension cuts, lowering of the tax-free threshold for low incomes, higher security contributions for freelancers and labour law changes. These measures have to be ratified before the May 22 meeting of euro zone finance ministers to discuss the program review and reimburse the loan tranche of about EUR 7 billion[2].

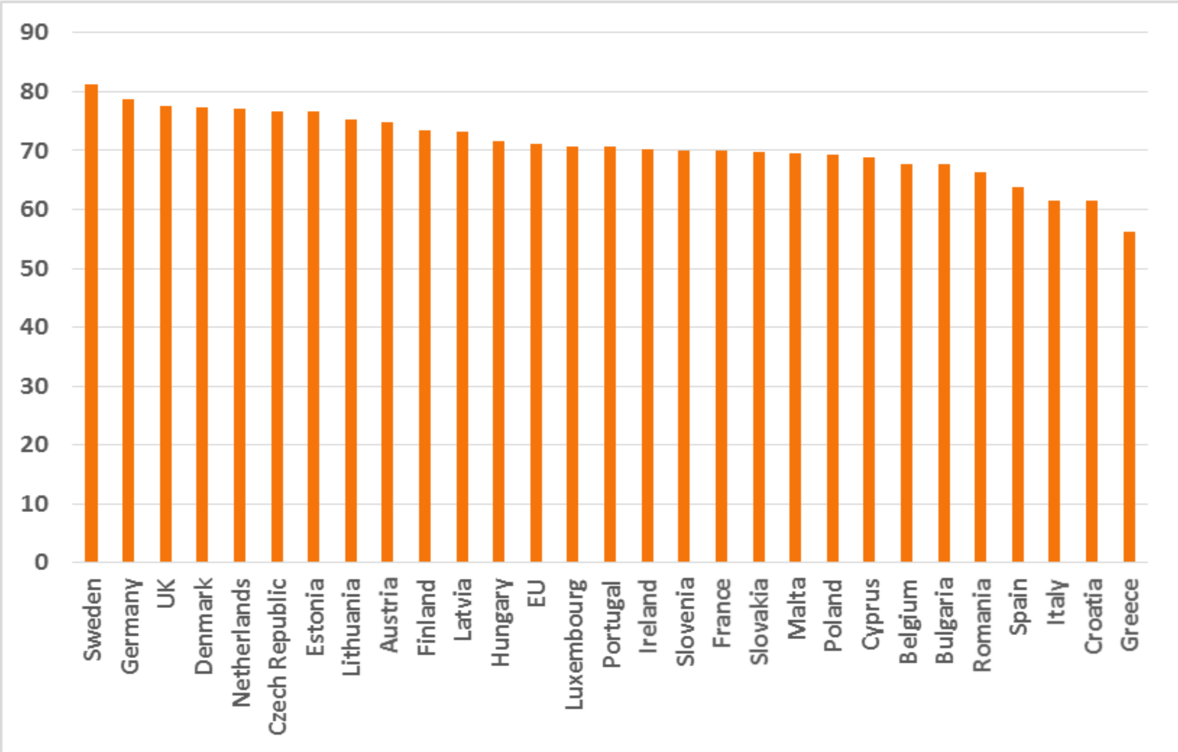
The Greek **economy shows signs of recovery**. Greece's recovery is expected to gather pace in 2017 with GDP growth of 2.7 % contingent upon the timely completion of the second review of the ESM programme. In 2016, GDP grew by 0.3 % and in 2015 by 0.2 %. Public debt is expected to slightly shrink to 177 % of GDP in 2017 compared to 180 % in 2016, and return to its levels in 2015 (177 %). Overall public finances are performing better than expected and the economic outlook remains positive[3].

1. EMPLOYMENT AND DEVELOPMENTS IN THE PUBLIC SECTOR

Despite improvement, Greece continues to record the lowest employment rate among EU countries in 2016 (56.2 % compared to an EU average of 71.1 % and a high of 81.2 % in Sweden at the other end of the scale). The employment rate demonstrates an **incomplete recovery** (66.3 % in 2008, down to 52.9 % in 2013). In addition to low employment rates across all age groups, Greece shows a **large gender gap** with less than one in two women being in employment[4].

Overall, the **post-programme countries analysed show a mixed picture.** While the employment rate remains below EU average in Spain, Italy and Cyprus, it returned more or less to the EU average in Ireland and Portugal. In all these countries, **recovery has been however incomplete**. For example, in Ireland, Portugal and Cyprus, the employment rate was above EU average in 2007 and the distance between Greece and the EU average was much smaller (66 % compared to 70 % EU-28).

Figure 1: Employment rate in EU Member States (2016), %

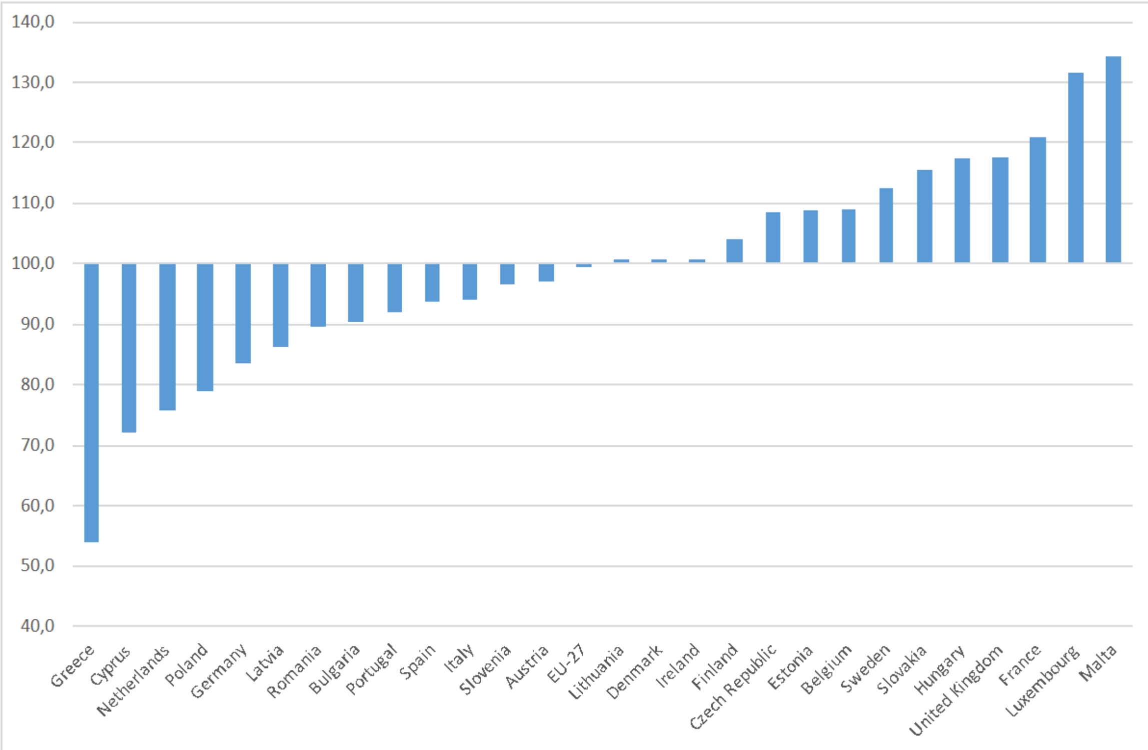


Source: Eurostat, own compilation

There are **indications for an impact of budget constraints and restructuring on public sector employment** (see fig. 2 and 3). As a recent study by the European Parliament[5] shows, **Greece** was among the countries where the **number of employees working in the public sector dropped most** - by nearly 50 % between 2010 and 2015. Overall, the development strongly varies across Europe with some countries even showing a significant increase (e.g. UK, France, Luxembourg and Malta).

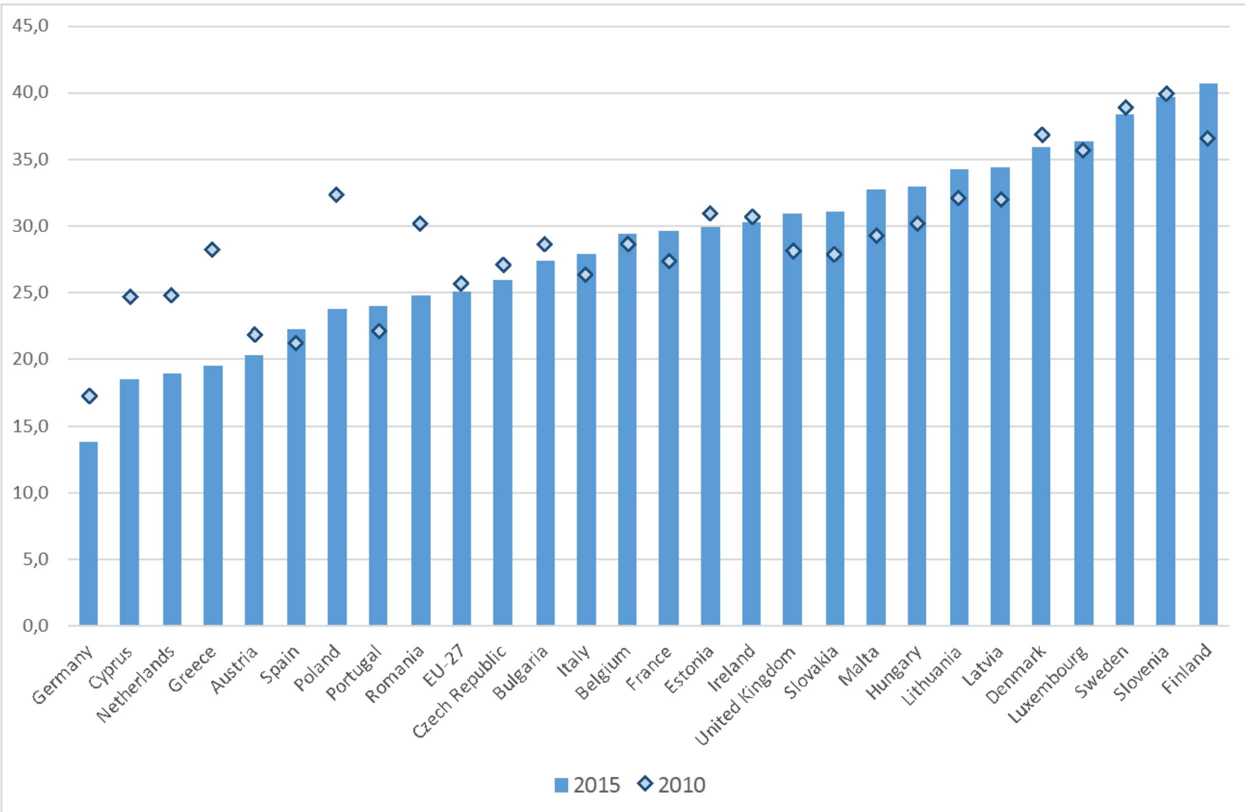
Consequently, Greece was in 2015 among the countries with the lowest proportion of employees working in the public sector (see fig. 3). Interestingly, even before restructuring started, the proportion was close to the EU average and much lower than in a number of Nordic countries and Luxembourg. Changes in this proportion reflect also developments in the private sector, In some countries, for example Ireland, it can be assumed that a stable proportion was due to both, staff reductions in the private and the public sector.

Figure 2: Change in number of employees working in the public sector 2015, (2010=100)



Source: EWCS, 2010, 2015, weighted results, Note for European Parliament (see endnote 5)

Figure 3: Proportion of employees working in the public sector by country, 2010 and 2015

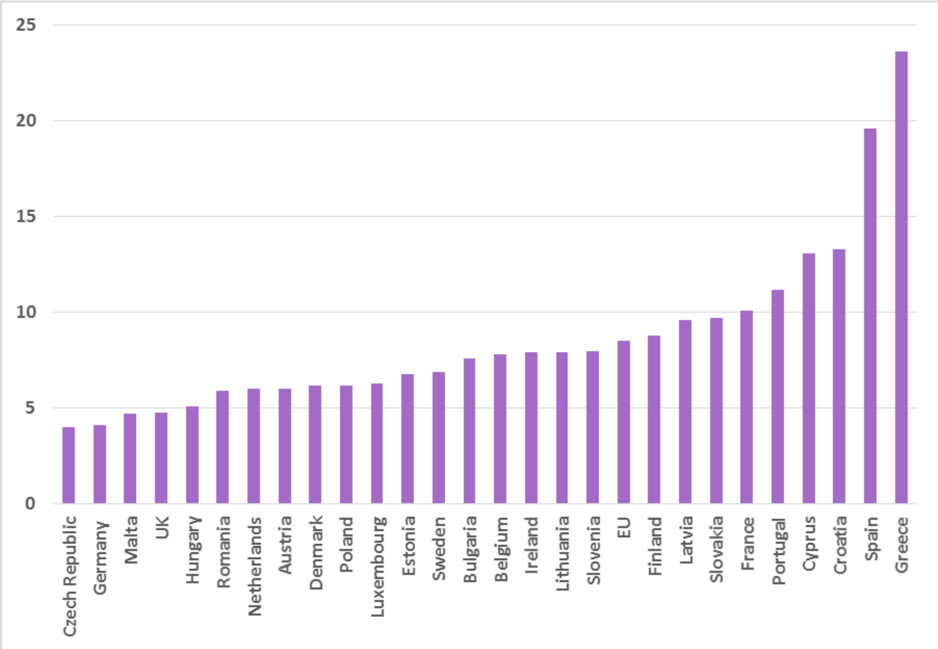


Source: EWCS, 2010, 2015, weighted results, Note for European Parliament (see endnote 5)

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

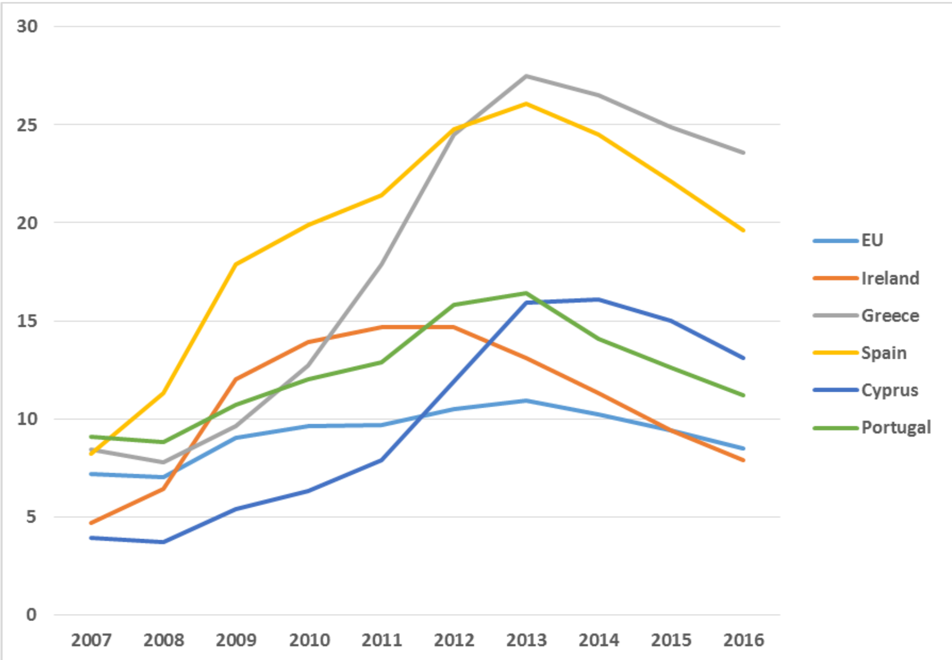
In 2016, Greece continues to be confronted with the **highest unemployment rate in the EU** (23.6 % annual average) followed by Spain (19.6 %), thus accounting for nearly three times the EU-28 unemployment rate of 8.5 %. Greece and Spain are still the only EU countries where unemployment exceeded the threshold of 20 %. There are four other Member States (Croatia, Cyprus, Portugal and France) where the unemployment rate is above 10 %, but is still lower than 20% (see fig. 4)[6].

Figure 4: Unemployment rate in the EU (2016), unemployed persons as percentage of active population, annual average



Source: Eurostat, own compilation

Figure 5: Unemployment rate in selected Member States (2007-2016), %



Source: Eurostat, own compilation

A look at the longer-term development shows, however, that Greece and Spain have **passed the peak in unemployment** (see fig. 5 and table 1). **In all countries receiving financial assistance, unemployment was in 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.

Table 1: Financial assistance and 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. 6).

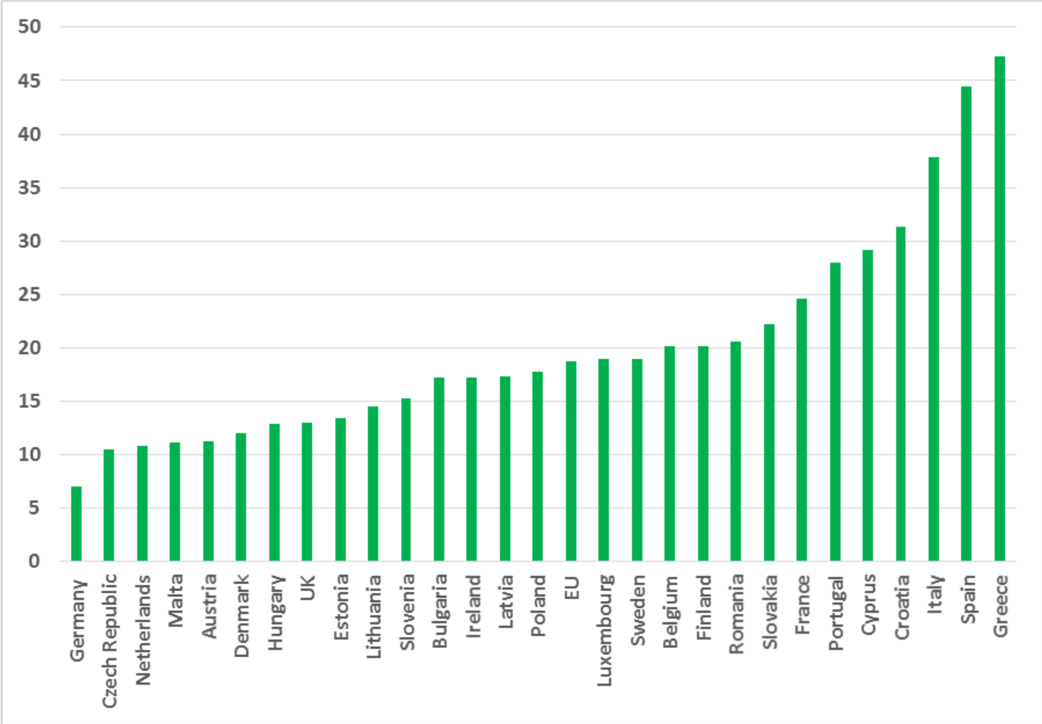
In 2016, the proportion of **young unemployed** (aged 15 - 24) **among the labour force** is **highest in Greece (47.3 %)**[7] **followed by Spain (44.4 %), Italy (37.8 %) and Croatia (31.3 %)**[8]. In the EU-28, this proportion is significantly lower, but still considerable: nearly one in five young people (18.7 %) is without a job.

In terms of the **youth unemployment ratio**[1], **around one in ten of all young persons** were unemployed in Greece in 2016 (11.7 %) exceeded only by Spain (14,7 %; for comparison: Cyprus 10.7 %, Portugal 9.3 %, Ireland: 6.7 %, EU average 7.8%).

Patterns of development have been similar in Greece and Spain. Even if youth unemployment went up quicker in Spain after the crisis took its toll (see fig. 7), as of 2011 youth unemployment in Greece remains overall higher than Spain. In all selected countries **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), which continued in 2016.

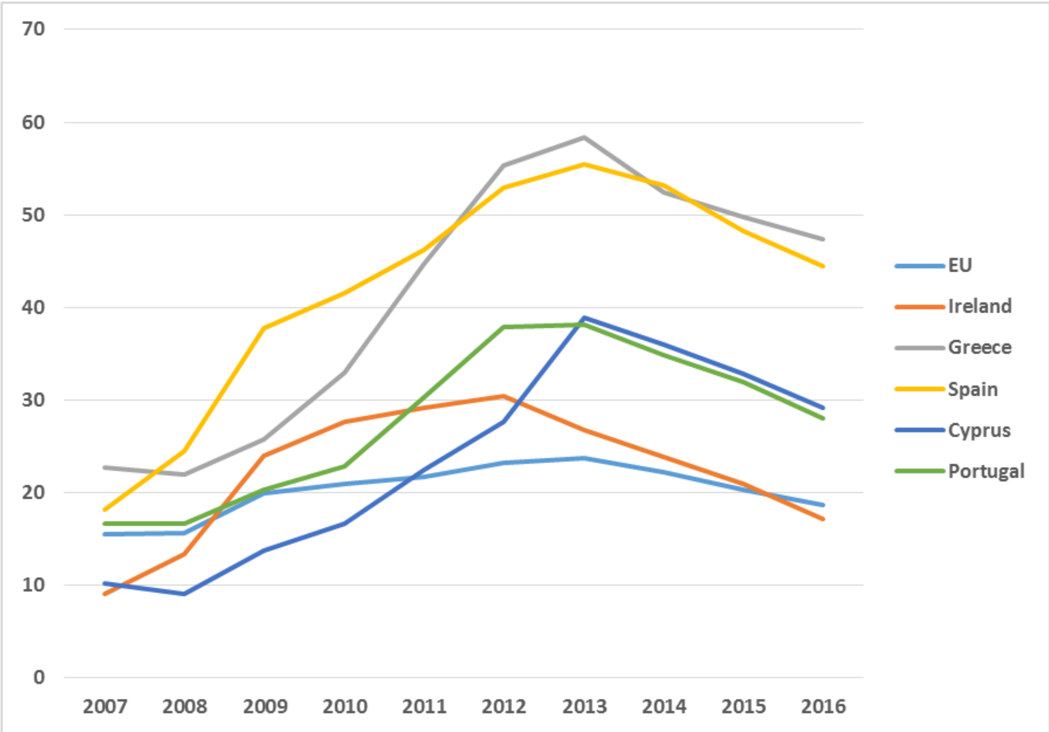
[1] The youth unemployment rate relates to the size of the young labour force which strongly varies across countries due to different education systems and traditions. For this reason, Eurostat calculates in addition the **youth unemployment ratio**, i.e. the share of unemployed for the whole population (15-24). The value is tends to be considerably lower.

Figure 6: Youth unemployment rate in the EU (2016), %



Source: Eurostat, own compilation

Figure 7: Youth unemployment rate in selected Member States (2007-2016), %

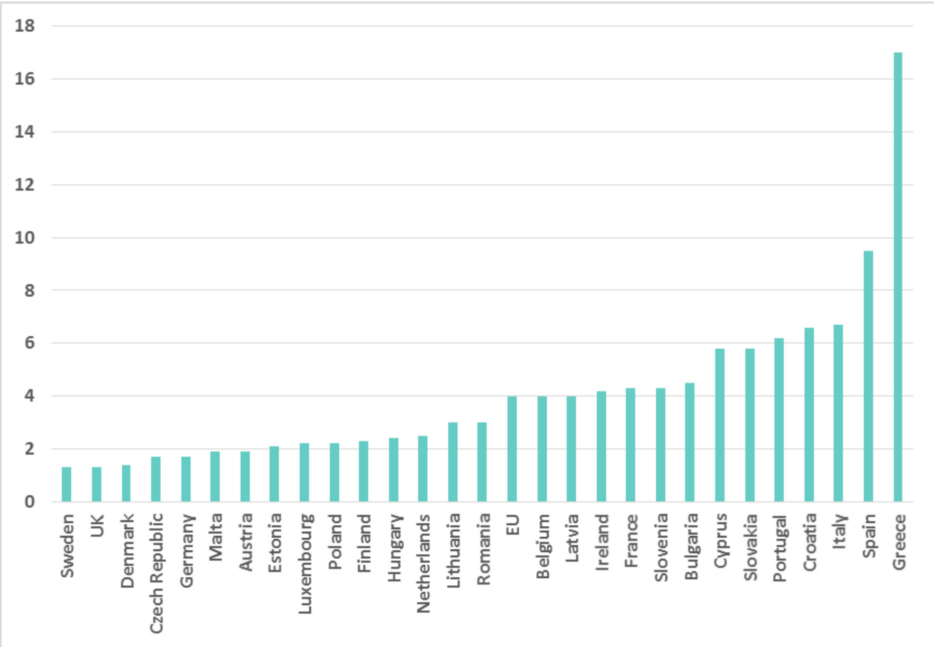


Source: Eurostat, own compilation

3. LONG-TERM UNEMPLOYMENT: A BURDEN FOR THE FUTURE EVEN IF PEAK HAS BEEN PASSED

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 Greece[9], long-term unemployed depend on **protection and support for subsistence by their families including retired receiving a pension**.

Figure 8: Long-term unemployment in EU Member States (2016) share of persons unemployed since 12 months or more in the labour force, %



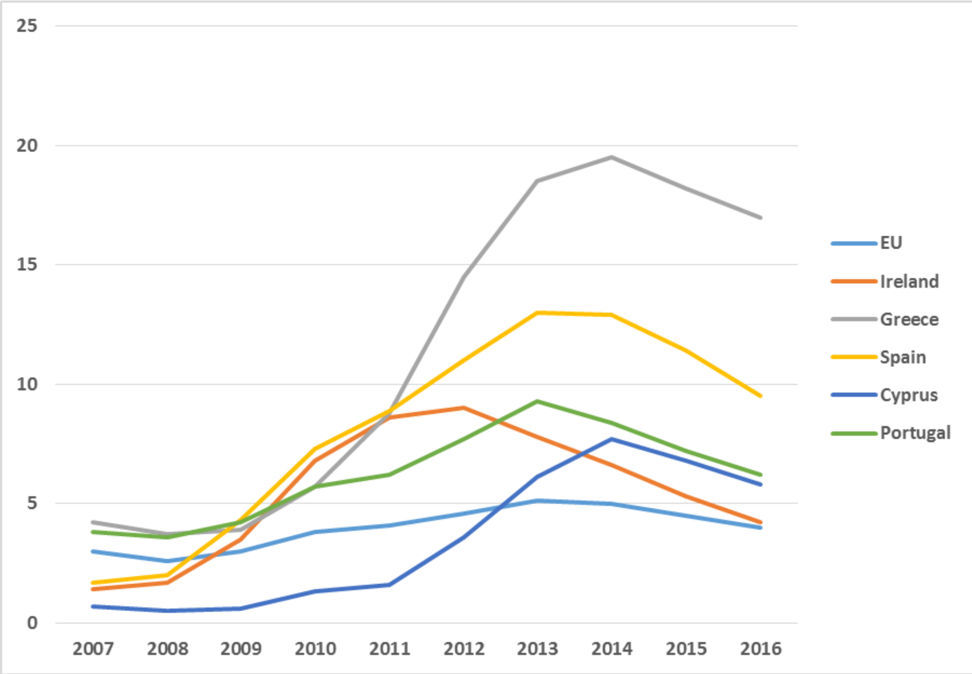
Source: Eurostat, own compilation

In 2016, 17 % of the active population in Greece (employed together with unemployed) **are long-term unemployed** (see fig. 8). Although this marks an improvement compared to 2015 when the figure stood at 18.2 %, it is still high representing **more than four times the EU average of 4 %**. There is no other Member State that exceeds the threshold of 10 %, thus demonstrating labour market problems, such as a lack of absorption capacity as well as gaps in active labour market policies for unemployed. The second highest long-term unemployment rate in 2016 in the EU, measured in Spain (9.5 %), is nearly half the one of Greece.

Compared to the other (post-)programme countries, **long-term unemployment rose more abruptly and for longer** in Greece from 2009 onwards coming to a halt in 2014 at an extremely high level of 19.5 % (see fig. 9). Since then it follows a steady trend downwards.

Even if the economy recovers, it will 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 9: Long-term unemployment in selected countries (2007 - 2016), %

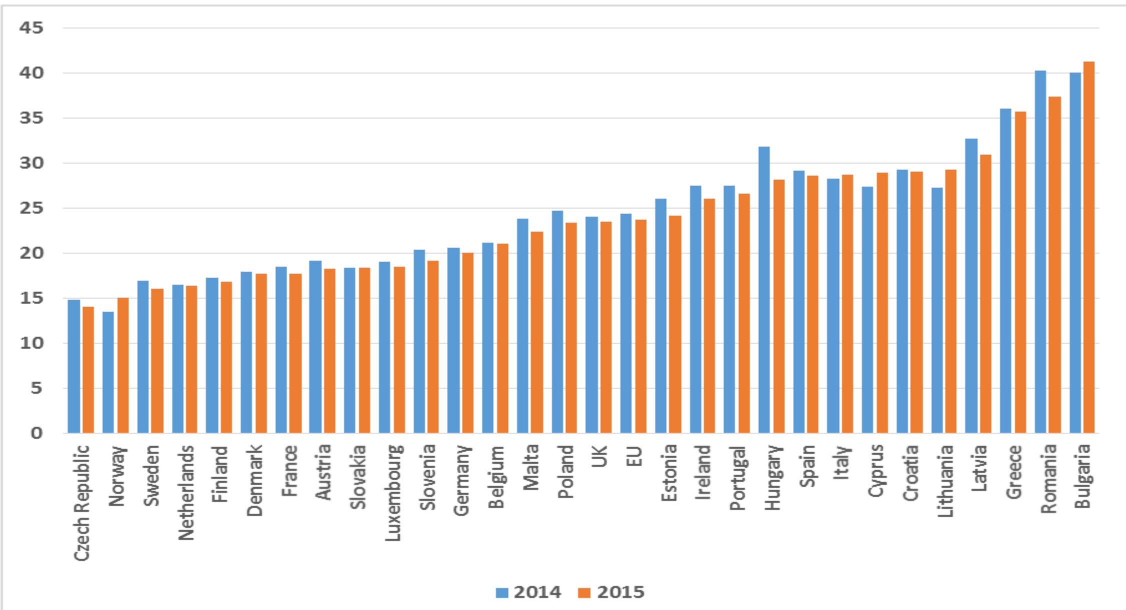


Source: Eurostat, own compilation

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

In 2015, in Greece **more than one in three people (35.7 %) lived in a situation at risk of poverty or social exclusion**. This share was higher only in Romania (37.4 %) and Bulgaria (41.3 %). Overall, 23.7 % were at risk of poverty or social exclusion in the EU.

Figure 10: At-risk of poverty or social exclusion (2014 and 2015), %

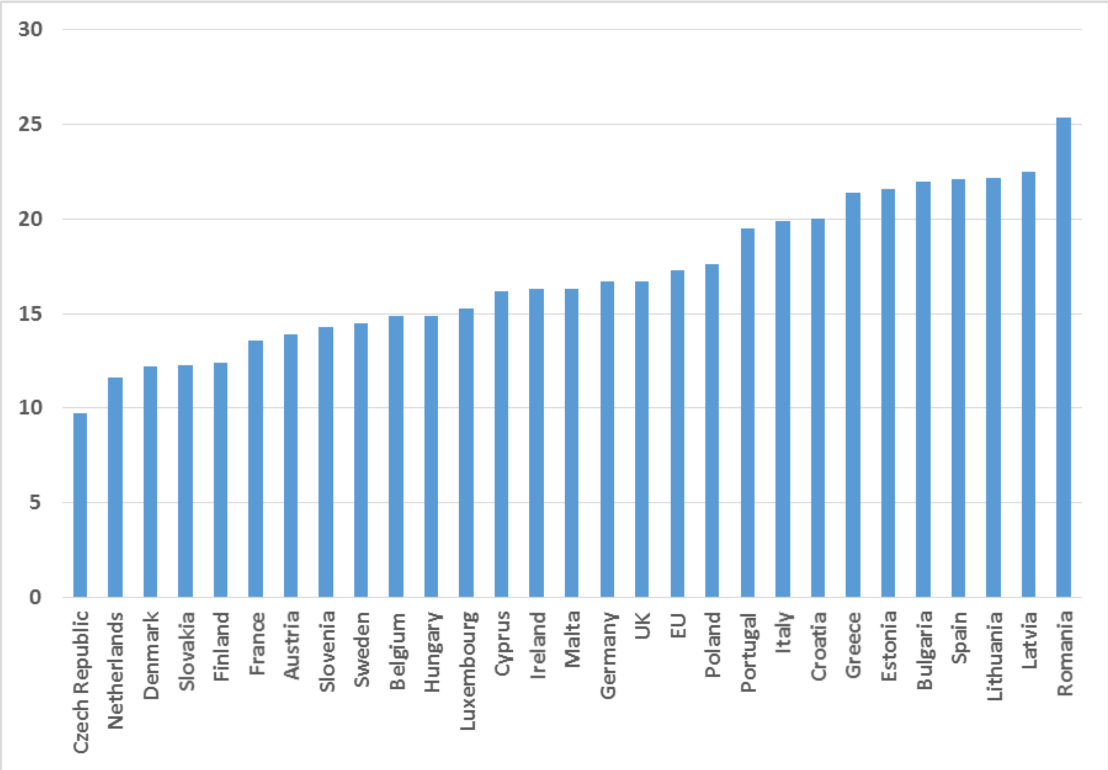


Source: Eurostat, own compilation

In line with the global development in the EU, this **rate went slightly down in Greece in 2015 compared to 2014**. Apart from Italy, Cyprus, Lithuania and Bulgaria, in all EU Member States the at-risk of poverty and social exclusion levels decreased or remained unchanged (Slovakia) in 2015.

Looking at **the poverty** rate (see fig. 11 and fig. 12), Greece again is **among the countries with the highest share**. This proportion rose dramatically from 2011 reaching its **peak in 2013** when **more than one of five Greeks (23.1 %) were at risk**.

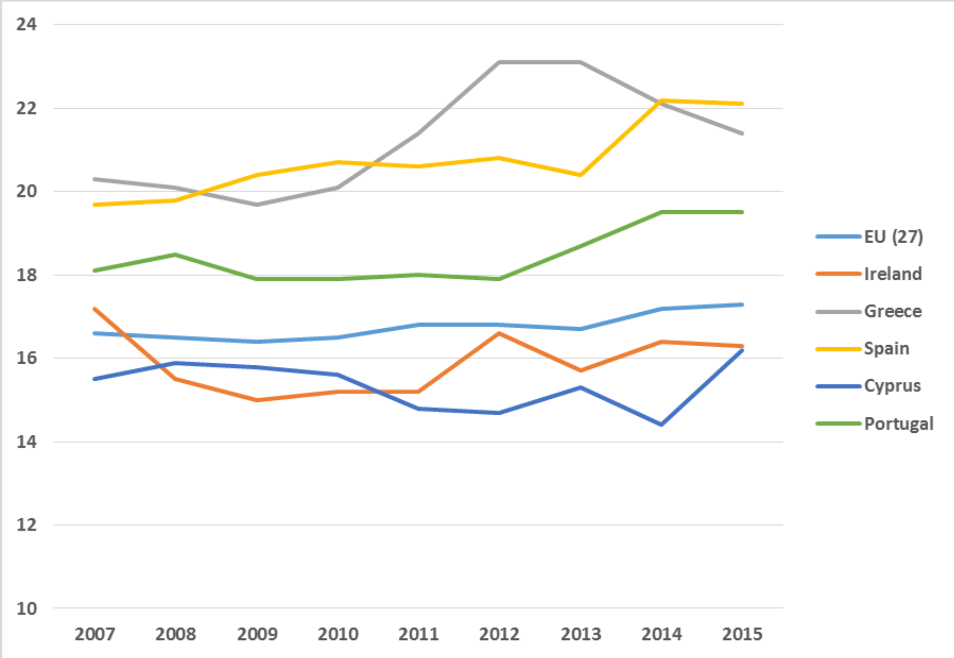
Figure 11: At risk of poverty rate (2015), %; cut-off point: 60% of median equivalised income after social transfers



Source: Eurostat, own compilation

Comparing Greece **with other (post-)programme countries** demonstrates **variety of patterns and trends** in the risk of income poverty. While there are first indications for a positive turn in Greece, the r**isk went up in other (post-)programme countries and also (slightly) 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 12: At risk of poverty rate in selected Member States (2007-2015), %



Source: Eurostat, own compilation

Even if the employment situation remains **most worrying in Greece**, **all Southern European (post-)programme countries (Italy, Spain, Portugal) "*face a number of substantial employment and social challenges*"** according to the Social Scoreboard presented in the Joint Employment Report 2017[10].

1 http://www.consilium.europa.eu/en/policies/financial-assistance-eurozone-members/greece-programme/ 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/ https://www.theguardian.com/world/2016/nov/06/greek-prime-minister-tsipras-reshuffles-cabinet-to-boost-bailout-reforms.

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/; http://greece.greekreporter.com/2017/05/17/nationwide-strike-in-greece-while-parties-clash-over-austerity-measures-in-parliament/; https://www.esm.europa.eu/assistance/greece

3 European Commission Winter 2017 macroeconomic forecast

4 http://ec.europa.eu/eurostat/statistics-explained/pdfscache/1162.pdf.

5 Note on public sector for the European Parliament (2017): http://www.europarl.europa.eu/RegData/etudes/BRIE/2017/602025/IPOL_BRI%282017%29602025_EN.pdf

6 http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics.

7 High youth unemployment rates do reflect the difficulties faced by young people in finding jobs. However, this does not necessarily mean that the group of unemployed persons aged between 15 and 24 is large, as many young people are studying full-time and are therefore neither working nor looking for a job (so they are not part of the labour force which is used as the denominator for calculating the unemployment rate). Source: Eurostat.

8 http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics.

9 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.

10 Joint Employment Report 2017: http://ec.europa.eu/social/BlobServlet?docId=17224&langId=en,

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