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COMITÉ EUROPÉEN DES DROITS SOCIAUX

22 February 2016

Case Document No. 6

Greek General Confederation of Labour (GSEE) v. Greece
Complaint No. 111/2014

EUROPEAN COMMISSION OBSERVATIONS

Registered at the Secretariat on 26 January 2016

EUROPEAN COMMISSION
DG Employment, Social Affairs and Inclusion
DG Economic and Financial Affairs

Brussels,
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EUROPEAN COMMISSION OBSERVATIONS ON COMPLAINT NO. 111/2014

The Commission is very much aware of the difficult social situation in Greece and it is putting great emphasis on measures to tackle it. The Commission has also taken into account social and fairness considerations in the adjustment programmes that Greece has been implemented since 2010.

The Commission pays great attention to the respect of the principles set in EU Charter of Fundamental Rights, and the European Social Charter as referred to in Art. 151 of the Treaty on the Functioning of the EU (TFEU). We would like to recall that the European Court of Human Rights has also ruled that the austerity measures adopted by the Greek authorities do not infringe the Convention of Human Rights (inadmissibility decisions of 7 May 2013, in Koufaki/Greece and Adedy/Greece).

The Greek government has been in dire financial straits in 2010 and is since then implementing adjustment programmes unprecedentedly financed by its EU and international partners. The GSEE alleges that the situation in Greece is in breach of Articles 1,2,4,7,30 and 31 of the 1961 Charter and Article 3§1 of the 1998 Additional Protocol because of the legislation adopted between 2010 and 2014 in response to the economic and financial crisis.

The difficulties which the Greek population is undergoing are due to the major imbalances built beforehand. The objectives of the adjustment programmes for Greece are to build a more solid basis for growth and job creation, based on sustainable public finances, a stable financial system, and a more competitive and dynamic economy. Through these adjustment measures, it was possible to preserve Greece within the euro area, preventing a much sharper adjustment with more painful economic and social consequences for the country and its population.

The programme should also be judged keeping in mind the very difficult scenarios it has prevented: the adjustment programme has allowed to avoid a much sharper adjustment, especially in case of a forced exit of Greece from the Eurozone, and devastating economic and social consequences for the country and its population. And, through all of these measures, to ensure that Greece remained in the euro area. The integrity of the EA has been preserved and the possibility of Greece exiting it has been eliminated.

More recently –and this is not in the scope of the complaint but worth to be mentioned for the future- in line with European Commission President Jean-Claude Juncker's

Political Guidelines, the Commission, as a partner in the negotiations, has paid particular attention to the social fairness of the new Stability Support Programme for Greece to ensure that the adjustment is spread equitably and to protect the most vulnerable in society, thus improving social cohesion.

On 19 August 2015, the Commission has published a staff working document "*Assessment of the Social Impact of the new Stability Support Programme for Greece*"[1]. This concludes that, if implemented fully and timely, the measures foreseen in the Stability Support Programme will help Greece return to stability and growth in a financially and socially sustainable way, and will contribute to meet the most pressing social needs and challenges in Greece.

The report recognises that major labour market and other reforms have been implemented in Greece in recent years.

These reforms over the years 2010-2014 have for instance improved the functioning of the labour market. They are also expected to result in more employment opportunities as the products and services markets are opened up in parallel.

The Commission staff working document underlines also that a number of future reforms such as on frameworks for collective bargaining and wage setting, industrial action and collective dismissals will be led by a group of independent experts and will rely also on the input of international organisations, including the International Labour Organisation (ILO).

The review is expected to provide options for the above-mentioned three policy areas with a view of supporting sustainable and inclusive growth. Social partners will have a key role to play in achieving that objective, and the Commission fully supports the need for a modern collective bargaining system.

The Commission is cooperating with ILO in helping Greece to address informality and reduce undeclared work and to restart social dialogue. Other reforms are aiming at improving the effectiveness, sustainability and fairness of the social protection system.

The above-referenced staff working document is attached here to illustrate and support the Commission`s observations for the purposes of the Complaint No. 111/2014 Greek General Confederation of Labour (GSEE) v. Greece.

Michel SERVOZ

Marco BUTI

[1]http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/pdf/assessment_social_impact_en.pdf

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COMMISSION STAFF WORKING DOCUMENT

Assessment of the Social Impact of the new Stability Support Programme for Greece

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1. INTRODUCTION

On 19 August 2015, a new three-year European Stability Mechanism (ESM) stability support programme for Greece was approved by the ESM Board of Governors and co-signed by the Greek authorities and the European Commission, on behalf of the ESM. This includes a Memorandum of Understanding (MoU) that spells out the detailed policy conditions attached to the financial assistance to Greece.[1]

On the request of President Juncker, the Commission has prepared a "Social Impact Assessment" of this MoU, both as a way to feed the negotiation process from the Commission side, and to guide the follow-up and monitoring of its implementation. This intention was already made clear in 2014 in the President's Political Guidelines for the new Commission[2], where he said that "*in the future, any support and reform programme [should go] not only through a fiscal sustainability assessment; but through a social impact assessment as well*", also to ensure that "*the social effects of structural reforms [are] discussed in public*".

The Commission is fully aware of the social conditions in Greece and sees their improvement as essential to achieve sustainable and inclusive growth. This is why ensuring social fairness has been at the core of Commission work in discussion with the other institutions (European Central Bank and the International Monetary Fund) and the Greek authorities. President Juncker made clear on several occasions[3] that social considerations have been explicitly introduced or reinforced in the text of the MoU at the insistence of the Commission. This includes measures to support the most vulnerable and to ensure the fair sharing of the adjustment process - for instance through the phasing in of a guaranteed minimum income scheme and the provision of universal health care; making sure that the efforts required from everyone are proportionate to their income; targeting savings in areas which do not directly affect the disposable income of ordinary citizens such as defence expenditure reduction, or by reducing inefficiencies in many areas of public spending; challenging vested interests, such as phasing out favourable tax treatments for ship-owners or farmers, or a myriad of exemptions, e.g. for some islands on VAT, or of unjustified subsidies; supporting the role of the social partners and the modernisation of the collective bargaining system; fighting corruption and evasion; supporting more transparency and efficiency of the public administration, including through the move towards a more independent tax administration, the reorganisation of ministries and the introduction of a better link between salaries and job responsibilities in the public sector.

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[1] All documents can be found on the following webpage: http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/index_en.htm

[2] "*A New Start for Europe: My Agenda for Jobs, Growth, Fairness and Democratic Change*"; Political Guidelines for the next European Commission, 15 July 2014. http://europa.eu/rapid/press-release_SPEECH-14-546_en.htm

[3] See for instance transcript of the press conference of President Juncker of 29 June 2015, available at: http://europa.eu/rapid/press-release_SPEECH-15-5274_en.htm

This document focuses on the content of the MoU as the reference document in support of the new ESM stability support programme. The purpose of this document is to show how the design of the stability support programme has taken social factors into account, also building on the experience from the previous programmes. It shares with a wider audience the social considerations made when identifying – with the Greek authorities – the main measures and their specific design. It describes how social considerations have provided constant guidance for the decisions on the stability support programme conditions in many areas and for the modulation of the measures. It also highlights the anticipated impact of the new programme on the social situation in Greece.

The discussion of the social impact of the new stability support programme for Greece cannot be taken in isolation. In this context it should be noted that this document does not discuss broader considerations related to the stability support programme, such as the following:

- First, this document does not discuss the economic and social implications of having reached an agreement on a new financial support which helps to stabilise the economic and financial situation, nor it discusses alternative scenarios. The existence of a new, comprehensive and credible programme of reforms, backed by a large financing envelope, is in itself conducive to lifting the overall uncertainty that has hampered Greece's recovery for too long.

- Second, this document does not describe the support of EU funding and technical assistance which will be deployed alongside the ESM programme. This was spelled out by the Commission in its recent Communication on *"A New Start for Jobs and Growth for Greece"*[4], and will be a central element of the economic and social recovery over the coming years.

- Third, this document deals with neither the origin, nor the rationale of the financial support programmes for Greece. Economic adjustment programmes were established in response to the urgent financing needs and structural challenges that the beneficiary country is facing. Deep-seated imbalances built over several decades and structural problems have made Greece unable to grow sustainably and have made it particularly vulnerable to shocks thus making a number of macro-economic adjustments unavoidable. The economic adjustment programmes aimed at restoring financial sector stability and fiscal sustainability have pre-empted even more abrupt market-induced adjustments which would have resulted in enormous economic and social costs.

After showing the first signs of a recovery up to the summer of 2014, the Greek economy fell back again into recession. Subsequent to the developments over the last months which led to this new stability support programme, the economic and social situation deteriorated significantly. The macroeconomic assessment produced recently, as part of the documentation supporting the ESM programme, points towards a significant downward revision of growth estimates and to a delay of the recovery to 2017.

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[4] European Commission Communication COM(2015)400 of 15 July 2015, available at: http://eur-lex.europa.eu/legal-content/en/TXT/?uri=CELEX:52015DC0400.

While the autumn forecast in November 2014 still projected a real GDP growth of 2.9% for 2015, the real GDP growth projections are currently at -2.3% in 2015, -1.3% in 2016, 2.7% in 2017 and 3.1% in 2018. Long-term growth is assumed at 1.75% in a baseline scenario. Data will be checked and updated regularly as part of the regular forecast exercise.

The assessment presented in this document covers the following questions, in particular:

First, how is the burden of adjustment spread across society? This question – which touches on the fairness of the stability support programme – is particularly relevant as regards fiscal measures, because social implications can be expected from most changes concerning taxes and benefits, as well as public expenditure. Closely related to this broader question is the issue of how the adjustment affects specific groups of population. In particular: what is the impact on the most vulnerable people? This question has particular relevance in view of the limits of the existing social safety net in Greece, and the efforts required to strengthen it.

Second, what are the reform measures that will have a positive direct impact on the social situation? Besides purely fiscal policies, many other policies of a more structural nature have distributive effects on society. Structural reforms can bring more jobs and growth by creating opportunities and eliminating undue rigidities and constraints, but also can help to make the socially-relevant services more accessible and less costly, and employment policies more effective as well as oriented towards improving skills and better matching people and jobs. These structural reforms have a direct positive impact on social conditions even if they are often difficult to legislate and results are not immediate. Moreover, these reforms may face resistance from those with entrenched privileges and other interest groups. Implementation may also be complex and time consuming and the private sector reaction may only emerge over time.

Third, which measures will help to mitigate social hardships? This relates to the revamping of the Greek social protection system as foreseen in the programme, by rationalising social assistance programmes and benefits and introducing a 'Guaranteed Minimum Income' scheme, by the provision of universal health care, but also employment programmes such as public works schemes and other employment measures and support services, such as the ones provided by child care programmes.

The analysis is structured as follows:

Section 2 explores the employment and social considerations of the main reforms. It takes stock of those measures that can improve the social conditions due to higher growth and better functioning labour and product markets.

Section 3 describes how social protection systems were addressed in the programme design, also considering the resilience and the efficiency of welfare institutions.

Section 4 concludes on the overall impact of full implementation of the new stability support programme.

2. EMPLOYMENT AND SOCIAL CONSIDERATIONS OF KEY MEASURES

This section reviews the policy measures envisaged in the new stability support programme for Greece that have the greatest employment and social impact. The assessment looks at three elements, in particular:

- The context of the reform and adjustment process;
- The rationale underpinning the main measure(s) taken in each policy area; and
- An analysis of the expected impact.

2.1. Composition of fiscal adjustment

Faced with escalating public deficit and sovereign debt, Greece has made significant efforts to consolidate its public finances since 2010. On average, this adjustment had a direct negative impact on household incomes but many exemptions were foreseen to protect vulnerable groups such as the unemployed, the low-earners, the low-income pensioners and young people. For instance, cuts in pensions and government wages were targeted and largely progressive, i.e. linked to income levels. Evidence shows that the overall fiscal consolidation had the greatest impact on higher incomes.[5]

The fiscal adjustment path of the new programme includes significant adjustments in pension and tax policies, but also in other areas of taxation and expenditure, generating an overall budgetary adjustment of over 3% of GDP by 2016-17, reaching up to 4% of GDP in 2018. The largest impact of those measures is planned for 2016 as illustrated by Table 1 below, which shows the fiscal savings that are expected from the different programme measures already specified in the MoU in the various areas, expressed in percentage of GDP and cumulated over the period 2015-2018. This should be seen against a baseline deficit of -1.5% of GDP in 2015, deteriorating to around -3% of GDP in 2016-17, mainly due to the expiration of measures over this period, and the contraction in revenues due to the renewed recession. It should be noted however that an additional fiscal effort of 0.75% of GDP and 1% of GDP will be needed to reach the medium term primary surplus target of 3.5% of GDP in 2018 and these will need to be specified in autumn 2015, as foreseen in the MoU.

[5] See, for example: Koutsogeorgopoulou, V., M. Matsaganis, C. Leventi and J-D Schneider (2014), "*Fairly Sharing the Social Impact of the Crisis in Greece*", OECD Economics Department Working Papers, No. 1106, OECD Publishing. http://dx.doi.org/10.1787/5jzb6vwk338x-en; and De Agostini, P., A. Paulus and I. Tasseva (2015), "*The effect of tax-benefit changes on the income distribution in 2008-2014*", EUROMOD Working paper series, EM 11/15. https://www.iser.essex.ac.uk/research/publications/working-papers/euromod/em11-15.pdf

Table 1: Composition of the fiscal adjustment over the programme period

% of GDP	2015	2016	2017	2018
Pension reforms	0.4%	1.3%	1.7%	1.9%
VAT	0.4%	1.1%	1.1%	1.1%
Income taxes	0.3%	0.8%	0.9%	0.8%
Other measures – expenditure	0.1%	0.5%	0.5%	0.5%
Other measures – revenue	0.1%	0.1%	0.1%	0.1%
Total adjustment	**1.4%**	**3.6%**	**4.2%**	**4.3%**

Source: Commission services.
Note: For each year, the cumulative fiscal savings impact of all measures taken over the programme period is shown. Figures do not add up exactly to the total adjustment due to rounding.

2.2. Pension system

By 2010, the Greek old-age pension system had clearly become unsustainable. That year, pension expenditure amounted to 14.1% of GDP compared to an EU average of 12.8% of GDP. Greece also had one of the largest projected increases in pension expenditure in the EU, which was also linked to the improvements in life expectancy. Pension expenditure as a share of GDP was projected to grow by 12.5 percentage points by 2060 compared to 2010 - well above the EU average of 2.4% of GDP. Reforms were inevitable if the system was to remain solvent, and maintain its ability to pay out pensions.

The 2010 and 2012 pension reforms were intended to improve financial sustainability, pension adequacy and address issues of fairness. The 2010 reform simplified the highly fragmented pension system. The purpose was to reduce administrative costs, improve the monitoring and collection of pension contributions, increase the retirement age and align benefits with career lengths. To improve the situation of pensioners without contribution records, it also aimed to introduce for the first time a minimum pension level for all. The purpose of the 2012 reform was to merge all supplementary pension funds into one scheme. It also sought to introduce a system to better link contributions with benefits.

These reforms have not been fully implemented and many challenges persist. The structure of the main pension system has remained fragmented with varying rules on the payment of contributions and on benefits - especially for the self-employed. Moreover, long transition periods mean that certain groups would still benefit from earlier retirement ages. According to the Commission 2015 Ageing Report, some of the Greek pension benefits are overly generous compared to other EU Member States.[6]

[6] European Commission (2015): *"The 2015 Ageing Report. Economic and budgetary projections for the 28 EU Member States (2013-2060)"*. European Economy 3/2015
http://ec.europa.eu/economy_finance/publications/european_economy/2015/pdf/ee3_en.pdf

To address these challenges, the Greek authorities have committed under the new programme to take measures to limit the use of early retirement, to better link benefits to contributions and to integrate all social security funds under a single entity. These objectives require full implementation of the 2010 and 2012 reforms as well as additional reforms. On 15 July 2015, the Greek authorities took the first steps by (i) granting guaranteed contributory pensions only at the attainment of the statutory retirement age of currently 67 years; (ii) increasing health contributions for pensioners; (iii) streamlining supplementary public pension funds; and (iv) freezing of minimum pensions in nominal terms until 2021. A number of additional provisions in this direction were also included in an omnibus law voted by the Greek Parliament on 14 August 2015. As part of the MoU, the Greek authorities will present further reforms of the pension system this autumn, to take effect from 1 January 2016.

Taken together, the main objectives of these further reforms are: to establish a closer link between contributions and benefits; to broaden and modernise the contribution and pension base for the self-employed; to rationalise the different systems of basic, guaranteed contributory and means-tested pension components; to consolidate and harmonise the different social security funds; to phase out state financed exemptions and abolish nuisance charges financing pensions; to gradually harmonise pension benefit rules of the agricultural fund (OGA); to further increase penalties for early retirement for those affected by the extension of the retirement age period; to improve the adequacy of pensions for those covered by OGA who have contributed for less than 15 years; to gradually phase out the solidarity grant (EKAS) for all pensioners, starting with the top 20% of beneficiaries[7]; and to restore the sustainability factor of the 2012 reform, which is the way in which supplementary pensions are adjusted over time, to ensure that the funds are not in deficit, or find mutually agreeable alternative measures in the pension system.

The system of high and partially overlapping minimum pensions generated severe disincentives to declare revenues and pay the corresponding social security contributions - in particular for people with low incomes or a relatively short expected working life. This is reflected in the fact that currently more than one-quarter of all new retired people from the main pension fund for private sector employees (IKA) have contributed 15 years or less, i.e. contributing only to the point where they are entitled to the minimum pension (after 15 years). Increasing the eligibility age to the statutory retirement age removes the incentives for early retirement without a major impact on the adequacy of benefits: if a person decides to retire before the statutory retirement age she/he will still be entitled to the normal pension but from now on, only upon reaching the age of 67 (or 62 with 40 years of contributions). The benefit will be topped up to the level of the minimum pension if applicable.

In addition, health contributions on pension incomes will be made equal to those applied to other sources of income. The increase of health contributions for pensioners from 4% to 6% of their income represents an alignment with the rates paid by current workers for the same purpose.

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[7] The EKAS "solidarity scheme" generated distortion in the labour market by creating disincentives for full careers and led to a superposition of benefits not linked to income. The gradual phasing-out of the scheme should be part of a more general reform of the benefit system, including adequate safety nets.

The effect of these reforms will increase over time through incentivising longer careers, which in turn will lead to more contributions being paid, thus supporting a higher level of pension benefits. Increasing the link between contributions and benefits will encourage payment of contributions and longer working lives and will have a positive impact on the entitlements to pensions at retirement age. This enables people to save more for their retirement, thus increasing the adequacy of their pensions. Addressing loopholes and special regimes will improve the equity and universality of the system. The reforms will also reduce the overreliance on the pension system as a last resort income support for the working age population. That role will be taken up by the guaranteed minimum income scheme to be rolled out in 2016. A minimum income scheme is much better placed to support the participation in the labour market, notably through its link to active employment measures and support services.

2.3. Tax policy

The tax system has been significantly reshaped since 2013. Recent major tax reforms have focused not only on budget consolidation but also on the modernisation of the tax system to increase its efficiency and growth-friendliness. Fairness has been taken into account through a number of features including combatting tax evasion, maintaining reduced VAT rates for essential goods, ensuring progressivity, and addressing exemptions.

2.3.1. Indirect taxes (VAT)

As part of the negotiations of the new MoU, the Greek authorities adopted in July 2015 a major VAT reform which streamlined the system and broadened the tax base, attempting at the same time to reduce harmful burden on the lower-income households. In particular, the reform unifies the rates at a standard 23%, which includes restaurants and catering; a reduced rate of 13% for basic food, water, energy and hotels; and a super-reduced rate of 6% (down from 6.5%) for pharmaceuticals, books, newspapers, magazines and theatre. These lower rates typically benefit low-income households.[8] Reduced VAT rates also have other effects, such as supporting cultural activities, social goods or promoting the competitiveness of key sectors such as tourism. The reform also eliminated VAT discounts for the Aegean islands where rates were 30% lower than in the rest of Greece.[9] That alignment of rates will be completed by end 2016, starting with those islands with highest per capita incomes and taking into account the proximity to Athens.

Three principles underpin these measures: first, support of revenue generation and attainment of the overall fiscal targets; second, simplification of the system, reduction of the administrative burden and its harmonisation across the whole country; third, minimisation of harmful redistribution and preservation to the extent possible of the purchasing power of households with the lowest budgets. Although VAT systems normally have negative redistributive effects, taxing consumption is less detrimental for employment and investment than other forms of taxation such as taxes on labour, as it does not tax the factor of production.

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[8] OECD/KIPF (2014), "*The Distributional Effects of Consumption Taxes in OECD Countries*", OECD Tax Policy Studies, No. 22, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264224520-en

In a country where income tax evasion is still significant, consumption tax is a necessary means to collect tax revenues from the entire population.[10]

The various adjustments in the VAT system are expected to increase fiscal revenues by around 1% of GDP. VAT has so far accounted for around 8% of GDP. Before the reform, the VAT gap – i.e. the difference between the VAT collected and the amount theoretically due – was among the highest in the EU, while the fragmented tax regime created unjustified costs.[11]

Some "regressive" effects of the system, i.e. the fact that the wealthier parts of the society benefit most and/or pay comparatively less, may nevertheless remain and require further attention. Even if the VAT system is not necessarily designed to support low-income households, it still has important distributional implications. For instance, evidence from the past shows that the reduced VAT rate on restaurants in Greece provided seven times the tax reduction to the top-income compared to the bottom decile.[12] On this basis, it has been considered that increasing VAT on restaurants and catering to the normal rate would have positive distributional effects.

Several other categories of reduced or super-reduced rates (see Graph 1) may also have a "regressive" impact, although this varies depending on the item. For instance, there are smaller effects observed on pharmaceuticals (top decile receives about 1.5 times higher tax reduction than the bottom decile) but more substantial effects on consumption items such as hotels (top deciles receives about 15 time higher tax reduction than the bottom decile). Accounting for the distributional effect of such tax reductions is of particular importance given that overall, Greece has had a tradition of taxing a very large proportion of products at reduced rates (i.e. 54% of VAT taxable base).[13] Restricted use of reduced VAT rates is needed to increase fiscal revenues and should be coupled with an overall move towards a more extensive use of means-tested cash transfers, which is a more effective and efficient redistribution and poverty reduction tool than VAT systems.

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[9] In fact, all other islands (e.g., Crete or Ionian islands) already had rates aligned with mainland Greece.

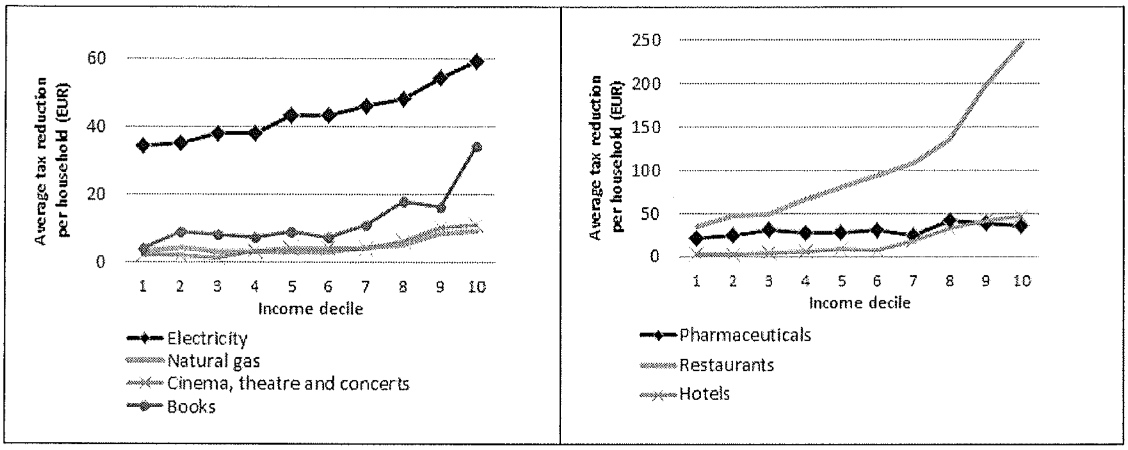
[10] EU Commission (2014), "*Towards tax reforms that reconcile efficiency and equity concerns*", EU Employment and Social Situation, Quarterly Review, Supplement December 2014.
http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=2169&furtherNews=yes

[11] For further information on VAT gap, see: EU Commission (2012), "*2012 Update Report to the Study to quantify and analyse the VAT Gap in the EU-27 Member States*".
http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/vat_gap2012.pdf

[12] OECD/KIPF (2014), "*The Distributional Effects of Consumption Taxes in OECD Countries*", OECD Tax Policy Studies, No. 22, OECD Publishing, Paris. http://dx.doi.org/10.1787/9789264224520-en

[13] Andrivon, J.A. (2015), "*Value added tax in the European Union*", Trésor-Economics, No. 148, May 2015. http://www.tresor.economie.gouv.fr/File/415429

Graph 1. Average tax reduction from reduced rates on VAT, Greece (2010)



Source: Commission services calculations based on OECD/KIPF (2014)

The phasing out of the special regime for the Aegean Sea islands helps to improve fairness and equity of the VAT system. A number of Aegean islands (some 5% of the total Greek population) have per capita income above national average, sometimes by a wide margin, while various areas in mainland Greece (and other islands) are poorer and do not benefit from a special taxation regime. This has meant that the high-income locals and islands were benefiting relatively more than other Greeks and other poorer regions. A limited compensation package is envisaged, to ensure a smoother transition during the phasing out of the discount, the details of which are still to be determined.

2.3.2. *Other tax measures*

The **statutory rate for the corporate income tax** is going up from 26% to 29% as of 2016. At the same time, advance payments on profits taxes are being increased from 75% to 100%. This is seen as a way for companies to contribute their share to the adjustment, although there is a risk that this change may affect investment attractiveness and add to the liquidity squeeze for firms, in particular for small and medium enterprises. This emphasises the importance of other programme measures to increase the attractiveness of investing in Greece and to enhance companies' access to finance.

With respect to the other income taxes, the most relevant measures are the level of taxation on rents and the gradual phasing out of the preferential status given to farmers' incomes. Rents will be taxed at 15% (for incomes up to EUR 15 000) and at 35% for those above that, instead of 11% and 33% respectively now. Farmers' incomes are currently taxed at 13% but this special regime will be brought in line with the general rate and rates are to increase until 2017. This change will eliminate undue advantages to this category of tax payers, which has overall not contributed to the adjustment over the past few years. This rate differential has also led to many taxpayers registering themselves as farmers, for mere tax elusion purposes. A review of the definition of "farmer" is also expected, to ensure that only active professional farmers can benefit of the many advantages that this category enjoys. Applying a rate of 26% is estimated to increase fiscal revenues with no significant distribution effects,[14] thus improving the fairness

[14] Source: European Commission, Joint Research Centre, based on the EUROMOD model.

of the tax system and its equity. An adaptation of the income tax code is planned for October 2015. In that context, the current solidarity surcharge is also set to be integrated in the normal personal income tax.

2.3.3. *Preventing tax evasion*

An important contribution of the tax reform in terms of redistributive effects is expected to come from a clampdown in fiscal evasion by the higher income segment of the population.

Rampant tax evasion and weak enforcement of tax obligations unfairly benefits social and professional groups and reduces government revenue. Overall, tax evasion and social issues are closely related. Higher levels of inequality and of tax evasion go hand-in-hand.[15] Tax evasion in Greece is estimated to increase inequality as measured by the Gini coefficient by 3 percentage points compared to a situation of full compliance.[16] Credible actions in this domain are crucial for the success of the overall reform agenda.

The new programme puts forward a number of administrative measures with a view to improving the efficiency of the tax administration. These seek to increase tax compliance across all social and professional groups. The reforms also aim to create an independent revenue (tax and customs) agency, which is expected to address a situation of chronically weak enforcement.

Further measures are planned to improve tax debt collection. The aim is to introduce a fairer and efficient system with sufficient staffing and adequate tools to collect, eliminating preferential treatments for certain groups such as big tax debtors, while ensuring a safety net for those with proven needs.

2.4. Labour market

Major labour market reforms have been implemented in Greece in recent years. Faced with high and rising unemployment, competitiveness challenges and the need to correct large macro-economic imbalances, Greece was obliged to quickly improve many aspects of its labour market adjustment capacity and to address barriers to a reallocation of resources necessary to support potential economic growth in the decade ahead.

The reforms over the years 2010-2014 have increased labour market flexibility. They contributed to better align wage and productivity developments, to reduce labour costs and to support reallocation of labour across the economy, particularly to the export sectors. The OECD Employment Protection Legislation (EPL) indicator shows that Greece is now broadly aligned with the average of EU OECD Member States.

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[15] EU Commission (2014) *"Towards tax reforms that reconcile efficiency and equity concerns."* EU Employment and Social Situation, Quarterly Review, Supplement December 2014.
http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=2169&furtherNews=yes

[16] Leventi, C., M. Matsaganis and M. Flevotomou (2013), "*Distributional Implications of Tax Evasion and the Crisis in Greece*", EUROMOD Working Paper No. EM17/13.
https://www.iser.essex.ac.uk/research/publications/working-papers/euromod/em17-13.pdf

The diversity of work arrangements now available creates more scope for adjustment to the changes in activity, covering for instance flexibility of working time arrangements, and revising the conditions for temporary work, within the overall EU regulatory framework. This higher flexibility in the labour market is also expected to result in more employment opportunities as the products and services markets are opened up in parallel.

The programme puts forward a review of the frameworks for collective bargaining and wage setting, industrial action and collective dismissals. The review will be led by a group of independent experts and will rely also on the input of international organisations, including the International Labour Organisation (ILO). The review is expected to provide options for the above-mentioned three policy areas with a view of supporting sustainable and inclusive growth. Social partners will have a key role to play in achieving that objective, and the Commission fully supports the need for a modern collective bargaining system.[17] Policy actions will be set out at a later stage on the basis of this review.

The calls for review of the framework for collective dismissals came to the fore in order to allow a check on how the provisions affect employment and the position of the workers. For instance, whether the collective dismissals framework discourages firms to grow and hire beyond the levels at which the collective dismissals requirements apply, which would be detrimental to investment and job creation; or whether collective dismissals procedures give due protection to the workers in comparison with standard individual dismissals.

A similar motivation is behind the agreement on reviewing the industrial action framework. Such a review should investigate, for instance, whether the current framework is balanced and consistent with the aim of inclusive growth and a solid social partnership, or whether it is too tight, hampering workers' rights, or too loose and too prone to conflicts.

The programme stresses the need for forceful action in the area of undeclared work. This remains a significant challenge despite the fact that in the recent years considerable efforts have been undertaken, including imposing stricter sanctions, reducing non-wage costs and reducing bureaucratic obligations and the administrative burden. The authorities announced their intention to step up efforts and are expected to develop a coherent approach to tackle undeclared and under-declared work. Success in this area would promote fairness by protecting workers against unlawful behaviour, establishing a level playing field for compliant employers, promoting fair competition and sustaining tax and social contributions for the government.

The programme calls on the authorities to integrate all existing labour legislation into a single Labour Code. This should facilitate compliance, thus improving the functioning of the labour market and having a positive impact on employment.

[17] In their joint statement on 6 May 2015, President Juncker and Prime Minister Tsipras concurred on "the need for wage developments and labour market institutions to be supportive of job creation, competitiveness and social cohesion", as well as on "the role of a modern and effective collective bargaining system, which should be developed through broad consultation and meet the highest European standards". Transcript available at: http://europa.eu/rapid/press-release_STATEMENT-15-4929_en.htm

2.5. Job creation

The growth-enhancing structural reforms of the new programme have the potential to support job creation.[18] These reforms, which build on the previous programmes, can boost employment by making Greece a more competitive and open economy and a more attractive place to invest. In 2014, employment grew by 0.7%, while the unemployment rate fell by 1 percentage point to 26.5%. The youth unemployment rate fell by some 6 percentage points to 52.4%. Overall, employment increased by almost 30 000 people in 2014, with two thirds of these jobs going to young people. Unfortunately these trends have been interrupted with the growing political uncertainty since the end of 2014, and it is now urgent to ensure that a clear and stable economic and policy environment is rapidly in place in order to resume sustainable job creation.

The objective of the reforms in the new programme is to further strengthen competitiveness, to stimulate exports and to accelerate the reallocation of resources, including jobs, from the non-tradable to the tradable sector. Full implementation of these measures, together with funding made available and related investments under EU funds, will create a basis for sustainable growth and job creation in Greece.

The efforts of the programme to strengthen the regulatory environment, improve the business environment and modernise the public administration will be important to create the preconditions for new and sustainable employment creation in the private sector. These include further steps to simplify investment licensing, streamline rules for land use and measures to remove excessive restrictions on regulated professions. Customs reforms will further simplify processes and facilitate trade. Reforms also aim to improve the functioning of the judicial system, improve public procurement, fight corruption and modernise and strengthen the capacity of the Greek administration, thus enhancing Greece's attractiveness as a place for investment and business.

The programme calls on the Greek authorities to develop a comprehensive growth strategy by March 2016. Building on the programme measures and available EU support, this strategy could contribute to job creation in sectors where the country has a competitive advantage, such as tourism, transport and logistics and agriculture. The growth strategy should also focus on measures to enhance labour market integration of young people and promotion of innovation and R&D, which can attract investments and spur job creation as well as talent development and retention in Greece.

The programme foresees a review of the Greek education system, covering all levels of education and including cooperation between universities, research institutions and businesses. The review will provide recommendations in the areas of education evaluation, governance of higher education and efficiency and autonomy of schools. Further modernisation of the education system is crucial for the long-term success of the economy.

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[18] Research has shown that reforms can significantly boost growth and employment in Greece. A quantitative model-based assessment of the potential impact of comprehensive structural reforms in Greece showed large gains in output and employment. GDP was estimated to rise by 6.3 % after five years and by up to 15 % after ten years. Employment would rise by 10% after 10 years. See for instance the following publication: http://ec.europa.eu/economy_finance/publications/qr_euro_area/2013/pdf/qrea4_section_2_en.pdf

Providing efficient and effective employment services will require complete and rapid implementation of the long overdue re-engineering project of the Public Employment Service (OAED). This was already foreseen under the previous adjustment programmes. It involves the establishment of a national telephone enquiry service, substantially increasing the uptake of jobs, and greatly reinforcing active job-seeking and matching job seekers with employers. Whilst recognising the current weakness in labour market demand, the employment service should improve links between benefit receipts and participation in active labour market programmes. In order to deliver these improvements, the employment service must actively seek partnerships with other service providers, such as the temporary agency work sector as well as foreign Public Employment Services, and prioritise integration into non-subsidised positions.

The programme also includes actions to revamp vocational education and training and apprenticeships. The modernisation and expansion of vocational education and training and of apprenticeships is crucial to improving the transition from education to employment and to foster sustainable employment. Legislating for a modern quality framework, and implementing an efficient analysis of skills requirements, will provide essential information to education providers and will contribute to aligning curricula with the skills needs of the labour market. This will require close cooperation between ministries, the Public Employment Service, the statistical office and social partners.

2.6. Product market reforms

Successful product market reforms are important not only for job creation and social fairness, but also to support purchasing power and living standards. The programme sets out a number of reforms, that if successfully implemented, can translate into opportunities for jobs and investment, and into lower prices, removing inefficiencies and curbing on excessive profits, often associated with monopolies and other distortions to fair competition. These reforms are also justified by the fact that retail and producer prices have not yet fallen or have fallen by a much lower extent than parallel reductions in labour costs. The comprehensive reforms of product and services markets aimed at removing unnecessary restrictions and barriers to entry that hamper competition, investment and price adjustment are expected to have a significant impact on competitiveness, growth and job creation, benefiting companies and consumers alike.[19]

At the same time, these reforms can help the competitiveness of the Greek economy by reducing the prices of inputs for other businesses. That way, they not only relieve part of the burden of adjustment away from wages but can also foster job opportunities by making production and service provision in Greece more attractive. Better functioning product and service markets can also lead to more innovation and lower inefficiencies, with benefits for consumers and firms alike. Investment and innovation can bring increases in productivity,

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[19] Recent research shows that tacking entry costs as well as service sector mark-ups in Greece alone, notably to reduce half of the gap between Greece and the three best performers in the EU on these dimensions, could lift Greece's GDP by some 2% after 5 years and 3.5% after 10 years. Greece would be among the EU countries that could benefit most from such a catching up.
http://ec.europa.eu/economy_finance/publications/economic_paper/2014/pdf/ecp541_en.pdf

which over the medium to long term is the key driver of growth and the main determinant of the evolution in living standards.

The energy sector is a good example of the transformational aims of the programme, and it also serves to illustrate the potential of product market reforms bringing better choice and lower prices to consumers. The package of reforms in the programme could transform the Greek energy markets to the advantage of consumers and businesses. This includes long-overdue changes in the gas market, which will finally enable consumers to choose their supplier and stimulate investment in the distribution network. Similarly, in the electricity market, measures have been included to reduce the market share of the incumbent (PPC) from the current 98% to below 50% by 2020. An effective unbundling of the electricity transmission company (ADMIE) from PPC is also foreseen. Significant investments in energy efficiency and the cost-effective promotion of renewable energies are also planned, with a view to ensuring long-term sustainability. This should lead to significant investment in large infrastructure but also create the necessary demand in the construction sector, highly populated by SMEs, in order to refit residential and public buildings.

Various other specific markets are also being reformed. Many regulatory barriers to competition and market access will be removed as recommended by an in-depth OECD study of legislation and practices in the sectors of tourism, retail trade, food processing and construction materials sectors.[20] Five additional sectors (wholesale trade, construction, e-commerce, media and manufacturing) will be analysed to identify unnecessary restrictions and barriers to entry. Reduction of the administrative burden for businesses can also contribute to job creation. An OECD study to measure and identify options for reducing red tape in 13 sectors of the Greek economy quantified an annual EUR 3.3 billion burden stemming from the most onerous 20% of laws and regulations in those sectors.[21] Being more exposed to competition in their home market will moreover equip businesses better to compete successfully abroad, providing a basis for enhanced exports.

Another key reform is the streamlining of investment licensing in order to promote investment, cut red tape for companies and tackle corruption. The implementation of the investment licensing law of May 2014 will help to put in place a uniform, risk-based licensing framework. The programme will also put emphasis on opening access to, and facilitating the exercise of, regulated professions so as to remove a long-standing source of rents and economic inefficiencies.

[20] If the particular restrictions that have been identified during the project are lifted, the OECD has calculated a positive effect for the Greek economy of around EUR 5.2 billion. This amount stems from the nine broad issues that could be quantified, so the full effect on the Greek economy is likely to be even larger. The amount is the total of the estimated resulting positive effects on consumer surplus, increased expenditure and higher turnover, respectively, in the sectors analysed as a result of removing current regulatory barriers to competition http://www.oecd.org/daf/competition/Greece-Competition-Assessment-2013.pdf

[21] The sectors covered were agriculture and agricultural subsidies; annual accounts/company law; energy; environment; fisheries; food safety; pharmaceutical legislation; public procurement; statistics; tax law (VAT); telecommunications; tourism and working environment/employment relations. http://www.oecd.org/regreform/measurement-and-reduction-of-administrative-burdens-in-greece.htm

Overall, the product market reforms identified and in part already under implementation under the new programme can provide beneficial effects for the Greek society at large, complementing the reforms made in the labour market and in other areas of the Greek economy, notably the Greek administration and legal system.

3. EFFECTIVENESS OF THE SOCIAL PROTECTION SYSTEM

This section focuses on the programme measures which are expected to have a direct and positive social impact, in particular on the situation of the most vulnerable.

Greece has a traditionally weak welfare system. The social protection system is fragmented and complex. This has led to low efficiency and effectiveness. Whilst social expenditures amount to 31.2% of GDP (compared to an EU average of 29.5%),[22] social transfers (other than pensions) only reduced poverty by 17.5% in 2013 compared to an EU average of 36% (see Annex 2). Furthermore, the system is not well targeted, as many of the most vulnerable in society have never been covered by the social protection system.

Recent social policy reforms have started to restructure welfare policies. These include efforts to widen the scope of unemployment benefits and to simplify and better target child benefits. In addition, a new type of benefit provides support to families with children who suffer from severe health problems.

EU funds are also mobilised to tackle poverty. In the 2014-20 programming period, the Fund for European Aid to the Most Deprived (FEAD) provides more than EUR 280 million to alleviate the most extreme forms of poverty in Greece. In addition, the European Social Fund supports measures to promote social inclusion, reduce poverty and tackle discrimination (EUR 800 million).

3.1. Social welfare review

The new programme foresees that in the second half of 2015, a comprehensive review of social welfare and social protection spending will be carried out as a basis for a re-design of the system. The aim of the re-design is to achieve better results for the money spent. The first element of the review is to take stock of the full set of the various existing benefits and gather detailed, consistent and comparable information. Second, it should also review the effectiveness of the various benefits in reaching their target population, identify gaps and overlaps in the coverage of the current system and look into the labour supply effects and interactions of the tax and benefits systems. All in-kind and cash benefits, as well as, other tax expenditure and social benefits across the general government will be covered, with the exception of old-age contributory pensions. Finally, it should make the social assistance system more effective in avoiding and addressing social risks and in alleviating poverty by properly targeting those most in need.

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[22] Data is from 2012, Source EUROSTAT. As a further comparison, the level of spending in Portugal amounts to 26.9% of GDP, while in Spain it is 25.9%.

3.2. Guaranteed minimum income

Greece is one of the few Member States without a Guaranteed Minimum Income (GMI) scheme. The previous programme called for a pilot GMI scheme to be launched. The new programme provides for a gradual national roll-out to be completed by 2017. Co-financed by the European Social Fund, the pilot has now been completed. The pilot was undertaken in thirteen municipalities over a period of six months. Approximately 27,000 individuals received support. Based on this pilot scheme and the evaluation of it, the new scheme should be introduced as a key component of the country's new social protection architecture.

The scheme would offer people a basic income support, complemented by activation measures and coordinated with other support services such as healthcare and housing. This should help to sustain income especially during a downturn and help maintain the link to the labour market. Once roll-out is completed, almost half of the Greek population at risk of poverty is expected to be covered by the GMI (1.2 million people).[23] **The GMI programme has an estimated cost of 0.5% of GDP** (EUR 1 billion). While it is a substantial amount, it actually corresponds to less than 2% of all social spending.[24]

The GMI can significantly contribute to the reduction of extreme poverty. Specifically, the scheme would eliminate over a third of the pre-GMI extreme poverty gap.[25] This is also important because the poverty gap in Greece has increased the most in the EU since 2008. It is also expected to reduce severe material deprivation. By way of comparison, the scheme would provide higher levels of support and broader coverage than the social measures introduced in March 2015.[26] The proposed benefit level would be almost one third of the median household income (of a single person), which places Greece above the EU median of the benefit level. With an appropriate design, the corresponding increase in work disincentives can be effectively minimised.

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23 In 2014, the at risk of poverty rate for the total population in Greece was 22.1%.

24 See: World Bank (2015), "*Ex ante poverty and fiscal evaluation of a guaranteed minimum income programme in Greece*", Washington, D.C.: World Bank Group.
http://documents.worldbank.org/curated/en/2015/06/24727425/ex-ante-poverty-fiscal-evaluation-guaranteed-minimum-income-programme-greece

25 The poverty gap measures the severity of poverty. It is the difference between the poverty line (at 60% of the median household income) and the median income of those below it, expressed as a percentage of the former. The extreme poverty gap is the difference between the poverty line (at 40% of the median household income) and the median income of those below it, expressed as a percentage of the former.

26 Legislation on 'immediate measures to fight the humanitarian crisis' boiled down to three income- and asset-tested schemes: an electricity allowance for poor families, some of which had their homes disconnected because of unpaid bills; a rent benefit paid directly to home owners on behalf of their tenants; and a food subsidy in the form of a smart card accepted at supermarkets and other shops. The sum of EUR 200 million was set aside to pay for these three policies over the next two-years (2015-2016).

3.3. Health system

The health system reforms in the previous programmes addressed long-standing weaknesses: poor management, inadequate allocation of resources and fragmented coverage, cases of abuse, which have resulted in inefficiencies and inequality with widespread waste and evidence of corruption. Reforms have focused on improving hospital management, enhancing procurement, better managing demand for pharmaceuticals, and commissioning private sector health care providers in a cost effective manner. These measures were designed to control expenditure in a way that would not compromise standards.

The new National Organisation for the Provision of Health Services (EOPYY) was created by merging the plethora of previous health insurance funds. With EOPYY, a uniform package of health services was adopted to better match contribution rates, with the pooling of income and health risks. This increases the equity of financing and delivery. A National Primary Health Care Network (PEDY) is being set up to ensure a more coherent and universal delivery of primary services across the country. Co-payments in the National Health Service were increased, but exemptions for certain categories of patients and those on low incomes were introduced.

Patients and the government have benefitted from the streamlining of pharmaceutical expenditure and the introduction of budget and control systems for hospitals. A requirement to prescribe generic rather than patented drugs can deliver savings and reduce the costs for patients, which particularly benefits those with high medical expenditures and/or on low incomes. Centralised purchasing of medicines and medical devices and a reference price list (common in all other EU countries) have more closely aligned prices in Greece to those elsewhere in the EU. Fighting waste, corruption and vested interests through better monitoring and the e-prescription system and improved budgeting was another priority. This will contribute to ensuring that money does indeed 'follow the patient'.

A number of measures have been adopted to extend health care access to the uninsured (estimated to exceed 2 million).[27] Under the previous system, employment status generally determined access to health services. Rising unemployment and the inability to pay for health care has exacerbated this problem. Legislation passed in 2014 to remedy the situation included measures aimed at the uninsured to i) introduce universal primary care; ii) free access to secondary care and iii) equal access to pharmaceuticals. These measures will make the system more equitable, coherent and sustainable.

The intended results rely upon the full application of these measures as set in the reforms. Therefore the new programme calls for the full implementation of these reforms so that they can fully deliver the necessary improvements in the healthcare system.

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[27] D. Ziomas, I. Sakellis, N. Bouzas and N. Spyropoulou (2015), "*ESPN Thematic report on social investment – Greece 2015*", European Commission, DG Employment Social Affairs and Inclusion. http://ec.europa.eu/social/keyDocuments.jsp?pager.offset=10&langId=en&mode=advancedSubmit&advSearchKey=ESPNSocInv

4. CONCLUDING REMARKS

The assessment provided in this document highlights socially relevant challenges, policies and reforms for Greece in the light of the new ESM stability support programme, which was just approved. **A stable macroeconomic and policy environment is a pre-condition for increasing living standards and improving social conditions.**

The steps to be taken to secure better fiscal sustainability are in effect structural reforms aimed to deliver more and better jobs and sustainable and inclusive growth, as well as more effective public spending. In particular, the reforms envisaged in the programme are expected to produce significant benefits in terms of a more efficient functioning of the tax and pension systems, thus creating the right incentives to work longer, declare revenues and pay contributions and taxes. In adapting the VAT system, negative effects on the poorest will be mitigated by reduced and super-reduced rates on essential goods, and those with higher incomes and larger spending budgets are expected to contribute more, in both absolute and relative terms. To secure its future adequacy and sustainability, the pension system will be modernised by extending the contribution base, aligning the retirement age with life expectancy and closing opportunities for early retirement. Current pensioners will be mostly unaffected.

Full implementation of the ambitious structural reforms can strengthen potential GDP growth, reduce the prices of goods and services for consumers and businesses, foster competitiveness, and create employment opportunities. Additional growth will, in turn, result in higher tax revenues, thus creating fiscal space to increase investment and further improve public and welfare services. A stronger public administration and a fast and fair legal system will be crucial to improve the service to the citizens and unleash the potential of the country.

Enhancing the effectiveness, fairness and coverage of social protection is an important part of the programme. Building on a comprehensive social welfare review, social protection and assistance will be made more fair, cost-effective, more transparent and better targeted to those in need. A crucial aspect of this will be the creation of a guaranteed minimum income scheme. Full implementation of a universal and cost-effective health care remains a key objective, and the new programme includes a significant number of measures to achieve that.

The reforms envisaged in the programme are defined to stabilise and strengthen the economic and financial situation, while at the same time enhancing the prospects for sustainable and inclusive growth, increased job creation and greater social cohesion. A significant challenge will be to ensure adequate and swift implementation of all these ambitious reforms. This has been a shortfall in the past, leading to poorer outcomes, also from a social point of view, as seen for instance in the delay in the rollout of the GMI.

Taking all measures together, it is reasonable to conclude that if implemented fully and timely, the measures envisaged under the new ESM stability support programme will bring Greece back to stability and growth, in a financially and socially sustainable way. In so doing, the burden of adjustment is distributed as equitably and as fairly as possible across society, and adequately takes account of the most pressing social needs and challenges in Greece.

ANNEX 1: EU FUNDING AVAILABLE TO GREECE

Table A.1: EU funding to Greece, 2014-2020

PART 1: European Structural and Investment Funds (ESIFs), YEI, FEAD, EAGF	Amounts programmed 2014-2020	Amounts paid already 2014 up to 12 July 2015
European Regional Development Fund (ERDF)	8 397	230
Cohesion Fund (CF)	3 247	92
European Social Fund (ESF)	3 691	104
Youth Employment Initiative (YEI)	172	54
Fund for European Aid to the Most Deprived (FEAD)	281	31
Agriculture - European Agricultural Fund for Rural Development (EAFRD) - European Agricultural Guarantee Fund (EAGF)	 4 718 15 074	 0 3 972
European Maritime and Fisheries Fund (EMFF)	389	0
Subtotal part 1	**35 969**	**4 483**
PART 2: Other EU funds		**Amounts paid already 2014 up to 12 July 2015**
Horizon 2020		163.9
Connecting Europe Facility		4.3
Energy Projects to Aid Economic Recovery		3.8
Erasmus for All		50.2
Competitiveness of Enterprises and Small and Medium-Sized Enterprises		0.5
Social Change and Innovation		1.4
Customs, Fiscalis and Anti-Fraud		0.8
Life+		12.8
Asylum and Migrations Fund and Internal Security Fund		28.2
Creative Europe		2.7
Europe for Citizens		0.5
Health for Growth and Consumer protection		1.4
Rights and Citizenship and Justice		0.9
Civil protection		1.5
Food and Feed		5.2
European Globalisation Adjustment Fund		28.6
European Solidarity Fund		4.7
Subtotal part 2		**311**
TOTAL AMOUNTS PAID (2014 up to 12 July 2015)		**4 794**

Note: The figures in the table refer to the period 2014-2020, and are expressed in EUR million.

EU funding has been the primary source of public investment in Greece during the crisis of the last years. EU funds are essential to support infrastructure investment, business activities and employment. With the support of the Commission, Greece is expected to be able to receive more than EUR 35 billion from the EU budget over the 2014-2020 financing period (see European Commission COM(2015)400 of 15 July 2015).

For instance, around EUR 3.7 billion of European Structural and Investment Funds will be available to Greece in 2014-2020 to help boost employment through the European Social Fund. Priorities include promoting sustainable and quality employment and supporting labour mobility (EUR 1.7 billion); investing in education, training and vocational training for skills and life-long learning (EUR 1 billion) and enhancing the institutional capacity of public authorities and stakeholders (EUR 0.3 million).

Direct job creation is being supported through a short-term public works schemes. 50,000 beneficiaries shall have access in 2015 to temporary employment of 5 months in the wider public sector. The European Social Fund will fund this action with around EUR 170 million.[28]

EU funds, in particular the European Social Fund and the Youth Employment Initiative, are also contributing to increase youth employment. Around 110,000 young people aged up to 29 years will benefit from traineeships and apprenticeships. Voucher schemes supporting labour market integration target 30,000 (aged up to 29) and 11,000 (aged 18-24) young people. Further actions to support youth employment in key sectors are expected to be launched shortly.

The European Social Fund can play a role in increasing the quality of vocational education and training, and apprenticeships in Greece. 142,000 apprenticeship places will be funded for students in various secondary and post-secondary vocational schools and 56,000 students of universities and technological institutes shall attend traineeships.

[28] By early 2016 the authorities will prepare a further series of guaranteed employment support schemes covering 150,000 persons.

ANNEX 2: LABOUR MARKET AND SOCIAL INDICATORS

Table A.2: Labour market indicators for Greece

Labour market indicators	2005	2008	2009	2010	2011	2012	2013	2014	EU28
Employment rate (% population aged 20-64) – total population	64.4	66.3	65.6	63.8	59.6	55.0	52.9	53.3	69.2
Employment growth	0.9	1.3	-0.6	-2.7	-6.9	-7.8	-3.8	0.7	1.0
Employment rate (% population aged 20-64) – women	49.7	52.6	52.9	51.8	48.7	45.2	43.3	44.3	63.5
Employment rate (% population aged 20-64) – men	79.3	80.1	78.5	76.0	70.8	65.0	62.7	62.6	75.0
Employment rate of older workers (% population aged 55-64)	42.0	43.0	42.4	42.4	39.5	36.5	35.6	34.0	51.8
Part-time employment (% of total employment, 15 years and more)	5.0	5.7	6.1	6.5	6.9	7.8	8.5	9.5	20.4
Part-time employment of women (% of women employment, 15 years and more)	9.3	10.0	10.4	10.5	10.2	11.9	12.7	13.2	32.8
Part-time employment of men (% of men employment, 15 years and more)	2.3	2.9	3.2	3.8	4.5	5.0	5.6	6.8	9.9
Fixed term contracts (% of employees with a fixed term contract, 15 years and more)	11.9	11.6	12.3	12.6	11.8	10.2	10.1	11.7	14.0
Transitions from temporary to permanent employment	:	19.0	20.0	18.0	25.0	17.4	12.6	:	22.8
Unemployment rate (% labour force, age group 15-74)	10.0	7.8	9.6	12.7	17.9	24.5	27.5	26.5	10.2
Long term unemployment rate[29] (% labour force)	5.2	3.7	3.9	5.7	8.8	14.5	18.5	19.5	5.1
Youth unemployment rate (% labour force aged 15-24)	25.8	21.9	25.7	33.0	44.7	55.3	58.3	52.4	22.2
NEET: Young people not in employment, education or training (% of total population aged 15-24)	15.9	11.4	12.4	14.8	17.4	20.2	20.4	19.1	12.4
Early leavers from education and training (% of population aged 18-24 with at most lower sed. Educ. And not in further education or training)	13.3	14.4	14.2	13.5	12.9	11.3	10.1	9.0	11.1
Tertiary educational attainment (% of population 30-34 having successfully completed tertiary education)	25.5	25.7	26.6	28.6	29.1	31.2	34.9	37.2	37.9
Childcare 1-29 hours per week (% 0-3 years children)	3.0	5.0	4.0	3.0	4.0	5.0	8.0	:	13.0
Childcare more than 30 hours per week (% 0-3 years children)	4.0	7.0	7.0	5.0	15.0	15.0	6.0	:	14.0
Real labour productivity per person (annual % change)	0.0	-1.7	-3.9	-2.8	-2.1	1.4	-0.1	0.0	0.3
Hours worked per person (annual % change)	2.6	-0.2	-1.2	-3.0	5.5	-3.4	0.1	-0.9	0.1
Real labour productivity per hour worked (annual % change)	-2.6	-1.5	-2.7	0.1	-7.2	5.0	-0.2	0.9	0.2
Real compensation per employee	6.7	-1.1	0.7	-3.4	-3.0	-2.0	-5.0	1.1	0.5

[29] Individuals unemployed for at least 12 months

Labour market indicators	2005	2008	2009	2010	2011	2012	2013	2014	EU28
(GDP deflator)									
Nominal unit labour costs growth (annual % change)	9.1	5.1	7.4	0.3	-0.2	-3.3	-7.0	-1.6	1.6
Real unit labour costs (annual % change)	6.7	0.6	4.6	-0.5	-1.0	-3.3	-5.0	1.1	0.1

Sources: Eurostat, LFS, National Accounts and EU-SILC.

Note: EU28 data from 2014 except for transitions temporary-permanent and childcare data from 2013.

Table A.3: Social protection indicators for Greece

Expenditure and social protection benefits (% of GDP)	2005	2008	2009	2010	2011	2012	EU28
Sickness/Health care	6.7	7.4	8.0	8.2	7.5	6.4	8.4
Disability	1.2	1.2	1.3	1.3	1.4	1.3	2.1
Old age and survivors	12.4	12.9	13.6	14.1	15.0	17.8	13.1
Family/Children	1.6	1.6	1.8	1.8	1.8	1.6	2.2
Unemployment	1.2	1.3	1.6	1.7	2.1	1.9	1.5
Housing and Social exclusion n.e.c.	1.1	1.1	1.1	1.0	1.0	0.9	1
Total (including Admin and Other expenditures)	24.9	26.2	28.0	29.1	30.2	31.2	29.5
of which: Means tested benefits	1.9	1.9	2.0	1.9	1.8	1.7	3

Sources: Eurostat, ESSPROSS.

Note: EU28 data from 2012.

Table A.4: Social inclusion indicators for Greece

Social inclusion indicators	2005	2008	2009	2010	2011	2012	2013	2014	EU28
At-risk-of-poverty or social exclusion[30] (% of total population)	29.4	28.1	27.6	27.7	31.0	34.6	35.7	36.0	24.5
At-Risk-of-poverty or exclusion of children (% of people aged 0-17)	26.0	28.7	30.0	28.7	30.4	35.4	38.1	36.7	27.7
At-Risk-of-poverty or exclusion of elderly (% of people aged 65+)	37.9	28.1	26.8	26.7	29.3	23.5	23.1	23.0	18.2
At-risk-of-poverty rate[31] (% of total population)	19.6	20.1	19.7	20.1	21.4	23.1	23.1	22.1	16.6
Severe Material Deprivation[32] (% of total population)	12.8	11.2	11.0	11.6	15.2	19.5	20.3	21.5	9.6
Share of people living in low work intensity households (% of people aged 0-59)	7.6	7.5	6.6	7.6	12.0	14.2	18.2	17.2	10.8
In-work at-risk-of poverty rate (% of persons employed 18-64)	12.7	14.2	13.7	13.9	11.9	15.1	13.0	13.2	8.9
Impact of social transfers (excl. pensions) in reducing poverty (%)	13.3	13.7	13.2	15.6	13.7	13.8	17.5	15.0	35.9
Poverty thresholds, expressed in national currency at constant prices[33]	5650	5843	6136	6100	5431	4655	4132	3844	:
Real Gross Household Disposable income (millions of euro)	:	151930	151943	135604	122900	113449	103537	:	1074216
Relative median poverty risk gap (60% of median equivalised income)	23.9	24.7	24.1	23.4	26.1	29.9	32.7	31.3	23.8

Sources: Eurostat, EU-SILC and Commission services calculations.
Note: EU28 data from 2013.

[30] People at-risk-of-poverty or social exclusion (AROPE): individuals who are at-risk-of-poverty (AROP) and/or suffering from severe material deprivation (SMD) and/or living in household with zero or very low work intensity (LWI).

[31] At-risk-of-poverty (AROP): Share of people with an equivalised median income below 60% of the national equivalised median income.

[32] Share of people who experiences at least 4 out of 9 deprivations: people cannot afford to pay their rent, mortgage or utility bills; to keep their home adequately warm; to face unexpected expenses; to eat meat or proteins regularly; to go on holiday; a television set; a washing machine; a car; a telephone.

[33] Price index 100 in 2005.