

Annual Report

Greek Economy and Employment 2008

Conclusions

- **The adverse international financial developments** had a negative impact on the growth rate of Greek economy during 2007-2008 and have led to soaring inflation rate. It is estimated that during the second half of 2008, the new provisions set up by international agencies and economic policy makers in Greece will be marked by a considerable downside revision (from 3.4% or 3.6%) of the expected percentile increase of the GDP for 2008 and 2009.
- **The prices** of products and services have risen considerably over the last few months of 2007 and 2008, thus reflecting the reaction of enterprises to the rise in oil prices and raw materials, given that they tried to restore their profitability to past-year high levels and sought to increase their share of income.
- **Greek economy**, following the revision of National Accounts that present higher GDP, reached the level of actual convergence. In 2008, however, it is expected that **the objective of actual convergence** will be diminished in relation to the European average given that it is anticipated that Greek GDP per capita will fall to 98%, and probably lower than the European average of the 27 Member States, from 98.6% that was in 2007.
- **During 2007, productivity level** in Greece had risen compared to 2000 by 12% more than the EU-15, by 10% compared to 23 developed countries and by 7% compared to the 35 most developed countries in the world. **During 2008**, the rise of labour productivity in Greece compared to other countries will continue despite the fact that labour productivity in Greece in 2008 compared to 2007 will correspond to 71.9% of the European average from 73.7%.
- **Foreign trade of Greece** had a negative contribution to the GDP for the third running year. More specifically, in 2007 the GDP dropped back by 1.3 per cent. As for 2008, it is expected that foreign trade will also have a negative (-1%) effect on the GDP.
- It is estimated that the **increase in private consumption** during 2008 will contribute to a GDP rise by 2.3 per cent. Public consumption also contributed

significantly to a GDP rise by approximately one per cent. For 2008, however, the contribution of public consumption is expected to be limited to half per cent (0.5%).

- **Domestic demand** has risen from 1995 to 2008 by around 30% compared to the most developed countries. The respective rise in the GDP came to around 22%. This divergence between the two figures reflects the fact that domestic demand in Greece is oriented more towards imports than what happens in other developed countries. What this divergence implies is the extremely reduced competitiveness of Greek economy.
- **The balance of goods and services in Greece as % of the GDP** stands at -14.1% (2007) and is the worst performance of Greek economy among the EU-15.
- **The adverse budgetary position** of Greek economy which, among others, is triggered by the effects of the international financial crisis, gives rise to uncertainty as regards not only the attainment of National Budget objectives for 2008 but also the objectives and provisions of financial and budgetary figures during preparation of 2009 National Budget with all the negative consequences this may entail for the rise (direct and indirect taxation) of tax burden on salaried employees.
- **The breakdown and processing of tax returns** in Greece for the period 2004-2006 reveals that in 2004 salaried employees and pensioners paid 44% of income taxes and in 2006 paid 50.1% of income taxes (direct taxation). On the contrary, whereas in 2004 enterprises paid 43% of income taxes, in 2006 they paid 36.3% of income taxes (direct taxation). These developments in terms of tax burden imposed on Greek taxpayers (5,530,427 for fiscal year 2007) reveal the range and depth of tax inequality at the detriment of salaried employees and pensioners.
- **The current situation as regards the field of developments and policies** concerning **competitiveness** is characterized by the worsening of international circumstances while also revealing the failure of Greek economy to take significant steps toward the international positioning of the economy. The **policies** required for orienting the Greek economy toward a path of sustainable growth presuppose the combination and coordination thereof, the improvement of human resources in terms of knowledge, capacity to develop their knowledge and responsibilities in the context of productive processes,

the processing, planning and evaluation of goals and means with major economic players and the Greek society in its entirety participating therein.

- The policies applied at European level for the purpose of attaining the ambitious objectives of **Lisbon Strategy** actually reflect the contradictory coexistence of a strategic outlook including sustainable growth objectives along with the plans to undermine this particular strategic outlook, such plans relating to the expansion of privatizations, increased business profits, expansion of deregulation and flexibility in the labour market, degradation of social security and the management of public finance with emphasis being laid on the containment of public expenditure.
- **Actual gross pay** in Greece during 2007 was increased by 3.9%. In order that product allocation remains stable throughout 2008 (before the redistributive functions of the State), the final increases in nominal pay should be equal to the sum of inflation and labour productivity. If the inflation rate (consumer price index) comes to 4.2% (OECD, 2008) and the increase in labour productivity comes to 2.2% (European Commission), then the final increase in nominal pay should stand at 6.4%.
- During 2000-2007, Greece saw a **1.2% cumulative decrease of actual labour cost per unit of production**. At the same time, the increase in average actual remuneration in the private sector at a rate slower than average labour productivity resulted, at the end of the period, in the average private-sector actual pay being increased by 27% whereas productivity had risen by 36.5%. Therefore, in actual terms, enterprises saw a benefit of around 7% as regards the labour cost per unit of production. Finally, while monthly cost of labour (gross salary + employer's contributions) in Greece amounts (2007) to 83% of the average corresponding cost in the EU-15 (in terms of purchasing power standard), labour productivity in Greece stands at 91% of the European average.
- Gross monthly pay in 2007 comes to EUR 1,668 in Greece as for full-time employees compared to EUR 2,366 on average in the Member States of the EU-15. The respective figure in Portugal came to EUR 1,207. Finally, in 2007 the purchasing power of the average gross salary in Greece came to 83% of the average of the EU-15. Spain stood at 85% of the average of the EU-15.
- Greece is characterized by its financial inequality in the sense that the income of the most well-off 20% of Greeks, which accounts for 40.4% of the total income, is systematically six times the income of the less well-off 20% of

Greeks, this accounting for 7% of the total income. Only Portugal, Lithuania and mainly Latvia present higher indicators of income inequality.

- The salaries of those working in the public sector (public services, public organizations, public and private entities, local authorities) are allocated (2007) as follows: 30% of employees stated that their net pay was less than EUR 1,000 per month. 37% stated that their monthly pay ranged from EUR 1,000 to EUR 1,250. Therefore, the limit for low-wage workers came to EUR 766 while public-sector low-wage workers accounted for 10% compared to 22% in the private sector.
- The lowest salary in Euro in Greece is still lagging considerably behind the lowest salaries of the wealthiest Member States of the European Union (where the lowest salary applies on a national scale) and comes around to 60% of the respective lowest salary of the countries of first category (France, England, Belgium, the Netherlands, Ireland and Luxembourg) but is in better condition compared to the corresponding lowest salary of the countries of second category (Portugal, Spain, Slovenia and Malta).
- **The labour force** (second quarter of 2007) numbers 4.92 million persons and corresponds to 68.2% of working-age population (15-64), while the employment coming to 4.52 million persons corresponds to 62.7% of working-age population. However, the figure (33.0%) of economically inactive population aged 15-64 years remains high amid the respective population. In other words, one third of the productive population is not included in the labour market; two out of three unemployed persons are women and the highest percentages of non-participation in the labour market are noticed in the ages of 15-19 and 55-64 years.
- **The structure of employment** in Greece concerns salaried employees (64.1% of workers), self-employed persons (21.3), employers (8.2) and unpaid family workers (6.4%) of self-employed persons. In relation to 2006, the categories of salaried employees and employers have risen whereas the categories of self-employed persons and unpaid family workers remained unchanged. Salaried employment still accounts for a considerable share in the increase of employment given that its share approaches 93% of the change occurred during 2006-2007.
- Employment in comparison with 2006 rose in 9 sectors and was reduced in the other 8 sectors of the economy. As regards the sectors where employment rose (the change comes to around 112,700 persons), 3 out of 10 workers originate from the change in construction sector while as for the

sectors in which employment was decreased (by 45,000 persons), 2 out of 3 workers originate from the decrease in the sectors of Agriculture and Transportation-Communications.

- **Part-time employment in 2007** stood at 5.8% of workers, thus corresponding to 262,000 persons. **Temporary employment in 2007** came to 11.1% of salaried employees, thus corresponding to 322,300 persons. New unemployed persons number 140,100 and correspond to 35.2% of all unemployed while long-term unemployed persons still account for more than half of the unemployed (208,150 persons, or 52.3%).
- **Immigrants** (National Statistical Service of Greece, 2nd quarter 2007) come to 580,700 persons (men and women) of whom 49.2% are women. They account for 5.4% of the entire population of Greece. **The productive population** of immigrants (15-64 years old) represents 77.8% of their total population.
- **Employed immigrants** number 304,710 men and women and account for more than two thirds (2/3) of their productive population (67.3%) while they account for 7.1% of workers in Greece. For the first time the **unemployment** of immigrants approached the average percentage of unemployment in Greece (8% of immigrants compared to 8.1%). More than half of the immigrants are of Albanian nationality since their proportion is 6 to 10 immigrants and are followed by immigrants of Bulgarian, Romanian, Polish, Georgian, Russian and Ukrainian nationality. According to their statement, the **net monthly income** of the majority of immigrants ranges from EUR 500 to EUR 1,000 while 9% of them has a net monthly income ranging from EUR 1,001 to EUR 1,250.
- **In Greece more than two million persons** are below the poverty threshold (832,456 households and 2,088,701 persons). With 21% of its population falling below the poverty threshold, Greece figures among the countries with the highest percentages of poverty in the EU-27 with Latvia only presenting a higher percentage (23%) whereas Greece has the highest percentage amid the 15 'old' Member States of the European Union.
- **In Greece one out of four pensioners** and one unemployed person out of three has income lower than the poverty threshold. In addition, workers below the poverty threshold account for 14% in Greece (poor workers), this figure being the highest among all EU countries and double the average of the EU-27 (7%) while the allocation of the overall poor population in Greece reveals that 1/3 are working.

- **The percentages of poverty are quite interesting** depending on the type of labour contract throughout employment during the year. Thus, while as regards fixed employment (open-ended contract) poverty percentages are at the same levels in Greece and the EU-15 (4%), in all other cases the percentages are much higher in Greece. In the case of temporary employment, poverty stands at 19% in Greece (compared to 12% in the EU-15), is almost double in the case of full-time employment (13% in Greece compared to 6% in the EU-15) and 2.5 times higher in the case of part-time employment (26% in Greece versus 10% in the EU-15).
- **Active employment policies** in Greece function as policies reinforcing the labour supply (7 out of 10 workers under subsidized programmes became unemployed and exited the labour market following the end of such programmes), with the ultimate goal of supporting the policies squeezing the remuneration of work and making labour relations more flexible. Concurrently, having regard to the way these particular programmes are managed, active employment policies contribute to the management of mainly unemployed young people and women without, however, leading to an increase in employment or a decrease in overall unemployment levels.
- **The improvement of any positive effect** of active employment policies presupposes that these focus on specific groups and have special employment-related objectives in the sense that they are not large scale but are restricted to small-scale intervention programmes at local level while, finally, considerable time should be allocated for employment preparation and search. This strategy presupposes another institutional framework for their application where they will fall under a development policy, acting as policies that will reinforce selectively the employment of specific groups of the labour force.
- The attempt to transfer **flexicurity practices** and the pressures exerted to strengthen flexibility relying on the vague, uncertain and unbalanced security are another factor destabilizing labour relations and social cohesion since they seek to deregulate the dismissal system.
- Over the last few years there have been significant developments in the way the public sector is organized and managed and labour relations are regulated in the central public administration in all Member States of the European Union, which are characterized by a **trend towards weakening and privatizing the central public administration**, this resulting in the containment of public functions and in the declining influence of public sector

over the operation of both economy and society. At the same time, the **flexible forms of employment** over the last few years (definite-term contracts, part-time employment) present a **remarkable increase in the public sector** as a whole, which is accompanied by a trend towards deregulation of working conditions.

- **In Greece** employment in the broad public sector (2007) comes to 1,018,000 persons and accounts for 36.2% of total employment versus 63.8% of private-sector employees. Note that of the employees having entered the broader public sector in 2007 one out of three is employed by way of an open-ended contract while the other two (2/3) are employed by way of definite-term contracts and in particular those ranging from 7 to 12 months (53%).

➤ WORKERS	➤ 2007
➤ Broad public sector	➤ 1,018,000 36.2%
➤ Inflow	➤ 26,760
➤ PERMANENT EMPLOYMENT	➤ 9,388 35%
➤ TEMPORARY EMPLOYMENT	➤ 17,372 65%
➤ <i>Period from 7 to 12 months</i>	➤ 9,200 53%

- Source: Secretariat General, National Statistical Service of Greece, Q2 2007

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- **The strategic goal of free health services** to citizens is gradually undermined and is replaced by the goal to set up a business branch of health service providers that will operate according to market rules. In other words, health services tend to be converted (to the extent that the procedure of decreasing health public expenditure and increasing private expenditure is underway) from public into private ones.
- There are **clear risks of the international social security system being overturned** given that the very last guardians (International Labour Organization and International Social Security Association) believing that

social security is an institution of socio-political function change their stance at a rapid pace and withdraw from their fixed priorities to date as regards the function of social security, embracing the views of other international organizations (OECD, IMF, World Bank, European Commission).