

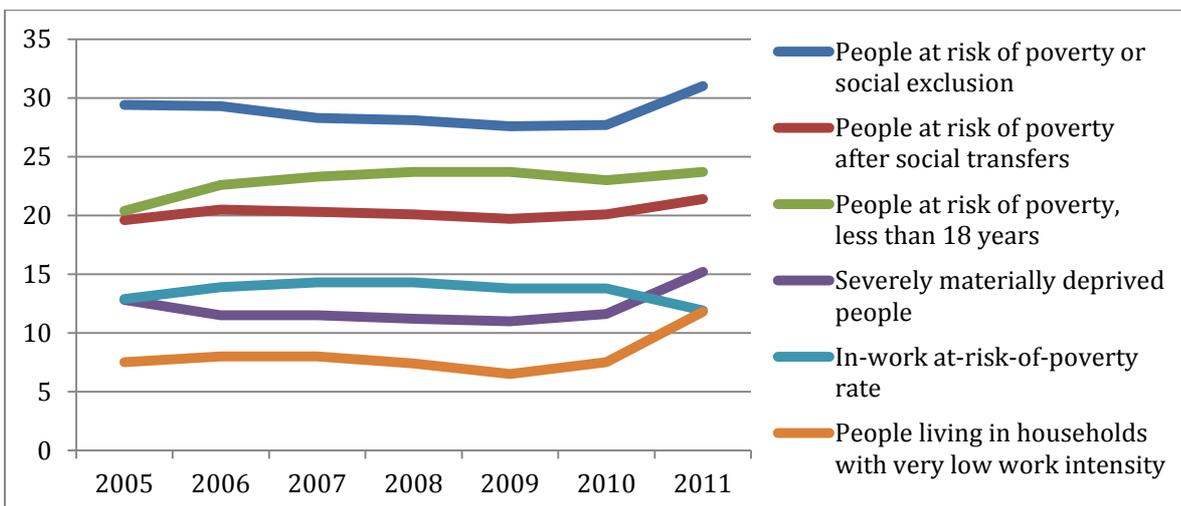
1. POVERTY

1.1. Recent trends

Developments of poverty and social exclusion in Greece based on Eurostat:

- The indicator for **at-risk-of-poverty-or-social exclusion** has risen markedly in Greece from 27.6% in 2009 **34.6% in 2012**. In 2011, it represented over 3.7 million people.
- **At 23.1% in 2012, Greece's at-risk-of-poverty rate has increased substantially since 2008** (from 19.7%). In 2012, Greece had the highest at risk of poverty rates in Europe (EU average 17%).
- The **severely materially deprived rate jumped from 11.6% in 2010 to 19.5% in 2012** representing a total of over 2.1 million people and an **increase of around 0.5 million in 1 year**. The rate for people living in households with very low work intensity went from 7.5% in 2010 to 14.1% in 2012.
- **Income inequality has grown** in Greece between 2010 and 2011. In 2011 the income share of the **richest 20% of the population was 6 times that of the poorest 20%**. This had increased from 5.6% in 2010.

Poverty trends in Greece (% of population):



- According to Caritas Europa's latest publication¹, there has been a **striking increase between 2010 and 2011 in Greek households reporting strain in maintaining a basic standard of living**. For example, the rate of those unable to keep their homes adequately warm rose by over 3 p.p., from 15.4% to 18.6%; those unable to afford a meal with meat, chicken or fish (or vegetarian equivalent) every second day increased from 7.9% in 2010 to 9.2% in 2011. This observation is confirmed by a recent survey conducted by the Hellenic Confederation of Professionals, Craftsmen and Merchants in Greece (GESEVEE)²: more and more households necessarily suspend their payments since they are incapable of covering established core needs in food, utilities, heating as well as tax obligations. With 40% of the Greek households having at least one unemployed person and with 11% having two unemployed persons, it is not uncommon that **the pension that certain aged member of the family receives has become the main source of income for many Greek families**. According to the survey, four out of ten households state that they cannot pay their obligations on time, while 69.7% of them delays to pay set household expenses (as for example

¹ Caritas Europa, 2013, *The impact of the European crisis. A study of the impact of the crisis and austerity on people with a special focus on Greece, Ireland, Italy, Portugal and Spain*. URL: http://www.caritas-europa.org/module/FileLib/CaritasCrisisReport_web.pdf

² <http://www.gsevee.gr/meletes/249-2013-02-07-09-33-09>

electricity, heating, etc), 60.8% cannot pay their obligations to the tax authorities on time, while 43.7% owe money to banks due loans and credit cards. This survey reveals that the **mean family income has decreased by 37.88% in average terms**, which leads many families to the decision not only not to pay their bills but also to cut down on their expenses but even on basic needs. **70% have decreased food expenses, 83.2% have decreased heating expenses**, while buying clothes and shoes or recreation services (outside the house) are considered to be a luxury and **90% of Greek families have cut down on relevant expenses**.

- **Child poverty** already rose prior to the observed period. However, while the Eurostat rate for **2011 shows 35.4% in 2012**, a recent UNICEF survey on the situation of Greek children provides new worrying data. The survey shows that **in 2013, 597,000 children were living under the poverty line**, representing **30.4%**. It has to be noted that 322,000 of these children live in households with serious material deficits, meaning that they are not fed adequately.³
- Latest figures show a **sizeable increase (+ 2.3 p.p.) in the poverty rate of those over 65** between 2010 and 2012 – standing at 23.5%. At **25.2% older women in Greece have a higher risk of poverty** rate than the rate for older men (21.7%). Older women in Greece also have a higher rate of severe material deprivation than older men, with a difference of almost 5 p.p. in 2010⁴.
- The rate of poverty in Greece for people who are employed and who still do not earn enough to protect them from poverty (**the working poor**) is **11.9% (2011)**. **This is one of the highest rates in Europe**, exceeded only by Spain and Romania in 2011. The OECD⁵ has identified this as a particular problem faced by Greece, with part-time workers and those on temporary contracts worst affected. Furthermore, Greece ranks third from bottom among the 36 countries of the OECD in terms of how “satisfied” Greeks are with their lives. This ranking is justified by the fact that **the people in Greece work many more hours than people in other Euro-zone countries while their wages are much lower**. According to the information included in a report by the OECD, titled “Better Life Initiative”⁶, **the average net income of a Greek household is at 20,440 USD annually**, which is lower than the average of the OECD countries and than many Euro-zone countries.
- According to a research conducted by scientists of the Epidemiology and Biostatistics Department of the National Public Health School, **from the beginning of the financial crisis in Greece a gradual drop of the birth rate and a parallel increase of still births** have been registered. According to this report, those two phenomena are strictly connected with financial crisis. Indeed, it appears that the reduction of the birth rate in Greece as of 2009 onwards is parallel to the drop of GDP during the same time period. Moreover, the analyses regarding the **impact of the financial crisis on still births demonstrated an important correlation of such rate with the unemployment indicator and mainly unemployment of women**. It is clear indeed that a continuously increasing number of women become redundant and consequently **have no social insurance and for this reason they often ignore important follow-up tests** during their pregnancy.

1.2. Recent policy developments

Since last year the following policy developments have been registered:

In November 2012, the long negotiations between the Greek government and the Troika came to an end with the **Mid-term Fiscal Strategy Framework 2013-2016** (L. 4093/2012). The Troika in particular has rejected the proposals of the Minister of Finance regarding the so called “equivalent cuts”,

³ <http://www.unicef.gr/news/2013/dt2113.php>

⁴ Social Protection Committee of the European Commission, 2012, *The Social Impact of the economic crisis and ongoing fiscal consolidation: Third Report of the Social Protection Committee (2011)*. Directorate-General for Employment, Social Affairs and Inclusion

⁵ OECD, n.d., *Greece at a Glance. Policies for Sustainable Recovery*, page 12. URL:

<http://www.oecd.org/greece/44785912.pdf>

⁶ <http://www.oecdbetterlifeindex.org/countries/greece/>

e.g. military defence expenditures, and **insisted that the reduction of expenditures should be generated from the reduction of income and allowances of both workers and pensioners.**

The package of measures which was finally imposed included, among others, the following:

- Increase of the retirement age limit by 2 years, as of 1st January 2013
- Reduction of pensions by 5% and up to 15%, for the amount of 1,000 euros and above. These measures involved impairment pensions as well, except those relating to severe impairments.
- Reduction of Retirement Bonus ["EFAPAX"] of up to 83%.
- Elimination of Christmas and Easter bonuses as well as of the holiday leave bonus for civil servants and pensioners.
- Application of the unique payroll system for the Public Utility Services staff and the Hellenic Parliament employees which involved serious cuts regarding their salaries
- Elimination of the multiple family benefits and replacement by single children support allowance which shall be determined on the basis of a scalable family income criterion
- Reduction of the allowance for elderly people without insurance.
- 25 euro hospital admission fee. Moreover, it is foreseen that pharmacists shall be collecting from patients, on behalf and in favour of EOPPY, 1 euro per medical prescription. These two measures shall enter into force as of 1/1/2014

In April 2013, the Hellenic Parliament passed the **omnibus law of the Ministry of Finance** (L. 4152/2013). This time, the Troika focused on shutting down agencies and abolishing structures, which will eventually lead to the decrease in the number of public servants. Such a law particularly regulates critical issues, such as:

- The process concerning overdue arrear payments to tax authorities and insurance funds. Such a process provides particularly unlimited instalments for individuals having debts up to 5,000 euro with a minimum instalment amount of 10 euro depending on the debtor's actual income. There is an additional favorable regulation, which stipulates multiple and low installments for incomes over 5,000 € that are facing financial constraints
- Immediate confiscation of the deposits of all those that are indebted to Insurance Funds, provided that their "monetary reserves" are sufficient to pay off their debts
- Taxation on real estate properties. Specifically, in 2013 the property ownership special tax ("haratsi") shall be collected via PPC (Public Power Corporation) bills. Moreover, a single real estate tax for 2014 is foreseen.

Undoubtedly the financial recession that affects Greece is unprecedented in terms of intensity and duration and it is the outcome of the measures that the government has been taking in the past years according to the instructions and under the pressure of Troika. Many experts clearly speak about a humanitarian crisis. Indeed, a **dramatic increase of homeless people** who, according to unofficial estimates, amount to 40,000 has been observed by Caritas organisations in Greece. Similarly the distribution of free meals and food has increased. A continuous increase of poverty, inequality in terms of social protection and a **lack of access to social services** is being observed. Extremely serious indications in relation to the latter are the lack of access to basic health services, medical examinations, hospital and pharmaceutical care.

Today, a significant rate of Greek households lives in conditions of "material deprivation". **Last winter many households remained without heating and several ones without electricity.** Many households were poorly fed and were unable to pay the rent and their bills. The rate of poverty increases continuously, unemployment skyrocketed, the salaries of an increasingly number of employed people dropped and for this reason they are unable to accommodate their basic needs and this is why **many people suffer from serious psychological problems** and the rate of suicides in Greece is unprecedented.

A recent resolution of the European Council on the equal access to health care for all citizens⁷ admits that **Greece, due to the Memoranda and the austerity measures, is facing a humanitarian crisis.** The European Council verified that the financial and the geographical restrictions, together with the socioeconomic inequalities, have **generated inequalities in terms of access to the health care system.** Indeed, the situation in the health sector is very adverse since public expenditures for health care have been dramatically reduced (they do not exceed 4% of the GDP). Moreover, many hospitals have merged whereas the hospital and pharmaceutical expenditures on the part of Greek insured citizens have increased.

Despite the pressure on the Greek government, and five years into the crisis, it continues to exempt commercial shipping companies, its most successful industrial sector, from all taxes⁸. In addition, tax evasion continues to be a major problem and a recent study suggested that **seven out of ten self-employed Greeks continue to significantly underreport their incomes**⁹. **This causes anger and frustration amongst many Greek people affected by round after round of austerity:** “in Greece, there is a breach of the social contract, which sinks tax morale. People are angry and rightfully so” (Friedrich Schneider, Professor of Economics, University of Linz, Austria, an expert on Greece’s shadow economy)¹⁰.

1.3. Recommendations

- **Establish and implement effective measures to tackle extreme poverty**, focusing on their immediate performance. An efficient social mechanism to protect from extreme poverty should immediately be effectuated for people at risk of poverty. Such a mechanism could consist of **an allowance for a minimal decent living**, for example 200 euro per month, which should be paid directly by the European Union, through state administrative authorities.
- **Address the problem of homeless people.** First, the number of homeless citizens in Athens has to be officially recorded. Upon determining the size of the problem the Greek state, with the assistance of the EU, OECD, World Bank and various NGOs, as for example Caritas, should take proper care so as to implement, on a strict schedule, a program for the rehabilitation of the homeless. Indicative, deserted or inactive public buildings, or even **not inhabited buildings belonging to individuals, should be utilized and be provided for free** (on a voluntary basis and with **taxation motives**) **for the homeless.**
- **Increase the minimum salary.** It is necessary that the minimum salary in Greece is immediately increased to the level before the crisis and that minimum salary is not differentiated for young people under 25. In general the lowest salary in Greece today is at indecent levels and sometimes is much lower than poverty levels. In relation to the cost of living in Greece this level of remuneration violates the constitutionally protected human dignity (article 2 of the Hellenic Constitution).
- **Establish a fair tax system and fight against tax evasion.** The Greek government should complete the taxation reform program, in order to set the conditions to decrease the tax load put on the citizens that already pay their taxes and to efficiently fight tax evasion. systematic controls should be set to place with rotating inspectors and strict immediate penalties should be imposed on all tax evaders.

⁷ <http://assembly.coe.int/ASP/Doc/XrefViewPDF.asp?FileID=19776&Language=EN>

⁸ Spiegel Online International, 2012, ‘Horrible Citizens’: *The Life of Greece’s One Percent, Wealthy Greeks Still Don’t Pay Taxes*, URL: <http://www.spiegel.de/international/europe/the-crisis-has-yet-to-hit-the-wealthiest-greeks-a-866693.html>

⁹ Ibid.

¹⁰ Ibid.

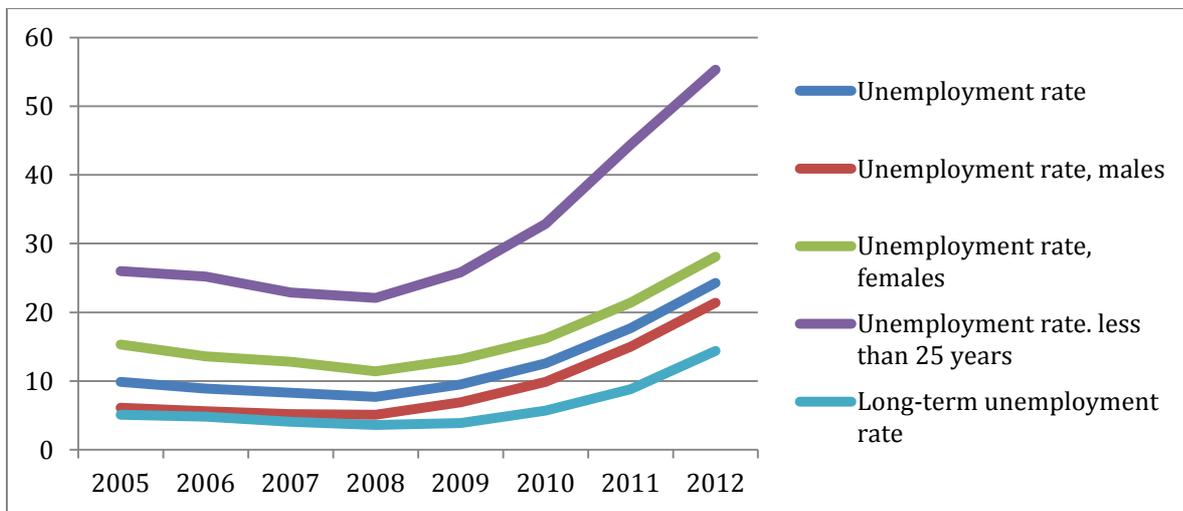
2. EMPLOYMENT

2.1. Recent trends

Developments of the employment situation in Greece:

- Greece's employment levels have been on a downward trajectory since 2008 and the country has experienced the **worst drop in employment in Europe since the beginning of the crisis** (-11.2 p.p. between 2008 and 2012, -4.6 p.p. between 2011 and 2012), and has the **lowest employment rate in the EU** (55.3% in 2012).
- Unemployment is very high (24.3% in 2012) – just behind the rate for Spain, which has the highest rate in Europe. At 55.3%, the **youth unemployment rate is the highest in Europe. Long-term unemployment rates** are the highest (14.4% in 2012) in Europe and have recently shown the **highest rate of increase** (+5.6 p.p. between 2011 and 2012).

Employment trends in Greece (% of population):



- The Greek Statistics Organization ELSTAT records the continuous salary decrease due to the implementation of the austerity measures. In its latest publication¹¹, the organisation reports that, after five years of recession and austerity measures, the level of **salaries in the private sector fell to the levels of 2005**. This conclusion is drawn from official data, namely the Salaries' Indicator, which has been established for the first time by the Greek Statistics Organization, according to the directives of the EU and the IMF. According to this indicator, after the continuous decrease of salaries since the midst of 2010, the level of salaries has receded 81.2 % of the base year 2008, which was used as reference year for all comparisons in this study. This represents the same level as in 2005. **Many employees in the public and the private sector have experienced decreases to their salaries of up to 40%-60%.**

2.2. Recent policy developments

Since last year the following policy developments have been registered:

With regards to the above-mentioned new laws passed since November 2012 (see Poverty chapter), the following measures are having particular impact on the employment situation in Greece:

¹¹ Hellenic Statistical Authority, 2013, *Index of Wages in Main Sectors of the Economy: 2006-1st quarter 2013*. URL: http://www.statistics.gr/portal/page/portal/ESYE/BUCKET/A0199/PressReleases/A0199_DKT08_DT_QQ_01_2_013_01_F_EN.pdf

Mid-term Fiscal Strategy Framework 2013-2016 (November 2012):

- Increase of insurance contributions by approximately 10% for all citizens insured before 1993.
- Abolishment of the character of the National General Collective Working Agreement, which now is not valid for all working employees. Particularly, the three-year time period for the lowest salary of 586 euro shall “freeze” until unemployment drops below 10%.
- Reduction of the lay-off notice period to 4 instead of 6 months.
- Cuts in special payrolls, which practically involve reduction of salaries of all Military, Hellenic Police Force, Fire brigade and Coast guard staff as well as of the NHS doctors.
- Implementation of a one-year availability scheme (according to the omnibus law of July 2013 the new availability scheme involves a time period of 8 months), with a reduced salary for permanent staff of public services where specific working posts are abolished.
- Elimination of the special unemployment allowances and special income support aids that were given to employees who became redundant when the enterprises where they were employed were shut down.
- Establishment, as of 1/1/2014, of a long-term unemployment allowance (200 euro per month) for unemployed people of 20 until 66 years of age who are no longer eligible for regular benefits and their annual income is less than 10.000 euro with increases for every minor child.
- Establishment of a new system for determining the lowest salary
- Abolishment of the non-taxable amount for freelance professionals; instead they shall be taxed for their whole income.

Omnibus law of April 2013:

- Deregulation of professions and sectors such as the bakery the open market vendors, the certified evaluators, accounting officers and tax experts, geotechnical experts, as well as the enterprises trading agricultural drugs and vet clinics
- The weekly mandatory working schedule for educators working in primary and secondary educational level increases by two hours.
- According to the official mandate, 15,000 civil servants shall leave the public sector until the end of 2014, of whom 4,000 within this year. In this regard, the following rule shall apply: ‘for every person leaving the sector another one shall be recruited upon strict, meritocracy oriented criteria’

In addition to these measures, a new omnibus law passed **in July 2013** introduced:

- A new series of taxation measures such as higher tax coefficients regarding the low and medium incomes and freelancing professionals. These new taxes abolish specifically the non-taxable amount for “dependent” children; impose 26% taxation (from the first euro) for professionals and traders, 20% on the surplus value from property selling and 10% on dividends. Moreover, it is foreseen, among others, that new taxes shall be based on presumptive criteria for those declaring low income as well as that tax discounts shall be abolished for a number of expenses such as house rents, premiums, schooling fees, and housing loan interests.
- The lowest salary shall be determined as of 2017 by a Ministerial decision, following social consultations, and not by the National General Collective Working Agreement.
- Abolishment of Municipal Police Force
- Abolishment of municipal guards at school premises
- Potential abolishment of posts, sectors or specialties in Ministries, stand alone public services, decentralized administrative bodies, local governments, legal entities; at the same time potential new posts are foreseen
- 2,600 lay-offs due to ERT (Public TV/broadcast) being shut down
- “Availability scheme” in the public sector. The selection of employees that have joined the “availability scheme” after the abolishment of their working post is made following an assessment of their formal and substantial qualifications and their “promotion points”. Specifically, 25,000 people shall join the “mobility scheme” until the end of 2014, of whom 12,500 within 2013. Thus, the Municipal Police Force staff, school premise guards as well as 52

professors of technical background employed in the public education shall join the availability scheme due to their working positions being abolished. The term of the availability and assessment period shall be 8 months at most and during such time the employees shall be paid with 75% of their regular remuneration until they are either laid off or they join another service

- The operation of 6 Municipal hospitals in Athens shall be fully restructured and their staff shall join the mobility program
- Two Universities and several Technical Institutes (TEI) shall be shut down and several more University and TEI Departments within the same academic institution or between different academic institutions shall merge

The **painful measures of the 3 aforementioned laws** and mainly those relating to taxation, social benefits and the labour market and working relations, both in the public and private sector, **have already had a tremendous impact on the entire Greek society during 2013**. The increase of taxes and of the prices of basic commodities together with the parallel reduction of income, the uncertainty in terms of work combined with a continuous increase of precarious types of work, wages not paid, or long delays in terms of salary payment in the private sector, the collapse of the collective bargaining system, the cease of operation of enterprises and the continuously increasing unemployment have **seriously undermined the income and living standard of citizens and they have generated some of the most significant social consequences of the financial crisis**.

The **changes regarding the collective agreements status involves new reductions of the salaries** in the private sector, particularly after the “continuance period” of the national general collective agreement expired on May 14th 2013, together with the occupational agreements. Regarding the lowest salary, the **social partners lost their right to define the lowest remuneration** after collective bargaining processes as in the future such remuneration shall be determined by unilateral legislative regulation. The **lowest remuneration was reduced by 22%** namely from 751.39 euro to 586.08 euro (**476.35 euro net salary**) for newly hired staff over 25 years of age, whereas **for young workers below 25** the minimum salary is 510.94 euro (**426.64 euro net salary**), namely reduced by **32%**. The above **reduction also affected the unemployment benefit**, which dropped from 461.50 euro per month to 359.97 euro. These reductions dramatically weakened the purchasing power of salaries. According to the Labour Supervisory Agency, beyond the reduction of salaries, **a large number of workers are not paid on time** (in certain cases those delays last for months), which deteriorates the living standard of working people even more.

2.3. Recommendations

- ➔ **Increase minimum wage** (see Poverty recommendation above).
- ➔ **Fight unemployment**. It is necessary to reform employment policies by investing in activation, well designed allowances, vocational training programs and social programs. Nowadays unemployment is a pan-European problem and as such should be efficiently treated. This can be done by enhancing cooperation between the public employment services but also through setting clear EMU objectives related with unemployment.