# 2 Rejuvenating Greece's labour market to generate more and higher-quality jobs

Greece's labour market entered the COVID-19 shock following several years of sustained employment growth and with wages picking up. Unemployment remained high and employment rates were low, especially among women, the young and older workers. The shock led to a sharp fall in labour force activity and has stalled new hiring. The improved social protection and temporary support measures have helped to support households' incomes and protect jobs during the COVID-19 crisis. However, high tax and social security contribution rates, together with little in-work support for the low-paid, continue abetting high structural informality. This heightens insecurity – by excluding many workers from activation policies or social and employment protection – and weakens productivity. Boosting the capacity of employment services and activation policies would support the recovery from the COVID-19 shock, in addition to durably improving employment prospects especially of long-term unemployed. Giving workplaces further flexibility to adapt collective agreements to specific circumstances would help align wage growth with productivity developments and help businesses to weather the COVID-19 shock. Building on the population's solid education levels by equipping workers with the skills needed by the labour market can support employment and incomes. This will require a substantial boost to professional education and training at all levels and ages. This chapter applies the 2018 OECD Jobs Strategy to Greece to identify reforms that can help to overcome the COVID-19 crisis and create a virtuous cycle between productivity, job creation, and well-being.

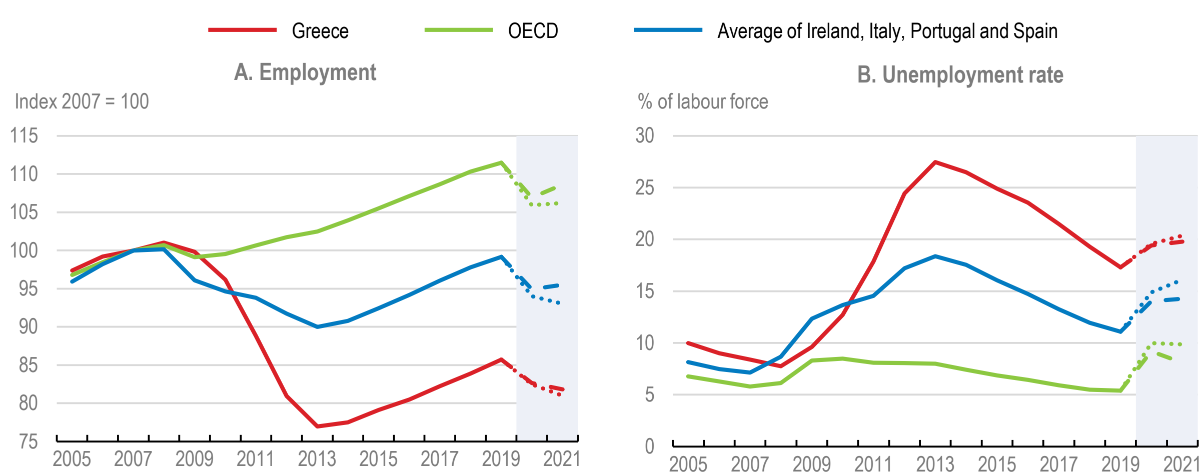
## The COVID-19 shock has stalled Greece's labour market recovery, accentuating long-standing challenges

Prior to the shock of the COVID-19 pandemic, Greece's labour market was recovering after years of high unemployment. Over recent years, jobs growth reduced high unemployment rates (Figure 2.1), incomes were rising and workers were working longer in life. Reforms succeeded in raising enrolment in new, well-targeted social protection programmes and made inroads into poverty. Labour activation policies were reengineered and take-up is strong of those that are effective. The government has started reducing the considerable tax and social contribution wedge on labour income, and plans further reductions.

The COVID-19 shock has led to a temporary but extraordinary drop in production and large loss of tourism demand and employment. New hiring have frozen and large numbers are dropping out of the labour force. The government has responded with substantial packages to strengthen the health system, buttress incomes and liquidity, provide temporary flexibility to employment arrangements and a short-time work scheme, and support the sectors most affected by the shock, such as tourism. As described in Chapter 1, demand is likely to remain weak for some time, delaying the recovery in employment and adding to the challenge of high unemployment.

While Greece's labour market was improving prior to the COVID-19 shock, large and long-standing gaps remain relative to other OECD countries in terms of the number and inclusiveness of jobs, the quality of jobs (Figure 2.2), and prospects for skill development. Employment rates, though increasing, remain low, particularly among young adults, women and older workers. Youth and women have particularly poor employment outcomes, as a large share are outside the labour market, education or training (Figure 2.3), leading to low incomes and poverty. Many youth, including the most skilled, emigrate. Meanwhile the working-age population is falling due to net outwards migration and to an ageing population as fertility has been low for a long time and continues to decline.

### Figure 2.1. The COVID-19 shock sets back the recovery of Greece's labour market




Note: The shaded area indicate projections. The "single-hit" scenario is shown with a dashed line and assumes that the pandemic is brought under control before the summer of 2020; the "double-hit" scenario is shown with a dotted line assumes a second wave of contagion and lockdown measures late in 2020.
Source: OECD *Economic Outlook 107* database.

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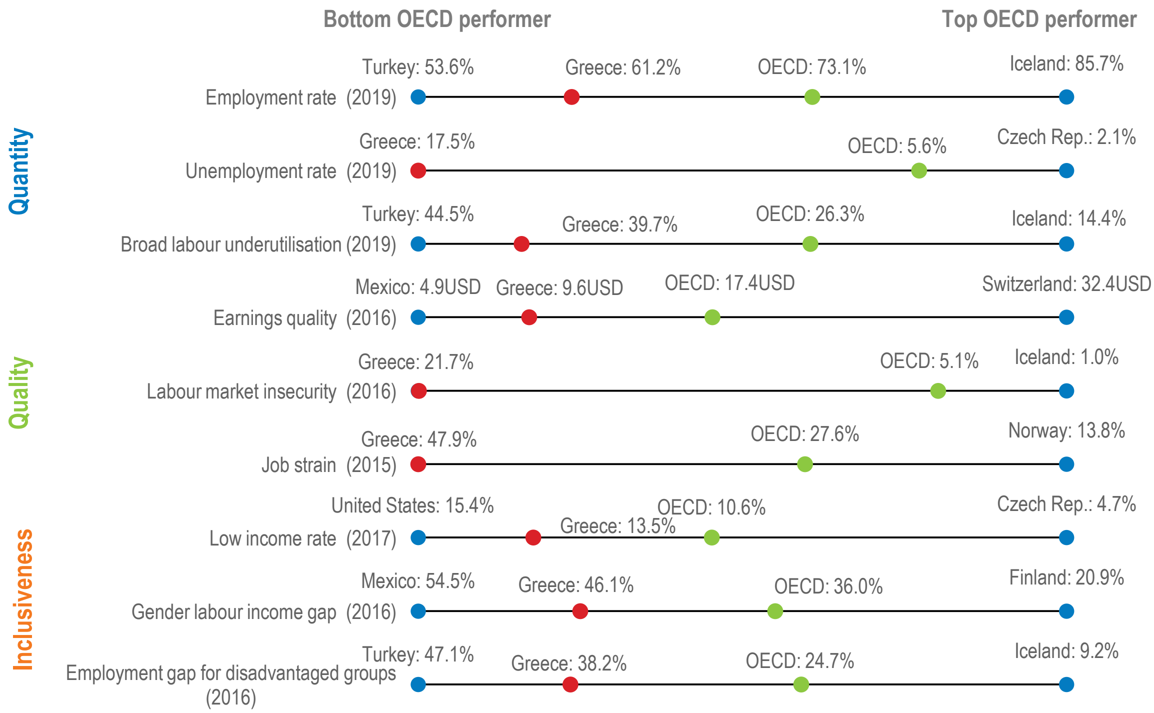
## Figure 2.2. The quantity and quality of jobs in Greece lag other OECD countries




Note: Employment rate: share of working age population (20-64 years) in employment (%). Broad labour underutilisation: Share of inactive, unemployed or involuntary part-timers (15-64) in population (%), excluding youth (15-29) in education and not in employment (%). Earnings quality: Gross hourly earnings in PPP-adjusted USD adjusted for inequality. Labour market insecurity: Expected monetary loss associated with the risk of becoming unemployed as a share of previous earnings. Job strain: Percentage of workers in jobs with a combination of high job demands and few job resources to meet those demands. Low income rate: Share of working-age persons living with less than 50% of median equivalised household disposable income. Gender labour income gap: Difference between per capita annual earnings of men and women (% of per capita earnings of men). Employment gap for disadvantaged groups: Average difference in the prime age male's employment rate and the rates for five disadvantaged groups (mothers with children, youth who are not in full-time education or training, workers aged 55-64, non-natives, and persons with disabilities; % of the prime-age men's rate).

Source: OECD (2018), *OECD Jobs Strategy* https://www.oecd.org/employment/jobs-strategy/country/; OECD *Employment* database, www.oecd.org/employment/database; and OECD *Income Distribution* database (IDD), http://oe.cd/idd.

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Among those in work, employment over a long period has become increasingly polarised, and since the start of the great financial crisis a growing share of jobs are low-skilled (Figure 2.4), pay the minimum wage and are often temporary or involuntary part-time. Meanwhile firms in high productivity sectors have created a low share of jobs (StatLink 2 https://doi.org/10.1787/888934154699

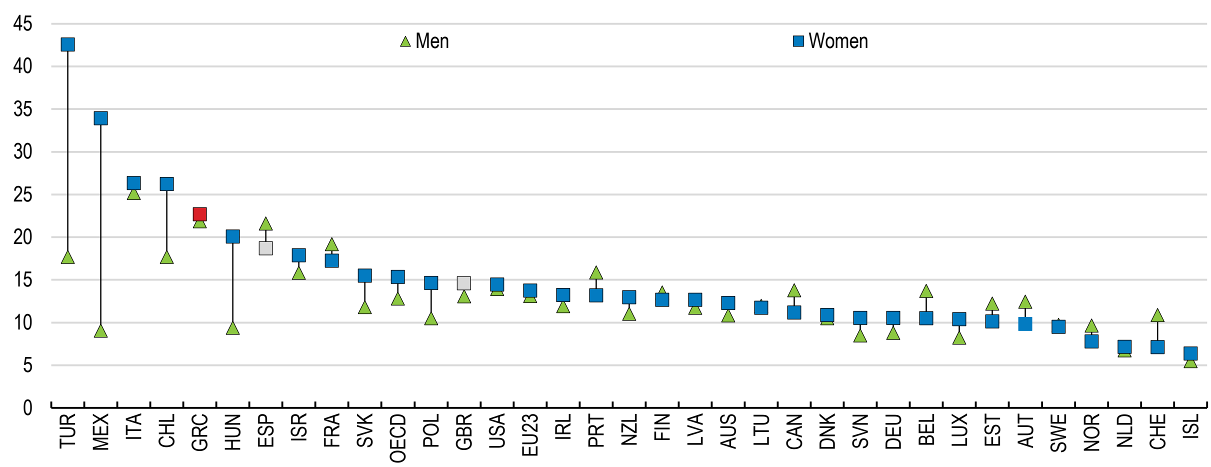
Figure 2.5). Employment quality has deteriorated for many, especially the large number who are self-employed or work in very small firms where productivity is low. A large share working as self-employed do so for lack of alternative opportunities rather than in pursuit of a business project, and do not seek to grow, which dampens the economy's potential (Fajnzylber, Maloney and Montes-Rojas, 2009[1]; Joshi, Prichard and Heady, 2013[2]). Tax and social contributions are high, especially at low incomes for the self-employed. Informal or undeclared activity is rife, and weakens working conditions and productivity. Employment protection is typical of European OECD countries, and reversals of the substantial crisis-period relaxation in employment protection were cancelled by the incoming government in August 2019. Yet the labour market has continued to lack dynamism.

For those out of work, systems to match jobseekers with opportunities or training are underdeveloped. Many jobseekers do not have the skills employers need (Figure 2.6), even though workers generally have a good level of education. Older women have spent less time in education and have lower professional skills than older men, contributing to their lower employment rates. Care and other responsibilities combine with scarce voluntary part-time or flexible working arrangements to impede many women of all ages from seeking jobs or developing their skills. Those out of work are at the highest risk of poverty, although improved social protection is lowering this risk, while poverty among those in work doubled during the crisis to the highest rate among OECD EU countries.

Rejuvenating Greece's labour market is key to achieving a sustained and reinvigorated recovery after the COVID-19 shock, and to improving well-being and inclusiveness. This chapter applies the OECD's Job Strategy (2018[3]) and identifies priorities to address Greece's labour market challenges (Box 2.1). Expanding employment is central for the recovery and to raising the labour market's performance. First, strengthening the social protection system is essential for redressing poverty, and supporting resilience and employment, especially in response to the deep if transitory COVID-19 shock. Second, improving public employment services is a prerequisite for effectively linking jobseekers with work and skill development opportunities, and will be essential for the recovery from the COVID-19 shock, and for implementing a mutual-obligation social safety net. Third, reducing the large labour income tax wedge, as fiscal space allows, will encourage employment and formalisation. Fourth, it will become increasingly important to ensure that wage growth aligns with productivity developments. Fifth, in the longer-term, improving the quality of schooling and raising adults' participation in quality life-long learning will prepare Greece's workforce for emerging opportunities.

### Figure 2.3. A large share of youth are not in work or education

Percentage of 18-24 year-old NEETs (neither employed nor in education or training), 2018 or latest available




Source: OECD (2018), *Education at a* Glance database, http://stats.oecd.org.

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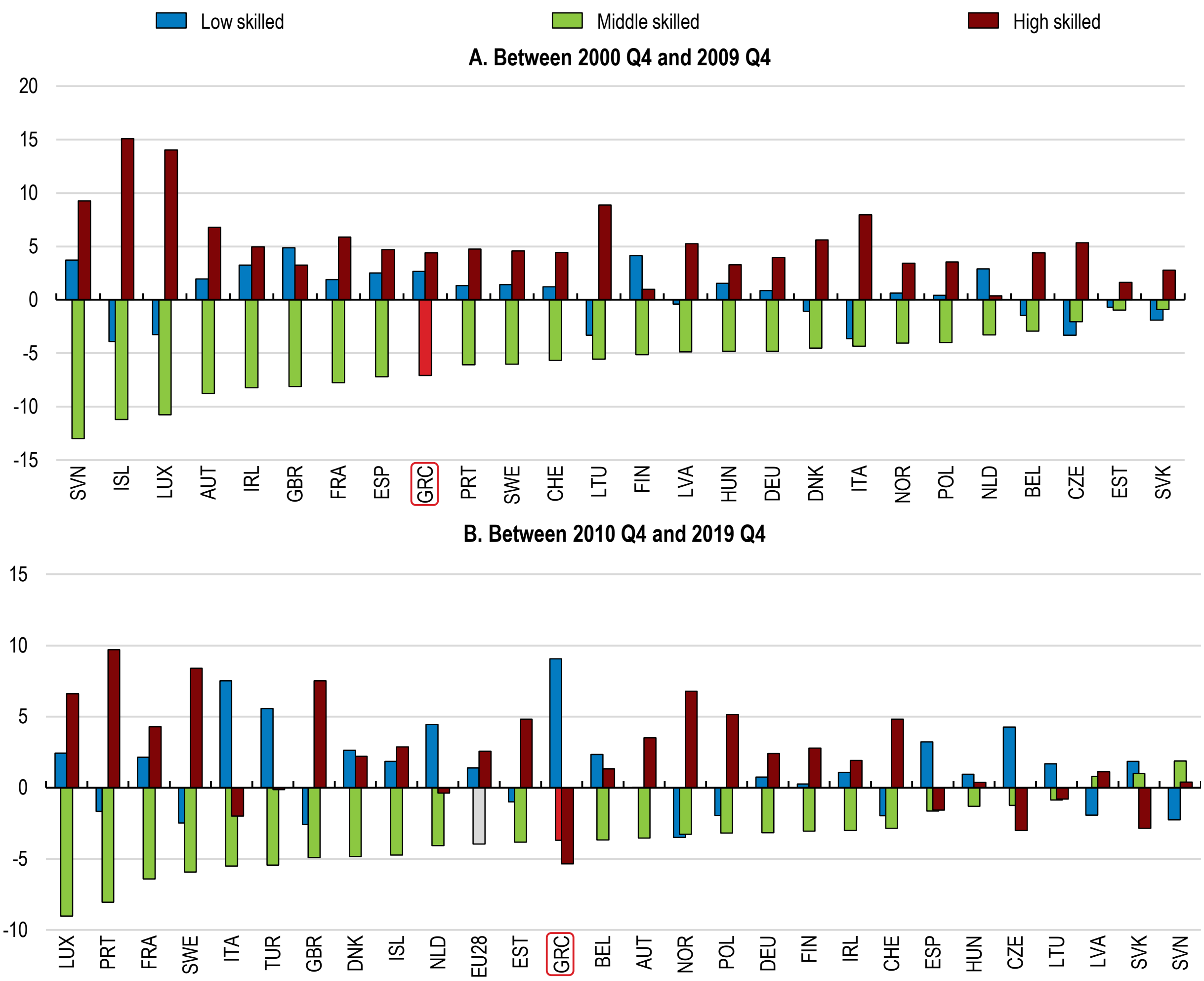
**Figure 2.4. Like other countries, Greece has experienced polarisation away from mid-skill jobs**

Percentage point change in share of total employment




Note: Total employment refers to civilian employment excluding agricultural workers. High-skilled occupations include jobs classified under the ISCO-88 major groups: legislators, senior officials, and managers (group 1), professionals (group 2), and technicians and associate professionals (group 3). Middle-skilled occupations include: clerks (group 4), craft and related trades workers (group 7), and plant and machine operators and assemblers (group 8). Low-skilled occupations include: service workers and shop and market sales workers (group 5), and elementary occupations (group 9).
Source: Calculations based on Eurostat data.

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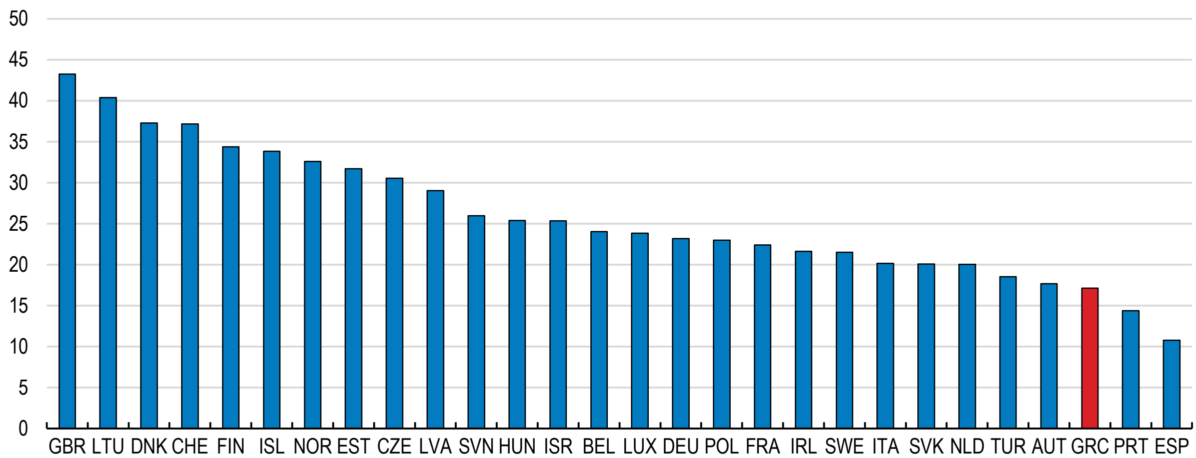
### Figure 2.5. Few jobs are being created in high productivity sectors

Percentage of jobs created by new firms in sectors with above-median productivity, as a share of all employment created by new firms, 2016




Note: Median labour productivity (value added per person employed) was calculated at the sectoral level (in ISIC REV.4: section-level and a selection of division-level manufacturing sectors) separately for each country and year.
Source: OECD (2018) *Structural and Demographic Business Statistics* database.

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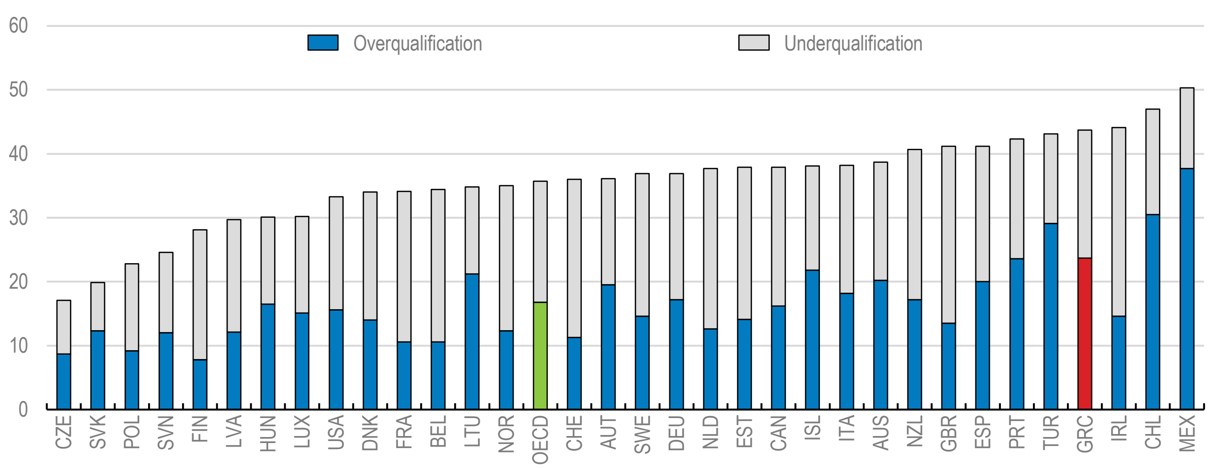
### Figure 2.6. Skill mismatch is high

Percentage of mismatched workers, 2016




Note: Data refer to 2015 for Canada, Chile and Turkey 2015 and to 2013 for Germany. Countries are ranked in descending order of the prevalence of total mismatch (underqualification and overqualification). OECD is the unweighted average of the countries shown.
Source: OECD *Skills for Jobs* database, 2018, https://stats.oecd.org/Index.aspx?DataSetCode=MISMATCH

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### Box 2.1. Implementing the OECD Jobs Strategy in Greece

The 2018 OECD Jobs Strategy provides a comprehensive set of policy guidelines to harness the opportunities provided by new technologies and markets, while helping workers to adjust and ensuring that the benefits of growth are shared broadly. The new Jobs Strategy stresses the links between strong and sustained economic growth and the quantity of jobs, and recognises job quality, in terms of both wage and non-wage working conditions, and labour market inclusiveness as central policy priorities. It recognises the virtuous cycle between raising productivity and incomes and expanding job opportunities. Supporting dynamism requires providing the labour force with resilience and the ability to adapt to challenges and opportunities.

Greece's labour market performance is summarised relative to other OECD countries across a dashboard of indicators of job quantity, quality and inclusiveness (Figure 2.2). This confirms that expanding the quantity of jobs, redressing labour market insecurity, raising the quality of jobs, and improving labour market inclusiveness are priority challenges for Greece. Expanding employment is central to these challenges, as it is key to reduce unemployment as well as to enhance labour market security, tackle widespread poverty and improve integration of underrepresented groups. Improving the resilience and adaptability of Greece's labour market to future challenges requires improving productivity growth, lifting skills and maintaining the crisis-period reforms to labour market institutions.

Sources: (OECD, 2018[4]; Crivellaro, Hijzen and Schwellnus, 2019[5])

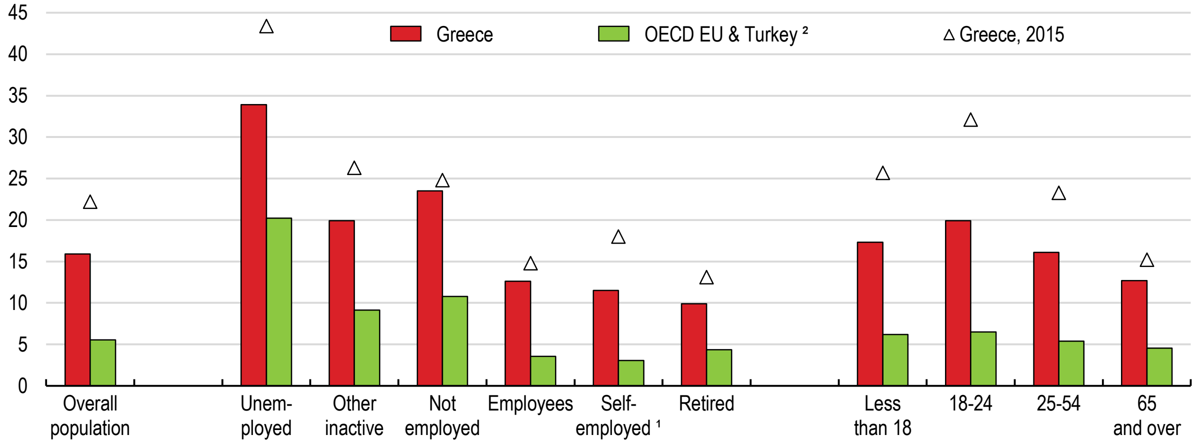
## Social protection to support employment, redress poverty and improve resilience

Greece is addressing many of the weaknesses in its social protection system that contributed to poverty, vulnerability and low employment, and that were highlighted by previous OECD Economic Surveys (2018[6]) and the OECD Social Protection Review (2013[7]). Following reforms over recent years, Greece is joining other OECD countries in providing a universal social safety net for very low income households, and has introduced targeted family and housing support programmes. Along with employment and income growth, these policies have contributed to lowering poverty rates (Figure 2.7) over recent years and provided a safety net during the COVID-19 pandemic.

As the scale of the COVID-19 shock became clear, Greece swiftly introduced additional temporary measures to support the income of the employed (equivalent to 2.4% of 2019 GDP) and of jobseekers (equivalent to 0.2% of 2019 GDP). These extended unemployment benefits and provided one-off cash transfers to workers directly affected by shut-down orders during the second quarter of 2020, valued at 1.4% of 2019 GDP. It legislated a temporary short-time work scheme ('SYN-ERGASIA' or 'cooperation') to support employment and incomes of employees of firms suffering reduced turnover from mid-June to mid-October 2020 (0.5% of 2019 GDP). Extending such income and employment support, depending on epidemiological developments, would reduce the impact of the COVID-19 crisis, especially in the case of a second outbreak later in 2020.

## Figure 2.7. Poverty though falling remains high, especially among the young and those out of work

Percent of population groups living in households reporting severe material deprivation, 2019 or latest




Note: The severe material deprivation rate is the proportion of the population group living in households unable to afford at least four of the following items: unexpected expenses, a one-week annual holiday away from home, a meal involving meat, chicken or fish every second day, the adequate heating of a dwelling, durable goods like a washing machine, colour television, telephone or car, or are confronted with payment arrears. This indicator of well-being and poverty is not affected by income underreporting. Data by employment type for Greece refer to 2018.
1. 'Self-employed' is the category 'employed other than employees'.
2. EU countries that are OECD members plus Turkey. 2018 data except 2017 for Ireland, Slovakia and Turkey, 2016 for Iceland.
Source: Eurostat.

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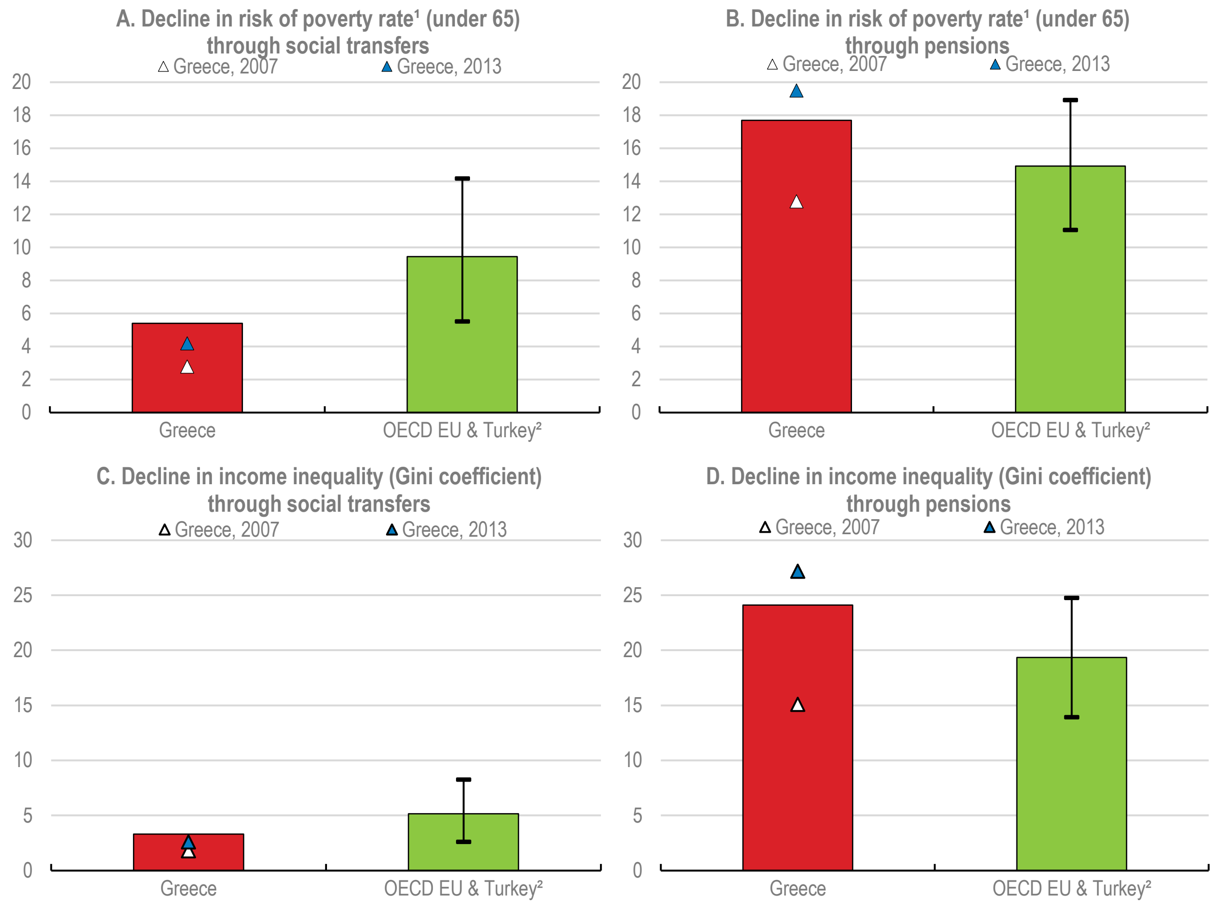
Despite the temporary responses to the COVID-19 shock, social protection in Greece remains weak and poverty high, especially among families and young people (Figure 2.7). This leaves many households without sufficient protection against shocks. While recent reforms have substantially improved targeting, social transfers in Greece reduce poverty and inequality by less than other countries, while pensions make an oversized contribution (Figure 2.8). Some social protection programmes and administrative functions are being consolidated, but different programmes continue to have different, uncoordinated eligibility criteria and entitlement rules and are administered by different institutions, leading to duplication and inefficiencies. Monitoring and evaluation systems are still lacking (Ziomas et al., 2018[8]). The social protection system also does not address barriers to entering work, or ensure that those in work avoid the risk of poverty. Reducing the fragmentation of Greece's social protection schemes, many of which are a legacy of the crisis, would contribute to redressing these weaknesses. Closing programmes that do not achieve their intended effects in an efficient way will free funding to increase the scale of programmes that perform well. In addition, improving the performance of the social protection administration is crucial.

**Figure 2.8. Pensions rather than social transfers reduce inequality and poverty in Greece**

2019 or latest available




1. At 50 % of median income.
2. European countries that are OECD members plus Turkey.
Source: OECD calculations based on Eurostat data.

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### *Establishing a social safety net in Greece*

Greece is developing the role of targeted income support in its social protection system. For very low income households facing severe poverty, the new guaranteed minimum income programme provides a safety net. Families with dependent children and slightly higher, but still low, income can now receive income support through the reformed family support, reducing the risk of child poverty. Low income households who rent or have a mortgage can now access the new rent support, which will reduce high rates of housing cost distress. As these programmes become fully operational, Greece's can prioritise helping households provide care to dependents, and measures to reduce the risk of in-work poverty.

*The Guaranteed Minimum Income is supporting poor households' incomes but job-search and training programmes are still weak*

The Guaranteed Minimum Income (GMI) programme is the flagship of Greece's social protection reforms. The programme ensures that all households receive a minimum income, which is adjusted for the household's size and composition. For a single household this minimum is EUR 200 per month, with EUR 100 provided for each additional adult and EUR 50 for each child. The household's monthly declared total income (before taxes but after social insurance contributions, and excluding 20% of income from employment) over the previous six months is subtracted from their GMI transfer, so if the household declares income above the GMI transfer value s/he would not be eligible for the GMI. When fully operational, recipients will be obliged to engage in a tailored programme of job search, skill training and other social support activities.

The GMI is more effective than many comparable schemes in other countries at reaching poor and vulnerable households. It was rolled out nationally in 2017 and take-up peaked in 2018 at 277 000 households covering 660 000 individuals (7% of the population), at a cost near 0.4% of GDP. A 2018 evaluation found it reached one-third of extremely poor households (i.e. households with a disposable income of less than 40% of the median) and 37% of households in the bottom income decile, while only 1.6% of recipients were not poor (Marini et al., 2019[9]). The poorest households receive most of the transfer amounts. A higher share of recipients are unemployed, have completed little schooling, not own their residence, have disabilities, have children and are not Greek than the general population.

Improving outreach efforts and access points would allow the GMI to reach a larger share of its target population. Many households in the bottom decile do not apply as they are either unaware of the programme, do not know how to apply or believe they would be ineligible. Among all successful applicants, 40% pay someone to help them complete the application, most often an accountant, despite free municipal social services and community centres to help applicants and the GMI's effective information systems.

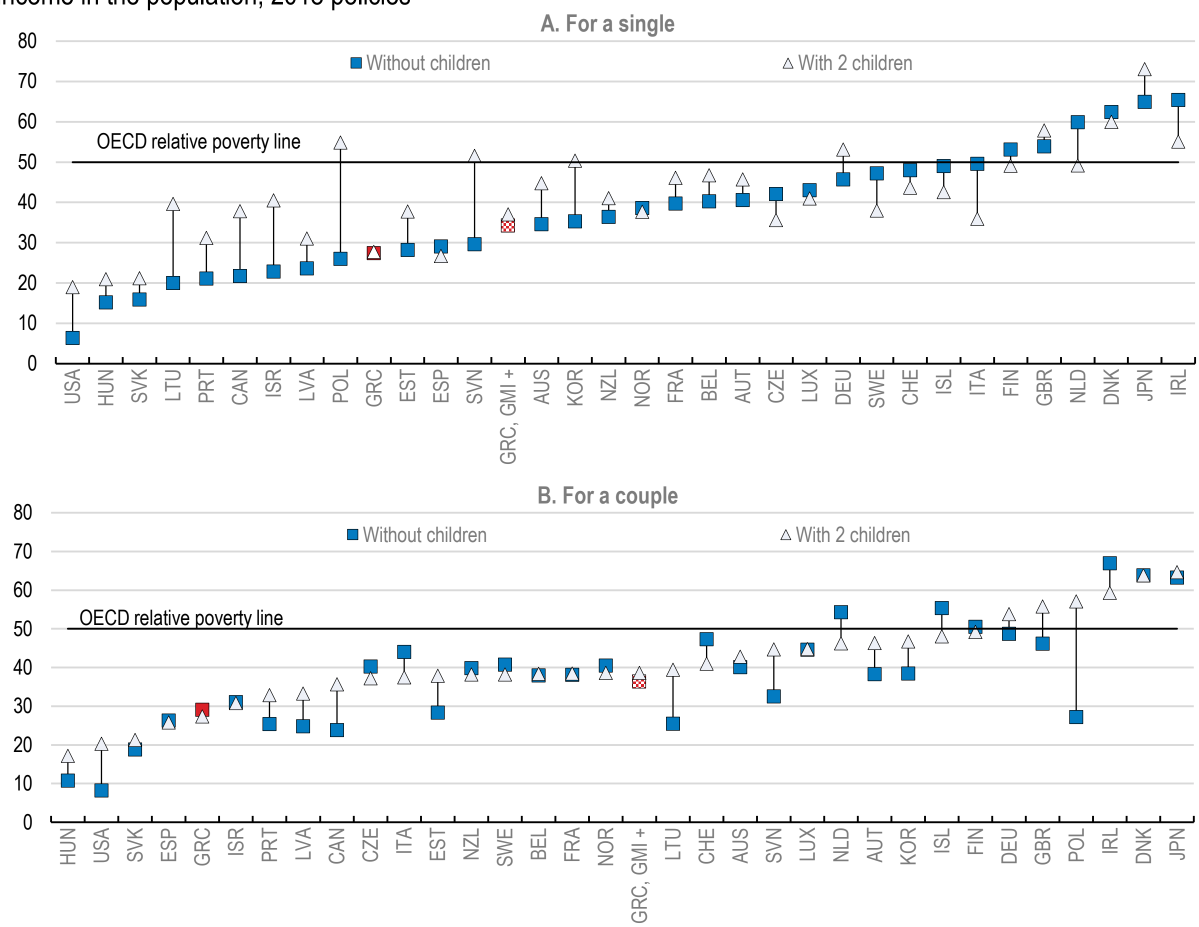
The GMI's transfers are lower than most other countries' guaranteed minimum income transfers, and are insufficient to lift recipients above the poverty line (Figure 2.9). Raising Greece's transfer amounts by 25% would bring the GMI's generosity closer to similar schemes in other OECD countries (Figure 2.9). It would largely benefit the lowest income decile, reducing the poverty rate by 1.1 percentage point from 10.9% at a cost of about 0.15% of GDP additional to its current budget of 0.4% of GDP (Figure 2.10, Table 2.1). Increasing the GMI transfer values, along with ensuring the social support and labour activation pillars operate effectively, would strength the GMI's contribution to the labour force's resilience by reducing the risk of poverty and supporting a return to work.

Full-time employment is the best antidote to poverty (Causa, Hermansen and Ruiz, 2016[10]), and the GMI's social support and labour activation pillars are vital to help recipients move out of poverty and into lasting work. These pillars create a mutual obligation between the wider community and recipients. Six years after the first pilot projects, these pillars are not yet operational and while GMI recipients are required to register for job search, they do not need to actively seek work, accept reasonable job offers, or undertake training, or social support or other active labour market programmes. Social workers and Community Centre staff are expected to encourage recipients to participate in these programmes, yet in 2018 few recipients were aware of these programmes. The government has a goal of rolling out nationally in 2020 programmes to connect GMI recipients with these labour activation pillars. Pursuing this timetable and making the second and third pillars of the GMI operational and obligatory is critical if the programme is to achieve its long-term objectives, and should be a prerequisite to any increase in the GMI transfer amount.

The GMI transfer rules disregard 20% of any income earned from work, then subtract the remaining employment income from the value of the benefit transfer. This means that households are only a little better off from gaining income from formal employment, and creates an incentive to not declare income. Since 2018 income earned from vocational training programmes has been fully disregarded in assessing GMI transfer values, and this is an example of an incentive to improve employability. Disregarding a larger share of employment income would improve incentives for households to gain income, for example by working longer hours, especially if the GMI transfer values are increased to provide greater income support.

**Figure 2.9. The Guaranteed Minimum Income transfers are modest compared with most countries' programmes**

Net household income of jobless households receiving guaranteed minimum income, as a % of median disposable income in the population, 2018 policies




Note: "GRC, GMI +" includes a 25% increase in the transfer values of the GMI and an in increase in equivalence scales for larger households to the "proposed scale" presented in in Table 2.2. For Italy, data has been adjusted to reflect the Citizen's Income policy rules introduced by the decree of January 2019.
Source: Calculations based on the OECD Tax-benefit model.

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### *Targeted support for low income families*

A redesigned family benefits and new, targeted rent allowance complement the Guaranteed Minimum Income (GMI) by extending social protection to low income households who may otherwise be at risk of poverty. They particularly support families and younger households, which suffered the largest increases in poverty rates during the crisis years. Such measures were recommended in the previous OECD Economic Survey of Greece (2018[6]), and social welfare reviews (OECD, 2013[7]; Bodewig et al., 2016[11]). They address long-standing weaknesses in Greece's social protection, and together transfer more funds to a larger population than the GMI.

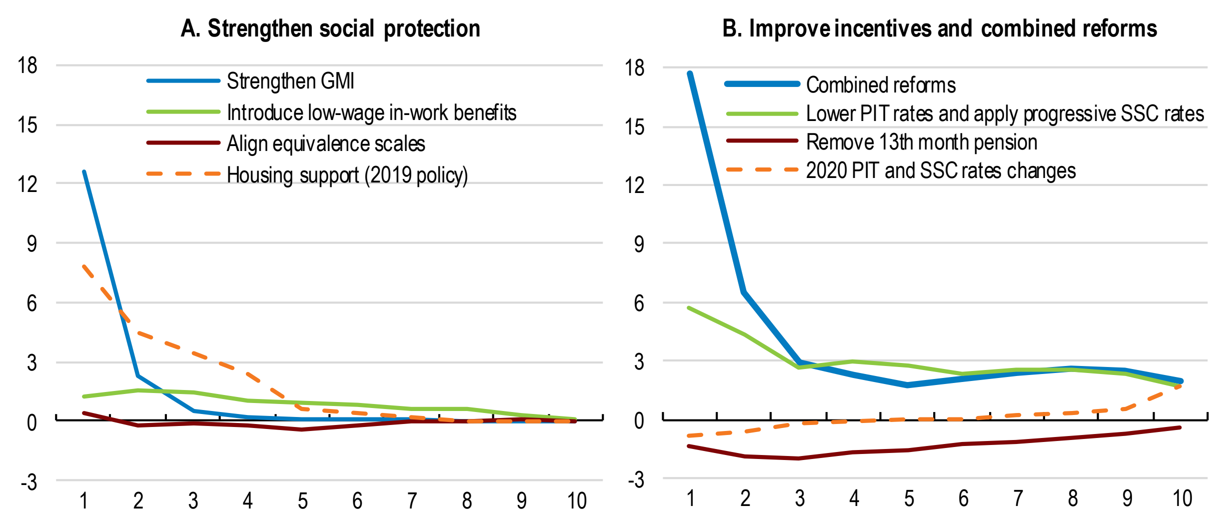
The redesigned family benefit scheme, introduced in 2018, absorbs a previous child benefit and a large family benefit (Leventi et al., 2018[12]; Ziomas et al., 2018[13]). The long-recommended reform boosts means-tested support to low-income households with children, the group that suffered most from the increase in poverty during the crisis. High poverty rates among children and the young are a concern as poverty early in life has negative and persistent effects in adult lives. The reforms provide for consistent means-testing as the GMI programme across different household sizes, however they increase benefits for larger households by a more generous scale than the GMI. Aligning these scales with the GMI's scale would improve the consistency of the overall social protection system.

The means-tested housing benefit, introduced in 2019, supports households who rent or pay a mortgage if they have modest earnings (less than EUR 7 000 per annum for a single person). It provides EUR 70 per month for a single-person household and EUR 35 per month for each additional household member, up to EUR 210 per month. Take-up has been rapid and in-line with initial expectations: 240 000 applications, corresponding to 6% of the Greek population, were accepted by April 2019 (European Commission, 2019[14]). Together these measures may improve households' ability to relocate, and complement other measures to settle household debts in default (discussed in Box 1.2).

The support to lower income renters is likely to reduce poverty and inequality, and improve access to housing in Greece, especially among low income households (Figure 2.10, Table 2.1). About one quarter of all households rent in Greece, below the OECD average, and there is effectively no social housing (OECD, 2019[15]). Renters in Greece face very high housing costs relative to their incomes. 83% of households who rent at market rates spend more than 40% of their net income on housing costs, compared with one-quarter across other OECD European countries. The support to lower income households with mortgages improves their repayment capacity and reduces their risk of poverty. The share of homeowners in Greece with mortgages, at 11%, is well below most other OECD countries. Around 29% of homeowners face housing cost overburden, whether they hold a mortgage or not. Given these benefits are new, their effectiveness at reducing housing cost stress and reducing new mortgage defaults should be monitored.

### Figure 2.10. Stronger social protection and reducing the labour income tax wedge would support households across the income distribution

Change in mean disposable income, by income decile, %




Note: The combined reforms includes all reforms presented here, unless otherwise indicated, plus the birth grant introduced in the 2020 budget. Box 2.2 provides more details of the recommended reforms. In addition, 'Housing support (2019 policy) provides low-income households who rent or repay a mortgage with housing cost support. It was introduced in 2019 and is not included in the combined reforms scenario. '2020 PIT and SSC changes' refers to the cuts in personal income tax rates, including a 4 percentage point reduction in employer social insurance contribution rates added to a 3 percentage point reduction in employee social insurance contribution rates, and the shift in self-employed social insurance contribution rates to discretionary rates with a flat minimum. These were introduced in 2020 and are not included in the combined reforms scenario.
Source: OECD and Ministry of Finance calculations using EUROMOD model (see note to Table 2.1).

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**Table 2.1. Effects of recent and recommended tax and benefit policy reforms on poverty, inequality, public finances and work incentives**

Change in indicator relative to baseline of 2019 policies and 2017 household income [table restructured]

| Scenario | **Fiscal impact** (change in revenues less change in transfers relative to baseline, EUR millions**)** | **Poverty rate** (percentage point change; national relative poverty line)[1] | **Poverty gap index** (index point change) | **Inequality in disposable income** | |
|---|---|---|---|---|---|
| | | | | **Change in Gini coefficient** (0-100) | **Change in quantile ratio** (S80/S20) |
| Baseline level, 2018: | -- | 10.85 | 2.89 | 30.47 | 4.86 |
| ***1. Reforms introduced 2019-2020 (A + B):*** | ***-2,081*** | ***-1.60*** | ***-0.62*** | ***-0.40*** | ***-0.23*** |
| *A. 2019 housing support policy* | *-604* | *-1.22* | *-0.52* | *-0.76* | *-0.29* |
| *B. 2020 Tax and social insurance rate reforms:* | *-1,477* | *-0.38* | *-0.09* | *0.36* | *0.06* |
| 2020 budget and legislated cuts in labour income tax and social contribution rates | -1,178 | -0.59 | -0.17 | -0.02 | -0.03 |
| In addition, apply the 2020 shift to minimum flat social insurance contributions for self-employed [2] | -298 | 0.21 | 0.08 | 0.38 | 0.09 |
| ***2. Recommended reform package (A + B):*** [3] | ***-2,723*** | ***-3.01*** | ***-1.16*** | ***-1.01*** | ***-0.45*** |
| *A. Social protection reforms* | *-762* | *-2.13* | *-0.94* | *-0.77* | *-0.35* |
| Strengthen the Guaranteed Minimum Income: | -383 | -1.82 | -0.83 | -0.60 | -0.29 |
| Raise transfers by 25%, to EUR 250 / month for a single household | -282 | -1.13 | -0.62 | -0.43 | -0.20 |
| Increase income disregard from 20% to 50% | -100 | -0.69 | -0.20 | -0.17 | -0.08 |
| Introduce low-income in-work benefits | -419 | -0.46 | -0.09 | -0.21 | -0.05 |
| Reform the equivalence scale to increase social safety net support for larger households and to treat households consistently across programmes | 40 | 0.16 | -0.02 | 0.05 | 0.00 |
| *B. Tax and social insurance rate reforms* | *-1,961* | *-0.88* | *-0.22* | *-0.24* | *-0.09* |
| Reduce employer and employee social security contributions by a total of 7 percentage points | -1,510 | -0.30 | -0.04 | 0.01 | 0.00 |
| Reform self-employed social insurance contributions: maintain progressive rates, convert flat fees into rates, and remove lower presumed income floor | -451 | -0.58 | -0.18 | -0.25 | -0.10 |

1. The poverty line is 50% of the median household disposable income, equivalised using the square root of the household size. 2. The 2020 reforms to self-employed social contribution rates will allow the self-employed to choose to insure more than the minimum amount of their income for future pension payments at one of 5 contribution levels. In the simulations presented here, those with monthly self-employment income up to EUR 1 336 (66% of the self-employed) are assumed to select the first (i.e. lowest) contribution level. Those with monthly self-employment income exceeding EUR 1 336 are assumed to select the second contribution level. 3. The recommended reform package does not include the effects of the reforms introduced in 2019 and 2020, but does includes the effects on poverty rates and income inequality of the EUR 2000 birth grant introduced in the 2020 budget.

Note: Box 2.2 provides more detail of the recommended reforms. EUROMOD simulations use a representative sample of the population.

Source: OECD and Ministry of Finance calculations using EUROMOD model, version 11.0+. EUROMOD is maintained, developed and managed by the Institute for Social and Economic Research (ISER) at the University of Essex and the Joint Research Centre (JRC) of the European Commission, in collaboration with national teams from the EU member states. The European Union Programme for Employment and Social Innovation 'Easi' (2014-2020) financially supports extending and updating EUROMOD. The results and their interpretation are the authors' responsibility. The EUROMOD simulations presented here use microdata from the EU Statistics on Incomes and Living Conditions (EU-SILC) made available by Eurostat (59/2013-EU-SILC-LFS) / (259/2018-EU-SILCLFS) together with national variables provided by the Greek National Statistical Office (ELSTAT), and the Greece version of the EU Statistics on Incomes and Living Conditions made available by Eurostat and ISTAT (166/2015-EU-SILC).

### *Consolidating in-kind low-income programmes*

Greece continues to provide various small, non-targeted social transfer programmes. Some were introduced early in the crisis to reduce the costs of various services for the increasing number of very low income households. For example, eligible low income households receive reduced tariffs for heating oil, electricity, water and public transport. However, take-up of these measures among the lowest income households is low. Only 10% of Guaranteed Minimum Income (GMI) recipients benefitted from social tariffs on water and less than half from reduced electricity tariffs in 2018 (Marini et al., 2019[9]). Further, energy poverty is often related to non-income factors, such as the age of buildings and type of heating used (Ntaintasis, Mirasgedis and Tourkolias, 2019[16]). Greece has developed an observatory that will help identify energy poor households and better target assistance (EC, 2019[17]).

Subsidising energy and other utility costs supports some households' disposable income but may work against environmental and sustainability goals. The heating oil subsidy reduces households' heating costs, but encourages consumption of heating oil, adding to air pollution. Instead, directly supporting vulnerable households through income transfers that are decoupled from energy consumption, for example by boosting the GMI, would be a more effective way to improve wellbeing. Supporting building renovation and insulation, through programmes such as "saving at home", and expanding gas central heating would alleviate energy poverty more effectively while addressing environmental challenges.

### Box 2.2. Recommended package of social protection, income tax and social contribution reforms

The recommended reform package of social benefits, taxes and social contributions is made up of:

- Strengthening the Guaranteed Minimum Income: increase transfer rates and eligibility thresholds by 25%, and increase the disregard of employment income from 20% to 50%.
- Introducing low-income in-work benefits: a reimbursable tax credit for dependent employees, with eligibility assessed on the basis of the individual's total gross earnings. The benefit would start topping-up earned income as GMI transfers start to decline – i.e., with wages above EUR 200 per month for a single person. The in-work benefit would reach a maximum of 10% of the minimum wage as gross wages reach 80% of the value of the minimum wage, remain at this level until gross rages reach 105% of the value of the minimum wage, and then decline at a rate of 75% of the increase in gross wages.
- Reforming the equivalence scale: weight children at 0.3 across social protection programmes.
- Reducing the labour income tax wedge. For dependent employees, maintain the reductions in income tax rates introduced in 2020; remove the Special Solidarity Levy on income; and, implement the reductions in social insurance contribution rates effective after 2020. For the self-employed, maintain the discount in social security contributions for liberal professionals and own-account workers but do not shift to flat-rate contributions; set unemployment insurance contributes at 4.25% of income, removing the minimum threshold on low incomes. For the incorporated self-employed: cut corporate income tax rates legislated for 2020 while maintaining dividend income tax rates at 15%.

### *Social transfers to support employment*

#### *Ensuring work pays*

A well-designed social benefit system is key to improving families' well-being and reducing poverty. By ensuring that work pays and helping people to care for dependent relatives, effective social benefits lift barriers to work, support employment and raise fertility. They also encourage low-wage earners to work and to declare their employment income (Bartels and Shupe, 2018[18]).

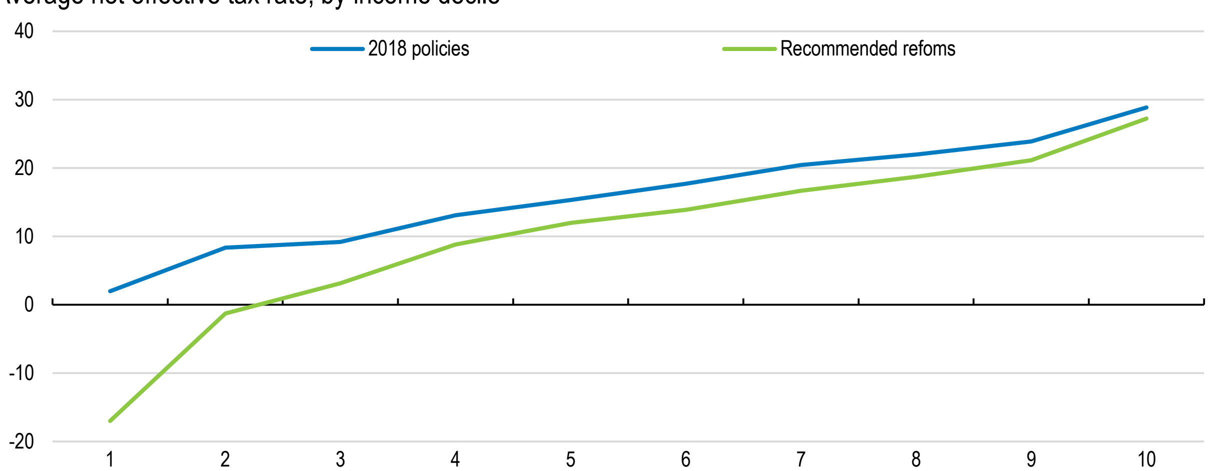
In-work poverty rates in Greece are the highest across OECD EU countries, having doubled during the early years of the crisis. 12.6% of employees lived in households suffering severe material deprivation in 2018 (Figure 2.7). Among those in work, the risk of poverty is highest among those with temporary or part-time jobs, those with little education, and those living in larger households.

Currently Greece has few policy measures to protect workers from poverty, given the low eligibility thresholds of the Guaranteed Minimum Income. While raising the minimum wage rate would lift earnings, the effect on poverty rates is likely to be limited, as many minimum wage earners live in households with other income sources, and higher minimum wages may put jobs at risk given low productivity levels and rife informality. Tax and benefit policies would be the most effective instrument to support both employment and incomes of those with low earnings. The cuts to income tax and contribution rates in 2020 and 2021 will support low wages earners' disposable incomes. As discussed above, raising the GMI transfers and discounting a larger share of employment income when assessing eligibility would reduce poverty risks for low income earners.

Greece could aim to join the growing number of OECD countries that provide in-work benefits, once other components of Greece's social protection and tax enforcement system are operating effectively. A simple in-work benefit policy for Greece would provide a net income transfer to individuals working as employees a minimum number of hours, with the transfer depending on their total gross earnings. The scheme could start topping up earned income as the SSI transfers start to decline, ensuring that recipients' overall income continues to rise as they earn more from work. One approach would be to transfer a maximum of 10% of the minimum wage (i.e., EUR 65 per month), at gross earnings just below the full-time minimum wage, and then reduce the benefit gradually as gross earnings rise. Other tax and contribution policies would continue to apply. This scheme would reduce poverty and inequality at modest fiscal cost (Figure 2.10, Table 2.1) once the risk of under-declared wages is well controlled and it encourages recipients to earn higher income in the formal economy. Alongside a strengthened Guaranteed Minimum Income and progressive income tax and social contribution rates (discussed below), it would contribute to incomes and work incentives at low incomes (Figure 2.11).

**Figure 2.11. A strengthened Guaranteed Minimum Income, with low-wage in-work benefits and progressive tax and contribution rates would support low-wage incomes and work incentives**

Average net effective tax rate, by income decile




Note: The average net effective tax rate is the sum of personal income tax and employee or self-employed social security contributions minus cash benefits, as a percentage of gross labour income. The recommended reforms are described in Table 2.1 and Box 2.2.
Source: OECD and Ministry of Finance calculations using EUROMOD model (see note to Table 2.1).

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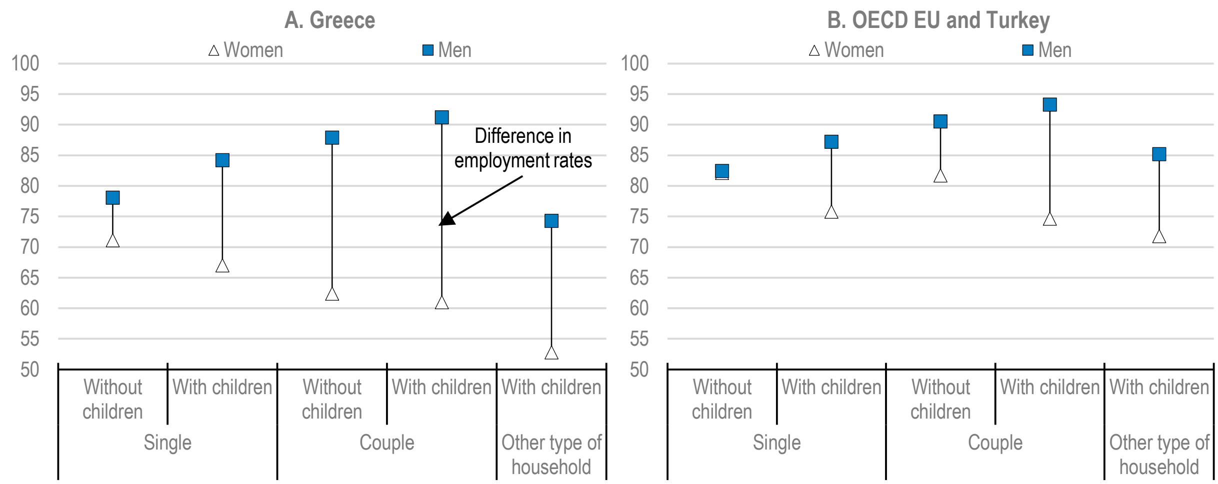
*Supporting caregivers*

Care obligations can limit caregivers' work and education options, constraining their income. In Greece, like many other countries, this particularly affects women living in couples with dependent children or dependent adults (European Commission, 2016[19]), and is likely to have been accentuated during the COVID-19 crisis. In households with care obligations, fewer women work than men and the difference in employment rates is greater than in most other countries (Figure 2.12). Care obligations add to other impediments that women face to working, such as lower educational levels of many older women, or the few part-time or flexible working options that push women into extended career breaks following childbirth or other major events. Cross-country experience shows that the most effective policies to support families' incomes and encourage fertility are those that help caregivers combine family obligations with work (Olivetti and Petrongolo, 2017[20]; Olivetti and Petrongolo, 2016[21]; Luci and Thevenon, 2011[22]). Greece's 2020 budget introduces a EUR 2 000 payment for new-born babies, with generous means-testing criteria. While such policies provide one-off support to families, such untargeted policies are not an effective way to improve well-being or fertility rates. Greece could reallocate the funds to boost policies that help caregivers combine family obligations with work and other opportunities, especially in the case of a second COVID-19 outbreak, for example by boosting the number and quality of childcare places, as discussed below.

### Figure 2.12. Females living in households with dependents are less likely to work in Greece

Employment rate of adults (aged 25-54 years) by their household type, %, 2019




Note: Panel B: EU countries that are OECD members plus Turkey.
Source: Eurostat.

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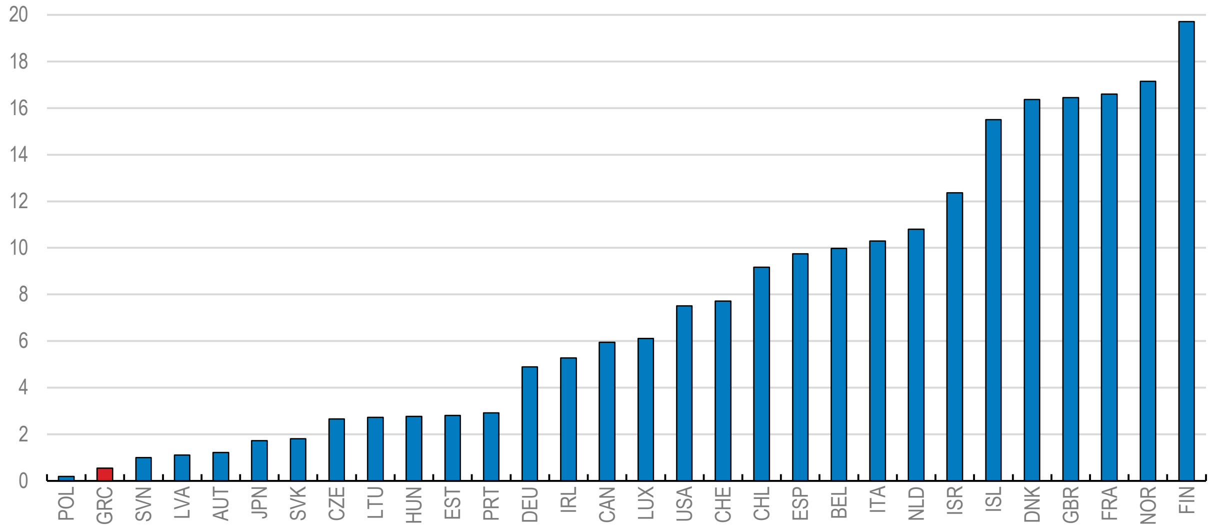
Greece's rapidly ageing population and lack of care facilities mean that households' primary caregivers are spending more time caring for elderly relatives. Most policies in this area focus on the needs of those needing care rather than the needs of the caregiver. Greece has abolished tax credits for elderly care, and very few care places are available (Figure 2.13). The overhaul of disability support is welcome and will provide households with disabled members greater better support, even if the overhaul is taking longer than planned (European Commission, 2019[14]; Ziomas et al., 2018[8]). Greece can follow other OECD countries in developing home-based care options, which are more cost effective for low-care needs – and preferred by patients and their families (OECD, 2017[23]). For example, the Netherlands' Buurtzorg model of decentralised home care is growing rapidly and being replicated by other countries, and may work well in Greece. It relies on self-governing teams of nurses to look after all aspects of care for a pool of patients. Nurses are supported by coaches. Administration is minimised and centralised (Gray, Sarnak and Burgers, 2015[24]; OECD, 2019[25]). Sweden encourages hospitals, primary health care providers and social services to innovate and collaborate in providing care by giving demonstration projects grants. One successful project set up mobile teams which provide proactive early interventions at home (OECD/European Union, 2013[26]). In Greece, home care support programmes need to be designed carefully, to ensure that they ensure the primary caregiver has more time for work and leisure, and so as that households do not become ineligible for support once the primary caregiver starts working due to means tests.

### Figure 2.13. Greece lacks care personnel

Practicing care personnel, per 1000 population, 2018 or latest available




Source: OECD (2019), *Health Statistics* database.

StatLink https://doi.org/10.1787/888934154870

#### *Consolidating social transfer rules and administration*

Greece is streamlining its fragmented administration of social protection. One authority, the Organisation for Welfare Benefits and Social Solidarity (OPEKA), is now responsible for paying social protection transfers. Greece is developing integrated social protection IT systems and linking programmes with the new network of local Community Centres. These Centres will become the service centres providing access to social protection policies, many active labour market policies and other government services, and can help recipients better navigate the system. Tackling remaining fragmentation across different programmes' design and their administration, and implementing a robust auditing and monitoring and evaluation framework, will require fully implementing these reforms (Ziomas et al., 2018[8]).

Currently Greece applies different equivalence scales to adjust different programmes' benefits and eligibility thresholds for household size (Table 2.2). Making these consistent would make the social protection system fairer and more coherent. The choice of equivalence scale varies between countries, but countries are generally moving towards applying one single scale. The scale should reflect the 'economies of scale' when more people live under one roof, such that transfers give equivalent support per person regardless of their household sizes. Greece's Guaranteed Minimum Income (GMI) provides a relatively low scaling for larger households, and a large number of single person households have registered, which may reflect households raising their overall benefits by splitting for the purposes of their GMI application (Marini et al., 2019[9]). Raising the equivalence scale for the GMI and bringing it into line with other social benefits would improve the coherence of social protection. Applying the 'proposed scale' shown in Table 2.2 across social benefits would support the lowest income families while improving targeting (Figure 2.10, Table 2.1).

### Table 2.2. The current Guaranteed Minimum Income equivalence scale is less generous to larger households

Equivalence scales for household size, ratio to a single person household

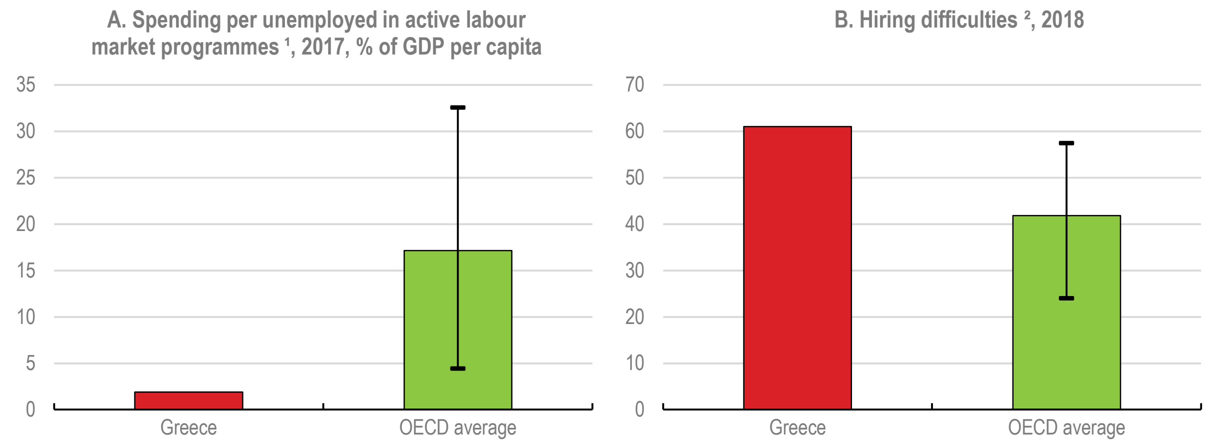
| | Current scales | | | Proposed scale | OECD ('Square root scale') | Eurostat ('OECD modified') |
|---|---|---|---|---|---|---|
| | Guaranteed Minimum Income | Rent allowance | Child benefit[1.] | | | |
| Rule | 1 for household head, 0.5 per additional adult and 0.25 per child. Maximum: 4.5. | 1 for first member, 0.5 for additional members. Maximum: 3 | 1 for household head, 0.5 per additional adult or first child if no adult; 0.25 per child | 1 for household head, 0.5 for each additional adult and 0.3 for each additional child | Square root of the household size | 1 for household head, 0.5 for each additional adult; 0.3 for each child under 14 |
| 1 adult | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| 2 adults | 1.50 | 1.50 | 1.50 | 1.50 | 1.41 | 1.50 |
| 2 adults + 2 children | 1.75 | 2.50 | 2.00 | 2.10 | 2.00 | 2.10 |
| 3 adults + 2 children | 2.50 | 3.00 | 2.50 | 2.60 | 2.24 | 2.60 |
| 2 adults + 4 children | 2.50 | 3.00 | 2.50 | 2.70 | 2.45 | 2.70 |

1. Child benefit equivalence scale only applies to means testing, and not the benefit amount.
Note: Where applicable, children are assumed to be dependents or younger than 14.
Source: OECD calculations, OECD *Tax and Benefits* database, Eurostat.

## Improving employment outcomes through active labour market policies

Even before the COVID-19 crisis, Greece was taking important steps to strengthen its active labour market policies to the levels of access and effectiveness provided in other OECD countries (Figure 2.14). Effective active labour market policies can contribute to addressing many of the weaknesses in Greece's labour market. In conjunction with policies to support investment and activity, the COVID-19 shock makes them even more essential to protect the labour market and to support the recovery. In the longer-run, they can contributing to raising Greece's relatively low employment rates (Bredgaard, 2015[27]; Card, Kluve and Weber, 2017[28]). They can improve the quality and inclusiveness of employment by developing jobseekers' skills and helping employers access the skills they need (Figure 2.14). They can improve immigrants' contribution to the labour force (Box 2.3). They can reduce the risk that the jobless slip into long-term unemployment and then out of the workforce, with the associated losses in skills and well-being. However international experience has found active labour market policies tend to be less effective for youths or older workers (Card, Kluve and Weber, 2017[28]), which are groups with particularly weak employment in Greece, suggesting Greece will need additional efforts to improve these groups' employment prospects.

## Figure 2.14. Greece can greatly raise active labour market policy spending and performance




Note: The value for OECD is an unweighted average across the available countries (33 in panel A and 26 in panel B). The 10th and the 90th percentiles of the distribution are also indicated.
1. Benefit administration programmes are not included for Greece.
2. % of employers reporting difficulty in filling jobs.
Source: OECD *Labour Market Programmes* database; OECD *Economic Outlook* database; and OECD (2019), *Getting Skills Right: Future-Ready Adult Learning Systems*, https://doi.org/10.1787/9789264311756-en.

StatLink https://doi.org/10.1787/888934154889

### Box 2.3. Active labour market and education policies to better integrate immigrants in Greece

Immigrants make up a substantial share of Greece's population, estimated at 11.6% in 2019, although the total number declined over the 2010s (United Nations, 2019[29]). Significant numbers of new immigrant arrivals in recent years included large numbers of refugees and children. At least 186 000 immigrants arrived in Greece from outside the EU between 2013 and 2017 while an estimated 32 000 child immigrants were in Greece in mid-2019 (Simopoulos and Alexandridis, 2019[30]; UNICEF, 2020[31]; UNHCR, 2019[32]).

Immigrants of all types can help lift Greece's long-term prospects by bringing skills and experience, and by slowing the decline in the working age population, as discussed in Chapter 1. To realise their potential contribution, immigrants need the professional skills demanded by employers, and the language and social skills to integrate into workplaces and society. Recognising academic qualifications earned outside Greece would support this process, however Greece has not ratified the Lisbon Convention on Recognition of University Qualifications.

Experience across OECD countries finds that migrants, especially new arrivals, benefit strongly from targeted adult learning and vocational education. Vocational education certifies skills, connects immigrants with the labour market, and contributes to the workforce's quality. It works best when programmes include work-based learning and with a strong involvement of social partners (Jeon, 2019[33]). VET can also encourage immigrants to regularise their status and participate in the formal economy, rather than working informally, often in low-quality jobs and unregulated conditions (Berbec et al., 2019[34]; ILO, 2018[35]). Greece's ongoing efforts to improve its vocational education system can also benefit immigrants. For example, the pilot programme "A new beginning with the Vocational Lycea" includes measures to integrate young immigrants into vocational education, and to improve language and other country-specific skills. With scale, this benefits both the immigrants and overall labour market.

Sweden has developed several examples of successful programmes for integrating immigrants. To help refugees assess their skills and qualifications for different occupations, Sweden provides multi-lingual, online career guides. The guides were developed together with employers' organisations, and counsellors from the public employment services assist immigrants with the guides (OECD, 2016[36]). Such guides could be integrated into Greece's re-engineered public employment services.

Targeted programmes to encourage employers to hire immigrants can help the transition into regular work. For instance, Swedish employers hiring newly-arrived immigrants can benefit from several subsidised employment schemes which seek to provide immigrants with local labour market experience. Participants must undertake language training alongside their work, and are provided with mentors (Kuczera and Jeon, 2019[37]).

Integrating school-age children into the education system is also essential to reap immigration's long-term benefits. Greece has developed reception classes to prepare children for school, including recently arrived immigrants. International experience finds that such classes work best to integrate immigrant children and families into the community if immigrant children attend general education alongside additional, out-of-hours tutoring and support (Simopoulos and Alexandridis, 2019[30]).

### *Developing tailored programmes of active labour market policies*

The government's priority has been to use active labour market policies to improve the job-readiness of the long-term unemployed and first-time jobseekers. Led by the Ministry of Labour, it is moving from providing ad hoc access to limited active labour market policies to a more systematic "open framework" menu approach. The public employment service centres will provide one-stop access points at community centres where counsellors help jobseekers construct a package of active labour market policies that caters to their specific needs. Other OECD countries have found that such coordinated, individually tailored approaches are fruitful and can improve employment outcomes if there are enough skilled counsellors and IT systems are effective (OECD, 2015[38]). Greece is testing these reforms in pilot programmes. Rolling them out will require investments in personnel and systems that can be complex to implement, as Italy's ongoing efforts to raise the capacity of its public employment services illustrate (OECD, 2019[39]).

The 'menu' of active labour market policies in Greece includes public works programmes, wage subsidy programmes, programmes promoting entrepreneurship, and training and work experience programmes for youths and longer-term unemployed. The public employment service coordinates access to these, alongside its core role of matching jobseekers with job openings. The government is expanding these programmes' capacity and improving how they operate. This expansion needs to accelerate if the programmes are to catch up with the labour force's large needs, amplified by the COVID-19 shock, or the level of active labour market policies provided in other OECD countries.

The government is planning to better align active labour market policies with labour market conditions. The mix of policies offered in Greece, like in other countries, needs ongoing adjustment for the changing characteristics of different groups of jobseekers, and of overall economic and labour market conditions. Policies focused on jobseekers' skills tend to be more effective during economic downturns and for the long-term unemployed, as the training programmes do not take participants out of work. Two to three years after the skills programme, participants are more likely to be working than those who did not participate. Policies that subsidise employment by the private sector can also be effective for the long-term unemployed. "Work first" policies that combine job search assistance with sanctions for not taking up work, and these tend to boost participants' employment rates in the short-term (Levy Yeyati, Montané and Sartorio, 2019[40]; Martin, 2015[41]; OECD, 2015[42]).

Reforms aim to improve the monitoring of the labour market's skills needs. A system has been setup that identifies employers' needs and the workers available for different occupations at national and regional levels. Greece can broaden this effort into improving its general labour market monitoring and evaluating labour market policies, by better collecting data and establishing a practice of evaluating programmes' effectiveness. Ongoing monitoring and evaluation of the "open framework" reforms of active labour market programme, including continued tracking of participants' labour market performance, can improve the mix of active labour market policies and raise each policy's effectiveness (OECD, 2018[3]).

### *Placing employment services at the core of active labour market policies*

Public employment services play a smaller role in Greece's labour market than in most other OECD countries. Even though jobseekers in Greece are more likely to contact the public employment service (OAED) than in other European countries, it finds a lower share of jobseekers their jobs. OAED suffers from long-standing under-resourcing, with too few well-trained staff and poor information systems (Millán et al., 2017[43]). Yet Greece's public employment service faces greater demands than most countries' given the large number of long-term unemployed and adults outside the labour force, even if a smaller share of workers change jobs each year in Greece than in other European countries.

Greece is making much-needed investments and reforms to OAED, drawing on models from other countries' employment services. Successful employment services in OECD countries have a low counsellor-to-jobseeker ratio, and counsellors are well-trained and share jobseekers' social backgrounds. Counsellors' primary roles are to get jobseekers into work and to build good relationships with employers (OECD, 2015[38]). They also coordinate and direct jobseekers' access to social protection and to other active labour market policies, and monitor compliance with these programmes. To develop these capabilities, OAED has hired 335 new counsellors, is training its staff and improving its human resource management. It is rolling out improved internet sites and call centres, and a data-assisted system to support caseworkers profiling jobseeker's employability. Such improvements in database and IT systems can be effective especially when resources are scarce (Desiere, Langenbucher and Struyven, 2019[44]; Feiler, Schulz and Anderson, 2015[45]; DG Employment, 2014[46]). To assess the effectiveness of reforms, OAED has developed strategic and operational goals and implemented a performance management system (European Union, 2019[47]).

Greece's public employment service may become more effective if it dedicates special outreach and counselling services to employers with particular staffing needs and to harder-to-employ job seekers. OAED's unit for large employers has already borne some fruit (European Commission, 2019[48]). OAED could consider providing tailored services to address the specific needs of Greece's seasonal tourism employers or many smaller firms, for example. Across its services, ensuring that frontline staff understand the needs of and maintain contact with employers in their local labour market is important (OECD, 2015[38]; European Commission, 2012[49]; De Koning, 2012[50]). Following jobseekers once they find work or enter training would help OAED learn which techniques work well and to adapt and strengthen its services.

A number of private employment service firms operate independently of the public employment services in Greece. Both the public and private services may benefit from improving their communications and coordination. Finland and Spain among other OECD countries have strengthened this cooperation to better address long-term unemployment (ICON-INSTITUT Public Sector, 2018[51]). Sharing information between public and private systems about job postings and jobseekers would be a first step. This collaboration may help encourage employers to register higher skilled and better-paid positions with the public service, and for higher skilled jobseekers to engage with the public service, improving labour market inclusiveness and skill matching. A strong public and private collaboration may also improve employment services for Greece's many small businesses, which lack the scale to manage human resources internally.

Greece should consider complementing the current job training voucher scheme with vouchers that provide access to employment services. The vouchers would allow jobseekers to choose between public, private or not-for-profit employment service providers. In this expanded scheme, jobseekers would give their chosen employment service provider their voucher. The provider would receive the voucher's value when the jobseeker starts work with a contract with at least a minimum duration. The value would depend on the jobseeker's profile and assessed likelihood of finding lasting work, with algorithms adjusting these values in light of outcomes. Such a voucher system can reward effective employment service providers, allowing them to expand their capacity, and provide jobseekers with more options. This system needs to be designed carefully and its performance to be monitored and assessed regularly, to ensure that employment services exceed minimum standards and cater to all jobseekers (discussed in Box 2.4).

### *Effective hiring support schemes can help jobseekers find work*

Supporting employment by subsidising the cost of employing workers absorbs the largest share of Greece's active labour market spending (Figure 2.15). Especially during the early years of the crisis, the government subsidised social security contributions for priority groups of workers, such as youth, women and the long-term unemployed. These schemes were designed to encourage employers to keep workers in a job or to employ workers who risked being excluded from the labour market, such as young or older jobseekers or migrants. Few employers took up these schemes, due to the complexity of registering plus weak underlying labour demand (European Commission, 2014[52]; European Commission, 2015[53]).

Employment subsidies can encourage employers to hire and provide work experience to groups who otherwise would not find work. They can be effective, temporary measures during demand downturns, such as the COVID-19 shock, and are faster to implement than, for example, expanding skill-training programmes or setting up public works schemes. However they can also be administratively complex, especially if they are narrowly targeted. Complex applications or narrow targeting discourage employers from taking up the support, as has been Greece's experience, even if this reduces the risk that the schemes subsidise jobs that would exist anyway. Consulting social partners and especially targeting employers can improve effectiveness. Schemes that provide priority groups of jobseekers with vouchers that reimburse employers some employment costs are easier to administer and take-up has proved stronger.

### Box 2.4. Bolstering access to employment services through private providers

To address weaknesses in their public employment services, several OECD countries have bolstered the role of private service providers. This can improve the efficiency and performance of employment services, provide services to more jobseekers and improve the quality of job matching and the stability of employment, at lower cost than the public systems. In many countries private employment services find jobs for several times more jobseekers than the public services. Some OECD countries, such as Australia, have closed their public services and the public sector limits its role to coordinating, overseeing and financing private agencies. In others, such as Italy, the public sector maintains a network of public employment services and funds jobseekers' access to both public and private employment services. These mixed or private systems can expand access and the effectiveness of employment services, but their performance can be mixed, as ensuring that private providers meet quality standards and support all jobseekers, including difficult cases, can be challenging.

Italy introduced the "assegno di ricollocazione" job search voucher in 2017 as part of broader reforms to active labour policies. Italy's public employment services have suffered from similar long-standing weaknesses as Greece's, including limited resources, thin staff capacity, weak IT systems and little role in placing jobseekers. To boost access to employment services, the government allowed jobseekers to opt for vouchers to pay for access to either a public or private employment service provider. The value of this voucher is based on the jobseeker's likely employability, which is constantly updated with data on outcomes. An operator at the service provider profiles the jobseeker, and this profile determines the level of assistance the jobseeker is likely to need and the funds that the service provider will receive if the jobseeker enters an employment contract of at least 6 months' duration.

Design issues with Italy's voucher scheme limited its early success. The voucher gave access to a limited package of services, rather than broader services such as training and upskilling needed by the jobseekers who are long-term unemployed or have never worked. For jobseekers receiving social benefits that require active job search, the vouchers' conditions were seen as stricter than the standard scheme, discouraging them from choosing the voucher. The voucher operated in parallel with subnational governments' schemes, creating duplication. The vouchers have lacked broad political support and they were suspended in 2019 but the current government plans to reinstate them in 2020. Given these experiences, Greece could achieve better outcomes by expanding the range of active labour market policies funded by the voucher, ensuring that the voucher's job search and other obligations are equivalent to alternative schemes, and avoiding duplicative schemes.

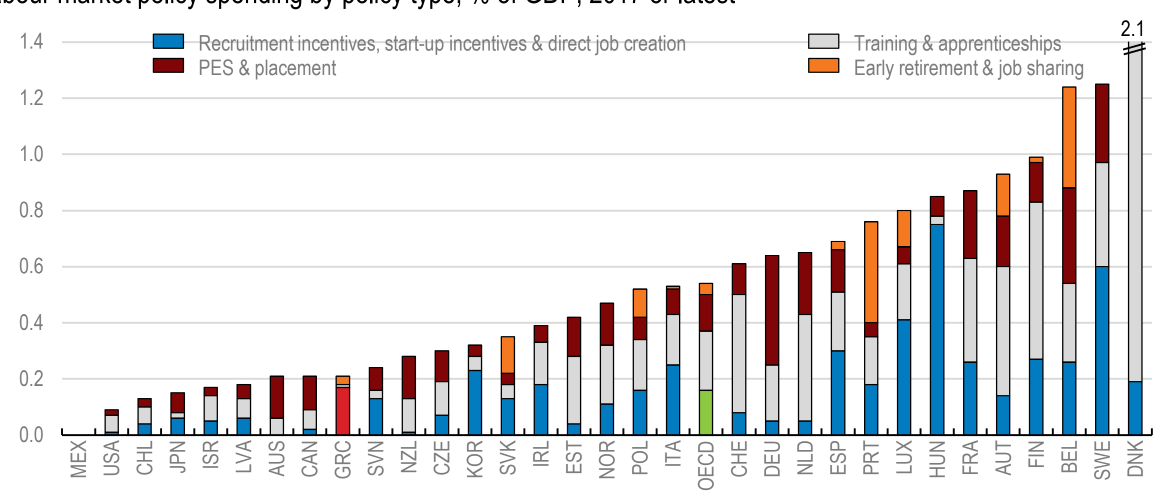
Sources: Education and Employment References Committee (2018[54]); (OECD, 2019[55]); (OECD, 2017[56]); (Pastore, 2019[57])

### *Public works programmes can support incomes and employability*

Greece has prioritised public works programmes among its active labour market policies. Public work programmes can bring broad well-being and social protection benefits (European Commission, 2013[58]; World Bank, 2019[59]). They reintroduce participants to the habit of work, supporting their human capital and reducing the risk of continuing unemployment or of dropping out of the labour force. They provide participants with a basic, safety net income, buttressing consumption during crisis periods, and so complement other social protection policies. The goods and services participants produce benefit the community. However public works programmes are unlikely to solve the unemployment challenge, especially relative to their cost and once employment is recovering (Card, Kluve and Weber, 2017[28]).

**Figure 2.15. Employment subsidies absorb most of Greece's small active labour market policies**

Labour market policy spending by policy type, % of GDP, 2017 or latest




Source: OECD (2019), *Labour Market Programmes* database.

StatLink https://doi.org/10.1787/888934154908

Greece's public works programme 'Kinofelis Ergasia' targets mostly middle-aged long-term unemployed who have become disconnected from the workforce. Participants are selected based on their time unemployed, their age, and if they receive the Guaranteed Minimum Income. Activities are mostly construction and public works, and administration and social services. The largest group of participants have been unemployed for at least 5 years and have very low household income. Participant questionnaires and focus groups on entry and completing the programme found large improvements in social engagement, mental health and perceptions of self-worth (ILO, 2018[60]). Participants and the broader community see the social value of the Kinofelis work projects (ILO, 2018[60]), and experience in other countries suggests that this recognition supports participation (European Commission, 2013[58]). Demand to participate in the programme has far outstripped its capacity, despite little advertising, and 90% of selected participants take up the programme, which is far higher than for other active labour market measures.

The government plans to continue the Kinofelis programme. Expanding its capacity would support incomes and activity through the COVID-19 shock, and make inroads into the human and economic costs of very long-term joblessness in Greece. The programme's target capacity is 36 500 beneficiaries, which is a small fraction of the 460 000 who have been searching for work for over 2 years, and far smaller than the public works programmes developed following recent crises elsewhere in Europe and in middle-income countries such as Argentina (Tcherneva, 2012[61]; ILO, 2018[62]). The cost is moderate compared with other European countries' programmes, at EUR 6 844 per participant (based on its initial budget of EUR 308 million for 45 000 participants). This cost reflects that participants receive the minimum wage and benefits such as vacation leave, and that the programme provides some training. Some other countries limit programme costs by paying participants their social protection benefits plus a top-up and limiting training, while other countries, such as Austria, have much more expensive programmes which include extensive training.

Given the needs of the long-term out-of-work, the government could enlarge the capacity of Kinofelis by expanding its range of projects. Projects managed by private sector employers, rather than government bodies, can add to the number of places and improve participants' chances of moving into ongoing private sector work (Card, Kluve and Weber, 2017[28]; Levy Yeyati, Montané and Sartorio, 2019[40]; Kluve et al., 2019[63]), as they provide work cultures and practices that are more like standard jobs (ILO, 2018[60]). Ongoing monitoring and reporting on Kinofelis' performance, particularly how different projects perform for different types of beneficiaries, can improve the benefits of participating. Better monitoring and information systems may also better place participants into projects given their skills.

Better integrating Kinofelis with other active labour policies through the public employment service-led 'open framework' (described above) would improve the programme's benefits (European Commission, 2013[58]). Requiring participants to regularly engage with the public employment services while they participate in the programme, rather than the current interviews on entry and exit, may help them find jobs or more advanced training after they complete their Kinofelis project. The OAED counsellors can use their intermediary role to more actively direct jobseekers to the Kinofelis projects that would best develop or use their skills, and can also support Kinofelis participants move into regular work or into longer-term training after the programme. OAED counsellors can improve the candidate selection process, drawing in a broader range of candidates, while applying more transparent selection processes (ILO, 2018[62]). An ILO evaluation found that the selection criteria need to better ensure that the most vulnerable applicants can access the programme, that a better balance of female applicants are accepted, and that candidates are accepted for projects that apply their existing professional skills (ILO, 2018[62]).

## Reforming the tax system to encourage formalisation and inclusiveness

Greece's labour tax and social insurance contribution rates impose a large wedge between the cost of employing a worker and their take-home pay, contributing to low employment, under-declared work and informality, and lowering productivity and incomes. Across all wage levels, household types and employment types the wedge is wider in Greece than in most other OECD countries (Figure 2.16). High social insurance contribution rates for employers and employees are the main cause of this large wedge, while personal income tax rates are also high (as discussed in Chapter 1). The wedge is particularly onerous for low income self-employed (Figure 2.17), as some social contributions are levied as fixed fees while others have minimum contribution amounts that apply regardless of reported income. In 2020 the government has shifted self-employed social insurance contributions to a minimum charge plus a voluntary scale, in response to a 2019 court decision, which will accentuate the high contribution wedge for low income self-employed while reducing the wedge for higher income self-employed.

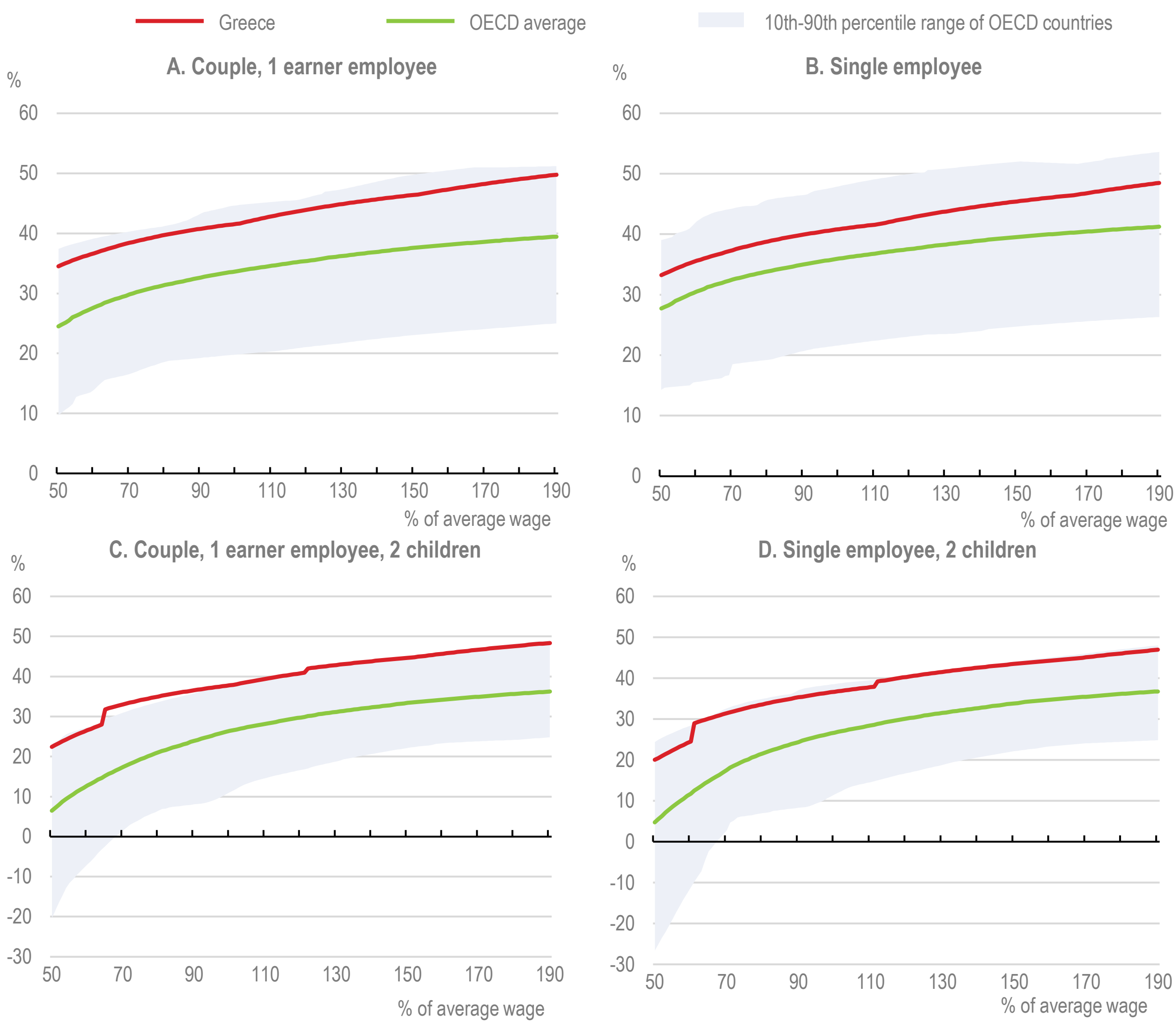
High labour tax and social contribution wedges contribute to many of Greece's poor outcomes in terms of employment, job quality and incomes. Higher tax wedges reduce long-term output (Akgun, Cournède and Fournier, 2017[64]), and discourage employment and investment in skills. The low-skilled and other vulnerable groups suffer most from high tax wedges, as these groups have a weaker bargaining position, and they tend to be more sensitive than other workers to net income in deciding on whether to work.

High wedges discourage employers and employees from declaring work and incomes, especially when tax morale, confidence in public institutions and the effectiveness of government are weaker (Joshi, Prichard and Heady, 2014[65]; Torgler and Schneider, 2007[66]). Estimates vary, and suggest that as much as 33% of total employment (25% excluding the agricultural sector), was informal in Greece in 2012, the highest of any European OECD country (International Labour Office, 2016[67]), although the share may have fallen in recent years as the government pursues action plans to reduce informality. This narrows the tax base, leading to the few taxpayers who pay taxes to face higher tax and contribution rates. For those working informally, it brings poor working conditions, little regulatory protection, and less scope to invest, grow and to raise productivity and incomes. Strong incentives for informality have the more pernicious effects of undermining the rule of law and payment culture, and harming investment, particularly foreign direct investment (OECD, 2015[68]).

High self-employment rates and a large number of microenterprises, as is the case in Greece (Figure 2.18), is often associated with higher risk of tax evasion and under-declared incomes. The self-employed and micro enterprises have more opportunities to avoid tax obligations than dependent employees or larger corporations, as they have fewer transactions that third parties observe and report (Alm, Deskins and McKee, 2008[69]; Kleven et al., 2011[70]). For example, the self-employed increase their deductions more than dependent employees in response to higher tax rates (Cerqua, 2018[71]). Estimates suggest that as much as half of self-employed income was unreported in Greece prior to the 2009-16 crisis (Artavanis, Morse and Tsoutsoura, 2016[72]). Significant income under-reporting appears to have continued since the crisis, despite better monitoring and enforcement. For example, income tax data over 2017-2018 indicate that a much larger share of self-employed report very low incomes than do dependent employees. In contrast, the Survey of Income and Living Conditions household survey shows a smaller difference in material deprivation rates (another indicator of very low income) between the self-employed and dependent employees (Figure 2.19). Greece's minimum assumed income for social insurance contributions and flat fee for unemployment insurance are in part responses to assumed under-reporting of income. Yet, these are blunt instruments as they create very high tax wedges at low income, fostering informality. Strengthening the tax administration and enforcement in general, such as by further promoting electronic payments (discussed in Chapter 1), is a better and more efficient way to lower undeclared income.

## Figure 2.16. Tax and social insurance contribution wedges are high in Greece

Average tax wedge, sum of net personal income tax and social insurance contributions, as a % of labour costs, at indicated % of average wage for indicated household types, 2019 policy rules




Source: OECD (2020), *Taxing Wages* database.

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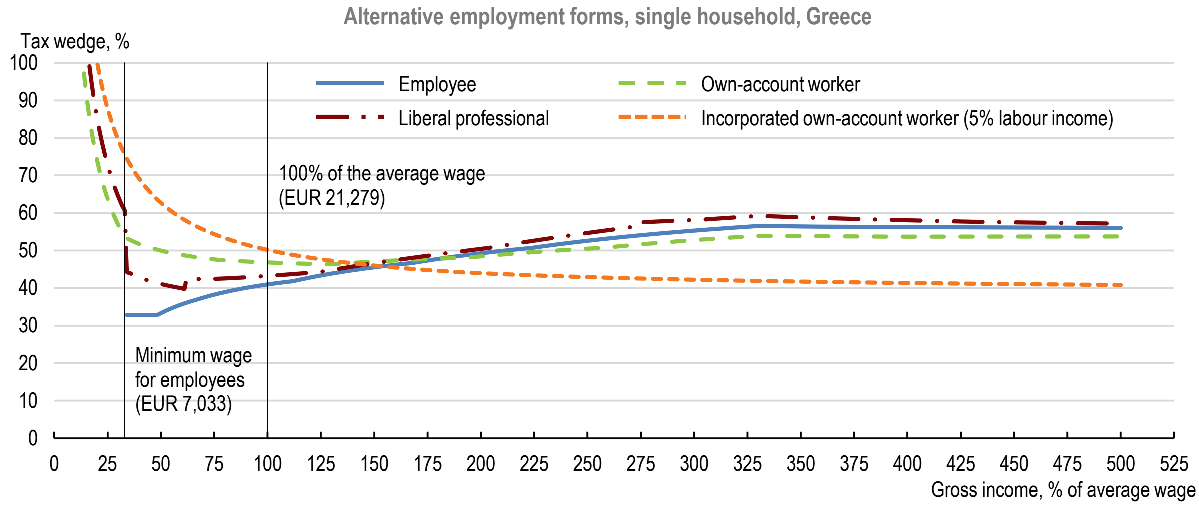
## Figure 2.17. Tax and contribution rates differ between employment types

Average tax wedge, sum of net personal income tax and social insurance contributions, as a % of labour costs, at indicated % of average wage for a single household, 2018 policy rules




Source: OECD calculations. Methodology is described in Milanez and Bratta (2019), Annex - Taxation and the Future of Work: How Tax Systems Influence Choice of Employment Form, *OECD Taxation Working Papers*, https://dx.doi.org/10.1787/6b20cce5-en.

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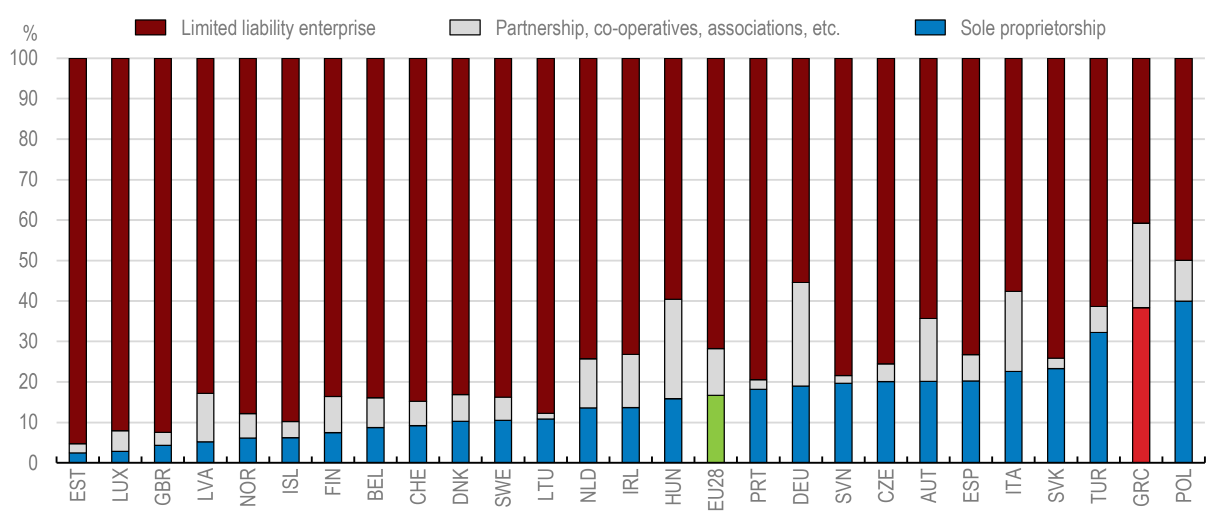
## Figure 2.18. A large share of workers in Greece are self-employed

Employment by business's legal form, % of total business employment, 2017 or latest




Note: Business sector excluding activities of holding companies.
Source: Eurostat.

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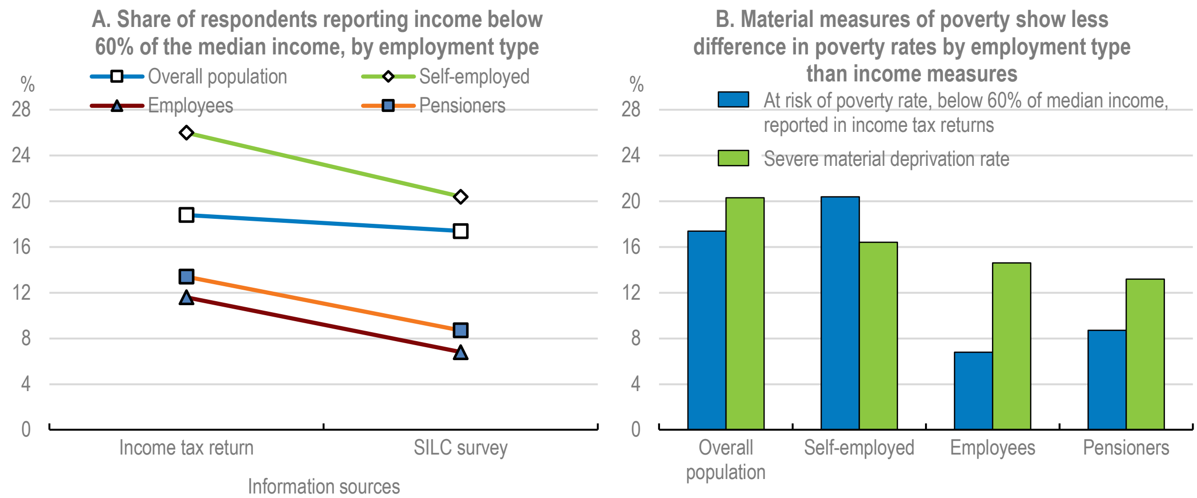
The government's 2020 budget and earlier legislation will reduce the tax and contribution wedge across the earnings distribution and employment types. The budget introduces a lower labour income tax band for annual incomes below EUR 10 000 of 9%, compared with 22% previously, reduces higher marginal income tax rates by 1 percentage point and reduces social insurance contribution rates by 5.0 percentage points by 2023. These cuts are broadly welcome and further cuts should be pursued over time, as fiscal space becomes available, to reduce Greece's social insurance contribution rates towards OECD averages, alongside broadening the progressive income tax system and minimising evasion.

## Figure 2.19. Greece's self-employed more often report low incomes to tax authorities than to other surveyors




Note: Panel A: Share of each group of respondents reporting income below 60% of the median income in their 2018 income tax returns, or to the Survey of Income and Living Conditions (SILC) and administered annually by ELSTAT. Panel B: The at-risk-of-poverty rate refers to the share of respondents living in households reporting income in their income tax returns below 60% of the median equivalised income; the severe material deprivation rate is the share of respondents living in households unable to afford at least four of the following items: unexpected expenses, a one-week annual holiday away from home, a meal involving meat, chicken or fish every second day, adequate heating of a dwelling, durable goods like a washing machine, colour television, telephone or car, or are confronted with payment arrears, reported in the SILC survey.
Source: Eurostat and Ministry of Finance of Greece.

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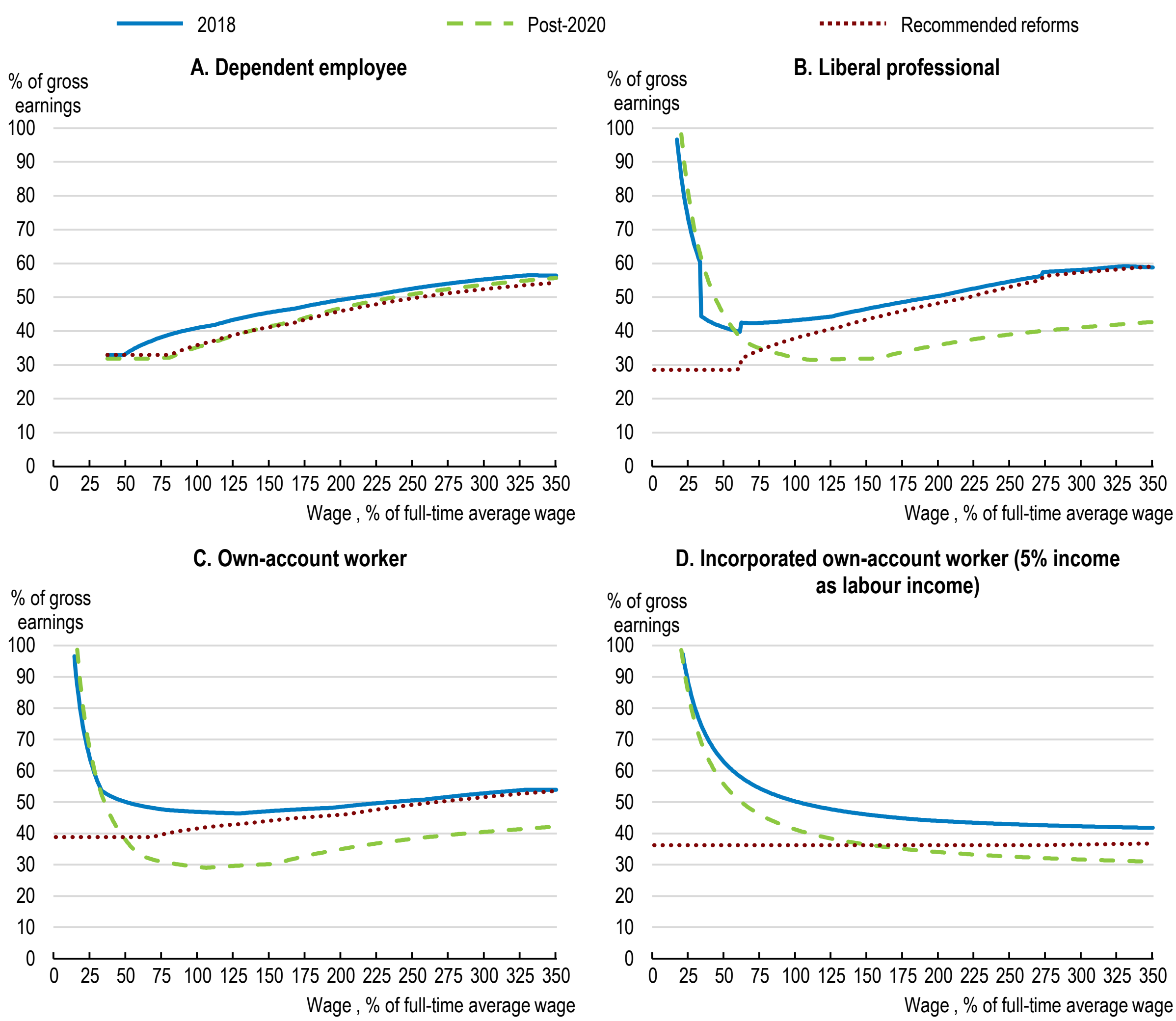
For the self-employed, in 2020 the government has shifted pension and health insurance contribution rates to a minimum floor regardless of income, with the option of paying higher contributions for a higher level of pension coverage. Self-employed starting work will be able to pay reduced contributions for 5 years. This reform is in response to a 2019 court ruling about the treatment of self-employed social insurance contribution rates. By imposing a flat, minimum fee, it will accentuate the self-employed's very high wedge at low incomes while reducing contributions at higher incomes (Figure 2.10, Figure 2.20 and Table 2.1). Converting the flat social insurance contribution fees, including pension insurance contributions, into rates so contribution values rise with higher income, would moderate tax and social contribution rates for the very low income self-employed while maintaining some progressivity in the overall tax and contribution obligations for the self-employed. Figure 2.20 shows the effects of the legislated and planned tax and contribution reforms on the overall tax wedge compared with 2018 policies, and this recommended reform, for different employment types (detailed in Box 2.2). The recommended reform would support low-income households, reducing inequality, at a modest fiscal cost (Table 2.1).

Cuts to corporate and dividend income tax rates in 2020 risk encouraging higher income self-employed, notably liberal professionals, to incorporate and draw their income as dividends, rather than operating as a sole proprietor. These cuts will further widen the difference between overall tax rates for the incorporated self-employed and the rates for unincorporated self-employed, particularly liberal professionals (principally, doctors, lawyers, engineers and architects) (Figure 2.20, Panels B and D). International evidence finds that the self-employed who are higher skilled and who can earn higher incomes, often liberal professionals, are also the most likely to incorporate and benefit from the lower tax rates (Levine and Rubinstein, 2016[73]). An effective tax system is neutral such that economic merit rather than tax advantages drive decisions about employment form and legal structures (Milanez and Bratta, 2019[74]). Such distortions in Greece's tax and contribution system can be countered by taxing dividend income in the same way as other personal income. This recommended reform would counterbalance the reduction in the tax wedge for the incorporated self-employed due to the cut in the corporate income tax rate, and would better align tax wedges across alternative employment types for a given income level (as seen by comparing the 'Recommended reforms' lines between the panels in Figure 2.20).

### Figure 2.20. Reforms should lower labour tax and contribution rates and reduce the difference in tax wedges between employment types

Overall net tax and social contribution payment wedges as a percent of gross earnings




Note: 'Post-2020' includes reforms to tax and social insurance rates that have been legislated to be implemented from 2020. 'Recommended reforms' are described in Box 2.2.
Source: OECD calculations. Methodology is described in Milanez and Bratta (2019), "Annex - Taxation and the Future of Work: How Tax Systems Influence Choice of Employment Form", *OECD Taxation Working Papers*, https://dx.doi.org/10.1787/6b20cce5-en.

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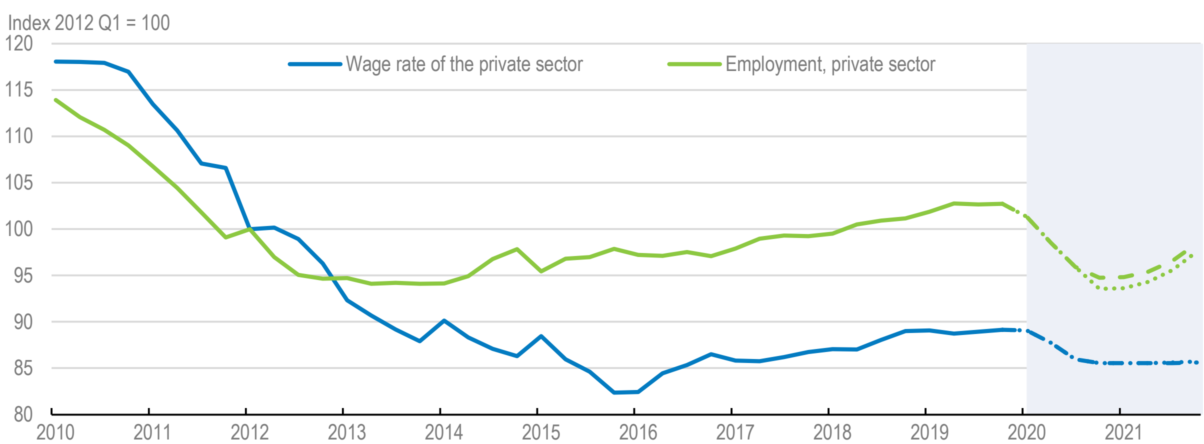
## Wage-setting mechanisms to generate more jobs and raise productivity

Increasing the number of good-quality jobs is essential for Greece's recovery and for sustained gains in living standards. In the early 2010s, major reforms to employment protection brought it into line with most other OECD countries. As described in the previous Economic Survey of Greece (OECD, 2018[6]), Greece then lowered the minimum wage and public sector wages, and gave firms greater scope to negotiate firm-level wage agreements. Following these reforms, wages fell sharply, helping to restore price competitiveness and stem employment losses. While lower wages have contributed to the recovery in employment (Figure 2.21), they reduced living standards. Employment started to recover in mid 2014 while wages began rising only in the first quarter of 2017. The COVID-19 shock is projected to temporarily reverse both of these recoveries, raising the unemployment rate from already high levels, and further reducing relatively low employment rates. The median wage remains low and the wage distribution is relatively compressed. The labour market rewards better skills less than in most other OECD countries, as shown for example by analyses of adults' competencies and labour market outcomes (Hanushek et al., 2017[75]; Hampf, Wiederhold and Woessmann, 2017[76]).

### Figure 2.21. The COVID-19 shock sets back the gradual recovery in jobs and wages




Note: Projections are shaded. Wage projections relate to total employment. The "single-hit" scenario is shown with a dashed line and assumes that the pandemic is brought under control before the summer of 2020; the "double-hit" scenario is shown with a dotted line assumes a second wave of contagion and lockdown measures late in 2020.
Source: OECD *Economic Outlook* 107 database.

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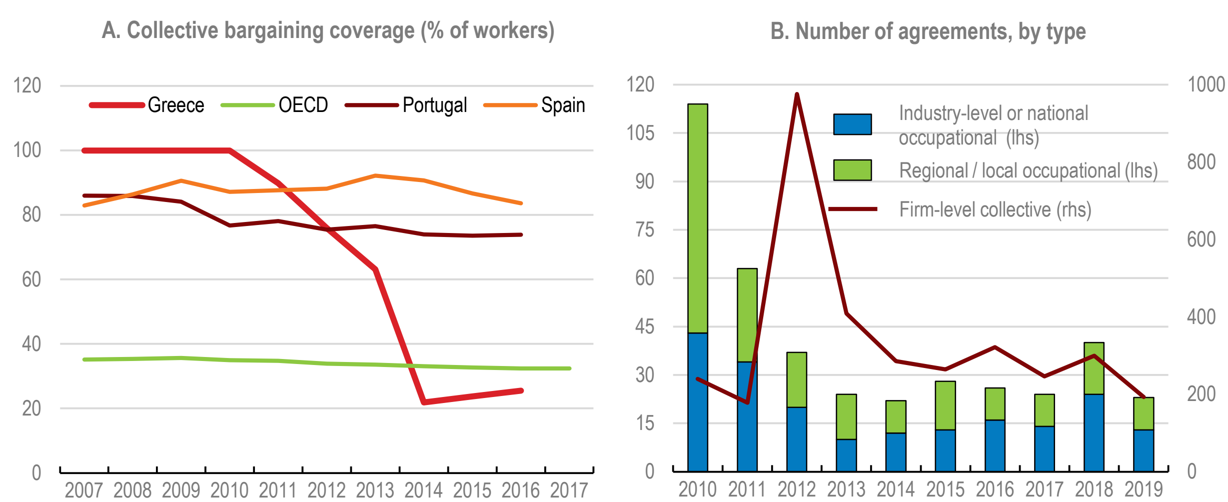
### *Wage bargaining to support more jobs and improving conditions*

Sectoral collective agreements are regaining importance in Greece's wage-setting system. Two procedures that support collective agreements were suspended in 2011. These allowed for administrative extensions, whereby worker and employer representatives that have signed a collective agreement could request the government to extend the agreement to firms that had not signed the agreement, and the requirement that working conditions agreed at the firm level should favour workers compared with those signed at a central or sectoral level. 2011 measures also allowed "associations of persons" to enter firm-level agreements in the absence of trade union representatives.

These reforms led to a surge in firm-level agreements (Figure 2.22), and the share of the workforce covered by collective agreements dropped by 65 percentage points (European Trade Union Institute (ETUI), 2019[77]). Most firm-level agreements during 2011 to 2014 were signed by smaller firms and cut wages, which supported employment (Giannakopoulos and Laliotis, 2018[78]). Since then, the pace that firm-level agreements have been entered has slowed. They have mostly been used by medium-sized and larger firms in more externally-focused production sectors, and have on average stabilised wages at rates well above the minimum wage (Giannakopoulos and Laliotis, 2017[79]). In the absence of firm-level agreements, many employees' wages fell to the minimum wage rate as collective agreements lapsed.

The extension and favourability procedures were reinstated when Greece completed the Stability Support Programme in August 2018. The number of sectoral collective agreements initially picked up (Figure 2.22, Panel B). Fifteen out of 16 occupational and 23 sectoral collective agreements were extended across workplaces employing 220 000 workers in sectors including banking, shipping, hotels and restaurants, and mining. The agreements typically applied to workers earning wages well above the minimum, and provided for modest rises. Among these sectoral collective agreements, only one has addressed non-wage aspects of working conditions, by providing for reduced working hours and greater parental allowances. In October 2019 the government gave the Minister of Labour discretion to extend sectoral collective agreements, and to exclude firms facing temporary financial hardship from extensions of hardship. It also allowed certain categories of firms to include special or opt-out clauses in collective agreements, in circumstances that are still to be defined. Since then, no extension of sectoral collective agreements has been signed. The reforms' effects on sectoral collective bargaining should be monitored, and further amendments considered if social dialogue and sectoral collective negotiations weaken.

## Figure 2.22. Wage-setting in Greece has shifted away from collective agreements




Source: J. Visser, ICTWSS Database version 6.0. Amsterdam: Amsterdam Institute for Advanced Labour Studies (AIAS), University of Amsterdam. June 2019, http://uva-aias.net/en/ictws, and OECD updating; Hellenic Ministry of Labour, ERGANI database

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Careful amending of Greece's wage-setting practices would support the recovery of employment in sectors with better long-term prospects, raising employment quality, access to work and productivity. The experience of several OECD countries suggests that a decentralised system of firm-level agreements, coordinated within and across sectors through sectoral collective agreements and with flexibility for firms to adjust conditions, would be effective in a context such as Greece (OECD, 2018[80]). Greece's many small employers, which have few resources and often lack employee representatives to negotiate firm-level agreements, suggests a need for a strong role for sectoral collective agreements with flexibility, as discussed in (OECD, 2018[6]). In a coordinated decentralised system, sectoral collective agreements act as an anchor for working conditions. Social partners at the firm level may agree to adjust these. To provide this flexibility, sectoral collective agreements need to include derogation or opt-out clauses that prescribe the areas and parameters where social partners at the firm level may diverge from the sectoral collective agreement (Ibsen and Keune, 2018[81]). These clauses can allow, for example, firms in lower cost and lower productivity regions to agree to lower wage and working conditions than those provided in the sectoral agreements under certain conditions. Reforms introduced in October 2019 allow firms that become financially distressed to derogate from sectoral collective agreements, which can support employment during downturns.

Sectoral collective agreement negotiations in Greece could gain flexibility if they covered aspects of working conditions beyond wage rates, such as working hours or training. This would allow social partners to negotiate wages alongside other aspects of working conditions, to benefit all partners, although this should avoid adding undue complexity and rigidity to working conditions. This is possible under current legislation but rarely done in Greece. To promote decentralised bargaining of issues other than wages, Italy has introduced fiscal incentives. It applies lower tax rates to productivity-linked wage and other working condition improvements negotiated at the firm level. Take-up has grown strongly, and Italy's 2017 budget expanded the programme (OECD, 2019[39]; Labartino, Mazzolari and Morleo, 2019[82]).

Reviving and strengthening the ability of "associations of persons" to sign agreements at the firm level would support coordinated decentralised wage-setting by improving workers' representation in negotiations. These associations cover only a small share of the workforce (Daouli et al., 2016[83]), even if some remain active in entering firm-level collective agreements. To negotiate effectively with employers, the associations need greater protection and support. Extending to them the protection trade union representatives enjoy and introducing a mediator in negotiations to share information and aid discussions would support social dialogue and outcomes.

Coordinated sectoral collective agreements are likely to be more effective if they are negotiated by representatives of a wide cross-section of the employers and workers in a sector. For firms that do not participate, extending sectoral collective agreement across all firms in a sector levels the playing field, improves coordination and reduces the cost of negotiating wage conditions for small firms, if extensions mechanisms are well-regulated and social partners are able to adapt the terms of the collective agreement to firms' conditions. In 2019 the government amended Greece's extension arrangements, by providing the Minister of Labour with discretion to extend agreements if a contracting party requests the extension, subject to an assessment of the extension's impact on employment and competitiveness. It maintained the requirement that the agreement applies to employers employing more than 50% of the employees in the sector or profession. The amendments also provide the Minister of Labour with discretion to exempt firms in financial distress from collective and sectoral agreements. These amendments somewhat tighten the circumstances for extensions, while maintaining significant discretion for the Minister.

Poor employment data collection and dissemination have led to difficulties and disputes in verifying the share of workers represented by the signatories of sectoral collective agreements. In practice, much of the data recorded in the Ministry of Labour's private employment database ERGANI are not accessed, limiting its usefulness in wage negotiations and collective agreement extension decisions. For example, sectoral collective agreements are not matched to an economic sector. Pursuing ongoing upgrading of the ERGANI database, keeping it up-to-date, recording employees' contracted work hours and employees on non-standard contracts, integrating social partners' membership lists, and giving ready access to the data would support the system of decentralised coordinated agreements.

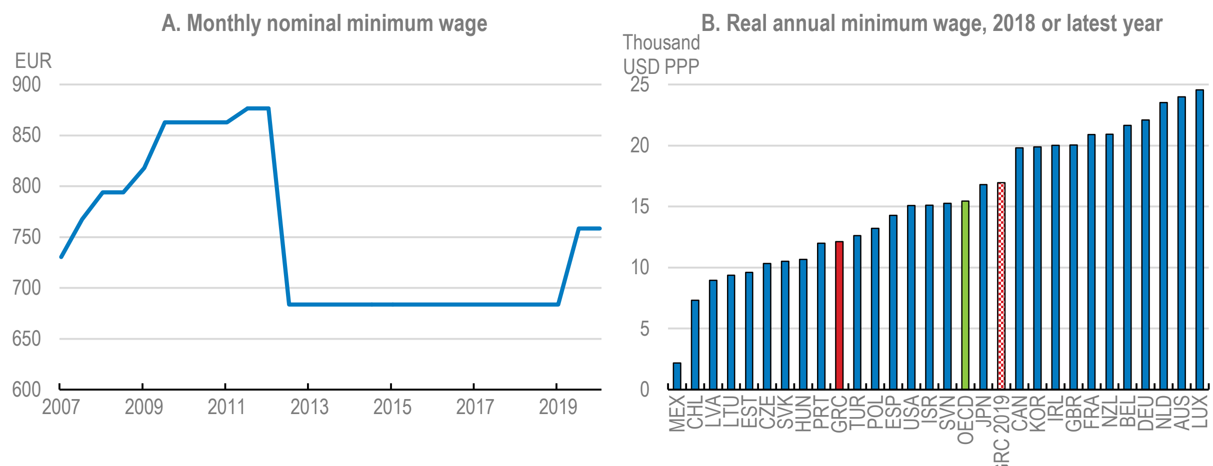
To improve wage agreement negotiations and social dialogue, Greece is strengthening the role of its mediation and conciliation processes. Effective mediation services build trust between social partners by supporting dialogue and sharing labour market information and contribute to the success of sectoral collective agreement systems (OECD, 2018[3]; Ibsen, 2015[84]). Crisis period reforms in Greece restricted access to arbitration until mediation had been exhausted. Greece could expand the role and capacity of its Organisation for Mediation and Arbitration (OMED). It could draw on the model of Sweden's or of Belgium's federal labour mediator, which provides a neutral chairperson in negotiations, processes to mediate conflicts if necessary (Ibsen, 2015[85]; Belgium Federal Public Employment, Labour and Social

Dialogue Service, 2018[86]; OECD, 2019[87]). It also provides practical services, such as meeting rooms and preparing official minutes, which could particularly help Greece's many small employers.

### *Ensuring the minimum wage supports jobs and incomes*

In February 2019, Greece increased the statutory minimum wage by 11%, from EUR 586 to EUR 650 per month, and ended the subminimum wage for under 25-year-olds of EUR 510 per month. This was the first change in minimum wages since they were cut by 22% in 2012 and frozen. The increase brings Greece's minimum wage rates to near the middle of OECD countries in absolute terms (Figure 2.23). Relative to average labour productivity, it is now higher than in most other OECD countries. After the increase, 19% of private sector wage-earners were reported to be paid the full-time minimum wage or less (due to part-time work), 4 percentage points more than prior to the increase, while fewer workers were registered in the lowest wage category, between EUR 0 and EUR 400 per month. Meanwhile reported wages rose for workers paid more than the minimum wage (Figure 2.24).These movements are consistent with the increase prompting employers to report the wages that they had previously not declared (Bank of Greece, 2018[88]; Beliziotis et al., 2018[89]).

**Figure 2.23. The 2019 increase lifts Greece's minimum wage to near the middle of OECD countries**




Source: Eurostat; OECD earnings database and OECD calculations.

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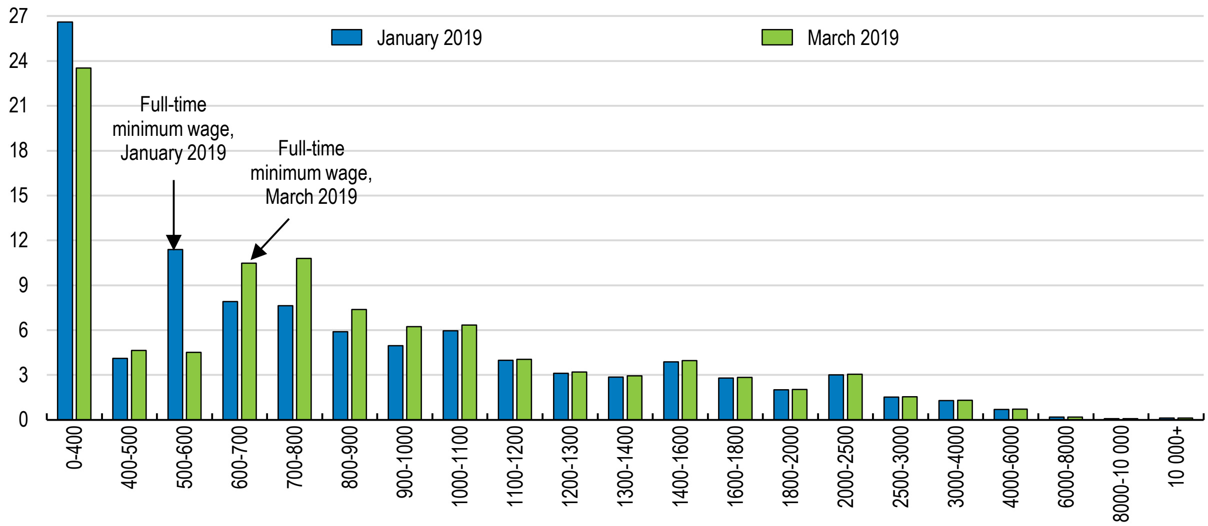
Minimum wage increases bear the risk that some low-productivity workers are priced out of the market and lose their jobs. The extent to which this happens depends on local labour market conditions, as well as the level of the minimum wage prior to the increase and the size of the increase (OECD, 2015[90]). In many labour markets the risk of job losses due to minimum wage increases seems to be low (Dube, 2019[91]). In Greece, the risk could be higher since many small firms with thin margins employ minimum wage workers (Azar et al., 2019[92]). However growth in employment overall did not significantly slow in the quarters following the February 2019 minimum wage increase, as strong demand conditions allowed the increase to raise incomes for low-skilled and vulnerable workers without pricing them out of jobs.

The February 2019 minimum wage increase was the first under Greece's new process. Like other OECD countries, Greece has made an independent committee of experts central to regular reviews of the minimum wage rate. It reports its opinion on the appropriate wage adjustment, in light of its assessment of the state and prospects of the economy and the labour market and after consulting with social partners. Appointing and removing members through an open, transparent and objective process, based on merit, would improve the objectiveness of and trust in the committee's recommendations. Staggering their appointment would weaken the link between the political cycle and the committee's composition, strengthening its independence.

### Figure 2.24. Following the 2019 minimum wage increase, wages rose across the lower end of the wage distribution

Share in percent of private sector employees registered to receive wages in specified ranges, EUR per month




Note: The minimum wage increase was increased and the youth sub-minimum wage was removed in February 2019. Data reflect wage rates reported by employers to the Ministry of Labour's ERGANI database. Missing values are excluded.
Source: ERGANI database, Hellenic Ministry of Labour, Social Insurance and Social Solidarity.

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The government is not bound to follow the committee's advice and the 11% increase legislated by the government in January 2019 exceeded the committee's recommendation to increase the minimum wage by between 5% and 10%. A review is underway on the 2019 minimum wage review process. The government has postponed the next minimum wage review to January 2021 following the disruption from the COVID-19 pandemic. Explaining any differences between the government's decision and the committee's recommendations would strengthen the committee's credibility and the process's integrity.

The subminimum wage for youth provided a 13% discount on the basic wage rate for under 25 year-olds. It is likely to have slowed employment loss among under-25 year olds during the crisis years (Karakitsios, 2016[93]). But it discouraged youth from entering the workforce (OECD, 2018[6]), and youth employment rates remain low (Figure 2.3). When the government ended the subminimum wage, it reduced employers' social security contributions for younger workers by 6.7 percentage points. This is a step in the right direction, given Greece's high social security contribution rates and large cuts can encourage firms to hire (Boeri and Garibaldi, 2019[94]). But this cut did not offset the end of the subminimum wage and the increase in the minimum wage, and overall the changes raised the labour cost of young workers by 20% (European Commission, 2019[14]). As recommended in the previous Economic Survey (OECD, 2018[6]), prescribing discounts to wage rates for new workers with the discount declining as workers gain experience could encourage employers to employ workers without experience, regardless of their age. Such adjustments for experience are likely to become more important for supporting employment following the COVID-19 shock.

## Strengthening education and professional skills

Greece has started to improve the performance of its education system. Strengthening general skills and professional competencies is essential for improving employability, incomes and well-being in Greece.

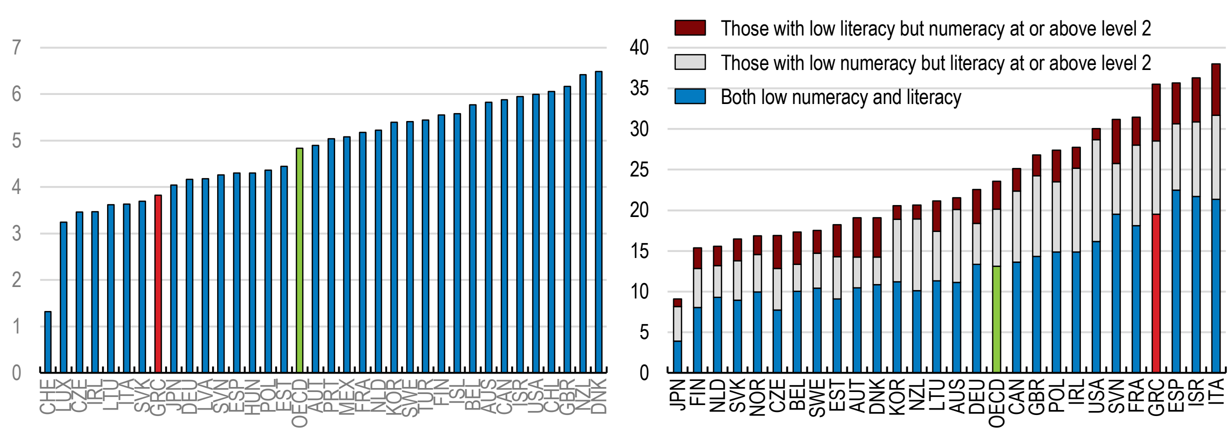
Reflecting the high social value given to education, households spend near the OECD average on education relative to their incomes. Public education spending, by contrast, has fallen behind most other OECD countries in the years after the crisis (OECD, 2019[95]) (Figure 2.25, Panel A).

Despite relatively low spending, Greece's education system performs reasonably well on a number of dimensions. Fewer high school students dropout and those from disadvantaged backgrounds perform better than OECD averages (OECD, 2016[96]; OECD, 2019[95]). Students spend more years in education than in most other OECD countries, and university enrolment rates are high and rising. Over half of children complete higher levels of education than their fathers and 62% complete higher education levels than their mothers (Elstat, 2020[97]). Participation in science, technology, engineering and mathematics (STEM) education is strong and has been rising. Greece's best graduates go on to world-leading academic and professional careers.

### Figure 2.25. Education spending is lagging and many adults would benefit from skill upgrading

A. Total education spending, % of GDP, 2016 or latest [1]

B. Share of adults with low basic skills




1. OECD unweighted average of available countries. Data do not cover early childhood education.
Source: OECD *Education at a Glance* database; and *Building Skills for All in Australia. Policy Insights from the Survey of Adult Skills* (PIAAC 2012 and 2015).

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Yet education needs are large in Greece, as described in Greece's Quality Assurance Authority for Primary and Secondary Education annual report (Matsangouras, 2019[98]), as well as the previous Economic Survey (OECD, 2018[6]) and the recent Education Review of Greece (OECD, 2018[99]). Many upper secondary students lack basic skills, and a smaller share of school students achieve strong outcomes than in other countries (Figure 2.26). Graduates have poor employment prospects. Low levels of student well-being and citizen satisfaction with the system underline the need for reforms. A larger share of adults than in other OECD countries has skills that are either weak or that are not adapted to their workplace's needs (Figure 2.25, Panel B). Meanwhile, most employers report difficulties filling vacancies. Ensuring all adults have solid professional skills, built on foundations of a strong general education, is vital for supporting employment, raising productivity and incomes, and improving general well-being. As the economy recovers, supported by new activities and modes of production, new opportunities will emerge which higher skilled workers will be best positioned to access.

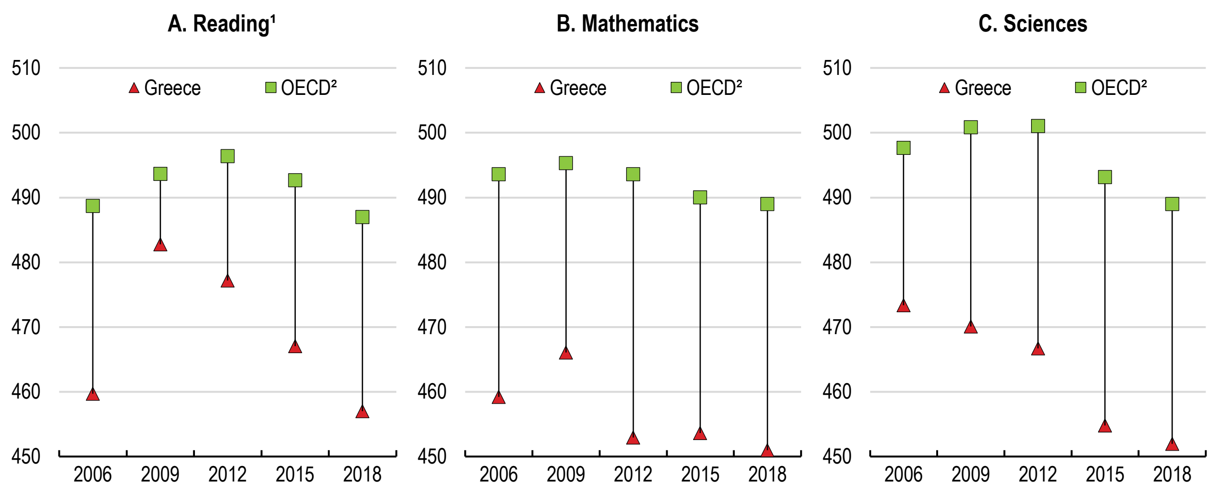
Greece's 2017-2019 educational reform plan is a significant start to developing a performance-focused culture, improving support for teachers, and giving tertiary education bodies greater autonomy. Following this plan, a comprehensive, multi-year reform programme would best address the performance gaps across all levels of Greece's education system. Greece's limited education budget and tight fiscal space mean that reforms need to improve the benefits from education with few additional resources, which a long-term and sequenced programme can help achieve. Developing a consensus vision across participants of education in Greece would give direction to the reform programme and reduce the risk of policy shifts and reversals (OECD, 2018[99]).

### *Improving the quality of general education*

The government is extending compulsory pre-school education to four-year-old children. This is an important shift that will bring Greece into line with many other OECD countries (Figure 2.27) and was recommended in the previous OECD Economic Survey (2018[6]). High participation in early childhood education and care can improve educational outcomes, broaden skills, and raise social mobility, at lower cost than interventions later in life. It reduces primary caregivers' caring responsibilities, lifting an important barrier to women working.

## Figure 2.26. Greece school students' test performance continues to lag other OECD countries

Mean PISA score in reading, mathematics and sciences




1. The PISA reading assessment is comparable across years.
2. The OECD aggregate covers all OECD countries except Austria and the USA for reading and all OECD countries excluding the USA for mathematics and sciences.
Source: OECD, *PISA 2006, 2009, 2012, 2015 and 2018* databases.

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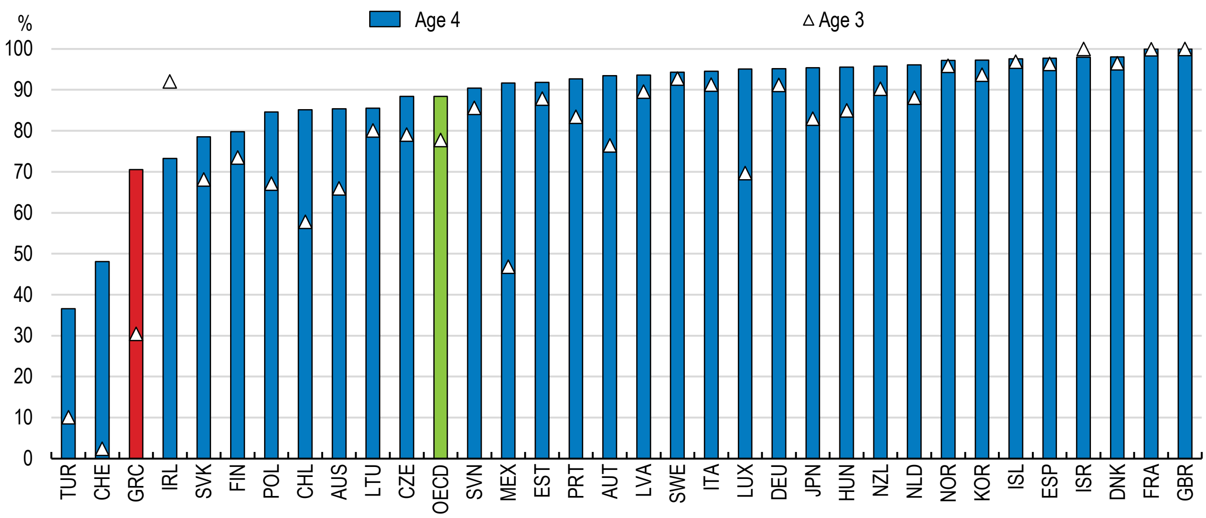
**Figure 2.27. Few young children in Greece participate in early childhood education**

Enrolment rate in early childhood education by age, 2017




Source: OECD (2019), "Enrolment rate in early childhood education" (indicator), https://doi.org/10.1787/ce02d0f9-en.

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The Ministry of Education is responsible for managing compulsory preschool education and providing the facilities, whereas municipalities, supervised by the Ministry of the Interior, provide infant and childcare. Shifting responsibility at this level to the Ministry of Education should raise the pedagogical quality of pre-school education, as the Ministry will recruit and manage preschool teachers alongside other teachers, and can link preschool activities with the school curriculum. The shift will free space in municipalities' childcare facilities for younger children. But the lack of space in the Ministry of Education's facilities is holding back the roll-out in 40 municipalities, including some of Greece's main cities. Realising the benefits of compulsory pre-school education will require accelerating investment in the roll-out, first to provide quality facilities across Greece, then in the pedagogical standards of early childhood teaching.

Raising teaching quality is, appropriately, the focus of reforms in primary and junior high school. Greece is strengthening the Quality Assurance Authority to develop criteria and evaluation systems for primary and secondary schools. The reform will help schools address weaknesses, tailor training and reward performers. Evaluations will not apply to individual administrators or teachers. The government recognises that evaluation and quality improvement requires a consensus, given the legacy of distrust between teachers, administrators, parents and the Ministry (OECD, 2017[100]). For evaluations to help raise education quality, the Quality Assurance Authority should develop an evaluation and assessment approach that applies at the three levels of the education system, of schools and of students; that is focused on improving practices and building capacity; that conducts evaluations collaboratively and constructively, and that make evaluations a recurring part of the regular school system calendar rather than high-profile, occasional events (OECD, 2013[101]). Developing data management and analysis capacity at the Quality Assurance Authority and among those being assessed can improve confidence in the transparency and objectivity of evaluations.

Greece has the opportunity to renew and redress the conditions, performance and morale of its teacher workforce. Due to recruiting freezes during the crisis years, the Ministry of Education employed 14% of all teachers and over one-fifth of primary school teachers on temporary contracts during the 2016/17 school year, rising to 16.7% of all teachers the following year. These teachers were placed in many hard-to-fill teaching positions and have played an oversized role responding to refugee needs. Most do not know whether their contract will be renewed or where they will teach from one year to the next. In contrast, teachers employed under public service rules on permanent contracts enjoy job stability but little scope for professional progress beyond moving to a school in a more coveted location (OECD, 2018[99]). A large share of this permanent workforce will retire over the next decade. To fill one gap in the teaching workforce, the government is in the final stages of recruiting 4 500 special needs teachers. To renew the general teacher workforce, the government should consider a reformed teacher contract, which rewards performance and provides prospects of professional advancement, without the inflexibility of the current permanent teacher contracts. It can recruit the renewed workforce from the contract teachers and other newly trained teachers, ensuring they bring needed teaching skills, such as adapting curriculums to their classrooms, working autonomously, and in teaching digital skills. Other OECD countries have undertaken similarly significant teacher employment reforms as part of broader measures to raise their education system's performance, and Colombia's reforms provide salient lessons for Greece (Box 2.5).

### *Preparing tertiary graduates for work*

Tertiary education, especially at universities, is highly valued in Greece, and participation has risen over recent decades to among the highest rates across OECD countries. However tertiary education provides fewer benefits than in other OECD countries. Completion rates are lower, students acquire fewer general or professional skills, and employment prospects are poorer (OECD, 2016[102]; OECD, 2017[100]; OECD, 2018[99]). Meanwhile, most students see vocationally-focused technical education as a poor alternative to university studies.

Greece has taken steps to integrate professional experience into post-secondary education. These reforms can improve students' employability, a long-standing weakness in Greece (OECD, 2018[99]), but they lack scale. New bodies have been charged with upgrading vocational education and training, ensuring it better responds to labour market needs, with consulting with social partners to reform course curricula, and with connecting teachers and employers. New evaluation and graduate tracking systems will assess the effectiveness of these measures. A programme introduced in 2016-17 offers a 9-month apprenticeship to students who graduate from secondary school with vocational certificates. Only around half of these apprenticeships were in private firms, reflecting slow take-up by employers. The programme's capacity is limited, with 3 700 students enrolled in 2018, up from 3 100 in 2017. These measures need to grow to become core components of Greece's post-secondary education system. Students are more likely to participate if they receive effective guidance about their learning options and career prospects beyond upper secondary school (OECD, 2010[103]), and the government's planned measures to develop education and career guidance merit pursuing.

In a significant reform to tertiary education, Greece has merged 14 technical institutes with its 22 universities to create 25 tertiary education institutions. The previous OECD Economic Survey of Greece (2018[6]) recommended encouraging tertiary education institutions to consolidate. The merger brings technical and theoretical courses together within the same institution. It allows for Centres of Vocational Education to be located in universities, which, over time, may improve the quality and demand for tertiary vocational training. The next step is to bring related departments together, so as that there can be greater cross-over between theoretical and technical programmes, and for students enrolled in academic programmes to access technical education. The incoming government halted this reform for the 2019-2020 academic year as it embarked on a review of the vocational education and training framework. The government should ensure that the review is independent and takes a view to design a plan to fully realise the benefits from consolidation, and that it regularly evaluates the newly created institutions.

### Box 2.5. Lessons from Colombia's reforms to teacher employment framework

Colombia has made important reforms to its teacher employment framework since 2002, focused on entry requirements, recruitment, salaries and evaluation. Colombia's experience can be instructive for Greece, as the education systems share many challenges and reform goals, including to improve teacher working conditions and to develop a performance, evaluation and development culture across the education system. Challenges faced in implementing Colombia's reforms highlight the importance of effective, ongoing dialogue and adequate financing for the success of such reforms.

Colombia now recruits new teachers into permanent staff positions by a highly competitive merit contest, with candidates required to have minimum qualifications but are not required to have previous experience. This allows teachers to enter the profession from other careers. Candidates who fail the merit contest can be offered temporary contracts to fill temporary needs, such as through short-term contracts. Successful candidates must pass a rigorous probationary period and evaluation by their school leader before they obtain permanent positions. Greece may draw from this framework in regularising its temporary teacher workforce.

Teachers under the new framework are evaluated at least annually by their school leader. Salary increases and promotions depend on the teacher passing an evaluation of competencies, and the system-wide number of promotions and salary increases are limited. Following reforms in 2016, the competency evaluation focuses on teachers' pedagogical and classroom management skills, and is largely based on the evaluation of a classroom video, plus a survey of the school community, a self-evaluation and the results of the two previous performance evaluations carried out by the school leader. Teachers not succeeding in the evaluation can take a professional development course in an accredited faculty of education, and be promoted on passing this course, although the number of places are limited.

The reforms have generated some challenges. Difficult relations with the largest teacher union have complicated their implementation, and the political economy of education reform is also complicated in Greece. The framework favours teachers' rights rather than students' needs. It has left remoter and more difficult areas struggling to attract high performing teachers, and, like in Greece, to rely instead on teachers on temporary contracts. Greece should ensure that reward and conditions make teaching in remote and difficult areas attractive for the highest performing teachers. Maintaining the rigor of teacher selection and evaluations, and ensuring that school leaders provide consistent and constructive feedback have been ongoing challenges in Colombia. Even under the reformed framework, teachers have little opportunity to lead and grow professionally while remaining in the classroom, and skilled teachers leave the classroom to take on leadership or administrative roles, while unions have opposed efforts to create in-classroom leadership roles.

Colombia left existing teachers' employment framework in place, leaving them the choice to shift to the new framework if they wished. While maintaining the legacy system may have reduce opposition to the reform, it has weakened collaboration and collegiality, due, for example, to differences between colleagues in pay, conditions and competencies. The legacy framework does not require regular evaluations, and provides pay rises based on qualifications and years of service rather than evaluations. Nonetheless, Colombia's teachers are more satisfied with their profession than in other countries. Greece may also consider allowing the existing workforce to continue under their current arrangements, given that many are approaching retirement age.

Source: (Radinger et al., 2018[104]; OECD, 2018[99])

The consolidated universities are gaining autonomy over their budget, following a 2019 law. A 2020 law links funding to objective criteria including the number of students, and the size and geographical dispersion of the institution, as well as outcome indicators including graduates' labour market outcomes and research production. This is important progress from previous arrangements, which detached funding from needs or performance. Including outcome indicators in funding considerations rewards institutions for better performance, and other OECD countries, such as Austria, have recently made similar reforms. Ensuring that tertiary institutions' funding reflects their research achievements can also support Greece's research and innovation performance, as discussed in Chapter 1. Care needs to be taken to ensure funding arrangements create appropriate incentives. For example, linking funding to graduation rates or penalising high student repeat rates may encourage institutions to graduate students regardless of their achievement.

For these shifts in funding to be effective, institutions' management need greater autonomy over decisions such as personnel and programme offerings (OECD, 2018[99]). Better information about labour market needs and students' performance should accompany greater autonomy. The government is boosting the role and resources of the National Independent Quality Assurance Body (ADIP), to standardise higher education institutions' evaluations and to make them public. Publishing performance indicators would entrench a virtuous circle of evaluation and reward, lifting performance.

Most university students in Greece graduate late. During the crisis years this reflected few job opportunities, alongside financial incentives to remain a student given free courses and various income allowances. Altering these arrangements such that students lose benefits and start incurring fees if they fail to graduate after a reasonable delay would encourage students to find work and to study courses that employers demand, while reducing institutions' teaching costs. For example, Hungary has introduced such measures, and reduces or cuts financial support if students remain in a programme more than 2 semesters beyond its length.

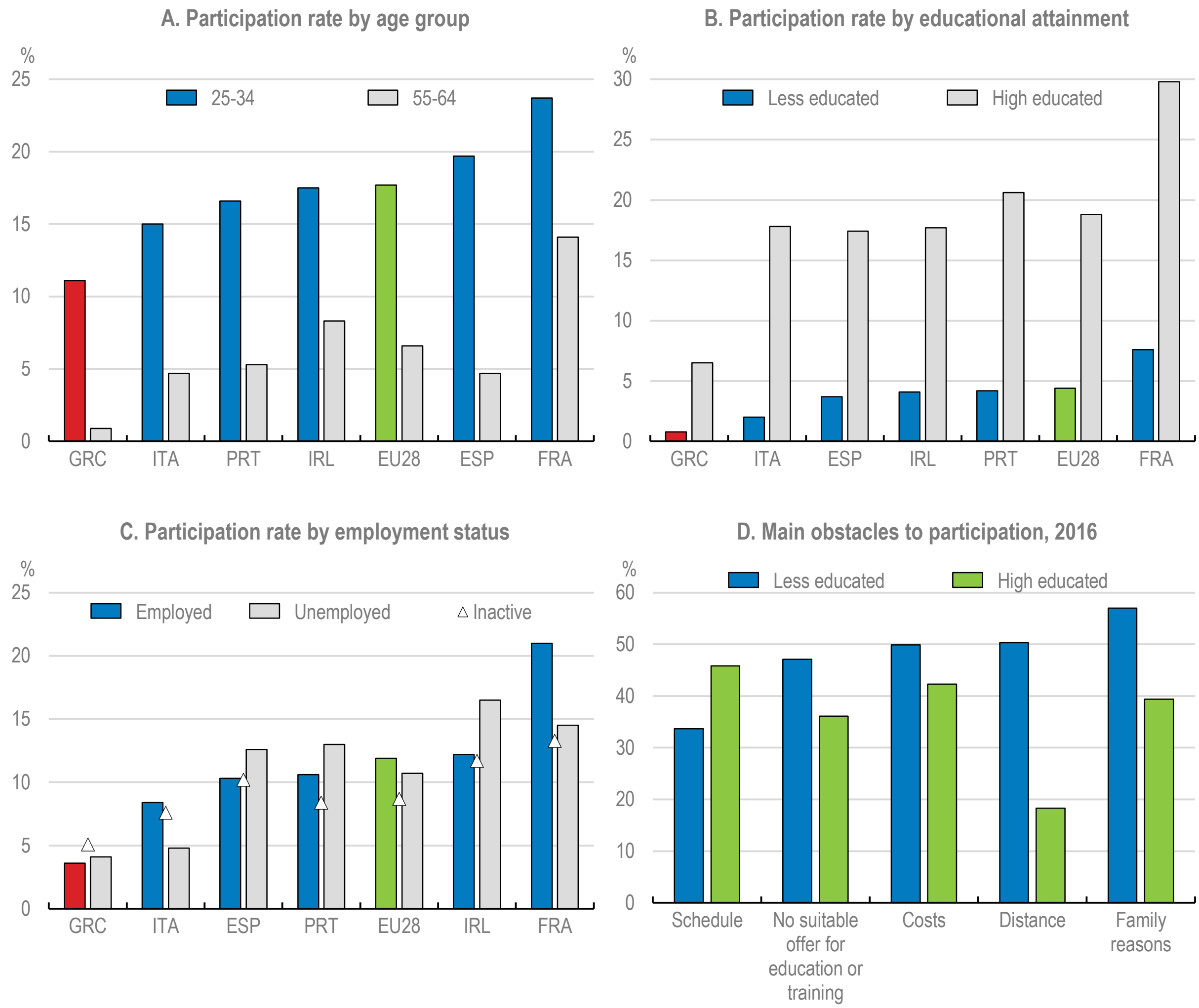
Tertiary education institutions will need to adapt their courses to more diverse student profiles. Low birth rates and recent emigration will reduce the number of high school graduates entering tertiary education over the coming decade. In their place, institutions could develop degree courses adapted to the learning and practical needs of adults with work and care responsibilities, building on the successful expansion of fee-paying Master's degree courses in recent years. A 2017 law authorised tertiary education institutions to collaborate with regional employers to offer two-year vocational education courses, and these could offer an entry point for adults, although the incoming government suspended these for the 2019-20 academic year pending a review of vocational education. Greece's tertiary institutions could also welcome more international students. Currently 11 000 more tertiary students from Greece study abroad than students come to study in Greece. Attracting foreign students, especially in fields where Greece has recognised expertise, would diversify institutions' funding sources and strengthen their outwards orientation and diversity. Finally, better distance learning options would benefit residents of remote regions, who currently have little access to tertiary education (OECD Territorial Review, forthcoming).

### *Life-long learning and skill training to improve career prospects*

In Greece, adults who participate in lifelong learning and skill training courses report that the courses are effective and useful for their work. They benefit from higher government spending per participant than in other OECD countries (OECD, 2019[105]). Yet fewer adults participate in Greece than in other OECD countries, even among those groups who are more likely to participate (Figure 2.28). Low participation in part reflects lack of access and few quality places. Funding for lifelong learning and adult skill training is low, and far fewer enterprises in Greece provide their employees with training than in other OECD countries. Some individuals instead undertake job-related training with their own resources (Kersh and Toiviainen, 2017[106]; OECD, 2019[105]; OECD, 2019[95]). Low participation also reflects low demand for adult learning and skill trainings, as course quality is not certified and can be poor (European Commission, 2019[48]; GHK, 2011[107]), and training brings participants few benefits in terms of better wages or employment prospects (Fialho, Quintini and Vandeweyer, 2019[108]).

**Figure 2.28. Greece lags behind in access to and participation in adult learning**

Participation rate and obstacles to participation in education and training among adults aged 25-64, 2019




Note: Includes formal as well as non-formal education and training. The reference period for participation is the four weeks prior to the interview. Low educational attainment refers to below upper secondary education (ISCED 0-2) and high refers to tertiary education (ISCED 5-8).
Source: Eurostat.

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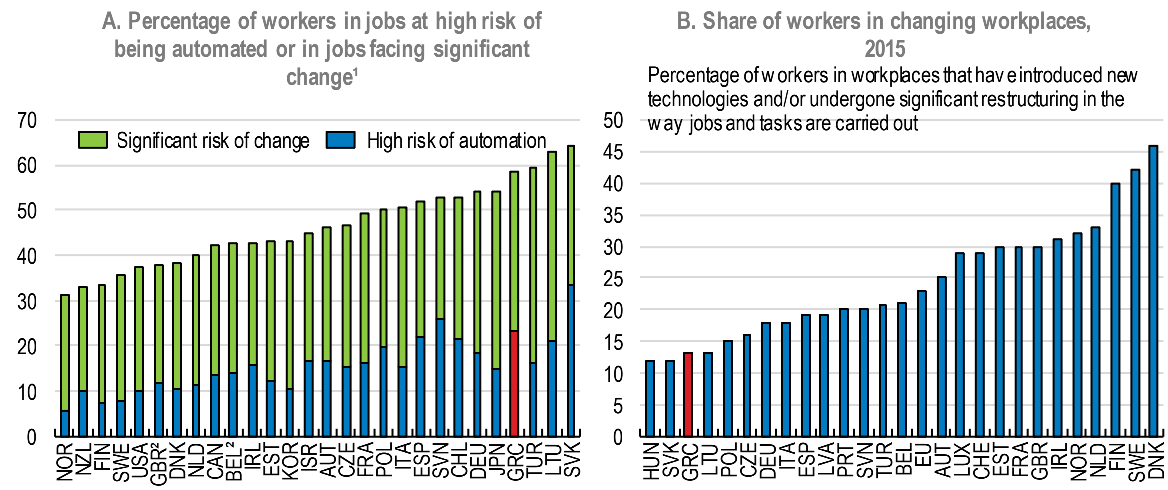
There is a vital need to expand access to quality lifelong learning and skill training to support employment, productivity, incomes and well-being. The recovery from the COVID-19 shock is likely to accentuate the need for workers to be able to upgrade their activities and skills, and to shift to sectors that promise better opportunities. Solid basic skills are the building block for life-long learning and adaptability, but are weak for many adults in Greece (Figure 2.28, Panel B) (International Labour Office, 2011[109]). Quality training courses can help to redress these. Training courses can better prepare adults for the likely disruption from automation and technological change (Figure 2.29) as raising adults' digital skills is a particularly pressing need in Greece (Figure 2.30; Box 2.6), and will be essential for shifting public services to digital platforms, as discussed in Chapter 1 (Marcolin, Miroudot and Squicciarini, 2018[110]; OECD, 2019[111]). Lifelong learning can improve well-being, social integration and avoid exclusion, particularly helping newly arrived migrants (Box 2.3). It can help older groups to overcome limited educational or professional development opportunities earlier in their lives, as this affects particularly older women in Greece. It is also core to most countries' active labour market policies, and bosting adult learning and skill training options would raise the performance of Greece's public works programmes described above (European Commission, 2019[48]).

Successive governments have developed plans to reform and strengthen the adult training system, although implementation has been small scale and patchy and often lacked follow-up. Currently a National Strategy for Lifelong Learning is in place, which features measures to ensure course offerings better respond to the skills needs in priority sectors and of local labour markets (Hellenic Republic, 2018[112]). Meanwhile new private training providers are raising participation. Greece is piloting projects with the European Agenda for Adult Learning (ERASMUS+) to upgrade adult skill training. Reforms in other OECD countries, such as in Portugal since 2013, show the importance of ensuring access, quality and relevance of adult education, while building awareness of the value of adult skills (OECD, 2018[113]).

### Figure 2.29. Workers are underprepared for the looming disruption to jobs from automation




1. Significant risk of change and high risk of automation refer to probabilities of automation ranging between 50% and 70% and higher than 70%, respectively.
2. The data cover Flanders for Belgium, and England and Northern Ireland for the United Kingdom.
Source: Nedelkoska, L. and G. Quintini (2018), "Automation, Skills Use and Training", *OECD Social, Employment and Migration Working Papers* No. 202, OECD Publishing, Paris; and OECD (2019), *Employment Outlook 2019*.

StatLink https://doi.org/10.1787/888934155174

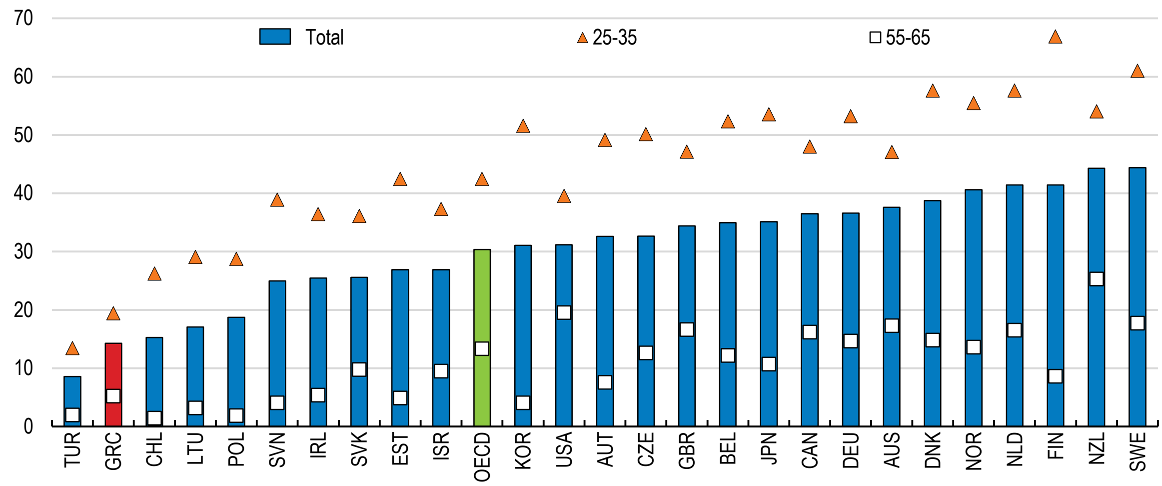
### *Expanding access to quality skill training*

Greece's many small private training providers can expand the availability of adult and skill training. They require support to boost their capacity and the quality and pertinence of their courses, which is patchy. Greece could boost the capacity and remit of its National Organisation for the Certification of Qualifications and Vocational Guidance (EOPPEP) which could offer guidelines, training for trainers, and support materials such as good practice examples and self-evaluation tools. Greece's National Accreditation and Certification System could certify the skills that participants learn, which would improve the employment and wage benefits from adult skill training and help participants make better-informed choices. Training providers that meet those standards could be allowed to provide publicly-funded courses, such as to active labour market policy participants. As an evaluation and certification culture becomes more established, Greece could follow other countries and publish quality grades of training providers and courses (OECD, 2019[105]).

Over 30% of adults in Greece do not participate in skills training and life-long-learning due to the high costs involved. 46% of adults contribute to the cost of their training compared with around 20% on average across the OECD (OECD, 2019[55]). Employers pay for only one-third of participants, the lowest share across OECD countries and overall government funding is also among the lowest in the OECD. The costs of skill training go beyond the direct cost of the course, and include incidental costs for the participant of materials, transport and caring for dependents, and the cost for employers of absent employees. This disruption is greater for Greece's many small workplaces.

## Figure 2.30. Adults in Greece need to boost their digital skills

Share of individuals scoring at Level 2 or Level 3 in the PIAAC proficiency in problem-solving in technology-rich environments task, by age




Note: Problem solving in technology-rich environments measures adults' abilities to solve the types of problems they commonly face as ICT users in modern societies. Adults scoring at Level 2 or Level 3 can solve problems that require the co-ordinated use of several different applications, can evaluate the results of web searches, and can respond to occasional unexpected outcomes. For most countries, data refer to 2012; for Chile, Greece, Israel, Lithuania, New Zealand, Slovenia and Turkey, data refer to 2015. The OECD average is population weighted.
Source*:* OECD Programme for the International Assessment of Adult Competencies (PIAAC), 2012, 2015.

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Skills training can be particularly beneficial during temporary economic downturns such as the COVID-19 shock, as furloughed workers are not giving up work to participate, and the training can help workers to move to activities with stronger prospects (Card, Kluve and Weber, 2017[28]). As a priority to improve access to training, Greece could provide workers with personal training accounts, drawing on elements of the training accounts developed in countries including France, Italy, the municipality of Vienna, and Singapore (OECD, 2019[114]; OECD, 2019[115]). Employers and employees would both contribute to the account. Currently employers must contribute 0.24% of salary costs to a training fund if they do not provide training and this could contribute to the account. Tax credits could encourage contributions above the required minimum. The government may top up these accounts for priority groups, such as registered jobseekers or social transfer recipients, those with little formal education, with disabilities or other characteristics that make finding work harder, or those working in sectors undergoing significant structural change.

To encourage employers to support their workers' training, the employer may be able to fund trainings with their workers' training funds. To enable adults to undertake longer, more rewarding training programmes the government could offer to 'credit' workers' training accounts, that workers repay through future income (Card, Kluve and Weber, 2017[28]; Levy Yeyati, Montané and Sartorio, 2019[40]),. Greece could follow many other countries in providing statutory education and training leave, which can also help training to be seen as standard practice.

Alongside raising training capacity, raising skill levels will require boosting demand for life-long learning and skill training. Clear, accessible information about courses helps. Many countries, including Greece, have information campaigns that provide guidance on specific programmes that provide skills in high demand. More flexible delivery methods can help adults participate, such as flexible schedules and modular programmes. Drawing low-skill adults with little formal work experience into training is particularly challenging. More proactive outreach activities can bring results, such as Brussels' use of mobile information centres that go to these groups (OECD, 2019[105]).

Greece's large and growing older population present particular training challenges, as their skills depreciate as they spending time out of work, and as the nature of work changes. Other countries have found targeted interventions to be effective and Greece could draw on these. The Netherlands provides workers aged 45 or older with subsidised guidance on their current job and the skills that could improve their career opportunities. Australia is expanding a 'career transition assistance' programme which provides jobseekers aged over 45 with career and job seeking guidance and functional literacy training. To support employers upgrading existing workers' skills, the German public employment services covers 75% of the cost of training workers aged 45 or older, and microenterprises receive 100% of the cost, which has contributed to extending working lives.

### Box 2.6. Building skills so the digital future benefits all

Take-up of digital technologies has grown rapidly in Greece over the past decade. Digital technologies can benefit all aspects of life. They boost firms' productivity, open markets and allow new firms to prosper. For workers, this means new opportunities and better pay and working conditions. Digital technologies can improve how the state interacts with its citizens by making public services, from healthcare to administrative tasks, more accessible, more responsive and more transparent, and digitalisation is central to the government's public sector improvement plans. To realise the potential of digital technologies, Greece also needs to raise its population's digital skills to the levels in other OECD countries (Figure 2.30).

Skills for digital technologies are built on a sound foundation of literacy, numeracy and problem solving, rather than particular technical training. Digitisation gives greater weight to 'soft' skills, such as communication and adaptation to new circumstances and situations. These foundation skills are usually laid in the early years of school. Schools can provide students with greater confidence in digital environments by integrating digital education and access to technologies into curriculum, although fewer school students in Greece have access to these technologies than in other OECD countries.

New and changing technologies underline the importance of life-long learning. For adults, digital skills can be built by ensuring that learning programmes include use of digital tools. Training, especially in digital technology-related fields, can help overcome weak foundation skills, particularly among low skill or less educated adults. Digital skills are best built as an integrated part of course content, rather than through specific courses. They are strengthened through use, especially problem solving in technology-rich environments.

To raise digital skills, Greece's government prepared a National Digital Strategy 2016-21, which builds on skills assessment and anticipation exercises. It revised this strategy in 2019, drawing on the EU's Digital Economy and Society Index, and may benefit from further engaging with Europe-wide initiatives, such as the Grand Coalition for Digital Jobs, which supports collaboration among businesses, education providers, and public and private actors to increase the number of training programmes and making the most of the job opportunities offered by digitisation.

Sources: (OECD, 2019[116]) (OECD, 2019[117]) (OECD, 2019[118]) (Andrews, Nicoletti and Timiliotis, 2018[119]) (Sorbe et al., 2019[120]) (Gal et al., 2019[121])

## Policy recommendations for a more inclusive and better performing labour market

| MAIN POLICY FINDINGS | RECOMMENDATIONS (Key recommendations in bold) |
|---|---|
| **Social protection** | |
| The COVID-19 pandemic presents an exceptional exogenous shock that sets back Greece's recovery. The government has responded swiftly with temporary measures to support households' incomes and firms' liquidity. The COVID-19 crisis adds to the need of improving the efficient reallocation of resources to boost productivity and ensure a durable recovery. | **Extend exceptional fiscal support measures as needed based on epidemiological and economic developments while ensuring they do not hinder the reallocation of resources towards firms and sectors with better growth prospects.**<br>Depending on epidemiological developments, extend the new short-time work scheme to provide temporary support for incomes and employment in sectors suffering drops in demand. |
| The Guaranteed Minimum Income and other social protection reforms are reducing the depth of poverty but poverty rates remain high, including for those in work. | **Increase Guaranteed Minimum Income transfers, taper them more gradually and introduce in-work benefits for low-wage workers.**<br>Align equivalence scales across social transfer programmes by raising the Guaranteed Minimum Income equivalence factor applied to children.<br>Ensure that Guaranteed Minimum Income programme participants are required to actively engage in active labour market programmes and to accept jobs. |
| Caregivers and families receive little support as family policies are underdeveloped, and facilities for child and elderly care do not cover current needs. Caregiving obligations impede many from working, contributing to low fertility rates. | **Boost policies to support families, prioritising expanded access to quality care for children and the elderly.**<br>Develop in-home support for elderly care.<br>Reallocate the EUR 2 000 birth grant to ongoing family and care support policies. |
| **Active labour market policies** | |
| The COVID-19 shock has abruptly halted hiring and employment growth, which had been rising since 2016, while the number of discouraged job-seekers has soared. Job-search and training programmes provide little support for re-skilling and matching jobseekers with jobs. The public employment service suffers from long-standing under-resourcing and high demands. Skill mismatches are pervasive and employers often cannot find workers with the skills they need. | **Employ more specialised counsellors and profiling tools in public employment services to significantly improve job-search and training support, linking them better with private job-search agencies.**<br>Develop a voucher system that allows jobseekers to select their preferred intermediary for active labour market policies, including private-sector employment services. |
| **Tax and social contribution system** | |
| High taxes and social insurance contributions stifle employment and discourage formalization, especially for low-income workers and vulnerable groups. Some recent policy changes may widen differences in effective tax rates between employment types. | **Reduce social insurance contribution rates, especially at low incomes, while aligning taxation across employment types.** |
| **Wage-setting processes** | |
| Sectoral collective agreements are regaining importance in Greece's wage-setting system. Late 2019s reforms aim to make the system less rigid and centralised but they remain untested. Support for social partners to negotiate workplace agreements is limited, especially in small workplaces. | Strengthen the capacity of wage negotiation mediators to support workplaces in adopting sectoral collective agreements. Strengthen the integrity and access to detailed labour force data, to inform wage negotiations and sectoral collective agreement extensions.<br>Ensure firms in financial distress can apply the opt-out clauses from sectoral collective agreement in a timely manner. |
| In 2019 Greece increased the minimum wage by 11%, the first increase since the cut in 2012. It ended the sub-minimum wage for under-25 year olds, despite continued very high youth unemployment. These changes went beyond the recommendations of an experts committee. | Appoint the minimum wage experts committee members through an apolitical process for fixed, staggered terms, and require the government to explain differences between its decisions and the committee's recommendations.<br>Consider introducing a sub-minimum wage linked to experience rather than to age. |
| **Education, training and skill development** | |
| Education is highly valued in Greece, but many secondary school students lack basic skills. Schools need to provide students with solid literacy and numeracy skills and competences aligned with labour market needs. Reforms are moving towards developing schools' autonomy and quality assurance but teachers still lack opportunities to raise their skills or recognition for their performance. | **Progressively move the teacher workforce onto longer-term contracts that support and reward performance and avoid the rigidity of the existing permanent contracts.** |
| Participation in early childhood education in Greece lags other countries. The government is extending compulsory pre-school education, but inadequate facilities is delaying the roll-out. | Roll-out compulsory pre-school for 4 year olds and expand access for younger children. |
| Greece has merged technical institutes and universities, but the new institutions have limited autonomy over their budget, structure and operations, curtailing their ability to improve teaching outcomes. | Provide broader management autonomy to tertiary education institutions. |
| Demographic changes will reduce the number of students, while many adults, especially groups traditionally excluded from the labour force, need to upgrade their skills to meet the changing labour market. Participation in lifelong learning is low and the quality of private providers is patchy. | Encourage tertiary education institutions to develop courses adapted to mature-age students' professional needs and practical circumstances.<br>Improve quality assessment and certification of adult learning courses. |

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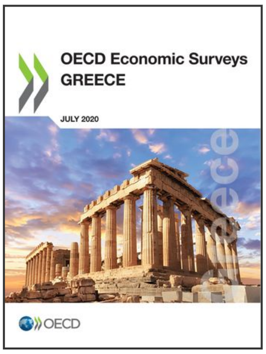


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