



# **THE IMPACT OF ANTI-CRISIS MEASURES AND THE SOCIAL AND EMPLOYMENT SITUATION: GREECE**

STUDY



*European Economic and Social Committee*

# THE IMPACT OF ANTI-CRISIS MEASURES, AND THE SOCIAL AND EMPLOYMENT SITUATION

## GREECE

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### SUMMARY

The wide ranging anti-crisis measures implemented in Greece, among others, include measures that affect employment and the country's social situation. Such measures focus on lay-offs, freezes and cuts in wages, pensions and cuts in overall public spending as well as heavy taxation, privatisation and structural reforms including radical labour market restructuring. In the 20 months of the programme's implementation, Greece managed to trim down its public deficit by more than 5 percentage points of GDP. Nonetheless, the government failed to address effectively structural flaws and imbalances that affect the Greek economy including tax evasion. Thus the social and economic impact of the measures came to be unevenly and severely felt by workers, pensioners and the honest tax-paying citizens.

The present study aims to provide a succinct but comprehensive account that will allow a better understanding of the economic and social impact of the measures implemented in Greece. To this end, the study takes stock of the hitherto implementation of the programme to elucidate its multiple impact on fundamental social and employment issues. Alongside economic measures and their outcome, the extensive measures of labour market restructuring are reviewed and their wide ranging effects assessed. Issues of social exclusion, inequality, poverty, social protection are discussed. The state of play as regards social dialogue in the current situation is also examined. A question central to the study is whether—and to what extent—the particular economic adjustment policy which is unfolding in Greece has been adequate in addressing the problems it meant to resolve. The focus of the study rests on the Greek reality.<sup>2</sup>

A brief background of the pre-crisis Greek economy until the country's submission into the conditionality of the loan mechanism provides an introduction to the central theme. (Section 1). A proper assessment of the social and economic impact of the anti-crisis measures implemented in Greece requires firstly an insight into the rationale that has historically shaped such programmes of economic adjustment (EAP) which prescribe the measures under scrutiny. Secondly, the multiple direct and spill-over effects of the measures cannot be appraised without evaluating the overall effect the measures had on the country's economy. Section 2 attempts to elucidate these two interrelated aspects by discussing the IMF outlook that frames the EAP (2.1) and by providing an overview of the programme's actual 20-month implementation with data that illustrate its negative impact on the economy.

The implementation record of the EAP so far shows that the medicine may have been worse than the disease as every key indicator of the economy is found to have deteriorated. Greece in fact, appears trapped in a vicious circle where austerity generates recession, followed by more austerity, new taxes and deeper recession that strangles prospects of economic growth, stifles job creation and tests social cohesion. In this light, Sections 3 and 4 provide a detailed overview of the specific anti-crisis measures with relevance to employment and the social situation. The measures include economic measures as well as measures of structural reform that chiefly aim to achieve fiscal consolidation and internal devaluation—prescribed as a cure for Greece's deficient competitiveness.

In an economic context of recession, the study finds that the anti-crisis measures implemented in Greece have direct and spill-over effects that harmfully affect employment with negative repercussions on the social situation. At the same time an adverse institutional landscape emerges for labour relations, workers and trade unions. The nature of the measures, their scope and intensity in conjunction with the adverse economic outcomes of the EAP and its defective implementation

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<sup>2</sup> Issues related to problems of the international financial architecture that relate to the crisis in Greece do not fall within the scope of this short study.

explain the uneven distribution of the austerity burden in Greece. Endemic flaws of governance that prevent effectively addressing tax evasion are also relevant (5.1). The impact of the measures (Section 5) is interrelated and raises serious concerns as regards the high unemployment rate, the economic disempowerment of workers and ordinary households, social marginalisation and poverty as well as the institutional disempowerment that results from legislation uprooting labour market institutions.

Measures of such magnitude and their adverse effects inevitably test the limits of social cohesion when it is most needed. While social dialogue is the tested instrument to safeguard social cohesion, in the case of Greece both appear to be bypassed by creditors and legislators alike. Section 6 reviews the current state of play in Greece and attempts to explain how social dialogue would have been helpful before the adoption of the measures and during their implementation. The suggestion is made that finding a meaningful space for social dialogue which builds upon the country's social partnership tradition to seek mutually acceptable solutions should be a priority, and not a detail, in such times of extreme duress.

## 1. INTRODUCTION

Between 2001–2007, the Greek economy, after the Irish, was the fastest growing eurozone economy with an average GDP growth of 3.6% between 1994–2008.<sup>3</sup> Nonetheless, throughout these years of consecutive growth, the country's endemic macroeconomic imbalances and structural flaws were exacerbated by weaknesses in the political system. Greece's net national saving rate steeply declined between 1974–2009 by about 32 percentage points fuelling the current account deficit and the build-up of a chronically high foreign debt (EEAG 2011).<sup>4</sup> Public overspending combined with failure to ensure adequate revenue resulted in accumulating public debt.

Greece somehow got through the global financial crisis of 2008 but went into recession in 2009 with its economy defenceless against the pressure of financial markets. At the onset of the current severe sovereign debt crisis, Greece's budget deficit stood at 13.6%<sup>5</sup> and its external debt at 127 % of the GDP<sup>6</sup> following upward revisions by Eurostat for 2006-2009 with significant effects on 2010 estimates and the 2011 budget. Yet, in 2009 the Greek economy was not in a unique position in the EU as the euro area was already criticized for hosting serious demand imbalances that exacerbated divergences and accentuated the gap between the mounting deficits in Greece, Portugal, Spain and Malta, and the growing surpluses in other countries, notably Germany and the Netherlands (Featherstone 2011).

To address the serious financing gap that resulted from its mounting sovereign debt and high current account deficit, Greece was the first among the European countries known by the acronym PIIGS to seek external assistance. To secure a EUR 110 bn. loan<sup>7</sup> by the IMF, the EU and the ECB<sup>8</sup>, Greece in May 2010 concluded a three year Memorandum of Economic and Financial Policies (MEFP) undertaking to implement an economic adjustment programme, henceforth AEP, against strict deadline benchmarking and subject to periodic revision. A conditionality<sup>9</sup> clause, committed the Greek government to implement successive rounds of strict austerity and structural reform to ensure the release of the loan instalments.

## 2. A POLICY OF ECONOMIC ADJUSTMENT

### 2.1. Rationale

The effects of the anti-crisis policy on employment and society cannot be properly assessed without an appraisal of the ideas that frame this policy and the results of its implementation so far. The EAP implemented in Greece mirrors the rationale of the IMF Structural Adjustment Programmes (SAP) applied in Third World countries during the debt crisis in the 1980s or the Asian tigers crisis in the 1990s. The novelty in the Greek case is that the programme for the first time is implemented in a Eurozone country jointly with the EU. From their inception in 1980, the twin rationale of the IMF loans was to preserve growth and ease balance of payments adjustment by achieving macroeconomic stabilisation particularly fiscal consolidation and inflation stabilisation, with exchange rate devaluation playing a key role overall (Easterly 2002). In the case of Greece, correcting fiscal and external imbalances and restoring confidence under a specific conditionality are declared as explicit objectives that "require a major reorientation in the economy" where real GDP growth is expected to be low.<sup>10</sup>

The EAP implemented in Greece seeks to achieve fiscal consolidation through austerity with radical cuts in government expenditure and longer-term structural measures such as tax reform with a view to curb the budget deficit and increase state revenue. True to the long standing IMF formula, the EAP stresses export-led growth supported by currency depreciation, not possible in a eurozone country. Thus a policy of "internal devaluation"/deflation is forced upon Greece to boost competitiveness and exports regardless of the failure record of this approach, the recession it entails and its socio-political unfeasibility (Roubini 2011). This deflationary policy signifies the depreciation

<sup>3</sup> IMF 2011 Report for Selected Countries and Subjects. *World Economic Outlook Database, April* Retrieved 14/12/2011.

<sup>4</sup> An in-depth analysis of the factors contributing to the Greek crisis is beyond the scope of this study. For a detailed discussion see also: Katsimi, M. and T. Moutos (2010), "EMU and the Greek Crisis: The Political-economy Perspective", *European Journal of Political Economy* 26, pp. 568–76.

<sup>5</sup> Revised from 12.7% by Eurostat later. See: Eurostat, News Release: Euroindicators, 55/2010, 22 April 2010.

<sup>6</sup> Eurostat, News Release: Euroindicators, 60/2011 - 26 April 2011.

<sup>7</sup> A total of EUR 80 billion to be disbursed over the period May 2010-June 2013 by the euro-area Member States with the IMF financing EUR 30 billion under a stand-by arrangement (SBA).

<sup>8</sup> Referred to as the "troika" hereafter; the term used to collectively denote Greece's creditor group.

<sup>9</sup> The staple macroeconomic "conditions" that the IMF requires from borrower countries.

<sup>10</sup> IMF. 2010. Greece: Request for Stand-By Arrangement; Country Report No. 10/110, May.

of labour and mainly relies on suppressing labour costs and deregulating/flexibilising the labour market by direct wage cuts as well as labour market restructuring measures.

The exit strategy imposed on Greece, under unprecedented pressure by financial markets, was presented as an extreme remedy that would save Greece from bankruptcy. The time frame and the volume of the frontloaded fiscal adjustment, the "cornerstone of the programme", required of Greece an unprecedented adjustment of 15.5% of GDP between 2010-2013.<sup>11</sup> Unattainable deadlines and unrealistic quantitative targets were set without weighing the specificities of the Greek economy and the country's socio-political context. The country's "reform capacity" (Featherstone 2011) was overlooked. The programme emphasised Greece's truly inflated public sector and the country's competitiveness gap as the main culprits of the fiscal deficit and debt. It also underestimated the weak productive capacity of the economy, the vast underground economy, tax evasion as well as the inadequate technological transformation or lack of innovation in industry.

## 2.2. Greece against the tide: living with recession

According to the EAP, Greece would have "to swim against the tide during adjustment".<sup>12</sup> The problems encountered during the 20 months of the programme's implementation prove such predictions to be at best understatements. The IMF's SAP philosophy has been strongly criticized for inducing reduced economic growth in loan receiving countries (Przeworski and Vreeland 2000, Hutchison 2003, Dreher 2005, 2008). The conditionality attached to loans has been similarly contested (Feldstein 1998, IFIAC 2000). Essentially of contractionary and recessionary nature, the policy implemented in Greece confirms that the medicine may be doing "more harm than good" (Bordo and Schwartz 2000:158) by "turning slowdowns into recessions and recessions into depressions" (Stiglitz 2000:12).

The programme, in fact, has trapped Greece in a vicious circle where austerity generates recession, followed by more austerity, new taxes and deeper recession that strangles prospects of economic growth, stifles job creation and tests social cohesion. The shock therapy has failed so far on all its goals. It did not put Greece's finances on a sustainable route or stabilise the Eurozone. It has damaged every indicator of the economy at huge human and social cost (see Appendix A.)

In December 2011, the IMF Fifth Review<sup>13</sup> confirmed the sharp downturn of the economy and recorded failure on critical targets. Swamped in recession the economy shrank by 7.3% in the second quarter of 2011 exceeding all projections.<sup>14</sup> Growth is expected to remain below the pre-crisis average for an extended period of time and the growth forecast is revised downwards to -5½ to 6% in 2011 and a further -2¼ to 3% in 2012.<sup>15</sup> Public debt is forecast to peak at 187% in 2013 and fall to 152% of GDP by 2020, raising concerns about the sustainability of the debt. The GDP saw a dramatic decline of 10.2%, the largest in the post-war period<sup>16</sup> and was revised downwards from the initial 7% forecast. As the recession deepened, the fiscal position took a turn for the worse during 2011. Lack of liquidity and funding stalled investment and severely affected domestic demand that sharply plunged to -16.4% between 2009-2011.<sup>17</sup> While private sector balance sheets remain under pressure, small and medium sized enterprises, the backbone of the economy, are pushed to bankruptcy triggering further unemployment. 68 000 SMEs were driven out of the market from 2010 to 2011 while imminent closure is expected for 53,000 shortly.<sup>18</sup> The industrial production index declined by -8.2% (January 2011–November 2011) as compared to -6.0% in 2010.<sup>19</sup> The IMF review also notes that pressures on the banking system have multiplied with deposit losses stepping up and banks' private loan books further deteriorating.<sup>20</sup>

As the economic situation in Greece took a turn for the worse, difficulties in implementation mounted, revenues fell significantly short of plans and some expenditure categories overshoot the proposed budgetary ceiling.<sup>21</sup> By June 2011, it became evident that the contraction of the economy was greater than projected. A Medium-Term Fiscal Strategy plan for 2012-2015 (MTFS) introduced additional draconian additional measures. The overly ambitious goal of the MTFS is to accrue EUR 26bn worth of savings with EUR 50bn coming in from privatisations by 2015 and bring the country's public deficit below 3% of GDP by 2014.

<sup>11</sup> Fiscal policy is frontloaded with measures of 7½% of GDP in 2010, 4% of GDP in 2011, and 2% of GDP in 2012 and 2013 (IMF 2010)

<sup>12</sup> European Commission. 2010. The Economic Adjustment Programme for Greece. *European Economy. Occasional Papers*. 61. pp. 93. Brussels. May, pp. 12/90, 40/90

<sup>13</sup> IMF. 2011. Greece: Fifth Review Under the Stand-By Arrangement IMF Country Report No. 11/351, December

<sup>14</sup> EL.STAT (Hellenic Statistical Authority), September 2011.

<sup>15</sup> IMF 2011. Op. cit. p. 11.

<sup>16</sup> INE/GSEE (Labour Institute of the Greek General Confederation of Labour). 2011. *Annual Report on Greek Economy and Employment*, September, Athens

<sup>17</sup> Ibid.

<sup>18</sup> Confederation of Hellenic Commerce (ESEE). 2011. *Commerce Survival Survey*, December.

<sup>19</sup> EL.STAT (Hellenic Statistical Authority), 9 January 2012

<sup>20</sup> IMF 2011. Op. cit. p. 6.

<sup>21</sup> European Commission, COM(2011) 705 final. Brussels, 26.10.2011, p. 5

To conclude this section, as the first twenty months of the implementation of EAP indicate the policy mix applied in Greece has not addressed the problems it was meant to resolve. On the contrary it has limited seriously the country's recovery prospects. This adverse economic landscape that emerged after 20 months of EAP has had, among others, a negative impact most intensely felt in the areas of employment and in the social situation.

### 3. PAYING FOR THE CRISIS: FISCAL CONSOLIDATION AND INTERNAL DEVALUATION

As the economy is increasingly adjusting through recession and "related wage-price channels", fiscal policy has struggled to keep up with recessionary pressures.<sup>22</sup> In this light, multiple measures of fiscal consolidation and internal devaluation were proposed and implemented. These measures are enumerated in detail in the MTF5 as well as in IMF and Commission reviews and reports<sup>23</sup>. Measures of austerity that relate to the purposes of this study can be distinguished in two groups: a) measures aiming to trim down public spending and b) those designed to increase the state's revenues. A third group of measures with impact on employment and on society encompasses policies that entail massive restructuration of the labour market and its sustaining institutions as a prerequisite of competitiveness in the context of internal devaluation. These measures are discussed separately in Section 4.

#### 3.1 Austerity and taxation

a) The first group of austerity measures primarily aims at a radical wage and pension reduction. The MTF5 2011-2014 explicitly aims to bring the public wage bill down from 13%. This is effected by consecutive cuts in salaries, bonuses and in overtime pay in the public sector; wage freeze for workers the public and wider public sector, cuts in both public and private sector pensions, temporary freeze of automatic progression; the implementation of a new remuneration grid; the introduction of part-time public sector employment and unpaid leave as well as and a cut in the productivity allowance by 50 percent. A controversial plan is under way to transfer "surplus" employees to a "labour reserve" at 60% of their pay for one year before re-appointment or dismissal subject to re-evaluation. The retrenchment in public employment is effected by suspending new hirings and a gradual reduction of short-term contracts to %50 in 2010.

The saving measures also encompass substantial cuts in the state's operational budget including ministry budgets and other government entities; local government and social security organisations. Public investment was radically cut down. Public utility companies are to be restructured/downsized or closed alongside a plan of massive "express" privatisation. Notably, sizeable cuts in public spending affect directly welfare provision and social protection. Cuts in social benefits, in healthcare and pharmaceutical expenditure are considerable.

b) On the revenue side, the second group of measures concentrates heavily on direct and indirect taxation<sup>24</sup> in a scale unprecedented for the country. These include increases in property taxes with a particularly controversial tax to be levied from electricity bills and to be enforced by cutting the power supply of those who do not comply. The tax-free threshold was reduced substantially to EUR 8 000 and a progressive solidarity contribution was imposed on citizens. Presumptive taxation levels were raised and levies were imposed on the self-employed. Sizeable excises were imposed on soft drinks alcohol, tobacco and on natural and liquefied gas. The tax advantage for heating oil was abolished and the vehicles tax was raised. A progressive taxation scale on was imposed on inheritances/bequests and a special crisis levy on profitable firms.

### 4. STRUCTURAL REFORM: DECONSTRUCTING LABOUR RELATIONS

Wide ranging labour market reforms expressly requested by Greece's creditors were undertaken with a view to further flexibilise the labour market and close the competitiveness gap. These form an integral part of the conditionality attached to the financial aid given to Greece. Their impact is twofold: economic as, among others, they concern wage setting as well as institutional. Over the last 20 months more than 100 legal provisions spreading over a series of laws, were enacted to effect far reaching structural adjustment in the labour market.<sup>25</sup> The overall objectives of this body of permanent legislation are:

<sup>22</sup> IMF 2011. Op. cit. p. 1

<sup>23</sup> European Commission. 2011. Fourth Review; Spring.

<sup>24</sup> By at least EUR 2017 million in 2011, and additional EUR 3 678 million in 2012, EUR 156 million in 2013 and EUR 685 million in 2014.

<sup>25</sup> A detailed inventory of state intervention and its impact on industrial relations has been exhaustively elaborated in successive complaints submitted by the Greek General Confederation of Labour G.S.E.E. to ILO.

- To drastically alter the national institutional framework that hitherto served to configure universal protective minimum terms of work via free collective negotiations and binding collective agreements.
- Interfere by legislation unilaterally to alter the equilibrium in labour relations by promoting a fragmented labour market model that favours individualised contracts.
- To substantially reduce wages, squeeze labour costs in the private sector, and reinforce wage flexibility at the firm-level unilaterally by legislation
- To significantly diminish the role of trade unions and reinforce the managerial prerogative with a view to promote flexibility while regulating labour relations.

These measures, among others, introduce statutory limitations on collective agreements and interfere with the determination of wages and terms of work through free collective bargaining. They also reverse the collective agreement hierarchy by allowing deviation from their terms. The National General Collective Labour Agreement and the minimum wage it sets is under persistent attack by the Troika. It has already been infringed by legislation that introduced sub-minima for groups at risk: the young and long term unemployed. In public utility enterprises drastic pay cuts are imposed by law, collective agreements are abolished and collective bargaining explicitly prohibited from setting pay increases. Remuneration for work in excess of statutory working hours (overtime work, working time arrangements) was universally and unilaterally reduced.

Dismissals were made easier and cheaper for employers by simultaneously raising the threshold for collective dismissal and reducing severance pay through shorter notice periods. Further flexibilisation is effected by provisions that enable employers to unilaterally or by the workers consent convert full-time work contracts to part-time and rotation contracts. The institutions of mediation and arbitration were "reformed" by restricting their competence range to ruling only on basic salary/daily wage matters.

A recent law (4024/2011) among others, includes provisions that suspend sectoral collective agreements and abolish the fundamental protective principle of favourability. They also preclude any prevalence of firm-level contracts over sectoral collective agreements when these are less favourable. The new legislation eliminates the extension of the scope of collective labour agreements and abolishes collective labour agreements in public utility enterprises to implement a uniform pay scale. Another highly questionable measure is the imposition of the so-called process of "labour reserve" that initiates concealed collective dismissals of thousands of workers in the public and the broader public sector.

The same law also overtly interferes in the structure and the operation of trade unions and contravenes the right of workers to collective representation vis-à-vis their employers by persons they freely and democratically elect. This essentially anti-union legislation extends the right to negotiate and conclude enterprise-level agreements to non-elected "associations of persons". Towards these associations, the employer is relieved of any obligation he has towards a trade union organisation, while the representatives of such formations do not have a permanent mandate to represent workers on all collective issues of work and are deprived of any trade union protection that lawful representatives of workers are entitled to.

## 5. THE MULTIPLE IMPACT OF THE ANTI-CRISIS POLICY ON EMPLOYMENT AND SOCIETY

### 5.1 An uneven burden

The crisis and the anti-crisis policy implemented in Greece has direct and spill-over effects that harmfully affect employment as well as the social situation. At the same time an adverse institutional landscape emerges for labour relations workers and trade unions. The negative impact of the EAP and its devastating economic outcome combined with the nature and the scope of the anti-crisis measures discussed so far raises serious concerns.

The impact is unevenly felt by workers, pensioners and by the law-abiding Greek taxpayers and their families. The uneven distribution of the economic and social cost of the anti-crisis measures is, among others, due to the inability of the government to address chronic structural flows of governance such as tax evasion, one of the many problems ensuing from a political system burdened by clientelism, rent-seeking and corruption (Mitsopoulos and Pelagidis 2006, 2010). Other characteristics include weakness in intra-governmental coordination, in efficiency and resource allocation as well as poor coordination and control in government, weak control of public expenditure and bureaucratic rigidities (Featherstone 2011). Such flaws have proved lethal in the context of the anti-crisis policy and its deadlines. They have been instrumental in the inequitable allocation of the austerity burden: each time the government could not attain demanding fiscal targets it resorted to wage and pension cuts combined with heavy taxation instead of effectively combating tax evasion.

Additionally, the anti-crisis measures were enforced upon existing endemic shortcomings of the economy and particularly upon a segmented labour market characterized by low job growth, wage

inequalities and other disparities, substantial undeclared labour, deficient inspection mechanisms, high rates of unemployment among youth and women and precarity in migrant labour. These factors magnify the negative impact of the anti-crisis measures upon employment compounding already existing disparities. Thus in single year of the program's implementation, labour relations in Greece have seen a quantitative and qualitative regression of at least two decades.

## 5.2. Employment: A heavy price

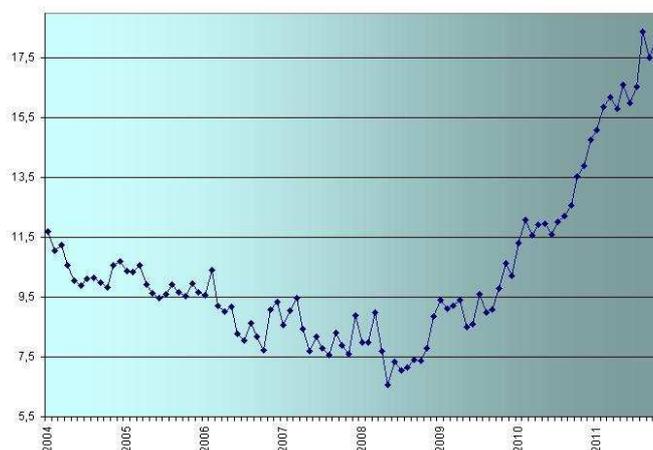
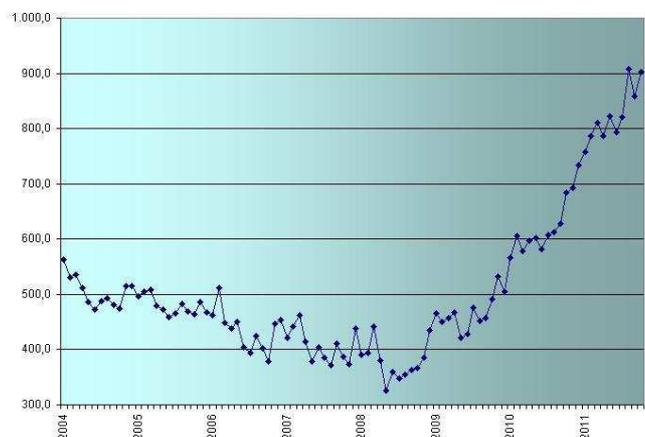


TABLE 2. — Unemployment Rate (source ELSTAT 2010)

Nothing better can attest to the deplorable social impact of the anti-crisis policy than the state of play in employment in a country that nearly one million persons are without a job. As the country struggles with recession, the rate of unemployment rocketed to unprecedented levels. The rate of unemployment rate in October 2011 was 18.2% compared to 13.5% in October 2010 while the number of employed amounted to 4 065 775 persons (TABLE 1,2). The number of unemployed amounted to 903 525 and the number of inactive persons to 4 382 356.<sup>26</sup> Meanwhile real unemployment is estimated to be at 22%–23%.<sup>27</sup>

The Greek labour force, which totals approximately 5 million, works the second highest number of hours per year on average among OECD countries, after South Korea. Yet, Greece is actually pushed back to the levels of the 1960s. For the first time in the post-war period Greece faces the phenomenon known as an employment crash: the number of the economically inactive exceeds that of the economically active population. The rate of unemployment has doubled in the 3-year period between 2009–2011 registering a 95% increase in the number of the unemployed between March 2008–March 2011.<sup>28</sup> Of particular concern are the levels of youth unemployment that stand at 45.5 % with one out of two young people unemployed. Among women, the historically high rate of 21.3% compares to the male unemployment rate of 15.9%<sup>29</sup> indicating that austerity has also widened the gender inequalities. Additionally the figure of nearly 1 million unemployed will cause a severe drain on social security resources amounting to EUR 5 billion.

## 5.3 Economic disempowerment, poverty and social marginalisation

The severe unemployment rates are coupled with loss of income. The deep wage and pension cuts combined with relentless taxation dramatically shrink household income, erode purchasing power and marginalise huge segments of society. Between May 2010 and May 2011, wages in the public sector and the broader public sector decreased by 15% and 30% respectively. Nominal pensions in the public and private sectors decreased by 10%. The doubling of the unemployment rate during 2009–2011 in conjunction with the administrative reduction in public sector wages caused a reduction in real wages of 11.5% in the total of economy and of 9.2% in the private sector during 2010–2011. At the same time, mounting indirect taxes fuel inflation, which increased by 3.4 percentage points in 2010 and further squeeze the purchasing power of wages and pensions.<sup>30</sup>

This situation beyond widening existing inequalities is raising serious concern about the danger of poverty and household destitution. Recent research shows how the increase in taxation, combined with public sector wage cuts and income restriction in the private sector adversely affect poverty rates and inequality levels pushing the 2010 income levels of 5% of the population below the 2009 poverty line on top of the 20% of Greeks who were already poor (Matsaganis and Leventi 2011).

<sup>26</sup> EL.STAT 2012 (Hellenic Statistical Authority), October 2011 Labour Force Survey, January

<sup>27</sup> INE/GSEE. Op.cit.

<sup>28</sup> Ibid.

<sup>29</sup> EL.STAT . 2012. Op.cit.

<sup>30</sup> INE/GSEE. Op.cit.

Indebted households face bankruptcy while the inability to pay back loans can lead many of them to losing their property rights. Along with poverty, homelessness and crime rates are accelerating rapidly.

At the same time, social protection is considerably weakened following the sizeable cuts in all kinds of welfare spending, in education and in health services. The quality of social goods and services is eroding. It should also be noted that the anti-crisis measures are devoid of effective safeguards that could protect average living standards and help vulnerable groups to address the dire impact of the economic austerity measures.

The rapidly receding standard of living in 2010-2011 and the ensuing dangers of social marginalisation are not currently accompanied by prospects of improvement and recovery. From a social point of view, Greece has entered a long period that increasingly sees the standard of living of the middle-class downgraded and a considerable segment of economically vulnerable social groups marginalised through the poverty.<sup>31</sup>

#### 5.4 Institutional disempowerment and labour relations

The decline in workers' standard of living is coupled with the evolving deconstruction of the labour institutions. Workers are also institutionally disempowered by the loss of crucial social and trade union rights resulting from drastic structural labour market adjustment. The legislation on structural reform, outlined in section 4, introduces permanent, unilateral, disproportionate and socially unfair measures that irreversibly dismantle a working system of industrial relations, which for decades had served the social partners to set minimum standards of work for all workers through collective agreements.

The weakening of labour protection by legislation is generating widespread precariousness and insecurity in the labour market. Under conditions of severe recession and unemployment, job seekers are more vulnerable and conducive to accept sub-standard jobs, or/and extreme flexible work arrangements. Recent statistical data by the Greek Labour Inspectorate<sup>32</sup> revealed that such negative trends took hold in the labour market in 2011 leading to an overall drop in wages of 38%:

- new jobs are reduced by 4% in relation to 2010 while full time work had been reduced by 22%;
- part-time work increased by 5%; employers seemed to favour four hours of work per day for an average pay of EUR 460 per month.
- rotation increased by 12%; employers seemed to prefer a three-day week (40% working time) remunerated at EUR 440;
- rotation work introduced in agreement with the parties increased by 430%;
- rotation work introduced unilaterally by the employer had increased by 4 000% (i.e., was 40 times higher than in 2010)
- the cases where workers already in a job had their working arrangements changed, had increased by 110%;

The corpus of the legislation for structural reform, in spirit and effect, contests the very concept of collective bargaining and collective democratic representation. It downgrades collective negotiations and negate the essence of trade unionism rendering trade union organisations potentially useless. Collective labour agreements currently cover some 75% of workers in the private sector. They constitute the backbone of labour relations in Greece. The new laws will ease their annihilation and also lead to the demise of sectoral unions that are fundamental to the trade union structure in Greece – and elsewhere.

These extensive restrictions imposed on the collective autonomy and the freedom of association contradict the fundamental principle of the European legal order that establishes the "social acquis" and violate core labour ILO conventions.

Finally the Greek Ombudsman reports a constant dramatic increase of complaints concerning unfair dismissals due to pregnancy or maternity leave and sexual harassment since May 2008. Women, especially pregnant women and mothers, were very much affected by the legislative measures promoting flexibility in the labour market,<sup>33</sup> mainly those enabling employers to unilaterally convert full-time contracts into rotation contracts.

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<sup>31</sup> Ibid.

<sup>32</sup> Press release of the National Labour Inspectorate Body (SEPE) "Developments in Employment Relationships during the 1<sup>st</sup> nine-month period of 2011

<sup>33</sup> International Labour Organization, (ILO) 2011

## 6. SOCIAL DIALOGUE: A WAY FORWARD?

Under the regime of surveillance and conditionality of the EAP, all measures are summarily incorporated into the Greek legislation.<sup>34</sup> They are implemented without effective social dialogue regardless of their social and political implications. Foregone decisions are dictated by the Troika committing the Greek Government to implement predetermined measures that harm irreversibly wide groups of citizens and test social cohesion. The forced pace of the measures and the narrow deadlines leave very little time for consultation.

Social dialogue before the adoption of measures remains hitherto utopic and pretextual degenerating into a superficial informative process with the social partners and the Economic and Social Council of Greece (OKE). As a result, promoted measures are not founded on real data or experience but rather on the mechanistic transposition of a model that fails persistently on its own goals and provokes wide-spread resistance on the part of citizens.

It should be noted that the Government did not take any steps to meet the request of the Committee of Experts of the ILO<sup>35</sup> to proceed to frank social dialogue and evaluate the impact of the measures adopted. A mechanism for the collection of data on the impact of the measures simply does not exist. Moreover, the measures being of a permanent character cannot be periodically reassessed by the social partners in a concerted manner. The possibility to renegotiate some of the terms of the EAP via social partnership consensus would be of crucial importance in alleviating negative impact and social tension.

Nonetheless, social dialogue emerges as a significant collateral damage of the anti-crisis measures at a time it is most needed. Issues of social cohesion seem to be ignored by creditors, auditors and Greek legislators alike. All the social partner organisations and the Greek ESC OKE in their meetings with the High Level Mission of the ILO that visited Greece in September 2011 following the complaint of the Greek General Confederation of Labour, deplored the lack of proper dialogue and consultation in this difficult period.<sup>36</sup>

To conclude Greece had to effect fiscal and structural adjustment of an unprecedented scale within an unprecedented time frame and in a very challenging international context. As shown in this study, the effects of this undertaking have been hugely adverse for the economy. The impact has been particularly negative on the employment related issues and on the social situation. Social cohesion is put to test. More importantly, the EAP framework and philosophy inherently precludes the adoption of an alternative exit plan.

Under the current circumstances, only genuine processes of social dialogue could generate alternatives that require an essential redesigning of economic and social policies and adopting another growth model based on innovation and sustainability. In Greece the highest priorities for support would need to address employment, the labour relations system, and social justice in allocating the crisis costs. Finding a meaningful space for social dialogue which builds upon the traditions of the social partners to seek socially acceptable solutions remains a matter of urgency.

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<sup>34</sup> Starting with Law 3845/2010 voted in the Greek Parliament on 5 May 2010.

<sup>35</sup> International Labour Conference, 100th Session, 2011 Report of the Committee of Experts on the Application of Conventions and Recommendations, June.

<sup>36</sup> ILO Op.cit.

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## Appendix A.

<b>Table 3. GREECE: SELECTED ECONOMIC INDICATORS, 2001-2010</b> <sup>(8)</sup>											
(% change, unless otherwise indicated)											
DOMESTIC ECONOMY	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
GDP at constant prices of 2005	4.2	3.4	5.9	4.4	2.3	5.5	0.3	-0.2	-3.2	-3.5	
Total domestic demand (contribution)	4.6	4.9	6.3	2.7	1.2	7.5	3.3	0.4	-6.3	-6.5	
Private consumption	5.0	4.7	3.3	3.8	4.5	3.3	7.3	0.4	-1.3	-3.6	
Public consumption	0.7	7.2	0.9	5.3	1.1	3.3	6.7	2.1	8.4	-7.2	
Gross fixed capital formation	4.8	9.5	1.8	0.4	-6.3	20.4	5.4	-6.7	-15.2	-15.0	
Foreign balance (contribution)	-0.4	-1.4	0.4	7.1	1.1	-2.0	3.3	0.5	0.3	3.0	
Exports of goods and services	0.0	-8.4	2.9	17.3	2.5	3.1	6.9	0.3	-19.5	-4.2	
Imports of goods and services	1.2	-1.3	0.0	7.5	-1.5	8.2	14.6	3.3	-20.2	-7.2	
GDP deflator	3.1	3.4	3.9	2.9	1.9	2.5	3.5	4.7	2.8	1.7	
GDP at current prices (billion €)	14.6	15.6	17.4	18.5	19.0	20.8	22.8	23.9	23.1	22.7	
GDP at current prices	7.4	7.0	0.1	7.4	4.2	8.2	6.6	4.6	-0.5	-1.9	
CPI <sup>(1)</sup> (annual average)	3.4	3.6	3.5	2.9	3.5	3.2	2.9	4.2	1.2	4.7	
HICP <sup>(2)</sup> (annual average)	3.7	3.9	3.4	3.0	3.5	3.3	3.0	4.2	1.3	4.7	
Core inflation <sup>TM41</sup> (annual average)	3.3	3.4	3.1	3.1	3.3	2.2	2.7	2.9	2.4	2.7	
Labour Cost Index - Entire economy	2.7	12.2	6.7	4.3	-2.0	-1.4	3.3	4.5	0.3	0.3	
Unemployment (annual average rate)	10.8	10.3	9.7	10.5	9.9	8.9	8.3	7.6	9.5	12.5	
<i>Public finance (General Government)</i> <sup>5</sup>											
Total revenues	40.9	40.3	39.0	38.1	39.0	39.2	40.8	40.7	38.0	39.5	
Total expenditures	45.3	45.1	44.7	45.5	44.6	45.2	47.6	50.6	53.8	50.2	
Primary expenditures	38.8	39.5	39.8	40.7	39.9	40.5	42.8	45.5	48.7	44.4	
Overall balance	-4.4	-4.8	-5.7	-7.4	-5.6	-6.0	-6.8	-9.9	-15.8	-10.8	
Primary balance	2.0	0.7	0.7	2.6	1.0	1.3	2.0	4.8	10.6	5.0	
Gross debt	10.3	10.7	9.4	9.8	10.0	10.7	10.4	11.3	12.9	14.9	
<i>Balance of payments</i> <sup>4</sup>											
Current account balance	-	-	-	-	-	-	-	-	-	-	

	7.2	6.5	6.5	5.8	7.6	11.4	14.6	14.9	11.1	10.6
Trade balance	-	-	-	-	-	-	-	-	-	-
	8.5	7.6	6.5	5.4	6.3	9.6	11.2	11.6	7.8	6.6
Exports of goods and services	23.0	20.2	18.9	21.3	21.5	21.3	21.9	23.1	18.3	20.0
Imports of goods and services	31.5	27.8	25.3	26.6	27.8	30.9	33.1	34.7	26.1	26.7
Current transfers	2.6	2.4	2.2	2.0	2.1	1.6	1.7	1.2	1.6	1.1
Net income receipts	-	-	-	-	-	-	-	-	-	-
	1.4	1.3	2.3	2.4	2.9	3.5	4.2	4.6	3.9	4.1
Net international investment position	-	-	-	-	-	-	-	-	-	-
	45.6	48.7	58.9	67.0	77.3	85.3	96.3	76.9	86.2	99.4
<i>Interest rates and credit<sup>(4)</sup></i>										
Lending rate <sup>(6)</sup>	7.9	6.4	5.8	5.9	5.9	6.7	7.2	7.2	5.7	6.5
Credit to private sector <sup>(7)</sup>	24.7	17.4	20.4	19.8	21.2	21.1	21.5	15.9	14.2	10.0
<i>Exchange rates<sup>(4)</sup></i>										
Nominal effective exchange rate	1.7	2.3	5.0	1.7	-1.0	0.0	1.3	2.4	1.2	-2.8
Real effective exchange rate (CPI - base)	1.3	2.6	5.4	1.9	-0.1	0.8	1.6	2.5	1.6	-0.5



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Published by: "Visits and Publications" Unit  
EESC-2013-30-EN

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QE-31-12-350-EN-C  
ISBN 978-92-830-1993-0



doi:10.2864/24518