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Greek labour market reform and the agenda of the 2nd programme review

On the occasion of the formal inception of negotiations in the context of the 2nd programme review this week, the present note takes a close look at the main items on the agenda, placing particular attention to a new package of proposed reforms to align Greece's labour market institutions with best practices internationally and in Europe.

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Introduction

On the occasion of the formal inception of negotiations in the context of the 2nd programme review this week, the present note takes a close look at the main items on the agenda, placing particular attention to a new package of proposed reforms to align Greece's labour market institutions with best practices internationally and in Europe. As a reminder, Greece has committed to undertake a wide range of labour market reforms with a view to enhancing competitiveness and the growth potential of its economy. To this end, a consultation process was launched in July 2015 led by a group of eight independent experts. Their recommendations, published recently, are not binding but are understood to provide a good starting point for the upcoming negotiations in the context of the 2nd programme review. The so-called Expert Group agreed on a number of guiding principles in preparing their recommendations for the upcoming review of Greek labour market institutions. These include: alignment with the European Social Model and ILO-norms; subsidiarity to article 5 § 3 of the Treaty on the European Union; balance of power between social partners; growth orientation; inclusive labour markets; equal pay; reliability; specificity; and integrated approach. As to the scope and the general philosophy of the submitted recommendations, our understanding is that they depart significantly from the labour market reforms implemented in Greece since 2010, which have arguably placed too much emphasis on wage adjustment and too little on productivity enhancement. Indeed, as is noted in the Expert Group's report, these reforms were mainly driven by short-term considerations to facilitate an internal devaluation. The latter was primarily effected by direct interventions in wage setting, and by weakening the institutions of national and industry-wide collective bargaining. As a result, the earlier predominance of national and sectoral agreements was weakened significantly while firm-level bargaining became the dominant wage-setting mechanism. Although these reforms appear to have contributed to accelerated wage adjustments, they seem to have also had a number of unintended consequences, aggravating job losses and contributing to a substantial increase of poverty and income inequality. Although the Expert Group does not recommend a return to earlier practices (especially as regards the pre-crisis wage levels) there appears to be a unanimous view among contributing experts that additional reforms are needed to modernize the Greek labour market in line with European best practices. This requires representative social partners, institutional stability and links of collective bargaining and social dialogue with a growth strategy. Of a total number of 12 recommendations submitted by the Expert Group, there was a unanimous agreement on 8 recommendations (and on 1 partially). In the presentation of their recommendations, the group decided to follow the international best practice, allowing the majority to decide on the submitted report and adding diverging opinions in dissenting votes. In our view, some of the

recommendations on which there was no unanimity among contributing experts may prove out to be among the most controversial issues in the upcoming negotiations in the context of the 2nd programme review. These include, inter alia, the responsibility to decide on the level and the increases of the minimum wage, the efficacy of the youth minimum wage and the hierarchy of collective bargaining. All in all, the recommendations of the Expert Group are expected to be used as a valid platform for the upcoming negotiations. They may on one hand restrict the government's flexibility in the upcoming negotiations, but on the other hand they may act as a shield against too aggressive demands on behalf of the institutions.

Part I - 2nd programme review and labour market reform: background and key issues

Timely completion of 2nd review crucial for the near-term outlook

The 2nd review of the 3rd Economic Adjustment Programme for Greece is expected to commence in mid-October 2016 with the arrival of the heads of the EC/ECB/IMF/ESM mission to Greece. The swift completion of the 2nd review is of particular importance not only because it will unlock additional programme financing (€6.1bn) but also because it could trigger a number of positive developments for the domestic economy. As we have thoroughly analyzed in our September 28th Greece Macro Monitor¹, an inclusion of Greek marketable debt in the quantitative easing programme (PSPP) currently conducted by the Eurosystem is possible by early 2017, provided that the ECB Governing Council makes a positive assessment of the progress made in the analysis and reinforcement of the sustainability of Greek public debt and assuming no major delays in the completion of the 2nd programme review. Undoubtedly, PSPP purchases of Greek eligible securities could go a long way towards improving investor perceptions over the near-term outlook of the domestic economy and the long-term sustainability of public debt under the relief framework agreed at the Eurogroup meetings of May 9 and 24, 2016. Such purchases could facilitate a sharp compression of bond yield spreads, strong follow-up buying by private-sector investors, easier (and cheaper) access to wholesale funding markets for domestic banks and large non-financial corporations and increased inward direct investment due to reduced country risk. Under a positive scenario and barring any unforeseen circumstances, they could even allow the Hellenic Republic to re-access market funding before the end of 2017. For all these reasons, the government reportedly intends to conclude the 2nd programme review as early as November 7, when the next Eurogroup is scheduled to convene, and consequently open the discussion for debt relief with a view to have this issue settled by December 5, when the last Eurogroup of the year is due to take place. The 2nd review comprises 33 open items (Appendix), the most potentially difficult of which is labour market reform as it may turn out to be a friction point between Greece and its partners.

A short note on the scope and the effects of labour market reforms implemented in Greece since the outbreak of the crisis

Since 2012 a number of changes were introduced in the framework for the minimum wage setting and collective bargaining, with the intention to reduce wages in a short period of time and achieve internal devaluation within the Euroarea (EA). In broad lines, in the pre-crisis period, the minimum wage standards were set by the extended National General Collective Labour Agreement (EGSSE) at national level, covering all employees including the non-skilled workers who were not covered by a sectoral or other agreement. The state abstained from negotiations but gave the minimum wage its statutory character by providing an automatic erga omnes effect in the original legislation. In 2012 this system was abolished and the state became the competent authority for setting the minimum wage. This fundamental change brought about a number of other consequences that had a significant impact on wages and collective bargaining. Indicatively, according to the Hellenic Statistical Authority (ELSTAT, 2016) the index for wages (2012=100) fell from 116.2 in 2009 to 88.5 in 2015 suggesting an average decrease of gross wages of about 24%. Internal devaluation was thus indeed achieved but with grave side-effects such as the steep drop of purchasing power and increased levels of poverty and inequality.

Labour market reform: a key item in the 2nd review agenda

According to the Memorandum of Understanding (MoU; dated 19 August 2015) and in the context of enhancing competitiveness and growth, Greece committed to undertake a wide range of reforms in the labour market. More specifically, as stated in the compliance report that was issued in June 2016 (European Commission, Compliance Report, The Third Adjustment Programme for Greece, First Review, 9 June 2016), Greece must bring collective

¹ https://www.eurobank.gr/Uploads/Reports/GREECE_MACRO_Monitor_20160928.pdf

dismissal and industrial action frameworks and collective bargaining in line with EU best practices. To this end, a consultation process was launched in July 2015 led by a group of independent experts “to review a number of existing labour market frameworks, including collective dismissal, industrial action and collective bargaining, taking into account best practices internationally and in Europe”.

Expert Group recommendations on Greek labour market institutions: a good starting point for the upcoming negotiations

The recommendations of the Expert Group, issued recently, are not binding but, as the Commissioner for Employment, Marianne Thyssen reportedly stated, they constitute a good starting point for the upcoming negotiations in the context of the 2nd programme review. These negotiations are expected to be pretty difficult given the strong views of the parties involved on the labour reforms that Greece should adopt. On Thursday 13 October, the Minister of Labour George Katrougalos, presented to the Employment, Social Policy, Health and Consumer Affairs Council the position of the Greek side, which places the reinstatement of collective bargaining at the top of its priorities as it considers it a matter of respect to the European social model. Mr. Katrougalos also referred to the European Committee of Social Rights case law, according to which some of the existing measures violate the European Social Charter. On the other hand, the IMF pushes for further deregulation and argues against a possible reversal of hitherto labour market reforms as this would risk the potential gains for investment and job creation. In its Staff Concluding Statement of the 2016 Article IV Mission (September 2016) the Fund claims that “the reforms should be complemented with more ambitious efforts to implement ongoing reforms (...) with measures to bring Greece’s collective-dismissals and industrial-action frameworks in line with international best practices”. Consequently, in this framework of diametrically opposing views, if indeed the recommendations of the Experts Group are used as a platform for the negotiations, they may on one hand restrict the Greek government’s flexibility, but on the other hand they may act as a shield against too aggressive demands on behalf of the institutions.

In the following section, we discuss the underlying principles, scope and philosophy of the Expert Group recommendations, with an aim to gain a deeper understanding of the issues at hand and the way they may affect the forthcoming 2nd programme review.

Part II - Expert Group recommendations on Greek labour market institutions: underlying principles, scope & philosophy

The Expert Group agreed on a number of guiding principles in preparing their recommendations for the upcoming review of Greek labour market institutions. These include: alignment with the European Social Model and ILO-norms; subsidiarity to article 5 § 3 of the Treaty on the European Union; balance of power between social partners; growth orientation; inclusive labour markets; equal pay; reliability; specificity; and integrated approach.² As to the scope and the general philosophy of the presented recommendations, our understanding is that these depart significantly from the labour market interventions introduced in Greece since 2010, which are understood to have placed too much emphasis on wage adjustment and too little on productivity-enhancing reforms. Indeed, as is noted in the Expert Group’s report, these reforms were mainly driven by short-term considerations to facilitate an internal devaluation. The latter was primarily effected by direct interventions in wage setting, and by weakening the institutions of national and industry-wide collective bargaining.³ As a result, the earlier predominance of national and sectoral agreements was weakened significantly and firm-level bargaining (or unilateral decisions of employers not being members of an employers’ union) became the dominant wage-setting mechanism. Although these reforms appear to have contributed to accelerated wage adjustments, they might have backfired, aggravating job losses and contributing to a substantial increase of poverty and income inequality. Although the Expert Group does not recommend a return to earlier practices (especially as regards the pre-crisis wage levels) there appears to be a unanimous view among

² See “Recommendations Expert Group for the Review of Greek Labour Market Institutions”, 27 September 2016.

³ In more detail, the major instruments used to facilitate the internal devaluation process included: a) a reduction of the minimum wage and the elimination of collective bargaining on the issue; b) the abolition of the principle of favourability; c) the abolition of the prerogative of unions in negotiating derogations at establishment level; e) restrictions in the time-extension and the scope of the after-effect of collective agreements; f) the temporary suspension of the extension mechanism; g) a weakening of the arbitration mechanism; and h) direct interventions in public collective agreements to cut agreed wages.

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contributing experts that additional reforms are needed to modernize the Greek labour market in line with European best practice. This requires representative social partners and institutional stability and links collective bargaining and social dialogue with a growth strategy. Such a strategy should take into account the intrinsic characteristics of the domestic productive sector and the existing weaknesses of Greece's labour market institutions, with the aim to increase productivity, attract foreign investment and create a sufficiently strong social safety net for the long term unemployed and other vulnerable groups. Of a total number of 12 recommendations submitted by the Expert Group, there was a unanimous agreement on 8 recommendations (and on 1 partially). In the presentation of the dissenting votes, the group decided to follow the international best practice, allowing the majority to decide on the report and adding diverging opinions in dissenting votes. In our view, some of the recommendations on which there is no unanimity among contributing experts may prove out to be among the most controversial issues in the upcoming negotiations in the context of the 2nd programme review. These include, inter alia, the responsibility to decide on the level and the increases of the minimum wage, the efficacy of the youth minimum wage and the hierarchy of collective bargaining.

Industrial conflict: strikes & lock-outs

Expert Group findings & recommendations: The Expert Group sees no need for stricter rules on strikes or for a removal of the current prohibition on lock-outs. On the former topic, there appears to be a unanimous view among the contributing experts that the relevant legal framework (law 1264/1982, in particular) has established adequate rules with respect to the proportionality of strikes e.g. sufficient restrictions on the decision-making procedures that need to be followed by a trade union in calling a strike as well as the strike notice that must be given to the employer and the safety personnel that needs to be made available. Furthermore, there is a considerable volume of case-law according to which strikes are declared unlawful on the basis of the principle of proportionality. On lock-outs, the Expert Group states that the provisions on industrial conflict in Greece have established a balance of power between employers and unions, with its rules being accepted by both sides i.e., employers and employees. Furthermore, based on case-law, the non-striking employees have no right to get paid if they can no more tend to their duties during a strike in their enterprise. Therefore, the provision of a right to lock-out in addition to this protection would endanger the balance between unions and employers during collective bargaining. In any case, the Expert Group members seem to agree that the Greek legislator may clarify that the employer is entitled not to pay non-striking workers if they cannot continue to work because a strike is occurring in their enterprise or their establishment. **Baseline:** *The Expert Group does not support the case for either stricter rules on strikes or a removal of the current prohibition on lock-outs. Yet, as it is noted by some group members, there may be a need to modernize Law 1264/1982, so as to tackle other implementation issues, besides those expressed in the submitted recommendations.*

Collective dismissals & short-term work

Expert Group findings & recommendations: Most Expert Group members seem to agree that the current system of administrative intervention in Greece for the approval or prohibition of collective dismissals has been applied only in a comparatively small number of cases, and thus, its abolition does not seem to be an actual priority for employers' organizations. In any case, five group members abstain from making any recommendations on the administrative authorization for collective dismissals on the basis that this issue is currently being discussed at the European Court of Justice, while two group members recommend its abolition. On other relevant aspects of the present legal framework of collective redundancies, group members seem to agree that the current system does not fully exhaust the possibilities to adopt measures in order to mitigate the consequences of collective redundancies. Among others, the Expert Group recommends that: a) before dismissing workers for economic reasons employers should consult and bargain in good faith with workers' representatives; b) a social plan should be established providing compensations for workers who are confronted with unemployment for an uncertain period; c) retraining should be offered to enhance the chances of the affected workers in the labour market; and d) in periods of temporary economic difficulties, flexible forms of short-time work should be used with the view to prevent collective dismissals. **Baseline:** *Although the majority of Expert Group members abstain from making any recommendations on the administrative authorization for collective dismissals (on the basis that this issue is currently being discussed at the European Court of Justice), two group members*

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explicitly recommend its abolition and note that the current Greek system is unsatisfactory in many dimensions e.g. it has been too restrictive and prevented many collective dismissals. However, no specific recommendation is made by any group members as regards the required number of workers to be made redundant in accordance to the definition of collective dismissals.⁴ On other relevant aspects of the present legal framework, group members seem to agree that the current system does not fully exhaust the possibilities to adopt measures in order to mitigate the consequences of collective redundancies.

Minimum wage and collective bargaining

Background note: In the pre-crisis period, the extended National General Collective Labour Agreement (EGSSE) set minimum wage standards at the national level covering all employees including the unskilled workers who were not covered by a sectoral or other agreement. The state did not intervene in the negotiations of the social partners on the minimum wage but gave the minimum wage its statutory character by providing an automatic erga omnes effect in the original legislation. Employers' organizations and unions could improve these minimum standards in industry or occupational collective agreements. The pre-crisis coverage by collective agreements (>80%) was relatively high according to international standards. Furthermore, there was a strict hierarchy of bargaining levels through the "favourability principle". In an effort to bring down real and nominal wages in the context of the internal devaluation programme implemented during the crisis years, important changes were introduced since 2012 in the collective bargaining and minimum wage systems. Among others: a) the minimum wage was set by the state; b) the minimum wage was reduced by 22% and froze at the 2012 minimum wage rate while automatic progression on the seniority premium ladder was suspended; c) for workers under 25 years old, a subminimum wage was introduced at a 32% lower level than the previous standard rate; d) the extension mechanism of collective agreements was suspended and the unilateral recourse to arbitration was abolished; e) firm level agreements obtained precedence over sectoral or occupational agreements even when they were less favourable; and f) former restrictions on the minimum size of the enterprise for collective bargaining were removed. As a result of these and other important changes, the coverage by collective agreements fell sharply with firm-level agreements becoming the predominant form.⁵

Expert Group findings & recommendations on the minimum wage: The Expert Group agrees on the need to have a statutory minimum wage in Greece, which takes into account domestic economic conditions as well as prospects for productivity, prices, competitiveness, employment, income and wages. However, the group disagrees on the responsibility to decide on the level and the increases of the minimum wage. One part of the group (5 members) recommends that after consultations with independent experts the minimum wage be implemented under a national collective bargaining agreement with automatic erga omnes effects. Another part of the group (2 members plus the Chairman) recommends that the government decide on the minimum wage after consultation with the social partners and independent experts. Furthermore, the Expert Group disagrees on the role of youth minimum wages. One part of the group (5 members) recommends the replacement of youth minimum wages by experience-based subminimum wages for a maximum of two years (with an evaluation of sub-minimum wages being made after two years). Another part of the group (2 members plus the Chairman) recommends maintaining youth minimum wages with the present age thresholds. **Baseline:** *In line with the approach being followed in the Expert Group's recommendations on Greek labour market institutions (i.e., the majority decides on the report and diverging options are added in dissenting votes), it seems that the group's recommendations are for a) a switch back to a national collective bargaining system for determining the minimum wage (with automatic erga omnes effects); and b) the replacement of youth minimum wages by experience-based subminimum wages for a maximum of two years.*

⁴ Under Greek law, the term collective dismissal means that the number of workers dismissed is more than 6 per month in enterprises employing 20 to 150 workers and 5% of workers and up to 30 in enterprises employing over hundred fifty workers. (These figures were 5 workers and 2-3% respectively before the memoranda). On the other hand, the relevant EU Directive, on which Greece was granted "derogation", provides for at least 10 workers dismissed in enterprises employing 20 to 100 workers and at least 10% of workers for enterprises employing from 100 to 300 workers and a different percentage for enterprises employing over 300 workers.

⁵ In 2012, 99% of firm-level agreements signed by "associations of persons" provided for wage cuts.

Expert Group findings & recommendations on collective bargaining: The relevant Expert Group recommendations are as follows: a) *representative* collective agreements can be extended by the state upon the demand of one of the negotiating parties at sectoral or occupational level⁶; b) one part of the group (5 members plus the Chairman) argues that lower level wage agreements cannot undercut higher level national or sectoral agreements, unless social partners agree on opening clauses on specified issues which allow temporary derogations; on the other hand, the rest of the group members argue in favor of higher “micro wage flexibility”, recommending a subsidiarity principle in the hierarchy of collective bargaining, whereby agreements established at a level closer to the workers and firms directly involved override agreements established at higher levels; c) the time extension, the after-effect and the duration of collective agreements are decided by the social partners themselves⁷; d) in case social partners cannot reach an agreement, the terms of an agreement may be established through arbitration preferably if both social partners agree on this⁸; e) social partners should negotiate on the issues of seniority pay, equal treatment of white and blue collar workers, life-long learning, productivity and innovation and the integration of young people; and f) the Public Employment Service (PES) should also consider developing its efforts towards greater activation of the unemployed and promoting more vacancies in firms, including through well-designed hiring subsidies supported by the European Social Fund. **Baseline:** *In line with the approach being followed in the Expert Group’s recommendations on Greek labour market institutions (i.e., the majority decides on the report and diverging options are added in dissenting votes), it seems that the group’s recommendations are in favour of extending representative collective agreements upon the demand of one of the negotiating parties at sectoral or occupational level. However, an important deviation appears to exist among group members as regards the so-called principle of favourability. Whereas the majority of contributing experts (5 group members plus the group Chairman) argue that lower level wage agreements cannot undercut higher level national or sectoral agreements (unless social partners agree on specified issues which would allow temporary derogations), two group members favor more micro wage flexibility by recommending a subsidiarity principle. According to the latter, agreements established at a level closer to the workers and firms directly involved should override agreements established at a higher level. Our understanding is that the aforementioned item may prove out to be a hotly contested issue in the upcoming negotiations of the 2nd programme review.*

Part III - Greek labour market snapshot

Greece’s unemployment rate registered an increase of more than 19 percentage points during the crisis years and, despite its gradual decline from the record highs near 27.9% reached in July 2013, it remains the highest among the EA countries (it came in at 23.2% in July 2016). This heavy job shedding can be attributed to, inter alia: a) the unprecedented domestic recession over the period 2008-2015, which resulted in cumulative output losses in excess of 26 percent, that is, in real GDP terms and despite the brief recovery of 2014, and b) the structural inefficiencies that still characterize the domestic labour and product markets.

In support of the latter view, Greece was ranked 114th among 138 countries in terms of labour market efficiency in the World Economic Forum Global Competitiveness Index (WEFGCI) for 2016, clearly a disappointing result.⁹ The respective EA average was 51 (including Greece and Italy, which ranks 119th). Note that the labour market efficiency ranking for Greece was well below the ranking of the country in the general WEF GCI index (86th among 138 countries with the respective EA average at 36).

As regards two crucial labour market indicators, i.e. youth unemployment and the rate of long-term unemployed (people actively looking for but unable to find a job for more than 12 months), Greece’s recent performance relative to

⁶Here, one part of the Expert Group (5 members plus the Chairman) proposes to make an extension also possible in the case of severe problems in the respective labour market (high turnover, high share of low wage earners, distortion of competition) and in the case of another public interest (e.g. introduction of an apprenticeship system). On the other hand, the rest of group members are of the opinion that an extension can only be issued if the required threshold of 50% is met.

⁷In more detail, if they do not take a decision on the first point the time extension will be six months; if the second point is not regulated by collective agreement the after-effect includes all agreed labour standards; if the third point is not regulated by a collective agreement, the latter can be denounced with a notice of three months.

⁸As per the relevant Expert Group recommendation, unilateral arbitration should be the last resort as it is an indication of lack of trust. The system of arbitration was renewed recently and should be evaluated by the end of 2018 to assess its role in collective bargaining.

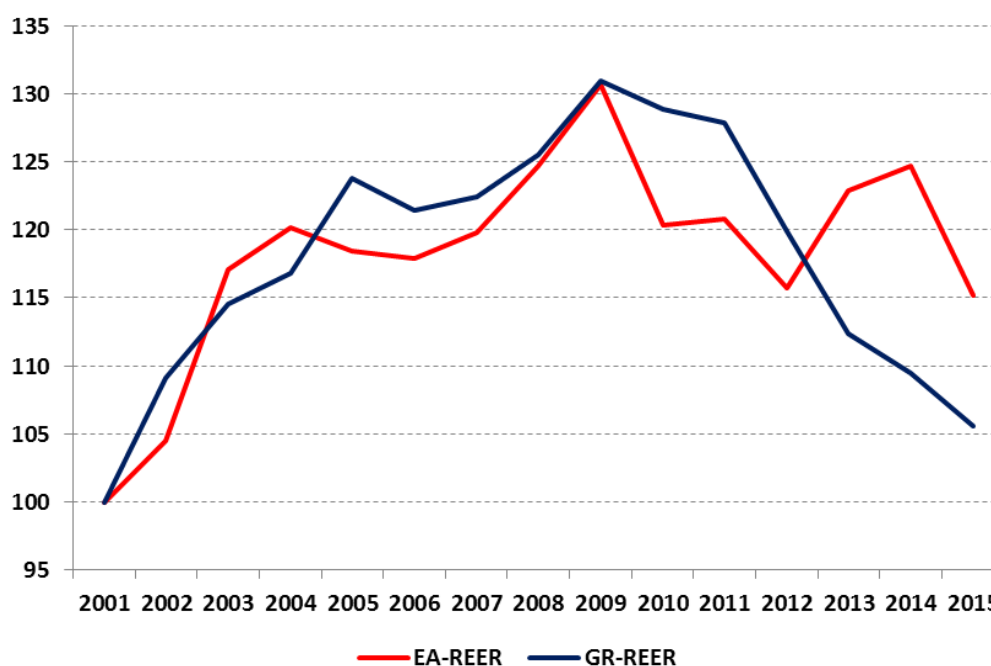
⁹For more information refer to: <http://reports.weforum.org/global-competitiveness-index/country-profiles/#economy=GRC>.

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the rest of the euro area has been hugely disappointing, raising credible concerns for a particularly high and persistent *structural* jobless rate at steady state. In more detail, according to Eurostat *seasonally adjusted* data youth unemployment in Greece, hit a peak of 60.0% in May 2013 from around 22.1% at the end of 2007 and despite its recent descent (42.7% in July 2016) it remains way above that in the rest of EA countries. In a similar vein, the rate of long term unemployment currently stands at 72.2% (Q2 2016) compared to c. 39% in early 2009 and a record high above 75% reached in the third quarter of 2014. As to the most recent *seasonally adjusted* data (July 2016), the number of employed, unemployed and inactive persons was 3.7mn, 1.1mn, and 3.2mn, respectively. In the same month, employment growth was running at an annual rate of 2.0% (and was down 0.4% from the prior month).

A series of labour market reforms were implemented in early 2012 as prior actions to the 2nd Economic Adjustment Programme for Greece. These reforms, which aimed to reduce unit labour costs and close the country's competitiveness gap, included structural measures intending to level the playing field in collective bargaining and accelerate the adjustment of both wage and non-wage costs.¹⁰ It is fair to say that the aforementioned actions contributed significantly to the internal devaluation process, as can be inferred by the recent evolution of Greece's real effective exchange rate based on relative unit labour costs.¹¹ According to Eurostat data, Greece's real effective exchange rate (GR-REER) at the end of 2015 was ca 25,3pps lower than its peak in 2009 and 9.5pps lower than the respective EA index. Both developments constitute clear signs of improvement relative to the pre-crisis period. Note that GR-REER was overvalued compared to the respective EA-REER index between 2008 and 2012.

Graph 1: ULC-based REER for Greece and Euroarea (2000=100, annual basis)



Source: Eurostat

Note: REER deflated by nominal ULCs (total economy) against a panel of 37 countries (EU28 plus 9 other industrial countries).

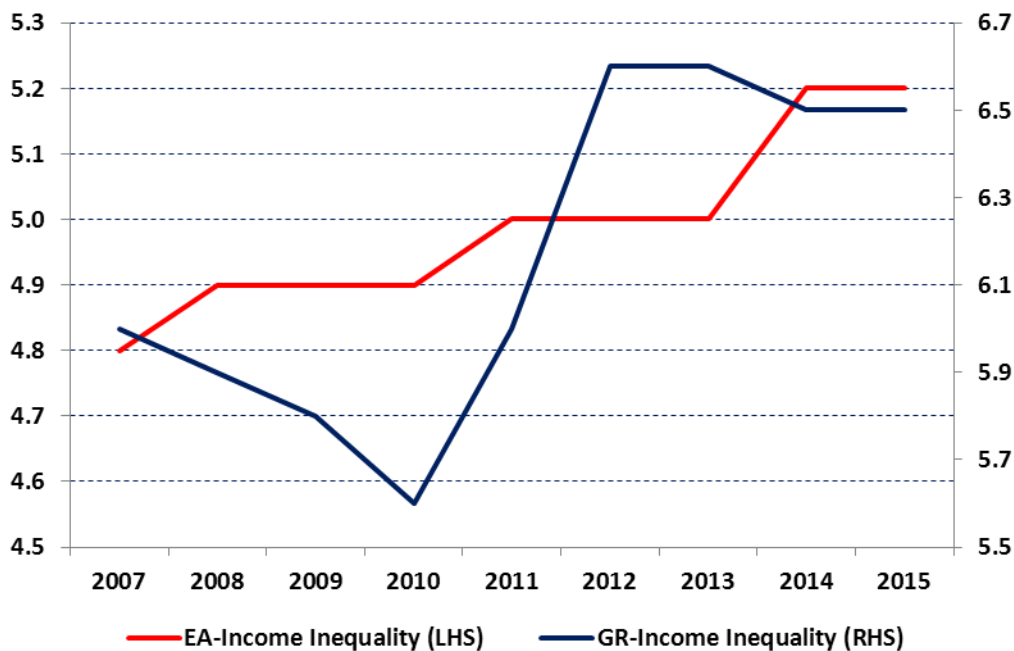
While the reforms introduced in early 2012 contributed to the liberalization of the domestic labour market and accelerated the internal devaluation process it can also be claimed that they have had a number of unintended consequences in the form of increased income inequality and poverty. Part of these negative effects might be attributed to the labour and product markets reforms implementation sequence, i.e. the labour market was liberalized before the products market and as a result the real wage adjusted downwards faster than the goods' prices. According

¹⁰ For more information refer to: International Monetary Fund, 2012, "Greece: Request for Extended Arrangement Under the Extended Fund Facility—Staff Report; Staff Supplement; Press Release on the Executive Board Discussion; and Statement by the Executive Director for Greece," IMF Country Report No. 12/57, March, available at: <https://www.imf.org/external/pubs/ft/scr/2012/cr1257.pdf>, as well as the subsequent reviews of the programme.

¹¹ The real effective exchange rate index constitutes an indicator of a country's (or currency area's) price / cost competitiveness relative to its main competitors in international markets.

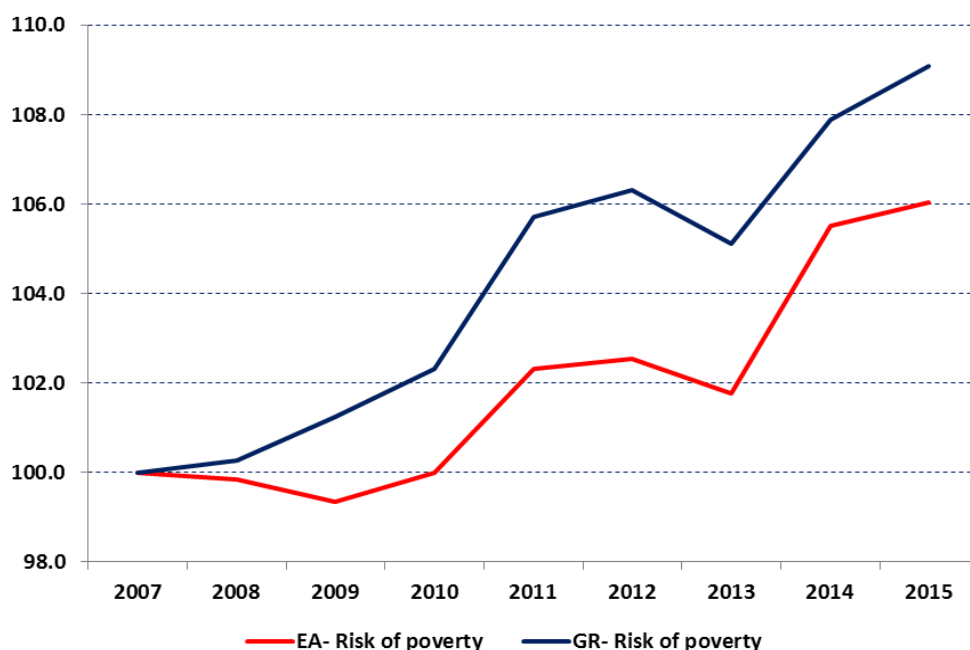
to the relevant indicator compiled by Eurostat, which measures the ratio of the total of equivalised disposable income received by the 20% of the country's population with the highest equivalised disposable income to that received by the 20% of the country's population with the lowest equivalised disposable income, income inequality in Greece followed an increasing pattern from 2010 onwards that accelerated in 2012 and stabilized thereafter at levels significantly higher than the respective EA average. Furthermore, Eurostat's indicator of people at risk of poverty after social transfers, points towards an increase of the people at risk of poverty in Greece from 2013 onwards.

**Graph 2: Income Inequality Indicator for Greece and Euroarea
(2007=100, annual basis)**



Source: Eurostat

**Graph 3: People at Risk of Poverty after Social Transfers Indicator for Greece and Euroarea
(2007=100, annual basis)**



Source: Eurostat

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In any case, the aforementioned developments should not be solely attributed the labour market reforms implemented in Greece following the outbreak of the sovereign debt crisis.¹² The uneven (and, in many instances, slow) pace of implementing much needed structural reforms to modernize the functioning of the state and create a more business friendly domestic environment, the lack of programme ownership and the unprecedented recession can also be blamed for the present dire state of the domestic labour market. The new package of reforms to be implemented in the context of the 2nd programme review should take these considerations into account and shift the focus from rapid wage adjustment towards greater labour market efficiency, competitiveness and productivity as well as the creation of an adequate social safety net to address poverty and income inequality.

¹² Research by the IMF showed that financial crises have a large negative impact on unemployment in the short term, but that this effect rapidly disappears in the medium term in countries with flexible labor market institutions. The impact of financial crises is less pronounced but more persistent in countries with more rigid labor market institutions. For more information please refer to: Furceri, Davide, Mr Lorenzo E. Bernal-Verdugo, and Mr Dominique M. Guillaume. *Crises, labor market policy, and unemployment*. No. 12-65. International Monetary Fund, 2012.

Appendix

Open items for 2nd programme review

1. Legislate the medium term fiscal strategy 2017 – 2020.
2. Present a medium term action plan to ensure compliance with the Late Payment Directive.
3. Adopt measures to provide for adequate resources so as to allow the Revenue Agency to operate effectively.
4. Complete the customs reorganization.
5. Adopt legislation to reform welfare benefits based on World Bank Review. Launch the nationwide roll-out of the guaranteed minimum income (GMI) scheme.
6. Amend the legal framework for the out-of-court workout with detailed provisions.
7. HFSF finalise the review of the boards of the banks in which the RFAs apply.
8. Amend the corporate insolvency law in line with an agreed proposal.
9. Finalise the integrated implementation plan for Vocational Education Training (VET) with quantified targets for 2016/17 and 2017/18; launch two small-scale pilots projects of apprenticeships for 2016/17; develop, adopt the framework for a series of major VET partnerships to serve as intermediary structures in order to support employers to offer work-based learning vacancies and ensure a sustainable expansion of apprenticeships for the academic years 2016-17 and 2017-18.
10. Regulated professions: agree with the Institutions a roadmap for the liberalisation of the reserved activities of engineers.
11. Adopt the foreseen legislation according to the investment licensing reform roadmap in three sectors.
12. Adopt the legislation for the one-stop-shops for business.
13. Adopt the remaining measures needed to fully implement the selected reforms on competition, investment licensing and administrative burden identified in the first round of the ex-post impact assessment.
14. Review the gas release programme, improving conditions of access for alternative suppliers and substantially increasing the quantities available.
15. The Port Regulatory Authority prepares its internal regulations and needed laws to ensure its full functionality.
16. Bring collective dismissal and industrial action frameworks and collective bargaining in line with EU best practices.
17. Prepare a three-year Education Action Plan.
18. Implement the new legal framework for nationwide cadaster offices.
19. Launch the first auction under the NOME mechanism in the Greek electricity market.
20. Special Secretariat for Water (SSW) will finalise, with the support of technical assistance, the charging rules for water services.
21. Implement the logistics law.
22. Adopt an integrated action plan to fight undeclared and under-declared work.
23. Agree with the Institutions on the processes for determining the remaining portfolios of real estate and SOEs that will be transferred to the Fund.
24. Agree on the process for determining the exclusions of remaining portfolios of real estate and SOEs **not** to be transferred to the Fund
25. TAIPED will assess its regional airport and port assets and will transfer to the new Fund those it does not plan to develop.
26. Finalise internal regulations of the Privatisation and Investment Fund in line with the December 2015's Action Plan.
27. Complete the selection of the Board of Directors of the Privatisation and Investment Fund, including the CEO.
28. The Board of Directors of the Privatisation and Investment Fund to be constituted as a body.
29. Issue secondary legislation to implement the reformed performance assessment scheme.
30. Complete the first phase of the rationalisation of the specialised wage grids.
31. Adopt legislation to introduce a new permanent mobility scheme.
32. On revised Code of Civil Procedure, adopt the key Presidential Decrees required by the transitional provisions in Law 4335/2015 on the determination of the value of the property seized on the basis of its market value and the first offer price for the auction.
33. Amend and implement the legal framework of the financing of political parties on key items.