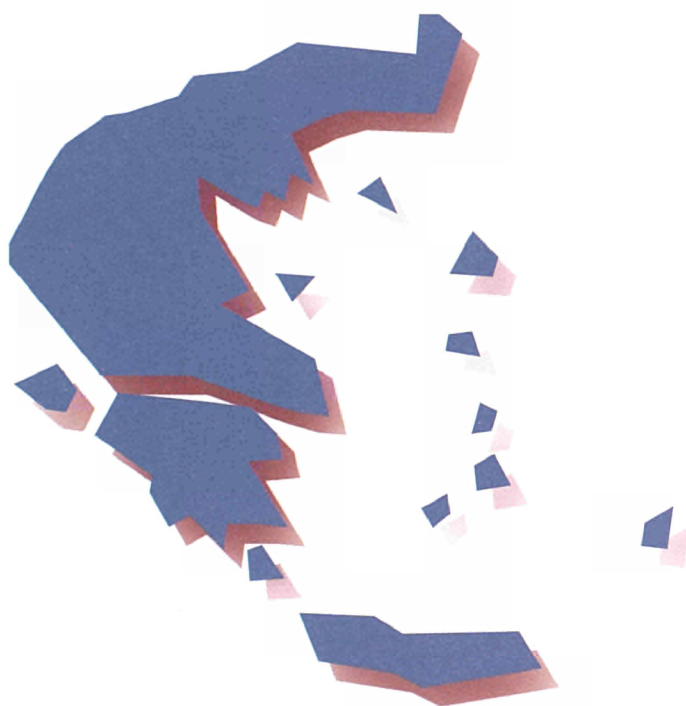


Series N°1

Labour Market Studies

GREECE



Employment & social affairs



European Commission

Labour Market Studies

Greece

By

The Research Centre

Athens University of Economics and Business

December 1996

This report was financed by and prepared for the use of the European Commission, Directorate-General for Employment, Industrial Relations and Social Affairs. It does not necessarily represent the Commission's official position.

A great deal of additional information on the European Union is available on the Internet.
It can be accessed through the Europa server (<http://europa.eu.int>)

Cataloguing data can be found at the end of this publication

Luxembourg: Office for Official Publications of the European Communities, 1997

ISBN 92-827-8747-8

© ECSC-EC-EAEC, Brussels • Luxembourg, 1997

Reproduction is authorized, except for commercial purposes, provided the source is acknowledged

Printed in Belgium

This study was prepared by the Research Centre of the
Athens University of Economics and Business

Athena Petraki Kottis and George Chr. Kottis

ACKNOWLEDGEMENTS

The authors express their thanks to Dr. V. Anagnostaki, Dr. E. Hatziharitou, Dr. J. Ioannou, Dr. J. Karagiannis, Dr. D. Karantinos, Dr. J. Loizidis, Dr. E. Louri, and Mr. P. Nikolaides for preparing drafts for sections of the report. Also they would like to thank several administrators in the Ministries of National Economy and Labour and in the Bank of Greece, the Manpower Employment Organisation, the Experimental Institute of Vocational Training and Employment, the National Statistical Service, the Labour Institute of the General Confederation of Greek Labour and the Federation of Greek Industries, for providing information, useful materials or unpublished data. Moreover, they thank Ms. E. Chrysanthopoulou, Ms. K. Moutogianni and Mr. S. Paroutis for their help in the collection and processing of statistical information and Ms. K. Androutsou for processing several drafts of the report in the computer. Special thanks are due to Mr. E. Koutroubis, Director of the Studies Department of OAED, for giving his valuable time to extensive discussions about various aspects of the Greek labour market and to Mr. S. Piccolo [European Commission], Mr. J. Fairfax, Mr. E. Ioakimoglou and Ms. O. Kaminioti for reading earlier drafts of the report and making useful comments and suggestions. The authors are solely responsible for the views expressed in the report or any errors or omissions.

TABLE OF CONTENTS

	Page
ACKNOWLEDGEMENTS	
TABLE OF CONTENTS	
EXECUTIVE SUMMARY	i-x
I. LABOUR MARKET ANALYSIS AND FORECASTS	1
I.1 DEMOGRAPHIC TRENDS	1
I.1.1 Population trends	1
I.1.2 Recent changes in the size and age structure of the labour force; projections	1
I.1.3 Migration trends	2
I.2 STRUCTURE OF THE WORK FORCE.....	3
I.2.1 Employment.....	3
• <i>Labour force participation and trends</i>	3
• <i>Industrial, occupational, age, qualification and gender structure of employment and trends</i>	5
• <i>Gender and regional growth of employment and trends</i>	7
• <i>Part-time employment, short-term contracts and hours of work</i>	7
• <i>Self employment and employment in family enterprises</i>	9
• <i>Employment in the public sector</i>	10
• <i>Employment projections</i>	11
I.2.2 Unemployment	11
• <i>Unemployment trends</i>	12
• <i>Age, gender, education and skill-level structure of unemployment</i>	13
• <i>Long-term unemployment and the incidence of it among various groups</i>	15
• <i>Structural unemployment</i>	16
• <i>Regional variation of unemployment and areas of industrial decline</i>	16
I.3 MAIN TRENDS IN JOB CREATION AND JOB LOSS.....	17
I.3.1 Job creation and job loss.....	17
I.3.2 Incidence of job loss on various groups	22
I.3.3 Labour mobility and turnover.....	23
I.3.4 Characteristics of job seekers and job search procedures.....	24
I.3.5 Unfilled vacancies and unemployment: The Beveridge relationship	25
I.4 WAGE AND SALARY TRENDS	27
I.4.1 The incomes policies and developments in the labour market in the 1980s ..	27
I.4.2 Wages, productivity, inflation and unemployment in the 1990s.....	28
I.4.3 Changes in unit labour costs.....	29
I.4.4 Changes in labour remuneration, productivity and unit labour costs in manufacturing.....	30
I.4.5 Changes in labour remuneration in other sectors of the economy.....	30
I.4.6 Minimum wages and ratios to average wages	31

I.4.7	Public sector salaries	32
I.4.8	Forecasts for 1996 and 1997.....	32
I.4.9	Flexibility of labour remuneration in relation to productivity and unemployment	33
I.4.10	Efficiency of the process of wage determination.....	33
I.5	ANALYSIS OF PRINCIPAL CAUSES OF THE RISE IN UNEMPLOYMENT SINCE 1980.....	35
I.5.1	Causes of unemployment and its breakdown into classical, structural and cyclical	35
I.5.2	Factors that have affected unemployment	36
•	<i>Contraction of the agricultural sector</i>	36
•	<i>Stagnation and restructuring of the industrial sector</i>	37
•	<i>Increase in the labour force participation of women</i>	37
•	<i>Restrictive macroeconomic and exchange-rate policies, insufficient eco- nomic growth and decrease in the rates of hiring by the public sector</i>	38
•	<i>Wage increases irrespective of productivity changes and high labour costs</i>	38
•	<i>Structural problems and rigidities</i>	39
•	<i>Inefficiencies in the organisation of the labour market</i>	39
•	<i>Relatively large legal and illegal immigration</i>	40
I.5.3	The non-accelerating inflation rate of unemployment (NAIRU)	41
I.6	MACROECONOMIC POLICIES AND FORECASTS	42
I.6.1	Long-run growth trends	42
I.6.2	Recent macroeconomic developments	42
I.6.3	Current macroeconomic policies and intermediate-run forecasts.....	44
I.6.4	Economic targets in relation to the EMU criteria.....	45
I.6.5	Impact of the macro-economic policies on employment.....	47
I.6.6	Main forecasts and medium-term scenarios of employment/unemployment.	49
II.	LABOUR MARKET INSTITUTIONS.....	50
II.1	PUBLIC INSTITUTIONS	50
II.2	THE SYSTEM OF INDUSTRIAL RELATIONS AND COLLECTIVE WAGE NEGOTIATIONS	54
II.2.1	General.....	54
II.2.2	Main statutes and laws governing industrial relations.....	54
II.2.3	Structure and organisation of labour unions.....	55
II.2.4	Labour-union participation	55
II.2.5	The employers' organisations.....	56
II.2.6	Collective bargaining and collective agreements	57
II.2.7	Industrial action and procedures for resolving industrial disputes	58
II.2.8	The main functions of OMED and ELINYAE.....	59
III.	LABOUR MARKET LEGISLATION.....	60
III.1	EMPLOYMENT PROTECTION SCHEMES.....	60

III.1.1	Current legislation on individual and collective dismissals and lay-offs	60
III.1.2	Legislation on part-time work and fixed-term employment contracts	61
III.2	REGULATION OF WORKING TIME	62
III.2.1	Legal and contractual limitations to working hours and regulations concerning overtime, weekly rest periods, holidays and night work	62
	• <i>Minimum and maximum of normal working hours</i>	62
	• <i>Overtime work</i>	63
	• <i>Weekly rest periods</i>	63
	• <i>Holidays</i>	63
	• <i>Night - work</i>	64
III.2.2	Career breaks and leaves of absence for longer periods.....	64
	• <i>Maternity leave</i>	64
	• <i>Parental leave</i>	64
III.2.3	The debate concerning the reduction of hours of work to increase employment	65
III.3	MINIMUM WAGE REGULATION; RECENT AGREEMENTS ON MINIMUM WAGES.....	65
IV.	LABOUR MARKET POLICIES.....	66
IV.1	PASSIVE MEASURES	66
IV.1.1	Unemployment benefits.....	66
	• <i>Replacement ratios</i>	68
IV.1.2	Early retirement	69
IV.2	ACTIVE LABOUR MARKET POLICIES	69
IV.2.1	Vocational training, retraining and occupational mobility	70
	• <i>The OAED Apprenticeship Programme</i>	71
	• <i>The OAED Accelerated Vocational Training Programme (TEK)</i>	71
	• <i>OAED intra-enterprise training programmes</i>	73
	• <i>OAED Programmes for training in professions related to the hospitality industry</i>	74
	• <i>Training in Post-secondary Vocational Training Institutes (IEK)</i>	74
	• <i>Training Programmes for the Unemployed organised by various professional and educational organisations</i>	74
IV.2.2	Vocational guidance	75
IV.2.3	Subsidies to employers for the creation of new jobs.....	75
	• <i>General programme</i>	75
	• <i>Grants for employing graduates of institutions of higher education</i>	76
	• <i>Subsidies to hotels</i>	76
	• <i>Subsidies to private firms where students of higher-level technical schools (TEIs) are employed to gain practical experience</i>	76
	• <i>Subsidy to enhance the geographic mobility of unemployed persons</i>	76
IV.2.4	The OAED self-employment programme	76
IV.2.5	Measures for special groups of workers	77
	• <i>Programmes for women's employment</i>	77

	• <i>Subsidies to employers for recruiting disabled persons</i>	77
	• <i>Subsidies to disabled new entrepreneurs</i>	78
	• <i>Enterprise programme for countering social exclusion from the labour market</i>	78
	• <i>Support for repatriates and naturalised immigrants of Greek origin</i>	78
	• <i>Subsidies to firms employing former drug addicts and former prisoners</i>	78
IV.2.6	Packages of measures for workers dismissed because of the privatisation of public enterprises and for workers in areas with high concentration of unemployment	78
IV.2.7	Financing of active policy measures.....	79
IV.2.8	Emergence of new pools of work and role to be played by active policies....	80
IV.2.9	Overall evaluation of active labour market measures applied so far in Greece.....	80
IV.2.10	New labour market policies under the multi-annual plan and the new law for employment and vocational training.....	81
	• <i>Fund for Employment and Vocational Training</i>	82
	• <i>Introduction of a system of employment cards for all members of the labour force, Greek and foreign</i>	82
	• <i>Mapping of the labour market</i>	84
	• <i>Unemployment allowances and measures to promote employment</i>	84
	• <i>Linking vocational training programmes with employment</i>	85
	• <i>Programmes for promoting employment in private firms</i>	85
	• <i>Subsidisation of employers for the coverage of non-wage labour costs</i>	85
	• <i>Measures for enabling new graduates to acquire professional experience</i>	86
	• <i>Training of persons employed in large construction projects</i>	86
	• <i>Measures for the long-term unemployed</i>	86
	• <i>Restructuring and modernisation of the National Manpower Employment Organisation (OAED)</i>	86
	• <i>Measures for enhancing the mobility of unemployed persons</i>	87
	• <i>Offices for Dissemination of Information and Promotion of Employment</i>	88
	• <i>Requirements for legal residence and permission to work for foreigners in Greece</i>	88
IV.2.11	The new labour market policies and the five Essen guidelines	89
	• <i>Improving employment opportunities for the labour force by promoting investment in vocational training</i>	89
	• <i>Improving the employment - intensity of growth</i>	90
	• <i>Reducing indirect labour costs</i>	90
	• <i>Improving the effectiveness of labour-market policies</i>	91
	• <i>Improving measures to help groups particularly hard-hit by unemployment</i>	92

V.	OTHER POLICIES HAVING AN IMPACT ON THE LABOUR MARKET.....	93
V.1	EDUCATION AND VOCATIONAL TRAINING.....	93
V.1.1	Description of the national education and training systems	93
V.1.2	Rates of participation and trends	96
V.1.3	Strengths and weaknesses of the system	97
V.1.4	Educational attainment and labour market experience	100
V.2	SOCIAL BENEFITS, TAXATION AND THE LABOUR MARKET	102
V.2.1	General.....	102
V.2.2	Social security contributions and the tax wedge.....	102
V.2.3	Social security contribution rates and taxes on low earnings	104
V.2.4	Marginal rates on average earnings	104
V.2.5	Charges on employers and employees and their effects on employment	105
V.2.6	Reforming the structure of current income tax and social security system to fight labour market exclusion.....	106
•	<i>Policies targeting labour supply</i>	106
•	<i>Policies targeting labour demand</i>	107
V.2.7	Possibilities for making up for lost revenues from future reforms in the tax and social security systems	107
V.3	INDUSTRIAL POLICIES AND LABOUR MARKETS	108
V.3.1	Introduction	108
V.3.2	Sectoral and regional policies.....	109
V.3.3	Policies for Small and Medium Enterprises	110
V.3.4	State control and privatization policies	112
V.3.5	Restructuring policies	113
V.3.6	Industrial policies in the 1990s and implications for employment.....	114
VI.	ISSUES OF NATIONAL DEBATE AND POLICY PERSPECTIVES	116
VI.1	SEGMENTATION OF THE LABOUR MARKET AND ITS IMPLICATIONS.....	116
VI.2	THE WAGE FORMATION PROCESS AND THE RELEVANT INSTITUTIONAL SET-UP	116
VI.3	EMPLOYMENT PROTECTION LEGISLATION AND NEED FOR GREATER FLEXIBILITY	119
VI.4	HIGH LEVEL OF NON-WAGE LABOUR COSTS	120
VI.5	ISSUES RELATED TO LABOUR MARKET POLICIES	121
VI.5.1	Unemployment benefits and rigidities in the labour market	121
VI.5.2	Effectiveness of active labour market policies particularly with regard to long-term unemployment and unemployment of young people.....	121

VI.6	RESTRICTING THE SIZE OF THE PUBLIC SECTOR AND INCREASING COMPETITION.....	124
VI.7	THE “HIDDEN” ECONOMY AND ITS IMPLICATIONS FOR THE LABOUR MARKET	126
VI.8	ISSUES RELATED TO WORKING HOURS	127
VI.9	REFORMING TERTIARY EDUCATION AND IMPROVING ITS LINKS WITH ENTERPRISES.....	128

ANNEX A : TABLES

1.	Population of Greece in urban, semi-urban and rural areas, 1995	A1
2.	Age distribution of population	A1
3.	Percentage population change by age, 1981-1991 and 1991-1995.....	A2
4.	Size and growth of the labour force in urban, semi-urban and rural areas, 1981-1991 and 1991-1995	A2
5.	Size and growth of the labour force by age and gender,1981-1995.....	A3
6.	Educational composition of the labour force, 1991, 1995	A4
7.	Labour force participation rates by gender and age	A4
8.	Industrial structure of employment	A5
9.	EUROSTAT employment estimates.....	A6
10.	Distribution and sectoral shares of female employment.....	A6
11.	Age structure of employment by gender (percentages)	A7
12.	Age structure of employment by sector (percentages).....	A8
13.	Educational structure of employment by sector 1995 (percentages)	A9
14.	Occupational structure of employment (percentages).....	A10
15.	Distribution of employment and changes by type of area and gender (percentages).....	A10
16.	Regional employment changes, 1991-1995	A11
17.	Sectoral distribution of employment across types of areas, 1991 & 1995 (percentages)	A11
18.	Average hours of work by gender (percentages of employed)	A12
19.	Average hours of work by sector (percentages employed).....	A12
20.	Structure of employment by status and gender (percentages).....	A12
21.	Structure of employment by status and sector, 1995 (percentages).....	A13
22.	Employment in the public sector, 1991-1995	A13
23.	Unemployment rates by gender and age (percentages).....	A14
24.	Unemployment rates according to EUROSTAT data.....	A14
25.	Unemployment rates by educational level (percentages).....	A14
26.	Unemployment for more than 12 months	A15
27.	Share of long-term unemployment according to EUROSTAT data (percentages) ..	A15
28.	Distribution of long-term unemployment by age.....	A15
29.	Shares in long-term unemployment of men and women (percentages).....	A16
30.	New entrants among the unemployed and the long-term unemployed.....	A16
31.	Unemployment rates by type of area and gender	A16

32.	Shares of long-term unemployment and unemployment of new entrants by type and area	A17
33.	Unemployment rates by region, 1995	A17
34.	Changes in employment by sector (thousands).....	A18
35.	Employment gains and losses in manufacturing firms according to size (number of posts)	A18
36.	Employment gains and losses by region and sector, 1988 - 1991	A19
37.	Employment gains and losses in manufacturing.....	A19
38.	Employment in Greece by one-digit occupation, 1981, 1991 and 2000	A20
39.	Balance of labour requirements and new labour force, by region, 1991-2000	A21
40.	Monthly new hirings and job losses, in 1994-1995	A22
41.	Job losers in 1991 and 1995 by age, sex and type of activity (percentages).....	A22
42.	Risk rates of job losses by age and type of activity in Greece, 1986-87 and 1994-95	A23
43.	Employees seeking another job by activity, sex, age and reason, 1991 and 1995 (percentages)	A23
44.	Job search procedures by sex and age, 1991 and 1995 (percentages).....	A24
45.	Unemployment and vacancy rates in Greece: 1980-1993.....	A24
46.	Percentage change over preceding year in nominal and real wages, productivity, unit labour costs, minimum wages and prices.....	A25-26
47.	Unit labour costs, percentage change over preceding year	A27
48.	Total and long-term unemployment rates	A27
49.	Percentage change of gross private productive capacity and of labour force	A28
50.	Estimates of NAIRU for Greece and EUR 12 and unemployment rates	A28
51.	Percentage changes in basic macroeconomic magnitudes over preceding year ...	A29
52.	Economic targets in relation to the EMU criteria and GDP growth according to the Convergence Programme and realised magnitudes.....	A29
53.	Severance payments	A30
54.	Collectively agreed wage rates in selected industries, 1995	A30
55.	Employment policy expenditure as % of GDP	A31
56.	Duration of unemployment benefits.....	A31
57.	Percentage of the unemployed receiving benefits.....	A31
58.	Number of persons in the apprenticeship programme and cost	A32
59.	Number of persons trained and cost of training provided through the OAED Accelerated Vocational Training Programme.....	A32
60.	Number of persons trained and cost of the intra-enterprise training programmes	A32
61.	New jobs created by the OAED self-employment programme and cost	A33
62.	New entrepreneurs subsidised by the OAED self-employment programme and cost	A33
63.	Contributions to OAED revenues	A34
64.	SME policies in EU members.....	A34

ANNEX B : FIGURES

1.	Population of Greece by type of area in 1981, 1991 and 1995	B1
2.	Population change by type of area in 1981-91 and 1991-95.....	B1
3.	Population change by age 1981-91 and 1991-95	B2
4.	Labour force by type of area in 1981, 1991, 1995	B2
5.	Change of the labour force by type of area, 1981-91 and 1991-95.....	B3
6.	Labour force change by gender and age, 1981-91	B3
7.	Labour force change by gender and age, 1991-95	B4
8.	Labour force participation rates by gender, 1981, 1991, 1995	B4
9.	Labour force participation rates by age, 1981, 1991, 1993, 1995.....	B5
10.	Employment by sector, 1981, 1991, 1993, 1995	B5
11.	Employment shares, 1981, 1991, 1993, 1995	B6
12.	Change in employment by sector, 1981-91 and 1993-95	B6
13.	Change in employment by age, 1981-91 and 1991-95	B7
14.	Change in male employment by age 1981-91 and 1991-95.....	B7
15.	Change in female employment by age 1981-91 and 1993-95.....	B8
16.	Change in employment by type of area and gender, 1981-91.....	B8
17.	Change in employment by type of area and gender, 1991-95.....	B9
18.	Unemployment rates by gender and age, 1995	B9
19.	Long-term unemployment, 1981, 1991, 1995.....	B10
20.	Unemployment rates by region, 1995	B10
21.	Unemployment-vacancy relationship 1980-1993 (OAED unemployment rates) .	B11
22.	Unemployment-vacancy relationship, 1980-1993 (Labour Force Survey unemployment rates).....	B11
23.	Unemployment-vacancy relationship, 1980-1993	B12
24.	Unemployment-vacancy relationship, 1980-1987	B12
25.	Changes in real remuneration, real minimum wage and labour productivity in the economy, 1989-1995.....	B13
26.	Changes in real average hourly earnings and productivity in manufacturing: changes in real minimum wage, 1989-1995	B13
27.	Changes in average nominal and real remuneration and in real minimum wage; rates of inflation and unemployment, 1989-1995	B14
28.	Inflation and unemployment rates, 1990-1995	B14

ANNEX C :	INFORMATION ON AVERAGE EARNINGS, SOCIAL SECURITY CONTRIBUTIONS AND TAXES AND METHODOLOGY FOR THE ESTIMATION OF TAX WEDGES.....	C1
	• <i>Average earnings</i>	C1
	• <i>Social security contributions</i>	C1
	• <i>Personal income tax system</i>	C1
	• <i>Average and marginal tax wedges on labour</i>	C2

ANNEX D : EXPLANATION OF ACRONYMS USED IN THE REPORT

BIBLIOGRAPHY

EXECUTIVE SUMMARY

During the last two decades Greece's population has been growing very slowly, while the number of people in the younger age groups has been declining. The ageing population phenomenon has become more apparent in the 1990s.

The labour force has been rising faster than the population mainly because of the increase in the number of women entering the labour market. This growth is concentrated in the urban and semi-urban areas, while the rural areas have experienced losses of both population and labour force. Labour force participation in Greece continues to lag behind that of many other EU countries for both men and women. In 1981-1991 the overall participation rate remained almost unchanged since the decrease in men's participation rates were offset by an equivalent increase in women's rates. In 1991-1995 there was an upward trend, attributed mainly to the increasing participation rate of women and the tightening of the retirement conditions. During that period the participation rate for the age group under 20 decreased, most likely because of an increased emphasis on schooling, the availability of more opportunities for vocational training and the rise in the rate of unemployment.

Despite the decline in the natural rate of population growth, the labour force is likely to increase in the near future because of immigration, the further increase in women's participation rates, the tightening of retirement conditions and the greater participation of younger people, if employment opportunities improve. According to our projections, during 1995-99 labour force is expected to increase by 4.02 to 5.44 percent.

The educational structure of the labour force has shown significant improvements in recent years. There has been a positive relationship between levels of education and participation rates, which has been more pronounced in the case of females.

Employment in Greece is characterised by certain tendencies observed in less developed economies, such as, high percentages of people employed in agriculture, large self-employment, large proportion of employees working in the public sector (about one third of all employees), low percentage of people with dependent employment, large size of "hidden" economy, relatively low labour force participation rates of women, etc. Because of these characteristics it is difficult to have a precise picture of the changes in employment and unemployment in the country. Changes in the supply and demand for labour affect self-employment, disguised unemployment, underemployment, multi-job holding and employment in the "hidden" economy, and may have relatively small effects on the official employment and unemployment figures.

Employment in 1981-1991 and 1991-1995 increased by far less than the corresponding increases in the labour force. During both these periods employment in the primary and secondary sectors was reduced. The contraction of the primary sector was very drastic in 1981-1991, while it decelerated significantly in the 1990s. On the contrary, the contraction of the secondary sector was relatively small in 1981-1991 but accelerated rapidly in the 1990s.

During 1981-1991 the majority of industries faced serious problems and had to decrease employment, but there were few expanding industries and thus employment in major industry fell at a slow rate. Because of the expansion of small-scale industry, total manufacturing employment increased. In the 1990s the situation deteriorated even further and almost all industries faced serious problems. As a result, in 1991-1995 employment in the manufacturing sector decreased by 11.3%

Significant employment gains were recorded in the tertiary sector in both 1981-1991 and 1991-1995. However, a relatively large number of the new jobs were in the public sector (including enterprises controlled by the State).

During 1981-1991 and 1991-1995 women's share in total employment increased, particularly in services.

Greece has the lowest percentage of part-time workers among the EU countries. Legislation supporting part-time employment was introduced in 1990, but there has been little change in the percentage of people working part-time since then.

There are serious restrictions to overtime work, particularly in the case of industrial firms, but it is difficult to know how binding these are, since their enforcement is difficult, particularly in the case of small firms. Although multiple job holding is quite common in the country, only a very small percentage of the employed persons were recorded as having more than one job, probably due to non-reporting.

The introduction of a fourth shift allowed a number of firms to add a shift and this resulted in the increase in the average weekly hours of work in Greek industry from 64 to 1989 to 88 in 1994. Over that period the number of industrial firms operating in shifts increased from 52 to 86 per cent of the total number.

Employment on fixed-term contracts is quite common in Greece. Self-employment is relatively high. Close to half of employed persons are employers, self-employed or assistants without payment in family enterprises. A relatively high proportion of salary and wage earners are employed in the public sector.

The main characteristics of unemployment in Greece are its unequal regional distribution with a high concentration in certain areas and the heavy incidence of it on certain groups of people, especially the young and women. Particular problems exist for persons aged 45 and over, whose unemployment rate, although below average, has increased in recent years, since the possibilities for those unemployed in this age group to find employment are very limited.

Unemployment has increased substantially in Greece in recent years for several reasons, the most important of which are the contraction of agricultural employment, the restructuring and insufficient growth of the industrial sector, the increase in the labour force participation of women, the restriction of hiring by the public sector, the restrictive monetary and exchange-rate policies and the insufficient economic growth, the increase in wages irrespectively of changes in productivity and the consequent rise in labour costs, the structural problems and rigidities in the economy, the inefficiencies in the organisation of the labour market and the relatively large legal and illegal immigration.

LABOUR MARKET STUDIES - GREECE
EXECUTIVE SUMMARY

The considerable increase in the unemployment rate is a cause for particular concern, because the pressures on the labour market are likely to increase in the near future, since according to expectations employment in the agricultural sector will continue to contract, women's entry into the labour market will be accelerated, immigration flows will continue and extensive restructuring and adjustments in the economy have to take place. Until recently the problem of unemployment in Greece had been disguised, because of large-scale recruitment by the public sector, a policy that has drastically changed.

Unemployment is higher in the urban areas, compared to semi-urban and rural areas and falls heavily on women, the young people and people over 50. The probability of becoming unemployed is higher for those with secondary-school education or education in technical and vocational schools of all levels and lower for persons with primary education or less. University graduates suffer from less than average but still relatively high unemployment rates.

Under present conditions, unemployment comes more from the inability of new entrants to find jobs and less from dismissals. The share of long-term unemployed among all unemployed is relatively high and increasing, particularly for women. Unemployment rates and long-term unemployment vary considerably across regions. Deep pockets of unemployment exist in certain areas where there have been major factory closures.

There are conflicting forecasts about expected changes in employment in the near future. According to our projections, employment during 1995-1999 will increase by 4.85% and therefore its growth will be close to that of the labour force. This means that the additional job creation will not be sufficient to alleviate the existing unemployment problem.

According to another estimate (coming from an unpublished study of KEPE), almost all industries in major manufacturing are expected to experience employment losses in 1996-1998. There will be some gains in small industry but the net employment creation in the whole manufacturing sector is expected to be insignificant. Moreover, forecasts about employment in the tertiary sector are pessimistic, due to automation and the expected restrictions on hiring by the public sector. Therefore, total employment is not expected to increase.

According to yet another forecast, a surplus of available jobs (beyond the number of the unemployed) is expected in the year 2000 but serious imbalances are likely to appear because of regional, educational and occupational mismatches between the supply and demand for labour.

The examination of the relationship between unfilled vacancies and the unemployed indicated considerable inefficiency in the matching of the supply and demand for labour. A serious problem in this regard is the reliance of the job search effort on traditional methods and procedures. The exclusion by law of private employment agencies and the monopoly of the National Manpower Employment Organisation, as far as placement services are concerned, restrict possibilities for significant improvements in the mechanism of matching vacancies with job seekers.

A characteristic that creates problems in the labour market is that real wages move independently of changes in productivity or unemployment. Up to 1990 there was strong Government intervention in the wage formation process, through an inflation indexation system and direct mingling in collective negotiation procedures. In 1990 the inflation indexation system was abandoned and new legislation on industrial relations was introduced that eliminated direct government interventions in collective negotiations.

With the above reforms, the wage formation process has improved considerably. However, observers point out that the Government still exercises some influence on collective agreements by announcing wage increases and inflation catch-up clauses for civil servants. These are usually considered by labour unions as a floor and negotiations take place for further improvements. Also several weaknesses in the existing arrangements for wage negotiations and for mediation and arbitration have been pointed out by the employers' associations.

In recent years because, of excessive wage increases, labour costs have risen more than inflation and this has reduced the competitiveness of the Greek products.

The country is making considerable effort to reduce inflation, eliminate budget deficits and restrict the public debt to the levels required for participation in the EMU. The restrictive monetary policies, the high interest rates and the exchange rate policy were not conducive to a substantial expansion of economic activity or a boost to employment.

According to Government announcements, the restrictive macro-economic policies are going to be continued. Although in the long run these policies will be beneficial to the economy, in the short run they will restrict aggregate demand and have negative effects on economic activity and employment growth. However, with the reduction of inflation and the curbing of fiscal problems, cuts in the rates of interest will be made possible and this will start to invigorate the economy.

Employment policy expenditures as a % of GDP have been very low. Greece is among the countries in the EU with the smallest expenditure on labour market policies, as a % of GDP. Another characteristic is that the largest part of the expenditure is devoted to passive measures.

The unemployment benefit system is not generous and could not be considered as creating work disincentives or a risk of an unemployment trap, as in many other countries. As a matter of fact the system has been characterised as among the least generous in the OECD countries. The benefit corresponds to about 50% of the minimum wage for workers without previous experience.

Expenditure on active labour market programmes have increased in recent years but continue to be the lowest among OECD countries. In the mid-1990s they represented only 0.56% of the country's GDP and were a little more than half of the expenditure on passive programmes.

Under present conditions, with the pressing economic problems that exist and the need to correct chronic macroeconomic imbalances and to satisfy the EMU criteria, the

Government cannot use expansionary policies to fight unemployment. Therefore, the weight of the effort has to fall on structural measures of a micro-economic nature.

The main organisation responsible for running active labour market programmes is the *Manpower Employment Organisation (OAED)*. Since the early 1980s various measures have been used to combat unemployment. Training and retraining programmes, subsidising employers to hire unemployed persons and subsidising the unemployed to start new enterprises, have been the most important of the active measures used so far.

With the increase in the financial resources coming from the European Community in the late 1980s, there has been a rapid rise in the number of people participating in programmes introduced to combat unemployment. Also, there has been an increase in the number of other organisations offering training programmes. However, still the percentage of the labour force participating in these programmes and the relative size of the expenditures on them has remained very low, compared to other European countries.

Evaluation of some of the active labour market programmes that have been implemented so far, has highlighted serious weaknesses and significant dead weight. In view of these problems, the pressing need to deal more effectively with rising unemployment and the requirement to conform to the directions of the Essen Council, the Government formulated a multi-annual plan with measures and policies aiming at reforming the labour market, improving the quality of the labour force, facilitating job search, providing incentives for new job creation and hiring the unemployed, improving the matching up of the unemployed to vacancies and dealing in particular with the problems of youth unemployment and of areas with high unemployment concentration.

To implement the multi-annual programme, a law was passed in August 1996, which set a general framework for the measures and policies that are to be taken. The details of the application will be determined later with specific Ministerial Decisions or Presidential Decrees. The effectiveness of the new policies and measures will depend to a large extent upon the arrangements that are to be made for their application.

With regard to the implementation of the Multi-Annual Plan, various activities have taken place. The Government has put priority on the establishment of an appropriate institutional framework for the application of the policies and measures included in the Plan. In the Spring of 1995 the *Experimental Institute of Vocational Training and Employment (PIEKA)*, staffed with a small number of highly qualified professionals, started operating. The institute is under the auspices of the Manpower Employment Organisation. Its purposes are the creation of a data bank on labour market statistics, the development of an integrated system of analysis and research concerning labour market issues, especially in the areas of local labour markets' employment potential, restructuring and industrial decline, and the development of innovative vocational training schemes. The institute has already started producing some research work in these areas, but its capabilities are limited, because of the small size of its staff.

Another important institution that was recently put into operation is *the National Institute of Labour*, an independent tripartite organisation, under the auspices of the Ministry of Labour. The aim of this institute is to provide the scientific means through which the policy options made by the Ministry of Labour will become more rational and

measures and programmes more effective. In order to accomplish these objectives, the institute has been involved in a number of tasks, such as monitoring and evaluating structures and outcomes of vocational training programmes, classifying legislation relating to issues governing working conditions, studying new forms of employment and the impact of technological innovations upon the labour market and facilitating the social dialogue between workers and employers.

Other institutions, that had been envisioned in the plan, were the *Regional Committees of Vocational Training and Employment (PEEKA)*, which since have started to be established. A new institution is envisioned in the new law, the *Regional Employment Observatories (PEPAs)*. The functions of the PEPA of Attica, which will perform the role of a *National Employment Observatory* (called *EPA*), will be undertaken by PIEKA.

To facilitate the implementation of the structural policies and measures included in the multi-annual plan, a high-level committee was established in 1996, consisting of the Minister of Labour, who acts as chairman, representatives from the Ministries of National Economy, Labour, Development and Agriculture, the Director-general of OAED, three independent experts and a representative from the Economic Office of the Prime Minister. This Committee is responsible for: (a) the refinement of the measures and policies included in the plan, (b) the supervision of the implementation sub-committees that will be established within OAED, (c) the contribution to the reorganisation of OAED and (d) the redrafting of the plan that was submitted to the EU, in accordance with the directions of the Essen Council.

Another institution that has recently been established is the *Organisation for Certifying Training Institutes* which would be eligible to undertake subsidised training. These institutions have to satisfy certain criteria regarding their facilities, the quality of teachers, their programmes etc., in order to be recognised as *Centres of Vocational Training (KEK)*. A number of KEKs have been established and are implementing training programmes subsidised by the Ministry of Labour (with state and ESF funds).

An important development has been the recent agreement by the social partners to make contributions to finance training programmes for the employed and measures against long-term unemployment. Two separate accounts have been set up for this purpose. The first is entitled *Special Unemployment Fund (EKLA)* and is to be financed by a social security contribution increase of 0.35% (0.25% paid by employers and 0.10% paid by the employees). The second account bears the title *Special Fund for Vocational Education and Training Programmes (ELPEKE)* and is to be financed by an additional social security contribution increase of 0.45%, to be paid by employers. Under the new law the revenues from these funds will be administered by the newly-created "*Fund for Employment and Vocational Training*" (*LAEK*).

One area in which significant progress has been made with regard to the measures included in the plan is the mapping of the labour market. A computer network has been installed by OAED and is in operation, covering a number of Employment Offices in the Athens area, Thessaloniki, Volos and Larissa. The network is expanding with the gradual installation of terminals in other Employment Offices in the Athens area. Steps have been taken to expand the system in other parts of the country as well.

Also, some progress has been achieved with regard to the re-organisation and modernisation of OAED. The enhanced role of social partners in the formation and implementation of employment policies, through their increased participation in the Administrative Board of OAED, is expected to improve the effectiveness of the organisation and also to promote the development of social solidarity towards the unemployed. The support of the work of OAED by a research institute (PIEKA), which has already started operation, could also contribute significantly to an increase in its effectiveness. Moreover, OAED has undertaken several steps to re-organise its services, train its personnel, promote better communication among its various departments and offices and to acquire and analyse information related to its activities and to labour market developments. In addition to this, OAED has begun procedures to create a local network in the area of Attica, to automate the unemployment benefit distribution system. It plans to create 30 such networks covering the whole country.

Another important development is the establishment by OAED of three *Pilot Professional Guidance Centres* (located in Athens, Thessaloniki and Iraklio).

Despite the above improvements, a lot remains to be done with regard to the re-organisation and modernisation of OAED. A significant impediment to such changes is the restriction on public organisations on hiring new personnel.

The new system of employment cards with allowances which could be used as subsidies for employment or training or as unemployment benefits for all members of the labour force seems promising but the degree of its success will depend, to a large extent, upon the way it will be administered. According to some observers the system will prove complex to operate, difficult to administer without bureaucratic problems and easy to abuse. Several problems, regarding the application of the system, are discussed in the report. A pilot application has been planned for the autumn of 1996 but, up to September 1996, no preparatory activities had taken place.

With regard to the Essen guidelines, the multi-annual plan and the new law on employment envision several measures and policies. Since some of them have not been applied yet, it is difficult to make an overall evaluation.

The institutionalisation of new sources of funds through employer and employee contributions to promote vocational training and employment and the greater involvement of the social partners in the relevant decision-making bodies, the more extensive participation of firms in the provision of vocational training and the establishment of an institutional infrastructure to facilitate vocational training and upgrade its quality are measures that will increase the extent and the effectiveness of vocational training and will expand employment opportunities for the labour force.

The introduction of a fully-computerised system at OAED for registering information on employees in the private sector, the unemployed, vacancies and their relevant characteristics will improve the matching of supply and demand for labour and will increase the gains in employment made possible through growth. The extension and upgrading of the network of Employment Promotion Centres and the possibility created for higher education institutions, technical schools, employers' and workers' associations, and local government organisations, to develop and run specialised

Employment Promotion Centres, as well as recent changes in legislation introducing greater flexibility in the organisations of work, such as arrangements for part-time employment, work in four shifts and the possibility of continuous operation of firms, are likely to increase the employment-intensity of growth.

The possibility of subsidising social security contributions paid by firms employing unemployed persons aged 20-29, will reduce indirect labour costs for this category of workers and encourage their employment. However, more extensive reforms will have to be considered in this regard.

A large number of measures and innovations are included in the multi-annual plan and the new law on employment, that could bring significant improvements in the effectiveness of labour market policies. However, the degree of their success will depend upon how fast and how well they are applied. Up to September 1996, steps had been taken towards setting-up a computerised system and modernising OAED, strengthening the social partners' involvement in its administration and supporting OAED activities with the establishment of a research institute, measures that are likely to contribute to an improvement in the effectiveness of labour market policies.

In the multi-annual plan and the new law there are provisions for several measures, in addition to those that already existed, to help groups particularly hard-hit by unemployment.

On the whole, since the law concerning most measures and policies included in the multi-annual plan passed very recently (August 1996), their implementation has been delayed. The steps that will be taken in the next few months will show how fast the new measures and policies are going to be applied.

An area that needs extensive reforms is education. The relatively high unemployment rates of graduates of universities and particularly of other tertiary-education institutions constitute the tip of an iceberg that has to be dealt with. Also, industrial policies and particularly policies for small and medium enterprises as well as policies for promoting restructuring and raising the chances for survival of firms should receive more attention. Speeding up the pace of restructuring and privatisation of the many public firms that exist is another area of importance.

The relatively large tax wedges that are created by the social security and tax systems reduce incentives to work and new job creation and efforts should be made to find ways to reduce them. The tax system is under consideration for revision and similar consideration should be given to the social security system.

Concluding this summary it is interesting to refer to some major issues of national debate and concern. An important issue relates to the segmentation of the labour market and the unresponsiveness of most segments to changes in labour market conditions. Particularly, in the case of segments associated with the public sector, there are features such as job security, tenure, the possibility for upward movement in the hierarchical ladder and salary increases independent of performance, that reduce the pressures for hard work and make the available positions highly desirable. However, these positions can only be obtained either through entry into the lower levels of the hierarchy or through non-competitive procedures and thus are isolated from the rest of the labour

market. The favourable features of the above jobs raise the expectations and demands of many young people, prolong their job search and increase the duration of their unemployment.

Moreover, since the above segments as well as several segments in the private sector are not influenced by changes in labour market conditions, the pressures from such changes are restricted to the remaining segments of the labour market. Given the fact that to a large extent wages are determined by collective negotiations, and usually do not reflect changes in the supply and demand conditions, and that there are several restrictive employment protection policies, flexibility in a large part of that market may also be limited. Thus, the effects of changes are restricted to a relatively small segment of the market and are expressed mainly in the form of changes in the availability of jobs for new entrants and particularly for marginal workers and in unemployment, labour force participation rates and the extent of self-employment.

The wage formation system has been significantly improved since the abolition of inflation indexation and the reforms concerning collective negotiation agreements and mediation and arbitration procedures. However, the system suffers from some weaknesses that are discussed in the report and should be looked at.

The existing employment protection legislation contributes to the protection of certain jobs but restricts flexibility, raises costs and reduces employment opportunities available to those who are out of work. The employers' associations argue that this legislation should change, a suggestion strongly opposed by the labour unions.

The relatively high level of non-wage labour costs reduces the competitiveness of domestic products, encourages the expansion of activities in the hidden economy and reduces employment opportunities in the formal labour market. Because of an abuse of the pension system in the past and inefficiencies in its administration expenditure needs are relatively high, and since possibilities for transfers from the national budget are limited, social security contributions cannot be reduced. One solution to this problem would be to raise the upper level of earnings, beyond which social security contributions are not paid, and use the resulting revenues to make up for the loss from lowering the rates at the lower end of the wage scale.

Several issues relating to labour market policies are discussed in the report. These issues refer to the size of unemployment benefits and the effectiveness of active labour market policies. The latter is impaired by problems such as the absence of an integrated and clearly-defined national policy with regard to the unemployed and especially the long-term unemployed, the lack of coordination among the various governmental departments, organisations and agencies, the discontinuity in policy making and application, caused mainly by the "reshuffling" of directors and of high-level officials, not only after governmental changes but even every time a new minister comes into office, the low level of expertise among some of the people involved in the implementation of programmes, the staffing problems of the Ministry of Labour and of the related public organisations, the lack of evaluation arrangements and mechanisms, etc.

The reduction of the relatively large size of the public sector through privatisations, a decrease in government expenditure and the restriction of unnecessary government

interventions are other issues of national debate. Also, restriction of the large and continuously increasing size of the "hidden" economy is an issue of deep concern in the country.

During the last year there has been extensive discussion about the reduction of working time. Labour unions are demanding such a reduction without a corresponding cut in pay. Employers' associations do not have serious objections to fewer hours of work but only if this is accompanied with an equivalent wage decrease. A proposal for the possibility of re-arranging the time of work within a year without changing the total number of hours is under consideration.

Finally, the issue of reforming tertiary education, improving its links with enterprises and abolishing the monopoly of public institutions has been discussed for many years but due to the unwillingness of the Government and of the authorities of tertiary-education institutions to cause unrest among students or displease the teaching staff, no major reforms have been implemented.

It should be noted that the Government that was formed after the elections of September 1996, seems determined to proceed fast with the application of the measures and policies envisioned in the new law on employment. According to plans, in 1997 about 50,000 new jobs for the young and the long-term unemployed will be subsidised by up to 75% of the wage of the newly employed. It has been announced that within a short time the Ministerial Decisions for the application of the new law are expected to be issued and the implementation of the new policies and measures will start immediately after that.

Concluding the summary it should be pointed out that in areas where industrial decline and extensive restructuring is taking place – and there are many such areas in the country – active labour market policies and measures cannot be effective if no measures are taken for the development of the local economies. This is also true for the country as a whole. Without economic growth, unemployment cannot be significantly reduced, regardless of how much is spent on training and other measures. The Second Community Support Framework for Greece includes integrated local development plans for 13 areas with declining industries, which is a step in the right direction. However, the results will depend upon how well these plans are going to be implemented.

I. LABOUR MARKET ANALYSIS AND FORECASTS

I.1 DEMOGRAPHIC TRENDS

I.1.1 Population trends

According to the Greek Labour Force Survey, in 1995 Greece's population was 10,238,000. Almost two-thirds of it was living in urban areas and more than one-third was concentrated in the Athens area (Table 1, Figure 1). Despite the exodus of people from the rural areas in recent years, more than one fifth of the population still continues to live there.

Comparing the age structure of the population in 1995 with that in 1991 and 1981, the ageing population phenomenon can easily be observed (Table 2). The population share of all age groups under 25 has shrunk. In fact, during 1991-1995 even the absolute size of all age groups under 25 has fallen. Moreover, the phenomenon has affected all regions. With only the exception of the age group 14-18 in the "other" urban areas (urban areas except Athens and Thessaloniki), the population share of all age groups under 25 in all regional divisions has fallen. On the other hand, the share of the population aged 65 and over increased in the country as a whole and in all regional divisions

The total population of the country increased by 4.7% during 1981-1991 and by 3.2% during 1991-95. In the period 1981-1991 population growth was stronger in the urban areas, while in 1991-1995 the growth rate in the semi-urban areas was about double that in the urban areas. In the rural areas there was substantial population decline in both 1981-91 and 1991-95 (Table 3, Figure 2).

Looking at the growth rates of the various age groups we observe again the ageing population phenomenon. The rates of growth of the age group below 25 were negative in both 1981-91 and 1991-95 while those of the group 65 and over were respectively three and a half and five times larger than the average for the population in the above two periods (Table 3, Figure 3).

Because of the fall in the birth rate, below the minimum required for population replacement, the population is expected to start declining at some time after the year 2000, even with a moderate pickup in birth rates and a continuation of immigration trends.

I.1.2 Recent changes in the size and age structure of the labour force; projections

The composition of the labour force has changed in recent years. The percentage of prime-age women has increased while the percentages of both men and women in the lower and upper ends of the age spectrum have decreased.

During the periods 1981-1991 and 1991-1995 the labour force grew at a rate much faster than that of the population. The labour force growth was concentrated in the urban and semi-urban areas (Table 4, Figures 4 and 5). In 1981-1991 the labour force growth was much stronger in the urban areas, while in 1991-95 in the semi-urban areas it surpassed that in urban areas. In the rural areas, during 1981-1991, the labour force declined drastically, much more than the population, while in 1991-1995 the decrease was slight and smaller than that of the population.

Most of the labour force growth was due to the growth of the female labour force, which in the periods 1981-1991 and 1991-95 increased by 19.9 and 15.2 percent respectively, compared to 0.9 and 4.0 percent for men (Table 5, Figures 6 and 7). Among all females, married females' labour force growth was weaker (14.9%). This has occurred despite the fact that labour force participation rose more among married females and is due to the fact that married females now make up a somewhat smaller proportion of all females than what was the case four years earlier.

In the period 1991-1995 the educational structure of the labour force improved, particularly in the case of women (Table 6). In the same period the labour force below 25 years of age decreased more than the corresponding population group and this could be explained by the increase in the rate of unemployment, the availability of more opportunities for training and an increase in the desire of young people to get more education.

Despite the decline in the natural rate of population growth, the labour force is likely to increase in the near future because of immigration, the further increase in women's participation rates, the tightening of retirement conditions and the greater participation of younger people, if employment opportunities improve.

We made an estimate of labour force growth in the next four years on the basis of the following assumptions: First, the male and female population aged 14 to 64 will increase in the period 1995-1999 by only two thirds of their increase in the period 1991-1995, which was 1.27% for males and 2.54% for females. Second, the labour force participation rate of males will stabilize at its 1995 levels (77.6%), while that of females will increase by no more than the increase in the 1991-1995 period (4.9%) and no less than two thirds that amount. On the basis of these hypotheses our forecast of labour force increase ranges from 4.02% to 5.44%.

I.1.3 Migration trends

During the 1980s the emigration of Greeks was limited while many Greeks who had emigrated in previous years started returning to the country. Also, a large number of Greeks who had fled to countries of the communist block during the Greek civil war, started returning to their homeland, following a favourable change in legislation. After the fall of the communist regimes in 1989, a large number of people of Greek origin, who lived in formerly communist countries, particularly in the Soviet Union and Albania, immigrated to Greece. At the same time there was an influx of illegal

immigrants mainly from Albania but also from Bulgaria, Romania and Poland. Moreover, a large number of illegal immigrants from Iraq, Iran, Syria, Pakistan etc. kept coming to the country through Turkey. There is no official information about the number of illegal immigrants presently in Greece. According to unofficial estimates, it may be up to 400,000 to 500,000 persons, which corresponds to approximately 4 to 5 percent of Greece's population (OECD, 1996).

I.2 STRUCTURE OF THE WORK FORCE

I.2.1 Employment

Employment in Greece is characterised by certain tendencies, usually observed in less developed economies. The most striking are the following:

- a. Relatively high percentage of people employed in agriculture.
- b. Relatively high percentage of self-employment (about half of employed persons) and relatively low percentage in the total labour force of people with dependent employment.
- c. Relatively high percentage of employees working in the public sector (about one third of all employees)
- d. Relatively large size of activity in the "hidden" economy
- e. Relatively low labour force participation rates of women.

Because of the above characteristics it is difficult to have an accurate picture of employment and unemployment in the country. Changes in the supply and demand for labour affect self-employment, disguised unemployment, underemployment, multi-job holding and employment in the "hidden" economy, and may have relatively small effects on the official employment and unemployment figures.

Labour force participation and trends

Labour force participation in Greece continues to lag behind that of many other EU countries, for both men and women.

In 1981-1991 the overall participation rate of the working-age population remained almost unchanged since the decrease in men's participation rates were offset by an equivalent increase in women's rates. In 1991-1995 there was an upward trend in the size of the working-age population (15-64), combined with an increase in the participation rate, which reached 60.8% in 1995 compared to 57.6% in 1991. The main reasons for this increase were the rising participation rate of women (it reached 45.1% in 1995 compared to 40.2% in 1991) (Figure 8) and the tightening of the retirement conditions. Contrary to the experience in many other countries, male labour force participation has been inching up, having reached 77.6% in 1995 compared to 76% four years earlier.

Between 1991 and 1995 the participation rate for both men and women for the age group under 20 decreased, – observation which is consistent with increased emphasis on

schooling – while for all other age groups it increased (Table 7, Figure 9). In both 1995 and 1991 the participation rate for male workers peaked at the 30-44 age range while women's rates peaked at the 25-29 age range.

The participation rate of female workers in the age group 30-44 is lower compared to that of age group 25-29. This is due to the child-raising responsibilities of women, as well as to different labour market behavioural patterns of the older age groups. This latter effect is probably the dominant reason for the lower participation rates of those 45-64 years old.

The level and the evolution of participation rates of married females do not differ substantially from those of all females. The only differences appear in the married females' participation rates which peak in the 30-44 age range and in the rates of married females in the 15-19 age range, which increased between 1991 and 1995 (32.4% in 1995 compared to 27.1% in 1991), contrary to what happened in the case of men and unmarried women in this age bracket. It should be noted that the 15-19 age range was the only one where participation rates were higher for married females than for all females.

Generally, we observe a positive relationship between levels of education and participation rates, with the only exceptions being firstly, those with a degree from a technical/ professional school, who have higher participation rates than those with a university degree and, secondly, those with six years of schooling, who have higher participation rates than those with nine years of schooling. This positive relationship between levels of education and participation rate is much more pronounced in the case of females compared to males.

The participation rates were highest in the rural areas (72.7% in 1995, 68.2% in 1991) and lowest in the urban areas (57.7% in 1995, 54.3% in 1991), with those in the semi-urban areas in-between (62.9% in 1995, 59.2% in 1991). Among the urban areas, the Athens area had the highest participation rate (58.1% in 1995, 54.6% in 1991) and the Thessaloniki area the lowest (55.4% in 1995, 52.9% in 1991), while the "other" urban areas were in-between. The participation rate age profile was much flatter in the rural areas than elsewhere. In rural and semi-urban areas the male participation rate peaked at the 25-29 age range while in the urban areas it peaked at the 30-44 age range. This difference is probably due to the fact that the facilities for tertiary education, which results in a delayed entry into the labour force, are concentrated in urban areas.

In semi-urban and rural areas female participation rates were much higher compared to urban areas. In the former areas the participation rates for married females were higher compared to all females. This phenomenon and the higher female participation rates are due to the importance of the primary sector where the share of women workers is relatively high.

Industrial, occupational, age, qualification and gender structure of employment and trends

The service sector has the largest share in total employment and its importance keeps increasing (Tables 8, 9 and Figures 10, 11 and 12). In 1995, the primary sector's employment share was 20.5%, down from 30.7% in 1981 and 22.2% in 1991. The employment share of the secondary sector also shrank in the same period. Of all sectors comprising the secondary sector, only electricity, gas and water had a slight rise in its employment share.¹ The employment shares of manufacturing, mining and construction fell.

During both periods, 1981-1991 and 1991-1995, there were substantial increases in employment in the service sectors (Tables 8, 9 and Figures 10, 11, 12). However, a large part of these increases can be attributed to an expansion in the number of people employed in public administration and in enterprises and organisations controlled by the public sector.

Most service subdivisions showed an increase in their shares in total employment. Transportation and communication was an exception, since its share fell. Retail and wholesale trade and tourism showed a remarkable increase in their share. Particularly important was the rise in the employment share of the finance, insurance and real estate sector and also of the "other services" (of the latter 7.1% is public administration, 5.8% education and 4.3% health services).

The share of women's employment in total employment rose to 35.9% in 1995, from 31.4% in 1981 and 33.7% in 1991. This rise came mainly from the relatively large increases of women's employment in the tertiary sector where, in 1995, about 62% of women were employed (Table 10).

Male employment was dominant in construction, mining, transportation and communications and electricity, gas and water. Manufacturing and retail and wholesale trade and tourism (with trade's share being higher), followed. Finance, insurance and real estate, the primary sector and the "other services" sector had the lowest male employment share. Within the latter sector there was considerable variation with a male employment share in public administration of 67.4%, in education of 38.3% and in health services of 36.6%.

As far as the age structure of employment is concerned, we observe that in 1995 the largest share of employed workers for both men and women belonged to the age group 30-44, with the age group 45-64 following close behind (Table 11). In 1991-1995 there was a decrease in the employment of persons below 24 and a large increase in the employment of those above 65 (Table 11, Figure 13). The differences in the age profile of male employed workers between 1991 and 1995 were not significant. There was a small drop in the percentage of workers in the age groups below 24 and a small rise of

¹ This sector is dominated by large public enterprises which increased their personnel as a result of political or court decisions and not in response to actual needs.

those 30-44 and 65 and over (Figure 14). With regard to women there was a larger drop in the percentage of workers below 24 and also a larger increase in the percentage of those in the age group 30-44, compared to men (Figure 15). Looking at the age profiles of male and female employed workers we notice that the share in the age groups 45-64 and 65 and over were much lower for females, probably due to the different behavioural patterns of older age groups for which labour force participation is smaller compared to younger groups. It is worth noting that this difference in the age profile was not attenuated between 1991 and 1995.

There are some significant differences in the age profiles of employed workers across sectors. Most characteristically, in the primary sector, we observe higher than average share for workers under 20 and in the age brackets of 45-64 and 65 and over. In fact, in this sector, almost two thirds of workers are above 45. On the other hand, in most service sectors the share of employed workers in the 30-44 age bracket was above average (Table 12).

It is worth noting the higher than average share of employed workers in the 25-29 age bracket, observed in most service sectors, most notably in finance, insurance and real estate (17.1%) and education (17.2%) (Table 12). In the first of these two sectors, the expansion was probably due to the significant growth of the sector in recent years that went in line with its modernization, creating needs for new employees with new skills and qualifications, most likely to be found among recent graduates and thus relatively young people.

With regard to sectoral variation in educational qualifications, the sectors with the highest shares of employed persons in the top two educational achievement categories were finance, insurance and real estate, and the "other services" (Table 13). These sectors had also the largest shares of persons with post-graduate education. The share of university graduates among those employed in finance, insurance and real estate was 41% and in the "other services" sector was 36.3% (within which, 76.6% was in education), while the shares of these sectors in total employment were much smaller.

The primary sector is characterized by a workforce with the lowest educational achievement (87.1% of employed workers had at most completed elementary education while the average was 43.5%). Also, following with poor records were construction and mining (Table 13). In view of its modernization and restructuring needs, manufacturing's mediocre record (44.6% of employed workers had at most completed elementary education) also should be mentioned. Nevertheless, the fact that fairly significant progress has been achieved compared to just four years earlier constitutes a positive development: In 1991 49.2% of employed workers in all sectors had at most completed elementary education, and the corresponding proportions in the aforementioned sectors were: primary sector 89%, construction 70.9%, mining 66.8% and manufacturing 50%.

With regard to the occupational structure of the employed workers, in 1995 the largest single group was that of farmers, animal raisers and fishermen (Table 14). They were followed by specialized technicians, operatives and unskilled manual workers. The total

share of blue collar workers was 30.3%. Because of changes in definitions, it is difficult to make comparisons between the structures in 1995 and 1991. However, on the whole, it seems that there was an increase in the shares of occupations with more qualifications. There was significant variation in occupational shares and in their growth across sectors.

The employment shares of male workers were higher in the relatively more skilled occupations. This was particularly true in the case of blue-collar occupations. Since 1981, there has been an increase in women's participation in scientific and professional occupations and a general improvement in the occupational structure of their employment.

Gender and regional growth of employment and trends

Although employment in Greece in the period 1991-1995 increased by 5.3%, male employment grew by only 1.9%, while female employment grew by a robust 11.9%. Also, there was significant variation in employment growth by type of region: In urban areas employment increased by 8.0% and in semi-urban areas by 8.9%, while in rural areas it decreased by 2.3%. The variation in employment growth among the three urban area subdivisions was also considerable. In all areas women's employment increased much more than men's (Table 15, Figures 16 and 17).

The regional variation in employment growth in the periods 1981-1991 and 1991-1995 has affected the shares of various areas in total employment. Both urban and semi-urban areas increased their shares at the expense of the rural areas whose share fell. Between 1991 and 1995 the employment share of the Athens area remained the same, that of the Thessaloniki area increased slightly while there was a relatively large increase in the share of the "other urban" areas (Table 16).

Substantial differences were observed with respect to the sectoral distribution of employment across types of areas (Table 17). The secondary and tertiary sectors were concentrated mainly in the urban areas with about half of their total employment being in the Athens and Thessaloniki areas. Between 1991 and 1995 there were no significant changes in the sectoral distribution of employment across different types of areas.

Also, there were substantial differences in the rates of growth of employment in the 13 regions of the country. In the period 1991-1995 three regions had negative rates of growth and five other regions had rates of growth that were below the national rate (Table 16).

Part-time employment, short-term contracts and hours of work

Greece has the lowest percentage of part-time workers among the EU countries. Legislation supporting part-time employment was introduced in 1990. However, there has been little change in the percentage of people working part-time since then.

The institutionalisation of part-time work and the introduction of the possibility for firms to use a fourth shift were two major reforms in the early 1990s that increased the flexibility of working time. Until then the firms had to pay for part-time workers contributions equivalent to those for full-time workers and this discouraged them from using this type of employment.

With the new legislation the contributions became proportional to earnings on the provision that these earnings could not be lower than 30% of the minimum wage. Part-time workers were given rights for a minimum pension, unemployment benefits and severance compensation.

Despite the above favourable legislation the popularity of part-time work has not increased. Most part-time workers hold such jobs because they cannot find full-time work. On the whole, part-time employment does not seem to appeal to Greek men or women. There are several reasons for this. Besides the fact that people are not used to this kind of employment, salaries and wages in the country are relatively low and the income that one can get from such an employment is relatively small. Women have to supplement family income and, since in most cases this is relatively low, they try to earn as much as possible. Moreover, most activities are concentrated in certain parts of the urban areas and due to congestion and the poor public transportation system the time and the cost required for going to and returning from work make the undertaking for work of only a few hours per day not worthwhile.

On the part of employers, recruiting of personnel is not as easy as in the case of countries where private employment agencies exist. For this reason, when they incur the costs of recruiting they prefer full-time instead of part-time personnel.

There are serious restrictions to overtime work, particularly in the case of industrial firms. A maximum of one hour per day and 8 hours per week with a limit of 15 hours for a six-month period for each worker is allowed in such firms. The limit for commercial enterprises is 60 hours per six-month period. The payment for overtime work is 25% higher than the usual rate and in excess of the cumulative limit is 100%.¹ It is difficult to know to what extent the above limits are adhered to since their enforcement, particularly in the case of small firms, is particularly difficult.

In 1995, about 69.3% of employed workers worked on average for at least 40 hours per week. Most of them (37.8%) worked between 40-47 hours. The situation is not substantially different compared to four years earlier. During the period 1991-1995 there was a small fall in the percentage of employed workers working on average 35-39 hours per week and a small increase in the percentage of those working under 35 hours per week, but the changes were not significant (Table 18).

There are certain differences with regard to average working hours between male and female employed workers. The percentage of employed workers working in the 40-47 hours per week range does not differ significantly between the two groups. However,

¹ Surpassing the cumulative limit is illegal under the civil law but not under the penal code.

females were much less likely than males to work 48 or more hours per week on average. On the other hand larger proportions of females worked under 40 hours per week, particularly under 35 hours per week. In 1995 28.5% of females and 15% of males worked less than 35 hours per week, while only 15.3% of females and 7.2% of males worked less than 24 hours per week. The proportion of workers who worked less than 25 hours per week on average has increased only slightly for both males and females between 1991 and 1995.

There has been extensive variation in the average hours of work in various sectors of economic activity (Table 19). However, no significant changes occurred between 1991 and 1995. In both years the largest percentages of people working on average less than 25 hours per week were in the primary sector and in "other services" which includes education, health etc. In the sector of trade, hotels, restaurants etc., which is a major source of part time work in other countries, less than 4% of its employment was for less than 24 hours per week.

Considerable variation appears in the average hours of work among employers, the self-employed, salary and wage workers and helpers in family enterprises. About 61.9% of employers, 53.7% of the self-employed, 40.8% of helpers in a family enterprise and only 15% of salary and wage earners work on average 48 hours per week or more. On the other hand relatively few employers and self-employed people work less than 35 hours per week on average. Most salary and wage earners work 40 hours per week.

Although multiple job holding is quite common in the country, probably due to non-reporting only 2.5% of the employed persons in 1991 and 3.7% in 1995 were recorded as having more than one job.

The introduction of a fourth shift allowed a number of firms to add a shift and resulted in the increase in the average hours of work in Greek industry from 64 in 1989 to 88 in 1994. Over that period the industrial firms operating in shifts increased from 52 to 86 per cent of their total number (OECD, 1996).

Employment on fixed-term contracts has been quite common in Greece. It is estimated that it constitutes about 18% of all salaried employment. Fixed term contracts can be renewed only twice. After that, the employment becomes regular.

Fixed term contracts have been used extensively in the public sector in response to seasonal labour requirements or for recruiting personnel without having to adhere to the civil service recruitment procedures and restrictions.

Self employment and employment in family enterprises

A little more than half (53.9%) of all employed workers were salary and wage earners in Greece in 1995. The remaining were employers, self-employed, or assistants without payment in family enterprises (Table 20). There was a small decrease in the percentage

of persons who were self-employed between 1991 and 1995 but the change was not significant.

Greece has the highest percentage of self-employed workers among the EU countries. More than one third of employed persons are self-employed. The corresponding ratios are higher for men than for women. In 1995 about 42.2% of employed men were employers or self-employed while the corresponding percentage for women was only 18.7%. In both 1991 and 1995 about one-fourth of employed women worked without payment as assistants in family enterprises. This is considered as a particularly disadvantageous type of employment.

The highest percentages of self-employed people were in the primary sector and in trade, hotels, restaurants, finance, insurance, real estate, construction, transportation, communications and storage (Table 21). The highest percentages of persons employed as assistants in family enterprises without payment were in the primary sector, in trade, hotels, restaurants and in manufacturing (which includes artisan and cottage industries).

The percentage of employers and self-employed men decreased in the period 1981-1991 while for women it remained almost the same. In 1991-1995 there was a slight decrease in the percentage of men and a much larger decrease in the percentage of women who were self-employed.

Self-employment and employment in family enterprises acts as a safety net against unemployment. Every year thousands of new small enterprises are created by people who cannot find other employment. However, in many cases, after a few months these enterprises are forced to close down or are sold to other aspirant entrepreneurs.

Employment in the public sector

According to the Greek Labour Force Survey, in 1995 about 20% of all labour force and 40% of all salary and wage earners were employed in the public sector. Since public sector employees are less likely to evade participation in the survey, this estimate may overstate the size of public sector employment. According to government estimates about 27% of all salary and wage earners are employed in the public sector. However, even this percentage is very high relative to other countries.

During the period 1981-90 the rate of increase of public sector employment was about three times higher compared to the rate of increase of private sector dependent employment. In the 1990s restrictions were set and recruitment was reduced. In 1994 the Government introduced new recruitment rules, establishing specific criteria for the selection of new entrants into the public sector. According to this criteria there is a bias in favour of the socially disadvantaged. Table 22 presents the number and the percentages of persons employed in the public sector in the period 1991-1995.

Employment projections

Given the characteristics of the Greek labour market mentioned before, employment forecasts seem rather speculative. However, a tentative projection has been made about employment growth during 1995-1999 on the basis of the following assumptions concerning developments by sector: Employment in the primary sector during this period will decrease at twice the rate of that of 1991-1995. Changes in the agricultural policy and structural changes may precipitate this. Employment in mining, manufacturing, and electricity, gas and water, will stabilize at the current levels. The successful restructuring of the manufacturing sector and the recovery of mining give grounds for this assumption. Stabilization of electricity, gas and water employment could be the result of efforts to run publicly-owned companies with private sector criteria (employment in gas is expected to rise as a result of the introduction of natural gas). Employment in finance, insurance and real estate is also assumed to remain stable as a result of the expected consolidation, after years of rapid expansion, and because of automation. Employment in transport and communications is assumed to decrease at twice the rate of decrease for period 1991-1995. This could be the outcome of impending deregulation. Finally, employment in retail and wholesale trade and tourism as well as in the "other services" sector is assumed to increase at only two thirds of its rate of increase during the period 1991-1995. The combination of these assumptions leads to a forecast of employment increase for 1995-1999 at 4.85%. This is close to the projected labour force growth. Therefore, according to these estimates there will be no additional jobs to alleviate the existing unemployment problem.

I.2.2 Unemployment

The rate of unemployment in 1995 was between 9.1 and 10.0 percent, depending upon the way it was estimated (Tables 23 and 24).

The main characteristics of unemployment in Greece are its unequal regional distribution with high concentration in certain areas and the high incidence of unemployment among specific groups of people, particularly the young and women. Particular problems exist for persons 45 and over, whose unemployment rate, although below average, has increased in recent years. The possibilities for those unemployed in that age group to find employment are very limited.

Unemployment has increased substantially in Greece in recent years for several reasons, the most important of which are discussed in Section I.5.2.

The rapid rise of unemployment in the country is a cause for a great deal of concern, particularly since further restructuring and adjustments in the economy, resulting in employment cuts in many sectors, are expected to take place in the near future. Developments, such as the contraction of employment in the agricultural sector, the acceleration of women's entry into the labour market and the continuation of immigration flows are expected to create strong pressures on the labour market. It should be noted that, until recently, the problem of unemployment in Greece had been

disguised because of extensive recruitment by the public sector. However, this policy has been discontinued.

Unemployment is higher in the urban areas compared to semi-urban and rural areas and falls more heavily on women, young people and people aged over 50. The likelihood of becoming unemployed is higher for those with only secondary-school education or education in vocational schools of all levels and lower for university graduates or persons with primary education or less. The differences in the incidence of unemployment among various age, education and gender groups are discussed in greater detail in a following section.

As explained later on, under present conditions in the country, unemployment comes more from the inability of new entrants to find a job and less from dismissals.

Unemployment trends

During the early 1960s Greece had a high unemployment rate (6.1% in 1960) compared to other European Community and OECD countries, despite the significant emigration of workers taking place at that time. The fast pace of industrialization, that began in the mid to late 1960s, reduced the unemployment rate substantially, both in absolute terms and in relation to that of the other European and OECD countries, bringing it down to 2.0% in 1973.

The first oil shock cut significantly the growth rate of the Greek economy and revealed considerable structural problems in the development of industry. Following this, employment growth started to rely increasingly on the growth of the public sector. A temporary economic expansion, together with the growth of the public sector, resulted in a fall in the unemployment rate (1.7% in 1977). However, this low rate did not last long. On top of everything else, additional pressure came from the fact that the earlier emigration tide started reversing. A significant immigration, particularly of Greeks previously living in Eastern Europe, began occurring in the 1980s. The pressure was intensified by the effect of large increases in women's labour force participation rates and an abrupt rise in wages in the early years of the decade. These developments, together with the structural problems of the Greek industry, resulted in a continuous rise in the unemployment rate, which reached 7.2% in 1984.

The 1980s were an era of lack of investment in all sectors, particularly, in manufacturing, a fact that hampered growth and future prospects. This was also an era of excessive fiscal expansion, which resulted in adverse developments that subsequently required measures of fiscal restraint. Thus, after a small fall in the unemployment rate in the late 1980s, which was due to a reflationary interlude, the above facts together with the generally recessionary climate in other countries, resulted in a new upward spurt in unemployment in the early 1990s. The increase in unemployment rates continued up to the mid 1990s.

Age, gender, education and skill-level structure of unemployment

In the analysis that follows the unemployment rates we refer to are those derived from the Labor Force Survey, which is carried out with common standards in all EU countries. The unemployment rates derived from the Manpower Employment Organization (OAED), showing the registered unemployed, are lower. As a matter of fact there is little overlapping between the groups of “unemployed” reported by these two sources. The unemployment rates reported by EUROSTAT come from the Greek Labour Force Survey but are a little lower because of small differences in definitions.

Unemployment shows considerable variation with age (Table 23, Figure 18). There is a strong negative relationship between age and the incidence of unemployment. The unemployment rate was 35.6% for the 15-19 age group and 28.3% for those 20-24. It then fell sharply to 16.4% for those 25-29. The sharp drop continues to 7% for those aged 30-44, to 4.3% for those 45-64, and to 0.9% for those aged 65 and over.

The relationship between age and unemployment in 1995 was similar to that in 1991. Just as the total unemployment rate increased in this four-year period, it also increased in each separate age category except for the 14 year olds. But, note should be made of the fact that, although its unemployment remains rather low, the largest relative rise in the unemployment rate occurred in the 45-64 age group (it increased from 2.6% in 1991 to 4.3% in 1995).

Besides age, unemployment shows considerable variation in its incidence on males and females (Table 23 and Figure 18). Females are more affected by unemployment. In 1995 the unemployment rate was 15.3% for females and 6.7% for males, while in 1991 the respective figures were 12.8% and 4.8%. In 1995 58.5% of all unemployed were women. According to EUROSTAT data the unemployment rates for both women and men during the above years were somewhat lower (Table 24).

Particularly heavy is the incidence of unemployment of women below 30 years of age. In 1995 the rates of unemployment were 49.1% for women in the age group 15-19 and 37.9% and 22.5% respectively for those in the groups 20-24 and 25-29.

The unemployment rate of married females differs less from that of males than from that of all females (it was 9.1% in 1995 and 7.7% in 1991). This is probably due to a kind of selection bias: Married females usually participate in the labour force only if they have relatively good job prospects.

In 1995 the differences between the unemployment rates for prime-age men on the one hand and for women and younger people on the other were particularly high compared to the OECD averages. This indicates serious segmentation and relatively low efficiency in the functioning of the labour market.

There is a considerable variation in the unemployment rate across groups with various educational levels. The unemployment incidence is above average for those with a degree from a higher technical professional school and for those with only 12 or 9 years

of schooling (certificate of upper or lower secondary school). It is particularly low for those with postgraduate studies or only elementary education or less. For the university graduates and those who have attended university, the rate of unemployment is lower than the average (Table 25) but relatively high for such a category of workers.

There are two main reasons for the relatively low unemployment rates of those with very little or no education. On the one hand, their participation rates are relatively lower and on the other, those who do participate tend to concentrate in the primary sector, where the unemployment incidence is relatively low.

The breakdown of the unemployed by educational level and gender shows that the percentage distribution of unemployment among various educational groups does not differ significantly between males and females, although females tend to suffer from higher unemployment rates in all educational groups. The only exception to this pattern is observed for the group of women with less than elementary education or no schooling at all, whose unemployment rates are lower compared to men. This is due to the low participation rate of this group and the relatively high demand in the country for household help. It should be noted that the relation between education and unemployment is partly masked by the fact that there is more job protection for older workers, who are more predominant among workers with less education.

It is interesting to have an index of the variation of unemployment incidence across sectors. To produce such an index we excluded from the analysis the unemployed who had never held a job before and classified the rest according to the sector of their last job. Then we estimated the ratio of unemployed, whose last job was in a particular sector, to the total employment of that sector.¹

According to this kind of analysis, unemployment incidence appeared to be extremely low in the primary sector, since the unemployed who last held a job in that sector represented only 0.8% of that sector's employment. Unemployment incidence also appeared low in electricity, gas and water (2.1%), finance, insurance and real estate (4%), and the "other services" sector (4.3%, including 2.5% in public administration, 3.4% in education and 3.8% in health services). It was highest in manufacturing (11.4%), mining (8.6%), construction (8.2%), transport and communications (7.4%) and retail and wholesale trade and tourism (6.8%). For tourism alone it was 9.3%.

There were no major differences in the ranking of sectors on the basis of the incidence of unemployment among male and female workers. Nevertheless, the incidence of unemployment was found to be much higher among females than among males in all sectors. In some sectors this difference was particularly evident: e.g. in mining (71% for females compared to 6.3% for males), manufacturing (20.7% compared to 7.1%), construction (18.7% compared to 8.1%), transport and communications (13.8% compared to 6.4%), electricity, gas and water (5.4% compared to 1.4%) and the education segment of the "other services" sector (4.7% compared to 0.7%).

¹ It should be noted that for some unemployed who previously held a job, the sector of last employment was not known. If these cases were not random, there would be some bias in the analysis that follows.

Long-term unemployment and the incidence of it among various groups

In the analysis of the duration of unemployment the most prominent characteristic is the relatively large share of long-term unemployed (12 months and over) among all unemployed. Between 1991 and 1995 there was a rise in long-term unemployment (Tables 26 and 27, Figure 19). The percentage of long-term unemployed among the unemployed increased from 46.6 in 1991 to 52.4 in 1995 (according to EUROSTAT data the increase was from 21.6% in 1991 to 51.2% in 1995). One reason for the increase in the share of long term unemployment, is the fact that in 1991 unemployment was on an upward trend while in 1995 it had stabilized. Since it was rising in 1991, there were relatively more newly unemployed and thus relatively fewer long-term unemployed. Another reason is the higher level of unemployment in 1995 compared to 1991.

The largest incidence of long-term unemployment is on the age groups 20-44, that is on people in the most productive years of their lives (Table 28). In 1995 about 35.4% of the long-term unemployed were less than 24 years old.

Long-term unemployment falls much more heavily on women compared to men. In 1995, 59.1% of unemployed women were long-term unemployed while the corresponding percentage for men was 43.0. In that year close to two-thirds of the long-term unemployed were women (Table 29).

A relatively large part of the unemployed and of the long-term unemployed are new entrants into the labour market, particularly in the case of women (Table 30). In 1995, more than half of the unemployed women and about 63% of the long-term unemployed, were new entrants into the labour market. Greece has the lowest rates of both inflow to and outflow from the ranks of the unemployed among the OECD member countries (OECD, 1996). Also, it has one of the lowest shares of dismissed workers in total unemployment.

The difference in the duration of unemployment between males and females is much stronger in the case of persons who had not previously held a job. If we restrict our analysis to the unemployed workers who had previously held a job, the difference between males and females appears smaller, but still is substantial.

The percentage of new entrants among the unemployed and the long-term unemployed for both men and women fell between 1995 and 1991. This indicates that during that period the unemployment problem became less related to new entries into the labour force and more related to persons with work experience who lost their jobs.

For those unemployed who previously held a job, long term unemployment incidence in 1995 was highest among people previously employed in mining and electricity, gas and water (about two-thirds of the unemployment was long-term). The education and health services subdivisions of the "other services" sector also had relatively high long-term unemployment incidence (about half of the unemployment was long-term). The

incidence was lowest in construction, retail and wholesale trade and tourism, the primary sector and transport and communications.

It should be noted that the ranking of sectors on the basis of unemployment data for one particular year should be seen with caution. Differences in the synchronisation of the various sectors with the economic cycle, as well as important one-time events in particular sectors, affect the results. For example, looking at relevant data for 1991, we see that mining particularly, but, also electricity, gas and water, appeared to have a low incidence of long-term unemployment at that time. This was due to extensive dismissals that had occurred that year. As a result the share of those unemployed for intermediate lengths of time appeared particularly high. In 1995 a large part of those workers were still unemployed at that time they were characterised as long-term unemployed, bringing these sectors to the top of the ranking.

Structural Unemployment

Due to the special circumstances of the economy, it is difficult to make any accurate estimates of the size of structural unemployment. However, the rise in the incidence of long-term unemployment independently of the business cycle, the shifts in the unemployment-vacancy relationship (discussed in a later section) and other similar factors indicate a rise in structural unemployment.

Regional variation of unemployment and areas of industrial decline

The problem of unemployment tends to be more acute in the urban areas. Whereas the national unemployment rate in 1995 stood at 10%, it was 12.1% for urban areas, 9% for semi-urban and 4.9% for rural areas. Deep pockets of unemployment exist in particular areas such as Chalkis, Lavrio, Patra, Volos etc. where there were major factory closures.

Compared to 1991, all types of areas showed more or less similar relative increases in the unemployment rate, although the increase in urban areas was slightly smaller (Table 31). However, looking at the changes in each of the three subdivisions of the urban areas we see important differences. There were significant increases in the unemployment rates in the Thessaloniki area and in the "other" urban areas, whereas the increase in the Athens area was below average.

In 1995 the incidence of long-term unemployment was similar in the urban and semi-urban areas, while in rural areas it was higher (Table 32). Within the urban areas, the incidence in Thessaloniki was the lowest, in Athens it was close to the national average and in the other urban areas it was well above average. Compared to 1991, we observed a fall in long-term unemployment incidence in the Thessaloniki area, a rather small increase in the "other" urban areas and a relatively large increase in the Athens area.

The above developments in long term unemployment incidence are consistent with what one would expect on the basis of the changes in unemployment rates. The unemployment rate in the Thessaloniki area increased rapidly, which implies that there were a

lot of newly unemployed and therefore the long-term unemployed represented a smaller proportion of all unemployed. The reverse was true in the case of the Athens area.

There were significant differences in the rates of unemployment in the different regional subdivisions of the country. The regions of the islands, the Peloponnese, Thessaly and Eastern and Central Macedonia had lower unemployment rates in comparison to the national average while Western Macedonia and Epirus suffered from relatively higher unemployment (Table 33, Figure 20). The most acute problem of unemployment existed in the regions of Attica, Western Greece and Sterea Ellada.

With regard to the interregional variation of the share of those among the unemployed who had never held a job before, this was lowest in the urban areas, higher in the semi-urban areas and highest in the rural areas (Table 32). This share fell compared to 1991 in all three types of areas. The fall was precipitous in the rural areas where, in 1991 the share was very high. The share of the unemployed who had never held a job before was slightly below the national average in the Athens area and much lower in the Thessaloniki area, where there was a particularly strong fall between 1991 and 1995.

The above developments in the Thessaloniki area, together with those mentioned before, are consistent with an interpretation of the situation as one in which there was a recent increase in joblessness that was more the result of job losses than of new entries into the labour force. The facts concerning the Athens area suggest that there was a relatively high unemployment rate but the situation was rather stable with no significant deterioration. The results concerning the "other" urban areas point to a deterioration, but the evidence is less clear, compared to the case of the Thessaloniki area. This is probably due to the heterogeneity of this grouping, since it includes a variety of smaller urban areas with diverging experiences. In some of these areas there was significant employment concentration in declining sectors and in others there were only a few major companies that were hit by problems and/or closed down. The most characteristic examples are the Patras area with its concentration in textiles and clothing, the island of Syros with its concentration in shipping repair and textiles (although it should be mentioned that the shipping repair unit has since resumed activity), the area of Lavrio with its concentration in textiles and metal products, the area of Almyros near Volos with its concentration in metallurgy and food production and the area of Northern Euboia with its concentration in mining.

I.3 MAIN TRENDS IN JOB CREATION AND JOB LOSS

I.3.1 Job creation and job loss

During the 1980s there was continuation of an on-going trend of contraction of employment in agriculture and expansion in employment in services. In the secondary sector employment was more or less stable-around one million. In manufacturing, during the first half of the 1980s, there was an increase in employment amounting to

about 45,000 jobs, while in the period from 1986 to 1992 employment remained more or less stable.

In the period 1991-1995 there was a net addition of around 190 thousand new jobs in the country (191 thousand according to the Greek Labour Force Survey data and 189 thousand according to EUROSTAT data). However, there were significant losses of jobs in both the primary and the secondary sector. On the basis of EUROSTAT data, in the period 1991-95 employment in the primary and the secondary sectors decreased by 26.0 and 46.7 thousand jobs respectively.¹ Despite these losses total employment increased because of a substantial increase in the employment of services (Table 9).

In Greece, as in many other countries, sectoral job creation and loss have changed through time. Agriculture is the only sector with a continuous employment decline during the whole postwar era. The rate of employment decrease in that sector was relatively high in the 1960s and then was stabilised at lower levels in subsequent periods. Most workers leaving agriculture moved either to the industrial or to the tertiary sector, with the former being a more significant receiver of labour flows up to the middle 1970s.

The evolution of industrial employment over time has followed a more complicated path. Employment in industry increased in the period up to 1981 by going through three different phases. In the first phase, which started in 1960 and lasted up to 1968, employment grew at a relatively high rate. This trend continued with an accelerated pace in the period between 1968 and 1976. After 1976 and up to 1981 there was a period of almost stagnation for industrial employment, mainly as a result of the world oil crisis and the corresponding deterioration of demand. During 1981 and 1990, employment in major industry fell at a slow rate until the beginning of the 1990s when it decreased drastically. However, employment in small-scale industry expanded and thus there was a limited increase in total manufacturing employment. Until the middle 1970s, the major industry made significant contributions to job creation, while after 1981, it entered a period of continuous decline.

The contraction of employment in industry did not start in all industries at the same time. In some industries it began in the stagnation period of 1976 to 1981. However, total employment in major industry did not decline then because some industries were expanding employment. In the 1980s the majority of industries faced serious problems and had to decrease employment, thus employment in major industry started falling, although there were only a few industries in which employment was increasing. In the 1990s the situation deteriorated even further and there was a decrease in employment in almost all industries. The only exception was the tobacco industry, which followed a different path. Employment in that industry was decreasing up to 1976, when employment in all other industries was increasing. In the 1980s, in contrast to the general trend, it started expanding.

¹ According to the Greek Labour Force Survey data, employment in the primary and secondary sectors in 1991-95 decreased by 24.6 and 113.5 thousand jobs respectively. However, these figures have been heavily influenced by the 1992 changes in the classifications used by the National Statistical Service.

The slowing down of industrial employment growth during 1976 and 1981 came mainly from the decline of employment in the textile, timber, mechanical and electrical industries. These could be considered as the “leaders” among industries with declining employment. It is worth noting that those industries have never recovered since then. During the period of the significant decline of employment in major industry (1981-1990) new industries were added to those with declining employment, the most important being furs, plastics, all the metal-related industries and the automobile industry. Since 1990, many jobs have been lost in industries considered as traditional, such as, the beverage, clothing, footwear, paper, chemical, oil and furniture industries.

With regard to the composition of industrial production, it is interesting to note that since 1980 there has been a change in favour of low-technology products, such as textiles and food and against medium technology products, such as chemicals. Lower-technology products represent about three-quarters of manufacturing output and half of the manufacturing employment. The intense international competition with regard to these products in recent years has created serious problems for the manufacturing sector.

Another important unfavourable development since the 1980s has been the drastic decline of employment in construction, which until then had a very high rate of growth and was a very important source of new job creation.

Table 34 shows the employment gains and losses in the primary, secondary and tertiary sectors and in the main subsectors in the periods 1981-1992 and 1993-1995. The division was made in this way to avoid the problems coming from the 1992 change in the industrial classification used by the National Statistical Service.

In the period 1993-1995, the primary and secondary sectors continued their employment contraction. Manufacturing and almost all subsectors of the secondary sector experienced job losses. Employment gains were observed only in the electricity, gas and water industries, which were dominated by big public enterprises, where hiring did not originate from actual needs for personnel but was the result of political or court decisions.

Employment in the service sector has been growing constantly during the last two decades and with an increasing rate since 1981. This is attributed mainly to growth of employment in public administration and to a lesser extent in trade, hotels and catering as well as in finance, insurance and real estate. In contrast, since 1981 employment has decreased in transportation, communication and storage services. On the whole, services have been the main contributor to employment creation, especially since the early 1980s, when job opportunities in the industrial sector started becoming more scarce.

The service sector continued providing new jobs in the period 1993-1995 but a relatively large part of the increase came from the expansion of personnel in “other services”, a subsector where about 73% of the employment is related to the public sector.

During 1981-1991, the largest number of new jobs was created in professional and technical occupations. Substantial increases were also observed in the groups of clerical workers, sales workers and service workers. As a result, the shares of the above groups were increased at the expense of farmers, administrative and managerial workers and production and other related workers. Because of changes in the classification system, the 1995 occupational structure cannot be compared with that in 1991.

Table 35 presents employment gains and losses in manufacturing firms of different sizes. In the late 1980s, only firms with 100 employees or more experienced employment losses while in the early 1990s small firms also were among the job losers.

Table 36 presents employment gains and losses in general and in the secondary and tertiary sectors in different regions of the country. With the exception of the region which includes the major metropolitan area of Athens and the regions of Eastern and Western Macedonia, in all other areas employment decreased by a rate higher than the national average. The largest losses were observed in the less developed areas of Epirus, Western Greece, and certain island regions.

The regions of the North Aegean and Central Greece experienced the largest losses in terms of secondary sector employment while Epirus was the only region where employment in the service sector showed a substantial decline.

To get a better picture of likely developments in the Greek labour market it will be useful to look at certain studies and projections carried out by researchers of various organisations. However, it should be noted that no official projections exist and because of the special characteristics of the Greek labour market, mentioned in a previous section, it is rather speculative to make any quantitative forecasts about future developments. Particular mention should be made of the complications created by the relatively large size of the "hidden" economy (its output was estimated to be around 30 to 32% of the GDP - Pavlopoulos, 1987 and Kanellopoulos, 1992). Since production in the hidden economy usually takes place in small units using labour intensive techniques, a significant part of the labour force must be involved in these activities. Therefore, what will happen to official employment will depend to a large extent upon developments with regard to the size and importance of this part of the Greek economy.

Table 37 presents the employment gains and losses in various manufacturing industries in the period 1980-1992 and anticipated changes for 1992-1996 and 1996-1998 on the basis of estimates made by KEPE (1996a). According to these estimates almost all industries in major manufacturing will experience employment losses in 1992-1996 and 1996-1998. There will be some employment gains in small industry but the net result with regard to employment creation in the whole manufacturing sector is expected to be insignificant.

According to another projection coming from the staff of KEPE, employment in the tertiary sector is expected to decrease from 2,154,000 in 1995 to 2,075,400 in the year

2000.¹ This means that there will be a loss of 79,500 jobs. This seems a rather pessimistic forecast. However, on the whole, the prospects for an expansion of employment in the tertiary sector, which traditionally has been the main source of new job creation in Greece, do not seem particularly good. Especially in the case of the public sector, where its financial difficulties and the pressures on it to reduce personnel will seriously restrict its employment creation possibilities.

A different picture is presented by another study (KEPE 1996b), on the basis of which, in the period 1991-2000, employment is estimated to increase by 276,880 jobs that is by 7.7%, (Table 38). The largest growth in employment is expected to be experienced by the group of administrative and managerial workers, the service workers and the professional and technical workers. In contrast, the groups of sales workers and production and related workers are expected to experience rates of growth much below the national average, while the number of agricultural workers is expected to decrease even further.

According to the above study, if the requirements for replacing those who will retire during the period 1991-2000 are added to the new jobs and then the number of new entrants into the labour market during that period as well as the number of unemployed in 1991 are subtracted, there will be a surplus of 150,979 unfilled jobs in the year 2000 (Table 39).

The above forecasts seem a little optimistic. However, even if these forecasts are accepted, certain complications appear when regional and other dimensions are considered. According to the above study, while in Attica and Central Macedonia (the two regions with the largest urban areas, Athens and Thessaloniki), there will be about 150,000 unfilled vacancies, significant labour surpluses are expected to appear in five other regions. Moreover, considerable imbalances come into the picture when, besides the regional dimension, occupational and educational considerations are taken into account. Therefore, according to the above study, although total job creation up to the year 2000 is expected to create sufficient demand for the absorption of unemployed persons, problems may arise because of imbalances between vacancies and available workers in different regions and in different occupational and educational groups.

In considering expected changes in employment, it is interesting to mention the findings from a survey of employers in Attica, carried out on behalf of GSEE, in 1996. Among the firms that participated in the survey, only 19% indicated that they planned to proceed with the hiring of new personnel in the next three years. From the remaining, 49% did not plan to add new personnel and 32% did not know. Of the firms which did not plan to hire new staff, 60% were large and 65% were in the manufacturing sector. Of the firms that intended to hire new personnel, 36% indicated that this would just be for replacing those who would leave. For firms in the manufacturing sector this percentage was 61.5.

¹ See GSEE (1996), p. 16-17.

According to the findings of the above survey, the people who are going to face more difficulties to get a job in the near future are those with a relatively low level of education. Only 7% of the firms indicated that they were planning to hire people with primary education and most of them planned to hire only one or two such persons. Also, only a small percentage (20%) of these firms planned to hire people with secondary education.

On the whole, the findings of the above survey indicate that the rate of job creation will be extremely slow in the near future. Regardless of firm size, the average employment creation per firm was found to be less than one and a half jobs over the next three years. Around 40% of the new jobs seem to be for persons with higher education.

According to another survey carried out on behalf of the Athens Chamber of Commerce and Industry, in the area of Attica, during the second half of 1995, 30% of the firms included in the sample indicated that during the last three years (1993-1995), they had kept their workforce almost unchanged, and about 25% of them stated that they had dismissed personnel (15% were in manufacturing and 10% were commercial firms). The majority of firms (65.5%) expected to increase their personnel, and only 10.8% to reduce it. In the manufacturing sector, 64% of the firms expected to increase their personnel and 22% to reduce it.

1.3.2 Incidence of job loss on various groups

Job losses, as well as new hirings show a clear seasonal pattern and are closely related with temporary jobs. Job offers increase substantially in the periods between April to June and September to November, probably because of seasonal labour needs for activities associated with tourism, on the one hand, and seasonal agricultural jobs, and Christmas, on the other. Job losses peak in the autumn months and in January, as the above mentioned activities slow down and temporary jobs are terminated. Table 40 presents monthly data concerning new hirings and dismissals in the period 1994-1995.

Table 41 presents the distribution of those who lost their jobs in 1991 and 1995 by age, sex and type of activity. The largest part of them in both 1991 and 1995 worked in the tertiary sector. The main explanation for this is that this sector is an important source of temporary jobs and also that a relatively large number of workers on short-term contracts in the public sector were dismissed in 1992 and 1993.

Women were the majority among those who lost their jobs. Apart from other reasons, women are more predominant among those holding temporary jobs. The majority of men and women who lost their jobs were in the 25-45 age bracket. Given that people in this age bracket are in the most productive phase of their lives and that they are more likely to have greater financial responsibilities, the problems associated with job loss are likely to be greater for them.

Depending upon age, sex and type of activity, employed people are subject to a different level of risk to lose their jobs. Following the methodology used by OECD (OECD,

1990) we estimated the risk rates according to the above characteristics for 1994-1995.¹ The rates are presented in Table 42. For comparison purposes the rates estimated by OECD for 1986-87 are also presented.

A risk rate greater than one implies that a group is subject to a risk of job loss greater than the national average, which, because of the way the index is constructed is always equal to one. On the basis of the data presented in Table 42 the following observations could be made:

- Women are subject to a much greater risk of losing their jobs compared to men. The difference between the two sexes in this regard increased over time.
- Regardless of gender, persons under 25 face the greatest risk of losing their jobs.
- The greatest risk of job loss in 1995 was faced by people employed in industry and trade, hotels and catering. In 1987 the people employed in agriculture faced the greatest risk but the situation changed. The risk of job loss in services increased significantly between 1987 and 1995.
- During the above period there was a substantial increase in the risk of job loss in mining and a significant decrease in construction.

I.3.3 Labour mobility and turnover

Due to data limitations, there is insufficient and somewhat conflicting evidence about labour mobility and turnover. According to some studies inter-sector mobility and turnover rates in Greece are among the lowest in the EU (European Commission, 1994). The reasons for this are the high share of agriculture in economic activity, the existence of a large number of pension funds and the difficulties in transferring pension rights among them, the existence of seniority bonuses, the employment protection rights that become stronger with the length of work period, the difficulties associated with housing etc.

In contrast to the above evidence, data from the National Social Security Organisation (IKA), show that from its 2 million contributors, about 600,000 workers per year change jobs (OECD, 1996). This may indicate a high degree of mobility.² Also, the fact that in 1995 about 42% of employed people looking for a job reported that the reason was their desire to improve their position (Table 43) indicates that workers tend to move.

Despite the above evidence, it is a fact that in some sectors labour mobility is very limited, due mainly to difficulties associated with the transfer of pension rights. Arrangements that could make such transfers easier or consolidation of pension funds could greatly increase mobility.

¹ The risk rate is calculated as the percentage of job losses for a given category in a certain year divided by the percentage of employees of that category in total employment in the previous year.

² It may be that the relatively large number of people who moved is due to the fact that a number of workers moved many times during the year and not that workers on average show a high degree of mobility.

I.3.4 Characteristics of job seekers and job search procedures

In analysing the matching of supply and demand in the labour market, it is important to examine the characteristics of job seekers and the procedures most commonly used by them for finding a job. Table 43 presents the reasons for which employed persons seek another job and the breakdown of job seekers according to activity, sex and age in 1991 and 1995.

For all categories of employed persons seeking a job, an important reason for this was the risk of losing the current job. The importance of this reason increased between 1991 and 1995. This is not surprising in view of the deterioration of the employment situation. Also during that period there was an increase in the proportion of people seeking a second job. This can easily be explained, given the relatively low levels of income from work, the increases in the cost of living and the rapidly rising aspirations of people for higher living standards.

The proportions of people who were looking for a job in order to find a better one decreased for almost all groups between 1991 and 1995. It seems that, as the economic situation deteriorated, the urge to search for a job among those who were employed, came more from push and less from pull factors.

Table 44 presents information about job search procedures used by the unemployed in 1991 and 1995. Greece has a relatively low rate of job placement by employment offices. Finding a job through acquaintances and other traditional procedures are more common. Regardless of sex and age, the majority of unemployed (56.4% in 1991 and 57.2% in 1995) were searching for jobs either through direct contact with employers or through friends. The role of public employment services in job searching was very limited and actually decreased between 1991 and 1995. It should be noted that OAED has a monopoly in running the system of placement offices since no private placement offices are permitted.

Men tended to use the public employment services slightly more compared to women. Direct contact with employers was used less by women compared to men. Women tended to search more through newspaper ads or use friends. The significance of public employment services as a means of job search was greater for people over 45, who had the lowest preference for newspaper classified ads. In 1995, there was a very small proportion of people (around 1%) who, in their search for work, used private employment agencies.¹

On the whole, the job search effort in Greece relies mainly on traditional methods and procedures, while the mechanisms used in more advanced countries play an insignificant role. This reduces substantially the efficiency of the process of matching supply and demand for labour and is an area that should be looked at by policy makers.

¹ For specific categories of employees e.g. managers, accountants etc. management consulting offices undertake on behalf of firms to advertise available positions and screen applicants. These offices, however, are not private employment agencies.

1.3.5 Unfilled vacancies and unemployment: The Beveridge relationship

The Beveridge relationship refers to combinations of job vacancy rates (number of job vacancies divided by the labour force) and rates of unemployment and shows how well the labour market operates in matching available vacancies with the unemployed. Despite the limitations of the available data, an estimate was made of this relationship for Greece.

To estimate the Beveridge relationship and construct the relevant curve we used annual averages from the monthly data about unfilled vacancies and the number of registered unemployed of the Manpower Employment Organisation (OAED) (Table 45). Since the unemployment rates based on these data differed significantly from those based on data from the Labour Force Survey, conducted by the National Statistical Service of Greece (ESYE), we used both sets of data.

Figures 21 and 22 present the Beveridge relationship, estimated on the basis of unemployment rates from the OAED and the Labour Force Survey data, respectively. These figures show that since the beginning of 1980 there has been a considerable movement of the observations out to the right and away from the origin indicating a fall in the efficiency of the market to match available vacancies with unemployed workers. Both graphs show that each of the recessionary periods of 1980-1985 and 1990-1993 and the period of economic recovery of 1986-1990 lie on different UV curves. During these periods, there were three open loops in the relationship between the rates of unemployment and vacancies. Figure 21, based on OAED unemployment data, shows an anti-clockwise loop between 1991-1993 and two cases where the vacancy rates increased together with the unemployment rates (1983-1986) and (1990-1991). Figure 22, based on ESYE unemployment rates, shows three cases of such positive relationship appearing in the periods 1983-1984, 1986-1988 and 1990-1992. In certain turning points of the cycles vacancy and unemployment rates jumped together to higher or lower levels.

Comparing Figures 21 and 22 we observe that for the whole period under consideration the Beveridge curve based on ESYE data was shifting to higher levels compared to the curve based on OAED data and also moved in a different way, especially in the periods 1984-1988 and 1991-1992.

Figure 23 is based on quarterly data. To make the movements in the period 1980-1987 more clear, we present the relationship for that period separately in Figure 24. On the basis of these two figures, the following observations can be made: (a) The shifts of the Beveridge curve upwards and downwards, to right and left were continuous. (b) Anti-clockwise loops were observed for the years 1980, 1986, 1990 and 1991 which were the turning points of the economic cycles, and (c) With the exception of the years 1980, 1981, 1985 and 1987, there was a positive relation between unemployment and vacancies rates, which indicates that higher unemployment rates coincided with higher vacancy rates.

On the whole, the shifts over time in the relationship between unemployment and vacancy rates, shown in the Figures 21 to 24 indicate serious rigidities and inefficiency in the labour market and can be attributed to a number of factors related to the supply or demand for labour.

From the supply side, the data show that the proportion of the unemployed who registered at the unemployment offices in the period under consideration varied in the course of various cycles and was higher when unemployment was relatively high. This caused a movement of the points of UV curve upwards. Another explanation may be that due to the inefficient organisation of the Greek labour market, the job search cost is relatively high and this affects the intensity and duration of the search effort. When unemployment is high, this cost increases further and the discouraging effect on the job search becomes larger. As a result the matching of the available vacancies with the unemployed becomes more difficult.

In addition to the above, in their search for work people rely to a large extent on informal means and do not use the public employment services. Therefore, unemployed persons do not take full advantage of increases in vacancies when economic conditions improve. As a result we get extensive horizontal sections on the Beveridge curve.

The cyclical variations of labour mobility, both across jobs and geographical areas, cause further movements in the Beveridge relationship when economic conditions change. An additional reason for the observed movements of this relationship may be the increase of legal and illegal immigration in recent years. Also, variations in the relative size of the unemployment benefit might have had an effect on the number of unemployed who registered at the unemployment offices.

From the side of demand a factor that may have affected the behaviour of the Beveridge curve in Greece is the labour hoarding behaviour of firms. Changes in labour hoarding patterns on the part of employers, because of changes in expectations and changes in the willingness of the unions to accept redundancy dismissals, due to different arrangements for redundancy payments, may have affected the movements of previously hoarded labour to unemployment.

An interesting characteristic of the behaviour of the Beveridge curve in the period under consideration, besides its upward and forward movement, is the existence of segments with a positive slope. This means that increases in the vacancy rates coincided with increases in unemployment rates and indicates a mismatch between the supply and the demand for labour and an increase in structural unemployment. It is likely that vacancies were in areas and occupations where the needed types of labour were not available and thus, the effect of the rise in the vacancy rate on unemployment was relatively small. Also, poor communication between the various placement offices of OAED may have prevented the unemployed persons from locating the available vacancies.

The legislative framework of the Greek labour market and its effect on the way it operates, have implications for both the supply and the demand side. The propensity of the

unemployed to register at the unemployment offices, the duration and intensity of job search, the hiring and redundancy policies of firms and the willingness of the unemployed to move across jobs and geographical areas are factors that are affected by legislation. The restrictions on dismissals, the relatively high severance costs and the social pressures on employers to keep employees in employment, even when they do not need them, make employers reluctant and highly selective when it comes to filling vacancies.

In relation to matching available vacancies with unemployed workers, a factor that has been having a serious effect on the efficiency of the labour market is the prohibition of private employment offices. As mentioned before, OAED has a monopoly in this regard. However, a large number of unemployed, particularly those with higher qualifications, do not register at the OAED unemployment offices. Also, the propensity of employers to register vacancies is rather small, particularly for jobs above the low-skill level. As a result a longer time is needed for available vacancies to be filled and for unemployed workers to find suitable jobs.

I.4 WAGE AND SALARY TRENDS

I.4.1 The incomes policies and developments in the labour market in the 1980s

The 1980s were characterised by strong government intervention in the determination of wages and incomes. The changes in nominal and real wages were influenced by government policies and were not related to changes in productivity or unemployment rates. This affected unfavourably unit labour costs, price stability, availability of jobs and the general labour market situation.

The most serious disruption in the labour market occurred in 1982 when the government decided on a relatively large increase in nominal minimum wages. During that year the productivity in the manufacturing sector was reduced by 5.1%. As a result, unit labour costs increased by 33.2% in manufacturing and by 28.3% in the economy as a whole.

In the following year, despite the prevailing restrictions on dismissals, employment in manufacturing was reduced by 5% and the rate of unemployment in the economy as a whole, jumped from 5.8% to 7.9%. The situation was aggravated by the fact that the then prevailing system of automatic inflation-indexation protected wages from inflation, giving new impetus to it and magnifying the unfavourable effects on employment. That system reduced substantially wage differentials and had as a result the reduction of incentives and the contraction of employment opportunities of those with low or no skills.

In view of the rising economic problems, the automatic inflation-indexation system was slightly changed in 1983 and this reduced somewhat the rate of growth of labour costs. However, the increase in real wages continued in 1984 and this led to further increases in unemployment. During those years the average productivity in manufacturing appeared to have increased but this was coming from the restriction of the number of

people employed because of closing down of firms or uneconomic sections in them and not from real productivity improvements.

In 1985 inflation in Greece jumped to a level four times higher than the average in the other countries of the European Community and the competitive position of the economy suffered a new setback. To confront the accentuated economic problems, in October 1985, immediately after national elections, the government introduced a package of stabilisation measures that included depreciation of the drachma, changes in the system of inflation indexation and obligatory application of the new system in the private and public sector, measures to reduce imports and the introduction of a temporary surtax on profits.

In 1986 inflation accelerated and, because of the change in the inflation indexation system, real wages for both blue-collar and white-collar workers suffered significant decreases. The unit labour costs decreased in 1985, 1986 and 1987, but unemployment was maintained at a level around 7.4%. In the following years inflation kept decreasing, until 1990, when, due to the then political instability, it jumped again to around 20%.

After the stabilisation policies of 1985, industrial production, productivity and profits started increasing and this improved expectations and the general business climate. However, because of the upcoming elections, the austerity programme was abandoned in 1988 and soon the economic situation deteriorated again. The National Collective Labour Agreement of 1988, strongly influenced by government intervention, allowed significant increases in real wages in 1988 and 1989. As a result unit labour costs and unemployment started rising again.

In addition to the effects mentioned above, the incomes policy followed in the 1980s resulted in the reduction of wage differentials between blue-collar and white-collar workers and also within each of these groups. The compression of the distribution of wages and the adverse effects on incentives and productivity were so strong that they have continued being a problem in the labour market in the current decade.

1.4.2 Wages, productivity, inflation and unemployment in the 1990s

In the years 1990 and 1991, which were characterised by political instability, inflation peaked again. In 1991 the automatic inflation-indexation system was abandoned and after a change in legislation the social partners were allowed to determine wages through General Collective Agreements or Sectoral Agreements, without any direct government intervention. In the following years nominal wages increased less than the consumer price index and this resulted in a decrease in real wages and a lowering of the rate of increase of unit labour costs.

Table 46 presents the percentage change over the preceding year in nominal and real wages, productivity, unit labour costs and minimum wages in the 1990s. For comparison purposes the magnitudes for 1989 also appear in the table. In the last row of the table the private consumption price index is shown.

The data on Table 46 indicate that labour remuneration has not moved in symmetry with price or productivity changes in recent years. As a result, there have been significant fluctuations in the average real labour remuneration, which do not correspond to changes in productivity.

More specifically, after a steep increase in the average nominal and real labour compensation in the election year 1989, the trend changed drastically in 1990. Up to 1994, the average nominal labour remuneration increased less than the price index and this resulted in an accelerated downward trend in the real magnitudes. The same trend was observed with regard to the minimum wage. The real minimum wage increased by more than productivity in 1989 and then started decreasing. In 1993 the decrease was much smaller in the real minimum wage than in the average real compensation.

In 1994 the trend changed again and there was an increase in the average real remuneration by 1.1% and in the real minimum wage by 1.5%, while average productivity decreased by 0.4%. In 1995, the average real compensation increased by 3.2% while productivity increased only by 1.1%. The minimum wage increased by 0.1%, that is, much less than productivity.

As a result of legislative changes (Laws 1902/90 and 2084/92) social security contributions increased in the wider public sector and in the banking industry during the period 1991-95 and in the private sector during the period 1991-93. It seems that this change, in combination with an average decrease in real pre-tax earnings by approximately 9% during the period 1990-93, became a cause for pressures that resulted in a steep rise in wages and salaries in 1994 and 1995.

In 1995 real wages increased despite the relatively high rate of unemployment. In general, due to the serious segmentation and the rigidities that exist in the labour market, real wages in Greece do not respond to changes in unemployment rates. This aggravates the employment problems of those who are at the lower end of the wage distribution.

I.4.3 Changes in unit labour costs

Unit labour costs showed marked increases in 1989 and 1990 and after a substantial deceleration in 1991 kept increasing, up to 1995, with a rate fluctuating around 11%. In both 1994 and 1995 the increase in unit labour costs was well above the rate of inflation in the country and much larger than the increases in unit labour costs in the countries with which Greece competes.

Unit labour costs for the economy as a whole increased by 12.6% in 1995 in comparison to 12.3% in 1994. In the business sector of the economy which includes private and public enterprises and banks (but excludes the government), unit labour costs decelerated to 10% in 1995 from 13% in 1994.

As can be seen from Table 47 the percent increase in unit labour costs in Greece has been by far higher in comparison to all other European Union countries. It was higher than the European average by five times in 1993 and by six and a half times in 1995.¹

Unit labour costs have also increased because of a dramatic increase in non-wage labour costs in recent years.

I.4.4 Changes in labour remuneration, productivity and unit labour costs in manufacturing

After a marked increase in 1989, real wages in manufacturing for blue-collar workers decreased four years in a row until the trend changed and there was a rise of 2.0% in 1994, and 3.6% in 1995. Real salaries for white-collar workers moved in a similar way. But the increase in 1994 was somewhat smaller while in 1995 it was larger, compared to wages for blue-collar workers.

The data show that from 1991 to 1994 there have been substantial gains in average productivity in manufacturing, which were not matched by increases in real earnings. However, it should be noted again that a large part of the increases in average productivity came from the partial or total closing down of ailing firms and were not real. In 1995 the productivity increase appeared to be moderate and was less than half the percent increase in real wages and salaries.

The increase in unit labour costs decelerated in the early nineties but started accelerating again in 1994 and reached 12.1% in 1995, which was well above the rate of inflation during that year.

I.4.5 Changes in labour remuneration in other sectors of the economy

In electricity and water supply real wages and salaries showed similar trends with those in the manufacturing sector but the percentage increases in real wages for blue-collar workers in 1994 and 1995 were about double the size of increases in manufacturing. However, the increases in real salaries for white-collar workers in electricity and water supply were much smaller than those in manufacturing.

The movements of wages and salaries in electricity and water-supply cannot be explained by economic factors. These services are provided by enterprises controlled by the public sector, where because of the existence of strong labour unions, the determination of wages and salaries can be explained more by a bilateral monopoly model than by supply and demand factors.

In the banking sector real earnings decreased in 1990 and in the following two years but showed substantial increases in 1993 and 1994 and particularly in 1995. This sector is

¹ The 1995 estimate of the unit labour cost increase in Greece, made by the European Commission differs somewhat from the estimate made by Ministry of National Economy.

dominated by banks controlled by the State and this, in combination with the oligopolistic structure of the sector, has fostered the development of a very strong labour union, which has succeeded to secure particularly favourable earnings and fringe benefits for the people employed in the sector.

In the insurance sector, the trends in real earnings were similar with those in banking but the increases in 1993, 1994 and 1995 were somewhat smaller. Those employed in this sector did not do as well as their counterparts in banking but they fared much better than those employed in manufacturing.

Average real earnings in wholesale trade decreased or stagnated in the early 1990s but showed percentage increases in 1994 and 1995, which were about double those in manufacturing, and exceeded by far the increases in productivity in the non-agricultural sector of the economy.

In the retail sector real earnings decreased more in comparison to the wholesale trade in the early 1990s and increased by less in 1994 and 1995.

In mining and quarrying real wages and salaries decreased in the early 1990s but increased substantially in 1994 and 1995. Real salaries increased in 1994 and 1995 by much less in comparison to real wages. The increase in real salaries in mining and quarrying in 1995 was the smallest in relation to all other sectors.

1.4.6 Minimum wages and ratios to average wages

The increases in nominal minimum wages in the period 1990 to 1993 were smaller than the increases in the CPI. As a result the trend of real minimum wage was to decrease up to 1994. In 1994 the nominal minimum wage increased by 12.6%, which meant a 1.5% increase in the real minimum wage. In 1995 the nominal minimum wage increased about as much as inflation and thus there was no change in the real magnitude. However, various seniority bonuses were introduced, which in combination with a bonus for those who were married, allowed for larger increases for certain groups of workers.

The ratio of the minimum to the average wage, despite its continuous decrease since the late 1980s, is high in Greece compared to other European countries. For blue-collar workers this ratio has been above 50% during the whole period since the early 1980s when, after a large increase in minimum wages, it reached the level of 60%. Under the recent arrangements for seniority bonuses, the ratio of the minimum to the average wage for a married worker with 10 years of previous work again rose to 60%.

The ratio of the minimum to the average wage for white-collar workers has been much lower. In 1995 for an unmarried worker without seniority it was around 35%.

It seems that for a large number of unskilled jobs the minimum wage is above the offered wage. This is one of the main reasons for the increase in the employment of

illegal immigrants, who are prepared to work for less-than-minimum wages, at the expense of local workers.

I.4.7 Public sector salaries

In the government sector the expenditures for salaries and pensions rose by 13.6% in 1995 while the provision in the state budget was for a rise of 10.9%. The expenditures for salaries increased by 14.5% against a provision in the budget for an increase of 11.4%. Taking into account the fact that there was a 1.4% expansion in the number of people employed in the government sector, the average expenditure per civil servant rose by 13% in 1995 against 9.4% in 1994. The larger increase in government expenditures for salaries in 1995, compared to what was envisioned in the budget, came from special government arrangements or court decisions for particular groups of employees.

In 1995 public enterprises increased their personnel expenditures by 10.9%, their employment by 0.6% and the expenditure per employee by 10.2%.

I.4.8 Forecasts for 1996 and 1997¹

The nominal salaries of persons employed in the public sector increased by 2.5% starting from January 1996 and by 2.5% starting from July. In addition, an increase of 2.1%, correcting for inflation, was granted starting from 1.1.1996. It is estimated that in 1996, taking into account the seniority payments, the average increase in the earnings of civil servants will be around 9.5%, against 13% in 1995.

In the private sector, according to the National General Collective Labour Agreement, which was signed on April 2, 1996 and will last for two years, minimum compensation increased by 3.5% from January 1, 1996 and by 4% from July 1, 1996, while there will be a 5% increment for workers with 12 years of previous work. Also, there will be a corrective increase if inflation in 1996 is greater than 6.5%. It was agreed that in 1997 compensation increases will be larger than the inflation rate by two percentage points. According to this agreement the average annual increase of minimum wages in 1996 will be 7.8% for most categories of unskilled workers and 8.2% for workers with 12 or more years of work. If there are similar or slightly higher increases in sectoral or enterprise agreements in the private sector and in the banks and public enterprises and if salary increases in the public sector do not exceed the estimates made in the budget, it is expected that in 1996 unit labour cost increases in the economy as a whole and in the business and manufacturing sectors will be smaller by three percentage points in comparison to 1995, while the pre-tax earnings and the average disposable income of employees will increase by 1-1.5% in real terms.

According to projections made by the Ministry of National Economy, the average nominal compensation in the non-agricultural sector will increase by 9.1% in 1996 and

¹ This section was written in early summer 1996.

6.4% in 1997. Given that the projection for the inflation rate is 7.3% for 1996 and 4.7% for 1997, the average real compensation is expected to increase by 1.8% in 1996 and by 1.7% in 1997. The real compensation increase will be larger than the expected productivity increase in 1996, while in 1997 the two magnitudes are expected to be about the same.

According to projections made by the European Commission in the Spring of 1996 (European Commission 1996b), the average nominal compensation in the non-agricultural sector will increase by 11.1% in 1996 and by 9.6% in 1997. Given that the European Commission projection for the inflation rate is 8.3% for 1996 and 7.0% for 1997, the average real compensation is expected to increase by 2.8% in 1996 and by 2.6% in 1997 against an expected increase of productivity of 1.1% in 1996 and 1.3% in 1997. This means that there will be an increase in the real cost of labour.

Unit labour costs are expected to increase by 7.7% in 1996 and by 4.7% in 1997 according to the Ministry of National Economy projections and by 10.1% and 8.2% respectively, according to the European Commission projection. As can be seen from Table 47 the increase in unit labour costs in Greece is expected to be larger than the European average by four and a half times in 1996 and by five and a half times in 1997.

1.4.9 Flexibility of labour remuneration in relation to productivity and unemployment

As can be seen from the data appearing in Table 46 and Figures 25 and 26 the average real remuneration in the economy as a whole, as well as in manufacturing, and the minimum wage, moved independently of changes in productivity. Of course, it should be taken into account that the data concerning average productivity have been influenced by the closing down of ailing firms which employed people but produced little or nothing.

Figure 27 presents the rates of unemployment and price increase and the changes in the nominal and real average remuneration and minimum wage. While in the early nineties the increase in the rate of unemployment was associated with larger downward changes in average real remuneration, things have changed since 1994. An increase in the average real remuneration has been observed, despite a rise in the unemployment rate.

1.4.10 Efficiency of the process of wage determination

Up to 1990 there was strong government intervention in the process of wage determination and this prevented the forces of supply and demand playing an important role in this process. Up to that time, the changes in nominal and real wages were the result of government decisions, influenced by macro-economic and political considerations, and not the result of changes in productivity or in other factors related to the demand and supply of labour.

The wage formation process and industrial relations have significantly improved since the early 1990s when important labour market reforms were introduced. Since then, the government has left the social partners free to determine wage changes on the basis of collective negotiations and new arbitration and mediation procedures. This has introduced more flexibility in the system and has significantly improved the mechanism of wage determination. Depending upon their particular circumstances, individual firms can grant additional increments beyond those foreseen by the collective agreement.

However, even under the present system there are some problems. The General Labour Collective Agreement sets a base wage that has a wide and uniform coverage, without regard to the specific conditions in particular sectors or industries. Moreover, the government incomes policy continues playing a role in the determination of labour remuneration. Thus, the mechanism of wage determination does not have the flexibility needed to bring about the necessary adjustments, according to the supply and demand conditions. These rigidities have contributed to an increase in unemployment and an expansion of the employment in the “hidden” economy.

Serious problems that prevent the forces of supply and demand and the wage mechanism playing their roles are caused by the fact that the labour market in Greece is highly segmented and the level of remuneration in some segments is entirely unresponsive to changes in supply and demand factors. The most important division of the labour market is between the public and the private sector. The public sector employment can be distinguished between those employed in the narrowly defined public sector and those employed in enterprises and organisations controlled by the government.

The changes in the remuneration of people employed in the public sector in general are determined by government decisions and usually are uniform, independently of performance, qualifications etc. In large enterprises or organisations controlled by the state and in sectors where such enterprises are dominant, as well as, in certain critical sections of the general administration, strong labour unions have been developed, which through pressure, sometimes during critical periods (e.g. peak of the tourist season), manage to receive wage increases and various special allowances that are not justified on the basis of supply and demand factors. This has introduced significant distortions in the remuneration structure not only in the public sector but also in the whole economy. The relatively high levels of remuneration in the above segments of the labour market influence the salary expectations and the demands of the labour force in general and create serious unfavourable implications for the wage determination process and for productivity and unemployment in all sectors of the economy.

To deal with the above problem, the Government passed a law in June 1996 according to which the public enterprises’ management, before granting wage rises, has to consult with the Government, regarding increases in the total wage bill. It is hoped that this will stop the practice of public sector enterprises granting wage rises without regard to productivity changes which in turn pave the way for similar rises in the private sector.

I.5 ANALYSIS OF PRINCIPAL CAUSES OF THE RISE IN UNEMPLOYMENT SINCE 1980

I.5.1 Causes of unemployment and its breakdown into classical, structural and cyclical

The employment creation decisions of firms depend upon three main factors: a) their expectations about demand for the output that will be produced by additional workers; b) the availability of required physical productive capacity; and c) the availability of workers with the right qualifications. When productive capacity and labour with the right qualifications exist but expectations about the demand for output are unfavourable, job creation is restricted and this causes cyclical unemployment. When the demand for output exceeds supply and there are no restrictions on the part of available labour but limitations of existing capacity prevent firms from expanding employment, the so-called classical unemployment appears. Finally, if the problem stems not from the demand side or the availability of productive capacity but from the fact that at a particular time and place the unemployed persons do not have the right qualifications, then there is structural unemployment. This kind of unemployment is caused by a mismatch between labour supply and demand and may exist even when there is full employment.

On the basis of the above we can distinguish three main causes of unemployment: limited demand for output, causing cyclical unemployment, insufficient productive capacity, causing classical unemployment and mismatch between labour supply and demand, causing structural unemployment. The cyclical and classical unemployment, if they last for some time, may be converted into structural unemployment. Looking at job creation from the micro-level, at any given point in time, some firms will be constrained by demand, others by capacity and still others by the difficulty of finding workers with the required qualifications at the right place and time.

The estimation of the shares of cyclical (demand linked), classical (capacity linked) and structural (labour-supply linked) unemployment in the actual unemployment rate is particularly important because the policies that can be used to fight unemployment depend upon its sources. The cyclical component of unemployment is usually eliminated when the economy enters the phase of recovery and it is the easiest to deal with, using appropriate macroeconomic policies. The reduction of classical unemployment requires expansion of productive capacity, which can be initiated and sustained by a slower growth of real wages in relation to productivity or a lowering of the interest rates. The structural component of unemployment is the most difficult to eliminate, since there is need for a variety of specific policies and measures to enable the structurally unemployed to overcome their problems and become suitable to fill the kind of jobs that become available through the growth process.

In Greece, there are no reliable estimates of the cyclical, classical and structural components of unemployment. Without the appropriate econometric work, it is impossible to break unemployment down into precisely, these three components. With the existing information, the only estimates that can be made are through the magnitudes of long-term unemployment, which can be considered as an approximation

of the structural unemployment. Table 48 presents total and long-term unemployment rates for the total labour force and for men and women according to data from the Greek Labour Force Survey and EUROSTAT.

As can be seen from Table 48 about half of the unemployment in the 1990s was long-term, which can be considered as an approximation of the structural unemployment. Especially for women, the rate of long-term unemployment has been particularly high and rapidly increasing. The rates for men have also been increasing. The factors that have contributed to these increases are discussed in the following section.

Unemployment coming from insufficient productive capacity growth is difficult to estimate because this kind of unemployment is overlapped by the inadequacy of part of the labour force to fill jobs that become available. However we can get an indication of the extent to which there is a problem in this regard by looking at the rates of growth of productive capacity, particularly in combination with the rates of growth of the labour force (Table 49).

Private gross capital formation in the early 1990s was negative or insignificant. Therefore, it could not provide a sufficient number of new positions to accommodate significant new job creation. The problem of the imbalance between increases in productive capacity and in the labour force is more serious than what is implied by the data appearing in Table 49 because there has been a relatively large increase in the labour force, through illegal immigration, which has not been recorded in the official statistics.

In 1994 the productive capacity stopped decreasing and in 1995 there was a substantial increase. The projection for 1996 and 1997 is that the upward trend in new capital formation will continue. This implies a faster increase in the number of new productive posts and a likely decrease of the capacity-linked component of unemployment.

I.5.2 Factors that have affected unemployment

Since it is difficult to give a quantitative breakdown of unemployment, according to its principal causes, it will be useful to look at the most important factors that have contributed to the relatively high rates of unemployment in the country in recent years. They are the following:

- ***Contraction of the agricultural sector***

In the periods 1981-1991 and 1991-1995 about 280,000 and 26,000 jobs respectively were lost in the agricultural sector. This loss, representing about 28% of the employment in the sector, has been a major contributor to the increase in unemployment in the country.

Since employment in agriculture is still relatively high, compared to other European countries, a continuation of the contraction of employment in the agricultural sector

is expected. Therefore, more people may be added to the numbers of unemployed in the near future from this sector, although it is more likely that the contraction of employment will be realised through the non-replacement of the older agricultural workers.

- ***Stagnation and restructuring of the industrial sector***

In the periods 1981-1991 and 1991-1995 about 22,000 and 46,700 jobs respectively were lost in the secondary sector. The job loss in the sector during 1991-1995 represented about 5% of its total employment. The main cause of this decline was the drastic contraction of employment in the manufacturing sector, in which during 1991-1995 a relatively large number of jobs were lost.

As was explained in a preceding section, after the mid 1980s most manufacturing industries faced serious problems which were aggravated in the early 1990s. The intensification of international competition resulted in low growth or even stagnation for many industries. The need for new products and techniques and the struggle for survival forced many firms to undertake restructuring which resulted in significant job losses. Other firms had to close down or to reduce their activities considerably and this led to more labour shedding. In addition to these problems, several enterprises, owned or controlled by the State, had to close down because of the discontinuation of the transfers from the State budget. The privatisation of some public enterprises created additional job losses.

According to recent developments in the private sector and government announcements, the restructuring of private and public firms is likely to continue in the coming years at a more intensive rate. Therefore, more labour shedding should be expected. Unemployment may also increase from the consolidation of the very large number of small and often inefficient firms, that will become necessary because of the intensification of competition. Moreover, the process of privatising public firms is expected to be sped up and this, in the short run, will mean more labour shedding.

- ***Increase in the labour force participation of women***

In the periods 1981-1991 and 1991-1995 about 233,800 and 214,200 women respectively, that is a total of 448,000 women, joined the labour force. During that period only 292,900 new jobs were created in the economy. As a result a job deficit appeared that raised the rate of unemployment.

Since the women's labour force participation rate is low, compared to other European countries, women's entry into the labour market is likely to accelerate. Particularly, if economic conditions improve, the discouragement effect of unemployment will become smaller and more women will seek jobs. Therefore the gap between available jobs and number of persons looking for work may become larger.

- ***Restrictive macroeconomic and exchange-rate policies, insufficient economic growth and decrease in the rates of hiring by the public sector***

In the last few years, because of fiscal problems, a high rate of inflation, and the need to adjust the economy according to the criteria for participation in the EMU, restrictive macroeconomic policies have been used in the country. In particular, the high borrowing needs of the public sector in combination with a tight monetary policy have kept the interest rates relatively high and this had adverse effects on aggregate demand and economic activity. The exchange rate policy has also affected the domestic product.

Due to the restrictive macroeconomic policies and the reduced competitiveness coming from the structural problems of the industry and of the economy in general, the rates of economic growth have been relatively low and as a result new job creation has been small. There was an upturn in investment and economic activity in 1994 and 1995 but the changes were not large enough to have a significant effect on employment and unemployment.

To cut down public expenditures and fiscal deficits, the Government recently imposed strict restrictions on new public sector hiring, which until recently was absorbing a significant number of job seekers.

According to government announcements, the restrictions on public sector hirings will be more severe in the coming years. Also, under present circumstances, it is very likely that the macroeconomic policies will continue to be restrictive. Therefore, in the short and intermediate run, no significant job creation can be expected from an expansion of aggregate demand.

- ***Wage increases irrespective of productivity changes and high labour costs***

As was indicated in a preceding section, often real wage increases in the country were not matched by productivity growth, which has been very low for many years. Several times wages increased despite the fact that productivity was stagnant. This led to rises in labour costs, lowering of competitiveness, reduction of profits and productive activity and less employment creation.

The rise in non-wage labour costs coming from increases in social security contributions and various related charges, as well as various employment protection restrictions, created additional negative effects on competitiveness and on the ability of firms to create jobs.

It is interesting to note that as a result of relatively high labour costs, some large multi-national companies started re-locating or considering relocation to countries of Eastern Europe (e.g. Poland). If this phenomenon continues to grow, there will be significant job loss because of the indirect effects on other firms' activities and employment.

- ***Structural problems and rigidities***

The Greek economy suffers from serious structural problems and rigidities relating to the size and functioning of the public sector, the organisation of public and private enterprises, the educational system, the employment protection system etc. Before the liberalisation of trade, competition from abroad was very limited and the implications of the above problems and rigidities were not so apparent. Incomes and standards of living in the country were relatively low, but industrial firms had a protected market in which to sell their products and could make sufficient profits not only to survive but also to expand their activities and create new jobs.

With the opening of the country to outside competition, Greek firms lost the protection they enjoyed and the implications of the above problems started becoming more apparent. Several firms began making big losses and had to borrow extensively to be able to continue their operation. The state banks, for several reasons, kept providing loans to such firms, even in cases where a firm's capital had been dissipated. When the situation became very difficult for these firms the State started taking over some of them. This aggravated their structural problems and led to even larger losses.

In the early 1990s it became apparent that the situation with the above loss-making enterprises could not continue. Several of them had to close down causing serious job losses. Some of the enterprises that had been taken over by the State were privatised and in these cases also there was significant job loss, because of restructuring.

Since there are still many ailing firms, both public and private, more restructuring or closures and consequently more job loss should be expected. Restructuring is expected not only within firms but also within and across sectors. In a constantly changing international business environment, depending upon the comparative advantage of various sectors and firms and their ability to compete, some will prosper while others will stagnate or decline. As a result, considerable transformation in the mix of the Greek industry is likely to occur and this is likely to increase structural unemployment.

- ***Inefficiencies in the organisation of the labour market***

As was indicated in a previous section, job search in Greece is based on traditional methods (direct contact with employers, search through friends etc.). Employment offices play an insignificant role in bringing together the supply and demand for labour. The monopoly in this regard of the Manpower Employment Organisation and the exclusion by law of private employment agencies limits the possibilities for developing effective methods for matching available jobs with job seekers.

When the Greek economy was in a less developed stage and society was organised in a more traditional way, the consequences of the lack of efficient mechanisms for matching the supply and demand for labour were not so serious, as it is under

present conditions. Now that the need of firms for special skills is becoming more and more important and there is an extensive range of specialisations within the labour force, traditional methods of job search cannot be effective. As a result, vacancies may remain unfilled despite the fact that people with the required qualifications may be looking for jobs.

Another factor that has contributed to an increase in the size of unemployment is the segmentation of the labour market and the lack of competition between and within segments. The segment related to public enterprises, banks etc. pays relatively high salaries and provides better working conditions and generous fringe benefits. These terms affect the expectations of job seekers and discourage them from accepting offers with less favourable terms. Young people in particular, who are supported by their families, may stay unemployed for long periods, trying to find a job in the above segment of the labour market.

The rapid expansion of employment in public-sector enterprises or other organisations in the 1980s increased the probabilities for job seekers of getting jobs in them. This, in combination with further improvements in the overall remuneration package, created more incentives for young people, particularly young women, to wait until a job in the preferred sectors was found. This expanded the duration of job search and increased unemployment.

As is indicated in other sections of the report, unemployment is also increased by employee protection legislation that limits dismissals or makes them costly. The difficulty of dismissing personnel increases labour costs and discourages employers from expanding their personnel when conditions improve. Also, various other restrictions (e.g. requirement that 8% of newly employed people come from the socially underprivileged), increase labour costs and reduce the demand for labour.

- ***Relatively large legal and illegal immigration***

During the last few years there has been an influx of a large number of immigrants from the former communist bloc and particularly from Albania. Most of them arrived unofficially without permit. There are no official records but according to crude estimates the number of immigrants may be up to half a million people (OECD, 1996).

It is difficult to determine the extent to which illegal immigrants crowd out legal employment. According to a survey most of the illegal immigrants work as household help, agricultural workers and in construction (Lianos et al., 1995). The wages they receive are much below the reservation wage of local workers and it may be that in some cases they do work that without them would not have been done, particularly in agriculture. However, in some sectors (e.g. construction) the scanty evidence indicates that there may be considerable replacement of local workers.

Legal immigrants, who usually are people of Greek origin from the former Soviet Union or Albania, receive wages close to those of local workers and compete for the same jobs. Given the rigidities in the wage formation process, the increase in the labour force might have contributed to a rise in unemployment. However, the effect could not be significant.

1.5.3 The non-accelerating inflation rate of unemployment (NAIRU)

A concept that may be useful in analysing unemployment is the "natural" or "non-accelerating-inflation rate of unemployment" (NAIRU), which shows the level at which unemployment can be reduced via appropriate macroeconomic policies without setting in place an ongoing inflationary process. This rate can be used as an indicator of the degree of malfunctioning of the labour market.

The problems associated with the estimation of the NAIRU and its relatively large uncertainty margins have caused criticisms and concern about its use for policy purposes. Because of data limitations, these problems are more serious in the case of Greece. However, the NAIRU is an interesting concept because it provides an indication about the equilibrium unemployment rate, the importance of rigidities in the labour market and the difficulty of combatting unemployment. For this reason we will refer to it, although a strong warning should be made about its reliability and usefulness.

Table 50 presents the central estimates for NAIRU for Greece and EUR12 and the ratios of NAIRU to observed unemployment rates in 1972-1994.¹ According to these data from 1972 to 1980 the NAIRU in Greece more than doubled, but in 1980 it was still less than in EUR 12. During the early eighties, the NAIRU in Greece moved slowly upwards and remained stable in the period from 1986 up to 1992, when it again started moving slowly upwards. In 1994 the NAIRU in Greece was higher than the average NAIRU in EUR 12 and also was a much higher percentage of the observed unemployment rate in comparison to EUR 12.

Keeping in mind the limitations of the estimates of the NAIRU magnitudes appearing in Table 50 we could make some tentative observations regarding unemployment in Greece. Although, the observed unemployment rate in the period 1983-1994 fluctuated between 7 and 8.9 percent, the NAIRU remained more or less stable at lower levels. This implies that unemployment could have been substantially reduced during that period without generating inflationary pressures. In the period from 1992 to 1994 there was a significant rise in the observed unemployment rate, but the NAIRU did not increase. This may be the result of the structural changes in the wage formation process during the early 1990s.

From the magnitudes in Table 50 one can observe an unfavourable relationship between NAIRU and observed unemployment rates in Greece in comparison to EUR 12. In 1994

¹ These estimates come from the study "The composition of employment from an economic perspective", (European Commission, 1995a). The estimates are for a 90% confidence interval, incorporating relatively wide upper and lower-level limits.

the NAIRU was 72% of the observed unemployment rate in Greece while it was only 56% of the observed unemployment rate in EUR 12. This provides some additional evidence that the wage formation process in Greece was less favourable for price stability in comparison to EUR 12.

I.6 MACROECONOMIC POLICIES AND FORECASTS

I.6.1 Long-run growth trends

During the last two decades there has been a slowing in output growth in the country. This can be attributed to the structural problems of the productive units, the unfavourable industry mix, the expansion of the public sector, the development of a large underground economy, the increasing inflexibilities in the labour market and several other factors. Especially important is the fact that during the last decade or so, there has been a considerable increase in unrecorded economic activity, which to a certain extent, comes from recorded employment. However, there are no official estimates with regard to the size of the unrecorded activity coming from recorded or unrecorded employment.

I.6.2 Recent macroeconomic developments

During the last few years there has been an upturn in economic activity and investment in the country. In 1995 the economy continued its upward movement while there was considerable progress in the effort to fight inflation (Table 51). However, there were no structural adjustments that were needed to take care of the deeper weaknesses and problems of the economy. The fall in the rate of inflation went hand in hand with a substantial increase in unemployment (Figure 28).

In 1995 GDP increased by 2.0% against an increase of 1.5% in 1994 and a decrease of 1.0% in 1993. The marked increase in GDP in 1995 was supported by a 3.3% increase in domestic demand, while there was a reduction of 1.3% in net exports. On the supply side there was a sizable expansion of the manufacturing output.

Labour's share in business sector value added declined in the 1990s as a result of a less generous incomes policy with regard to civil servants and its effects on wage increases in the business sector, as well as the rise in unemployment and the greater flexibility in the wage formation process following the 1990 labour market reforms. In 1994 and 1995 the increase in the share of profits caused an upturn in investment, which since 1981 had been stagnant or decreasing.

Gross fixed capital formation in 1995 increased by 5.8% after only a 0.5% increase in 1994. Public investment grew by 7.4% and private investment, excluding home construction, grew by 9.7%. Private consumption increased by 1.6%. The current account deficit showed a marked deterioration in 1995, attributed to the recovery of economic activity and the losses in competitiveness mainly because of the discrepancy

between the rate of inflation and the exchange rate fluctuations. Exports of goods and services in 1995 increased by only 1.8%, and this in combination with a rise in imports of 6.2% caused an expansion of the current account deficit from 1% of the GDP in 1994 to 2.7% in 1995.

Because of the exchange rate policy and only moderate unit labour cost growth, inflation came down to 9.3% in 1995 from 10.9% in 1994. This reduction came from the lowering of the rate of increase of the following variables:

- labour costs by about one percentage point
- non-labour incomes associated with one unit of product by 2.8 percentage points
- net total indirect taxes per unit of product by 2.4 percentage points and
- prices of imported goods by 1.1 percentage points.

An unfavourable development in 1995 was the increase of the unemployment rate to 10.0% from 9.6% in 1994. There was an expansion of employment by 0.9% but the labour force grew by 1.3% and this caused a rise in unemployment.

In 1995 the general public deficit was reduced to 9.2% of the GDP from 12.1% in 1994 while the primary surplus increased to 3.7% of the GDP from 2.1% in 1994.

During 1995 the primary goal of the fiscal policy was to reduce the net borrowing requirement by raising additional revenues, through the restriction of income tax and VAT evasion and by reducing spending on personnel and grants to public entities. The ordinary budget was implemented with small deviations from what had been anticipated while public investment expenditure was below the budgeted figure. Despite efforts, revenues and expenditure, with the exception of interest payments, did not change much as a percentage of GDP in relation to their 1994 levels. However interest payments decreased significantly and this caused a reduction of the net borrowing requirement.

The monetary policy in 1995 aimed to reduce inflation and at the same time support the expected growth of the real domestic product. To achieve this aim the monetary authorities set the targets to limit the depreciation of the drachma against the ECU to 3% and to maintain the rate of growth of money supply (M3) between 7% and 9%.

For various reasons the increase in the money supply exceeded the target. It was 10.4% compared to 8.8% in 1994. The depreciation of the drachma was 3% in relation to the ECU and 3.5% in relation to a weighted average of currencies. Taking into account the inflation rate in 1995, the above depreciation rate implied significant real appreciation of the drachma.

During 1995 there was a gradual decline of nominal interest rates. The real lending bank rates decreased by two and a half points while the real deposit rates did not change. During the first months of 1996 there was an upturn in the previously downward movement of inflation, which caused concern. However, this was attributed to bad weather conditions and other temporary reasons.

The incomes policy in 1995 was not as restrictive as had been anticipated. The average nominal remuneration for the whole economy increased by 12% and the nominal unit labour cost by 10.5%. In the public sector, despite the announced austerity policy, the average salary increase was 9.5% while the average expenditure per civil servant increased by 13% due to additional salary allowances coming from special arrangements or court decisions for specific groups of civil servants.

I.6.3 Current macroeconomic policies and intermediate-run forecasts

The main goals of the current macroeconomic policies, as they appear in Government announcements, can be summarised as follows:

- Fiscal adjustment and structural reform according to the Revised Convergence Programme 1994-1999, in order to satisfy the criteria for participation in the European Monetary Union.
- Acceleration of the economic recovery and achievement of self-sustained growth in order to promote real convergence.
- Reduction of unemployment.
- Alleviation of the problems created by the restrictive macroeconomic policies without reducing their effectiveness.

To achieve the above goals, the macroeconomic policies in 1996 continue to be in the same direction as in 1995. According to the state budget for 1996 the deficit will be reduced from 9.2% to 7.4% of GDP and the primary surplus will increase from 3.7% to 5.1% of GDP. The improvement is expected to come mainly from the stabilisation of interest payments to the level of the preceding year and the increase of public revenues. Primary expenditure in the ordinary budget is expected to increase by 12.8% against 12.2% in 1995. Public investment expenditure is expected to increase by 25% but the largest part of it will be covered by EU funds.

For 1997 according to unofficial information, the Ministry of Finance intends to submit to Parliament a particularly tight budget which aims to drastically cut the deficit. Most of the revenue increase is expected to come from the restriction, through specific government measures, of the extent of tax evasion.

The monetary policy in 1996 continues to have as its primary objective the reduction of inflation. To achieve this objective several restrictive monetary measures were taken in June 1996. The target for the inflation rate has been set at 5% for the end of 1996 or an average of 7-7.3% for the whole year. However, the expectation is for an inflation rate of about 8%. To achieve the target with regard to inflation the Central Bank intends to restrict the rate of increase of money supply M3 to between 6-9% and to stabilise the exchange rate of drachma in terms of ECU (Bank of Greece, 1996). The target for total credit expansion is to restrict it to the range of 5-7%. To the extent that inflation and public deficits are reduced, nominal interest rates are expected to go down accordingly.

According to Central Bank plans the monetary targets for 1996 will be pursued with a flexible interest rate policy and with interventions for the absorption of excess liquidity

from the money market. The Central Bank considers interventions in the money market necessary since maintaining the interest rates at the levels needed to support anti-inflationary policy leads to a capital inflow that increases liquidity and makes it difficult to implement the prescribed monetary policy.

In 1996, according to the incomes policy announced by the government for the public sector there will be a salary increase of 2.5% from 1.1.1996 and of another 2.5% from 1.7.96, in addition to a 2.1% increase from 1.1.1996 corrected for inflation. Pensions will be raised on average by 5.4%. In the private sector according to the two-year National General Collective Labour Agreement there will be a 3.5% increase from 1.1.1996 and a 4% increase from 1.7.1996. It has been agreed that additional adjustments will be made if inflation exceeds the expected rate.

On the basis of the above rises, the average wage in the country is expected to increase by 9.0% in nominal terms and if inflation is 7.3%, as anticipated, the real increase will be 1.7%. With a productivity increase in 1996 of 1.3%, the unit labour cost is expected to increase by 7.7% against 11.3% in 1995.

According to Ministry of National Economy estimates (Ministry of National Economy, 1996), the reduction of the inflation rate by about two percentage points in 1996 is expected to be achieved through the following policies:

- The incomes policy for workers in the private and public sector is expected to slow down the rate of increase of labour cost by 3.6 points, from 11.3% in 1995 to 7.7% in 1996, and will thus contribute to a reduction of the inflation rate by 1.9 points, instead of 2.8 points in 1995.
- The maintenance of the exchange rate for the drachma in relation to the ECU at a stable level and its slight depreciation (about 1%) in terms of a weighted average of currencies, in combination with the slowing down of the prices of goods exported from OECD countries, is expected to slow down the rate of price increase of imported goods by 3.4 points. This will contribute to an increase in the price index of only 0.8 points.
- The growth of non-labour gross incomes per unit of output will slow down by 2.1 points and their contribution to the price increase will be limited to 2.6% against 3.6% in 1995.
- Total net indirect taxes per unit of product will contribute 1.1 percentage points to the price increase against 0.7 in 1995, while the remaining factors will contribute 0.8 points, the same as in 1995.

1.6.4 Economic targets in relation to the EMU criteria

Table 52 presents the targets in relation to inflation, public deficit and public debt according to the revised Convergence Programme for 1994-1999, the realised magnitudes in the years 1994 and 1995 and the expectations for 1996 and 1997. As can be seen from this table the country has to make a considerable effort in the coming years to reduce inflation, eliminate budget deficits and restrict the public debt to the levels required for participation in the EMU. Successful performance with regard to the above

targets will create the necessary conditions for achieving stability of the exchange rate for the drachma and for the lowering of the long-term interest rates to the required levels.

In 1995 the inflation rate in the country was higher than forecast by 1.4 percentage points. It was more than three times higher than the average in the EU and more than eight times higher than the average rate in the three EU countries with the lowest rates. The country has to make a gigantic effort during the coming years in order to be able to reduce inflation to the level needed to satisfy the EMU criteria.

In 1995 the public deficit as a % of GDP was lower than what had been anticipated in the Convergence Plan but still it was more than three times higher than the level required according to the EMU criteria. Moreover, the lowering of the deficit came mainly from the reduction of interest payments and not from structural changes that would remedy the deeper causes of the fiscal problem. As in the case of inflation, the country has to make an enormous effort in order to be able to achieve a substantial reduction of the fiscal deficits. In addition to this, the state budget has to show substantial primary surpluses in the coming years in order for the public debt to be reduced in a way that will satisfy the EMU criteria.

As was mentioned before, in 1995 the depreciation of the drachma was 3% in relation to the ECU and 3.5% in relation to a weighted average of currencies. For 1996 it is expected that the exchange rate for the drachma will be stable in relation to the ECU and will decrease by 1% in relation to a weighted average of currencies. Stability of the exchange rate is one of the EMU criteria that the country is likely to satisfy in the coming years but this will be the result of the exchange rate policy followed by the Central Bank and not of a structural improvement in the current account balance.

In 1995 there was a lowering of the long-term interest rates by about 3.5 percentage points as a result of the reduction of inflation and of the strengthening of the exchange rate for the drachma. This resulted in a decrease of the difference between the rate in Greece and the average rate in the three EU countries with the lowest rates. However, the long-term interest rate in Greece was still about two and a half times higher than the average rate in the three countries with the lowest rates. In order for the Greek rate to come down substantially there must be a significant reduction of public deficits through fiscal adjustment, and a drastic lowering of inflation and inflationary expectations.

The EMU criteria refer to nominal magnitudes. However, since some of them are expressed in terms of GDP, real growth will make it easier for the country to meet these criteria. Moreover, with more growth, the adjustment policies that are needed will become less onerous and easier to implement since the social resistance will decrease. For this reason, GDP growth is another priority that has to be taken into account in the effort to meet the EMU criteria. In the last row of Table 52 the planned and realised growth rates of real GDP are presented. As can be seen from these figures, the economy did better in this regard than what had been expected.

The deterioration of certain economic magnitudes (e.g. the inflation rate) in the early months of 1996 and the fatigue that has been observed from a long period of restrictive policies have caused unrest, concern, and criticisms of the stabilisation policies. There have been suggestions from political and labour organisations that these policies should be abandoned or modified and proposals have been made to grant concessions to particular groups of people in order to overcome the current economic problems.

The representatives of the productive sectors of the economy support the stabilisation effort but contend that the policies that have been used so far are one-sided and timid. They argue that the government has not taken the steps needed to go to the root of the problems, since it has not done anything to reduce the size of the public sector and government expenditure.¹ According to this view the stabilisation policies and measures proceeded only in directions where there was no strong opposition on the part of interested parties. More specifically, it is contended that:

- The privatisation process has almost stopped, while the effort for increasing the efficiency of the central government has slowed down significantly.
- The incomes policy that the government has announced was undermined several times because various financial concessions have been granted to particular groups of civil servants.
- Because of the failure in the fiscal arena, the monetary and the exchange rate policies bear the main burden of the anti-inflationary effort with detrimental effects on the economy.

In general, regarding the mix of the fiscal, monetary and exchange rate policies that have been used up to now, there is concern that, because of the inertia in the direction of fiscal adjustment, all the weight of the anti-inflationary effort has been put on the monetary and exchange rate policies. This has contributed to a reduction of inflation but has had detrimental effects on the competitiveness and profitability of Greek firms. The high interest rates in combination with the exchange rate policy have encouraged borrowing from foreign money markets and this has caused fluctuations in the liquidity of the economy and problems for the implementation of the prescribed monetary policy.

I.6.5 Impact of the macro-economic policies on employment

Despite their beneficial effects in the long run, anti-inflationary macroeconomic policies usually have unfavourable effects on employment in the short run. Government spending cuts, tax increases, lowering of growth rate of money supply and relatively high interest rates reduce total domestic spending and limit production and employment. In the short run restrictive incomes policies result in a reduction of domestic spending and consequently may lower production and employment but, by improving competitiveness, they expand net exports, strengthen the incentives to increase production and create a favourable effect on employment.

¹ See Bulletin of the Association of Greek Industries (S.E.V.), No 564, March-April 1996, pp. 1-2.

Fiscal policies in Greece during the last few years were not particularly restrictive. Despite the intentions and the announcements for a tighter fiscal policy, the magnitudes of public expenditures and tax revenues have not changed substantially in relation to GDP and therefore the effects of fiscal policies on employment cannot be considered as significant.

If the 1997 budget entails more restrictive policies, as is the expectation, there may be some unfavourable effects on employment. However, in relation to the increase of tax revenues, according to official announcements, the largest part will come from the restriction of tax evasion and the closing of a large number of tax loopholes and exemptions. In such a case, the resulting decrease in disposable incomes may affect imports more than the demand for locally produced goods. Moreover, it seems that the intention is not to affect exemptions that are related to production incentives and thus the effect on employment may not be large.

The public sector creates unfavourable effects on employment because of its large deficits and the effects on real interest rates. One could also identify several other unfavourable effects on the labour market coming from the policies that the public sector follows as an employer (e.g. segmentation of the labour market) but these are structural problems and cannot be attributed to its fiscal policies. The most serious effect of the expected restrictive fiscal policies in the coming years will be the reduction in the hirings of the public sector. This will have a significant impact on job availability for new university and secondary school graduates.

The restrictive monetary policies and the relatively high interest rates resulting in high money and capital costs, lower competitiveness and reduce investment and productive activity. These effects usually have an unfavourable impact on employment. However, it should be noted that many firms in Greece, even SMEs, have recently found a way out of this situation by borrowing in foreign exchange markets. In 1995 about 35% of the increase in the total bank credit to the private sector was in foreign exchange. The estimate for 1996 is much higher. As a result, the impact of the high interest rates on the economic and investment activity and on employment is not as large as it could be.

Judging from various indications, it is very likely that in 1997 the monetary policy will continue to be restrictive. However, as the public sector deficits decrease and inflation is reduced, nominal interest rates are expected to fall drastically and this will limit their detrimental effects on production, investment and employment. In addition to this, more and more firms will learn to borrow in foreign currencies at lower interest rates and in this way the effects of the relatively high interest rates will be mitigated.

In 1996 the Central Bank intends to keep the exchange rate for the drachma stable in relation to the ECU and allow only a 1% depreciation in relation to a weighted average of currencies (Bank of Greece, 1996). The stabilisation of the exchange rate for the drachma, or its depreciation by a percentage much smaller than the inflation rate, implies its appreciation in real terms. If structural problems and imbalances in the economy are not corrected, so that there can be some offsetting effects, this policy will have a restricting effect on production and employment.

1.6.6 Main forecasts and medium-term scenarios of employment / unemployment¹

According to forecasts made by the Ministry of National Economy in 1996 domestic demand in constant prices will grow by 3.1%. Gross fixed capital formation will grow by 10.1%, since government investment is forecast to grow by 19.7%, and private business and housing investment will grow by 9.8% and 1.0% respectively. The substantial increase in fixed capital formation is expected to come, on the one hand, from a significant increase in private investment because of the fall of interest rates and the improvement of enterprise profitability, and on the other, from the speeding up of the process for implementing the large construction works envisioned in the Community Support Framework for 1994-1999.

Private consumption is expected to increase by 1.6%, i.e. as much as in 1995, while Government consumption will fall by 0.5%. GDP is expected to grow by 2.5%.

On the basis of the above forecasts and the structural changes that are under way or are planned to be implemented in the labour market, it is expected that employment will increase by 1.2%. Since the labour force is expected to increase by 1% the rate of unemployment will be reduced to 9.8%.

According to Ministry of National Economy forecasts for 1997, the increase in constant prices in domestic demand will be 3.5% and the increase in real GDP will be 3.0%. During that year it is expected that gross fixed capital formation will grow by 10.1%. Government investment is expected to increase by 15.8% since the construction process of the large projects included in the Community Support Framework will continue to be at a peak, while private investment is expected to grow by 8.1%. Private consumption is expected to increase by 1.7% and government consumption to fall by 0.1%.

On the basis of the above forecasts it is anticipated that in 1997 employment will increase by 1.3% and since the labour force is expected to increase by 1.0%, unemployment will be reduced to 9.5% (Ministry of National Economy, 1996).

According to European Commission projections, employment will increase by 1% in 1996 and 1.2% in 1997 while the rate of unemployment will be almost the same as in 1995 (9.1% in 1996 and 9.0% in 1997 - European Commission, 1996).

Taking into account the ground that the country has to cover with regard to the targets related to the EMU criteria, the restrictive policies that have to be used to achieve them and the implications of these policies, the prospects for a substantial expansion of employment in the short and medium-run do not seem particularly good. The stabilisation policies, by reducing inflation and interest rates and by creating a more healthy business environment are expected to help economic and investment activity but the gains in employment in the following few years cannot be large. Also, the gains in employment from the implementation of the large investment projects financed by the

¹ This section was written in early summer 1996.

Second Community Support Framework will be limited and will mainly benefit specific types of skills. On the whole, until fiscal adjustment and stabilisation are achieved, the economy will have to go through a period of austerity with limited job creation and only small reductions in the rate of unemployment.

II. LABOUR MARKET INSTITUTIONS

II.1 PUBLIC INSTITUTIONS

The national authority responsible for the implementation of governmental policy on employment is the *Ministry of Labour*. The Ministry of Labour is also responsible for a wide range of issues including vocational guidance and training, working conditions, health and safety at the workplace, collective bargaining, etc. Since the entry of Greece into the EU, this Ministry is the sole authority responsible for administering the European Social Fund (ESF) transfers.

The above tasks are carried out by the central and local offices of the Ministry and by government agencies supervised by the Ministry. The Ministry works closely with other national bodies and especially with the Ministry of National Economy, on the planning of guidelines for economic policy and on the implementation of development measures at the national or regional level, and with the Ministry of National Education, on planning and implementing vocational training programmes. The Ministry also maintains close contact with trade unions and employers associations (GSEE and SEV, GSEVEE and ESEE respectively).

Within the Ministry, an administrative unit has been set up which is responsible, among other things, for the submission of applications for ESF funding. This unit currently is at the level of Secretariat-General, headed by a politically appointed Secretary-General who also acts as chairman of the monitoring committees of the Operational Programmes for which the Ministry has sole responsibility. The unit bears the official title "Secretariat-General for the Administration of Community and other Funding" and consists of three sections (directorates), the responsibilities of which are defined on a subject basis. In this respect there are separate sections for (a) planning and implementation of ESF interventions, (b) Community initiatives, and (c) financial control, monitoring and evaluation of interventions. In 1996, the Secretariat-General had about 70 administrative employees, most of whom were directly involved with ESF operations.

The Ministry of Labour supervises three important institutions: *the Manpower Employment Organisation (OAED)*, *the Workers' Centre (Ergatiki Hestia)* and *the Workers' Housing Agency (Ergatiki Katikia)*. Of these, OAED is a particularly important institution since it is responsible for the design and implementation of labour market policies and for vocational training. The Workers' Centre provides various in-kind benefits to workers (theatre tickets, organised holidays and excursions, etc.), while

the Workers' Housing Agency provides subsidised housing units and low-interest loans for the purchase of housing.

OAED has a broad range of responsibilities, including the following:

- The matching of the supply and demand for labour (employment and placement services). With the aim of improving the functioning of the labour market, OAED operates a network of local employment offices. Their function is to maintain close relationships with employers, to register vacancies, to refer job-seekers to employers and to inform the latter about the various financial incentives available for the hiring of special categories of the unemployed.
- Vocational guidance. OAED undertakes special studies and conducts research on trends and prospects in the labour market. It provides information regarding prospects in specific professions as well as on training opportunities available.
- The provision of vocational training for young persons (apprenticeship system) and accelerated training for unemployed adults in a number of training centres scattered around the country.
- The distribution of unemployment benefits, family allowances and other social security allowances, such as maternity benefits.
- The provision of employment subsidies. OAED subsidises employers for the creation of new jobs in the private sector of the economy. Incentives cover self employment as well as salaried employment.

In order to perform these tasks, OAED operates more than 100 local offices and employs more than 4000 administrative staff. OAED is administered by a Board of Directors appointed by the Minister of Labour. The Board consists of four representatives of the Government, five of the workers, three of the employees of the organisation and three specialists. The governor of OAED acts as the Chairman of the Board. OAED's operations are mainly financed by contributions made by employers and employees. Funds are also provided by a programme of public investment, the state budget and the European Social Fund.

During the last few years and in order to strengthen policy development and the implementation of operations, a number of new agencies have been created. Although each of these institutions has different aims and objectives, the reason behind their establishment is probably common: to counteract public administration inertia that stems from the way in which the latter is organized (extremely centralized and bureaucratic). It is hoped that when these institutions become fully operational, the lack of expertise that generally characterises the planning and execution of operations in the labour market in Greece will be significantly reduced. In what follows we briefly describe the *Experimental Institute of Vocational Training and Employment (PIEKA)*, the *National Institute of Labour (EIE)* and the *National Centre for the Accreditation of Training Structures*.

PIEKA was established in 1993 after an initiative of OAED based upon Law N.1836/1989. It commenced operation in Spring 1995. Its objectives include: (a) The development of an integrated system of analysis of labour market data (documentation) and the establishment of a system that will serve as a data bank for regional employment

statistics as well as a tool facilitating the matching of supply and demand for labour; (b) The carrying out of applied research on labour market issues, especially in the areas of local labour markets' employment potential, restructuring activities and industrial decline, and (c) The development of innovative vocational training schemes. Under the new law on employment, passed in August 1996, PIEKA will undertake the role of the National Employment Observatory. Its new name will be EPA.

The National Institute of Labour (EIE) was founded on the basis of Law N. 2150/1993. Its aim is to provide the scientific means through which the policy options made by the Ministry of Labour will become more rational and measures and programmes more effective. In order to accomplish these goals, EIE is actively involved in a number of tasks such as monitoring and evaluating structures and outcomes of vocational training programmes, classifying legislation (Greek as well as international) relating to issues governing working conditions, conducting studies on new forms of employment and the impact of technological innovations upon the labour market and facilitating the social dialogue between workers and employers.

The National Centre for Accreditation of Training Structures was founded on the basis of Law N. 2224/1994 and is under the auspices of the Ministry of Labour. The Centre is currently responsible for organizing procedures and granting accreditation to the numerous informal vocational training institutions, as well as for establishing a register of *Centres of Vocational Training (KEK)* and evaluating their activities. At a future stage, when the Centre becomes fully operational, it is expected to contribute to training of trainers and to the development of guidelines and curricula for a variety of informal ongoing training courses.

Finally, mention should be made of two other institutions that may have a significant bearing upon labour market policy and efficiency of planned implementation. The first of these, is the *Institute for Health and Safety at the Workplace (ELINYAE)*. Founded in 1992, according to paragraph 6 of the National Collective Agreement of the same year, ELINYAE is run by an administrative board consisting of representatives of the most important employer and employee organisations in Greece. Its primary aims are to identify and describe existing conditions relating to the health and safety of employees, to conduct studies and research on potential harmful influences and to propose regulations and appropriate legislative measures.

The second institute, is the *Labour Institute of the General Labour Confederation of Greece (INE/GSEE)*. Run by a board appointed by the Confederation, INE supports the active policies of the Greek trade union movement, by organising training programmes for trade-unionists, by documenting developments in the labour market and by conducting studies and research on a variety of issues that are of interest to the Greek trade union movement.

The establishment and efficient operation of the above mentioned institutions is expected to contribute to the alleviation of a series of problems, gaps and inefficiencies that were apparent during the implementation of the first Community Support Framework (lack of experts and labour market expertise in the central services of the ministries, inflexibilities regarding hiring and promotion procedures, general ban on

hirings in the public sector, absence of evaluation procedures in the implementation of programmes, etc.), and to lead to a more efficient organisation of the interventions envisaged by the Second Community Support Framework.

The establishment of the *Economic and Social Committee (OKE)* under Law 2232/ 1994 constituted a major step towards the promotion of social dialogue. The OKE, which is a legal entity operating under private law, has the responsibility of expressing a fully justified opinion before the enactment of relevant legislation on issues of importance concerning labour relations, social security, taxation, socio-economic policy, regional development, investment, exports, consumer protection and competition.

The OKE has a President and forty eight members, who come from three different groups in equal numbers: the employers, the employees and the professional associations. During its first year of operation the OKE has issued opinions on unemployment policy, the modernization of public-sector enterprises and taxation policy.

In January 1995, following a joint initiative by the Ministers of National Economy, Labour, and Industry, Energy and Technology, a committee of experts was established with the specific task of drawing up a set of measures to fight unemployment. The committee compiled a report with the help of a variety of experts from a number of ministries, public organizations and research centres and submitted its conclusions to the *Economic and Social Committee (OKE)* for further elaboration. OKE in its turn referred the report to the social partners and following extensive consultations a set of measures was eventually approved by the Governmental Committee for Economic Policy in Autumn 1995. These measures constitute the "*New Structural Policy for Fighting Unemployment and Promoting Employment*".

In accordance with Decree No 190034/1996, issued by the Minister of Labour, a *Committee for the Implementation of the New Structural Policy for Employment* has been established. The Committee consists of the Minister of Labour who acts as chairman, representatives from the Ministries of National Economy, Labour, Development and Agriculture, the Director-General of OAED, three independent experts and a representative from the Economic Office of the Prime Minister.

The Committee is responsible for: (a) the refinement of all the above listed measures, (b) the supervision of the implementation sub-committees that will be established within OAED, (c) the provision of advice on the reorganization of OAED and (d) the redrafting of the Greek Multiannual Programme of Employment that was recently submitted to the EU in accordance with the directions of the Essen Council.

Another development that is worth mentioning relates to recent increases in social security contributions, agreed by social partners in order to finance labour market training programmes for the employed as well as measures against long-term unemployment. Two separate accounts have been set up for this purpose. The first of these, entitled *Special Unemployment Fund (EKLA)* is to be financed through an additional 0.35% of social security contribution (0.25% paid by employers and 0.10% by the employees). The establishment of this Fund was agreed in the 1993 National General Collective Agreement and was legislated by Law 2224 of June 1994.

The second account bears the title *Special Fund for Vocational Education and Training Programmes* (ELPEKE). This is to be financed through an additional social security contribution to be paid by employers, set for this purpose at 0.45%. This arrangement was also legislated by Law No 2224/1994.

II.2 THE SYSTEM OF INDUSTRIAL RELATIONS AND COLLECTIVE WAGE NEGOTIATIONS

II.2.1 General

In recent years the labour unions have been facing a crisis of confidence among workers and have experienced losses in member support and in their strength. Their partisan character and their use for political or personal purposes have disappointed their membership and have reduced their vigour. It seems that because of this change and the intensification of international competition, as well as the general changes in the business environment, the labour union leaders in recent years have tended to become more sophisticated and have gradually abandoned old traditions, mentalities and practices. As a result, they have embarked on an effort to appear independent, undertake research activities, formulate strategies, participate in decision making in wider areas, form alliances and in general become convincing and influential rather than being aggressive. On the whole, labour unions seem to have become more mature and responsible and this has been reflected in their behaviour in recent years.

II.2.2 Main statutes and laws governing industrial relations

Greece belongs to the countries where legislation plays a central role in the regulation of industrial relations. Successive reforms in various aspects of industrial relations legislation have resulted in an extensively dispersed set of laws. Because of its complexity, the existing legislation has made the work of policymakers and industrial-relations practitioners rather complicated and is currently under consideration for revision in order to be made simpler.

Key laws making up the Greek industrial relations legislation are the following: Laws 3239 (1955), 1264 (1982), 1876 (1990), 1915 (1990), and 2224 (1994). These laws regulate trade union rights and matters pertaining to collective bargaining and the right to strike. Other important pieces of legislation are laws 1568 (1985) and 1797 (1988), which refer to workers' rights for health and safety and to workers' councils. More about these key laws are discussed in the following sections.

Most industrial relations regulations and provisions apply only to companies employing more than 50 employees.

II.2.3 Structure and organisation of labour unions

Trade-union rights are mainly regulated by Law 1264(1982), which establishes that all firms employing more than 100 persons should have a union representative and requires labour federations to enrol all unions that apply to join, regardless of their political orientation. Its introduction came as a major reform, after a long period during which Greek trade-unionism was plagued by organisational problems, inter-union conflicts and extensive political and state interference.

The structure of trade-unionism in Greece includes three separate levels, which could be seen as layers of a pyramid: the primary, the secondary and the tertiary levels. The primary level contains sectional or company, craft and general unions. The secondary level contains federations, based upon sectoral and occupational divisions of the labour force, and labour centres, which consist of primary unions in each prefecture (administrative division of the country). The tertiary level consists of the General Labour Confederation of Greece (GSEE), which is recognized by law as the only representative organisation entitled to negotiate the National General Collective Agreement. The most important in terms of bargaining power organisations, covered by GSEE, are those of the public sector utilities, such as GENOP-DEH representing workers of the Public Electricity Corporation (DEH), OME-OTE representing workers of the National Telecommunications Organisation, OSPA representing workers of the Civil Aviation sector and OTOE representing workers of the banking sector. Important in terms of coverage and membership are also the federations covering unions in the textile industry (OEKIDE), in the construction industry (OOSEE), in the metal industry (POEM), in shipping (PNO) and in the food industry (POEYTE).

GSEE represents employees under private contracts - not civil servants. Civil servants have their own confederation ADEDY, which groups together all the federations, national unions and local branches of this sector. Among its secondary-level organisations, the most important are the Federation of Secondary Education Teachers (OLME), the Federation of Primary Education Teachers (DOE) and the Federation of the Tax Service Employees (OEY).

II.2.4 Labour-union participation

There are no official data about participation in labour unions in Greece. However, participation seems to be relatively small. According to a recent GSEE survey the average participation of employed people in labour unions is around 20% (GSEE, Labour Institute, 1996). The participation rate of blue-collar workers was 25.6% and that of civil servants 38.5%. The percentage for persons aged 16-24 was 10.6%. Participation in labour unions was found to be closely associated with the size of firms. In firms employing up to 5 persons, 22.1% of workers were members of labour unions while in firms employing more than 100 persons, union members comprised 63.8% of their workers.

Union membership was found to be relatively high in public utilities (60%) and in the construction industry (57%) where traditionally unions are strong. In the banking and

insurance sector, in health and welfare and in the manufacturing sector union membership was between 35 to 40% while in catering-hotels and in commerce it was 18% and 16% respectively.

Union membership is much smaller among those with lower salaries and wages. At the lower end of the salary scale only 14.7% participate in unions while participation at the upper end was found to be 57.7%.

Although union membership was relatively low, according to the above survey, a large percentage of employed people were in favour of the existence of labour unions.

Data referring to participation in the Congress of the General Labour Confederation of Greece (GSEE) constitute another source of information indicating the level and the trend in union membership. According to estimates based on these data, the ratio of registered union members to the total labour force was in the range of 26-30% in 1989 and 21-29% in the early 1990s.

Since the mid-80s the trend in union-density is decreasing. However, in considering union densities in the country we should take into account also the public sector, where union membership is higher than in the private sector. Although the General Labour Confederation of Greece (GSEE) represents only around 20% of the workforce, there are some very powerful unions in the wider public sector and particularly in banking, public utilities and transport. There is little trade-unionism among white-collar workers outside the public sector, although most of them have professional associations which exercise some influence over the determination of pay.

II.2.5 The Employers' organisations

In Greece there is no single organization representing all enterprises. Greek employers are organized more or less by sector of economic activity: manufacturing industry, commerce, small businesses, shipping, banking, etc. Their organizations exist in a variety of forms (associations, federations, unions) most of which are at the primary or secondary level.

Greek employers are organised in three main national federations: The Federation of Greek Industries (SEV), the Confederation of Greek Trade Associations (ESEE) and the General Confederation of Tradesmen and Small and Medium Industrial Enterprises (GSEVEE). These organisations are characterised by segmentation and a complicated structure of membership from the primary to the tertiary level (i.e. the national level).

Members of the Federation of Greek Industries (SEV) are either single companies or regional/sectoral associations of industries. Since 1988 there has been an upward trend in SEV membership, attributed mainly to the expansion of the Federation to include, besides traditional industrial companies, firms in the service sector.

The Confederation of Greek Trade Associations (ESEE) comprises 62 Regional Traders' Associations and three Sectoral Associations. Although ESEE claims that

covers more than 90% of the registered traders, the sector is characterised by strong centrifugal tendencies and “individualistic” behaviour.

The General Confederation of Tradesmen and Small and Medium Industrial Enterprises (GSEVEE) comprises 56 local regional federations and 19 national sectoral federations. In a sector comprising more than 100,000 SMEs and many more self-employed small entrepreneurs, the share of those organised in GSEVEE remains rather low (near 10%).

Apart from SEV, ESEE and GSEVEE, other important employers’ organizations are in the shipping sector, the Union of Greek Shipowners (EEE) and the London based Greek Shipping Co-operation Committee. In the banking sector there is the Association of Greek Banks (EET) and in the hotel, catering and tourism sector the employers have formed the Panhellenic Federation of Hoteliers (POX).

II.2.6 Collective bargaining and collective agreements

After the adoption of Law 1876/1990 there are four formal bargaining levels and, respectively, four types of collective agreements:

- The National General Collective Agreement, signed by the General Confederation of Greek Labour (GSEE) and the Employers’ Confederations (SEV, GSEVEE, ESEE).
- The Industry or Branch Collective Agreements.
- The Company Collective Agreements.
- The Occupational (or Craft) National and/or Local Collective Agreements.

The above law introduced a major reform in the formal levels of collective bargaining by recognizing the right for negotiating industry, branch and company collective agreements. These agreements had been excluded by the system of collective bargaining under Law 3239 (1955), which dominated Greek industrial relations for more than three decades.

Although there were some changes in the formal bargaining structure in Greece even before the introduction of Law 1876/1990, the situation has changed drastically since 1990 with the recognition of industry and company collective agreements. This has been considered as a step forward in the modernisation of the system. Under the new law, the majority of collective agreements are reached increasingly at industry and company levels, while the share of the traditional occupational/craft collective agreements is decreasing. Under present circumstances it is not clear whether and to what extent the system of collective bargaining in the country is moving towards centralisation or decentralisation.

Early in March 1996 the General Labour Confederation of Greece (GSEE) and the three employers associations (SEV, GSEVEE, ESEE) agreed to sign a new two-year National General Collective Agreement for the period 1996-97.

In the Greek system of industrial relations the National General Collective Agreement sets the national minimum wage and salary, which is legally binding and applicable to

all private sector workers. Up to 1996, increases in minimum wages and salaries set by the National General Collective Agreement were considered by trade unions as a floor and additional increases were negotiated at the industry, occupation/craft and company level. Thus the minimum floors were improved upon by lower-level agreements.

In 1996, as collective bargaining for the conclusion of industry, occupational/craft and company agreements are under way, the major parties that signed the National General Collective Agreement, have stated divergent views on the agreement's meaning and role in relation to subsequent bargaining. According to SEV, the national agreement has exhausted all available scope for pay increases and stretched the national economy to its limit. According to this organisation, the meaning of the National General Collective Agreement should change and industry, occupational and company agreements should become more flexible downwards and take into account the particular circumstances of the individual sector, occupation or company. For GSEE, by contrast, the agreement constitutes a floor for further increases, with its rates of increase acting merely as a starting point. Therefore there is an open question whether the practice to consider the National General Agreement wage increases as a "starting-point" and add "mark-ups" by lower level agreements is going to change.

II.2.7 Industrial action and procedures for resolving industrial disputes

Over the period 1955-90 collective bargaining was dominated by compulsory arbitration controlled by the Ministry of Labour. In the period 1964-90 nearly half of the disputes arising within the formal system of collective bargaining were settled by compulsory arbitration courts. The high degree of arbitration involvement in resolving industrial disputes did not, however, succeed in minimizing the recourse to industrial action (Ioannou, 1995). Indeed, because of the lack of independence on the part of the state-controlled arbitration, record levels of strike activity were observed (with the exception of the period 1967-74 when the dictatorship had made strikes illegal).

Arbitration and third party intervention can be compatible with collective bargaining if arbitrators are independent. In that case arbitration procedures work as a less costly solution, compared to strike activity, for resolving deadlocks in collective bargaining. However, the Greek system of compulsory arbitration, operating during the period 1955-90, constituted part of the Government's machinery for the implementation of its incomes policies. As a result, in reality it was not a system of arbitration. It was a system for imposing Government decisions regarding wage increases, which had a "freezing" effect upon collective bargaining and was considered by observers as the main cause for the high rate of strike activity in the country.

The above system of compulsory arbitration was abolished with Law 1876/90, which took effect in 1992. Under the new law the Organisation for Mediation and Arbitration (OMED), staffed by industrial relations professionals, was established. If the parties involved in a dispute fail to reach an agreement, the mediators can be called in at the request of either side. The mediator may present a written settlement proposal. The dispute goes to arbitration if both parties agree to such an action or in the event of disagreement, if only one party accepts the proposal made by the mediator

(Organisation for Mediation and Arbitration, 1996). It is noteworthy that there has been a marked decrease in the number of strikes in the country since the implementation of the new law (Ioannou, 1996b).

During a legal strike, there is no obligation for an employee to work, unless the job is considered essential, and there is no requirement that the employer pays for the strike days. An employer cannot lock-out its work force or hire new employees to replace strikers.

Strikes in recent years have been concentrated mainly in public-sector enterprises facing restructuring, closure, or privatisation. In the past strikes were frequent in the banking sector and among public utilities and transport firms, while there were relatively fewer strikes in the private industrial sector (Ioannou, 1996b).

Law 2224/94, abolished many of the restrictions embodied in law 1915/90, which concerned the right to strike and granted courts the authority to determine whether a walk-out prior to a strike was legal. Workers who defied a court order could be dismissed without appeal. Under Law 2224/94 public sector unions are obliged to give a 4-day notice before a strike. The OMED should be called in during this cooling-off period.

II.2.8 The main functions of OMED and ELINYAE

The Organisation for Mediation and Arbitration (OMED), established by Law 1876/1990, is a body with a central role in the national system of industrial relations, providing mediation and arbitration services to the social partners. The mediation services concern the resolving of deadlocks in collective bargaining on wages and working conditions, the determination of the workforce that should be available during periods of strikes in sectors providing essential services and the social dialogue required to take place before a strike in public sector organizations takes place. The arbitration services concern the resolving of deadlocks with regard to wages and working conditions.

The core of the OMED is the Body of Mediators and Arbitrators, i.e. a body of twenty lawyers and economists experienced in industrial relations.

The Hellenic Institute for Occupational Health and Safety (ELINYAE) was initiated by Article 7 of the National General Collective Agreement of 1988 and consolidated by an article of the National General Collective Agreement of 1991-92, that led to the creation of the Institute in 1993. The ELINYAE is a bipartite body with the objective of providing scientific and technical support for the formulation of policies aimed at the improvement of working conditions in Greece. It should be noted that, for a long time, working conditions have been an issue of friction in collective labour relations.

III. LABOUR MARKET LEGISLATION

III.1 EMPLOYMENT PROTECTION SCHEMES

III.1.1 Current legislation on individual and collective dismissals and lay-offs

Laws 2112/1920 and 3198/1955 regulate termination of employment. The regulations concerning the dismissal of wage and salary workers are different. A worker employed for two months or more may not be dismissed without prior written notice of five to 60 days, depending upon the duration of employment. Severance payments for wage workers range from five days' wages for up to one year's service to 92 days' wages for more than 20 years' service. In the case of salaried personnel, severance payments start from one month's salary for employment up to one year, and may come up to an amount equal to 24 months of salary. Table 53 presents the severance payments in detail. If sufficient prior notice is given by the employer, these payments are halved.

Law 1387/1983 regulates collective dismissals. Under this law limits are set for the maximum number of employees who could be dismissed per calendar month (2 per cent in companies with more than 50 employees up to a maximum of 30 workers, and a maximum of five workers in companies with personnel between 20 and 50 employees). The percentage of permitted dismissals is determined by Ministerial decision at six-month intervals. For a long period it was in the range of 2 to 3 percent and since the late 80's it has been 2 percent. Dismissals exceeding the afore-mentioned limits are deemed invalid and termination of the relevant labour contracts is considered as non-existent. A company may apply to the Ministry of Labour for exemption from these limits, but approvals are not easily obtained. Although the Ministry can waive the rule on an ad hoc basis, for companies in "special circumstances", few permissions for surpassing the legislated maximum have been granted so far by the High Council of Labour, which is the advisory body examining applications for exemptions.

Above the standard limits set by law, mass dismissals are normally permissible in only two cases: (a) in the case of a merger (requiring government approval), in which the limit holds for each of the merging companies and (b) in the case of a firm relocating its manufacturing facilities away from the metropolitan area of Athens.

The legislation on collective dismissals and employment protection discourages firms from expanding employment when the demand rises and creates rigidities in the labour market. This effect was greater up to 1990. With the introduction of Law 1892/ 1990 firms can now adjust employment upwards when there are short-term increases in demand, by hiring employees under fixed-term contracts. Until then the dominant behaviour was to channel higher demand for labour towards increased overtime work.

The adoption of legal provisions allowing fixed-term contracts eased somewhat the rigidities created by the legislation concerning collective dismissals. However, this legislation continues to create problems for firms. The issue of reforming it has been

raised by employers, but the Ministry of Labour and the trade unions are opposed to such a move. Several suggestions have been made with regard to the reform of the present system regarding dismissals. It has been proposed by employers that there should be a reduction of the severance pay rights of salary earners and a harmonisation with the corresponding rights of wage earners. The workers' unions do not agree with a reduction of severance payments but are in favour of a harmonisation of these payments for blue- and white-collar workers. Another suggestion is that the severance payments should not be made by each employer dismissing workers but should be drawn from a fund set up by employers' contributions. In that case, it has been pointed out that in the early stages of the new system, an annual limit should be set on personnel dismissals by each firm, in order to avoid a possible upsurge of dismissals, that may drive the new fund into bankruptcy.

Firms facing financial difficulties can lay off workers for a period of up to three months per year but they have to pay half of their wages.¹ This arrangement creates a high cost for lay-offs and discourages firms with economic problems from making use of it.

III.1.2 Legislation on part-time work and fixed-term employment contracts

Law 1892/1990 regulates part-time work and fixed-term contracts. Under this law contractual agreements can be negotiated between employers and employees for fixed-hour part-time work. Under a special social security scale, contributions and benefits are paid in proportion to the hours of work, according to the contract. However, earnings on which contributions are calculated cannot be less than one-third of the minimum wage.

Part-time contracts should be in written form. Part-time work can be agreed either for an indeterminate duration or for a fixed term. Under this law the principle of equal treatment between part-time and full-time workers implies that the established minimum legal wage is paid (corresponding to the time actually worked) and that there is a right for proportional paid holidays. The law does not specify a minimum and/or maximum number of hours which have to be worked.

Before the adoption of Law 1892/1990 there had been some provisions about part-time work scattered throughout different laws, but there was no clear legal basis for its regulation. The aim of the new law was to encourage part-time work and ensure that there will be no exploitation of part-time workers or replacement of full-time workers.

¹ A small wage supplement is provided by OAED to those who are laid off.

III.2 REGULATION OF WORKING TIME

III.2.1 Legal and contractual limitations to working hours and regulations concerning overtime, weekly rest periods, holidays and night work

In Greece the regulation of working hours is traditionally considered the responsibility of the State. A Presidential Decree of 1932 is still the basic piece of legislation, despite the many modifications it has undergone. Another important piece of legislation is Law 515 of 1970. The above decree introduced the 8-hour working day and the 48-hour work week. Although in the beginning this legislation covered only certain companies, later on it was extended to other companies and became the general rule. Special legislation has been introduced for the regulation of working hours of commercial establishments (Legislative Decree 1037/1971 modified recently by Presidential Decree 327/1992).

The basic rule in the existing body of legislation is the principle whereby the duration of working hours are limited by a double ceiling, the weekly maximum (48 hours) and the daily maximum (8 hours). It is noteworthy that the uneven distribution of hours over the week is not allowed.

National General Collective Agreements have also influenced legal and contractual limitations to working hours. Under article 6 of the 1984 National General Collective Agreement the regular working week was set at 40 hours and the 5-day week became compulsory.

It is also noteworthy that the reduction in working hours through collective agreements did not affect the legal working hours. There is now a dual system: first the legal system of 8 hours per day, 48 hours per week, and second, the collective agreement system of 40 hours per week. It is compulsory for a worker to work the extra hours between 40 and 48, if he is asked by the employer, but an overtime rate, 25% higher than his regular wage rate has to be paid.

An important addition to the body of legislation regulating working hours were the articles 38-42 of Law 1892/1990 about part-time work and work during a fourth shift.

- ***Minimum and Maximum of Normal Working Hours***

The maximum normal workday consists of 6 hrs and 40 minutes for those who work a 6-day week, and 8 hours for those who work a 5-day week. However, as working up to 48 hours each week can be optionally imposed by the employer, the maximum permitted time per day is 8 hours (6 day-week) or 9 hours and 36 minutes (5-day week).

These limits apply generally and are valid for all establishments (industrial, commercial, etc). Exceptions apply for certain categories of workers such as those working in agriculture, domestic servants, travelling salespersons, managers, etc.

- ***Overtime work***

Overtime work is regulated by Law (Presidential Decree of 1932, modified by Law 515/1970). Overtime is subject also to a maximum limit. The law specifies that overtime work cannot exceed 3 hours per day. Therefore for those working a 6-day week the maximum limit is 11 hours, and for those working a 5-day week the maximum limit is 12 hours and 36 minutes. The overtime system is exclusively based on the daily duration of working hours, as the averaging of hours from one day to another is forbidden. Overtime work must be declared to the Labour Supervision Office and must not exceed the annual maximum limit set by Ministerial Decree (normally 120 hours).

Under Law 435 (1976) overtime work is compensated by supplementary payment. The rates increase according to the number of hours. The rates are higher than the agreed wage or salary by 25% (30% for those who work in shops) for up to 50 hours, by 50% from 50 to 120 hours, and by 75% for more than 120 hours.

Recently, the Ministry of Labour, in an attempt to divert higher demand for labour from overtime to more employment through part-time and fixed-term contracts, set more rigid limits on overtime work in the private and public sectors. However, it has been argued that this move has not contributed to more job creation. Its only effect was the introduction of one more inflexibility in the labour market.

- ***Weekly rest periods***

Under Royal Decree 748/1966 Sunday working is forbidden, regardless of the religion of the employer or the employee. Sunday is seen as a day for a weekly rest to which each employee is entitled. The ban on working on Sunday refers to work between 6.00 a.m. on Sunday and 6.00 a.m. on Monday. Failure to observe this ban is violation.

Exceptions to the Sunday working ban exist for agricultural workers, working family members, and workers in the maritime sector. Also, exceptions exist for certain companies such as those involved in transportation, entertainment, vehicle repair, etc. In all of these cases, weekly rest is provided by stopping work on another day of the week, provided that the work on Sunday lasts more than 5 hours. In all cases where work on Sunday is allowed, the wages are increased by 75% over the legal rates.

- ***Holidays***

Holidays are regulated by legislation. Work on public holidays (National Day etc) is remunerated in the same way as work on Sunday, i.e. with a supplement equal to 75% of the legal wage or salary.

The right of employees to paid holidays is regulated by Law 539/1945 which, since 1975, has been subjected to several modifications through collective agreements. The right to paid holidays is granted to the employee who has completed 12 months' continuous employment with the same employer. The duration of the first holiday

period is 24 working days for an employee working a 6-day week and 20 days for an employee working a 5-day week. Sundays, holidays and Saturdays (in the case of a 5-day week) are not counted as days of the paid holiday period. Further, there is an increase of one day for each additional year, after the first year. But this increase has a ceiling of 26 days for those on a 6-day week and 22 days for those on a 5-day week.

Leave days are paid as working days. In addition, the employee receives a special allowance known as a holiday allowance, which cannot exceed 15 days pay for salaried employees and 13 days for wage workers.

- ***Night - work***

Night work is considered to be the work performed between 22:00 and 06:00. Night work is optional, with the exception of the under-aged and women. This ban dates back to the beginning of the century (Law of 1912). In accordance with Article 3 of ILO Convention No 89 (ratified by Law 3924/1959) there is a general ban on the employment of women in industrial enterprises during night hours. However, there are exemptions from this ban. It does not apply to women who occupy positions of responsibility or senior posts of a technical nature, to nurses or to women employed in other occupations related to health. Night work is remunerated at an increased rate of 25% over the minimum legal salary.

Under Law 1837/1989 the employment of minors at night is prohibited. Minors who are employees are entitled a daily rest period of at least 12 consecutive hours which must include the period between 10:00 p.m. and 6:00 a.m.

III.2.2 Career breaks and leaves of absence for longer periods

- ***Maternity Leave***

Under article 7 of the 1993 National General Collective Agreement, women working in any sort of establishment, are entitled to maternity leave of 16 weeks, 8 weeks before the expected date of delivery and 8 weeks following it. In cases where the birth is premature the remainder of the leave is taken afterwards, until the total comes to 16 weeks. Throughout the period of pregnancy and for twelve months after the birth, dismissal is forbidden, except in the case of very serious reasons.

- ***Parental Leave***

Under Law 1483/1984 workers of both sexes who have obligations to their dependent children or other family members needing care, are entitled to different types of leave.

Child-rearing leave, provided under article 5 of Law 1483/1984 was improved by the 1993 National General Collective Agreement. Any parent, having completed a year's service in a firm employing more than 50 people, whose spouse also has a job, is entitled to leave for a period of three and a half months. This leave may be given during

the period after the expiration of the maternity leave, until a child reaches the age of three years. The employer is obliged to satisfy requests for such leave, even in cases where there are many applicants, for up to 8% of the firm's personnel for the year in question. The employer is not obliged to pay the salary, but the employee continues to be covered by social security provided that he/she pays the contributions.

Parents in full employment are entitled to leave of 6 working days during each year for taking care of sick children or other dependents. This leave can be 8 days if they have two children and 10 days if they are also responsible for two more dependent persons.

Under Law 1346/1983 employees who are students in any kind of school, supervised by the state, and are not over the age of 29 years, are entitled to receive leave for 14 working days each year in order to take part in examinations. Longer leave periods for education and training are not regulated by general provisions.

III.2.3 The debate concerning the reduction of hours of work to increase employment

In recent years there has been a persistent demand on the part of labour unions for a reduction of the weekly hours of work, without a corresponding pay cut. The Ministry of Labour is reluctant to consider any changes in legislation regarding such a reduction and insists on the need for the social partners themselves to decide on this issue. The employers seem willing to discuss reductions of working time, if such reductions are accompanied by corresponding pay cuts. However, the labour unions are opposed to such cuts.

In the negotiations for the 1996-97 National General Collective Agreement, GSEE demanded a 35-hour working week without reduction in pay, as a means of combating unemployment. Although this demand was not accepted by employers, there was a provision in the National General Collective Agreement for the establishment of a bipartite committee to examine the implications for various sectors of a reduction of hours of work without loss of pay. As a result, a joint committee has been established to examine these issues. It is noteworthy that until recently, most employers' associations had refused any discussion regarding the reduction of working time without loss of pay.

III.3 MINIMUM WAGE REGULATION; RECENT AGREEMENTS ON MINIMUM WAGES

In Greece minimum wages are determined by a legally binding National General Collective Agreement applicable to all private sector workers. As was mentioned before, the National General Collective Agreement is concluded between the three employers' confederations and GSEE and covers private sector employees. The wages and salaries set out in the National General Collective Agreement are considered as minimum floors. These may be improved upon by lower-level agreements at national-

sectoral and company levels, which determine minimum and maximum wages for the various categories of workers concerned.

The National General Collective Agreement sets out both a national minimum wage for blue-collar workers and a national minimum salary for white-collar employees. For the second half of 1995 the national minimum wage was set at DR 5,336 per day and the national minimum salary at DR 119,219 per month. From January 1, 1996 these minimum levels were increased to DR 5,531 and DR 123,520 respectively. Since many industry or sectoral agreements for 1996 were not finalised, to compare the national minimum wage with industry/sectoral minimum wages, data for 1995 were used (Table 54). In most cases the industry/sectoral minimum wages were well above the national levels.

IV. LABOUR MARKET POLICIES

The main characteristics of labour market policies in Greece are the insufficiency of relevant expenditures, the problems with regard to efficiency in the use of resources and the limited effectiveness of the policies.

Expenditures on active employment policies and unemployed benefits as a % of GDP in Greece in the period 1992-95 were very low (Table 55). Greece is among the countries in the EU with the smallest expenditure on labour market policies, as a % of GDP. Another weakness of the system is that the largest part of the expenditure is devoted to passive policies.

In the sections that follow there is a discussion of the passive and active labour market policies applied in the country up to 1996, when new policies were formulated and new legislation introducing changes was passed. These changes will be discussed in a separate section.

IV.1 PASSIVE MEASURES

IV.1.1 Unemployment benefits

Unemployment benefits are provided by OAED on the basis of Law No 2961/54 and the amendments introduced by Laws 1545/85, 1836/89 and 1892/90. Entitled for such benefits are the unemployed, who are defined as persons without work, capable to work and seeking employment by registering at the OAED employment offices. A necessary condition for receiving benefits is that the unemployed must have lost their jobs through no fault of their own and must have worked for at least 125 days in the 14 months before they became unemployed, not counting any days worked in the preceding two months. Persons receiving benefits for the first time must have worked for at least 80

days per year in the preceding two years. Unemployed workers who do not meet this requirement but have worked 60 days in the past year are eligible, after a three-month waiting period, to receive three lumpsum payments corresponding to earnings of 15 days at the minimum wage.

Special arrangements exist for specific categories of unemployed. Seasonal workers (e.g. those working in tourism) are eligible for minimum unemployment benefits if they worked for at least 100 days in the preceding 12 months. They can receive benefits every year. Young people without previous work experience, aged 20-29, who have been unemployed for more than a year, are eligible to unemployment benefits of DR 25,000 per month for five months.¹

The duration of benefits depends upon the number of days worked (Table 56) and cannot exceed 12 months. The basic amount of unemployment benefits is 40% of a blue-collar worker's earnings and 50% of a white-collar worker's earnings, provided that this amount is between one-third and two-thirds of the minimum wage. A supplement of 10% is paid for each family dependent. Unemployment benefits increase towards their upper statutory level for workers who have contributed for an adequate time period.

According to existing legislation unemployed persons, in order to be entitled to receive benefits, must register at the appropriate local office of OAED and be provided with an unemployment card. During the period of receiving benefits they have to report regularly to this office, which has to make efforts to place them in jobs.

With a law passed in 1994 the way in which the daily unemployment benefit is calculated was changed, as of 31.12.1993, and this resulted in a 30% increase in its amount. Depending upon the number of children the family supplement increased by 20% to 26%. The benefit increased by 10% in 1995 and by 10% in 1996.

With a law passed in 1989 a special unemployment benefit was established for those employed in industries affected by weather conditions (e.g. hotel, tobacco and construction) and also for persons whose work is interrupted by unforeseen circumstances e.g. earthquakes and floods. This benefit is paid in lumpsum once a year to those who had 200 days of employment in the previous year.

The number of unemployed persons who received benefits, as a percent of the unemployed, according to OAED data is presented in Table 57. There was a rapid increase of the percentage from 1988 up to 1991 and a decrease in the years 1992, 1993 and 1994. This decrease can be explained by the fact that there were relatively large increases in the labour force and in the number of unemployed in the years 1992, 1993 and 1994 and a substantial number of the new entrants into the labour market were not eligible for unemployment benefits. Also, after a year in unemployment, all those who joined the unemployed in the early 1990s, were no longer entitled to receive benefits.

¹ The amount of DR 25,000 corresponds to about 20% of the monthly minimum wage.

The funds for unemployment benefits come from the employers (2.67% of the payroll), the employees (1.33% of gross earnings) and the State.

Replacement ratios

The unemployment benefit system in Greece is not generous and could not be considered as creating work disincentives or risks for an unemployment trap, as in many other countries. As a matter of fact the system is among the least generous in the OECD countries.

According to the limits set by law the basic unemployment benefit should lie between an upper limit of 2/3 and a lower limit of 1/3 of the minimum wage for unskilled workers. The ratio of unemployment benefit in relation to the minimum wage kept decreasing up to 1994 when the unemployment benefit was increased by 30%. After a 10% increase on 1 July 1996, the amount of benefit was fixed at DR 2,836 per day for wage earners and DR 77,350 per month for salary earners, plus 10% for each family member. After the expiration of the normal unemployment benefits, supplementary benefits are provided for three months but for only 15 days, instead of 25, in each month.

The unemployment benefit is tax-free but with the allowed reductions, exemptions etc., the income from work of an unskilled worker with no previous work experience would also fall into the zero tax range. The employee social security contributions are 15.80% of the earnings. This means that an unskilled unemployed person, eligible to receive benefits, might have to select between such benefits, equalling to around 50% of the minimum wage and accepting a job which would entitle him to 84.2% of the minimum wage. Taking into account transportation and other expenses for those who work and also the discomfort associated with low-level work, one might select to stay unemployed so long as the unemployment benefit lasts. However, because of the limited duration of the unemployment benefits, the possibility for an impact of these benefits on unemployment is rather limited.

A greater risk of abuse to the system comes from the possibility of the unemployed who receive benefits, to get a job in the relatively large informal sector. With the social security contributions for employers amounting to 27.45% of the wage bill, there are strong financial incentives also on the part of small marginal firms and households to hire workers without declaring their employment.

Because of the non-generous character of the unemployment benefit system, total unemployment benefits represent a very small percentage of the country's GDP (0.56% in 1995).

IV.1.2 Early retirement

During the past two decades retirement arrangements in the public sector encouraged early retirement and thus contributed to a reduction of the labour force. Under the system prevailing before 1990, men and women in the public sector had the right to retire after 25 and 20 years of service respectively. Mothers of under-age children could retire after 15 years of service.

In the early 1990s there was a pension reform which introduced a gradual restriction of retirement privileges in the public sector and provisions for the equalisation of rights with the private sector in 1997 for women and 2004 for men.

In the private sector eligibility for pension rights comes after 35 years of service. There is a right for retirement five years earlier but there is 0.5% reduction in benefits for each month of early retirement. Employees in heavy and unhealthy employment and mothers with under-age children could receive full pension at 55.

Before the reforms of the pension system in the early 1990s there was an abuse of the privilege to retire because of invalidity, particularly in the private sector. A relatively large number of employees who did not meet the criteria for old age pensions managed to get such pensions on account of invalidity. The reforms established stricter criteria and verification procedures and as a result the share of invalidity pensions in new pensions decreased from 26% in 1989 to 15% in 1995 (O.E.C.D., 1996).

Recently the government introduced an early retirement programme for workers who were dismissed because of the restructuring of privatised enterprises. If, after receiving unemployment benefits for two years, older workers need one more year to establish pension eligibility, the state will cover their social security contributions for that year.

Voluntary early retirement schemes have also been introduced by the Government for persons employed in certain public enterprises (e.g. ETBA, OTE, Olympic Airways, Scaramanga and Elefsina Shipyards) in order to reduce overstaffing and facilitate restructuring.

IV.2 ACTIVE LABOUR MARKET POLICIES

Expenditure on active labour market programmes has increased in recent years but continues to be the lowest among OECD countries. In 1995 it was little more than half of the expenditure on passive programmes and represented only about 0.30% of the country's GDP.

The main organisation responsible for implementing active labour market programmes is OAED. These programmes are funded by revenues from payroll taxes and transfers from the public budget and the European Social Fund. In recent years other

organisations have also got involved in active labour market policies through subsidised training programmes for the unemployed.

Since the early 1980s various measures have been used for combatting unemployment. Training and retraining programmes, subsidisation of employers for hiring unemployed persons and subsidisation of unemployed persons to start a new enterprise have been the most important of the active measures that have been used so far. Under present economic conditions and the need to satisfy the EMU criteria, the Government cannot use expansionary macroeconomic policies to fight unemployment. Therefore, the weight of the effort has to fall on structural measures of a micro-economic nature.

With the increase in the financial resources coming from the European Community in the late 1980s, there was a rapid rise in the number of people who participated in active labour market programmes. However, the percentage of the labour force participating in such programmes and the relative size of the expenditures on them remained much lower in Greece, compared to other European countries.

Below we present the main active labour market programmes that have been used so far. The measures that are envisioned in the Multi-annual Plan and the new law on employment will be discussed in the following sections.

IV.2.1 Vocational training, retraining and occupational mobility

A phenomenon that has characterised the Greek labour market since the early 1980s is the increasing shortage of specialised labour, on the one hand, and the rising number of unemployed persons, on the other. To address this problem an effort has been made to expand vocational training and retraining and improve its quality. This effort has been supported by the financial assistance that came from the European Union, particularly the European Social Fund.

The main organisation for providing vocational training is OAED. The number of people who participate in the OAED training programmes represents about 1.5% of the labour force. During the last few years, in response to a rapid increase in the available financing, a large number of private and public organisations, educational institutions, professional organisations, local government organisations and all type of legal entities have organised vocational training programmes financed to a large extent by funds from the First Community Support Programme. Concern has been expressed and a great deal of discussion has taken place about the quality and effectiveness of these programmes but, with a few exceptions, there are no evaluation studies that could provide reliable information in this regard. On the whole, there is a feeling that up to recently, there has been little control over the organisations offering subsidised vocational training and this has resulted in a waste, the size of which is difficult to estimate. Another serious problem has been that the unemployed who were not entitled to unemployment benefits, participated in training programmes in order to get the small subsidies paid to participants.

The recent changes in the institutional framework concerning vocational training, (discussed elsewhere in the report) and the standards and requirements that have been introduced with regard to the organisations eligible to undertake subsidised vocational training programmes (KEK) are expected to ensure a better utilisation of the available financial resources by eliminating the problems observed in the past.

With regard to training, what is urgently needed is reliable overall information and guidelines about the needs of the market for skills and the main directions vocational training should take. Until now, government officials who had the responsibility to decide which programmes to approve, had very little information in this regard. It is expected that newly-established institutions such as the Labour Institute (under the auspices of the Ministry of Labour), the OAED Research Institute (PIEKA) and other similar organisations will carry out the studies needed for the efficient organisation of the vocational training programmes.

Below we present the most important programmes for providing training to persons who are unemployed or are exposed to a high risk of becoming unemployed.

The OAED Apprenticeship Programme

To facilitate the placement of young entrants into the labour market and thus reduce their risk of becoming unemployed, OAED runs a programme for youths aged 15-18, who have completed compulsory education. The purpose of this program is to provide young people with technical and vocational training in a variety of specialisations with the aim of helping them to find employment. This training has a theoretical component, implemented at the OAED schools, and a practical component implemented in the installations of private or public enterprises.

This programme lasts from four to six semesters depending upon the specialisation. For their practical training the trainees are placed in enterprises in positions closely related to their skills and specialisations. Under the supervision of OAED the trainees sign contracts with the employers by whom they are paid for their work. OAED provides incentives to employers to take on apprentices and also assists in the placement of those who complete the programme in jobs.

Table 58 presents the number of persons who participated in the above programme, the cost and the percentage of the total cost covered by ESF and OAED. Since 1990 there have been substantial increases in the number of persons participating in the programme and in the size of the expenditure on it. The contribution of the European Social Fund increased in 1992 from 65% to 75% of the total cost.

The OAED Accelerated Vocational Training Programme (TEK)

The most important programme for providing vocational training to unemployed unskilled workers is the OAED "Accelerated Vocational Training" programme (TEK).

The purpose of this programme is to offer intensive vocational training within a relatively short period (300-1200 hours depending upon the specialisation) to unemployed persons aged 16-46 to enable them to find employment, and to employed persons, to enable them to improve their positions. This programme includes theoretical and applied training in specialisations and skills that are to be determined through labour market research and consultations with the social partners and the local authorities. In the academic year 1995-96 there were about 36 OAED technical schools offering a variety of specialisations.

Table 59 presents the number of persons trained, the total cost and the contributions to the cost by the European Social Fund and OAED. It is easy to observe that the number of unemployed persons trained under this programme was small relative to the total number of unemployed while the annual increases were insignificant relative to the growth of unemployment. Up to 1991, the European Social Fund contributed 65% and OAED 35% of the cost. From 1992 onwards the ESF and OAED contributions changed to 75% and 25% respectively.

Looking at the expenditure per person we see that there was a decrease up to 1992 and an increase after 1993. Since the expenditure is expressed in current costs the real decrease in the early 1990s must have been much larger. It seems that the increase in the ESF contribution enabled OAED to spend larger amounts of money per person trained and this is likely to have effected the quality of training.

At this point it is interesting to summarise the results of an evaluation study of the above programme based on a survey of participants, employers, representatives of labour unions and employers' associations, etc. (Kottis, 1994). It was found that together with some positive aspects of the programme, there were several serious weaknesses. One such weakness was that the specialisations offered suffered from excessive concentration in professions and skills which covered outdated needs of the secondary sector or concerned saturated professions. It seems that there was insufficient communication between OAED and other relevant organisations such as employers' associations, labour unions, universities, etc. A serious problem was that OAED did not have the required staff to gather information in a systematic way about the labour market needs at local, regional and national level in order to orient the training programmes accordingly¹.

Because of various problems of the programme, the absorption rates of those who completed it were relatively small. Furthermore, the qualifications provided were not certified and in some cases were considered of questionable value. It was estimated that 40% of those who had completed the programme had not found employment a year after, which means that they had entered the ranks of the long-term unemployed. Moreover, it seems that there was a great deal of dead weight, since a large percentage of those who were employed were engaged in a job not related to what they had been

¹ It should be noted that since the time the above study was completed several changes in the organisation of OAED and in the general institutional framework related to vocational training have been introduced or are planned and therefore the above problems may disappear in the near future.

trained in. The limited effectiveness of the above programme can be deduced also from the fact that although it existed for a relatively long period of time, 40% of the representatives of firms participating in the survey, declared that they had never heard about it. Most of those who had some information about the programme, expressed the view that the training provided was of low quality and made several proposals for its improvement.

On the other hand about 40% of the firms that were surveyed declared that they had problems in finding employees with the qualifications they needed. They pointed out that the available unemployed persons were not sufficiently specialised and the knowledge and skills of those who had completed the vocational schools were not satisfactory. The representatives of employers indicated the existence of a serious problem of structural unemployment. They expressed the opinion that the system of vocational training did not adjust sufficiently to developments in the labour market and declared that they preferred to hire specialised people already working in other firms or to train unskilled people themselves.

According to the opinions of employers' representatives the main reason for the lack of specialised workers was the inadequacy and the shortcomings of the existing system of vocational training. A relatively large number of them expected an intensification of the shortages in the supply of specialised people in the near future.

Also, most of the representatives of labour unions and employers' associations, who participated in the above survey, expressed the view that there was a shortage of specialised personnel and that the observed excessive supply of people in certain specialisations was a problem of quality stemming from inadequate training, insufficient specialisation and lack of practical on-the-job training.

OAED intra-enterprise training programmes

Another important training activity of OAED involves the programmes organised within firms for their workers. These programmes are established in firms at their request and are financed by revenues from a 0.45% payroll tax. Their maximum duration is 400 hours and they concentrate on specialisations needed by the firm or in the labour market of the area. They are for unskilled workers and are implemented under the supervision of OAED, which undertakes up to one-third of the wage paid to the trainees. In 1995 about 46,000 trainees participated in such programmes.

Since 1995 the following innovations have been introduced with regard to these programmes:

- The programmes will be implemented through the newly established Centres of Vocational Training (KEK)
- A new system of evaluation for selecting applications will be used
- The programme will be widened by allowing participation of self-employed people and of businesspeople who employ at least four other persons.

Table 60 presents the number of persons trained and the cost of the intra-enterprise training programmes.

OAED Programmes for training in professions related to the hospitality industry

These programmes aim at providing subsidised intensive training (within 60 days) to unskilled persons in specialisations related to hotels and restaurants.

Training in Post-secondary Vocational Training Institutes (IEK)

On the basis of Law 2009, introduced in 1992, a large number of Vocational Training Institutes (IEK) were created to equip secondary school leavers with the scientific, technical, occupational and practical knowledge, skills and competences that are necessary in order for them to respond successfully to the changing requirements of the labour market. The programmes in these schools provide a vocational alternative to secondary school leavers, who suffer from relatively high unemployment rates. The period of training is three to five semesters, depending upon the specialisation, and after successful completion there is official certification. Such institutes have been established by OAED, the Ministry of Education and various private organisations.

In addition to the above, OAED has established vocational institutes of a similar kind for those who have completed only the first half of secondary education (Gymnasium). The training in these institutes lasts for two semesters and leads to a recognised certificate.

Training Programmes for the Unemployed organised by various professional and educational organisations

In recent years programmes for the unemployed providing training in various professional fields (e.g. management, marketing, accounting, use of computer, etc.) have been offered by professional associations (e.g. the Greek Society of Management called EEDE), by special training centres established by universities and technological institutes or local governments, by various public institutions (e.g. the Greek Productivity Centre called ELKEPA) and by a large number of private organisations. These programmes are in most cases of short duration (one to four months) and offer specialised training for unemployed people with secondary or university education.

Although large amounts of money have been on for the subsidisation of the above programmes, no systematic evaluation studies have been carried out so far about their effectiveness.

IV.2.2 Vocational guidance

Vocational guidance is provided by OAED through its Employment Offices. A special programme exists for young people 15-18 years old. Between 1983-1993 16,400 young men and women participated in this programme. Also, some special vocational guidance programmes were implemented with financing from the European Union. However, it seems that on the whole, the OAED Employment Offices have not been adequately staffed to respond to the rising needs for vocational guidance of the unemployed who seek placement.

Recently three pilot OAED centres were established for providing professional guidance and information for young people. They were located in Athens, Thessaloniki and Iraklio (Crete).

IV.2.3 Subsidies to employers for the creation of new jobs

General programme

According to existing arrangements, subsidies may be given to private firms for hiring personnel from the following categories:

- a) unemployed persons aged 18-25
- b) unemployed women aged 18-64 entering the labour market for the first time or re-entering after an absence of at least three years.
- c) unemployed persons aged 26-64 and
- d) unemployed persons aged 18-64 who are going to be employed in firms operating in areas of high unemployment.

The amount of subsidy ranges from 50 to 100 per cent of the minimum wage depending upon the category of the beneficiaries. The highest subsidy is for persons in areas of high unemployment. The duration of subsidy for all categories is nine months. The employers have to keep the subsidised workers for three more months. This programme has been set for 1995 and 1996. After 1996, a new set of programmes will be introduced.

In order for a firm to be eligible to participate in the above programme, it should not have dismissed personnel during the preceding three months and at least 50% of the unemployed, for which it receives subsidies, should come from those registered at OAED.

About 20,000 persons, representing about 1.3% of the labour force, are subsidised annually through this programme. Regarding the effectiveness of this programme, an evaluation study has indicated that very little new job creation was achieved through it (Dedoussopoulos, Repas, 1994).

Grants for employing graduates of institutions of higher education

A special subsidy was introduced in 1985 for industrial and commercial enterprises in border regions for encouraging the employment of higher education graduates. The subsidy is 10% of the monthly salaries of the graduates, up to a limit of DR 80.000 for each of them. A necessary condition is that the enterprise employs at least ten other employees for each subsidised graduate.

Subsidies to hotels

Special subsidies are provided to hotels that normally operate on a seasonal basis, to extend their operation and maintain jobs during the winter months. These hotels have to be in areas outside the metropolitan areas of Athens and Thessaloniki.

Subsidies to private firms where students of higher-level technical schools (TEIs) are employed to gain practical experience

The firms are entitled to receive a subsidy amounting to 50% of the remuneration paid to the students for a period of six-months. The allowance paid to a student cannot exceed 80% of the minimum wage.

Subsidy to enhance the geographic mobility of unemployed persons

A subsidy of two-thirds of the prevailing minimum daily wage of an unskilled worker is paid for the employment of unemployed persons who leave their place of residence to take up seasonal employment for the harvesting of agricultural products.

IV.2.4 The OAED self-employment programme

Since the mid 1980s, OAED has been operating a self-employment programme to subsidise unemployed persons aged between 18 and 60 wanting to start a new enterprise. The amount of the subsidy differs according to sex of the applicant, the region and the type of the enterprise. The highest subsidy is for people starting an enterprise in regions of high unemployment. A financial incentive is offered to persons participating in the programme to attend a preparatory two-week training programme. Subsidies are provided, up to a certain limit, for additional jobs created by the new enterprise. Tables 61 and 62 present the numbers of new employment positions and of new enterprises created by the above programme, the total cost, the cost per person and the contributions made to the cost by the European Social Fund and OAED.

In an evaluation study of the above programme (Charatsis, Kottis, 1993) it was found that among the programme participants who were sampled and had created new enterprises, 52.4% were employed before entering the programme, 29% were not participating in the labour force and only 18.6% were unemployed. Thus, although the purpose of the programme was to help the unemployed, a large part of the financial

resources went to persons who were not unemployed. In addition to this, although the overall survival rate of the new enterprises was 85%, it was found that the enterprises created by those who came from the ranks of the unemployed suffered from relatively high mortality rates.

One reason for the small participation of the unemployed in the programme may be the relatively small amount of the subsidy. It seems that the amount of money given was not sufficient for starting a new business. In almost all cases the new entrepreneurs had to contribute much larger amounts from their own funds. Another problem was that, besides the subsidy, there was no other assistance on the part of OAED with regard to the various problems that the new entrepreneurs had to face in the process of starting a new business.

A serious weakness of the programme was its relatively large dead weight. According to the survey, 88% of the new entrepreneurs would have proceeded with the establishment of the new enterprise even without the subsidy from OAED. It seems that only 12% of the new enterprises were created as a result of the subsidy. An additional problem identified by the study was that about 85% of the new enterprises did not introduce a new activity or product but tried to penetrate markets that were already served by other firms. This was likely to have a negative effect on the number of persons employed by other firms.

On the whole, it seems that the effectiveness of the OAED self employment programme, in reducing unemployment, was relatively small since to a large extent it helped people who would have started a new enterprise anyway.

IV.2.5 Measures for special groups of workers

Programmes for women's employment

A relatively large number of special training programmes have been organised by various organisations for women to enable them to acquire skills necessary for finding jobs or starting a new enterprise. The NOW programme supported several activities of this kind.

There have been no evaluation studies of the various training programmes for women. However, it seems that with few exceptions, the effectiveness of those programmes was rather limited. A large number of unemployed who were not entitled to receive unemployment benefits participated in training programmes merely to get the small subsidy.

Subsidies to employers for recruiting disabled persons

The programme offers subsidies to employers for 24 months for hiring disabled persons, as they are defined by the appropriate laws. The employers are entitled to receive an

additional amount for providing a working environment tailored to the needs of disabled employees.

Subsidies to disabled new entrepreneurs

A grant is awarded to disabled persons who wish to start a new enterprise. This grant is a little higher compared to the grant provided to persons without disabilities.

Enterprise programme for countering social exclusion from the labour market

This programme is administered by the Ministry of Labour and aims at facilitating labour market access and occupational reintegration of those affected or threatened by social exclusion. It includes measures concerning training, employment promotion, labour market integration and other related activities. It has been set for the period up to 1999.

Support for repatriates and naturalised immigrants of Greek origin

A small grant is given to the above categories if they settle in areas outside the administrative districts of Athens and Thessaloniki. Moreover, a small rent subsidy is provided to them for two years, if they have to rent accommodation.

Subsidies to firms employing former drug addicts and former prisoners

A monthly subsidy is provided for employers who hire former drug addicts or former prisoners. The subsidisation may last for two years.

IV.2.6 Packages of measures for workers dismissed because of the privatisation of public enterprises and for workers in areas with high concentration of unemployment

To ease the problems of workers made redundant because of the restructuring and privatisation of public enterprises, the Government introduced special packages of measures. One such package included three options: One possibility for the redundant workers was to receive a subsidy equal to their average monthly earnings (up to a maximum of DR 280,000 per month) times 12, for starting a new enterprise. Such an enterprise was entitled to benefit also from the Investment Subsidy Programme and the Community Initiatives. The second possibility for the dismissed workers was to participate in a retraining programme, for a period up to four-and-a-half months, with a subsidy equal to their average earnings up to a maximum of 300,000 drachmas per month. After that, if they did not find a job, they would be entitled to unemployment benefits for a year and a half. Those benefits would be 60% higher than ordinary benefits. Firms hiring those workers would be entitled to receive a daily subsidy of DR 5,000 for a period of 9 months and had to employ them for a minimum of 18 months.

Finally, there was a possibility for the dismissed workers to receive unemployment benefits, 60% higher than the ordinary level, for 24 months. Social security contributions could be paid by the State for a year for those who were near retirement and had not established pension rights.

Other packages with measures that varied in different periods and in different cases of privatised enterprises, were also used.

Special measures have been introduced for areas with pockets of unemployment such as Lavrio, North Evia, Kozani etc. These measures involve the following:

- Higher subsidies to employers to create new jobs
- Higher subsidies to the unemployed to start a new enterprise
- Special integrated programmes for the unemployed, including vocational guidance in special centres, training, employment promotion and subsidisation for self-employment or employment of those who will be trained. An amount of 200 million ECU has been included in the Second Community Support Programme for this measure.

In addition to the above, an “integrated intervention framework”, with a considerable budget, has been included in the Second Community Support Framework for the development of 13 areas with declining industries. This is a step in the right direction because active labour market policies cannot be effective if no measures are taken for the development of local economies.

Special provisions have been included in the Greek programme of the Community Initiative ADAPT for areas of industrial decline.

IV.2.7 Financing of active policy measures

The active policies implemented by OAED are financed by it, the European Social Fund and the public budget. The largest part of the programmes is co-financed by OAED (25%) and the European Social Fund (75%). In some programmes there is a relatively small contribution from the European Regional Development Programme.

OAED revenues come from employer and employee contributions and transfers from the Government budget. In recent years there has been an increase in the shares of OAED revenues coming from employers and employees and a decrease in the share of the State (Table 59). In 1995 the contributions made by employers were 4.83% of the total wage bill and those made by employees 2.43% of gross earnings.

The training programmes implemented by other organisations are financed by the European Social Fund and their own or State resources.

IV.2.8 Emergence of new pools of work and role to be played by active policies

Existing information indicates that there are many unexploited possibilities in the country for new job creation in activities related to tourism, artistic and cultural heritage, health services, various local services, etc. A few successful initiatives in the sector of hospitality services in areas of interest to tourists, in the provision of catering services in big cities, in the production of handicraft items, in the production of organically grown vegetables and other innovative activities indicate that new jobs can be created without the need of much capital. Because of pollution and other problems in large cities, many people seem willing to return to small towns provided they can find employment. An integrated programme offering information, training, professional advice, financing and general support for the development of new activities in these towns could become a source of substantial new job creation that could make these towns poles of attraction for young people.

During the last few years a great deal of resources have been spent on training to satisfy needs existing under the present structure of society and the present organisation of living patterns. No effort has been made on the part of the State to educate the people, particularly the young, to search for new directions and new ways to satisfy social needs or develop activities that would alleviate urban problems and at the same time become sources of new employment opportunities. In the past, there were some cases of short-term training programmes on innovative ideas but, after their completion, the programme participants were left on their own and very soon everything was forgotten.

With the existing economic problems in the country and the restrictive macroeconomic policies, new innovative activities can become an important source of new job creation, provided appropriate help and guidance is offered. The experience from successful innovative initiatives in other countries could be used for formulating ideas and suggestions about possible directions for activities of this kind in Greece as well. With systematic research in this regard, new possibilities could be identified and targets could be formulated, which could be pursued with an integrated programme providing effective and multi-dimensional assistance to interested persons.

IV.2.9 Overall evaluation of active labour market measures applied so far in Greece

The main active labour market measures that have been used so far in the country are in the form of vocational training programmes, employer - subsidisation programmes and self-employment programmes. It will be useful to conclude this section with few words about the weaknesses in the application of each of these measures.

With regard to vocational training programmes the main weaknesses could be summarised as follows:

- Insufficient mechanisms for monitoring labour market changes and trends.
- Lack of overall strategy and planning regarding the directions of training and absence of credible evaluation mechanisms and procedures.

- Outdated curricula and specialisations and insufficient monitoring of the quality of teachers and didactic materials.
- Insufficient scrutiny of the organisations implementing subsidised vocational training programmes.

The institutional changes introduced in recent years (indicated elsewhere in the report) and those that are planned to be introduced in the near future could eliminate the above weaknesses. However, some of the institutions that have been introduced have been only on paper or their implementation has been very slow. A problem may arise in the near future from the fact that some of the new institutions may engage in similar activities and this may create confusion and a waste of resources (e.g. PIEKA, the research institute of OAED and the National Institute of Labour).

With regard to the subsidisation of employment programmes, as was mentioned before, their evaluation has shown very limited effect on new job creation. Moreover, it seems that a closer supervision of the programmes are in need to avoid abuses of the system.

The evaluation study of the OAED self-employment programme revealed several problems, some of which were mentioned in the preceding section. The most important of them was that the screening procedures were not very effective, a large part of the resources of the programme went to employed persons and there was considerable dead weight. It seems that the relatively small amount of the subsidy and the absence of financing and other kinds of assistance resulted in the programme having a very limited impact on the unemployed.

IV.2.10 New labour market policies under the multi-annual plan and the new law for employment and vocational training

As was mentioned earlier, in January 1995 an interministerial committee of experts was set up to propose specific measures for tackling unemployment. The committee, after consulting with Ministries, government agencies, labour unions and employers' associations formulated a report which in March of the same year was submitted to the Economic and Social Committee (OKE) for an opinion. After extensive discussions, the Economic and Social Committee formulated its positions with regard to the proposals and submitted them to the government. On the basis of these positions, the government elaborated a multi-annual plan with measures aiming at reforming the labour market, upgrading the quality of the labour force, facilitating job search, improving the matching up of the unemployed to vacancies, providing incentives for the creation of new jobs and the hiring of the unemployed and dealing in particular with the problems of youth unemployment and of geographic areas of high unemployment concentration.

The total cost of the new programme was estimated to be around Dr. 220 billion, which represents 0.8% of GDP. This cost is expected to be covered to a large extent by a transfer of funds from existing programmes. To implement the multi-annual programme, Law 2434 was passed in August 1996, which envisions various measures and policies for promoting employment and vocational training and reducing

unemployment. In brief the main points included in the new law, in the order in which they appear in it, are the following:

Fund for Employment and Vocational Training

A new fund has been established at OAED entitled "Fund for Employment and Vocational Training" (LAEK). The purpose of the Fund will be to develop activities for the promotion of employment and vocational training and the improvement of the standard of living of unemployed persons, particularly of those who have been unemployed for relatively long periods, those who are young and those who are at risk to suffer social exclusion. The resources of the Fund will come from contributions made by employers, employees and the government. The Fund will be administered by a committee presided over by the Governor of OAED and consisting of representatives of the General Labour Confederation (GSEE) and the three major employers' associations. It is hoped that the involvement of the social partners in the administration of the Fund and the effective use of its resources will increase the willingness of both employers and employees to increase their contributions to it.

Introduction of a system of employment cards for all members of the labour force, Greek and foreign

These cards will be issued by the Employment Promotion Centres and will be obligatory for all those who want to participate in subsidised programmes of vocational training. Employment cards can be obtained by all persons employed under private contracts and all unemployed persons, provided they satisfy certain requirements. Employment cards will be a prerequisite for receiving unemployment benefits and will show the frequency, the amount and the dates that a person has received such benefits. The card will also include information about certified professional qualifications, the skills obtained from participation in training programmes and any other kind of information that could help the card holder to find a job.

The employment card will entitle the holders to vouchers representing "monthly allowances for employment and training". These vouchers can be used for participating in special employment and vocational training programmes. The employers or the training institutions will be able to cash these vouchers at OAED or a bank. Allowances cannot be collected by firms which had employed the card holders in the preceding 12 months. Only employers who have not dismissed personnel in the preceding 12 months will be eligible to participate in this programme. Employers who have been subsidised through "the monthly employment and training allowances" incorporated in the employment cards cannot dismiss the card holders before a period of four months after the end of the subsidisation.

With the above system passive measures to alleviate the problems of the unemployed are to be combined with active policies with the purpose of providing incentives for the unemployed to participate in training programmes or search for work and for employers

to create new jobs. It is hoped that the incentives provided to unemployed people, through the monthly allowances for training and/or employment will improve their chances to find employment, reduce their numbers and shorten the duration of their unemployment. As a result there will be a reduction of long-term unemployment and of social exclusion.

The new system extends the right to receive unemployment benefits to many unemployed who were not eligible under the previous system (long-term unemployed, new entrants into the labour market etc.).

The degree of success of the new system will depend to a large extent upon the way it will be administered. There are plans to start a pilot application of the new system in the autumn of 1996. However, up to September 1996 no preparatory activities had taken place. Some observers have expressed concern that the system will prove complex to operate, difficult to administer and easy to abuse.

Several questions have been raised with regard to the applicability of the new system. It seems that many changes have to be implemented before the new system can be applied. There is a need to complete the mapping of the labour market, as well as the computerisation and modernisation of OAED and of all related organisations, in order to avoid an extensive abuse of the system. Several problems may appear. For example, it will be difficult to distinguish between the real unemployed and those who work in family enterprises without payment or those who are out of the labour force and claim unemployment coupons, or to detect false statements by small firms regarding their hiring those unemployed or to check thousands of firms to make sure that they keep the unemployed after the end of the period of subsidisation.

Also problems will be created because of the relatively high cost of the new system and the expenditures required for the staff that will be needed to administer it. So far there has been no indication about the sources of the new funds.

Moreover, since there is going to be a large supply of coupons in the market, there is a risk that many employers may prefer to create temporary instead of regular jobs, in order to collect the value of coupons.

To avoid the above problems, it has been suggested (KEPE 1996a) that the coupons should be used only for local community projects such as renovation, environmental protection, cultural activities etc. undertaken by the national or local governments, or non-profit organisations, after an agreement with OAED. Such activities do not compete with other similar ones in the private sector and therefore can cause an increase in the total number of available jobs.

Mapping of the labour market

To facilitate the matching up of the unemployed to vacancies a fully computerized system will be installed at the National Manpower Employment Organisation (OAED) for collecting and processing information on the following:

- persons employed in the private sector according to age, sex, education level, training, work experience and other relevant characteristics
- persons unemployed, both those who are and those who are not entitled to unemployment benefits, according to age, sex, education, training, work experience etc.
- existing vacancies and expected new positions according to qualifications and skills required
- characteristics of employed and unemployed persons participating in training programmes
- openings in vocational training programmes.

Special incentives will be used for firms, to encourage them to collaborate in the prompt provision of information relating to existing and expected vacancies.

The fully computerized system of OAED will have on-line connection with all Employment Promotion Centres in the country. These centres will collect the above information for the areas covered by them and will be responsible for issuing "the employment cards" to all unemployed persons. An important function of these centres will be to systematically disseminate relevant information to employees' unions and employers' associations, to local authorities and to training and educational institutions. The centres will develop special links and cooperation with the career offices of the tertiary education institutions.

The installation of an integrated computerised system at OAED is of great importance since it could upgrade the process of matching job seekers with vacancies and thus improve efficiency in the labour market.

The implementation of the above system is presently under way. A computer network has already been installed and is in operation in a number of Employment Offices in the Athens area and in Thessaloniki, Volos and Larissa. The network is expanding with the gradual installation of terminals in other Employment Offices in the Athens area. Steps have also been taken to expand the system in other parts of the country as well.

Unemployment allowances and measures to promote employment

Certain changes have been introduced in the provisions concerning unemployment allowances, in order to create greater pressure for the unemployed to work or to participate in vocational training programmes. If an unemployed person refuses, without justification, to accept a suitable job or to participate in vocational training programmes offered to him or her by OAED, unemployment benefits will be terminated.

Linking vocational training programmes with employment

OAED can cooperate with the National Government, or various public organisations, including local government organisations and public enterprises, to provide vocational training for the unemployed. Private firms which employ more than 30 persons can be subsidised by OAED to organise, with its cooperation, programmes of vocational training for the unemployed, provided that within three months from the completion of these programmes, they will hire one third of the persons who have been trained. In order for the firms to be entitled to participate in these kinds of programmes, the trainees should not have worked in the firms, in any capacity, in the preceding 12 months.

The training organised by private firms should include also theoretical training (not less than 1/3 of the total duration) which could be done in the OAED schools or in certified training facilities. The practical training could be done in the installations of firms.

Firms which employ fewer than 30 persons can organise training programmes of the kind mentioned above but they have to cooperate with other firms to organise the programmes jointly. In that case the firms that will cooperate should employ together at least 30 persons and should undertake the responsibility to hire at least one third of those who will be trained.

New private firms, at least two months before the beginning of their operation, can implement subsidised programmes of vocational training provided that three months after the beginning of their operation they will employ at least half of those who have been trained. After the completion of the training programmes, these firms will be entitled to participate in the employment subsidisation programme for hiring those who have been trained. Furthermore, OAED may cooperate with these firms for the implementation of vocational guidance and on-the-job training programmes.

Programmes for promoting employment in private firms

In order to promote employment and the creation of new employment positions, OAED can subsidise employers for the employment of the unemployed on the basis of programmes established by a decision of the Minister of Labour and Social Security, after a proposal by the Governing Board of OAED. These programmes can include also an induction component.

Subsidisation of employers for the coverage of non-wage labour costs

Under certain conditions, non-seasonal private firms can be subsidised for part of the non-wage labour costs if they employ unemployed young people aged 20-29 for at least a year.

Measures for enabling new graduates to acquire professional experience

Graduates of tertiary education aged up to 30 and those who have completed their training at the institutes of vocational training (IEK), the technical and vocational lyceums and the intermediate technical and vocational schools, aged up to 25, can participate in programmes in private enterprises for acquiring practical professional experience and skills, for a period from 3 to 6 months. Part of the cost of this training will be undertaken by OAED.

Training of persons employed in large construction projects

Corporations that have undertaken large construction projects can form a partnership with OAED to develop special integrated training programmes for training personnel in areas related to the construction, supervision, maintenance and operation of the new installations. This partnership can cooperate with universities and other tertiary education institutions, research centres and other related organisations.

Measures for the long-term unemployed

The long-term unemployed become eligible to benefit from the arrangements for seasonal employment under Law 2190/1994.

Moreover, long-term unemployed persons, aged over 55, are covered for medical insurance by the National Social Security Organisation (IKA) for two years. The premiums for this coverage are paid by OAED.

Restructuring and modernisation of the National Manpower Employment Organisation (OAED)

On the basis of the new law the participation of the social partners in the Governing Board of OAED is significantly strengthened. One of the two vice presidents of the Organisation will be nominated by the General Federation of Greek Workers and the other by the employers' associations.

The enhanced role of social partners in the formation and implementation of employment policies, through their increased participation in the Administrative Board of OAED, is expected to improve the effectiveness of the organisation and also to promote the development of social solidarity towards the unemployed.

The multi-annual plan envisions that the following course of action will be taken by OAED:

- setting-up of Regional Tripartite Administrative Committees in all its Regional Directorates in order to promote its decentralisation and facilitate the implementation of the policies on vocational training of the Regional Committees of Vocational Training and Employment (PEEKA)

- setting-up Tripartite Administrative Committees in all OAED vocational training units (KETEK) with the responsibility of providing guidelines for the orientation of vocational training towards high demand areas.
- converting the outmoded and insufficiently-staffed Employment Offices to modern Employment Promotion Centres whose function will be to provide vocational guidance to young people, disseminate information about vacant positions, support the administrative and financial aspects of the implementation of employment policies and supervise and co-ordinate the operation of the branches of the Centres that will be set-up by local government agencies, employee and employer organisations and educational and vocational training institutions.

On the basis of the new law on employment, after a proposal of the Governing Board of OAED and a decision by the Minister of Labour and Social Security, Regional Employment Observatories (PEPAs) will be established as legal entities, under private contract, with economic and functional independence but under the supervision of OAED, with the following aims:

- To develop a data bank through an integrated computerised system and to perform quantitative and qualitative analyses regarding the labour market.
- To form the basis for the establishment of a National Employment Observatory.
- To plan, implement and administer programmes, initiatives, and pilot and innovative activities, that are co-financed by the EU.

The Regional Employment Observatory of Attica will be the National Observatory. The Experimental Institute of Vocational Training and Employment (PIEKA), which started its operation in Spring 1995, will play the role of the National Employment Observatory and will be named EPA.

Besides the installation of a computer network for mapping the labour market, OAED has undertaken several steps to re-organise its services, retrain its personnel, improve the system of distributing unemployment benefits, promote better communication among its various departments and offices and acquire and analyse information related to its activities and to labour market developments. Its research institute (PIEKA), which will play the role of the National Employment Observatory, has already started collecting and analysing data on the labour market. Another significant development has been the establishment by OAED of three pilot professional guidance centres. In addition to the above, OAED has begun procedures for creating a local network in the area of Attica, to automate the unemployment benefit distribution system. The aim is to create 30 such networks covering all the country.

Measures for enhancing the mobility of unemployed persons

OAED will implement programmes for enhancing the mobility of unemployed persons with the aim of enabling them to find jobs. In these programmes, the following categories will be eligible to participate:

- Unemployed persons receiving benefits from OAED in areas where registered unemployment is higher than the national average.

- Long-term unemployed, aged above 45, living in the above areas, even if they are not receiving benefits.
- Private firms in the regions of Eastern Macedonia, Thrace and the Northern and Eastern Aegean, which can employ the unemployed persons mentioned above.
- Persons employed in firms employing more than 150 persons, which are undergoing restructuring or liquidation.

These programmes include the following measures:

- Theoretical training in the area of origin of the unemployed either at an OAED school or at a certified centre of vocational training (KEK).
- Practical training for a maximum of one month in the installations of the firm in the area of destination.
- Subsidisation for employment in a firm for at least 12 months.
- Financing of relocation expenses.

The unemployed persons who find employment in areas at least 100 kilometers from the place of their residence and decide to relocate will be eligible to collect half of the remaining unemployment benefits that they are entitled to receive. In addition the Organisation of Workers' Housing will subsidise their rent for two years. Moreover, two years after their relocation, the unemployed who move to another area to get employment can receive low-interest loans to buy a home.

Offices for Dissemination of Information and Promotion of Employment

Local government organisations, professional associations, chambers of industry and commerce and labour unions can make agreements with OAED for the operation of "Offices for Dissemination of Information and the Promotion of Employment". The purpose of these offices will be to develop activities and offer services which will be free for the unemployed, with the aim of encouraging and helping them to find employment. The operation of these offices will be subsidised by OAED. The details of their operation will be determined by decisions of the Minister of Labour.

The above organisations can also establish offices for providing information to firms about available training programmes.

Requirements for legal residence and permission to work for foreigners in Greece

A month after the publication of the new law on employment in the Government Gazette, a "Special Study Committee" will be established to determine the conditions and the requirements for legal residence and employment of foreigners, who do not come from EU countries. After receiving the proposals of this committee and the opinion of the Economic and Social Committee, the Ministries involved will issue a decision regarding the method of registering all foreigners who live in Greece, the conditions, requirements and processes for issuing cards of temporary residence, the measures against those who refuse or neglect to get such a card, the duration of validity

of the cards and other related matters. After the Ministerial Decision and certain required procedures, a Presidential Decree will be issued with regard to these matters.

With the measures that will be introduced, it is hoped that there will be a significant restriction in the employment of illegal immigrants. However, it is difficult to say how effective the above legislation can be, before seeing the specifics of the new arrangements.

IV.2.11 The new labour market policies and the five Essen guidelines

It is interesting to consider the policies and measures that have been introduced recently or are included in the multi-annual plan and the new law, against the five guidelines adopted by the Council of Essen. It should be noted that the Government that was formed after the elections of September 1996, seems determined to proceed rapidly with the application of the measures and policies envisioned in the new law on employment. According to plans, about 50,000 new jobs for the young and the long-term unemployed will be subsidised by up to 75% of the wage of the newly employed. Within a short time, the ministerial decisions for the application of the new law are expected to be issued and the implementation of the new policies and measures will start immediately after that.

Improving employment opportunities for the labour force by promoting investment in vocational training

The following policies and measures relate to the above guideline:

- Establishment of the “Fund for Employment and Vocational Training”, with increased financial resources, to promote vocational training and employment and strengthen the existing institutional infrastructure (This Fund will take over the revenues of two other funds, the EKLA and ELPEKE, that existed before).
- Involvement of firms in the provision of vocational training. As was mentioned earlier, according to the new law, firms can cooperate with OAED and be subsidised by it to implement vocational training programmes for unemployed persons provided that within 3 months of the completion of the programme they will hire at least one third of those who were trained. Firms employing more than 300 persons can have their own training facilities (Training within firms existed in the past but the new arrangements extend and improve the possibilities for such training).
- At least two months before the beginning of their operation, new private firms can implement programmes of vocational training, subsidised by OAED, provided that three months after the beginning of their operation they will employ half of those who were trained.
- Special arrangements are envisioned for the cooperation of OAED with companies which have undertaken large construction projects, to provide training to persons who will be employed in the construction, supervision or maintenance of these projects.

- Enhancement of sectoral and professional mobility of workers through incentives for retraining.
- Possibility for the unemployed to use the monthly allowances incorporated in their employment cards to participate in training programmes.
- Subsidisation of recent young graduates from higher and secondary education institutions to participate in programmes to obtain practical experience and on-the-job training.
- Establishment and operation of an extensive institutional infrastructure to facilitate vocational training and improve its quality e.g. National Centre for Certifying the Institutions Providing Training, National and Regional Employment Observatories, National Council for Vocational Training and Employment (ESEKA), establishment and operation of local continuing education centres in eight areas hit by high unemployment, the development of Pilot Professional Guidance Centres, etc.
- Setting of strict criteria for certifying the institutions eligible to undertake subsidised training. Under these criteria a number of institutions have been recognised as Centres of Vocational Training (KEK).
- Establishment of post-secondary institutes of vocational training (I.E.K.) to provide a vocational alternative to students who do not enter tertiary-education institutions. These institutes have started operating and are very popular among young people.

Improving the employment - intensity of growth

The following policies and measures are expected to increase flexibility in the labour market and thus contribute indirectly towards the above objective:

- The introduction of a fully-computerised system at OAED for registering information on employees in the private sector, the unemployed, vacancies and their relevant characteristics. This will improve the matching of supply and demand for labour and will increase the gains in employment made possible through growth (As is indicated in other parts of the report the installation of the system has already started).
- The extension of the network of Employment Promotion Centres and the possibility created for higher education institutions, technical schools, employers' and workers' associations, and local government organisations, to develop and run specialised Employment Promotion Centres, could also increase the employment gains made possible through growth (Tertiary-education institutions have started developing career offices and offices for establishing links with enterprises).
- Recent changes in legislation introducing greater flexibility in the organisation of work, such as the arrangements for part-time employment, work in four shifts and the possibility of firms working around the clock can contribute to an improvement in the employment-intensity of growth.

Reducing indirect labour costs

A general reduction in social security contributions will be made possible only if there is a major re-organisation of the social security organisations and a drastic reduction of

their operating costs. With the gigantic effort of the government to reduce the relatively large public deficits, it will be difficult for it to use budget funds to make up for lost revenues from a reduction in social security contributions. If illegal employment is checked with the use of the system of employment cards and special cards for foreigners, social security revenues will increase and this may make it possible to reduce the social security contribution rates. However, the change cannot be expected to be significant.

According to existing arrangements employers can pay reduced social security contributions for a certain length of time if they hire unemployed persons. Furthermore, according to a provision that was incorporated in the new law, under certain conditions firms hiring unemployed persons aged 20-29 are subsidised for part of the contributions they pay for 12 months. This measure is expected to last up to the end of 1997 and to contribute to the hiring of 10,000 unemployed. According to another provision, if long-term unemployed persons, aged above 55, are employed, the premiums for their medical insurance are paid by OAED.

With regard to tax changes that could stimulate labour market participation and employment, the whole issue of tax reforms is still under review at the Ministry of Finance.

Improving the effectiveness of labour-market policies

The following policies and measures can be considered as contributing to the above objective:

- The use of employment cards is expected to increase the efficiency of the Employment Promotion Centres in dealing with the unemployed and reduce the possibilities for abusing the system (As is indicated in other parts of the report this system has not been applied yet. There are plans for a pilot application, but up to the end of September 1996 no preparatory activities had taken place).
- The combination of the unemployment benefits policy with employment promotion policies through the system of allowances that can be used either as employment or training subsidies or as unemployment benefits will encourage unemployed people to receive training and/or look for work and the employers to create new jobs.
- The establishment of special vocational guidance centres (three pilot centres have already been established).
- The creation of the Regional Employment Observatories (PEPA) and the development of integrated information systems will facilitate the collection of data and the implementation of quantitative and qualitative analyses with regard to the national and regional labour markets, thus making available valuable information for the design and implementation of effective labour market policies (the PIEKA, which will undertake the functions of the National Employment Observatory, has been in operation since Spring 1995. Up to the end of September 1996 no regional employment observatories had been established).
- The possibility for setting up "Offices for the Dissemination of Information and Promotion of Employment" by professional chambers, local government organisat-

ions, labour unions or employers' associations, in collaboration with OAED, will create opportunities to offer information, encouragement, services and general support to the unemployed, thus making their job search more effective.

- The enhancement of sectoral and professional mobility of the unemployed through subsidisation of training, relocation expenses and rent, will facilitate the matching of the supply and demand for labour and will reduce structural unemployment (The details of the application of the provisions included in the new law will be determined by Ministerial Decisions and a Presidential Decree, which at the end of September 1996 had not been issued).
- The reduction of illegal employment and the restriction of illegal immigration will reduce registered unemployment (The details of the application of the provisions included in the new law will be determined by Ministerial Decisions and a Presidential Decree, which at the end of September 1996 had not been issued).
- The setting-up of a fully-computerised system and the modernisation of OAED in general, as well as the strengthening of the social partners' participation in its administration, will increase the effectiveness of the policies and measures designed and implemented by it (The implementation of these measures has already begun).
- The reduction of the allowed hours of overtime work by 50% may increase the possibilities for new job creation, particularly with regard to employment on a part-time basis or short-term contracts. However, as was explained in another part of the report, it has been argued that this restriction will not increase employment.
- The subsidisation programme for hotels to maintain jobs during periods of low activity, will reduce seasonal unemployment.
- The use of subsidised programmes for the creation of new employment positions in private firms is expected to increase the job openings available for the unemployed (According to Ministry of Labour estimates, 12,200 such openings will be created in 1996).

Improving measures to help groups particularly hard-hit by unemployment

The following measures and policies are related to the above guideline:

- The introduction of special incentives for employing young unemployed persons in areas hard-hit by unemployment. The allowances incorporated in the employment cards will be larger for the young.
- The possibility of subsidising social security contributions paid for employing young unemployed persons.
- Early-retirement programmes for older persons in areas of high unemployment and in connection with the restructuring of major enterprises in them.
- A special employer subsidisation programme for the creation of 6,000 new jobs for the employment of persons aged 18-25.
- A special employer subsidisation programme for the employment of persons with special needs.
- A special employer subsidisation programme for the creation of new jobs for women aged 18-64.
- A special employer subsidisation programme for the employment of repatriates from the former Soviet Union.

- A self-employment programme for the long-term unemployed aged 18-60.
- An employer subsidisation programme for the creation of new employment positions for persons released from prison, persons under some kind of rehabilitation programme and former drug addicts.

V. OTHER POLICIES HAVING AN IMPACT ON THE LABOUR MARKET

V.1 EDUCATION AND VOCATIONAL TRAINING

The educational and training system in Greece has been slow in responding to the continuously changing skill needs of the labour market. The problem is aggravated by the fact that due to demographic changes, the number of young people who enter the labour market keeps decreasing and this has resulted in a rise in the average age and a reduction of the possibilities to upgrade the labour force with new knowledge and new skills through the entrance of large numbers of young people. For this reason continuing education and training is of utmost importance for the country.

The system of continuing vocational training in Greece differs from the systems in other EU countries with regard to its internal cohesion and structure of various levels, networks and directions and with regard to its wider socioeconomic functionality. Despite the fact that a legal framework for vocational education was established in the 1960s, the system only developed in the mid 1980s, when financing became available from the European Structural Funds and particularly from the Social Fund. As mentioned before, OAED is the main organisation providing vocational training for adults in Greece. It cooperates with various private and public organisations and is financed by the social partners, the State and the European Union.

V.1.1 Description of the national education and training systems

The Greek education system is structured around two axes: compulsory education and post-compulsory education and training.

Compulsory education currently covers a period of nine years, of which six are spent in primary schools and three in lower high school units, called Gymnasias. It should be noted that pre-school education is not compulsory in Greece¹.

The great majority of primary schools are public and as they are fully funded by the State, attendance and school books are free of charge. Private primary schools operate

¹ Pre-school education is provided by kindergarden schools called nipiagogia. The duration of attendance varies between one and two years. Attendance is free of charge for the nipiagogia that are public.

under the supervision of the Ministry of National Education on a fee-paying and self-financing basis.

Following graduation from Primary School, all children are obliged to enroll in Gymnasia. The average age of entry level in Gymnasia is 12, attendance is full-time and lasts for three years. Most Gymnasia operate only morning classes.

For working pupils who are 14 years old and above there are Evening Gymnasia in operation. Due to declining demand, however, the number of Evening Gymnasia is currently falling.

As in the case of primary schools, most Gymnasia are public. Private Gymnasia operate under the supervision of the Ministry of Education and are required to apply the timetables and curricula established for public Gymnasia.

After successful attendance, graduates are provided with a certificate (Apolitirio Gymnasiou) and are free to follow a number of different educational streams. The full-time post-compulsory educational stream consists mainly of upper level high school units, called Lyceum (Lykeio), with Apprenticeship Schools and Technical Vocational Schools occupying smaller shares. Agricultural, Art and Army schools complete the picture.

Attendance is full time and lasts for 3 years for day-time Lykeio, while the average age of entering is fifteen years old. Evening Lykeio, for employed pupils lasts four years.

Following graduation exams, pupils obtain a certificate of studies called Apolitirio Lykeiou. Graduation exams in private Lykeia are conducted under the supervision of the Ministry of Education, on the same terms as in the case of public Lykeia.

There are several types of Lykeia in operation, including General Lykeia, Technical and Vocational Lykeia, Comprehensive Lykeia (Polycladika), Ecclesiastical Lykeia and finally Marine Lykeia (Naftika).

The vast majority of Lykeia are General Lykeia. Graduates can either continue studies in Tertiary Education (University and Non-University) after sitting for admission exams, or follow Advanced Vocational Training.

Technical Vocational Lykeia (TEL) constitute the second largest category of Lykeia. Graduates can participate in the General Examinations in order to be admitted to the University or can enter TEI (non-university technological institutes of tertiary education) without examinations, on the basis of their grade record at TEL. This privilege of entering without examinations is, however, scheduled to be abolished.

Comprehensive Lykeia constitute a small minority of all Lykeia and are all public. Graduates have the same options as graduates from TELs.

Pupils who wish to learn a trade can enroll in a Technical Vocational School (TES). Class participation in TES is compulsory and full time. Attendance lasts 2 years in daytime TES and 3 years in evening TES. Graduates from TES obtain a diploma of specialization and can either enroll in the second year of TEL or Comprehensive Lykeia or enter the labour market.

Apart from Lykeia and Technical Schools, students can enter a number of different vocational schools run by various Ministries, such as Nursing Schools, Schools of Tourism, Farming Schools, Art Schools, Military Schools, etc. Of all these schools however, only the schools of apprenticeship of the Manpower Employment Organization (OAED) are quantitatively important. These schools operate under the supervision of the Ministry of Labour and are open to young people aged 15 to 18 years who have completed lower high school (Gymnasio). Graduates have the same status as graduates of TES.

Finally, there are a number of institutions providing secondary education to children with special needs. These operate under the joint responsibility of the Ministry of Labour and the Ministry of Health, Welfare and Social Security and award diplomas equivalent to those of TES.

Post-secondary vocational training is provided by Institutes of Vocational Education (IEK). These are relatively new as they have been established by the regulatory Law 2009/1992. There are in existence public as well as private IEKs, all under the supervision of the Ministry of National Education. Graduates from these schools obtain a diploma of post-secondary vocational education.

Tertiary education in Greece includes University-level education and non-university tertiary education. Currently there are seventeen University-level institutions in Greece. They are legal entities subject to special legislation. Following successful completion of studies, people can obtain a degree and can either enter the labour market or continue their studies at post-graduate level. It should be noted that attendance and books are free of charge.

There are also eleven non-university Technological Institutes (TEI). The duration of studies in these institutes is shorter (3 years as compared to 4 years for most universities) and class participation is not compulsory. Graduates can continue their studies at Universities, after passing special examinations held annually by each University.

Training is offered by a large number of institutions in Greece, both public and private. The local authorities and the social partners are also present in this field.

Until recently there was no supervisory body for training programmes. Following a number of Ministerial Decisions however, all institutions intending to provide informal vocational programmes now have to conform to a number of criteria and be accredited

as Centres of Vocational Training (KEK). A separate institution has been established for providing the accreditation.

V.1.2 Rates of participation and trends

It is generally acknowledged that throughout the post-war era, the number of pupils and students has been increasing steadily. Some researchers have in fact estimated that between 1961 and 1981, the number of lower secondary school pupils increased by two and a half times, while that of general Lykeio pupils by 2.3 times. It has also been estimated that during the same period the number of university students increased by about three and a half times (Psacharopoulos, Kazamias, 1985).

During the last decade, these trends have continued, albeit at a slower pace. More specifically during 1981-1991, the number of General Lykeio pupils increased by 15%, while TEL's student population increased by almost 50%. During the same period the number of TEI students increased noticeably (by 172%) in contrast with the student population in Greek universities, which rose by a modest 35%, because of restrictions in the availability of places. There are no reliable estimates of the relatively large number of Greek students attending universities in other countries.

It should be noted that the number of elementary school pupils has declined during the last decade, and so has the number of pupils attending Gymnasio (lower secondary school). The drop is estimated at 11 and 17 percent respectively. This development may be safely attributed to demographic factors and in particular to prior drops in birth rates, because according to all existing evidence, participation rates in compulsory education (elementary and lower secondary schools) approximate 100%. In contrast, the gains in the number of pupils attending Lykeio reflect genuine increases in participation rates.

At the secondary level of education, Greece has a satisfactory pupil retention rate. Approximately 85% of Gymnasio graduates attain upper secondary schooling. In 1994 84% of those in the 15-18 year age bracket were in full-time education in Greece as compared to an average of 86.3% in the EU in the same year (Employment Observatory, 1995). The majority of Gymnasio graduates (60% in 1991) choose General Lykeio whereas the remaining pupils take a place in one of the various technical educational units. In relation with the past, there has been a small shift in favour of post-compulsory secondary-level technical education. Participation rates in the latter however remain low when compared with equivalent rates in other European countries.

The constantly increasing number of tertiary-level students reflects a very strong social demand for university education. This demand cannot be satisfied, as the existing infrastructure is clearly inadequate to accommodate an ever-rising student population. As a direct result candidates for tertiary-level education (Universities and Technological Institutes) outweigh existing places by almost four to one, and relatively large numbers of students leave Greece each year to attend universities abroad.

As regards participation rates in tertiary-level education, official estimates indicate that Greece performs rather poorly in this field (Unesco, 1994). With the exception of Portugal, Greece has the lowest index of young persons aged 20-24 participating in tertiary education among the remaining European Union countries (25.0% as compared to 43% in France, 39.5% in Spain and 50.7% in Finland). This finding however is not accurate as is based only on the number of students studying in Greece and ignores those studying abroad. According to a European Commission estimate, around 43% of 19-22 year olds and 19% of 23-24 year olds are in full-time education (compared to 47.1% and 25.1% respectively in the EU).

School failure and dropping-out are not uncommon in Greek schools of primary and lower secondary education. More specifically, researchers have found that in spite of the fact that the first nine years in school are obligatory, 12% of pupils drop out without having completed lower secondary school (Gymansio) (Papatheodosiou, Stavrou, 1990). Furthermore this average rate masks variations among the different parts of the country as well as socio-economic status. Generally, lower than average drop-out rates are observed in the regions of Attica and Central Macedonia and higher in the more remote regions such as in Eastern Macedonia and Thrace, in the Ionian Islands and in the islands of the Northern Aegean.

Continuing vocational training has gained substantial popularity during the last few years, mainly thanks to EU resources. Prior to 1985, informal training programmes were rather rare. Some were offered exclusively to the employees of large enterprises owned by the state while others were open to broader groups. Needless to say that in the case of the latter the programmes were of a general nature and related very little to the skills in demand in the labour market.

Due to the irregular way in which most informal training courses are organised (responding to the availability of EU resources rather than to internal demand), statistical information on participation rates is scarce and difficult to come by and must therefore be interpreted with caution.

It is estimated that 200,000 to 300,000 adults are trained each year in a variety of short-term programmes that aim at upgrading skills and improving access to the labour market. This estimate, although unofficial, is probably closer to reality than more official estimates, such as those provided by the Labour Force Survey for instance, where inaccurate reporting results in serious underestimation problems. It is worth noting that most of these programmes included a subsidy for the participants, and many unemployed persons, who were not entitled to receive unemployment subsidies, participated in them, just to receive the subsidy.

V.1.3 Strengths and weaknesses of the system

One of the main problems of the educational system is its high degree of centralisation. Most decisions concerning educational matters are made by the Ministry of Education.

Public expenditure on education represents about 4.2% of GDP, which is low compared to other EU countries. This is supplemented by private expenditure which represents about 2.3% of GDP.

The persisting social demand for tertiary-level education of a general nature and the very low social status attached to non-university technical education, is another serious problem facing the Greek education system. Enrolment in technical and vocational schools is considered by young people and their parents as an inferior alternative to university studies. This problem is responsible for a number of phenomena that are observed when examining the relation between educational attainment and labour market status (reviewed in the next section).

The most serious problems of post-compulsory secondary education are the quality of infrastructure (rather poor, especially in the case of Technical Vocational Schools) and the limited funding of technical vocational education. Planning is centralized with policy being formulated by the Ministry of Education, instead of being shaped at the regional level. Furthermore, complaints are often heard that the Lykeia have lost their independent character and identity in order to serve largely as preparatory institutions for the enrolment of their graduates in higher education institutions. The secondary technical vocational education attracts young people from the lower social classes and especially those with lower grades. It should also be noted that girls are strongly under-represented in secondary technical education. Irrespective of the low prestige attached to technical education, there are also problems of accessibility, as in many parts of the country General Lykeio constitutes the only choice open to Gymnasio graduates.

The main challenge facing the Greek educational system at the post-compulsory secondary level, is how to increase links with the labour market thus building bridges between education and the world of employment. So far these two systems have been kept apart and this is reflected in a) the mass production of unskilled Lykeio graduates (who often turn to technical education in order to obtain skills) and b) the inability of the technical education system to provide an attractive alternative to general education, so as to draw the attention of young people. If this is to happen, then the upgrading of physical infrastructure, analytical programmes, equipment and instructors, are actions that merit high priority.

The situation with regard to non-university technical education tended to change with the introduction of public and private institutes for higher vocational training (IEK) in 1992. These institutes offer vocational training for graduates of the Lyceum, which is accredited and recognised in Greece and the EU. The duration of studies is four semesters.

At the tertiary level, the very high demand for university education, which cannot be accommodated, remains one of the great weaknesses facing the Greek educational system. The public sector has a monopoly in offering higher education and this has restricted competition and incentives and pressures for improvement. The actual duration of studies exceeds substantially that foreseen by the curricula, while the

percentage of drop-outs appears high. Particularly high rates of drop-outs are observed in TEIs, especially in those located outside Athens and Thessaloniki. This problem comes from the way in which the general admission exams are conducted and the fact that a large number of candidates end up in schools that did not represent their real preferences. More specifically, university applicants have to pass a national entrance examination on the basis of which they are assigned to schools or departments, according to a long preference list that has been submitted by them before the examination. As a result, students may be assigned to study a subject which is very low in their preferences.

Physical infrastructure as well as the human resources associated with tertiary-level education in Greece are considered inadequate in a number of fields while public expenditure lags behind that in other EU countries. University libraries for instance are poor and not well-organized, research activities are not normally part of the educational procedure, post-graduate studies have not been systematically organized as yet and the involvement of new technologies in curricula has so far been limited. Also, there is poor performance as far as new teaching methods are concerned (eg., distance learning, open universities, etc.) and also with regard to the introduction of new multidisciplinary specialisations.

Another serious problem is that the links between tertiary education and economic activities are scarce and rather sporadic, and the boundaries between Universities and TEIs as regards the professional rights of graduates are often unclear. The latter problem is thought to be responsible (partly at least) for various mislocations in the labour market, where displacement of TEI or of Lykeio graduates by University graduates is not uncommon.

The Greek tertiary education system oversupplies the labour market with unskilled or semi-skilled graduates, and it needs to find ways to improve its output and meet the needs of employers who, in the end, are the ones that create the demand for labour. Admittedly, this is going to be a difficult task, but has to be immediately addressed since the restrictions in hirings in the public sector are expected to apply pressure to a large segment of the system that catered exclusively for the needs of the various ministries and public organizations.

Turning to the informal training system it would perhaps suffice to say that it has developed not in response to market signals but rather to the availability of EU resources. As expected, this has a number of serious implications. First, there is no well defined national policy on training. The various training providers (both public and private) plan and deliver training in complete absence of coordinating mechanisms. Moreover, identification of labour market needs is practically unknown, and evaluation procedures are the exception rather than the norm. As expected, the lack of coordination leads to overlaps, duplication of effort and unequal sectoral and regional distributions, while the absence of labour market intelligence seriously restricts the potential of training. The net effect of delivered training is also affected by the quality of trainers

and curricula (often dubious), by the scarcity of professional guidance and orientation mechanisms and by the usually poor quality of physical infrastructure.

Training for the unemployed remains limited in relation to the scale of the problem. Furthermore, it is mostly theoretical, aimed at the better educated of the unemployed and in ignorance of vacancies that are currently on offer. Due to these deficiencies training does not contribute much to employment prospects, becoming instead a kind of social assistance for the unemployed.

In general, training in Greece is badly organized and often of questionable quality. In spite of past and recent efforts to rationalize operations, serious obstacles still exist, mainly in the face of absence of adequate supervisory mechanisms and also of lack of procedures for following-up participants in the labour market.

V.1.4 Educational attainment and labour market experience

Although the educational composition of the labour force has improved in recent years, a relatively high proportion of the labour force consists of persons with educational levels at the lower end of the educational scale (Table 6). A sizeable proportion of the labour force has failed to finish elementary school, whereas about half of the labour force has failed to go beyond compulsory education. More detailed data, not reviewed here, indicate that the problem of inadequate education is particularly acute for the older age group and that the share of persons with only compulsory education is shrinking fast among the younger age groups.

With respect to labour force participation rates, these are higher for the better educated and this is consistent with what is envisaged by theory.

Turning to the unemployment rates experienced by the various educational groups, the picture emerging from the relevant data (Table 25) suggests the existence of various structural disruptions and imbalances. The highest unemployment rates are observed in the case of persons with intermediate educational achievements, such as TEI graduates, Lykeio graduates and those with only compulsory education. In contrast to what one might have expected, people with inadequate education face very low unemployment risks. The lowest of unemployment rates is in fact observed for those who did not complete elementary school. This is partly explained by the fact that people with inadequate education tend to be older and exhibit as a rule low participation rates. Also, people with inadequate education tend to be employed in the agricultural sector where unemployment rates are relatively low. Persons with university degrees experience unemployment rates lower than the average but still relatively high, while the rate for those with postgraduate studies is about half of the average.

The observed trends require an explanation as they appear to contradict the experience from other EU countries, where in general, education reduces the likelihood of unemployment.

The disproportionate risk of becoming unemployed faced by persons with post-secondary vocational certificates (TEI graduates) may be explained by the fact that there are weak links between these institutions and economic activities and fields of specialisation that are currently not in demand. The higher than average rates faced by secondary school leavers suggests that the supply of persons with this level and type of education outpaces demand. Indeed -and this is frequently shown by labour market analysis- demand for unskilled workers has diminished during the last few years and this trend is probably irreversible.

Serious concern has been expressed in the country about the relatively high rate of unemployment among university graduates. Arguments are heard that the skills supplied by the educational system do not correspond to the economy's needs. Particularly with regard to certain specialisations the number of university graduates exceeds by far the needs of the economy. For example, it seems that the number of graduates in mathematics, physics, humanities etc., who have applied for secondary-school teaching positions and are on the waiting list of the Ministry of Education, could satisfy the needs of the country for many years and perhaps decades ahead. However, the universities keep producing graduates in these fields at the same or even increasing rates.

Also, complaints are heard from employers about the qualifications of some of the graduates. The outdated curricula in certain schools or departments and the absence of rigorous screening procedures in some higher institutions, have resulted in the production of a large number of graduates with insufficient qualifications.

In many cases young people concentrate their efforts on preparing themselves for succeeding in the entrance examination to a university. After they enter they relax, since, under existing arrangements, they can repeat course examinations indefinitely until they pass them, and there is no time restriction for graduation. Moreover, there are no tuition fees, books are free and in addition free meals and housing for students from families below a certain income are also provided.

Until recently a university degree was a license for getting a job in the public sector. Therefore, the students felt no pressure to excel since the kind of job they could get depended upon political or other connections and not upon knowledge or grades. However, with the restriction of jobs available in the public sector, the mentality of students started changing. As a result, recently a relatively large number of them have begun paying more attention to acquiring knowledge and qualifications and this has brought a significant change within universities. However, now a problem started appearing from the side of the teaching staff, who usually are highly qualified but are underpaid, and as a result in some cases have started devoting a relatively large part of their time to other jobs, outside the university.

V.2 SOCIAL BENEFITS, TAXATION AND THE LABOUR MARKET

V.2.1 General

In examining the effects of taxation and social security contributions upon the functioning of the labour market we should consider not only the social security contributions paid by employers, but also the contributions and taxes paid by employees. The latter affect the gross wages that employers have to pay, since the take-home earnings of employees should be in relation to what they are prepared to work for.

The demand for labour, on the part of employers, is affected by total labour costs (gross wages plus employers' social security contributions and other non-wage labour costs) and the supply of labour depends upon what employees receive as pay after the deduction of payroll taxes. Thus, the overall difference between total labour costs and take-home pay or, what is usually termed, the "*tax wedge*" and the different elements which form it, are of great importance for the equilibrium of the labour market.

The analysis that follows centers on the relationship between the overall structure of the tax/benefit system, the size of the tax wedge in Greece and its likely effects on employment and unemployment, particularly with regard to people with low productivity. Also, there is a brief discussion of the possibilities for the State to find revenues from other sources, in case it decided to reduce the tax wedge by lowering social security contributions for specific groups of workers.

It can easily be shown that a relatively large tax wedge is likely to reduce both the supply and the demand for labour and thus lower employment. Moreover, it may discourage the transition of the unemployed to employment, particularly if unemployment benefits are taken into consideration.

In Greece, despite the importance of the issue, there has been no work done so far concerning the tax and social security wedges. To fill the gap, we used available information and the methodology that has been used for similar work done in other countries and estimated the average and marginal tax and social security wedges. For this purpose we calculated the income of the "average production worker" (APW), that is, a blue-collar worker employed in manufacturing, the corresponding tax reliefs, and the resulting obligations for tax and social security payments.

The data and the methodology that were used for the above work are explained in Annex C. At the end of the Annex there are tables with estimates of the tax wedges for a single and a married (with two children) average production worker (APW) from 1983 to 1994.

V.2.2 Social security contributions and the tax wedge

In Greece, social security contributions constitute a relatively large percentage of the total cost of employing a worker. Employers bear the largest part of the burden. In 1995

the amounts of social security contributions paid by employers and employees were respectively 28.4% and 16.4% of a worker's salary.

The relatively large Greek charges for social security contributions do not necessarily signify a high level of provision of social protection and services, but rather a greater reliance on contributions as a means of financing expenditure for such purposes. An additional reason for the high level of social security contributions is the increased needs for payments because of a rapid rise in the number of pensioners and the relative generosity of the system.¹ Besides the above factors, some observers argue that inefficiencies in the administration of the social security organisation and the high cost of operation is another cause of the increases in the social security contribution rates. Various regulations for extra benefits to workers have contributed to the increases in the payroll taxes. For example, employers have to pay 1% of the payroll, which becomes 2% in the case of firms in the greater Athens area, for a fund for the compensation of employees on reserve duty in the armed forces, 1.75% of the payroll for the *Organisation for Labour Housing*, and 0.5% for the *Workers' Social Welfare Fund (ERGATIKI ESTIA)*. Industrial firms have to pay an additional 1% for the payment of compensation in cases of occupational accidents.

Table C1 in Annex C presents the social security contribution rates since 1990. Tables C2 to C11 present the results of our estimates with regard to a) social security contribution rates by employers and employees, on the earnings of an average production worker, single or married with two children (Tables C2 and C3) and b) the relevant tax wedges, with and without income and indirect taxes, for the years 1983 to 1994.

According to our estimates the tax wedge as a percent of labour costs increased from 28.7% in 1983 to 34.1% in 1994 (Tables C4 and C5). When income tax was included the total tax wedge increased from 31.2% in 1983 to 35.7% in 1994.² (Tables C4, C5). When indirect taxation was also included the tax wedge was 44.1% in 1983 and 49.7% in 1994 (Table C8). In all cases the differences between the tax wedge for single and married workers were insignificant.³

On the basis of the above estimates in 1994 a single person with earnings corresponding to those of an average production worker received only 65% of the costs incurred for his employment. If non-standard income tax exemptions and indirect taxes are taken into consideration the net average wage earnings are reduced to nearly 50% of labour costs. That means that about half of the labour cost for such a worker went to the state in one form or another.

¹ The increase in the number of pensioners comes not only from the ageing of the population but also to a large extent from the abuse of the system in the 1980s and early 1990s.

² The incorporation in the calculation of non-standard tax reliefs changed only insignificantly the above estimates (Tables C6, C7 in Annex C).

³ In a recent OECD publication (OECD, 1996) it was mentioned that the tax wedge in Greece in 1995 was estimated to be about 46% of gross earnings but there was no other information that would enable us to compare that estimate with ours. However, it should be noted that the large difference between the OECD estimate and our estimate of the tax wedge may be explained by the fact that OECD expresses it as a percentage of gross earnings while we express it as a percentage of total labour costs.

V.2.3 Social security contribution rates and taxes on low earnings

Special attention should be paid to the way in which the tax payments and social security contributions affect different groups in the labour market, especially those who are hit more by unemployment or currently have relatively low participation rates. The relatively large social security contributions in combination with the relatively high minimum wages are likely to have adverse effects on the employment of the young and the less skilled. In a recent survey Greek employers indicated that non-labour costs was one of the main reasons for not hiring more workers (European Commission, 1995d).

Social security contributions are heavier for workers at the lower end of the wage distribution since there is a ceiling above which no payments are made. The regressive character of social security contributions may create an incentive for employers to substitute low productivity workers and also to use more overtime.

At 80% of the average earnings, the sum of taxes and social security contributions amounted, on average, to close to 34% of labour costs in 1994 for a single person. This was only 1.7 percentage points below the corresponding rate for the average earnings and can be considered relatively high. As a result serious implications may be created for those with relatively few skills, who are capable of making a comparatively small contribution to a firm's value-added. Although relatively few men, at least 25 and over and working full-time, are likely to earn less than 80% of the average wage of a male blue-collar worker in manufacturing, a significant proportion of women, as well as young people usually have earnings around this level.

With regard to women, it should be noted that for tax and social security contribution purposes, single women are treated in the same way as single men. Women still tend to earn less than men but the gap has narrowed over time, partly as a result of equal pay legislation. In 1994, the cost of employing in manufacturing a female manual worker was 78% of the cost of employing a man, while in the beginning of the 80s it was around 60%. The scale of deductions from labour cost for social security and tax payments is slightly smaller for women on average earnings compared to men, because of their lower earnings and a zero tax rate on income at the lowest income bracket. The extent of the difference was found to be only 0.5% of labour costs which means that practically there was no difference between men and women.

V.2.4 Marginal rates on average earnings

The marginal rates of tax and social security contributions combined – measuring how much total payments change as gross earnings rise or fall – vary, to a certain extent, with average levels. In general, marginal tax rates showed a tendency to rise in the period between 1987 and 1991 since nominal incomes rose due to inflation, causing individuals to move to higher income tax brackets. There were some changes to correct for this, but the correction was only partial. In 1991, one year before the extensive tax reform of 1992, the marginal tax wedge for a single person was nearly 51% of labour costs, if consumption taxes were not included and 62% if such taxes were taken into

account (Tables C6, C8). In other words, about half of labour costs associated with an increase in earnings or almost two-thirds, if indirect taxes were also included, went to taxes and social security contributions.

After the extensive reform of 1992, the marginal tax wedge was reduced to 34.5%, if indirect taxes were not included, and to 49.1% with indirect taxes. In both cases social security contributions continued to be the most predominant cost since the income tax was very small. In 1994, the marginal rate of payments for social security contributions and taxes on the gross earnings of a blue-collar worker, without taking into account employer's contributions, was around 20% (15.8% for social security contributions + 4.2% for income taxes).

For workers on the same wage level (APW), who had a spouse and two children, the marginal rates in 1994 were found to be exactly the same despite the tax allowances for family dependants. This was due to the fact that the additional tax allowances were not big enough to change the worker's tax bracket.

V.2.5 Charges on employers and employees and their effects on employment

A key issue for policy purposes in relation to the influence of the fiscal system on employment refers to the importance of the charges levied directly on employers in relation to the total amount of deductions out of the costs of employing a low-skilled worker. While the social security contributions levied on employers are the most visible element from their point of view, since this will be a direct addition to the gross wage paid to employees, the amount of deductions from the gross wage bill and the disposable income that employees actually receive at the end of the day are very important. These deductions determine the gross wage for which the workers will be prepared to work and therefore what employers will have to pay.

The overall level of charges, both those levied on employers and those paid out of employees' gross earnings, has an important influence on the level of wages to be paid as well as on labour costs and consequently on job creation. The most serious implication of the relatively large size of the employers' contributions is the effect on the gross wage that can be paid to workers with low productivity. The larger the amount of charges levied on employers, the lower will be the level of gross wages that they can pay and the smaller will be the willingness of people to take jobs at the lower end of the pay scale. This inverse relationship seems to have had serious implications for the Greek labour market during the last fifteen years.

Attempting to deal with the issue of assessing the relative importance of changes in the charges on employers and employees we could say that, in the short and medium-run, changes in employers' contributions, by altering the cost of labour, affect the rate of job creation, that is the demand for labour, while changes in payroll taxes and other charges on employees' earnings, by altering the take-home pay, affect the supply of labour. Since social security rates in Greece are relatively high for both employers and employees, their lowering is likely to increase both the demand for labour and the willingness of people to work.

V.2.6 Reforming the structure of current income tax and social security system to fight labour market exclusion

Policies targeting labour supply

Policies targeting the supply side should aim at increasing the financial attractiveness of work. This could be achieved through a restructuring of the systems of unemployment benefits and social security contributions and through the introduction of special tax exemptions or credits for employed persons, particularly those at the lower end of the earnings scale.

Unemployment benefits in Greece last for only 5 to 12 months and amount to around 50% of the average production worker's earnings. Taking into account that unemployment benefits are not subject to tax or social security contributions this ratio becomes higher. Lowering the unemployment benefits would decrease the replacement ratio and could lead to higher job acceptance rates by the unemployed. However, since these benefits are relatively low in Greece such a move would not be socially acceptable.

Alternatively, one could consider increasing the incentives for the unemployed to work by reducing the tax and social security charges on gross wages. This may affect also those who are not in the labour force and give them an incentive to return to the labour market. Various ways of introducing such a policy are possible. As far as taxes are concerned, one way would be to expand the bracket with zero tax rates, or the deduction for employed persons could be increased or a tax credit for such persons could be introduced. Up to 1991, earned income enjoyed a special exemption of up to 40-50% with a ceiling that varied over the years. Besides this, all taxpayers enjoyed some deductions as personal or family allowances in various forms. The tax reform of 1992 abolished all tax exemptions and deductions and instead introduced work-related expenses up to a certain amount and tax credits, but only for families with children. Since tax credits are important for workers with low earnings, perhaps they should be granted to single workers as well, in order to increase the incentive of the unemployed to work.

Incentives to work for the low skilled could be strengthened if the exemptions prevailing up to 1991 were reintroduced. Such a measure would strengthen incentives to work, stimulate search effort and increase the rates of job acceptance. This could also exercise a downward pressure on wage demands, lowering labour costs and hence lead to more employment. At the low-qualification end of the labour market, the effect on employment could be greater because the substitutability of labour in this segment is relatively high.

Changes in the tax system could strengthen work incentives and employment but the effects on people at the lower end of the wage scale would not be large because the taxes they pay are small and in some cases zero. The effects for this group would be much more substantial if social security contribution rates were reduced.

Policies targeting labour demand

The interaction of the tax wedge with minimum wages and other factors preventing downward adjustment of wages keep labour costs at relatively high levels and cause unemployment since workers whose productivity is below a certain level cannot be employed. The implications of tax wedges for workers with higher productivity are less dramatic since the relatively high social security rates can be partly offset by lower wages.

The cost of employment for people with relatively low productivity could be reduced through a system of targeted wage subsidies, as in the programmes that have already been used by OAED. Instead of such subsidies targeted cuts in social security contributions have the advantage that they are more general and do not lead to stigmatization of the beneficiaries.

There have been no studies concerning the likely impact of a cut in social security contributions on the employment of low-skill workers in Greece. The relatively few analyses that have been carried out in other countries show that targeted cuts in social security contributions for low-skilled people are a powerful instrument for increasing their chances to find employment.

Employment growth can become stronger with targeted social security cuts instead of a general cut, since substitution of low-skill for high-skill labour could strengthen the total employment effect resulting from the substitution of labour for capital or energy. This is so because the low-skill workers have lower productivity levels and therefore more than one low-skill worker would be employed for each person with higher skills.

A scenario that has been discussed in other countries of the European Union involves a substantial cut in SSC rates, by nearly 40%, targeted for workers with relatively low earnings. Given the parameters of the Greek social security system, a 40% reduction in the contribution rates for low-productivity workers could have a strong effect on their employment.

V.2.7 Possibilities for making up for lost revenues from future reforms in the tax and social security systems

The problem that a government seeking to lower social security contributions for low productivity workers faces is that the revenue forgone has to be recouped in some other way to avoid increasing borrowing needs. So far there have been no studies in Greece concerning the likely revenue losses from general or targeted decreases of the social security rates and the ways that can be used for making up for these losses. In other countries where such possibilities have been examined a suggestion has been made to use an environmental tax, such as an energy tax, that could limit pollution and at the same time provide some revenues that would enable governments to reduce social security contribution rates.

In Greece, taxes on energy and natural resources constitute a relatively high percentage of GDP about 3-4%. A further increase of the energy tax would increase production costs and lower the competitiveness of Greek products. The average tax on fuels is already around 30%. Therefore the possibilities for increasing it further seems quite limited.

Another alternative would be to increase indirect tax rates particularly with regard to certain products, such as tobacco or alcohol, that create unfavourable social effects. However, taxes on these products are also very high in Greece.

An alternative that seems more advantageous is to make up for lost revenues from a cut in social security for workers at the lower end of the wage scale by raising the upper limit beyond which earnings are not subject to contributions.¹

V.3 INDUSTRIAL POLICIES AND LABOUR MARKETS

V.3.1 Introduction

After the Second World War, Greek industry developed in an impressive way reaching an annual growth rate of 11% in 1963-69 and 10% in 1969-74. The growth rate fell to 6% in 1974-79 and became negative after 1981. The index of industrial production (1980=100) was only 98 in 1994 and its share in GDP fell from 19.1% in 1988 to 16.7% in 1994. Such a decline was accompanied by a fall in industrial employment. Out of a labour force of around 4.2 million people in 1995, only 15% were employed in industry, a significant fall from the 19% in 1981.

The industrial policies followed in Greece until the late 1960s were interventionist in an indirect way (to push private industry in the “right” direction) not necessarily with successful results all the time. The philosophy was to encourage private investment in the sectors and locations favoured for reasons depending upon the specific period. These targets were to be achieved with the assistance of sectoral and regional policies. There were no plans for the state to undertake production unless private interest was non-existent because of legislation as in the case of natural monopolies or of production difficulties, usually related to size. In the 1970s industrial policies became more directly interventionist and resulted in the nationalisation of many large quasi-monopolistic firms especially utilities, shipyards and banking.

In the 1980s, with increasing competitive pressures and unemployment, a policy for the encouragement of flexible and adaptive small and medium enterprises was introduced with the assistance of the EU.

The dramatically changing economic environment of the 1980s made apparent the need for the adoption of supplementary policies which:

¹ The upper limit has been abolished for persons who started working after January 1, 1993.

- would bring about change in firm ownership (partial or total privatization), necessary in many cases for firms to be able to survive, and
- would respond to the restructuring needs of many sectors, which had to adapt to new competition and different demands.

Hence the policies which are to be examined under the heading of industrial policies are:

- sectoral and regional policies
- small and medium enterprise policies
- privatization policies
- restructuring policies

V.3.2 Sectoral and locational policies

Since the war there has been an emphasis on supporting the production of local goods to replace imports using a system of subsidies to encourage firms to produce them and import tariffs to reduce the demand of imports and increase the active demand for domestically produced goods. In the 1960s the focus moved towards export promotion. Subsidies to exporting firms and a stable monetary policy assisted such a move.

By the beginning of the 1970s Greek industry, although showing impressive achievements in terms of general growth rates, was thought to be heavily biased towards labour-intensive, low-technology, dubious-quality consumer goods, the production of which was taking place either in Athens (almost 50%) or in a few other urban centres. Problems, such as pollution and congestion started being noticed in areas of high industrial concentration. The rest of the country was not participating in these developments, although some infrastructure was being put in place.

In the 1970s a more organized policy was applied, as presented in the “development laws”, which attempted to assist the development of specific sectors as well as their location preferably in the periphery. Sectoral and regional policies were combined through a system of investment incentives favouring specific sectors and remote (especially border) areas.

The intention to develop sectors as well as regions was apparent. Backward regions would benefit in terms of both income and employment, since unemployment and or underemployment were a major obstacle to the improvement of living standards necessary to keep the population there. Empirical analysis regarding the effectiveness of the policies followed during that decade, in terms of investment response, is conflicting. A problem was that the strong presence of agglomeration economies in the major urban centers was not counterbalanced by sufficient new infrastructure in the periphery (Kottis, 1989, Louri, 1988 and 1989).

In the 1980s the accession to the EEC influenced the shaping of industrial and regional policies in Greece since harmonization of most policies was called for. The emphasis was on qualities such as transparency and simplicity of incentives. The new Development Law (1262/82) reduced the number of incentives to four, namely grants,

interest rate subsidies, increased depreciation allowances and tax reductions. They were offered in two different combinations favouring peripheral locations and higher technology, intermediate or capital goods. The response was not as warm as in the 1970s in terms of investment size and the sectoral effects were rather limited (Anagnostaki & Louri, 1996).

In the 1990s the same incentive structure continued with slight changes in regional divisions, rates and conditions of awards (Laws 1892/90 and 2234/94). Considering the Development Laws in retrospect and the incentives included in them, one has the feeling that capital was always the favoured production factor. Subsidizing the cost of capital made it cheaper and hence more attractive compared to labour. Substitution of the expensive factor with the cheaper one was a rational choice on behalf of investors.

Thus, the part of industrial policy implemented through the investment incentives did not support employment other than when it accompanied (capital intensive) investments. Such investments incorporating the most recent technological improvements of the respective sectors (as the Law insisted) required skilled labour. Hence new skills and new training needs emerged to accompany the new (subsidized) capital investments. Although industrial policy did not provide for such needs, the Ministry of Labour undertook several training programmes to help the labour force adapt to the new circumstances. The results of these programmes, to a large extent, were not considered satisfactory. The benefits on local employment in peripheral regions could have been higher if the cost of labour was also subsidized, particularly if training was provided in a more systematic way.

V.3.3 Policies for Small and Medium Enterprises

All enterprises irrespective of the sector they belong to are entitled to different forms of aid, if their size allows them to be classified in the small and medium enterprises (SMEs) group. Firms employing less than 250 people with a turnover not greater than 40 MECU or a total balance sheet of not more than 27 MECU (COM(96) 261 of 7.02.96) are considered as SMEs in the European Union and hence qualify for assistance.

SMEs are important because they:

- are a major source of employment and
- have a flexible and more adaptable structure

SMEs are thought to be more important employment creators than large firms because they use labour more intensively compared to capital. Their adaptable structure helps them to survive turbulent economic environments easier than large firms. Also, in times of crisis they tend to be more reliable employers than large firms. In 1988-90 firms employing more than 500 people in EUR12 increased their share of turnover by 6.9%, while they reduced their share of employment by 1.2%. By contrast micro units (employing up to 9 people) increased their employment share by 4%.

However, labour productivity is much higher in large firms. In the Greek manufacturing industry in the 1980s, labour productivity of firms employing less than 50 people was half the productivity of firms employing more than 50 people (KEPE, 1989). Also research and development programmes are less common among smaller firms, due mainly to scarce resources and limited contacts with potential partners.

In EUR12 in 1990 75% of people employed in the enterprise sector worked in SMEs which were 99.9% of the number of enterprises and accounted for 70% of turnover (EUROSTAT, 1994; an older definition of SMEs as employing up to 499 people is adopted in the report). In the same year in Greece SMEs employed 91% of the labour force in the enterprise sector while the respective percentages for Portugal and Ireland were 82% and 78%. What is even more striking is that micro enterprises (employing 0-9 people) accounted for 59% of the enterprise sector employment in Greece, while micro enterprises in Portugal and Ireland accounted for 36% and 34% of employment in the respective sectors (Liargovas & Tsipouri, 1996).

The birth rates of new firms are also distinctly different between Greece and Portugal and Ireland, being consistently lower for Greece. In 1987 they were 2.5%, 12.1% and 10.8%, while in 1989 they were 2.0%, 6.9% and 9.9% in the three countries respectively (European Observatory for SMEs, 1993). There is a downward tendency in new enterprise creation in most countries but it is more accentuated in the case of Greece. With the index of new firm creation in 1988 being 100 for all countries, in 1992 it was 69 for Greece, 146 for Portugal, 98 for Ireland (1990) and 118 for Spain (European Observatory for SMEs, 1995).

SMEs are particularly significant for the Greek economy, probably more significant than in other peripheral EU countries but need to be assisted in order to overcome a number of problems that they face. Specific policies and measures seem to be of particular importance for the development of Greek SMEs. The recent Commission report on the "Coordination of activities in favour of SMEs and the craft sector" (COM(95) 362 of 8.09.95) offers a series of such policies and measures to be applied in all European countries. EOMMEX is the organization responsible for their application in Greece.

The measures that can be taken for the development of SMEs can be divided into horizontal and support ones:

- The horizontal measures include the improvement of various dimensions of the environment into which SMEs grow and function, such as the legal and institutional framework. Simplifying matters and abandoning complex procedures are of the highest priority. Easing the transfer of business as well as improving the financial services offered and raising the aid thresholds are also important.
- the support measures can be categorized into four groups:
 - (i) Those enhancing the dissemination of information on markets, customers, cooperation potential, sub-contracting etc., such as the establishment of EURO-Information Centres;
 - (ii) Those encouraging and supporting transnational cooperation, such as the establishment of institutions like the Business Cooperation Networks (BC-NETs), the Bureau de Rapprochement des Entreprises (BRE), the

- programmes EUROPARTENARIAT and INTERPRISE as well as the initiatives concerning subcontracting;
- (iii) Pilot actions such as the organisation of seed capital funds, and EUROMANAGEMENT RDT;
 - (iv) Financial instruments, such as the European Investment Bank global loans, the SME facility introduced by the 1993 Copenhagen European Council for subsidizing loans and the creation of the European Investment Fund for providing loan guarantees.

Participation in programmes referring to vocational training (such as the LEONARDO Programme) or international cooperation (such as the PHARE or MEDINVEST Programmes) affect the development of SMEs. The Structural Funds also provide various possibilities for drawing resources for the support of SMEs.

The above institutions, policies or measures could provide significant assistance to Greek SMEs to enable them to deal with the problems that they usually face (e.g. difficulty functioning in a complex international environment, isolation, need for start-up capital, need for skilled labour etc.) by easing the environment, improving financing conditions, establishing information and communication networks and supporting management training. However, their use in Greece has been very moderate and the degree of success when used, was very low. Greece is the most hesitant user of the available possibilities for aiding SMEs among all European countries. As can be seen from Table 64 the relative position of Greece among EU countries in the use of the most important measures for the support of SMEs has been very poor.

V.3.4 State Control and Privatization Policies

In the late 1970s and the early 1980s a major change in the philosophy of industrial policy took place. Firms that were facing serious financial problems or were about to go bankrupt, for various reasons were not left to do so but were instead taken over by a state organization (OAE), created in the early 1980s, which was expected to manage them with the aim of restructuring them, improving their financial situation and finally re-transferring them to the private sector. Thus, the state took over the production of many goods until then produced privately, the range of which extended from textiles to chemicals, ship-building and repairing. Such intervention was direct in contrast to the indirect way followed up to that time.

Some firms with financial problems were taken over by Government-controlled commercial banks, which usually were their creditors. The alleged motive behind such a direct intervention in industry through either OAE or banks, was to save jobs, since there was threat of rising unemployment rates.

The results of the OAE experiment, more than 10 years later, look rather disappointing. Most of the firms taken over by it are still in deep problems and jobs have been saved only through transfers from taxpayers' funds and public borrowing and not because of efficient management.

The extension of the state sector in parts of industry, which were until then private, marked a major change in philosophy. The effects of this extension on employment were positive but on a weak and temporary basis.

The move of the 1980s towards direct intervention was followed by a privatization tendency in the 1990s accompanied by loss of jobs. Since the early 1990s there has been growing pressure to privatize those firms for which there is private interest and close down those which cannot survive on their own. There has been an open debate in the country on which firms should and should not be privatized. It seems that there is agreement among the major political parties that firms belonging to competitive or even imperfectly competitive markets should be handed over to the private sector since the state sector administration has not been very effective in their management. For public utilities, there is some opposition to their transfer to the private sector but the tendency is to privatize, at least partially, some of them.

In 1995 OAE had under its responsibility nine firms in operation and 36 firms with suspended operations. Government-controlled banks [the Greek Bank for Industrial Development (ETBA), the Agricultural Bank (ATE), the Commercial Bank (ET), the National Bank (ETE) and the Greek Investment Bank], had either full or partial control of another 27 firms. Furthermore, there was a large number of other public enterprises, operating on their own.

Out of the 36 firms in operation under the broad state sector (OAE and banks), only 13 seem to have good to medium survival prospects (KEPE, 1996). These firms employ 3,253 people or almost a quarter of those employed in this category of firms. Another 11 firms employing 4,607 people are in the intermediate zone between survival and closing down depending upon whether measures to strengthen their financial situation are taken. The remaining firms, employing more than 5,500 people, are facing a serious chance of going bankrupt soon. Hence the prospects for the jobs of about 75% of the labour force employed in the above firms are not good, despite more than 10 years of state management and the use of government financing. It should be noted that the employment in the above firms, amounting to around 13,000 people, represents 4% of employment of industrial firms with more than 10 employees.

In summary, the basic philosophy underlying industrial ownership in Greece after the War underwent the changes below:

- from indirect intervention in the sense of directing the private sector where to locate and what to produce, to
- direct state intervention with the state undertaking firms producing an extensive range of products, the aim being job maintenance, and then
- back to admitting the superiority of the private sector in the production of all goods, except perhaps public utilities.

V.3.5 Restructuring Policies

The restructuring of industry takes place at three different levels:

- between sectors

- within sectors, i.e. between firms in a sector and
- within firms.

Strengthening of policy regarding competition and horizontal measures, mainly providing infrastructure, have been recently considered by policy makers in Greece as the best ways to reshape industry. It is expected that competition will direct new firms in the sectors where demand is most active and profits are rising. Thus, restructuring in favour of sectors with an expanding demand will come automatically. Since labour has to follow suit, a major policy to facilitate restructuring will involve training and retraining schemes for the workforce of industry.

Once the sectoral changes are settled, competition will help the fittest firms to survive and eventually dictate the terms of operation in their markets. Thus, restructuring within sectors will mean the survival of the healthiest firms.

Each independent firm, in order to stay in the market(s) as they are shaped and function with competitive pressures, has to restructure its production and finances as efficiently as possible, so that survival will extend in the longer run. Such restructuring needs have become obvious since the end of 1980s when many firms went bankrupt because of their heavy leverage.

The competitive pressures are thought to have caused, at least partially, the improvement in the ratio of borrowed to own capital in the last ten years. With the use of data for a sample of 2,100 firms provided by the Statistical Service of the Confederation of Greek Industries, it has been estimated that the ratio of borrowed to own capital was reduced from 6.9 in 1985 to 3.3 in 1987 and to 2.2 in 1993 (KEPE, 1996). This reduction was due to the drop of the ratio in 12 out of the 20 2-digit sectors of Greek industry that were producing 60% of the total value added.

Another effect of competitive pressures was the reduction of the ratio of financial expenditures to revenues from 9% in 1990 to 5.6% in 1994. Such improvements led to an increase of the ratio of net profits to own capital from 2.4% in 1987 to 9.2% in 1993.

V.3.6 Industrial policies in the 1990s and implications for employment

Since the early 1990s the emphasis of industrial policies in Greece has been shifted in favour of policies for promoting competitiveness through multi-annual investment schemes in big and dynamic firms. This is reflected in the two Community Support Frameworks in which horizontal measures prevail at the expense of sectoral measures.

The absence of sectoral measures and policies, that has been characterising the Greek industrial policies for many years, and the lack of a well-designed plan for interventions, particularly with regard to small and medium enterprises are two factors that limit the effectiveness of these policies. The lack of sectoral studies and the haphazard application of measures, depending upon the availability of Community funds, constitute a serious weakness of the Greek industrial policies. Problems are also created from the fact that EOMMEX, the organisation responsible for small and medium

enterprises and the Innovation Centres associated with it have not been activated to the extent that they should.

The need to increase competitiveness and adapt to a constantly changing international environment has directed industrial policies in the 1990s towards a more laissez-faire approach. Such an approach may help the fittest firms to thrive but it will cause problems, if not closures, for the rest. Many people argue that directions and help should be provided to the firms to increase their competitiveness and their chances for survival.

Under present circumstances and the prevailing industrial policies, employment in industry is bound to stay at the same levels at best, although it is very likely that it may be reduced, following the trend observed after the mid-80s. For the workers who will remain in the sector new skills will be necessary in order to match the higher technology being introduced. Hence suitable training schemes seem to be of high priority.

One could argue that sectoral and locational industrial policies still favour capital persistently, especially investments related to high-technology. Hence the substitution of capital for labour. Due mainly to bureaucratic inefficiencies, small firms in Greece are not receiving the assistance their competitors in other European countries receive. Restructuring policies are based on a laissez faire philosophy and thus rely upon the market mechanism, and not on active intervention. Under present circumstances it is very likely that industrial firms, in order to reduce costs, improve competitiveness and increase their chances for survival, will have to proceed with more shedding of labour.

On the whole, it seems that the implications of the developments and policies in the industrial sector in Greece in recent years are not positive for employment, in terms of numbers of jobs. If Greek industry is to survive, it is not this sector that could contribute to a reduction of unemployment or that it should be used to that end. Other sectors, most probably services and particularly innovative activities, will have to carry the burden.

A notable characteristic of the industrial sector in Greece is its serious need for improved skills. Attempts have been made to respond to this need with various training programmes but the effects up to now have not been considerable. The programme of the Community initiative ADAPT, which concerns the adjustment of the labour force to industrial change, started in Greece in 1995 and has been focussed on small and medium enterprises, certain industrial sectors (e.g. food, textiles etc.) and the areas of industrial decline. In the period 1995-1999 about 850 persons annually are expected to participate in training and other activities. The aim is to improve the competitiveness of firms through the development of their human resources. However, due to the limited size of the programme, its effects on employment cannot be significant.

VI. ISSUES OF NATIONAL DEBATE AND POLICY PERSPECTIVES

VI.1 SEGMENTATION OF THE LABOUR MARKET AND ITS IMPLICATIONS

As has been stated before, the Greek labour market is highly segmented. The segments are characterised by functional independence with little interconnection between each other. The segments involving civil administration, enterprises controlled by the State, banks and large private corporations have their own internal structure and organisation and function as independent markets with separate rules of operation. In the civil administration, and in the enterprises controlled by the State usually there are features, such as job security, tenure, possibilities for moving up the hierarchical ladder and getting salary increases independently of performance, lower pressures for hard work, etc. that make the available positions highly desirable. However, these positions can be obtained only through entry into the lower levels of the hierarchy or non-competitive procedures and thus are isolated from the rest of the labour market.

In the large private corporations the hiring procedures, the structure of positions and salaries and the movement of people within the hierarchy are determined by internal regulations and traditions. The communication with the rest of the labour market is limited only to certain positions at the lower levels of the hierarchy.

The above segments are not usually influenced by changes in labour market conditions. The pressures of these changes are restricted to the remaining segments of the labour market. Given the fact that in many of these sectors wages are determined by collective agreements which may not reflect changes in the supply and demand conditions, and that there are restrictions on dismissals, flexibility in that part of the market may also be limited. Thus, the effects of changes are restricted to a relatively small segment of the market and are expressed more in the form of availability of jobs and less in the form of wages. This affects the employment opportunities available to workers with less skills and brings changes in unemployment, labour force participation rates, and the extent of self-employment.

VI.2 THE WAGE FORMATION PROCESS AND THE RELEVANT INSTITUTIONAL SET-UP

As was mentioned earlier, prior to the reforms of 1990, the wage formation process was very rigid and did not respond to labour market conditions. In the 1980s wage increases in the economy were determined through an automatic inflation indexation system, on the basis of which incomes at the lower end of the scale increased more than the average, while the increases in higher incomes were insignificant. As a result the distribution of wages was compressed and the ratio of minimum to average wages was increased. These developments affected the level of wages at the lower end of the

spectrum and the general wage structure to such an extent that implications were created not only for that time but for later years as well, when the above system had been eliminated.

Although there are no available data, wage differentials in the country seem to be relatively small and this has adverse effects on the employment of people with lower productivity. If incentives for the employment of these people are to increase, the social partners should take into account this issue in their future negotiations.

The wage formation system prevailing before 1990 affected not only the level of the minimum wage and the wage structure, but also the patterns of employment, particularly of people with more qualifications. Since salary increases were restricted, many higher qualified people employed in the private sector were forced to become self-employed, get second jobs or jobs in the underground economy or had to change employers frequently, since the salaries of newly hired personnel were not subject to the restrictions of the indexation system.

Higher-qualified persons employed in the public sector faced similar alternatives. Some of them retired early and others got second jobs. Getting a second job, which of course was not declared, was much easier for the civil servants, because of the lighter pressures for work in their main jobs. In this way, the public sector either lost some dynamic and highly-qualified people or employed them at reduced levels of activity.

Although no official data exist, the practice of getting a second job or do some other work, parallel to the main job (e.g. accounting for small firms, keeping an independent technical, legal or real estate office, teaching, driving a taxicab etc.) seems to be widespread among employees of both public and private sectors. This affects productivity in the main jobs and also reduces employment opportunities for new entrants into the labour market.

In the early 1990s, besides the abolition of the inflation indexation system, the collective bargaining process was reformed. Under the new system, the minimum wage is determined by representatives of employers and workers in a national collective agreement, which acts as a floor for lower-level agreements. With the new legislation the procedures for resolving labour disputes became more flexible and direct government intervention was eliminated. This resulted in smoother labour relations and a drastic reduction of strikes. Despite these improvements several problems still exist that should be looked at.

With regard to the mediation process for solving collective bargaining differences, the employers have argued that the use of mediation and arbitration procedures should be voluntary and not obligatory. When such procedures are obligatory, the process of free negotiations for the determination of labour remuneration is impaired. They argue also that there is an imbalance in the rights of employers and employees. If the employers reject the mediator's offer, the employees can ask for compulsory arbitration, whereas if the employees refuse the mediator's offer the employers do not have this right.

Another point that has been brought up by employers is that the possibility for expanding the coverage of the collective labour agreements, beyond those immediately involved, should exist only if such agreements are based on actual collective negotiations and not on arbitration decisions. According to them, this possibility should exist only if those who signed the agreement employ at least 60% of the workers who are covered. Under Law 1876/90, a collective agreement can become obligatory easily in a wide range of sectors. This means that for certain categories of workers, large manufacturing firms may have to adopt the labour remuneration levels agreed by social partners in small-scale industry or other sectors.

A serious problem in collective wage negotiations is the affiliation of representatives of trade unions with particular political parties and the use of their positions to build a political career. Thus political expediencies are likely to influence the negotiations and the wage determination process.

Although direct government interventions in the wage formation process have been eliminated since the abolition of the inflation indexation system and the reform of the collective negotiation procedures, it has been argued that the Government continues to play an important role in the wage determination process, in an indirect way. The announcement by the Government of salary increases towards the end of each year, when the budget is submitted to the Parliament for approval, acts as a guideline in the negotiations between the social partners, that take place in the first months of the following year. Although it cannot be compared with the direct government intervention of the period before 1990, this influence constitutes a disturbing factor in the process of wage formation. The most serious disturbance comes from the practice of the Government to include in the announced increases catch-up clauses for the difference between projected and actual inflation rates. These clauses are usually repeated in the agreements between the social partners and make the wage increases, which usually are higher than in the public sector, even larger. It has been suggested that it would have been better if the Government eliminated such clauses and made whatever correction was deemed necessary with the increases of the following year.

A general point that can be made with regard to the wage formation process in Greece, is that the social partners should see that real wages become more responsive to productivity changes and to unemployment. Further decentralisation of the wage bargaining process to the enterprise level could be helpful for many enterprises that are striving to maintain their viability. This could be achieved with an "opt out" clause in the national collective agreement, that would allow firms with financial difficulties to negotiate directly with their workers.

Another point that should be considered by the social partners is the possibility of letting minimum wages, especially for certain categories of workers, be reduced. Widening the distribution of wages by allowing minimum wages for workers such as young people and persons with low qualifications to fall, could expand employment opportunities for them and reduce their rates of unemployment.

VI.3 EMPLOYMENT PROTECTION LEGISLATION AND NEED FOR GREATER FLEXIBILITY

Employment protection legislation in Greece is considered among the strictest of the OECD countries (OECD, 1996). According to it, employers have to pay relatively high severance payments, which increase with the length of employment, when they dismiss white-collar workers. The severance compensation is smaller in the case of blue-collar workers.

It seems that the cost of dismissing workers is one of the main reasons that firms do not hire workers and prefer instead to use overtime work or subcontracting when their needs for personnel expand (European Commission, 1995). This cost deters dismissals and thus reduces job loss rates but at the same time limits the number of employment opportunities available to new entrants and to the unemployed in general.

Beyond the above implications, the relatively high cost of dismissals discourages the renewal of personnel and the adjustment of firms to the constantly changing economic conditions. The result is reduced efficiency and higher costs.

Besides the relatively high costs for individual dismissals, larger enterprises are subject to restrictions on collective dismissals as well. As was indicated in a preceding section, enterprises with more than 50 employees cannot dismiss more than 2% of their labour force per month without prior approval of the Ministry of Labour. However, such approvals are rare. The limit for firms with 20-50 employees is five workers per month.

In theory, a firm with more than 50 employees could dismiss about 22% of its workforce within a one-year period. However, the employers' representatives contend that this possibility does not exist in practice because the frequent use of the limit will instigate serious labour unrest and disruptions of the firms' activities. They argue that this restriction should apply only for firms with more than 250 employees.

The need for the Government's approval for collective dismissals aggravates the problems of firms in financial difficulties and does not actually contribute to employment protection since such firms may eventually face closure. The elimination or the modification of this requirement could increase flexibility in the labour market.

Flexibility could also improve by reducing severance payments for white-collar workers and thus limiting the differences between them and blue-collar workers. Also, the differences between experienced and inexperienced workers should be reduced. The General Labour Confederation (GSEE) has demanded the equalisation of the dismissal compensation of salary and wage earners by an increase in the compensation of the latter.

Another restriction that causes rigidities in the labour market is the requirement for industrial firms with more than 50 employees to hire 8% of their labour force from the

handicapped and veterans. This percentage is considered high compared to the EU average.

As was mentioned earlier in the report, firms facing financial difficulties can lay off workers for a period up to three months per year but they have to pay half their wages. This cost prevents firms with economic problems from making use of this option.

Flexibility in the labour market could be increased if the restrictions on overtime work and the additional amount paid for such work were eliminated. These issues could be determined on the basis of negotiations and special agreements between employers and employees at sectoral or enterprise level.

VI.4 HIGH LEVEL OF NON-WAGE LABOUR COSTS

An issue that has been extensively discussed in recent years is the high level of non-wage labour costs in the country and their effects on employment. As was explained in the report there is a relatively large tax wedge for low-productivity workers, coming mainly from the high social security contribution rates. This wedge reduces people's incentive to work and also the demand for labour. As a result employment decreases and unemployment rises.

With the expenditure needs of the present overly-generous pension system, a reduction of the social security contributions does not seem possible. Also, because of the existing fiscal problems, transfers from the national budget cannot be used for this purpose. Reforms in the organisation administering the social security system could increase efficiency and reduce the cost of its operation. However, such reforms are difficult to implement and the savings could not be sufficient to make up for revenue losses from the required reductions of social security contribution rates.

One solution would be to raise the upper limit of earnings, beyond which no social security contributions are paid. This would reduce the regressive nature of the system and could provide sufficient revenues to enable the authorities to lower the rates for the young and those with low or no skills.

Another possibility would be to reduce payroll taxes by eliminating various ad hoc charges which support institutions providing benefits to workers of dubious value (e.g. tickets to theatres and cultural events, excursions, tourist trips etc.). Such a change could be gradual to avoid reaction on the part of the workers, who take advantage of these benefits and on the part of people who are involved in the activities providing the related services.

Non-wage labour costs increase not only from the relatively high social security charges but also from various other factors. For example, it has been argued that a substantial increase comes from the above mentioned requirement that 8% of a firm's recruitment

is from the socially underprivileged and that this percentage should be lowered to come closer to the average in the EU.

It is worth noting that a lowering of the social security charges at the lower end of the earnings scale would expand employment by lowering labour costs and reducing employment in the "hidden" economy. As a result revenues from social security contributions could increase despite the reduction of the rates.

With regard to social security contributions and pension funds, it is worth noting that serious problems exist in the public sector as well. As a result of various overly generous public servant pension schemes and special arrangements for particular categories of people (e.g. people who managed to prove that they had lost their positions in the past because of their political convictions), the number of public service pensioners is slightly less than those still in service. This creates serious budgetary problems and necessitates relatively high contribution charges.

VI.5 ISSUES RELATED TO LABOUR MARKET POLICIES

VI.5.1 Unemployment benefits and rigidities in the labour market

Unemployment benefits are below their upper statutory level and cannot be considered as providing work disincentives. However, it has been argued that the low level of benefits creates pressures to social partners to protect the employment of existing workers with serious implications for the flexibility of the labour market. An increase of the unemployment benefits towards their upper statutory level could facilitate the elimination of dismissal restrictions and thus contribute to greater labour market flexibility.

Another suggestion that has been made refers to the unemployment benefits to seasonal workers. It has been argued that the possibility for such workers to have access to unemployment benefits every year eliminates any incentive for them to seek supplementary types of activity and thus perpetuate the problem of seasonal unemployment. Therefore, a reform of the system should be considered.

VI.5.2 Effectiveness of active labour market policies particularly with regard to long-term unemployment and unemployment of young people

The examination of labour market policies in Greece brings out several deficiencies and issues of critical importance, that should be considered in the formulation and implementation of new policies. The most important of them are the following:

- a) Absence of a national policy with regard to the unemployed, especially to the long-term unemployed as well as to new entrants in the labour market. Active measures find their best use as complements of policies related to demand. In the absence of a clear-cut demand management policy, the potential impact of active

measures is severely reduced. The development of forward-looking, employment outlook programmes for certain categories of unemployed (such as the long-term unemployed, new entrants, the unskilled and semi-skilled workers, females returning to the labour market, the vulnerable categories that are facing the risk of social exclusion, etc) merits high priority. Until that happens, much of the prevailing uncertainty about the effectiveness of active labour market schemes is bound to continue. Furthermore, the continuing absence of a rational unifying and effective labour market policy is bound to perpetuate fragmentation, duplication of efforts and substantial wastage of resources.

- b) Lack of coordination among the various governmental departments, organisations and agencies in the field of actions in favour of the unemployed. Public agencies and bodies pursue mono-sectoral policies although there is growing acceptance of the fact that unemployment is a deeply-rooted multi-dimensional problem that requires multi-dimensional action. As a matter of fact, they do not normally seek the co-operation of other bodies and agencies, even within the context of these mono-sectoral policies. Instead, each ministry or agency plans and carries out programmes on its own, largely through its separate links to the European Union (rather than in conjunction with other ministries or agencies). Clearly a different plan of action is called for, as it is unreasonable to expect that conditions in the public sector will notably improve in the near future. Authority must be delegated to lower administrative levels, so as to reduce the distance between centralized state services and the unemployed. A strategy that holds great potential in that respect is that of forming partnerships at the local level. Such partnerships can include all types of players – local authorities, local branches of national bodies or agencies, private organisations (whether profit or non-profit), and the social partners. Together then they can explore the conditions of the local community and the opportunities in the local labour market and can design an integrated network of services at the level of the neighbourhood.
- c) Deficiencies in implementation structures, arrangements and procedures. The level of supervision and support given to projects by the Ministry of Labour and the Manpower Employment Organization clearly is not adequate. Although administration arrangements and support structures have improved compared to those prevailing during the First Community Support Framework, a lot still remains to be done. Specific problems within this context include:
- (i) Problems of discontinuity in policy making caused mainly by the “reshuffling” of directors and of high-level officials, not only after governmental changes but even every time a new minister comes into office. Responsibility for operations frequently passes from one civil servant to another and, as would be expected, this continuous change creates problems in the transference of experience.
 - (ii) The level of expertise of those involved at operations level is rather poor even at the national level, which has decades of experience in the area of combatting unemployment, let alone at the regional or local levels, that have no tradition in this area. The Ministry officials for instance, are fundamentally concerned with purely formal criteria for assessing whether

approval and payment decisions are correctly taken and generally confine their duties to the transmission of the applications from Athens to Brussels and to the distribution of funds coming from the EU. Resources are needed to train the personnel involved, in order to enable them to acquire a diversity of knowledge and skills. Such skills, which would include counselling competence, knowledge of vocational training possibilities and labour market opportunities, etc. should be utilized in order to devise an integrated approach to the multi-dimensional problems of the unemployed in their locality.

- (iii) There are serious staffing problems. Both the ESF Department of the Ministry of Labour and the Manpower Employment Organisations' Department on Active Measures appear to be too small in relation to their respective tasks. The general ban on hiring in the public sector, imposed by the government in an attempt to deal with the large public deficits, has had its effect on the total number of employees of the Ministry of Labour. If these two public bodies (the Ministry of Labour and OAED) are going to assume a managerial rather than an administrative role, handling the large multi-annual operational programmes of the Second Community Support Framework, they deserve to be staffed accordingly.
- d) The optimal policy mix. One of the main challenges facing the Greek labour market policy planners and decision-makers is to pass from emphasis on simple training programmes to a nexus of services, which will deal with the various dimensions of unemployment. The measures that were announced by the Government recently and have been included in the new law (reviewed in a previous section of the report), if implemented, are a good step towards an active approach to labour market problems. These measures involve a substantial expansion of direct job creation schemes, mainly in favour of the registered unemployed. However, important details relating to the implementation of these new measures are still waiting to be clarified. Among them, features of critical importance are the appropriate remuneration levels, the extent of targeting, the optimal programme duration and lastly the co-ordination of active measures with the unemployment insurance system. Generally, active measures work in a variety of ways, producing results and side effects that are not always desirable. For instance, direct job creation programmes of the type envisaged by the governmental announcements are noted in the academic literature for producing undesirable effects such as extensive dead-weight and substitution. The introduction of the measures ought to go hand in hand with the careful study and analysis of the likely impact of each individual measure. Particular attention should be given to the issue of impact upon crucial variables such as the frictional unemployment rate, the labour force participation rates, potential crowding-out effects, productivity and tax effects, etc. Lastly, the introduction of such large training and job creation programmes ought to be combined with an intensive development of counselling activities, job search assistance and placement services.

- e) Evaluation arrangements. Evaluation work among labour market schemes in Greece has so far been minimal and in most cases non-systematic. The lack of evaluation is one of the most serious impediments to the development of an effective labour market policy in Greece today. Only through the widespread adoption of the process of evaluation will it become clear which of the various policy tools and models of provision is most effective in combatting unemployment in the Greek case. It is evident that follow-up studies of training schemes and of their participants are urgently needed and that evaluation arrangements must become a routine part of all labour market actions.

The reforms introduced by the recent law on employment seem very promising but the new system cannot be evaluated before it is applied. As was mentioned before, observers point to the complexity of the system and the difficulties associated with its application. Of critical importance will be the extent to which the Manpower Employment Organisation (OAED) which will be responsible for administering the new system, will be able to modernise its operation.

Since evaluation studies have shown that the OAED accelerated training programme, the self-employment programme and the employment subsidy schemes have not been sufficiently effective so far, these programmes should be reconsidered and new ways should be sought to increase employment and fight unemployment. The effect on employment could be greater if the resources were used for other purposes such as more personalised professional guidance, training and placement services.

The computerisation of the services of OAED should be combined with a strengthening of its staff with the addition of experts in areas such as professional guidance, placement, curricula development for vocational training, evaluation of trainers, training procedures and methods, labour market analysis etc. in order to offer a package of services that would increase the employability of the unemployed and improve the matching of labour supply and demand. To facilitate the expansion and improvement of existing OAED services and the development of new ones, consideration should be given to its exemption from the restrictions imposed on public sector hiring, provided that strict criteria are set that will safeguard the hiring of the appropriate personnel.

The elimination of the prohibition of private employment agencies could greatly improve the functioning of the labour market. Such agencies could provide placement services in parallel with OAED. To avoid the exploitation of workers, it could be established that placement fees are paid only by the employers.

VI.6 RESTRICTING THE SIZE OF THE PUBLIC SECTOR AND INCREASING COMPETITION

In the beginning of the 1990s there were more than 200 enterprises which belonged to or were controlled by the State. Because of the size of these firms, their assets were more than two-thirds of the total assets of all firms and employment in them was more

than 40% of the employment in all firms (Kottis and Kottis, 1995). If we take into account firms in which the State participated, without having the majority, the importance of the public-sector business and industrial activity becomes even larger. It should be noted that because of the participation of public enterprises in the equity of many private firms, it is impossible to make a precise estimate of the size of the public sector.

Since the early 1990s a small number of public enterprises have been privatised, but there is still quite a lot of ground to be covered. Presently, a large part of the economy's product is produced by public enterprises, which operate as monopolies or oligopolies. As was indicated in other parts of the report, these enterprises can pay wage premiums, creating thus serious disturbances in the functioning of the labour market.

When the first timid attempts at privatisation were made in the early 1990s there was quite a lot of opposition on the part of workers, political parties etc. and this created a great deal of uncertainty and discouraged privatisations. Thus the pace was very slow and valuable time was lost. Presently, many segments of Greek society agree that all public enterprises, with the exception of public utilities and some other major enterprises, should be passed over to the private sector. With regard to public utilities, there is public support for their partial privatisation, through the stock exchange. The recent sale of about one-fourth of the equity of the National Telecommunications Organisation is seen as a successful experiment. However, many observers express concern about this kind of privatisation model, arguing that privatisations cannot be effective if the State continues to own the majority of equity. Thus there is debate and disagreement as to how far privatisations of this kind should go.

Since the public enterprises are weighed down with an excessive number of employees, their privatisation means substantial loss of jobs. Already many jobs have been lost because of the privatisations that have been completed so far. However, in most cases, the jobs that were lost were not productive since the enterprises were making losses and these jobs were maintained only because of relatively large transfers of money from the government budget.

The restructuring and/or privatisation of public enterprises such as Olympic Airways, the Public Electricity Corporation etc. would require substantial cuts in personnel but this is a cost that has to be incurred to improve efficiency and reduce operating costs. In the case of some enterprises (e.g. Olympic Airways) the Government has introduced an early retirement scheme that will facilitate restructuring through attrition.

Legislation, introduced in May 1996, that concerns the operation of public enterprises, is expected to improve their efficiency and strengthen competition. However, only the restriction of government business and industrial activity and the elimination of public enterprises with monopolistic privileges and power could bring a substantial increase in the degree of competition and the level of efficiency in the economy.

Privatisations and more competition usually lead to job loss and an increase in unemployment in the short-run. However, in the long-run the strengthening of competition and the improvement in the efficiency of functioning of the markets will increase output and expand employment opportunities.

VI.7 THE "HIDDEN" ECONOMY AND ITS IMPLICATIONS FOR THE LABOUR MARKET

According to estimates, the output produced in the "hidden" economy in Greece comes close to one third of the official GDP (Kottis and Kottis 1995, Pavlopoulos 1987, Kanellopoulos 1992). In some sectors the incomes that are not recorded are particularly high. For example in the construction sector it was estimated that in the 1980s about 70% of the incomes were not recorded (Pavlopoulos, 1988). The size of the hidden economy in Greece is estimated to be larger than in Italy, Spain or Portugal. It has been suggested that the relatively low labour force participation rates in the country come partly from the relatively large size of the hidden economy.

The large size of the hidden economy in Greece can be attributed to several factors. First of all, the relatively high social security contribution rates create strong incentives for both employers and employees to conceal employment. The large number of people who received early pensions, on the basis of various schemes that prevailed up to recently, have an incentive to get jobs that are not declared. Also, because of the relatively low salaries in the public sector, some civil servants get second jobs which are not declared.

An important factor that has contributed to an expansion of the size of the hidden economy is the extensive size of illegal immigration from the countries of the formerly communist bloc, particularly Albania. Because of a long borderline between Northern Greece and Albania, hundreds of thousands of Albanians come to Greece every year. About 200,000 to 250,000 illegal immigrants from Albania are expelled from Greece every year, but they return through another route after a few days.

It has been estimated that presently about 400,000 to 500,000 illegal immigrants are in Greece (OECD, 1996). Almost all of them work in the hidden economy. Employers prefer to hire them because they pay relatively low wages and do not have to pay social security contributions or other charges (e.g. bonuses for Christmas, Easter or summer vacation).

The large size of the hidden economy creates serious implications for the labour market. The evasion of tax and social security charges by a relatively large segment of the workforce creates a need for higher charges on those who declare their activities. As a result incentives to work on the part of employees and to create jobs on the part of employers in the formal market are reduced and employment becomes smaller.

There is a vicious circle between the level of tax and social security charges and the size of the hidden economy. The higher the charges, the larger the incentives to transfer activities to the hidden economy and as the size of this economy increases the charges have to be raised to make up for lost revenues. This relationship seems to be in effect in Greece and could be considered as one of the main reasons for both the high level of social security rates and the large size of the hidden economy.

There has been quite a lot of concern in the country about the size of the hidden economy and its implications. However, very little has been done to deal with this problem. The provisions concerning the employment of immigrants under the new employment law may reduce illegal employment. However, the details of the application of the law are yet to be determined and it is quite uncertain whether sufficient mechanisms can be developed to deal effectively with this problem.

Besides the employment of illegal immigrants, other activities of the hidden economy have to be checked. The size of the hidden economy was very large even before the early 1990s when illegal immigrants started entering the country in large numbers. The checking of all activities in this sector is an area of top priority for the country.

VI.8 ISSUES RELATED TO WORKING HOURS

One of the demands of the General Confederation of Labour (GSEE) during the negotiations for the 1996 National Collective Agreement was the reduction of the hours of work from 40 to 35 per week without a pay reduction. The arguments that they used were that such a reduction would create new jobs, increase workers' free time and improve productivity. Also it was argued that this measure could be used by firms as a means to promote modernisation and proceed to needed re-arrangements in the use of labour.

According to GSEE the reduction of the working time from 40 to 35 hours per week would result in an increase in employment of 12.5%. On the other hand, because of the increase in labour productivity, employment would be expected to decrease by 2%. Thus there would be a net effect on employment of about 10%.

Regarding the effects on labour costs from a reduction in the hours of work, GSEE's position (GSEE Labour Institute, 1996c) is that the combination of this measure with re-organisation schemes, would lower labour costs to 18.1% of total production costs and as a result the price increase would be only around 0.7%. Therefore, there would be no serious effect on competitiveness. If the measure was not combined with a re-organisation scheme, the effect on prices would be around 2.3%. However, even in this case the measure could be applied without serious effect in competitiveness in the following cases: a) firms or sectors which operate continuously and whose labour costs are only a small percentage of total cost (e.g. firms in sectors such as oil refining, basic metallurgy, tobacco, food etc.) and b) firms or sectors with high profitability (e.g. banks).

In the past, employers refused to discuss any suggestions for a reduction of working hours. In the 1996 negotiations, the employers and GSEE agreed to set up a committee to examine the matter and make proposals.

Another issue that has attracted attention recently is a proposal to increase flexibility by allowing for the possibility of a re-arrangement of working time during a year without changing the total number of hours of work. Representatives of GSEE seem to be willing to accept such a possibility.

VI.9 REFORMING TERTIARY EDUCATION AND IMPROVING ITS LINKS WITH ENTERPRISES

To solve the problems of university and non-university tertiary education, mentioned in Section V.1, drastic reforms have to be undertaken. The absence of any tuition fees, the provision of free books and in the case of some students free food and accommodation, in combination with the possibility of participating in the examination for a course for an unlimited number of times and the absence of any time limits within which a student has to complete studies, have resulted in an overcrowding of the higher education institutions and a lowering of the standards of learning. Because of the financial problems of the country, the resources devoted by the State to these institutions are insufficient and there is very little possibility for expanding facilities and hiring new teaching staff. The salaries of the existing staff are very low, taking into account the qualifications that are needed in order to obtain a university teaching position. As a result, several members of the teaching staff devote a large part of their time to other jobs. This practice has been supported by the Government which appoints members of the teaching staff to high-level positions, without requiring them to get a leave of absence from their university jobs.

The above phenomena, in combination with the prevailing tenure system for the teaching staff, the monopoly privileges of the universities and a highly bureaucratic system of administration perpetuate the problems of the system and limit the possibilities for its modernisation. Many reports, articles etc. with suggestions and proposals for reforms have been published but change is very slow to come. The powers that have been given to student unions through legislation and their strong links with political parties, the low participation of students in student elections and a general tendency on the part of the Government and the tertiary-education authorities to avoid student unrest or displease the teaching staff, have created a situation in which change seems very difficult.

Some observers argue that the elimination of the state monopoly in the provision of higher education and the permitting of private universities will create competition and bring needed changes. Others contend that such a change will commercialise higher education and downgrade its quality even further.

Institutions of higher education in Greece have insufficient links with business and commerce and this is another issue that has been discussed extensively. Recently, in some institutions career offices and offices for creating links with enterprises were created, with the use of money from the Second Community Support Framework. These innovations are expected to promote the relations of these institutions with enterprises and facilitate the placement of graduates.



ANNEX A

TABLES

Table 1
Population of Greece in urban, semi-urban and rural areas, 1995

Areas	Thousands			Percentages		
	1981	1991	1995	1981	1991	1995
Urban	5803.0	6436.0	6746.1	61.3	64.9	65.9
Athens		3455.9	3512.6		34.8	34.3
Thessaloniki		823.4	925.9		8.3	9.0
Remaining		2156.7	2307.7		21.7	22.5
Semi-urban	994.5	1076.7	1177.4	10.5	10.9	11.5
Rural	2673.7	2406.4	2314.4	28.2	24.3	22.6
T o t a l	9471.1	9919.0	10238.0	100.0	100.0	100.0

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 2
Age distribution of population

Age groups	Population (thousands)			Percentage of population		
	1981	1991	1995	1981	1991	1995
0 - 13	2003.3	1623.0	155.3	21.2	16.4	15.2
14	163.8	153.4	147.1	1.7	1.5	1.4
15 - 19	726.1	739.0	732.0	7.7	7.5	7.1
20 - 24	541.3	664.8	650.1	5.7	6.7	6.3
25 - 29	607.2	625.5	701.0	6.4	6.3	6.8
30 - 44	1868.0	1996.2	2090.5	19.7	20.1	20.4
45 - 64	2275.3	2612.4	2601.1	24.0	26.3	25.4
65 +	1286.2	1504.5	1763.7	13.6	15.2	17.2
T o t a l	9471.2	9919.0	10238.0	100.0	100.0	100.0

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 3
Percentage population change by age, 1981-1991 and 1991-1995

Age groups	Country		Urban areas								Semi-urban areas		Rural areas	
			Total		Athens		Thessaloniki		Remaining					
	1981-91	1991-95	1981-91	1991-95	1981-91	1991-95	1981-91	1991-95	1981-91	1991-95	1981-91	1991-95	1981-91	1991-95
0 - 24	-7.4	-3.1	-0.8	-1.8		-6.9		6.8		2.5	-7.8	4.5	-23.8	-11.5
0 - 13	-19.0	-4.3												
14	-6.3	-4.1												
15 - 19	1.8	-0.9												
20 - 24	22.8	-2.2												
25 - 29	3.0	12.1	8.6	12.1		10.2		10.3		16.1	-0.6	22.7	-13.3	6.1
30 - 44	6.9	4.7	12.8	6.1		1.4		13.5		10.9	9.3	9.0	-11.1	-2.7
45 - 64	0.1	-0.4	20.8	2.8		-0.3		11.7		4.4	28.7	-0.4	-1.0	-7.8
65 +	17.0	17.2	28.0	20.2		21.6		31.5		13.5	22.4	34.1	2.4	8.1
T o t a l	4.7	3.2	10.9	4.8		1.6		12.4		7.0	8.3	9.4	-10.0	-3.8

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 4
Size and growth of the labour force in urban, semi-urban and rural areas, 1981-1991 and 1991-1995

Areas	Size in thousands			Percent changes	
	1981	1991	1995	1981-91	1991-95
Urban	2039.4	2457.3	2732.3	20.5	11.2
Athens	1154.6	1330.1	1429.3	15.2	7.5
Thessaloniki	252.4	321.6	371.6	27.4	15.5
Remaining	632.3	805.6	931.4	27.4	15.6
Semi-urban	380.6	432.9	485.7	13.7	12.2
Rural	1257.8	1043.3	1030.6	-17.1	-1.2
T o t a l	3677.8	3933.5	4248.5	7.0	8.0

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 5**Size and growth of the labour force by age and gender, 1981-1995**

Age groups	Total					Men					Women				
	Size in thousands			Percent change		Size in thousands			Percent change		Size in thousands			Percent change	
	1981	1991	1995	1981-91	1991-95	1981	1991	1995	1981-91	1991-95	1981	1991	1995	1981-91	1991-95
14 - 24	467.7	546.0	526.0	16.7	-3.7	255.6	297.0	279.0	16.2	-6.1	212.0	249.1	247.0	17.5	-0.8
14	13.3	6.0	4.0	-54.9	-33.3	8.5	4.6	3.5	-45.9	-23.9	4.8	1.4	0.5	-70.8	-64.3
15 - 19	181.3	139.7	118.1	-22.9	-15.5	108.3	77.0	60.4	-28.9	-21.6	72.9	62.7	57.6	-14.0	-8.1
20 - 24	273.1	400.3	404.0	46.6	0.9	138.8	215.4	215.1	55.2	-0.1	134.3	185.0	188.7	37.8	2.0
25 - 29	398.7	469.9	556.6	17.9	18.5	266.5	282.6	312.1	6.0	10.4	132.2	187.3	244.5	41.7	30.5
30 - 44	1274.1	1476.3	1634.2	15.9	10.7	883.5	928.3	989.0	5.1	6.5	390.5	548.1	645.2	40.4	17.7
45 - 64	1345.8	1334.9	1402.9	-0.8	5.1	956.4	945.2	955.7	-1.2	1.1	389.4	389.7	447.2	0.1	14.8
65 +	191.6	106.4	128.9	-44.5	21.1	143.1	74.5	92.6	-47.9	24.3	48.5	31.9	36.3	-34.2	13.8
Total	3677.8	3933.5	4248.5	7.0	8.0	2505.1	25276	2628.3	0.9	4.0	1172.7	1406.0	1620.2	19.9	15.2

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 6
Educational composition of the labour force, 1991, 1995

	1991			1995		
	Total	Men	Women	Total	Men	Women
Post-graduate studies	0.6	0.7	0.5	0.3	0.4	0.3
University graduates	11.8	10.8	13.6	13.0	11.7	15.1
Have attended universities or are currently students	0.6	0.6	0.8	0.1	0.1	0.1
TEI graduates	5.7	5.6	5.8	7.5	6.7	8.7
Completed upper-secondary school (Lykeio)	24.6	23.0	27.3	27.9	26.9	29.5
Completed lower-secondary school (Gymnasio)	9.1	10.5	6.6	9.4	10.9	6.9
Elementary school	40.5	42.6	36.7	36.6	38.8	32.9
Less than elementary	5.5	5.0	6.5	3.8	3.3	4.5
No schooling	1.5	1.1	2.3	1.4	1.0	2.1
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: National Statistical Service of Greece, *Labour Force Survey*, 1991, 1995 (unpublished for 1995).

Table 7
Labour force participation rates by gender and age

Age groups	1981			1991			1995		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
A. Working-age population (15-64)									
15 - 19	25.0	30.2	19.8	18.9	21.4	16.5	16.1	17.1	15.2
20 - 24	50.5	65.0	41.0	60.2	68.3	52.9	62.1	70.6	54.6
25 - 29	65.7	93.9	40.9	75.1	92.3	58.7	79.4	94.3	66.1
30 - 44	68.2	97.0	40.8	74.0	96.5	53.0	78.2	97.3	60.1
45 - 64	59.1	86.2	33.4	51.1	73.9	29.2	53.9	76.0	33.3
Labour force participation of population aged 15-64	57.7	81.8	35.6	57.6	76.0	40.2	60.8	77.6	45.1
B. Other age groups									
14	8.1			3.9			2.7		
65 +	14.9	24.8	6.8	7.1	11.0	3.9	7.3	11.7	3.7
Labour force participation of population 14 years old and over	49.2	70.8	29.8	47.4	63.5	32.6	48.9	63.6	35.6

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 8
Industrial structure of employment

Sectors and industries	Employment (thousands)				Percent of employment				Change of employment			
	1981-91		1993-95		1981-91		1993-95		1981-91		1993-95	
	1981	1991	1993	1995	1981	1991	1993	1995	Absolute figures (thousands)	Percent	Absolute figures (thousands)	Percent
<i>Primary sector</i>	1083.5	806.5	793.9	781.9	30.7	22.2	21.3	20.4	-277.0	-25.6	-12.0	-1.5
<i>Secondary sector</i>	1022.8	1000.6	899.9	887.1	29.0	27.5	24.2	23.2	22.2	-2.2	-12.8	-1.4
Mining	19.2	19.3	19.3	15.6	0.5	0.5	0.5	0.4	-0.1	0.5	-3.7	-19.4
Manufacturing	680.7	699.0	579.6	577.7	19.3	19.2	15.6	15.1	18.3	2.7	-1.8	-0.3
Electricity, gas, water	30.3	36.6	39.6	41.5	0.9	1.0	1.1	1.1	6.3	20.8	1.9	4.8
Construction	292.6	245.7	261.4	252.3	8.3	6.8	7.0	6.6	-46.9	-16.0	-9.1	-3.5
<i>Tertiary sector</i>	1421.9	1825.3	2026.4	2154.8	40.3	50.3	54.5	56.4	403.4	28.4	128.4	6.3
Trade, restaurants, hotels	527.8	660.4	791.5	848.7	14.9	18.2	21.3	22.2	132.6	25.1	57.2	7.2
Transportation, communication, storage	273.8	252.4	248.9	248.0	7.8	6.9	6.7	6.5	-21.4	-7.8	-0.9	-0.4
Finance, insurance, real estate	116.6	192.7	220.8	241.0	3.3	5.3	5.9	6.3	76.1	65.3	20.2	9.1
Other services	503.7	719.8	765.2	817.1	14.3	19.8	20.6	21.4	216.1	42.9	51.9	6.8
T o t a l	3530.9	3632.4	3720.2	3823.8	100.0	100.0	100.0	100.0	101.5	2.9	103.6	2.8

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 9
Eurostat employment estimates

	Employment (thousands)			Change 1991-1995	
	1985	1991	1995	Absolute figures (thousands)	Percent
Employment in agriculture	1037.3	806.5	780.5	-26.0	-3.2
Employment in industry	921.3	933.3	886.6	-46.7	-5.0
Employment in services	1629.6	1892.2	2153.9	261.7	13.8
Total employment	3588.2	3632.0	3821.0	189.0	5.2

Source: European Commission, DG V.

Table 10
Distribution and sectoral shares of female employment

Sectors and industries	Employment (thousands)				Percent of employment				Percentage change in women's employment	
	1981	1991	1993	1995	1981	1991	1993	1995	1981-91	1993-95
Primary sector	461.1	327.3	330.3	327.8	41.6	26.7	25.4	23.9	-29.0	-0.8
Secondary sector	201.2	216.5	193.6	191.0	18.2	17.7	14.9	13.9	7.6	-1.3
Mining	0.1	1.6	1.3	0.6	0.0	0.1	0.1	0.0	1500.0	-54.6
Manufacturing	194.8	207.2	181.7	180.3	17.6	16.9	14.0	13.1	6.4	-0.8
Electricity, gas, water	4.2	4.8	6.7	7.2	0.4	0.4	0.5	0.5	14.3	7.3
Construction	2.1	2.9	3.8	2.9	0.2	0.2	0.3	0.2	38.1	-23.7
Tertiary sector	444.7	681.8	776.8	852.7	40.2	55.6	59.7	62.2	53.3	9.8
Trade, restaurants, hotels	168.9	248.5	287.5	313.5	15.3	20.3	22.1	22.9	47.1	9.0
Transportation, communication, storage	26.4	27.1	31.3	32.3	2.4	2.2	2.4	2.4	2.7	3.3
Finance, insurance, real estate	38.5	76.4	88.2	98.6	3.5	6.2	6.8	7.2	98.4	11.8
Other services	210.9	329.8	369.9	408.3	19.0	26.9	28.4	29.8	36.4	10.4
All sectors	1107.5	1225.7	1300.7	1371.6	100.0	100.0	100.0	100.0	10.7	5.5

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 11
Age structure of employment by gender

Age groups	Absolute figures (thousands)									Percentages								
	1981			1991			1995			1981			1991			1995		
	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women
14	12.7	8.2	4.5	4.2	3.2	0.9	3.3	3.1	0.2	0.4	0.3	0.4	0.1	0.1	0.1	0.1	0.1	0.1
15 - 19	158.7	98.2	60.5	101.7	63.4	38.3	76.1	46.8	29.3	4.5	4.4	5.5	2.8	2.7	3.1	2.0	1.9	2.1
20 - 24	231.7	122.3	109.4	306.4	179.7	126.7	289.7	172.5	117.2	6.6	5.0	9.9	8.4	7.5	10.3	7.6	7.0	8.5
25 - 29	370.4	249.5	120.9	415.6	259.3	156.3	465.2	275.7	189.6	10.5	10.3	10.9	11.4	10.8	12.8	12.2	11.2	13.8
30 - 44	1242.0	863.0	379.0	1398.4	899.8	498.6	1519.8	941.6	578.2	35.2	35.6	34.3	38.5	37.4	40.7	39.7	38.4	42.2
45 - 64	1322.7	939.3	383.3	1300.6	927.4	373.2	1342.0	920.6	421.4	37.5	38.8	34.7	35.8	38.5	30.5	35.1	37.5	30.7
65 +	191.1	142.7	48.4	105.6	74.0	31.6	127.7	92.1	35.6	5.4	5.9	4.4	2.9	3.1	2.6	3.3	3.8	2.6
All age groups	3529.3	2423.3	1106.0	3632.4	2406.8	1225.7	3823.8	2452.2	1371.6	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: National Statistical Service of Greece, *Labour Force Survey*. 1981, 1991, 1995 (unpublished for 1995).

Table 12
Age structure of employment by sector, 1995
 (percentages)

Industrial Sector	14 - 19	20 - 24	25 - 29	30 - 44	45 - 64	65 +	All age groups
<i>Primary sector</i>	2.9	5.1	5.6	23.1	52.6	10.7	100.0
<i>Secondary sector</i>	2.5	8.5	12.6	41.9	33.6	0.9	100.0
Mining	0.0	6.4	8.3	53.8	30.8	0.3	100.0
Manufacturing	2.3	8.8	13.1	42.7	32.1	1.0	100.0
Electricity, gas, water	0.5	2.9	14.2	52.0	30.1	0.2	100.0
Construction	3.3	8.8	11.6	37.7	37.8	0.8	100.0
<i>Tertiary sector</i>	1.6	8.1	14.4	44.9	29.4	1.7	100.0
Trade, restaurants, hotels	2.9	11.6	15.3	38.6	29.2	2.4	100.0
Transportation, communication, storage	0.7	5.6	10.5	43.6	38.4	1.1	100.0
Finance, insurance, real estate	0.8	8.1	17.1	48.4	24.1	1.5	100.0
Other services	0.8	5.2	13.8	50.7	28.3	1.1	100.0
<i>All sectors</i>	2.1	7.6	12.2	39.7	35.1	3.3	100.0

Source: National Statistical Service of Greece, *Labour Force Survey*, 1995, (unpublished).

Table 13
Educational structure of employment by sector 1995
 (percentages)

Industrial Sector	Post-graduate studies	University graduates	Have university studies or are students	TEI graduates	Have completed Lykeio	Have completed Gymnasium	Have completed elementary education	Less than elementary or no schooling	All educational groups
<i>Primary sector</i>	0.0	0.5	0.0	0.5	6.2	5.6	67.7	19.4	100
<i>Secondary sector</i>	0.2	4.8	0.1	5.4	26.6	13.7	46.8	2.5	100
Mining	0.0	2.8	0.0	4.8	20.9	15.6	50.6	5.2	100
Manufacturing	0.2	5.8	0.2	6.2	29.0	14.1	42.3	2.3	100
Electricity, gas, water	0.5	11.0	0.1	12.1	49.1	9.6	17.1	0.4	100
Construction	0.0	1.7	0.0	2.5	17.6	13.2	61.6	3.3	100
<i>Tertiary sector</i>	0.6	21.4	0.1	10.2	33.8	8.6	23.6	1.7	100
Trade, restaurants, hotels	0.1	6.0	0.2	6.5	37.9	12.5	34.1	2.6	100
Transportation, communication, storage	0.2	5.6	0.2	12.3	37.6	10.3	32.1	1.6	100
Finance, insurance, real estate	1.3	41.0	0.3	12.4	36.6	3.1	4.9	0.3	100
Other services	0.9	36.3	0.1	12.7	27.6	5.5	15.6	1.3	100
<i>All sectors</i>	0.4	13.3	0.1	7.1	26.5	9.2	38.0	5.5	100

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 14
Occupational structure of employment ¹
(percentages)

Professional Categories	1981	1991	Professional Categories	1995
Scientists, professional personnel	9.7	12.9	Members of boards etc.	10.1
Managers, higher administrative staff	2.1	1.7	Persons with scientific professions	11.2
Office workers	8.9	11.7	Technical, professional staff	5.6
Merchants, sales personnel	9.7	12.0	Office workers	10.2
Service workers	7.8	9.2	Service workers	11.7
Farmers, animal raisers etc.	30.7	22.3	Farmers, cattle raisers etc.	19.9
Technicians and workers	30.5	29.5	Specialised technicians	16.8
Not classified	0.6	0.7	Operatives	7.1
T o t a l	100	100	Unskilled workers	6.4
			Non-classified workers	1.0
			T o t a l	100.0

¹ The professional categories changed between 1991 and 1995.

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 15
Distribution of employment and changes by type of area and gender
(percentages)

Areas	Distribution of employment			Changes					
				1981 - 1991			1991 - 1995		
	1981	1991	1995	Total em- ployment	Men's em- ployment	Women's employment	Total em- ployment	Men's em- ployment	Women's employment
Urban	54.3	61.2	62.8	16.0	6.6	40.7	8.0	3.8	16.5
Athens	30.6	32.9	32.9	10.9	1.1	35.4	5.2	0.9	13.3
Thessaloniki	6.6	8.1	8.6	26.9	11.3	69.2	11.3	9.6	14.3
Remaining	17.1	20.1	21.3	20.9	14.3	39.6	11.4	6.1	23.6
Semi-urban	10.5	11.2	11.6	9.7	7.9	14.3	8.9	5.4	17.0
Rural	35.2	27.6	25.6	-19.3	-16.8	-23.3	-2.3	-4.1	0.8
T o t a l	100.0	100.0	100.0	2.9	-0.7	10.8	5.3	1.9	11.9

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 16
Regional employment changes, 1991-1995
 (percentages)

Regions	Employment in thousands		Percent change in employment 1991-1995
	1991	1995	
Eastern Macedonia & Thrace	234.5	232.2	-1.0
Central Macedonia	620.0	679.8	9.6
Western Macedonia	97.2	101.2	4.1
Epirus	96.9	105.2	8.6
Thessaly	251.4	256.9	2.2
Ionian Islands	71.5	76.0	6.3
Western Greece	216.9	219.4	1.2
Central Greece	179.4	166.6	-7.1
Attica	1315.6	1401.9	6.6
Peloponnese	210.5	220.3	4.7
North Aegean	61.3	54.7	-10.8
South Aegean	83.2	98.7	18.6
Crete	194.1	210.9	8.7
Total of Greece	3632.4	3823.8	5.3

Source: National Statistical Service of Greece, *Labour Force Survey*, 1991, 1995 (unpublished for 1995).

Table 17
Sectoral distribution of employment across types of areas, 1991 & 1995
 (percentages)

Sectors	Urban Areas		Athens		Thessaloniki		Remaining urban areas		Semi-urban areas		Rural areas		All areas	
	1991	1995	1991	1995	1991	1995	1991	1995	1991	1995	1991	1995	1991	1995
<i>Primary sector</i>	6.7	7.1	0.4	0.4	0.3	0.3	5.9	6.4	15.6	15.6	77.8	77.4	100	100
<i>Secondary sector</i>	73.0	72.7	37.0	36.7	11.4	11.3	24.6	24.6	10.7	11.8	16.3	15.5	100	100
Mining	21.8	37.2	5.7	8.1	0.5	3.4	15.5	25.4	26.9	23.7	50.8	39.4	100	100
Manufacturing	77.8	77.8	41.1	41.4	13.5	13.9	23.2	22.5	9.0	10.7	13.2	11.4	100	100
Electricity etc.	71.3	77.1	34.4	39.8	4.6	4.7	32.2	32.6	14.5	9.4	14.2	13.6	100	100
Construction	63.6	62.3	28.3	27.3	7.4	6.8	27.8	28.1	13.7	14.0	22.6	23.7	100	100
<i>Tertiary sector</i>	78.8	79.0	45.1	43.2	9.7	10.5	24.0	25.3	9.5	10.0	11.7	11.0	100	100
Trade, hotels etc.	73.1	71.8	39.4	35.5	9.7	10.3	23.9	26.0	10.7	12.2	16.3	16.0	100	100
Transportation etc.	76.3	78.5	47.2	48.2	7.3	8.5	21.9	21.1	10.3	9.9	13.4	11.6	100	100
Finance etc.	89.9	90.1	57.3	57.9	11.5	12.4	21.1	19.8	6.1	6.2	4.0	3.7	100	100
Other services	82.0	83.3	46.2	45.0	10.1	10.7	25.6	27.6	9.0	8.8	9.0	7.9	100	100
<i>All sectors</i>	61.2	62.8	32.9	32.9	8.1	8.6	20.1	21.3	11.2	11.6	27.6	25.6		

Source: National Statistical Service of Greece, *Labour Force Survey*, 1991 and 1995 (unpublished for 1995).

Note: In 1992 there were some changes in the sectoral classification of employment, the most important of which was the transfer of repair services from the secondary to the tertiary sector.

Table 18
Average hours of work by gender
(percentages of employed)

Employed persons who during the week worked on average:	All workers		Men		Women	
	1991	1995	1991	1995	1991	1995
Less than 15 hours	3.1	3.9	2.4	2.8	4.6	6.0
15 - 24 hours	5.6	6.1	4.2	4.4	8.5	9.3
25 - 34 hours	9.0	9.7	7.3	7.8	12.4	13.2
35 - 39 hours	11.9	10.9	11.2	9.9	13.4	12.8
40 - 47 hours	39.6	37.8	39.9	38.4	39.0	36.7
More than 47 hours	30.7	31.5	35.1	36.7	22.1	22.2
All employed persons	100.0	100.0	100.0	100.0	100.0	100.0

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 19
Average hours of work by sector
(percentages employed)

Sectors	< 15		15 - 24		25 - 34		35 - 39		40 - 47		> 47	
	1991	1995	1991	1995	1991	1995	1991	1995	1991	1995	1991	1995
Primary sector	5.9	8.0	10.6	12.3	11.0	10.6	6.8	6.6	20.3	18.6	45.4	43.9
Secondary sector	1.8	1.8	2.6	3.3	5.6	7.1	6.3	5.7	60.0	57.8	23.8	24.3
Mining	2.1	2.2	0.5	0.8	5.7	7.3	3.1	8.1	73.1	66.4	16.1	15.2
Manufacturing	1.6	1.4	1.5	2.1	4.9	6.2	3.4	2.8	63.1	61.7	25.5	25.8
Electricity etc.	2.2	0.9	0.3	0.5	8.5	13.4	33.6	31.9	52.2	50.8	3.3	2.4
Construction	2.3	2.8	6.4	6.7	7.1	8.0	10.5	7.8	51.2	49.7	22.5	25.0
Tertiary sector	2.6	3.3	5.1	5.0	10.0	10.5	17.4	14.7	36.9	36.5	28.0	30.0
Trade, hotels etc.	1.4	1.6	2.2	2.3	4.1	4.3	3.7	3.9	42.1	39.5	46.4	48.3
Transportation etc.	2.5	2.4	1.6	2.3	5.0	5.6	16.2	12.1	38.3	37.9	36.3	39.7
Finance etc.	2.1	2.4	3.2	2.6	9.1	9.1	18.9	15.1	47.2	49.7	19.6	21.1
Other services	3.8	5.6	9.5	9.4	17.4	18.9	29.8	26.5	29.0	29.0	10.5	10.6
All sectors	3.1	3.9	5.6	6.1	9.0	9.7	11.9	10.9	39.6	37.8	30.7	31.5

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 20
Structure of employment by status and gender
(percentages)

Employment status	All employed persons		Men		Women	
	1991	1995	1991	1995	1991	1995
Employers	6.3	6.4	8.3	8.7	2.4	2.3
Self-employed	28.9	27.3	34.6	33.5	17.7	16.4
Dependent employment	53.1	53.9	52.4	52.6	54.7	56.2
Assistants without payment in family businesses	11.7	12.4	4.8	5.3	25.2	25.1
T o t a l	100.0	100.0	100.0	100.0	100.0	100.0

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 21
Structure of employment by status and sector, 1995
 (percentages)

Sectors	Employers	Self-employed	Workers on salary or wages	Assistants without payment in family businesses
Primary sector	2.8	54.3	5.0	37.8
Secondary sector	9.5	16.4	68.6	5.4
Mining	3.1	2.4	93.6	0.9
Manufacturing	9.5	14.8	68.8	6.9
Electricity etc.	0.3	0.1	99.7	0.0
Construction	11.6	23.9	61.5	3.0
Tertiary sector	6.4	22.0	65.5	6.0
Trade, hotels etc.	11.0	34.0	41.7	13.3
Transportation etc.	3.3	23.1	72.2	1.4
Finance etc.	8.1	26.0	63.4	2.5
Other services	2.2	8.1	88.9	0.9
All sectors	6.4	27.3	53.9	12.4

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 22
Number of persons employed in the public sector, 1995

Year	Number in thousands	Percentage change since preceding year
1991	775.2	
1992	789.5	14.3
1993	800.2	10.7
1994	820.5	20.3
1995	825.4	4.9

Source: National Statistical Service of Greece, *Labour Force Survey*, 1991 to 1995 (unpublished data for 1992 to 1995).

Table 23
Unemployment rates by gender and age
 (percentages)

Age groups	1981			1991			1995		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
14 - 24	13.8	10.5	17.7	24.5	17.0	33.4	29.8	20.3	40.6
14	3.8	3.5	6.3	30.0	30.4	28.6	17.5	11.4	60.0
15 - 19	12.5	9.3	17.1	27.2	17.7	38.9	35.6	22.5	49.1
20 - 24	15.1	11.9	18.5	23.5	16.5	31.5	28.2	19.8	37.9
25 - 29	7.1	6.4	8.5	11.6	8.2	16.6	16.4	11.7	22.5
30 - 44	2.5	2.3	2.9	5.3	3.1	9.0	7.0	4.8	10.4
45 - 64	1.7	1.8	1.6	2.6	1.9	4.2	4.3	3.7	5.8
64 +	0.3	0.3	0.2	0.8	0.7	0.9	0.9	0.5	1.9
All age groups	4.0	3.3	5.7	7.7	4.8	12.8	10.0	6.7	15.3

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 24
Unemployment rates according to Eurostat data
 (percentages)

	1991			1995		
	Total	Men	Women	Total	Men	Women
Unemployment rate (yearly average)	7.0	4.4	11.8	9.1	6.2	13.8
Youth unemployment rate (0-24)	22.9	16.0	31.3	27.9	19.4	37.7

Source: European Commission, DG V.

Table 25
Unemployment rates by educational level
 (percentages)

Level of education	Unemployment rates		
	1981	1991	1995
Post-graduate studies	–	6.8	5.4
University graduates	4.3	6.4	8.3
Have attended university or are currently students	22.6	30.4	9.3
TEI graduates	–	10.4	14.4
Completed upper-secondary school (Lykeio)	8.6	12.6	14.5
Completed lower-secondary school (Gymnasio)	6.1	9.7	12.4
Elementary school	2.6	4.6	6.5
Less than elementary or no schooling	1.7	3.5	4.2
All educational groups	4.0	7.7	10.0

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 26

Unemployment for more than 12 months

	Number in thousands		Percent of unemployed	
	1991	1995	1991	1995
Men	44.4	75.7	36.8	43.0
Women	95.9	147.0	53.2	59.1
Total	140.3	222.7	46.6	52.4

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 27

**Share of long-term unemployment according to Eurostat data
(percentages)**

	1991	1995
Men	19.86	51.22
Women	22.84	57.82
Total	21.65	51.22

Source: European Commission, DG V.

Table 28

Distribution of long-term unemployment by age

Age groups	Percentage of the long-term unemployed	
	1991	1995
14	0.4	0.2
15 - 19	10.3	8.6
20 - 24	31.2	26.6
25 - 29	19.8	24.9
30 - 44	27.2	26.3
45 - 64	11.1	13.0
64 +	0.1	0.4
All age groups	100.0	100.0

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 29**Shares in long-term unemployment of men and women
(percentages)**

	1981	1991	1995
Men	38.5	31.7	34.0
Women	61.5	68.4	66.0
Total	100.0	100.0	100.0

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 30**New entrants among the unemployed and the long-term unemployed**

	1991			1995		
	Total	Men	Women	Total	Men	Women
Number of unemployed (<i>thousands</i>)	301.1	120.8	180.3	424.7	176.1	248.6
Number of unemployed who were new entrants into the labour market (<i>thousands</i>)	157.6	53.2	104.4	194.3	63.8	130.5
Percentage of new entrants among the unemployed	52.3	44.0	57.9	45.7	36.2	52.5
Number of chronically unemployed (<i>thousands</i>)	140.2	44.4	95.9	222.6	75.7	147.0
Number of chronically unemployed who were new entrants into the labour market (<i>thousands</i>)	91.1	25.2	65.9	126.8	34.8	92.0
Percentage of new entrants among the chronically unemployed	65.0	56.8	68.7	57.0	46.0	62.6

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 31**Unemployment rates by type of area and gender**

Areas	1981			1991			1995		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
Urban	6.0	4.6	9.7	9.5	5.9	16.1	12.1	8.3	18.2
Athens	6.5	5.1	10.0	10.1	6.3	16.4	11.9	8.7	16.9
Thessaloniki	8.0	5.9	13.3	8.4	5.8	12.6	11.7	7.9	17.6
Other	4.3	3.1	7.5	9.2	5.2	17.2	12.5	7.8	20.6
Semi-urban	2.8	2.2	4.3	6.2	4.0	11.1	9.0	5.3	15.9
Rural	1.2	1.2	1.1	3.8	2.6	5.9	4.9	3.3	7.5
All areas	4.0	3.3	5.7	7.7	4.8	12.8	10.0	6.7	15.3

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 32**Shares of long-term unemployment and unemployment of new entrants
by type and area**

Areas	Share of Chronic Unemployment			Percent of the unemployed who were new entrants		
	1981	1991	1995	1981	1991	1995
Urban	20.2	44.9	52.0	26.4	48.6	43.1
Athens	21.0	41.5	51.0	23.1	41.3	42.1
Thessaloniki	20.8	42.2	42.8	29.2	51.5	37.7
Other	17.6	52.1	56.7	33.3	60.8	46.6
Semi-urban	21.5	50.6	52.2	34.6	59.1	53.5
Rural	27.2	53.9	55.5	46.9	70.1	56.5
All areas	21.0	46.6	52.4	29.0	52.3	45.7

Source: National Statistical Service of Greece, *Labour Force Survey*, 1981, 1991, 1995 (unpublished for 1995).

Table 33**Unemployment rates by region, 1995**

Regions	Labour force (thousands)	Unemployed (thousands)	Unemployment rate
T o t a l	4248.5	424.7	10.0
Eastern Macedonia & Thrace	258.7	26.6	10.3
Central Macedonia	756.1	76.4	10.1
Western Macedonia	119.3	18.1	15.2
Epirus	114.7	9.5	8.3
Thessaly	282.1	25.2	8.9
Ionian Islands	80.9	4.8	5.9
Western Greece	243	23.5	9.7
Eastern Greece	184.6	18.1	9.8
Attica	1587.6	185.7	11.7
Peloponnese	237.7	17.4	7.3
North Aegean	58	3.2	5.5
South Aegean	10.4	5.5	5.3
Crete	221.6	10.7	4.8

Source: National Statistical Service of Greece, *Labour Force Survey*, 1995, unpublished data.

Table 34
Changes in employment by sector
(thousands)

	1981 - 1992	1993 - 1995
TOTAL	155.2	103.6
Primary Sector	-276.2	-12.0
Secondary Sector	-22.8	-12.8
Mining, quarrying	-0.9	-3.7
Manufacturing	18.1	-1.9
Electricity, water, gas	6.3	1.9
Construction	-46.3	-9.1
Tertiary Sector	455.9	128.5
Commerce, hotels, catering	159.5	57.2
Transportation, communication, storage	-23.6	-0.9
Banking, insurance, real estate	84.0	20.1
Other services	236.0	52.1
Not declared	-1.6	

Source: ESYE, *Labour Force Survey*, 1981, 1992, 1993, 1995 (unpublished for 1993 and 1995).

Table 35
Employment gains and losses in manufacturing firms according to size
(number of posts)

Size on the basis of number of employees	Annual change in employment				Average annual change 1988-92
	1988 - 89	1989 - 90	1990 - 91	1991 - 92	
10 - 19	2174	1402	-774	1068	968
20 - 29	151	66	-1306	-278	-352
30 - 49	802	660	-2273	-231	-261
50 - 99	753	1521	-3297	201	-206
100 and more	-3837	-8952	-12125	-10624	-8885
20 and more	-2120	-6712	-18997	-10923	-9688
10 and more	41	-5298	-19769	-9847	-8718

Source: KEPE (1996a), p. 254.

Table 36
Employment gains and losses by region and sector, 1988 - 1991

Regions	Change of Employment 1988 - 1991	Average Annual Rate of Change (%) (1988-1991)		
		All Sectors	Secondary	Tertiary
Eastern Macedonia & Thrace	5,146	0.7	1.1	4.9
Central Macedonia	-6,539	-0.3	-0.2	3.2
Western Macedonia	3,056	1.1	-0.5	8.0
Epirus	-17,938	-5.5	1.9	-3.4
Thessaly	-13,095	-1.7	0.7	0.6
Ionian Islands	-7,003	-3.1	9.3	0.9
Western Greece	-27,910	-3.7	3.2	3.5
Central Greece	-2,569	-0.5	-2.3	1.1
Attica	61,397	1.6	-0.4	2.9
Peloponnese	-11,293	-1.7	2.2	2.5
North Aegean	-6,068	-3.2	-5.2	1.9
South Aegean	-563	-0.2	1.4	1.6
Crete	-3,456	-0.6	0.9	0.8
Total of Greece	-26,835	-0.2	0.1	2.6

Source: KEPE (1996b), p. 21.

Table 37
Employment gains and losses in manufacturing

Manufacturing industries		Changes in employment in 1980 - 1992	Expected changes in employment	
			1992 - 1996	1996 - 1998
20	Food	1527	-776	-50
21	Beverages	-1195	-434	-81
22	Tobacco	1176	364	187
23	Textiles	-25786	-9258	-3913
24	Clothing and Footwear	-1732	-730	-360
25	Timber	-2661	-73	-1
26	Furniture	-96	-77	-38
27	Paper	-627	-225	-110
28	Printing and publishing	405	128	65
29	Hides and furs	-1580	-394	-228
30	Rubber and plastic	-3925	-183	179
31	Chemicals	-380	-184	-92
32	Petroleum products and coal	818	-341	0
33	Non-metallic mineral products	-2886	2329	0
34	Metallurgical industries	-2039	-616	-291
35	Metal products	-7463	-1136	-822
36	Machinery and equipment	-2213	-657	-306
37	Electrical machinery and equipment	-5009	-1261	-759
38	Transport equipment	-5383	-1436	-719
39	Other	-703	-97	-95
20-39	Total of Major Industry	-59746	-15057	-7434
20-39	Total of Small Industry	100504	18000	14014
MANUFACTURING		40758	2943	6580

Source: Estimates on the basis of data from the ESYE *Annual Industry Surveys* and projections made by KEPE (1996a), p.253.

Table 38
Employment in Greece by one-digit occupation, 1981, 1991 and 2000

Occupation	Number of employed persons			Change of employment		Occupational structure of employment (%)			Change of employment %
	1981	1991	2000	1981 - 1991	1991 - 2000	1981	1991	2000	1991 - 2000
Professional and Technical Workers	340,900	468,849	556,300	127,949	87,451	9.7	13.0	14.3	18.6
Administrative and Managerial Workers	73,700	60,321	99,500	-13,379	39,179	2.1	1.7	2.6	64.9
Clerical and Related Workers	313,800	425,408	480,600	111,608	55,192	9.0	11.8	12.4	13.0
Sales Workers	343,900	434,495	444,300	90,595	9,805	9.8	12.0	11.4	2.3
Service Workers	274,500	334,996	444,800	60,496	109,804	7.8	9.3	11.5	32.8
Agricultural Workers	1,075,900	810,235	753,600	-274,065	-56,635	30.9	22.5	19.4	-7.0
Production and Related Workers	1,075,900	1,073,216	1,105,300	-2,684	32,084	30.7	29.7	28.4	3.0
All Occupations	3,507,000	3,607,520	3,884,400	100,520	276,880	100.0	100.0	100.0	7.7

Source: KEPE (1996b).

Table 39
Balance of labour requirements and new labour force, by region, 1991-2000

Regions	Labour Requirements (1991-2000)			New entry in the labour force (1991-2000)	Labour shortages (5) = (4)-(3)	Number of Unemployed, 1991 (6)	Unemployed or unfilled positions (-) in 2000 (7)=(6)=(5)	2000	
	New jobs	Replac- ement	Total labour requirements					Labour Force	Employment
	(1)	(2)	(3)					(4)	(5)
Eastern Macedonia & Thrace	6,802	34,627	41,429	32,419	-9,010	13,428	4,418	242,667	238,249
Central Macedonia	40,371	107,265	147,636	66,473	-81,163	39,783	-41,380	615,767	657,147
Western Macedonia	5,720	16,320	22,040	16,951	-5,089	8,330	3,241	106,048	102,807
Epirus	5,889	15,481	21,370	13,979	-7,391	10,484	3,093	105,351	102,258
Thessaly	10,733	39,571	50,304	33,175	-17,129	18,527	1,398	261,671	260,273
Ionian Islands	4,728	11,600	16,328	8,807	-7,521	2,729	-4,792	71,315	76,107
Western Greece	11,117	36,764	47,881	33,588	-14,293	22,548	8,255	252,395	244,140
Central Greece	6,845	28,180	35,025	2,512	-12,513	14,003	1,490	188,794	187,304
Attica	156,224	261,209	417,433	159,046	-258,387	141,968	-116,419	1,325,922	1,442,341
Peloponnese	6,782	33,917	40,699	26,305	-14,394	12,495	-1,899	214,856	216,755
North Aegean	5,045	10,635	15,680	9,220	-6,460	5,960	-500	63,932	64,432
South Aegean	8,871	16,466	25,337	12,784	-12,553	3,088	-9,465	81,988	91,453
Crete	7,750	28,503	36,253	29,791	-6,462	8,043	1,581	202,715	201,134
Total of Greece	276,877	640,538	917,415	465,050	-452,365	301,386	-150,979	3,733,421	3,884,400

Source: KEPE (1996b).

Table 40**Monthly new hirings and job losses, in 1994-1995**

		New Hirings (persons)	Job Losses (persons)	
			Total	of which temporary jobs
1994	Jan	33328	22128	9735
	Feb	31264	11926	4065
	Mar	39343	11520	3444
	Apr	54014	11201	3775
	May	66738	16699	5273
	Jun	60405	23690	12017
	Jul	48953	17503	8524
	Aug	36044	14990	6990
	Sept	52338	20788	7621
	Oct	52117	34264	26614
	Nov	43448	44950	38588
	Dec	30183	26591	14033
1995	Jan	35343	22790	10299
	Feb	29732	12122	4506
	Mar	35809	11265	4048
	Apr	47107	10919	4285
	May	67441	12754	5015

Source: D. Athanasiadis and E. Kostakis (1995).

Table 41**Job losers in 1991 and 1995 by age, sex and type of activity
(percentages)**

	1991	1995	of whom						Total	
			under 25		25 - 45		over 45		1991	1995
			1991	1995	1991	1995	1991	1995		
Primary sector	2	3.3	16	9.6	48	54.6	36	35.8	100	100
Secondary sector	31	37.8	22	13.5	54	54.9	24	31.6	100	100
Services	67	58.9	20	17.6	59	62.0	21	20.4	100	100
Total	100	100.0								
Male	47	48.7	19	13.0	54	58.5	27	31.5	100	100
Female	53	51.3	22	18.4	60	62.4	18	19.2	100	100
Total	100	100								

Source: National Statistical Service of Greece, Labour Force Survey, 1991 and unpublished data for 1995.

Table 42**Risk rates of job losses by age and type of activity in Greece,
1986-87 and 1994-95**

Age Group	Risk Rate		Type of Economic Activity	Risk Rate	
	1986 -87	1994 - 95		1986 - 87	1994- 95
Total	1.0	1.0	Agriculture	2.2	0.13
Men	0.9	0.75	Industry	1.3	1.63
under 25	1.5	1.44	Energy & Water	0.9	0.25
25-44	0.9	1.12	Mining	0.8	1.50
over 45	0.8	0.75	Metal Maunfacturing	0.8	1.17
Women	1.2	1.45	Other Manucturing	1.3	
under 25	1.9	1.61	Construction	1.8	0.81
25-44	1.0	1.13	Services	0.8	1.06
over 45	1.0	0.58	Trade, Hotels, Catering	1.4	1.51
			Transport-Communication	1.7	1.12
			Banking-Insurance	0.6	0.28
			Public Administration	0.1	0.37
			Other Services	0.4	

Source: OECD, Employment Outlook, 1990, for 1986-87 and our estimates on the basis of data from the ESYE *Labour Force Survey* 1994 and 1995 (unpublished data).

Table 43**Employees seeking another job by activity, sex, age and reason, 1991 and 1995
(percentages)**

			Reasons for seeking a job :										Total
			Risk of losing current job		Job with limited duration		Seeking a second job		Seeking a better job		Other reason		
	1991	1995	1991	1995	1991	1995	1991	1995	1991	1995	1991	1995	
Agriculture	17.5	21.5	5.3	9.0	11.2	7.0	12.5	19.0	63.1	59.4	7.9	5.6	100
Industry	32.4	23.9	22.1	34.9	24.5	15.2	8.5	8.0	37.7	35.4	7.2	6.5	100
Services	50.1	54.6	20.9	28.1	19.3	13.7	9.4	10.6	39.5	37.8	10.9	9.8	100
	100	100											
Male	62.1	58.7	18.0	24.0	20.5	12.5	10.5	13.5	42.2	42.0	8.9	8.0	100
Female	37.8	41.3	19.8	28.0	18.3	12.8	8.2	9.3	43.9	41.7	9.8	8.2	100
	100	100											
Under25	35.5	30.2	16.2	25.8	18.8	10.3	4.5	5.7	50.8	52.6	9.7	5.6	100
25-45	54.0	58.6	20.5	25.3	19.0	14.3	12.1	13.3	40.5	38.8	7.9	8.3	100
Over 45	10.5	11.2	17.6	28.0	27.5	10.2	14.3	21.0	28.6	29.8	12.0	11.0	100
	100	100											

Source: National Statistical Service of Greece, Labour Force Survey, 1991 and unpublished data for 1995.

Table 44
Job search procedures by sex and age, 1991 and 1995
(percentages)

	Total		Male		Female		Under 25		25-45		Over 45	
	1991	1995	1991	1995	1991	1995	1991	1995	1991	1995	1991	1995
Enrolment in Public Employment Services	15.6	12.6	18.9	14.7	13.4	11.1	10.1	6.1	18.6	14.9	25.3	21.2
Enrolment in Private Employment Agencies	0.0	1.0	0.0	0.8	0.0	1.2	0.0	0.7	0.0	1.1	0.0	1.2
Through Newspaper	19.9	15.9	15.5	13.4	22.8	17.6	23.1	19.2	19.1	15.4	11.1	8.9
Direct Contact with Employers	32.8	32.6	35.4	36.5	31.0	29.9	35.6	33.9	29.9	30.7	33.8	35.6
Through Friends	23.6	25.1	21.8	22.8	24.8	26.7	23.7	28.3	23.1	22.9	25.6	24.1
All Others	8.1	12.8	8.4	11.8	8.0	13.5	7.5	11.8	9.3	15.0	4.2	9.0
	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: National Statistical Service of Greece, Labour Force Survey, 1991 and unpublished data for 1995.

Table 45
Unemployment and Vacancies Rates in Greece: 1980-1993

Year	Unemployment Rates (%)		Vacancy Rate
	Based on OAED data	Based on ESYE data	
1980	2.45	2.79	0.08
1981	2.75	4.04	0.08
1982	3.29	5.81	0.04
1983	3.92	7.85	0.02
1984	4.44	8.14	0.06
1985	5.22	7.81	0.15
1986	6.12	7.38	0.16
1987	6.78	7.37	0.15
1988	6.00	7.66	0.29
1989	6.45	7.46	0.63
1990	6.52	7.01	0.90
1991	8.48	7.65	1.01
1992	8.49	8.67	1.14
1993	8.19	9.67	0.49

Source: Manpower Employment Organisation (OAED) and National Statistical Service of Greece (ESYE), Labour Force Survey, 1980-1993.

Table 46**Percentage Change Over Preceding Year In Nominal And Real Wages,
Productivity, Unit Labour Costs, Minimum Wages And Prices**

	1989	1990	1991	1992	1993	1994	1995 ¹	1996	1997
TOTAL ECONOMY (excluding agriculture)									
• Total nominal wages and salaries	26.1	21.6	14.4	10.6	11.0	14.0	14.9		
• Nominal remuneration of employees per head	23.2	17.9	15.4	10.2	8.6	11.9	12.5	9.1 (11.1) ²	6.4 (9.6) ²
• Real remuneration of employees per head	9.6	-2.0	-4.3	-4.8	-5.1	1.1	3.2	1.8	1.7
• Labour productivity	3.5	-1.3	5.5	-1.0	-2.0	-0.4	1.1	1.3 (1.1) ²	1.7 (1.3) ²
• Unit labour costs									
- Ministry of National Economy estimates	19.0	19.5	9.3	11.3	10.7	12.3	11.3	7.7 (10.1) ²	4.7 (8.2) ²
- Bank of Greece estimates	21.5	21.6	11.0	10.2	12.1	12.3	12.6	9.6	
MANUFACTURING									
• Remuneration of employees									
- Hourly earnings of blue-collar workers									
- Nominal	20.5	19.4	16.7	13.7	10.5	13.1	13.6		
- Real	6.0	-0.8	-2.3	-1.8	-3.4	2.0	3.6		
- Weekly earnings of blue-collar workers									
- Nominal	20.7	19.3	16.7	13.7	10.5	13.2	13.7		
- Real	6.2	-0.9	-2.3	-1.8	-3.4	2.1	3.6		
- Monthly earnings of white-collar workers									
- Nominal	19.9	21.8	18.0	14.6	13.1	13.0	14.0		
- Real	5.5	1.2	-1.3	-1.0	-1.1	1.9	3.9		
- Labour productivity									
- Production per head	2.1	-1.3	5.6	3.9	3.0	4.1	1.5		
- Production per hour of work	2.0	-1.1	5.6	4.0	3.0	4.1	1.4		
- Unit labour costs	18.2	20.9	10.5	9.4	7.3	8.6	12.1		
ELECTRICITY-WATER (3) SUPPLY									
• Hourly earnings of blue-collar workers									
- Nominal		25.2	12.6	9.0	11.6	16.1	17.0		
- Real		4.0	-5.8	-5.9	-2.4	4.7	6.7		
• Weekly earnings of blue-collar workers									
- Nominal		26.8	13.2	9.4	12.4	15.3	17.2		
- Real		5.3	-5.3	-5.5	-1.7	4.0	6.8		
• Monthly earnings of white-collar workers									
- Nominal		20.3	20.3	11.3	6.8	11.0	12.0		
- Real		-0.1	0.7	-3.9	-6.6	0.1	2.1		

Table 46 (continued)

	1989	1990	1991	1992	1993	1994	1995 ¹	1996	1997
BANKS³									
• Monthly earnings of employees									
- Nominal	25.5 ⁴	19.9 ⁴	16.5 ⁴	1.4 ⁴	19.1 ⁴	17.5 ⁴	22.7 ⁴		
- Real	10.3 ⁴	-2.0 ⁴	-1.0 ⁴	-12.5 ⁴	7.2 ⁴	5.8 ⁴	11.6 ⁴		
INSURANCE COMPANIES³									
• Monthly earnings of employees									
- Nominal	23.8 ⁴	18.8 ⁴	14.9 ⁴	13.8 ⁴	16.2 ⁴	17.1 ⁴	17.8 ⁴		
- Real	8.8 ⁴	-2.9 ⁴	-2.3 ⁴	-1.8 ⁴	4.6 ⁴	5.4 ⁴	7.2 ⁴		
WHOLESALE TRADE³									
• Monthly earnings of employees									
- Nominal			17.5	16.4	15.1	15.3	16.5		
- Real			-1.7	0.5	0.6	4.0	6.2		
RETAIL TRADE³									
• Monthly earnings of employees									
- Nominal	16.0	15.6	14.8	16.4	12.0	13.3	13.0		
- Real	2.0	-4.0	-3.9	0.5	-2.1	2.2	3.0		
MINING AND QUARRYING³									
• Weekly earnings of blue-collar workers									
- Nominal	16.2	31.3	19.0	11.4	9.1	15.3	15.0		
- Real	2.2	9.1	-0.4	-3.8	-4.6	4.0	4.8		
• Monthly earnings of white-collar workers									
- Nominal	14.5	21.1	18.9	9.0	10.4	12.9	11.2		
- Real	0.7	0.6	-0.5	-5.9	-3.5	1.8	1.4		
MINIMUM WAGES AND SALARIES⁵									
• Daily wages for unskilled blue-collar workers									
- Nominal	18.9	17.1	14.4	11.3	12.0	12.6	9.4	7.8	Inflation rate plus two points
- Real	4.6	-2.7	-4.3	-3.9	-2.1	1.5	0.1		
PRIVATE CONSUMPTION PRICE INDEX									
	13.6	19.9	19.7	15.0	13.7	10.8	9.3	7.3 (8.3) ²	4.7 (7.0) ²

¹ For manufacturing, electricity and water supply, mining and quarrying and the wholesale and retail trade the changes refer to the period January-September 1995 as against the corresponding period of 1994. For banks and insurance companies the changes are for April 1995 as against April 1994.

² The percentages in parenthesis are projections made by the European Commission.

³ Calculated by the Bank of Greece on the basis of survey data from the National Statistical Service of Greece.

⁴ Changes between magnitudes in October 1995 and October 1994.

⁵ Wages for workers without families, who did not have previous employment, calculated by the Bank of Greece on the basis of National General Collective Agreements.

Source: Bank of Greece, *Report of the Governor for the Year 1995*, (in Greek) Athens, April 1996, p. 104; Greek Ministry of National Economy, *Current Economic Developments and Prospects*, (in Greek) Athens, April 1996, p. 68; European Commission, *Economic Forecasts 1996-1997*, Brussels, Spring, 1996, p. 33.

Table 47
Unit labour costs, percentage change over preceding year

	1993	1994	1995 ¹	1996 ¹	1997 ¹
B	3.7	1.9	0.4	0.5	0.6
DK	-0.8	-1.4	2.2	2.6	1.9
D	3.6	-0.4	1.5	1.2	0.6
GR	13.7	12.3	11.3	10.1	8.2
E	3.7	0.4	2.1	3.2	2.1
F	2.6	-0.5	1.3	1.3	1.0
IRL	2.4	-0.8	-1.4	0.8	1.8
I	1.9	-0.7	1.7	3.8	2.4
L	7.1	2.8	3.2	2.7	3.4
NL	2.7	-0.2	2.0	1.2	1.4
A	3.7	4.0	1.8	1.2	1.3
P	8.3	4.1	1.4	2.2	1.7
SF	-4.4	-2.9	3.3	2.7	2.5
S	1.2	1.7	1.6	4.5	3.5
UK	0.5	-0.3	1.3	2.1	1.6
EUR	2.7	0.1	1.7	2.2	1.5

¹ Forecast made by the European Commission in May 1996.

Source: European Commission, *Economic Forecasts, 1996-1997*, Spring 1996.

Table 48
Total and long-term unemployment rates

Year	According to the Greek Labour Force Survey						According to EUROSTAT					
	Unemployment rates			Long-term unemployment rates			Unemployment rates			Long-term unemployment rates		
	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women
1980	2.8	2.1	4.6	0.4	0.2	1.1						
81	4.0	3.3	5.7	0.8	0.5	1.6						
82	5.8	4.8	8.1	1.3	0.7	2.4						
83	7.9	5.8	11.7	2.6	1.4	5.1	7.8	5.8	11.7	2.5	1.3	4.9
84	8.1	6.0	12.1	3.1	1.7	5.8	8.1	6.0	12.1	3.0	1.6	5.6
85	7.8	5.6	11.7	3.5	2.0	6.2	7.8	5.6	11.7	3.4	1.8	6.2
86	7.4	5.1	11.2	3.2	1.6	5.9	7.4	5.1	11.6	3.1	1.5	6.0
87	7.4	5.1	11.4	3.2	1.7	5.9	7.4	5.1	11.4	3.2	1.7	6.0
88	7.7	4.9	12.5	3.6	1.8	6.7	7.7	4.9	12.5	3.5	1.7	6.6
89	7.5	4.6	12.4	3.8	1.9	7.1	7.5	4.6	12.4	3.8	1.8	7.0
90	7.0	4.3	11.7	3.5	1.7	6.6	7.0	4.3	11.7	3.5	1.7	6.5
91	7.7	4.8	12.8	3.6	1.8	6.8	7.7	4.8	12.9	3.7	1.9	7.1
92	8.7	5.4	14.2	4.3	2.1	8.0	7.8	4.9	12.9	3.9	1.9	7.4
93	9.7	6.4	15.2	4.8	2.6	8.6	8.6	5.7	13.6	4.3	2.3	7.7
94	9.6	6.5	14.9	5.0	2.8	8.8	8.9	6.0	13.7	4.5	2.5	7.8
95	10.0	6.7	15.3	5.2	2.9	9.1	9.1	6.2	13.8			

Source: National Statistical Service of Greece, *Labour Force Survey*, annual reports for the years up to 1993 and unpublished data; EUROSTAT, EC Economic Data Pocket Book No 3/1996.

Table 49**Percentage change of gross private productive capacity and of labour force**

Year	Percentage change of productive capacity	Percentage change of labour force
1989	7.0	0.2
1990	8.7	0.8
1991	2.7	-1.7
1992	-3.3	2.6
1993	-3.7	2.1
1994	0.6	1.8
1995	5.3	1.3
1996*	7.2	1.0
1997*	8.1	1.0

* Expected magnitudes.

Source: Ministry of National Economy, *Current Developments and Prospects for the Greek and the International Economy*, (in Greek) Athens, April 1996 pp. 64 and 67.

Table 50**Estimates of NAIRU for Greece and EUR 12 and unemployment rates**

Year	G r e e c e		E U R 1 2	
	NAIRU	Ratio of NAIRU to observed unemployment rate	NAIRU	Ratio of NAIRU to observed unemployment rate
1972	2.4		3.7	1.28
1973	2.9		4.1	1.58
1974	3.4	2.00	4.4	1.58
1975	3.9	1.50	4.8	1.17
1976	4.3	2.26	5.1	1.08
1977	4.7	2.94	5.4	1.08
1978	5.1	3.00	5.6	1.06
1979	5.5	3.05	5.9	1.09
1980	5.8	2.07	6.1	1.02
1981	6.1	1.52	6.2	0.81
1982	6.2	1.07	6.3	0.70
1983	6.3	0.81	6.4	0.65
1984	6.3	0.78	6.4	0.61
1985	6.3	0.80	6.4	0.59
1986	6.2	0.83	6.4	0.60
1987	6.2	0.83	6.4	0.62
1988	6.2	0.81	6.4	0.65
1989	6.2	0.83	6.4	0.71
1990	6.2	0.89	6.4	0.76
1991	6.2	0.81	6.3	0.72
1992	6.3	0.81	6.3	0.67
1993	6.4	0.74	6.2	0.58
1994	6.4	0.72	6.1	0.56

Source: The NAIRU estimates and the unemployment rates for EUR 12 come from the *European Economy* No 59, 1995, pp. 137-138. The percent of NAIRU on observed unemployment rates is estimated on the basis of the rates reported for Greece by EUROSTAT for the years starting from 1983 and the rates reported by the National Statistical Service of Greece for the years 1974-1982.

Table 51
Percentage changes in basic macroeconomic magnitudes over preceding year

	1989	1990	1991	1992	1993	1994	1995	1996*	1997*
GDP	3.8	0.0	3.1	0.4	-1.0	1.5	2.0	2.5	3.0
Private consumption deflator	13.6	19.9	19.7	15.0	13.7	10.8	9.3	7.3	4.7
Average nominal compensation	23.2	17.9	15.4	10.2	8.6	11.9	12.5	9.1	6.4
Average real wage						0.9	2.9	1.7	1.6
Nominal unit labour cost	19.0	19.5	9.3	11.3	10.7	12.3	11.3	7.7	4.7
Index of weighted exchange rate for drachma						-7.1	-3.5	-1.0	0.0
General government deficit as a % of GDP	-14.4	-16.1	-11.5	-12.3	-14.2	-12.1	-9.2	-7.4	-4.1
Primary government deficit (-) or surplus (+) as a % of GDP	-6.8	-6.0	-2.1	-5.9	-1.4	+2.1	+3.7	+5.1	+5.7
Balance of current account as a % of GDP	-4.3	-4.7	-3.8	-3.2	-1.7	-1.0	-2.7	-2.9	-3.0
Employment	0.4	1.3	-2.3	1.4	1.0	1.9	0.9	1.2	1.3
Unemployment rate	7.5	7.0	7.7	8.7	9.7	9.6	10.0	9.8	9.6
Money supply M3				14.4	15.0	8.8	10.4	6.9	
Private sector bank credit	20.7	16.5	16.4	17.1	11.5	13.8	22.0		

* For 1996 and 1997 are estimates made by the Ministry of National Economy.

Source: Ministry of National Economy, *Current Development and Prospects for the Greek and the World economy* (in Greek) Athens, April 1996 and Bank of Greece, *Report of the Governor for the Year 1996* (in Greek), Athens, April 1996.

Table 52
Economic targets in relation to the EMU criteria and GDP growth according to the Convergence Programme and realised magnitudes

	1994		1995		1996		1997		1998	1999
	Planned	Realised	Planned	Realised	Planned	Expected	Planned	Expected	Planned	Planned
Private Consumption Deflator	10.8	10.8	7.9	9.3	6.1	7.3	3.9	4.7	3.5	3.3
General government deficit as a % of GDP	13.2	12.1	10.7	9.2	7.6	7.4	4.2	4.1	2.4	0.9
Public debt as a % of GDP	112.1	110.4	115.2	111.7	115.3		113.4		109.3	103.4
GDP growth rate	1.1	1.5	1.2	2.0	1.7	2.5	2.6	3.0	3.0	3.5

Source: Ministry of National Economy: *Revised Convergence Programme for the Greek Economy 1994-1999*, September 1994 (in Greek) and *Current Developments and Prospects for the Greek and the International Economy*, Athens, April 1996 (in Greek).

Table 53
Severance payments

Blue-collar workers		White-collar workers	
Length of service	Severance payment	Length of service	Severance payment
Less than one year	5 days	Less than one year	1 month
One up to two years	7 days	One up to four years	2 months
Two up to five years	13 days	Four up to six years	3 months
Five up to ten years	26 days	Six up to eight years	4 months
Ten up to fifteen years	52 days	Eight up to ten years	5 months
Fifteen to twenty years	78 days	Ten years	6 months
More than twenty years	92 days	More than ten years	1 month's salary per additional year of service with a maximum of 24 months

Source: Ministry of Labour.

Table 54
Collectively agreed wage rates in selected industries, 1995

Sector	Category of employee	Minimum wage* (Drachmae)
Metalworking	Semi-skilled	6004-6652 per day
Clothing	Semi-skilled	5778-6300 per day
Textiles	Semi-skilled	5251-6500 per day
Banking	Bank clerks	131900-204000 per month
Hotels	Hotel service employees	139154-1151794 per month

* Actual minima vary within the specified range according to years of service. Further benefits (family allowances, improvements in working conditions, etc.) ranging between 10-30% of the minimum are normally added.

Table 55

**Employment policy expenditures as % of GDP
(percentages)**

	1992	1993	1994	1995
A. Total active measures	0.36	0.33	0.29	0.30
• Public employment services and administration	0.07	0.05	0.06	0.06
• Self-employment programmes	0.02	0.02	0.02	0.02
• Employment subsidisation programmes	0.06	0.06	0.05	0.06
• Employment programmes for the handicapped	0.001	0.001	0.001	0.003
• Vocational training programmes	0.21	0.20	0.16	0.16
B. Unemployment benefits and family allowances	0.71	0.57	0.61	0.56
Total expenditure for active policies and unemployment benefits	1.07	0.90	0.90	0.86

Source: Estimates based on data from *OAED Today and Tomorrow* (in Greek), Athens, 1995 and 1996.

Table 56

Duration of unemployment benefits

Number of days of previous work in the preceding months	Duration of benefits (months)
125	5
126-150	6
151-180	8
181-220	10
221 or more	12

Source: Information from OAED.

Table 57

Percentage of the unemployed receiving benefits

	% of unemployed receiving benefits
1988	47.9
1989	52.1
1990	62.6
1991	66.5
1992	59.2
1993	55.7
1994	51.5
1995	51.9

Source: Information from OAED.

Table 58
Number of persons in the apprenticeship programme and cost

Year	Persons	Total Cost million drachmae	Cost per person drachmae	Contribution by			
				ESF		OAED	
				million drachmae	%	million drachmae	%
1990	11442	3667.6	320538	2383.9	65	1283.7	35
1991	12805	4599.2	359172	2989.5	65	1609.7	35
1992	12000	4714.3	392858	3535.7	75	1178.6	25
1993	13400	4921.2	367254	3690.9	75	1230.3	25
1994	13992	5821.1	416031	4365.8	75	1455.3	25
1995	14924	8140.7	545477	6105.5	75	2035.2	25

Source: OAED, *OAED Today and Tomorrow* (in Greek), Athens, 1995 and 1996.

Table 59
**Number of persons trained and cost of training provided through the OAED
Accelerated Vocational Training Programme**

Year	Persons	Total Cost million drachmae	Cost per person drachmae	Contribution by			
				ESF		OAED	
				million drachmae	%	million drachmae	%
1990	4047	1359.0	335819	883.4	65	475.7	35
1991	6006	1847.9	307677	1201.1	65	646.8	35
1992	6300	1472.8	233783	1104.6	75	368.2	25
1993	6380	2188.6	343048	1641.5	75	548.2	25
1994	6454	2659.4	412047	1994.5	75	664.8	25
1995	5467	2742.7	501683	2057.0	75	685.7	25

Source: OAED, *OAED Today and Tomorrow* (in Greek), Athens, 1995 and 1996.

Table 60
Number of persons trained and cost of the intra-enterprise training programmes

Year	Persons	Total Cost million drachmae	Cost per person drachmae	Contribution by			
				ESF		OAED	
				million drachmae	%	million drachmae	%
1991	45908	27667.9	602681	16600.7	60	11067.2	40
1992	49060	16575.0	337852	12431.2	75	4143.8	25
1993	51955	14676.1	282477	11007.0	75	3669.0	25
1994	37500	10012.9	267011	7509.6	75	2503.2	25
1995	46000	20860.0	453478	15800.0	75	5060.0	25

Source: OAED, *OAED Today and Tomorrow* (in Greek), Athens, 1995 and 1996.

Table 61
New jobs created by the OAED self-employment programme and cost

Year	Persons	Total Cost million drachmae	Cost per person drachmae	Contribution by			
				ESF		OAED	
				million drachmae	%	million drachmae	%
1989	34322	7929,7	231038	4361,4	55	3568,4	45
1990	27824	8000,0	287521	4800,0	60	3200,0	40
1991	22401	7014,4	313129	4559,3	65	2455,0	35
1992	22408	12242,9	546363	9182,2	75	3060,7	25
1993	20543	12080,0	588035	9060,0	75	3020,0	25
1994	22456	9639,0	429239	7229,3	75	2409,8	25
1995	22200	14287,0	643559	10715,3	75	3571,8	25

Source: OAED, *OAED Today and Tomorrow* (in Greek), Athens, 1995 and 1996.

Table 62
New entrepreneurs subsidised by the OAED self-employment programme and cost

Year	Persons	Total Cost million drachmae	Cost per person drachmae	Contribution by			
				ESF		OAED	
				million drachmae	%	million drachmae	%
1989	6800	2280,0	335294	1318,2	58	709,8	31
1990	7748	2389,0	308338	1552,8	65	836,2	35
1991	5533	1958,2	353913	1272,8	65	685,4	35
1992	4840	2200,0	454545	1650,0	75	550,0	25
1993	3520	1600,0	454545	1200,0	75	400,0	25
1994	4683	1714,0	366005	1285,5	75	428,5	25
1995	4395	3200,0	728100	240,0	75	800,0	25

Source: OAED, *OAED Today and Tomorrow*, (in Greek) Athens, 1995 and 1996.

Table 63
Contributions to OAED revenues

	1993	1994	1995
	Percentages of total revenue		
Employer contributions	41	43	51
Employee contributions	22	22	26
Central government grant	5	4	3
Grant from the Public Investment Programme	12	4	2

Source: Information from OAED.

Table 64**SME policies in EU members**

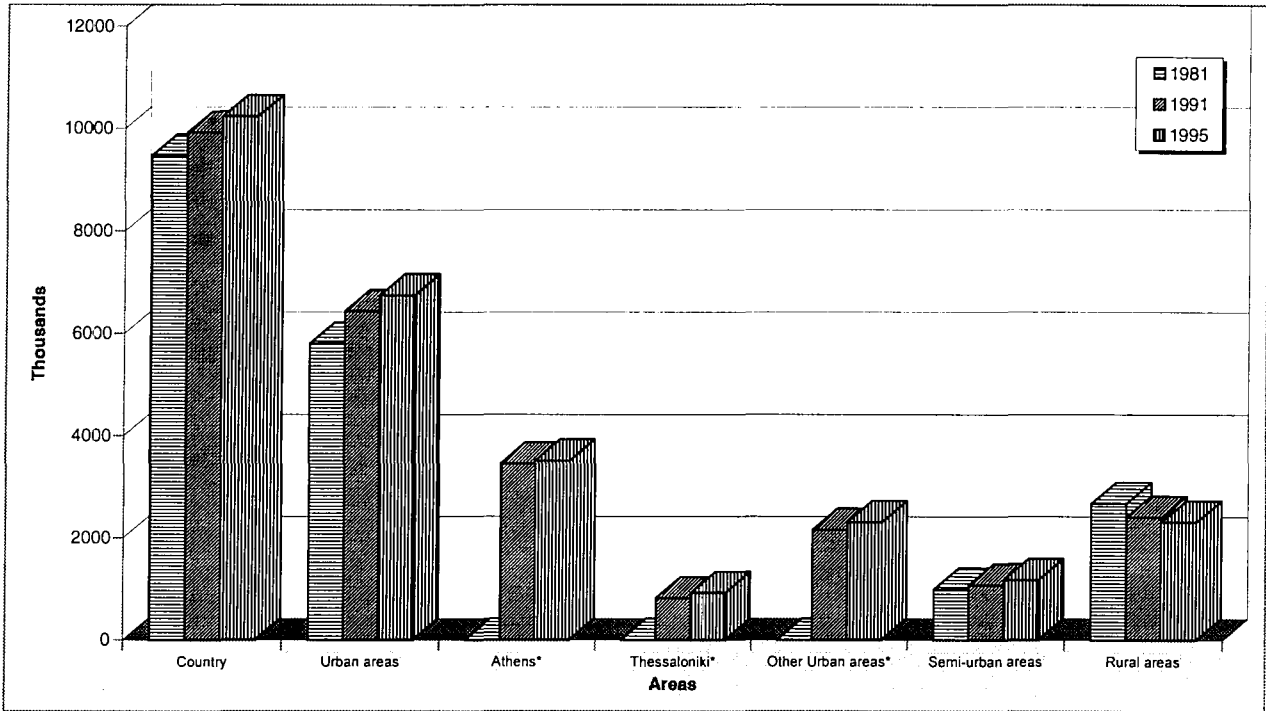
Country	(1) EIM	(2) SME facility	(3) Seed K funds	(4) BC-Net	(5) EICs
BE	72	97	2	40	15
DE	16	100	4	4	30
DK	57	99	0	3	8
ES	16	82	3	8	26
FR	32	100	5	7	32
GR	16	17	0	4	13
IR	20	80	1	18	6
IT	64	100	3	14	29
NL	20	100	2	2	8
PT	36	21	0	45	12
UK	4	100	3	9	22

- (1) EIM: Index of per capita value of EIB loans to SMEs in 1990-94
(2) SME facility: Percentage of utilisation of EU financing facility for SMEs until 31/7/95
(3) Seed K funds: Number of Seed Capital funds in 1994
(4) BC-Net: Index of per capita cooperation profiles in 1994
(5) EICs: Euro-info centres until end 1995.

Source: Unpublished data from European Commission, DG XXIII.

ANNEX B
FIGURES

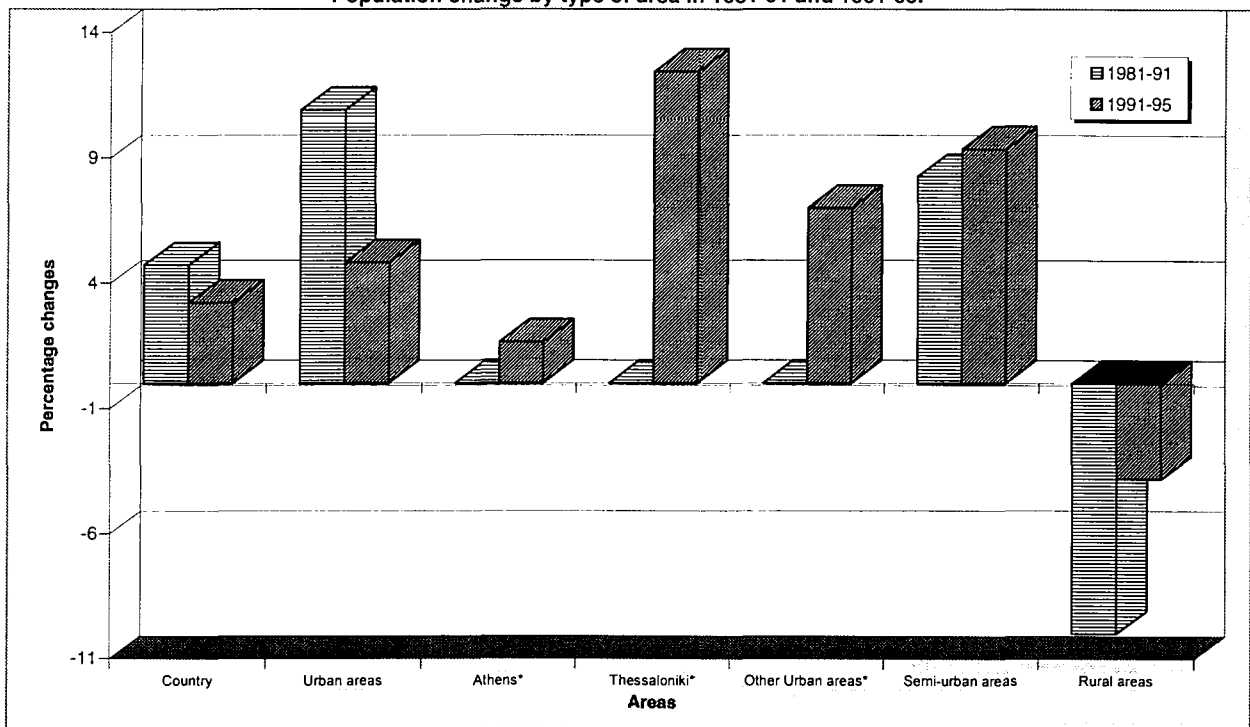
Figure 1
Population of Greece by type of area in 1981, 1991 and 1995



Source: Table 1

* There are no data available for the subdivisions of the urban areas for 1981.

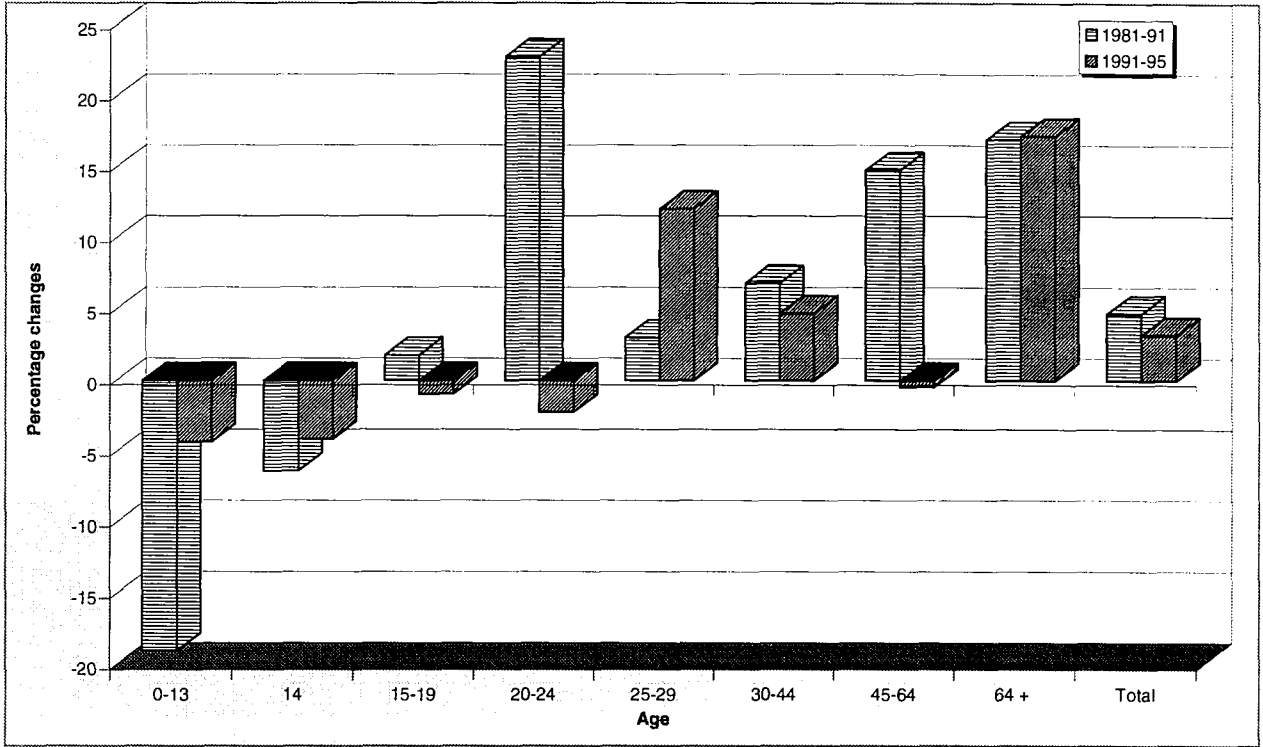
Figure 2
Population change by type of area in 1981-91 and 1991-95.



Source: Table 3

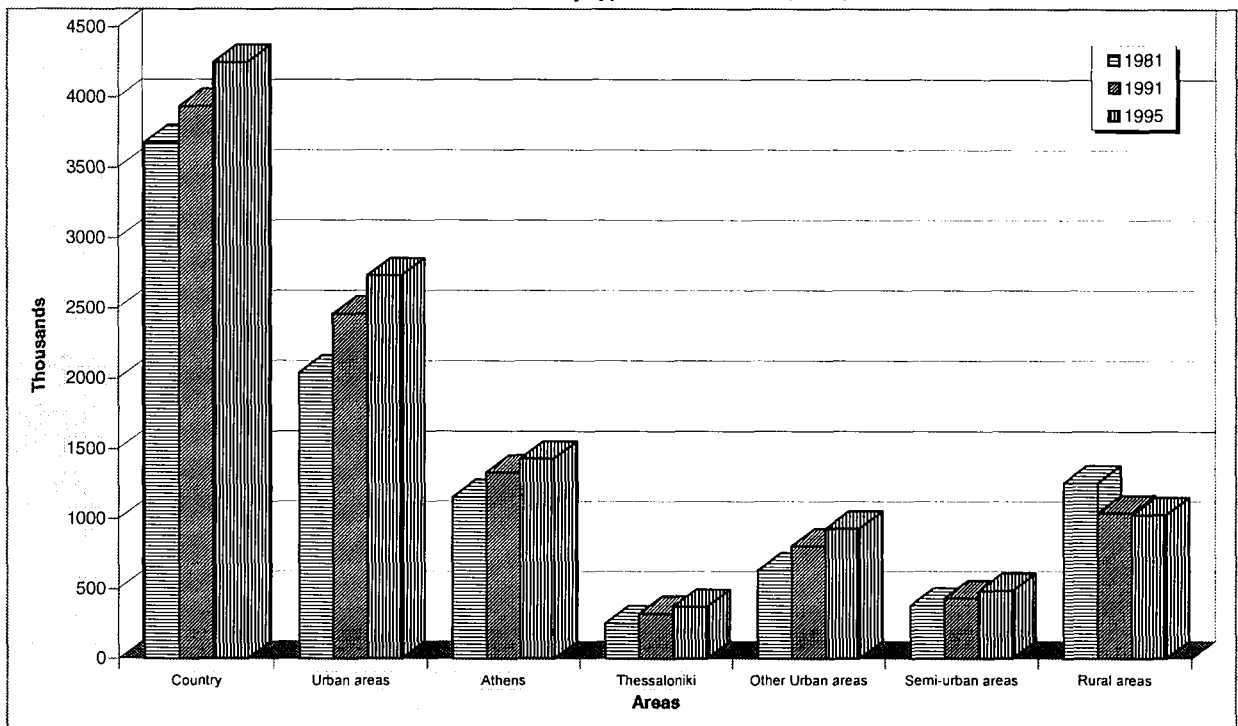
* There are no data available for the subdivisions of the urban areas for 1981.

Figure 3
Population change by age in 1981-91 and 1991-95.



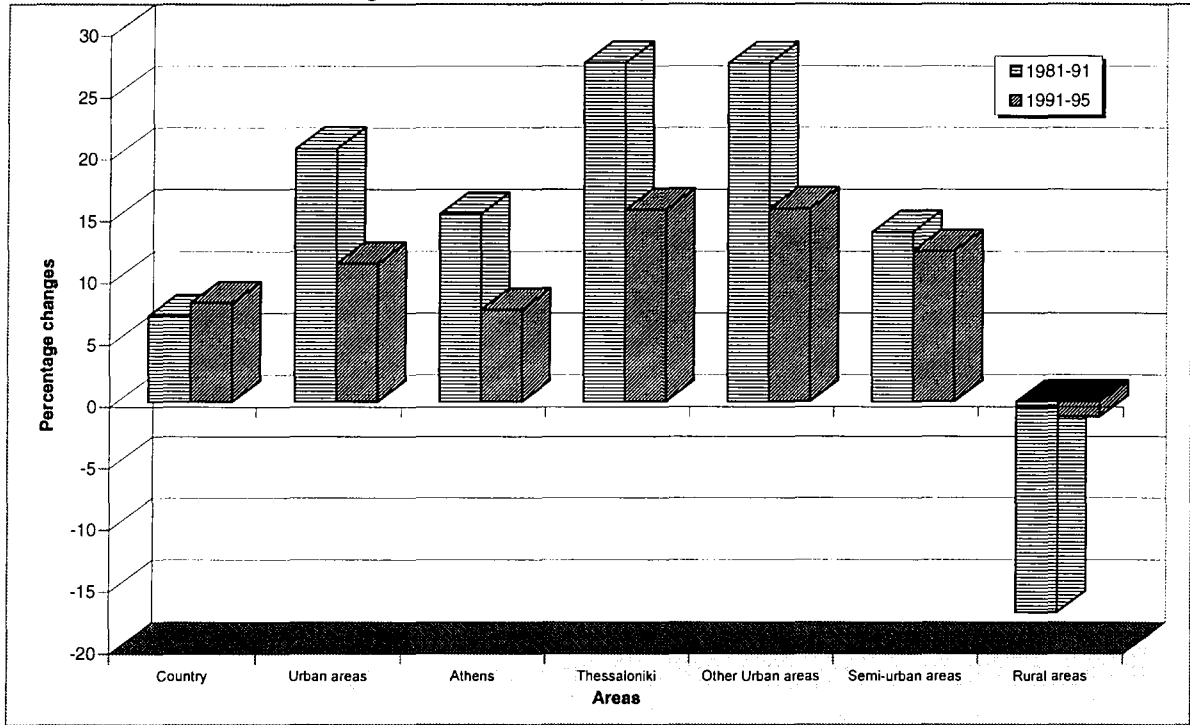
Source: Table 3

Figure 4
Labour force by type of area in 1981,1991,1995.



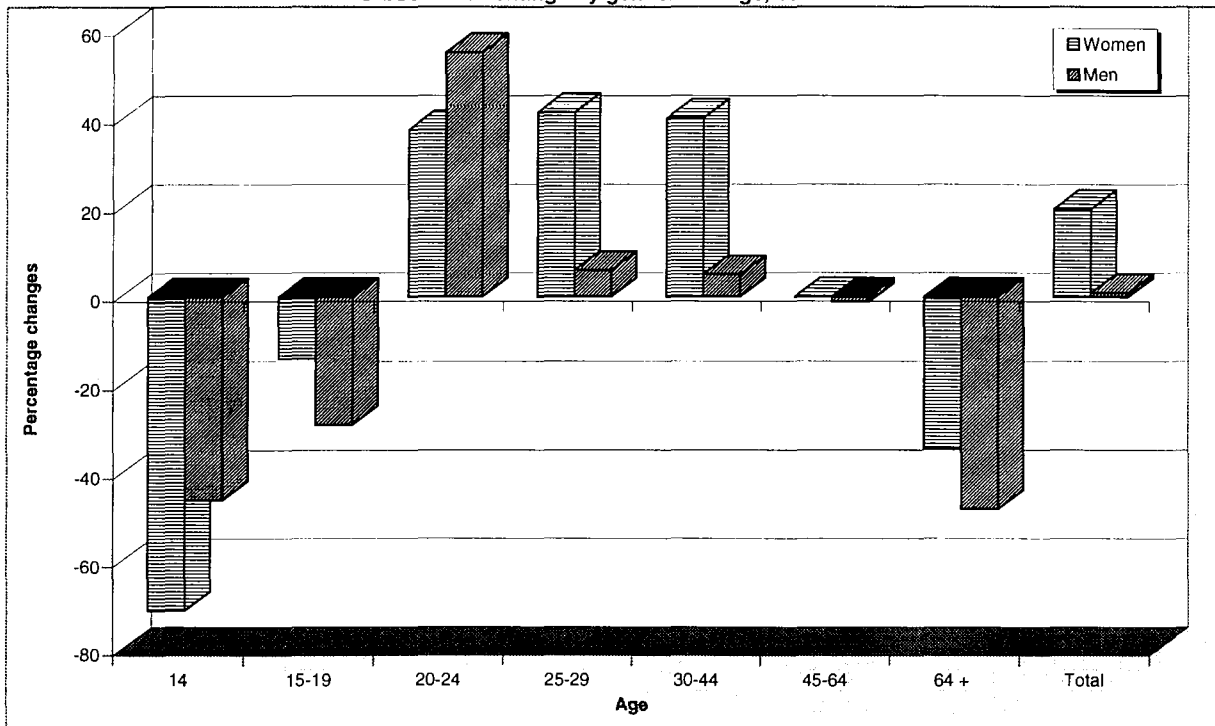
Source: Table 4

Figure 5
Change of the labour force by type of area, 1981-91 and 1991-95.



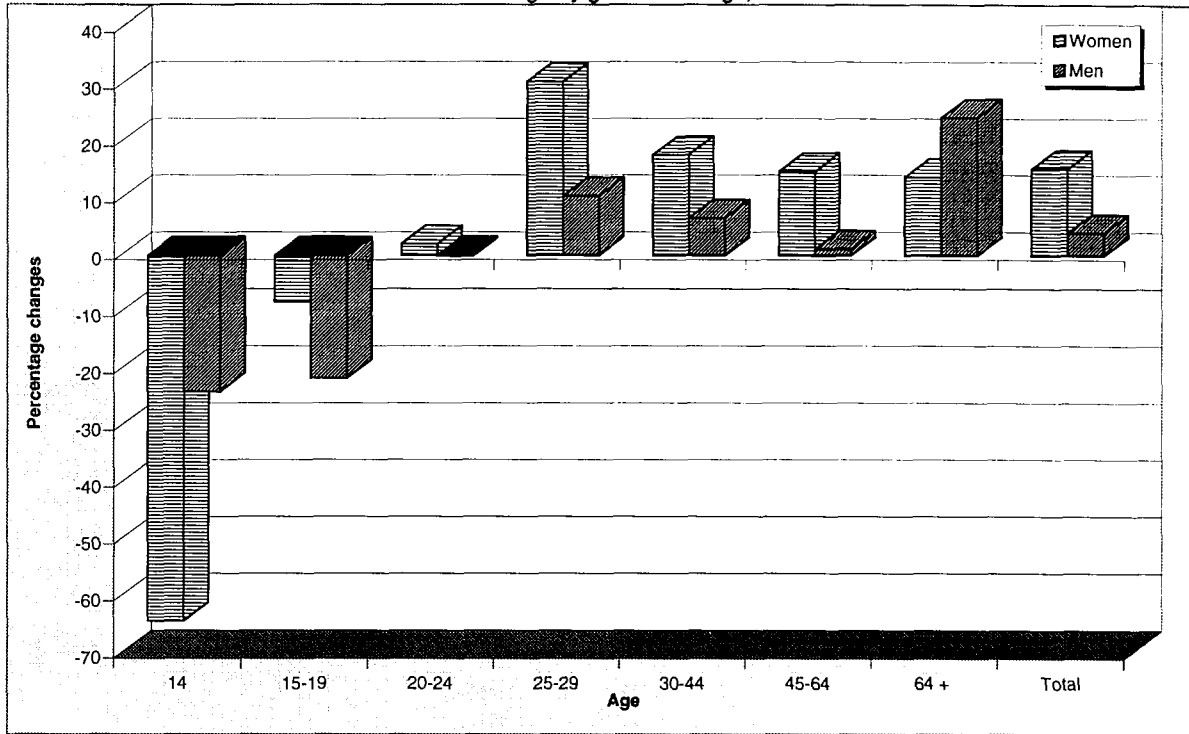
Source: Table 4

Figure 6
Labour force change by gender and age, 1981-91.



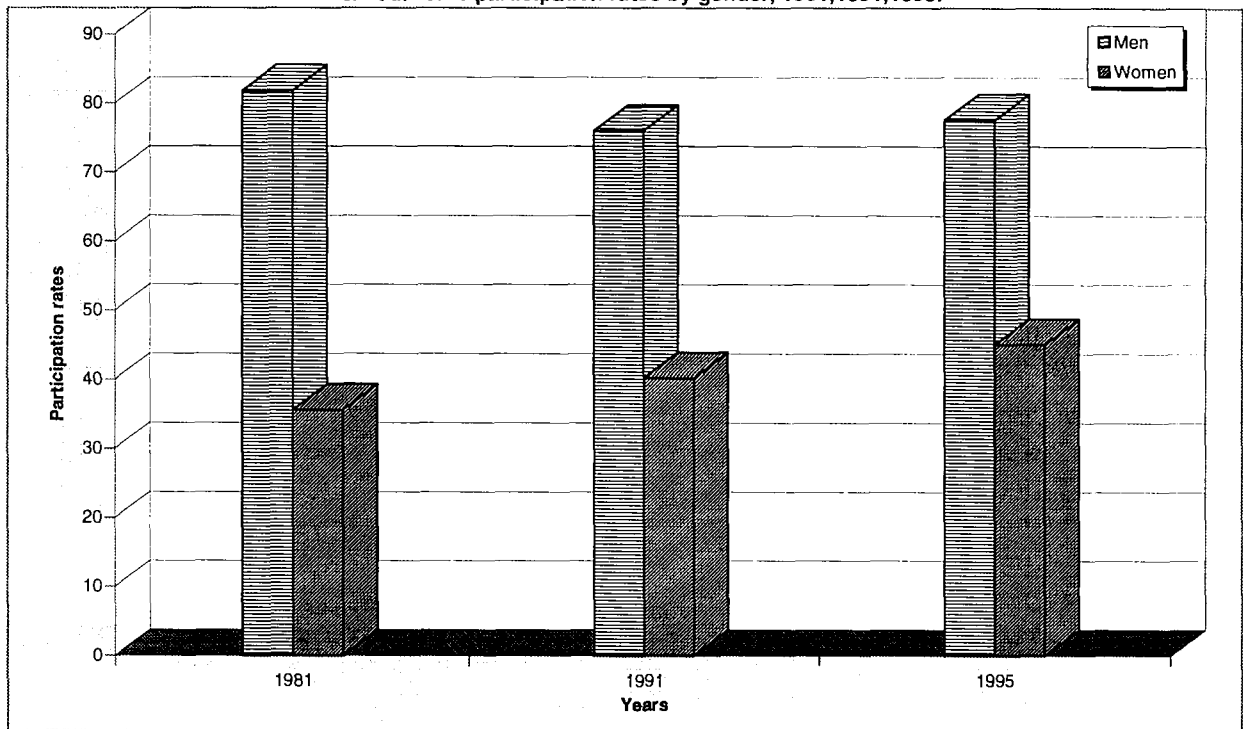
Source: Table 5

Figure 7
Labour force change by gender and age, 1991-95.



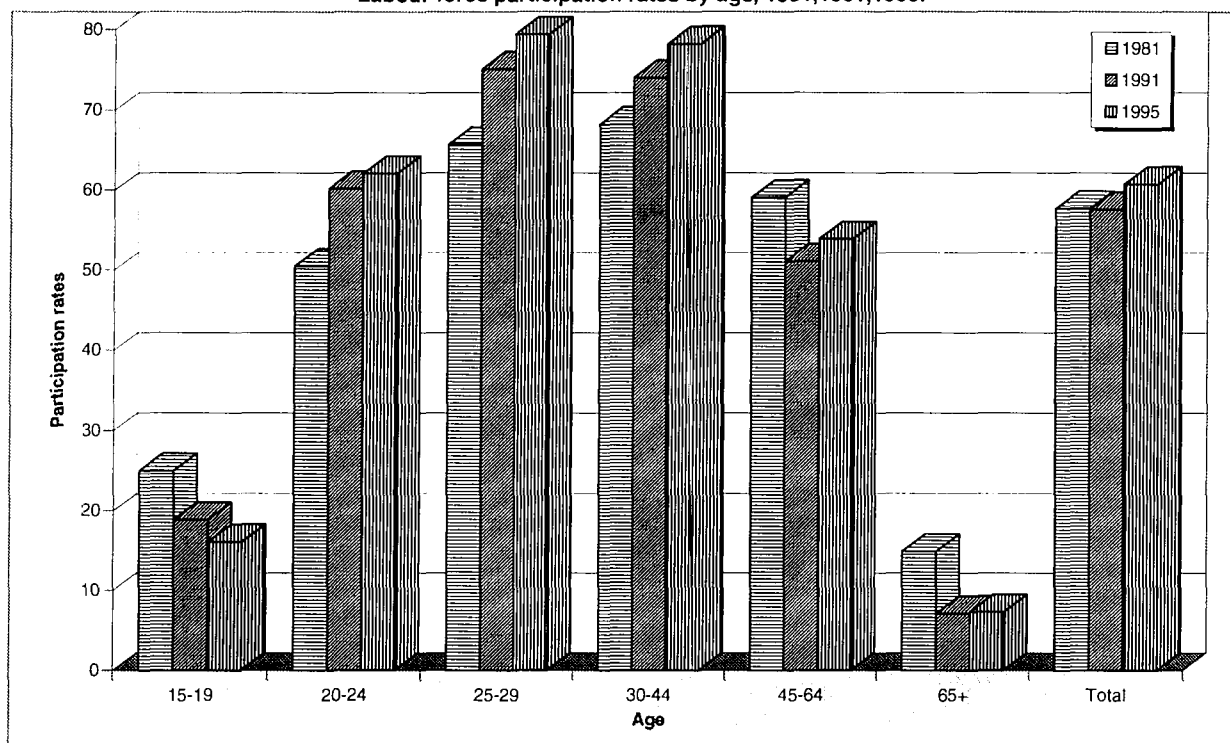
Source: Table 5

Figure 8
Labour force participation rates by gender, 1981, 1991, 1995.



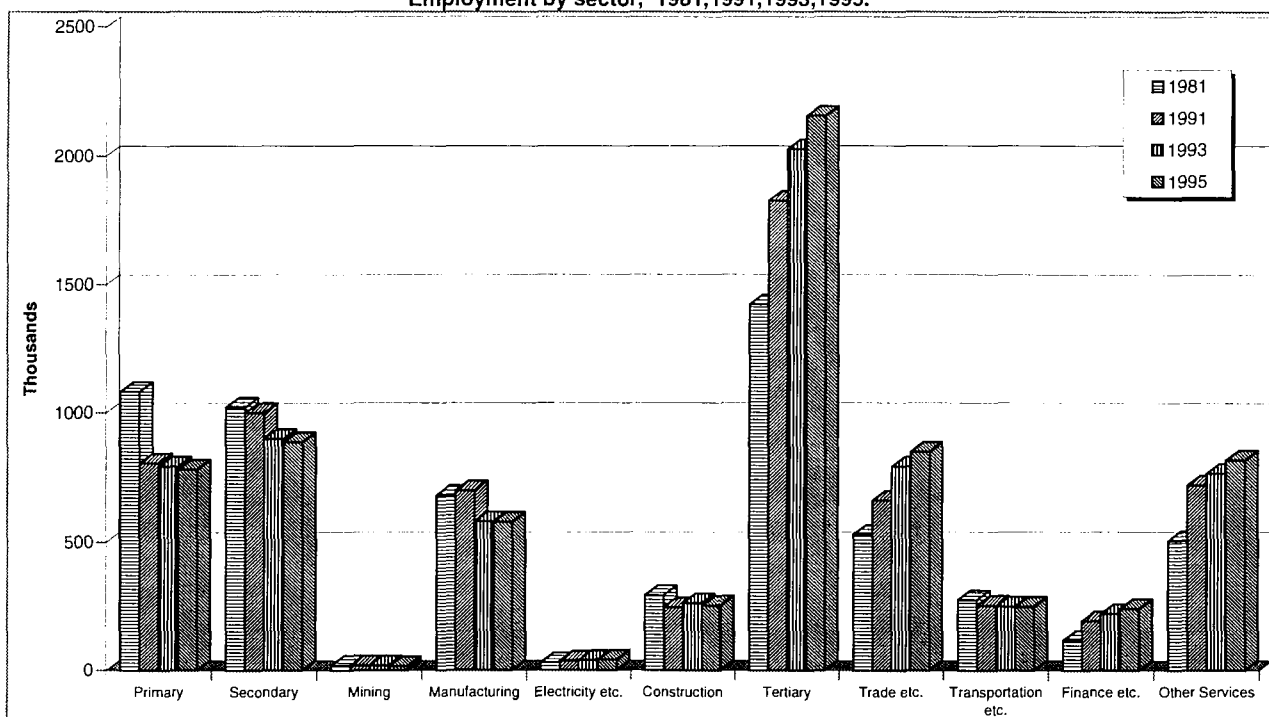
Source: Table 7

Figure 9
Labour force participation rates by age, 1981,1991,1995.



Source: Table 7

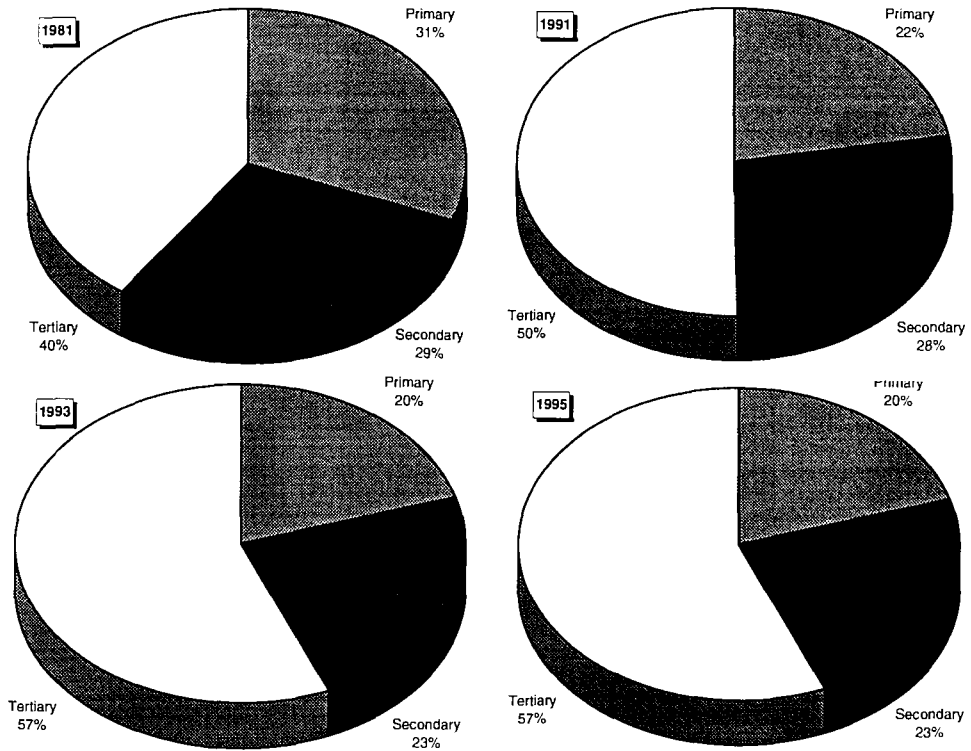
Figure 10
Employment by sector, 1981,1991,1993,1995.



Source: Table 8

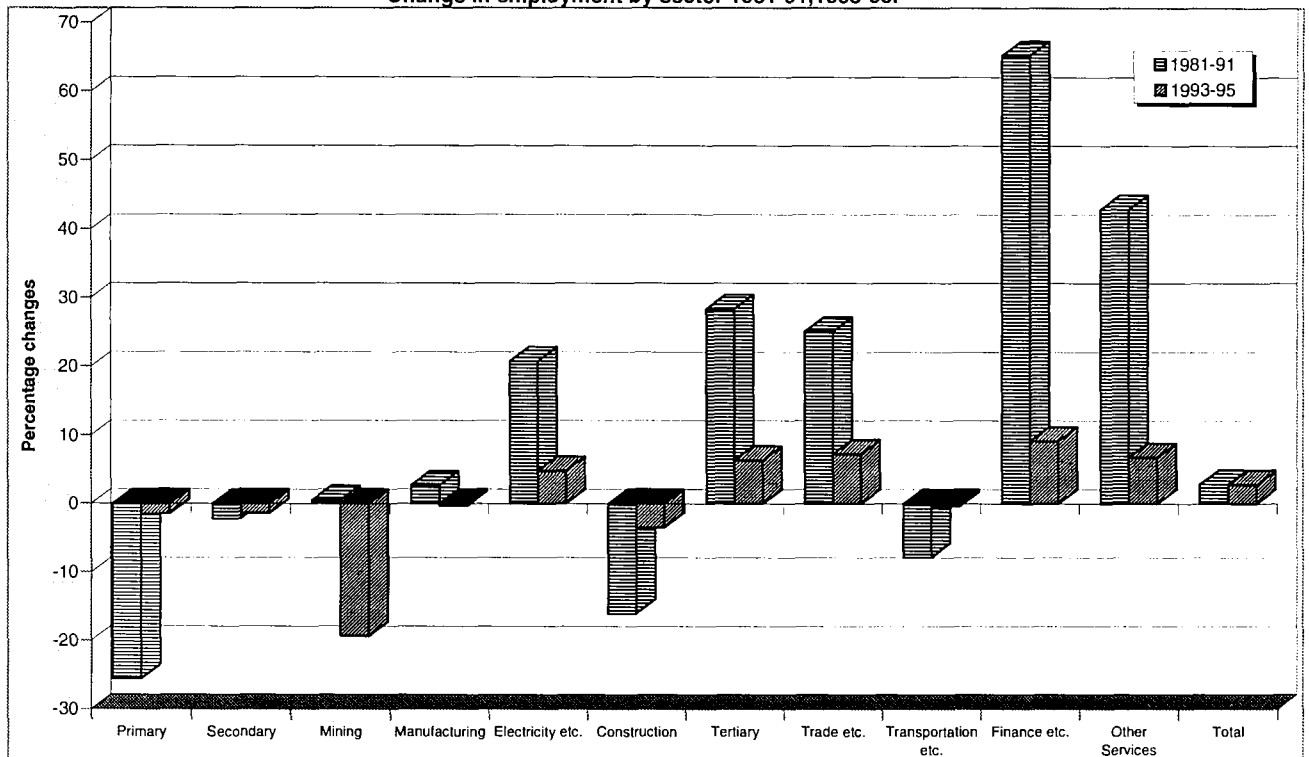
Note: In 1992 there were changes in the sectoral classification of employment and for this reason the data from 1993 onwards are not compatible with the previous years.

Figure 11
Employment shares by sector, 1981, 1991, 1993, 1995.



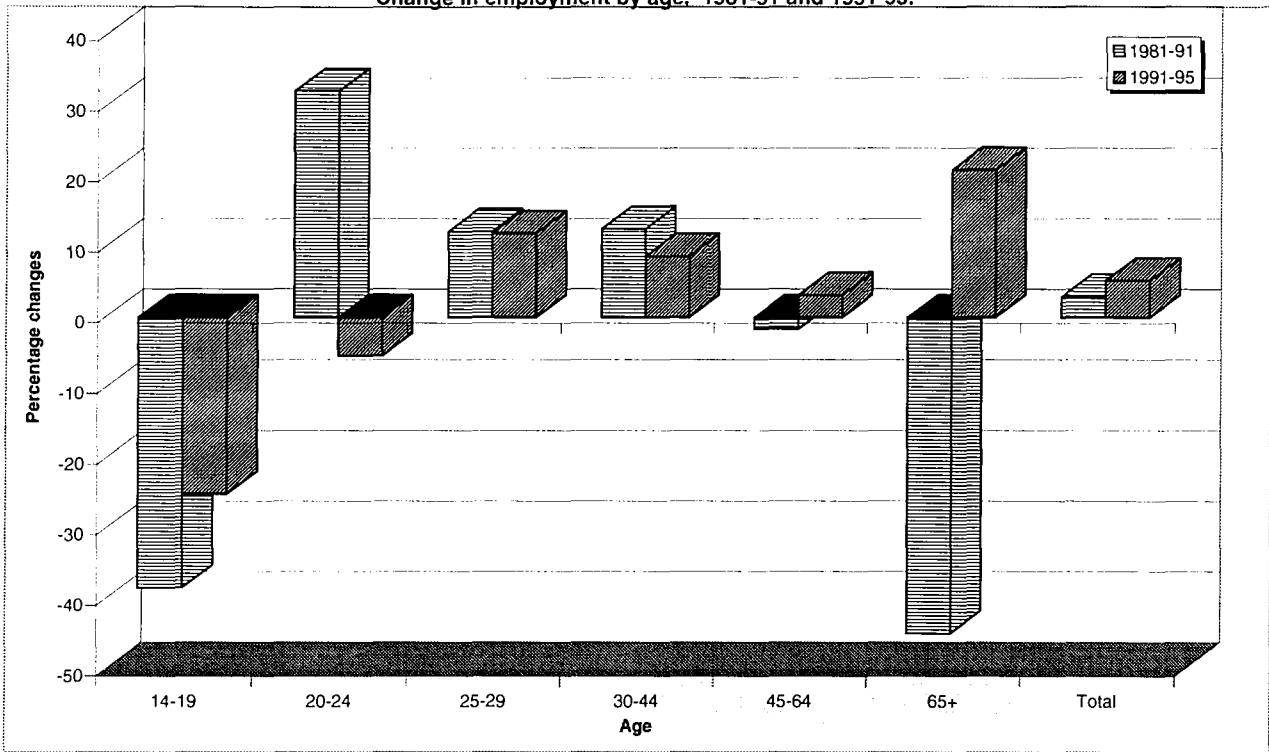
Source: Table 8

Figure 12
Change in employment by sector 1981-91, 1993-95.



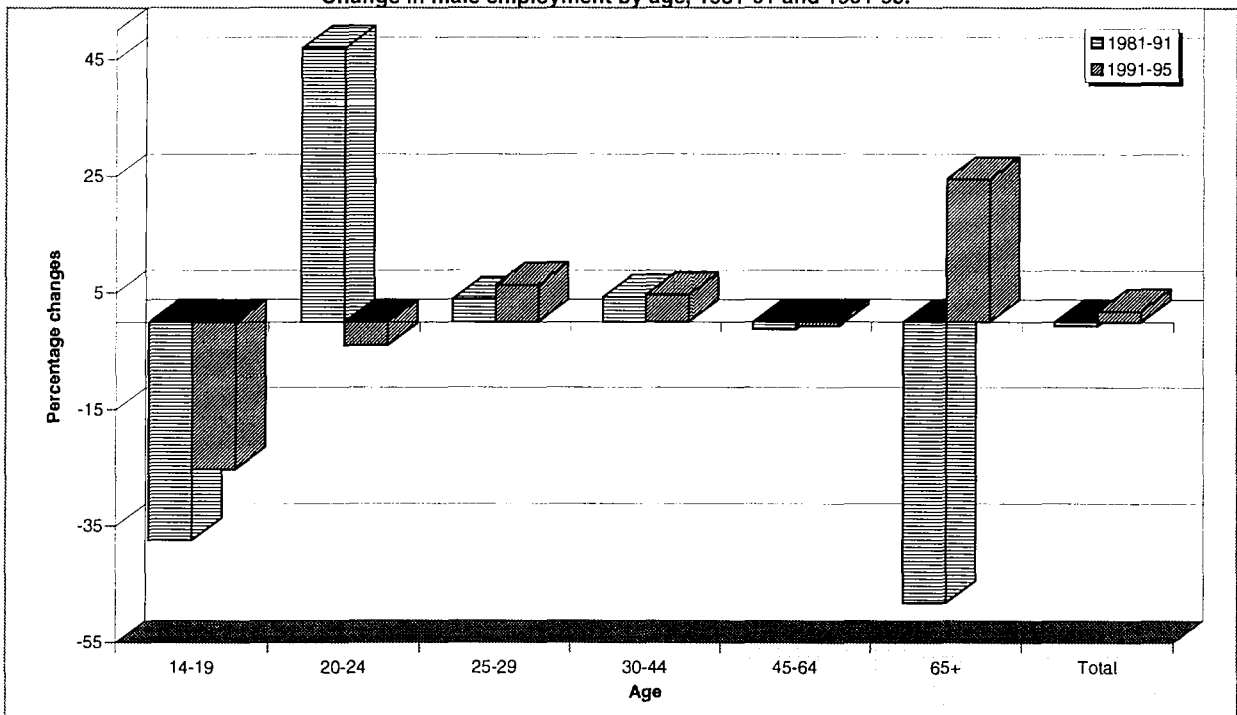
Source: Table 8

Figure 13
Change in employment by age, 1981-91 and 1991-95.



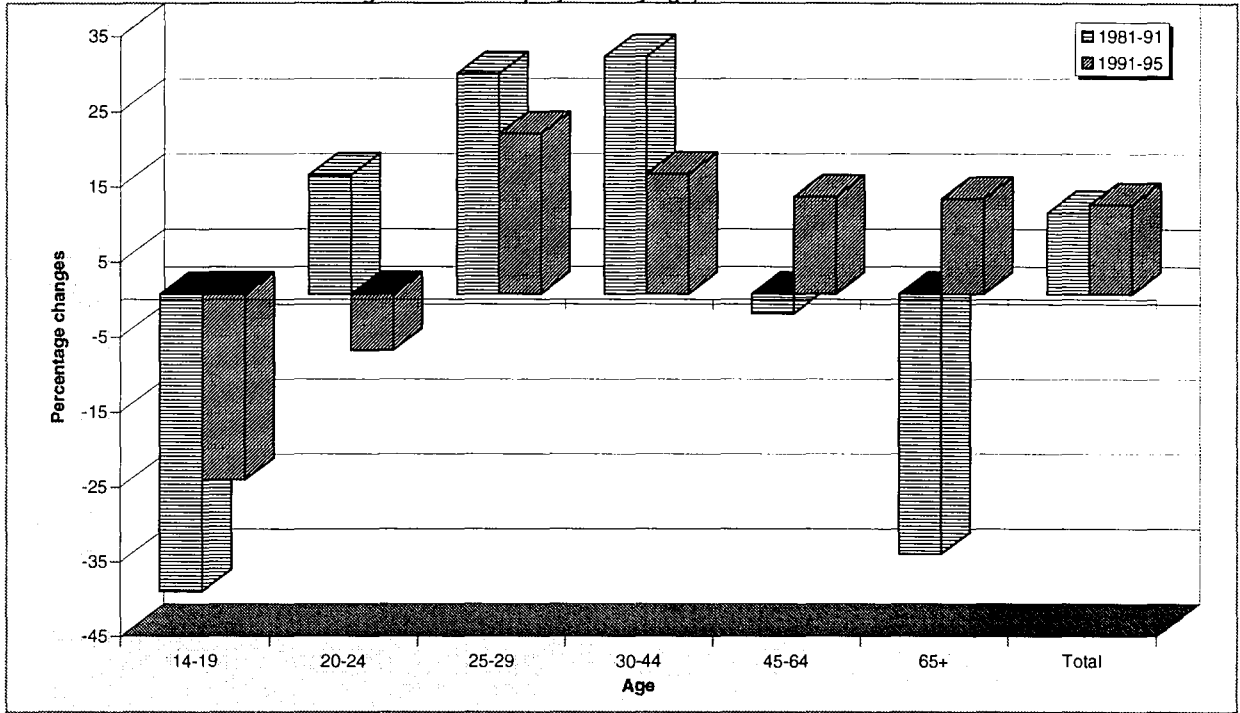
Source: Table 11

Figure 14
Change in male employment by age, 1981-91 and 1991-95.



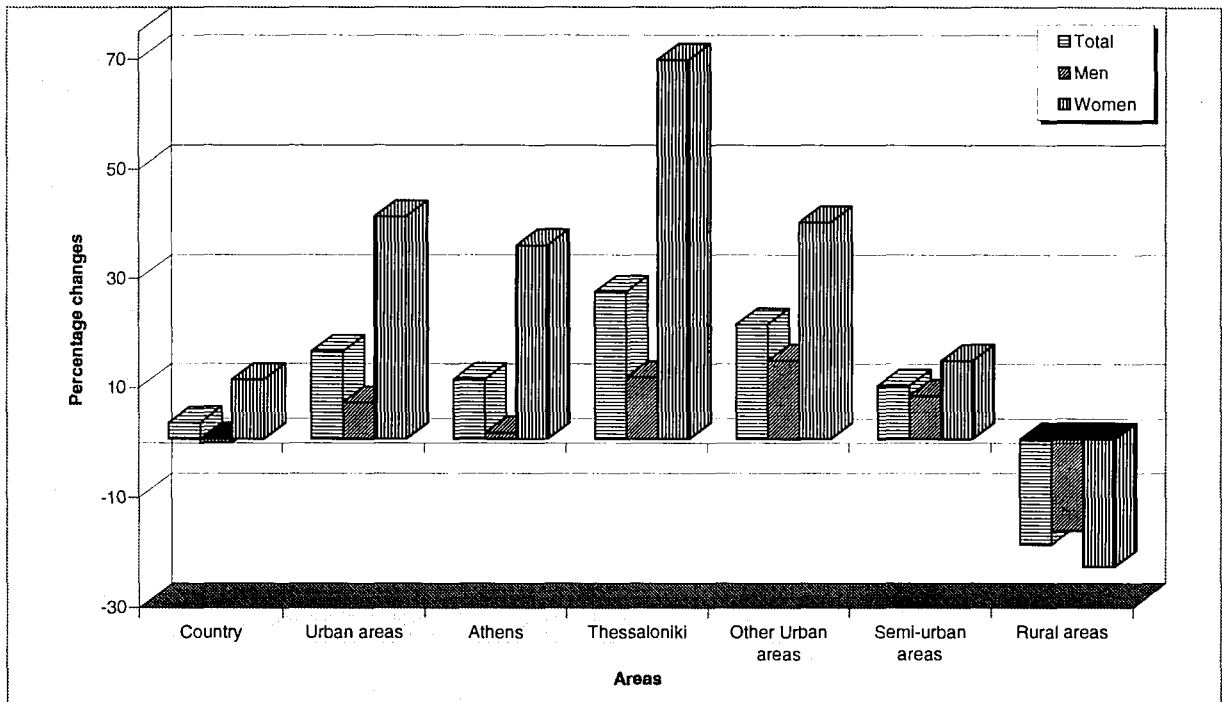
Source: Table 11

Figure 15
Change in female employment by age, 1981-91 and 1991-95.



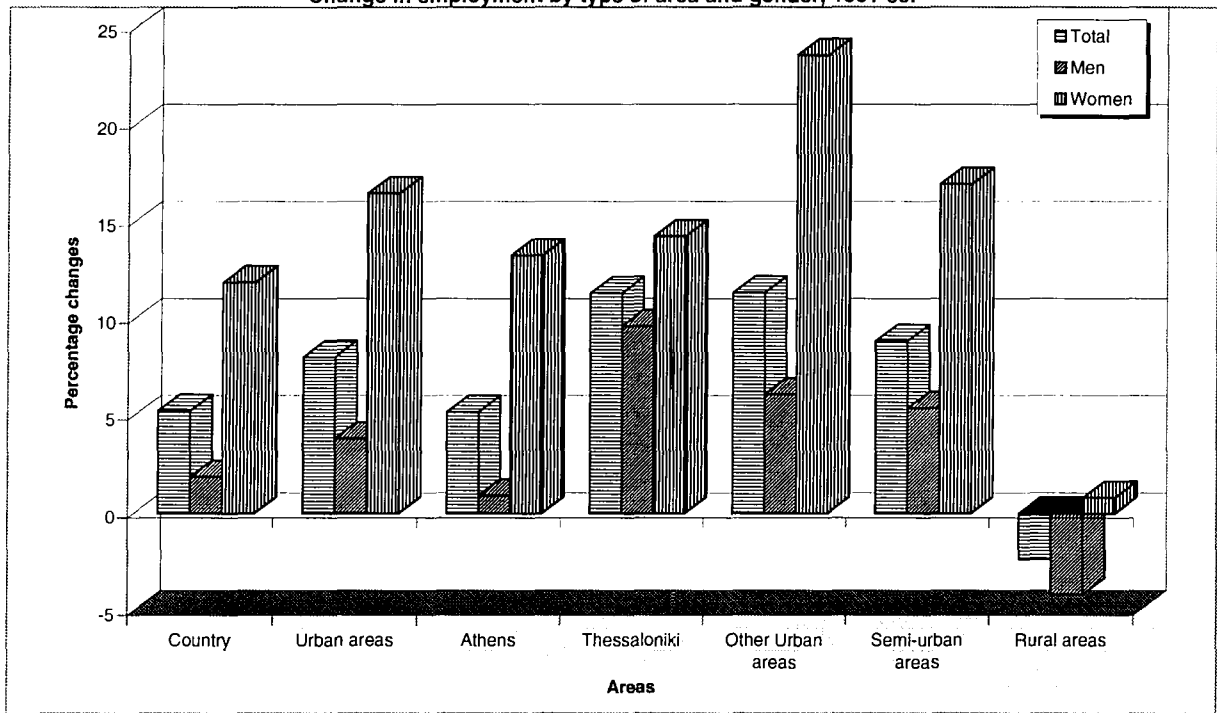
Source: Table 11

Figure 16
Change in employment by type of area and gender, 1981-1991.



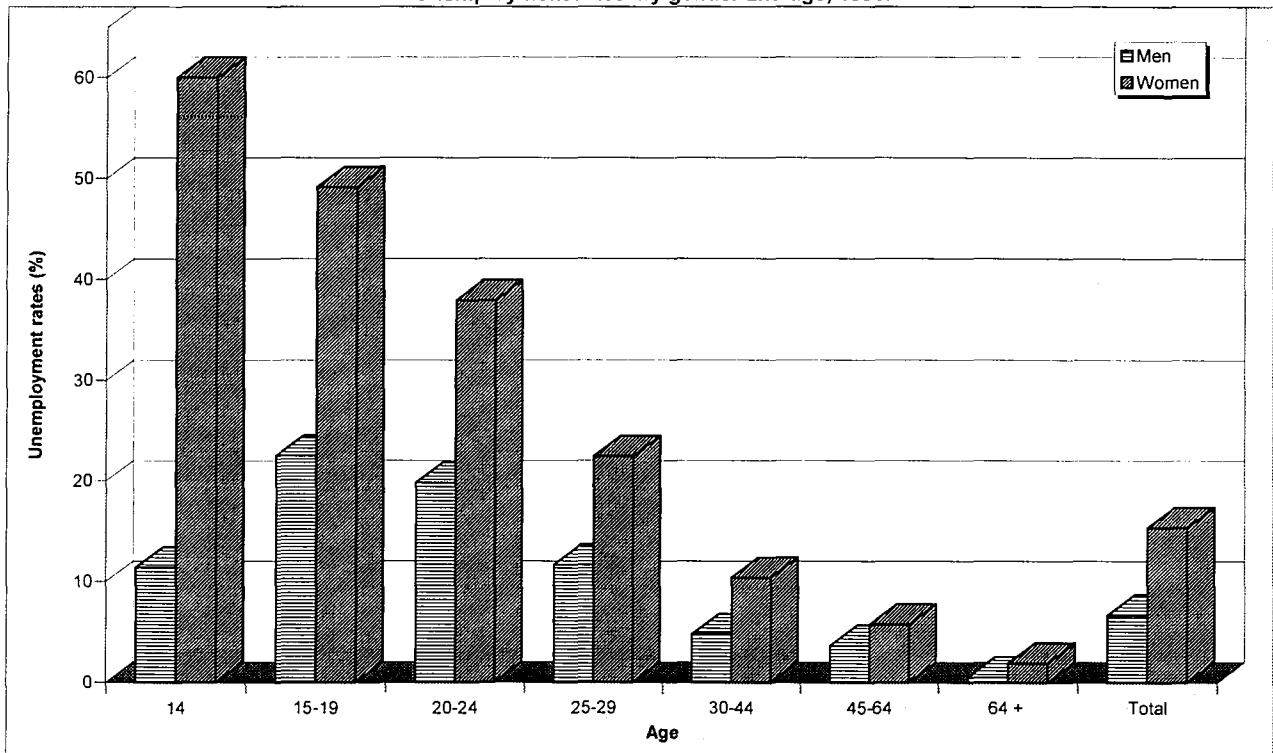
Source: Table 15

Figure 17
Change in employment by type of area and gender, 1991-95.



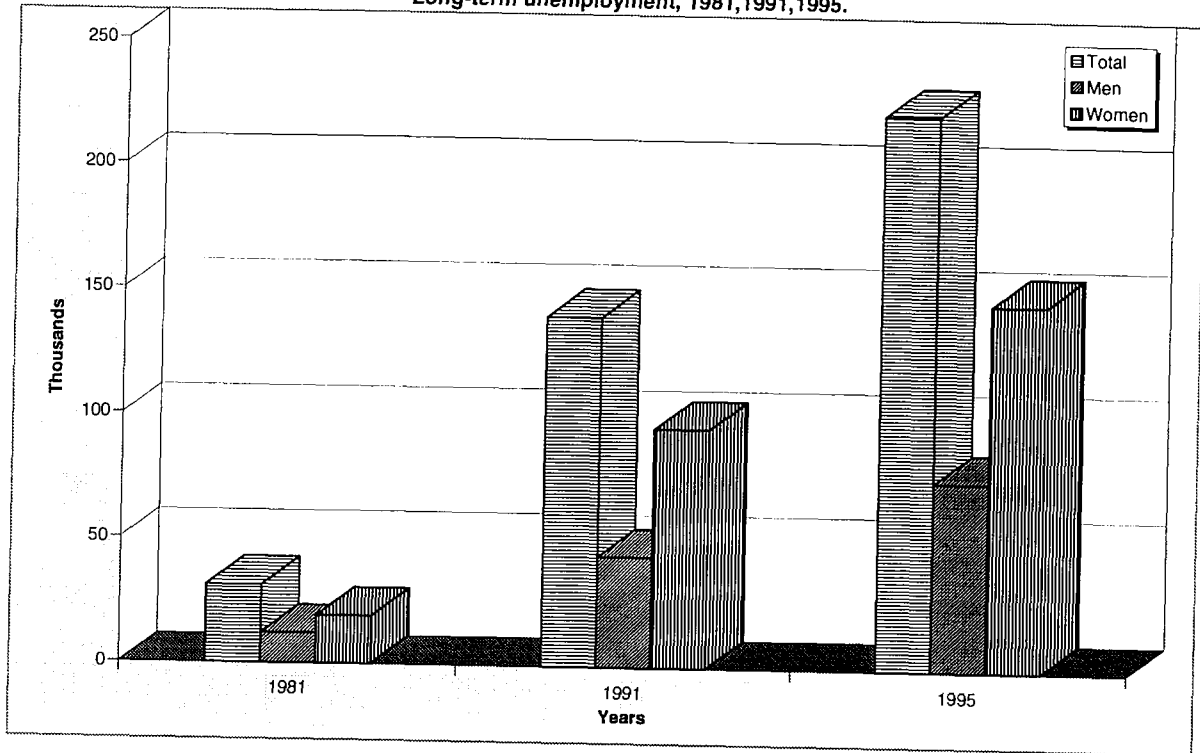
Source: Table 15

Figure 18
Unemployment rates by gender and age, 1995.



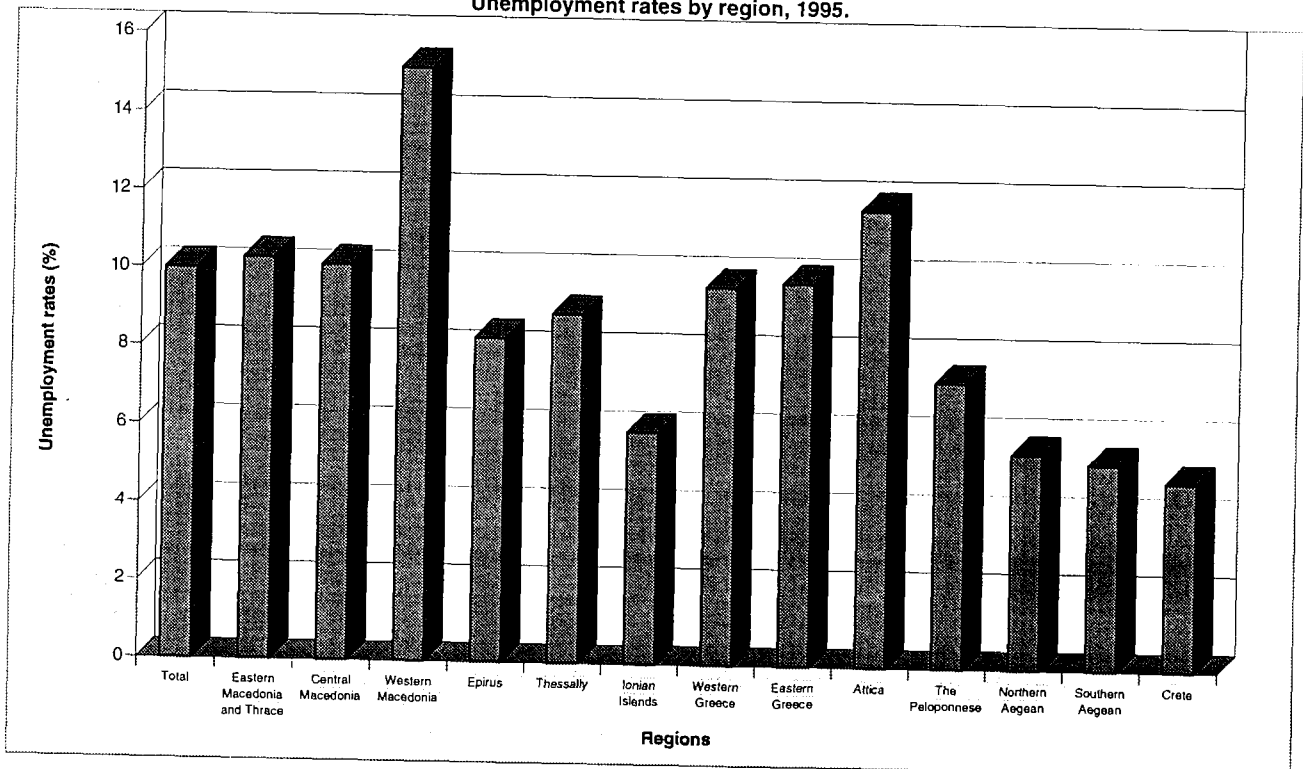
Source: Table 23

Figure 19
Long-term unemployment, 1981, 1991, 1995.



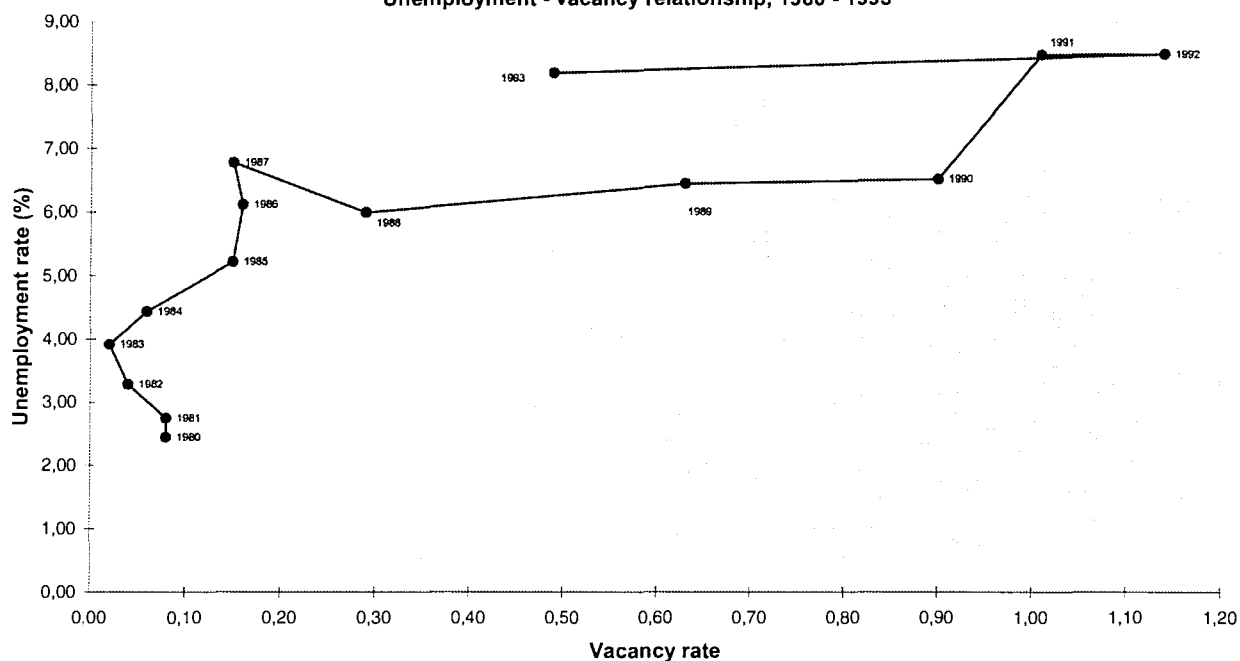
Source: Table 26

Figure 20
Unemployment rates by region, 1995.



Source: Table 33

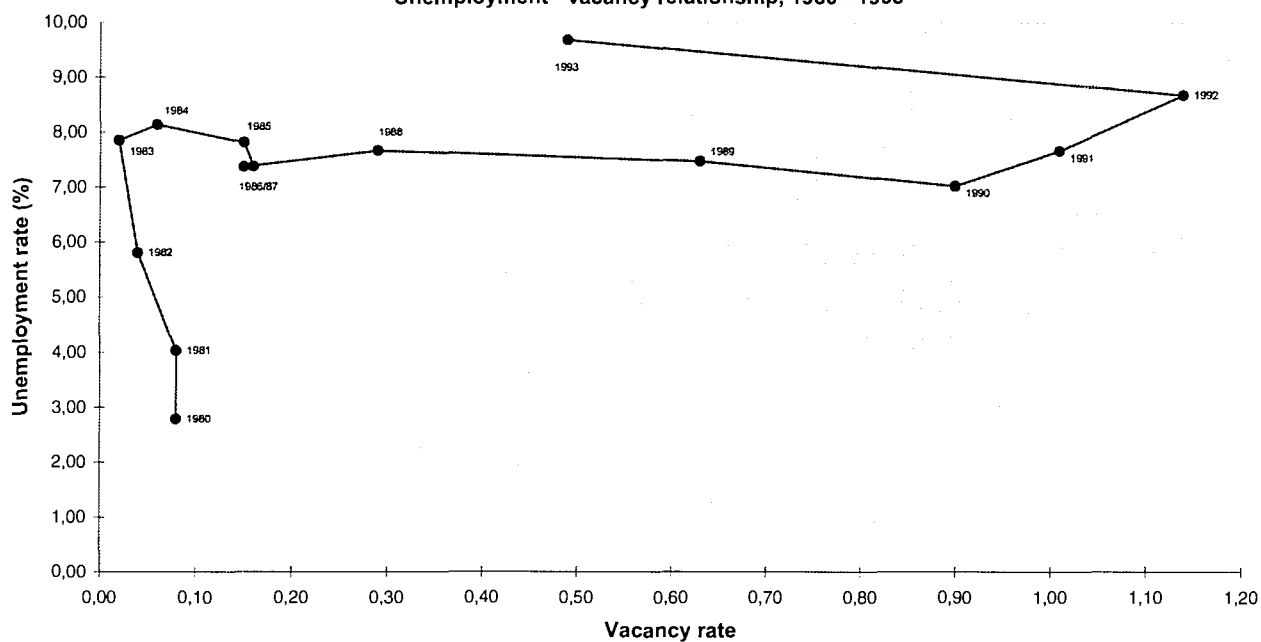
Figure 21
Unemployment - vacancy relationship, 1980 - 1993*



*Based on O.A.E.D. data on unemployment

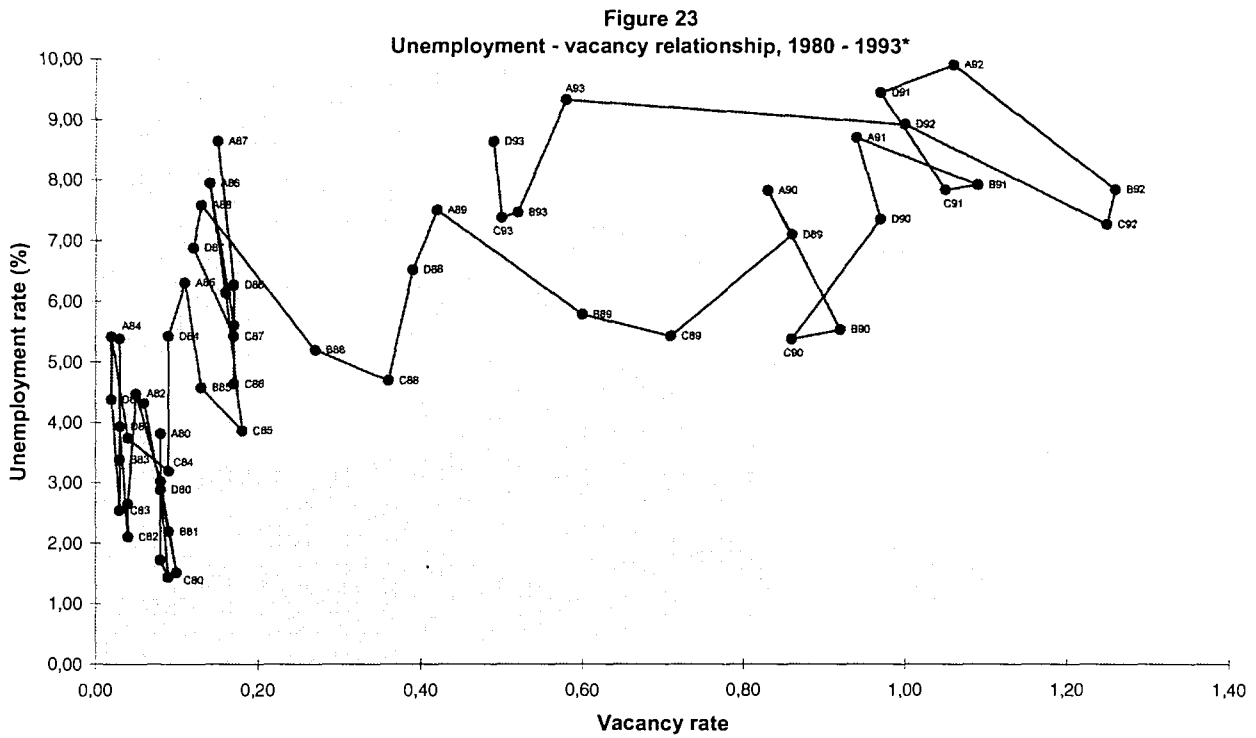
Source: Table 45

Figure 22
Unemployment - vacancy relationship, 1980 - 1993*

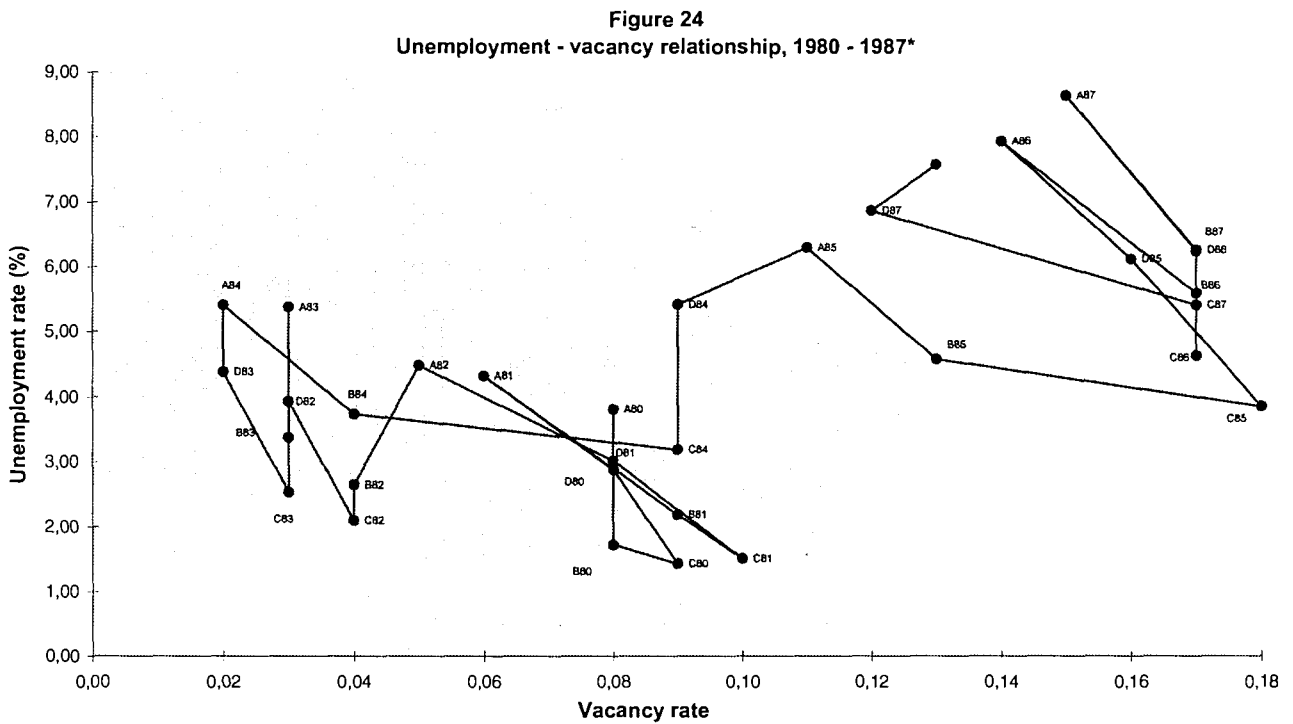


*Based on O.A.E.D. data on unemployment

Source: Table 45

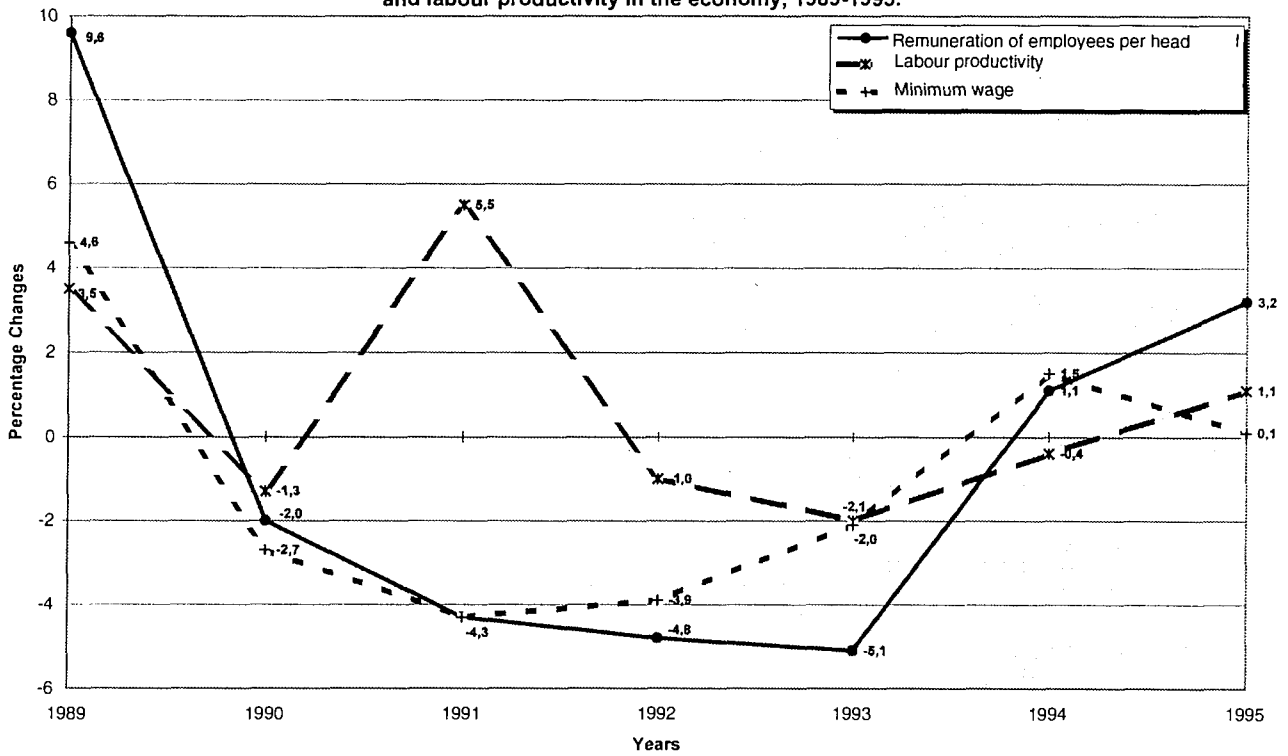


* The data for both variables are based on the monthly registrations of O.A.E.D. and are the average rates for quarters ending in March, June, September and December of each year. A=1st quarter, B=2nd quarter, C=3rd quarter, D=4th quarter.



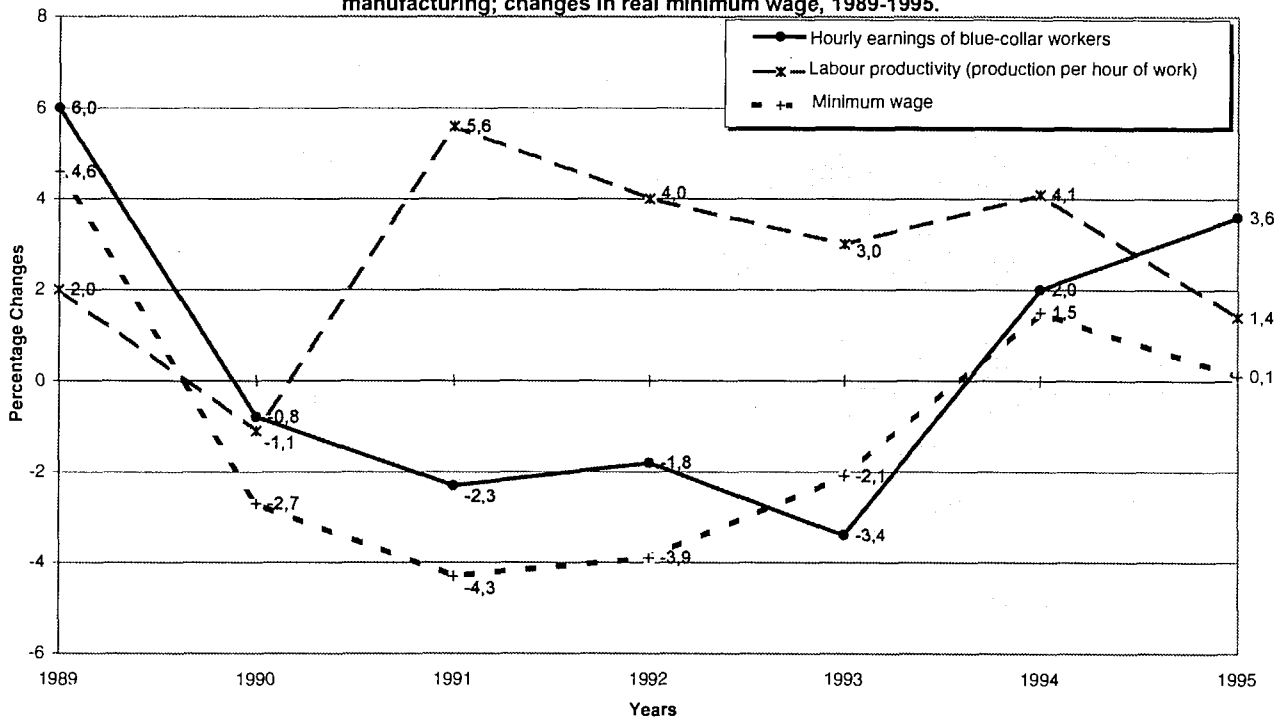
* The data for both variables are based on the monthly registrations of O.A.E.D. and are the average rates for quarters ending in March, June, September and December of each year. A=1st quarter, B=2nd quarter, C=3rd quarter, D=4th quarter.

Figure 25
Changes in real remuneration, real minimum wage
and labour productivity in the economy, 1989-1995.



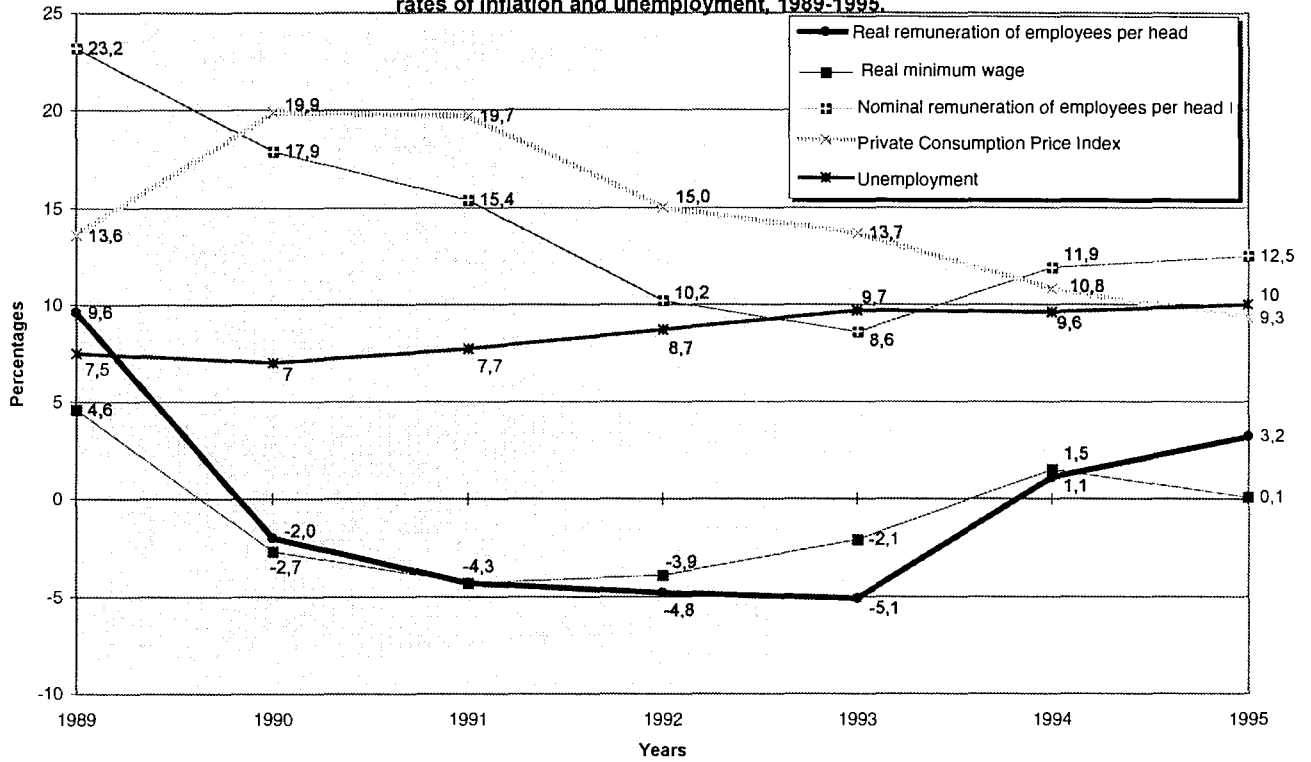
Source: Table 46

Figure 26
Changes in real average hourly earnings and productivity in
manufacturing; changes in real minimum wage, 1989-1995.



Source: Table 46

Figure 27
Changes in average nominal and real remuneration and in real minimum wage;
rates of inflation and unemployment, 1989-1995.



Source: Table 46

Figure 28
Inflation and unemployment rates, 1990-1995.



Source: Table 46 and data from the Labour Force Survey for the years 1990 to 1995.

ANNEX C

INFORMATION ON AVERAGE EARNINGS, SOCIAL SECURITY CONTRIBUTIONS AND TAXES AND METHODOLOGY FOR THE ESTIMATION OF TAX WEDGES

Average earnings

The earnings data which refer to the average earnings of a production worker APW - male and female- in the manufacturing sector have been taken from the National Statistical Service of Greece - Labour Statistics. Regular payments (hourly manufacturing earnings) were multiplied by the number of hours worked per week and by 13 weeks for each quarter of the year. Such payments also include certain benefits, such as family allowances consisting of 5% of gross salary for each of the first, second and third child, and 10% for the worker's wife, independently of her income status. Other benefits are bonuses and gratuities paid for good performance, Christmas, Easter and summer vacation bonuses and fringe benefits. We also include overtime hourly payments: these are multiplied by the number of overtime hours per week, by 13 weeks for each quarter of the year.

Social security contributions

The social security contributions were estimated on the basis of the prevailing rates in the respective years (Table C). It should be noted that in the industrial sector employers pay an additional contribution to the Social Security Organisation (IKA), for work accidents, which is 1% of gross earnings. If a person is engaged in work considered as unhealthy or dangerous, additional contributions consisting of 3.6% of the gross earnings (1.4% by the employer and 2.2% by the employee) are paid, so that the person can receive a pension five years earlier than the normal age.

Personal income tax system

The personal income tax was estimated on the basis of the tax scale and the tax reliefs prevailing in each year. During the 80s there were several income tax reforms. Up to 1991, workers were entitled to a special "earned income allowance" of 40-50% with a ceiling which varied over the period. Besides, all taxpayers were entitled to some deductions as personal or family allowances, which took various forms.

Table C1
Social security contributions

	Up to 30/9/1990			Based on Law 1902/90			From 1/1/1993 Law 2084/92		
	A	B	C	A	B	C	A	B	C
1. IKA									
- Pension	4.75	9.50	14.25	5.75	11.50	17.25	6.67	13.33	20.00
- Sickness	2.25	4.50	6.75	2.25	4.50	6.75	2.55	5.10	7.65
- TEAM	3.00	3.00	6.00	3.00	3.00	6.00	3.00	3.00	6.00
Total	10.00	17.00	27.00	11.00	19.00	30.00	12.22	21.43	33.65
2. OAED	2.00	4.35	6.35	2.00	4.35	6.35	2.33	5.02	7.35
3. Workers Housing Organisation (Organismos Ergatikis Katoikias, OEK)	1.00	0.75	1.75	1.00	0.75	1.75	1.00	0.75	1.75
4. Workers' Social Welfare Fund (Ergatiki Estia)	0.25	0.25	0.50	0.25	0.25	0.50	0.25	0.25	0.50
Total	3.25	5.35	8.60	3.25	5.35	8.60	3.48	6.03	9.51
GRAND TOTAL	13.25	22.35	35.60	14.25	24.35	38.60	15.70	27.45	43.25

A = employees' contribution rates
B = employers' contribution rates
C = Total contribution rates

Note: From 1/1/1994 employers' contribution rates increased to 27.70%.

To estimate the tax obligations, non-standard tax reliefs and allowances were subtracted from the total annual employment income of an APW. The amount of tax which corresponded to the remainder income was calculated according to the income tax scale. This amount of tax was further decreased by 20,000 drachmas for each of the first and second child.

Average and marginal tax wedges on labour

The average and marginal tax wedges on labour were estimated on the basis of the methodology applied by Mckee et.al. (1987) in OECD countries.

Two types of representative taxpayers are identified: a single worker and a married couple with two children. In both cases we computed two types of wedges for the period 1983-1993. The average tax wedge for the APW-type taxpayer, and the marginal tax wedge, which is estimated on the basis of statutory marginal personal income tax rate, corresponding to the tax bracket of the APW-type taxpayer. All tax wedges are computed as a percentage of labour cost and correspond to the following definitions:

A1.: Average tax wedge on labour use is given by the ratio of labour cost minus net income from employment (net of employer's and employee's social security contributions and personal income tax actually paid) to labour cost, that is,

$$t_s/(1+t_s)+t_w/(1+t_s)+[t_{ep}*(1-t_w)]/(1+t_s)$$

where t_s and t_w stand for statutory employers' and employees' social security contributions, respectively and, t_{cp} is the effective average personal income tax rate.

Overall average tax wedge on labour use is calculated by adding to the average tax wedge previously described the amount of consumption taxes typically paid by the APW-type taxpayer if all his/her disposable income were consumed. It is given by:

$$t_s/(1+t_s)+t_w/[(1+t_s)*(1+t_c)]+[t_{ep}*(1-t_w)]/[(1+t_s)*(1+t_c)]+t_c/[(1+t_s)*(1+t_c)]$$

where t_c is the consumption tax rate as calculated from the aggregate tax and national income data, expressed on a factor cost (or tax-exclusive) basis.

Marginal and overall marginal tax wedges on labour use are given by the same definitions of average and total average tax wedges with the only difference that t_{ep} is replaced by t_{mp} i.e. the marginal personal income tax rate.

For the average tax wedges, we used the same methodology as in the case of marginal tax wedges performing the same set of alternative calculations concerning non-standard tax reliefs for both a single worker and a married couple with a single-earner and two children. To estimate non-standard tax reliefs for the APW income level we used official data on tax returns published by National Statistical Service of Greece-Statistics of Personal Income and its Taxation - (various years). Firstly, we selected the expense-related reliefs which were received by all wage earners with income in the bracket of an APW-type taxpayer. Then, we divided this total amount of non-standard tax reliefs by the total number of taxpayers within the same income-bracket independently of whether they actually received the reliefs or not. In this way we obtained an average value of the reliefs for all APW-type taxpayers.

The results of our estimates appear in Tables C2 to C11.

Table C2

Employers' and employees' social security contributions for single worker

Year	Net Income of APW	Employers' Social Security contributions	Employees' Social Security contributions	Gross Labour Cost for Employers LC	Employers' Contribution tax rate	Employees' Contribution tax rate
	1	2	3	4 = 1+2+3	5 = 2/(1+3)	6 = 3/(1+3)
1983	348.459	87.366	53.223	489.048	0.2175	0.1325
1984	436.460	109.429	66.664	612.553	0.2175	0.1325
1985	538.729	135.070	82.284	756.083	0.2175	0.1325
1986	708.735	177.695	108.251	994.681	0.2175	0.1325
1987	774.299	194.133	118.265	1086.697	0.2175	0.1325
1988	964.133	246.729	147.260	1358.122	0.2220	0.1325
1989	1159.901	296.823	177.161	1633.885	0.2220	0.1325
1990	1185.421	320.381	188.661	1694.463	0.2335	0.1375
1991	1383.810	374.631	220.607	1979.048	0.2335	0.1375
1992	1606.384	444.017	259.846	2310.247	0.2435	0.1425
1993	1698.333	553.672	318.689	2570.694	0.2745	0.1580
1994	1919.279	631.402	360.150	2910.831	0.2770	0.1580

Source: Estimated on the basis of data from *Labour Statistics* and *Statistics of Personal Income and its Taxation* of the National Statistical Service of Greece (various years) and data from the Social Security Organisation (IKA).

Table C3**Employers' and employees' social security contributions
for a couple with a single earner and two children**

Year	Net Income of APW	Employers' Social Security contributions T_s	Employees' Social Security contributions T_w	Gross Labour Cost for Employers LC	Employers' Contribution tax rate t_s	Employees' Contribution tax rate t_w
	1	2	3	4 = 1+2+3	5 = 2/(1+3)	6 = 3/(1+3)
1983	348.459	87.366	53.223	489.048	0.2175	0.1325
1984	436.460	109.429	66.663	612.553	0.2175	0.1325
1985	538.729	135.070	82.284	756.083	0.2175	0.1325
1986	708.735	177.695	108.251	994.681	0.2175	0.1325
1987	929.159	232.959	141.918	1034.036	0.2175	0.1325
1988	1156.960	296.075	176.712	1629.747	0.2220	0.1325
1989	1391.878	356.193	212.596	1960.667	0.2220	0.1325
1990	1420.105	384.457	226.393	2030.955	0.2335	0.1375
1991	1660.657	449.581	264.743	2374.981	0.2335	0.1375
1992	1927.783	532.821	311.815	2720.997	0.2435	0.1425
1993	2037.999	664.407	382.427	3084.833	0.2745	0.1580
1994	2303.135	757.682	432.180	3492.997	0.2770	0.1580

Source: Estimated on the basis of data from *Labour Statistics* and *Statistics of Personal Income and its Taxation* of the National Statistical Service of Greece (various years) and data from the Social Security Organisation (IKA).

Table C4**Tax wedges in percent of labour cost for a single worker**

Year	Employers' Tax wedge T_s/LC	Employees' tax wedge T_w/LC	Average income tax wedge	Marginal tax wedge	Total average tax wedge on labour use	Total marginal tax wedge on labour use
	1	2	3	4	5 = 1+2+3	6 = 1+2+4
1983	17.86	10.88	2.42	9.97	31.17	38.71
1984	17.86	10.88	2.69	14.96	31.44	39.44
1985	17.86	10.88	4.80	14.96	33.55	43.71
1986	17.86	10.88	4.19	12.82	32.93	41.56
1987	17.86	10.88	3.22	12.82	31.97	41.56
1988	18.17	10.84	4.67	17.04	33.68	46.05
1989	18.17	10.84	5.32	17.04	34.32	46.05
1990	18.93	11.15	3.90	16.78	33.98	46.86
1991	18.93	11.15	3.29	20.98	33.36	51.05
1992	19.58	11.46	1.30	3.45	32.34	34.49
1993	21.54	12.40	1.36	3.30	35.29	37.24
1994	21.69	12.40	1.58	3.30	35.67	37.39

Source: Estimated on the basis of data from *Labour Statistics* and *Statistics of Personal Income and its Taxation* of the National Statistical Service of Greece (various years) and data from the Social Security Organisation (IKA).

Table C5**Tax wedges in percent of labour cost for a married couple with a single earner and two children**

Year	Employers' Tax wedge T_e/LC	Employees' tax wedge T_w/LC	Average income tax wedge	Marginal tax wedge	Total average tax wedge on labour use	Total marginal tax wedge on labour use
	1	2	3	4	5 = 1+2+3	6 = 1+2+4
1983	17.86	10.88	1.04	7.84	29.78	36.58
1984	17.86	10.88	0.00	0.00	28.75	28.75
1985	17.86	10.88	0.00	0.00	28.75	28.75
1986	17.86	10.88	0.92	12.82	29.67	41.57
1987	17.86	10.88	2.57	12.82	31.32	41.57
1988	18.17	10.84	3.92	17.04	32.93	46.05
1989	18.17	10.84	4.75	17.04	33.76	46.05
1990	18.93	11.15	2.96	16.78	33.03	46.86
1991	18.93	11.15	2.47	20.98	32.55	51.05
1992	19.58	11.46	0.14	3.45	31.18	34.49
1993	21.54	12.40	0.39	3.30	34.32	37.24
1994	21.69	12.40	0.72	3.30	34.81	37.39

Source: Estimated on the basis of data from *Labour Statistics* and *Statistics of Personal Income and its Taxation* of the National Statistical Service of Greece (various years) and data from the Social Security Organisation (IKA).

Table C6**Tax wedges in percent of labour cost for a single worker taking into account non-standard tax reliefs**

Year	Employers' Tax wedge T_e/LC	Employees' tax wedge T_w/LC	Average income tax wedge	Marginal tax wedge	Total average tax wedge on labour use	Total marginal tax wedge on labour use
	1	2	3	4	5 = 1+2+3	6 = 1+2+4
1983	17.86	10.88	2.24	9.97	30.99	38.71
1984	17.86	10.88	2.43	14.96	31.18	39.44
1985	17.86	10.88	4.43	14.96	33.18	43.71
1986	17.86	10.88	3.84	12.82	32.59	41.56
1987	17.86	10.88	2.94	12.82	31.68	41.56
1988	18.17	10.84	2.77	17.04	31.78	46.05
1989	18.17	10.84	3.02	17.04	32.03	46.05
1990	18.93	11.15	0.15	16.78	30.23	46.86
1991	18.93	11.15	0.19	20.98	30.27	51.05
1992	19.58	11.46	1.10	3.45	32.14	34.49
1993	21.54	12.40	1.13	3.30	35.06	37.24
1994	21.69	12.40	1.37	3.30	35.46	37.39

Source: Estimated on the basis of data from *Labour Statistics* and *Statistics of Personal Income and its Taxation* of the National Statistical Service of Greece (various years) and data from the Social Security Organisation (IKA).

Table C7**Tax wedges in percent of labour cost for a couple with a single earner and two children taking into account non-standard tax reliefs**

Year	Employers' Tax wedge T _e /LC	Employees' tax wedge T _w /LC	Average income tax wedge	Marginal tax wedge	Total average tax wedge on labour use	Total marginal tax wedge on labour use
	1	2	3	4	5 = 1+2+3	6 = 1+2+4
1983	17.86	10.88	1.00	7.84	29.75	36.58
1984	17.86	10.88	0.00	0.00	28.75	28.75
1985	17.86	10.88	0.00	0.00	28.75	28.75
1986	17.86	10.88	0.84	12.82	29.59	41.57
1987	17.86	10.88	2.50	12.82	31.25	41.57
1988	18.17	10.84	3.17	17.04	32.18	46.05
1989	18.17	10.84	4.04	17.04	33.05	46.05
1990	18.93	11.15	2.35	16.78	32.43	46.86
1991	18.93	11.15	1.99	20.98	32.07	51.05
1992	19.58	11.46	0.00	3.45	31.06	34.49
1993	21.54	12.40	0.09	3.30	34.02	37.24
1994	21.69	12.40	0.47	3.30	34.56	37.39

Source: Estimated on the basis of data from *Labour Statistics* and *Statistics of Personal Income and its Taxation* of the National Statistical Service of Greece (various years) and data from the Social Security Organisation (IKA).

Table C8**Tax wedges with consumption taxes in percent of labour cost for a single worker**

Year	Employers' Tax wedge	Employees' tax wedge	Average income tax wedge	Marginal tax wedge	Indirect tax wedge	Total average tax wedge	Total marginal tax wedge
	1	2	3	4	5	6 = 1+2+3+5	7 = 1+2+4+5
1983	17.86	8.83	1.97	8.09	15.52	44.18	50.30
1984	17.86	8.76	2.17	12.05	16.02	44.81	54.69
1985	17.86	8.79	3.88	12.09	15.78	46.31	54.52
1986	17.86	8.58	3.30	10.11	17.41	47.15	53.96
1987	17.86	8.53	2.53	10.06	17.74	46.67	54.19
1988	18.17	8.71	3.75	13.68	16.12	46.74	56.68
1989	18.17	8.87	4.35	13.94	14.89	46.28	55.87
1990	18.93	8.89	3.11	13.39	16.38	47.31	57.59
1991	18.93	8.75	2.58	16.47	17.43	47.69	61.58
1992	19.58	8.89	1.01	2.67	18.01	47.49	49.15
1993	21.54	9.74	1.07	2.60	16.81	49.15	50.68
1994	21.69	9.67	1.23	2.58	17.13	49.72	51.07

Source: Estimated on the basis of data from *Labour Statistics* and *Statistics of Personal Income and its Taxation* of the National Statistical Service of Greece (various years) and data from the Social Security Organisation (IKA).

Table C9**Tax wedges with consumption taxes in percent of labour cost for a single worker taking into account non-standard reliefs**

Year	Employers' Tax wedge	Employees' tax wedge	Average income tax wedge	Marginal tax wedge	Indirect tax wedge	Total average tax wedge	Total marginal tax wedge
	1	2	3	4	5	6 = 1+2+3+5	7 = 1+2+4+5
1983	17.86	8.83	1.82	8.09	15.52	44.03	50.30
1984	17.86	8.76	1.96	12.05	16.02	44.60	54.69
1985	17.86	8.79	3.58	12.09	15.78	46.01	54.52
1986	17.86	8.58	3.03	10.11	17.41	46.88	53.96
1987	17.86	8.53	2.30	10.06	17.74	46.44	54.19
1988	18.17	8.71	2.22	13.68	16.12	45.22	56.68
1989	18.17	8.87	2.47	13.94	14.89	44.40	55.87
1990	18.93	8.89	0.12	13.39	16.38	44.32	57.59
1991	18.93	8.75	0.15	16.47	17.43	45.26	61.58
1992	19.58	8.89	0.83	2.67	18.01	47.31	49.15
1993	21.54	9.74	0.88	2.60	16.81	48.97	50.68
1994	21.69	9.67	1.07	2.58	17.13	49.56	51.07

Source: Estimated on the basis of data from *Labour Statistics* and *Statistics of Personal Income and its Taxation* of the National Statistical Service of Greece (various years) and data from the Social Security Organisation (IKA).

Table C10**Tax wedges with consumption taxes in percent of labour cost for a couple a single earner and two children**

Year	Employers' Tax wedge	Employees' tax wedge	Average income tax wedge	Marginal tax wedge	Indirect tax wedge	Total average tax wedge	Total marginal tax wedge
	1	2	3	4	5	6 = 1+2+3+5	7 = 1+2+4+5
1983	17.86	8.83	0.84	6.36	15.52	43.06	48.57
1984	17.86	8.76	0.00	0.00	16.02	42.64	42.64
1985	17.86	8.79	0.00	0.00	15.78	42.43	42.43
1986	17.86	8.58	0.72	10.11	17.41	44.58	53.96
1987	17.86	8.53	2.02	10.06	17.74	46.15	54.19
1988	18.17	8.71	3.16	13.68	16.12	46.15	56.68
1989	18.17	8.87	3.89	13.94	14.89	45.82	55.87
1990	18.93	8.89	2.36	13.39	16.38	46.56	57.59
1991	18.93	8.75	1.94	16.47	17.43	47.05	61.58
1992	19.58	8.89	0.11	2.67	18.01	46.59	49.15
1993	21.54	9.74	0.30	2.60	16.81	48.39	50.68
1994	21.69	9.68	0.56	2.58	17.13	49.06	51.08

Source: Estimated on the basis of data from *Labour Statistics* and *Statistics of Personal Income and its Taxation* of the National Statistical Service of Greece (various years) and data from the Social Security Organisation (IKA).

Table C11

Tax wedges with consumption taxes in percent of labour cost for a couple with a single earner and two children taking into account non-standard tax reliefs

Year	Employers' Tax wedge	Employees' tax wedge	Average income tax wedge	Marginal tax wedge	Indirect tax wedge	Total average tax wedge	Total marginal tax wedge
	1	2	3	4	5	6=1+2+3+5	7=1+2+4+5
1983	17.86	8.83	0.81	6.36	15.52	43.03	48.57
1984	17.86	8.76	0.00	0.00	16.02	42.64	42.64
1985	17.86	8.79	0.00	0.00	15.78	42.43	42.43
1986	17.86	8.58	0.67	10.11	17.41	44.52	53.96
1987	17.86	8.53	1.96	10.06	17.74	46.10	54.19
1988	18.17	8.71	2.54	13.68	16.12	45.54	56.68
1989	18.17	8.87	3.31	13.94	14.89	45.24	55.87
1990	18.93	8.89	1.88	13.39	16.38	46.08	57.59
1991	18.93	8.75	1.57	16.47	17.43	46.68	61.58
1992	19.58	8.89	0.02	2.67	18.01	46.50	49.16
1993	21.54	9.74	0.07	2.60	16.81	48.16	50.68
1994	21.69	9.67	0.37	2.58	17.13	48.86	51.07

Source: Estimated on the basis of data from *Labour Statistics* and *Statistics of Personal Income and its Taxation* of the National Statistical Service of Greece (various years) and data from the Social Security Organisation (IKA).

ANNEX D

EXPLANATION OF ACRONYMS USED IN THE REPORT

ADEDY :	National Confederation of Federations and Unions of Civil Servants
APW :	Average Production Worker
GSEE :	General Labour Confederation of Greece
GSEVEE:	General Confederation of Tradesmen and Small and Medium Industrial Enterprises
EIB :	European Investment Bank
EIE :	National Institute of Labour
EKKE:	National Centre for Social Research
EKLA :	Special Unemployment Fund (established for financing vocational training programmes)
ELINYAE :	Institute for Health and Safety at the Workplace
ELPEKE :	Special Fund for Vocational Education and Training Programmes
EMU :	European Monetary Union
EOMMEX :	National Organisation for Small and Medium Enterprises
EPA :	National Employment Observatory (new name of PIEKA)
ESEE :	Confederation of Greek Trade Associations
ESYE :	National Statistical Service of Greece
ETVA :	Greek Bank for Industrial Development
EU :	European Union
GDP :	Gross Domestic Product
IEK :	Institutes for Vocational Training
IKA :	National Social Security Organisation
INE / GSEE :	Labour Institute of the General Labour Confederation of Greece
KEK :	Centre for Vocational Training
KEPE :	Greek Centre for Planning and Research
KETEK :	Centres for Vocational and Technical Education and Training
LAEK :	Fund for Employment and Vocational Training established under the 1996 law for employment. It will replace ELPEPE and EKLA
OAE :	Organisation for the Restructuring of Enterprises
OAED :	Manpower Employment Organisation
OMED :	Organisation for Mediation and Arbitration
OKE :	Economic and Social Committee
OTE :	Telecommunications Organisation of Greece
PEEKA :	Regional Committees for Vocational Training and Employment
PEPA :	Regional Employment Observatories (replacing the PIEKAs. The PEPA of Attica will play the role of a National Employment Observatory. Its functions will be performed by PIEKA, which will be named EPA)
PIEKA :	Experimental Institute of Vocational Training and Employment. Under the new law it will take the name National Employment Observatory or EPA
SEV :	Federation of Greek Industries
SMEs :	Small and Medium Enterprises
TEI :	Institutes for Higher Technological Education (post-secondary)
TEK :	Accelerated Vocational Training Programme
TEL :	Technical Vocational Lykeia (upper secondary technical schools)
TES :	Technical Vocational Schools (lower than TEL)
UV :	Unemployment-vacancy

BIBLIOGRAPHY

- Anagnostaki, V. & Louri, H. (1996), "Manufacturing entry in Greece, 1982-88: Did sectoral policy work?", *Journal of Economic Studies*, vol. 22:6, 60-68.
- Athanasiadis, D. and Kostakis, E. (1995), "Data for Employment and Unemployment in Greece" (in Greek) *ERGASIA PIEKA*, July-August.
- Bank of Greece (1996), *Annual Report of the Governor*, 1995 and similar reports for previous years.
- Bank of Greece, *Economic Bulletin* (monthly), various issues.
- Blanchard, O. and Diamond, P. (1989) "The Beveridge Curve", *Brookings Papers on Economic Activity*, Brookings Institute, Washington D.C.
- Committee for Restructuring the Social Security System (1994), *Report on Restructuring the Social Security System in Greece*, (in Greek).
- Central Planning Bureau (1993), "The Effects of a Reduction of Social Security Contributions Paid by Employers". *Report to the Directorate-Generale for Economic and Financial Affairs of the European Commission*. The Hague.
- Daly, M., Cambell, M., Robson, G. & Gallagher, C. (1991), "Job Creation 1987-89: The contribution of Small and Large Firms", *Employment Gazette*, November, 589-96.
- Dedousopoulos, A., Reppas P., et al. (1994), *Evaluation of the employment subsidisation programme for the creation of new jobs* (in Greek), Pantion University, Athens.
- European Commission: (1996a), Eurostat *Economic Data Pocket Book*,
_____,(1996b), *Economic Forecasts 1996-1997*,
_____,(1995a), *European Economy No 59*, pp. 137-138.
_____,(1995b), *Greek Economy No 8*, Brussels.
_____,(1995c), Report on the Coordination of Activities in Favour of SMEs and the Craft Sector, COM (95), 362.
_____,(1995d), *EU Ad Hoc Labour Market Survey*, Brussels.
_____,(1994a), *Employment in Europe*, Brussels.
_____,(1994b), "The Climate Challenge: Economic Aspects of Limiting CO₂ Emissions, *European Economy*, No.51, September.
_____,(1994c), Eurostat, *Enterprises in Europe*, Third Report, Brussels.
- Federation of Greek Industries (SEV), Athens: *Monthly Bulletin*, various issues, (in Greek).
_____,*The Greek Industry, Annual Report*, several issues (in Greek).
_____,(1995a), *Views of the Federation of Greek Industries about Unemployment and Employment*, report, (in Greek).
_____,(1995b), "Greek Economy: A Fragile Recovery that Should be Turned into Sustained Growth". Presentation made by the President.
_____,(1993), *Towards a Competitive Economy: A New Approach to Policy for Greek Industry*, Report prepared by a group of experts,
- GSEE, Institute of Labour,
Athens:
_____, *INE Papers*, Quarterly Journal, various issues, (in Greek).
_____, *Enimerosi*, Monthly Bulletin, various issues, (in Greek).
_____,(1996a), *Flexibility and New Industrial Relations*, by B. Georgakopoulou and G. Kouzis, (in Greek).

- _____, (1996b), *Flexibility in the Labour Market and in Enterprises*, by B. Georgakopoulou, (in Greek).
- _____, (1996c), *ENIMEROSI, Monthly Report*, January (in Greek).
- _____, (1995a), *Reduction of Working Hours*, by S. Robolis (in Greek).
- _____, (1995b), *Foreign Workers and the Labour Market in Greece*, by P. Linardos-Rylmon, (in Greek).
- _____, (1993a), *The Principle of Linking Remuneration with Productivity: Problems and Conditions for its Application*, by B. Georgakopoulou and G. Kouzis, (in Greek).
- _____, (1993b), *Social Security in Greece: The Case of the Foundation of Social Security (IKA)* by P. Petroulas et al., (in Greek).
- Haratsis, E., Kottis Petraki, A., et. al. (1993). *Self-employment of the Unemployed in Greece: Evaluation of the OAED Self-Employment Programme* (in Greek).
Research Centre of the Athens University of Economics and Business, Athens, (study carried out on behalf of OAED).
- Institute for Economic
and Industrial Research
(IOVE), Athens:
- _____, (1994), Proceedings of the Conference *The Difficult Road to Convergence*, (in Greek).
- _____, (1990a), *Needs for Vocational Training in the Greek Food and Drink Industry*, by G. Kazakos et.al., (in Greek).
- _____, (1990b), *European Integration and the Labour Market*, by K. Kioulafas and K. Zaragas, (in Greek).
- _____, (1990c), *Sectoral Studies on Vocational Training Needs*, by A. Tortopidis et.al. (in Greek).
- Ioannou, C. (1995), "The national system of industrial relations", in *The Greek Society in the Post-War Period*, Volume II, pp. 73-105, Sakis Karagiorgas Foundation, Athens (in Greek).
- _____, (1996a), "Characteristics of the Disputes Mediated by the Organisation for Mediation and Arbitration - OMED", *Industrial Relations Journal*, Vol. 1, No 2, April 1996, pp. 60-80.
- _____, (1996b), "Trade-Unions in Greece: Change and Continuity", *European Review of Labour Research*, Vol. 3, No 3, pp. 500-518, August 1996.
- Jackucan R., Passarides C. and Savauri, S. (1990), "Unemployment Policies", *Economic Policy*.
- Jecchinis, C. and Koutroukis, T., (1992) *Labour Relations in Greece*, Athens.
- Kanellopoulos, C. (1992), "The Underground Economy in Greece: What Official Data Show", Centre for Planning and Economic Research, Athens.
- Karmas, C.A. and Paleocrassas, S.N. (1995), "Costs and Financing of Vocational Education and Training in Greece", Study on behalf of CEDEFOP, Athens, mimeo, (in Greek).
- Katsikas, X. and Kavafias, G., (1995), *Inequality in Greek Education*, Gutenberg Publishers, Athens, (in Greek).
- Kavouras, J. et al., (1995), *Improvement of the Functioning of Labour Offices*, Research Centre of the Athens University of Economics and Business, Athens (in Greek).

KEPE (Centre of Planning
and Economic Research),
Athens

- _____,(1996a), *Proposals for Structural Policies for Industry and Employment*, (in Greek).
- _____,(1996b), *Demographic Changes, Retirement, Job Creation and Labour Shortages in Greece: An Occupational and Regional Outlook*" by N. Glytsos, Athens.
- _____,(1996c), *Observatory 95: Structural Policies in the European Union and in Greece*, (in Greek).
- _____,(1995a), *Likely effects of the Second Community Support Framework*, by N. Christodoulakis and S. Kalyvitis.
- _____,(1995b), *Priorities for Vocational Training and Retraining in the Athens Major Area and in Salonika*.
- _____,(1994a), *Human Resources, Population, Labour Market and Education*, by N. Kanellopoulos, (in Greek).
- _____,(1994b), *Free Movement of Workers in the Community and the Employment Policy in Greece*, by K. Estratoglou, (in Greek).
- _____,(1993), *Greek Education in the Horizon of 2000*, by A. Karmas, (in Greek).
- _____,(1991), *Studies in the Equilibrium Approach to Inflation and Unemployment*, by E. Anagnostopoulou.
- _____,(1990a), *Employment and Unemployment*, (in Greek).
- _____,(1990b), *The Development of Greece: Past, Present and Policy Proposals*, (in Greek).
- _____,(1989), "Small and Medium Enterprises-Reports for the 1988-92 Programme", (in Greek).
- Kintis, A. (ed.) (1995), *The Greek Economy Facing the 21st Century*, Ionian Bank of Greece, Athens, (in Greek).
- Konsolas, N. (ed.), (1993), *Regional Prospects in Greece*, Institute for Regional Development, Pantion University, Athens, (in Greek).
- Kotzamanis, B. et.al., (1994), *Demographic Trends in Post-war Greece*, Livanis Publications, Nea Synora, Athens (in Greek).
- Kottis, G. (1980), *Industrial Decentralisation and Regional Development*, Institute for Economic and Industrial Research, Athens.
- Kottis, G. and Kottis Petraki, A., et.al. (1994), *Evaluation Study of the System of Accelerated Vocational Training*, (in Greek), Research Centre, Athens University of Economics and Business (study carried out on behalf of OAED).
- Kottis, G. and Kottis Petraki, A. (1995), *Contemporary Economic Issues* (in Greek), Papazissis Publishers, Athens.
- Kottis Petraki, A. (1992), "Re-entrance into the Labour Market of Women Graduates in Greece" in *Issues in Contemporary Economics*, Edited for the International Economic Association by Nancy Folbre, Barbara Bergmann et.al., MacMillan, London.
- _____, (1991), "Single European Labour Market: Equality Between Women and Men", *International Journal of Manpower - Human Resources*, Vol. 12, No 1.

-
- (1990), "Impact of the Formation of the Single European Market on Women's Position in the Labour Market" *Proceedings of the Conference of the Council of Europe* in Aarhus.
-
- (1990), "Shifts Over Time and Regional Variation in Women's Labor Force Participation Rates in a Developing Economy: The Case of Greece", *Journal of Development Economics*, 33.
-
- (1988), "The Impact of Economic Development on Women's Labour Force Participation Rates in Greece: An Analysis by Age Groups", *Equal Opportunities International*, Vol.7, No 2.
-
- (1988), "Sources of Growth of Female Employment in Greece, 1971-81: A Shift-Share Analysis", *Inter-national Journal of Manpower*, Vol. 9, 1.
-
- (1987), "Earnings Differentials in Manufacturing in Greece: A Statistical Exploration", *International Journal of Manpower*, Vol. 8, No 4.
-
- (1974), "Private Employment Through Public Labor Marketing Offices: A Proposal for a More Constructive Public Welfare Program", *The Annals of Regional Science*, VII, 1.
- Kottis Petraki, A. and Dimelis, S. (1992), "Labour Force Participation and Earnings of Women University Graduates in Greece: A Two-step Analysis (with S. Dimelis). *International Journal of Manpower*, Vol. 13, 9.
- Kottis Petraki, A., Haratsis, E., et. al. (1993), *Self-employment of the Unemployed in Greece: Evaluation of the OAED Self-Employment Programme* (in Greek). Research Centre of the Athens University of Economics and Business, Athens, (study carried out on behalf of OAED).
- Kottis Petraki, A. and Kottis, G. (1993), "The Labour Market in Greece: Institutions, Problems and Policies" in I.Beleva (Ed.), *Bulgaria and the European Community: Transformation of the Labour Market and Social Policy*, Economics Institute, Sofia.
- Lambiri-Dimaki, I. and Kyriazis, N. (eds), (1995) *The Greek Society at the End of the Century*, Papazissis, Athens, (in Greek).
- Lianos, T.P., Sarris, A. and Katseli, L.T. (1995), "The Impact of Illegal Immigration on Local Labour Markets: The Case of Northern Greece", CERP Workshop, Halkidiki, 14-16 September, 1995.
- Liargovas, T. & Tsiouri, L. (1996), "The Effects of the White Paper on Development, Competitiveness and Employment in Greece", EKEM, Athens (in Greek).
- Lambiri-Dimaki, I. and Kyriazis, N. (eds) (1995), *The Greek Society at the End of the Century*, Papazissis, Athens, (in Greek).
- Loukakis, P.K. et.al., (1991), *Needs and Skill Shortages in the Regions of Eastern Macedonia and Thrace*, University of Thrace, Thrace.
- Louri, H. (1989), "Regional Policy and Investment Behaviour-The Case of Greece 1971-1982", *Regional Studies*, Vol. 23:3, 231-39.
- Louri, H., (1988), "Scale Economies in Urban Manufacturing Production: a Case Study", *Greek Economic Review*, vol. 10:2, 371-82.
- Markopoulos, K. et.al., (1994a), *Study on the Creation of a Continuous Vocational Training Structure*, Federation of Greek Industries in collaboration with the Institute of Labour of the Federation of Greek Workers, Athens, (in Greek).
- Markopoulos, K. et.al., (1994b), *Study on Strategies to Improve Young People's Access to Initial Vocational Training*, OEEK, Athens, (in Greek).
-

McKee, M.J., J.J.C. Visser and P.G.Sauders (1987), *Marginal Tax Rates on the Use of Labour and Capital in OECD Countries*, OECD, Paris.

Ministry of Labour,
Athens

_____,(1996), “Policy Measures for Employment and Vocational Training”, Draft of Law (with supporting report), submitted to the Parliament, (in Greek).

_____,(1995), “A Multi-Annual Plan for the Promotion of Employment in Greece”, unpublished report, (in Greek).

Ministry of National
Economy, Athens

_____,(1996), *Current Developments and Prospects for the Greek and the World Economy*, Athens, (in Greek).

_____,(1995), “Structural Policies for Checking Unemployment and Increasing Employment”.

_____,(1994), “Revised Convergence Plan for the Greek Economy”, Athens, (in Greek).

National Manpower
Employment Organisation
(OAED):

_____,*Labour*, bimonthly journal issued by PIEKA, several issues.

_____,(1996),“The Promotion of Employment and Measures to Support the Unemployed”, unpublished paper, (in Greek).

_____,(1996 and 1995), *OAED Today and Tomorrow* (in Greek), Athens.

_____,(1994a), *Exploratory Study of the Possibilities to Utilise Human Resources at the Local Level*, by L. Papagiannakis et.al., (in Greek).

_____,(1994b), *Evaluation of Training Programmes Organised by Enterprises*, by I. Hassid et.al. (in Greek).

_____,(1994c), *Evaluation of the Programme of new Job Creation by Enterprises*, by A. Dedousopoulos et.al., (in Greek).

National Statistical Service
of Greece (ESYE):

_____, National Accounts, (various issues) (in Greek).

_____, *Statistics of Reported Personal Income and its Taxation* (various issues) (in Greek).

_____, *Labour Force Survey*, 1981-1991, annual reports.

_____, Various publications (e.g. *Labour Statistics, Census of Industry*, etc.).

Observatoire Europeen des PME (1995), Troisieme rapport annuel.

Observatoire Europeen des PME (1993), Premier rapport annuel.

OECD, (1996), *Economic Surveys: Greece*, Paris.

_____, (1995), *Employment Outlook*, Paris.

_____, *The Tax/Benefit Position of Production Workers*, Paris. Various issues.

_____,(1994), *Jobs Study*, Paris.

Organisation of Vocational Education and Training: (1995) *Vocational Education and Training of Young Persons with Special Needs*, Organisation of Vocational Education and Training (OEEK), Athens, (in Greek).

Panagiotou, A., (1995) *Determination of Agricultural Training Needs*, Agricultural University of Athens, Athens (in Greek).

- Papatheodossiou, T. (1993), *The Integration of Greek Repatriates from the Former Soviet Union into the Greek Labour Market*, Technological Educational Institute (TEI) of Athens, Athens (in Greek).
- Papatheodossiou, T., and Stavrou, S., (1992), *Fighting Long-Term Unemployment: Training the Long-Term Unemployed*, Greek Centre for Productivity (ELKEPA), Athens, (in Greek).
- Papathodossiou, T. et.al. (1992), *Regional Needs and Skill Shortages- The Case of the West Attica Region*, TEI of Athens, Athens, (in Greek).
- Papatheodossiou, T. and Stavrou, S. (1990), *An Analysis of Students' Participation Rates in Technical Vocational Education*, Institute of Technical Education, Athens, (in Greek).
- Pavlopoulos, P. (1987), *The Hidden Economy in Greece*, Institute for Economic and Industrial Research, Athens (in Greek).
- Psacharopoulos, G, Kazamias, A. et al. (1985), "Education and Development in Greece: A Social and Economic System", EKKE, Athens.
- Sakellis, J., (1993), *Population and Labour Force in Greece*, Institute of Regional Development, Pantion University, Athens (in Greek).
- Sakellis, J. et.al. (1991), *The Phenomenon of Long Term Unemployment in Greece*, Institute for Regional Development, Pantion University, (in Greek).
- Sakellis, J. (1992), *Promotion of Employment and Vocational Training for Unemployed Women*, Institute for Regional Development, Pantion University, Athens, (in Greek).
- UNESCO, Statistical Year Book, 1994.

European Commission

Labour Market Studies — Greece

Document

Luxembourg: Office for Official Publications of the European Communities

1997 — 220 pp. — 21 x 29.7 cm

ISBN 92-827-8747-8

Price (excluding VAT) in Luxembourg: ECU 29.50

BELGIOUE/BELGIË

Moniteur belge/Belgisch Staatsblad

Rue de Louvain 40-42
Leuvenseweg 40-42
B-1000 Bruxelles/Brussel
Tél. (32-2) 552 22 11
Fax (32-2) 511 01 84

Jean De Lannoy

Avenue du Roi 202/
Koningslaan 202
B-1060 Bruxelles/Brussel
Tél. (32-2) 538 51 69
Fax (32-2) 538 08 41
E-mail: jean.de.lannoy@infoboard.be

Librairie européenne/Europese Boekhandel

Rue de la Loi 244/
Wetstraat 244
B-1040 Bruxelles/Brussel
Tél. (32-2) 295 26 39
Fax (32-2) 735 08 60

DANMARK

J. H. Schultz Information A/S

Herstedvang 10-12
DK-2620 Albertslund
Tlf. (45) 43 63 23 00
Fax (45) 43 63 19 69
E-mail: schultz@schultz.dk
URL: www.schultz.dk

DEUTSCHLAND

Bundesanzeiger Verlag

Breite Straße 78-80
Postfach 10 05 34
D-50667 Köln
Tel. (49-221) 20 29 0
Fax (49-221) 20 29 278

GREECE/ΕΛΛΑΔΑ

G.C. Eleftheroudakis SA

International Bookstore
Panepistimiou 17
GR-105 64 Athens
Tel. (30-1) 331 41 80/1.2/3
Fax (30-1) 323 98 21
E-mail: elebooks@netor.gr

ESPAÑA

Mundi Prensa Libros, SA

Castelló, 37
E-28001 Madrid
Tel. (34-1) 431 33 99/431 32 22
Fax (34-1) 575 39 98
E-mail: mundiprensa@lsai.es
URL: www.lsai.es/mprensa

Boletín Oficial del Estado

Trafalgar, 27-29
E-28071 Madrid
Tel. (34-1) 538 22 95 (Libros/
384 17 15 (Suscripciones)
Fax (34-1) 538 23 49 (Libros/
384 17 14 (Suscripciones)
URL: www.boe.es

Mundi Prensa Barcelona

Consell de Cent, 391
E-08009 Barcelona
Tel. (34-3) 488 34 92
Fax (34-3) 487 76 59

FRANCE

Journal officiel

Service des publications des CE
26, rue Desaix
F-75727 Paris Cedex 15
Tél. (33-1) 40 58 77 01/31
Fax (33-1) 40 58 77 00

IRELAND

Government Supplies Agency

Publications Section
4-5 Harcourt Road
Dublin 2
Tel. (353-1) 661 31 11
Fax (353-1) 475 27 60

ITALIA

Licosa SpA

Via Duca di Calabria, 1/1
Casella postale 552
I-50125 Firenze
Tel. (39-55) 64 54 15
Fax (39-55) 64 12 57
E-mail: licosa@lfbcc.it
URL: ic382.cilea.it/Virtual_Library/bibliotvetrina/
licosa.t11.htm

GRAND-DUCHÉ DE LUXEMBOURG

Messageries du livre Sarl

5, rue Raiffeisen
L-2411 Luxembourg
Tél. (352) 40 10 20
Fax (352) 490 661
E-mail: mdl@pt.lu

Abonnements:

Messageries Paul Kraus

11, rue Christophe Plantin
L-2339 Luxembourg
Tél. (352) 499 88 88
Fax (352) 499 888 444
E-mail: mpk@pt.lu
URL: www.mpk.lu

NEDERLAND

SDU Servicecentrum Uitgevers

Christoffel Plantijnstraat 2
Postbus 20014
2500 EA's Gravenhage
Tel. (31-70) 378 98 80
Fax (31-70) 378 97 83
E-mail: sdu@sdu.nl
URL: www.sdu.nl

ÖSTERREICH

**Manz'sche Verlags- und Universitäts-
buchhandlung GmbH**

Siebenbrunnengasse 21
Postfach 1
A-1050 Wien
Tel. (43-1) 53 161 334 / 340
Fax (43-1) 53 161 339
E-mail: ausrlieferung@manz.co.at
URL: www.austria.EU.net:81/manz

PORTUGAL

Imprensa Nacional-Casa da Moeda, EP

Rua Marquês de Sá da Bandeira, 16 A
P-1050 Lisboa Codex
Tel. (351-1) 353 03 99
Fax (351-1) 353 02 94/384 01 32

Distribuidora de Livros Bertrand Ld.ª

Rua das Terras dos Vales, 4 A
Apartado 60037
P-2701 Amadora Codex
Tel. (351-1) 495 90 50/495 87 87
Fax (351-1) 496 02 55

SUOMI/FINLAND

Akateeminen Kirjakauppa /

Akademiska Bokhandeln
Pohjoisesplanadi 39/
Norra esplanaden 39
PL/PB 128
FIN-00101 Helsinki/Helsingfors
Tel. (358-9) 121 41
Fax (358-9) 121 44 35
E-mail: akatilaus@stockmann.mailnet.fi
URL: booknet.cultnet.fi/aka/index.htm

SVERIGE

BTJ AB

Traktorvägen 11
PO Box 200
S-22100 Lund
Tel. (46-46) 18 00 00
Fax (46-46) 18 01 25
E-mail: blj_tc@mail.btj.se
URL: www.btj.se/media/eu

UNITED KINGDOM

**The Stationery Office Ltd
(Agency Section)**

51, Nine Elms Lane
London SW8 5DR
Tel. (44-171) 873 9090
Fax (44-171) 873 8463
URL: www.the-stationery-office.co.uk

ICELAND

Bokabud Larusar Blöndal

Skólavörðustíg, 2
IS-101 Reykjavík
Tel. (354) 55 15 650
Fax (354) 55 25 560

NORGE

NIC Info A/S

Ostenjoveien 18
Boks 6512 Etterstad
N-0606 Oslo
Tel. (47-22) 97 45 00
Fax (47-22) 97 45 45

SCHWEIZ/SUISSE/SVIZZERA

OSEC

Stampfenbachstraße 85
CH-8035 Zurich
Tel. (41-1) 365 53 15
Fax (41 1) 365 54 11
E-mail: urs.leimbacher@ecs.osec.inet.ch
URL: www.osec.ch

ČESKÁ REPUBLIKA

NIS CR - prodejna

Konviktská 5
CZ-113 57 Praha 1
Tel. (42-2) 24 22 94 33
Fax (42-2) 24 22 94 33
E-mail: nkposp@dec.nis.cz
URL: www.nis.cz

CYPRUS

Cyprus Chamber Of Commerce & Industry

38, Grivas Digenis Ave
Mail orders:
PO Box 1455
CY-1509 Nicosia
Tel. (357-2) 44 95 00/46 23 12
Fax (357-2) 361 044
E-mail: cy1691_eic_cyprus@vans.infonet.com

MAGYARORSZÁG

Euro Info Service

Európa Ház
Margitsziget
PO Box 475
H-1396 Budapest 62
Tel. (36-1) 11 16 061/11 16 216
Fax (36-1) 302 50 35
E-mail: euroinfo@mail.mataw.hu
URL: www.euroinfo.hu/index.htm

MALTA

Miller Distributors Ltd

Malla International Airport
PO Box 25
LQA 05 Malta
Tel. (356) 66 44 88
Fax (356) 67 67 99

POLSKA

Ars Polona

Krakowskie Przedmiescie 7
Skr. pocztowa 1001
PL-00-950 Warszawa
Tel. (48-2) 26 12 01
Fax (48-2) 26 62 40

TÜRKIYE

Dünya Infotel A.S.

Istiklal Cad. No: 469
TR-80050 Tünel-Istanbul
Tel. (90-212) 251 91 96
(90-312) 427 02 10
Fax (90-212) 251 91 97

BÄLGARIJA

Europress-Euromedia Ltd

59, Bld Vitosha
BG-1000 Sofia
Tel. (359-2) 80 46 41
Fax (359-2) 80 45 41

HRVATSKA

Mediairade Ltd

Pavla Hatza 1
HR-10000 Zagreb
Tel. (385-1) 43 03 92
Fax (385-1) 44 40 59

ROMÂNIA

Euromedia

Sr. G-ral Berthelot Nr 41
RO-70749 Bucuresti
Tel. (40-1) 210 44 01/614 06 64
Fax (40-1) 210 44 01/312 96 46

SLOVAKIA

Slovenska Technicka Kniznica

Námestie slobody 19
SL-O-81223 Bratislava 1
Tel. (42-7) 53 18 364
Fax (42-7) 53 18 364
E-mail: europ@tbb1.slk.stuba.sk

SLOVENIA

Gospodarski Vestnik

Zalozniska skupina d.d.
Dunajska cesta 5
SI-1000 Ljubljana
Tel. (386) 61 133 03 54
Fax (386) 61 133 91 28
E-mail: belico@gvestnik.si
URL: www.gvestnik.si

ISRAEL

R.O.Y. International

17, Shimon Hatarassi Street
PO Box 13056
61130 Tel Aviv
Tel. (972-3) 546 14 23
Fax (972-3) 546 14 42
E-mail: royil@netvision.net.il

Sub-agent for the Palestinian Authority:

Index Information Services

PO Box 19502
Jerusalem
Tel. (972-2) 27 16 34
Fax (972-2) 27 12 19

RUSSIA

CCEC

60-Ieliya Oktyabrya Av. 9
117312 Moscow
Tel. (095) 135 52 27
Fax (095) 135 52 27

AUSTRALIA

Hunter Publications

PO Box 404
3167 Abbotsford, Victoria
Tel. (61-3) 9417 53 61
Fax (61-3) 9419 71 54

CANADA

Uniquement abonnements/
Subscriptions only:

Renouf Publishing Co. Ltd

1294 Algoma Road
K1B 3W8 Ottawa, Ontario
Tel. (1-613) 741 73 33
Fax (1-613) 741 54 39
E-mail: renouf@fox.nstn.ca
URL: fox.NSTN.Ca/~renouf

EGYPT

The Middle East Observer

41, Sherif Street
Cairo
Tel. (20-2) 39 39 732
Fax (20-2) 39 39 732

JAPAN

PSI-Japan

Asahi Sanbancho Plaza #206
7-1 Sanbancho, Chiyoda-ku
Tokyo 102
Tel. (81-3) 3234 69 21
Fax (81-3) 3234 69 15
E-mail: psijapan@gol.com
URL: www.psi-japan.com

SOUTH AFRICA

Safto

5th Floor Export House,
CNR Maude & West Streets
PO Box 782 706
2146 Sandton
Tel. (27-11) 883 37 37
Fax (27-11) 883 65 69

UNITED STATES OF AMERICA

Bernan Associates

4611-F Assembly Drive
MD20706 Lanham
Tel. (301) 459 2255 (toll free telephone)
Fax (800) 865 3450 (toll free fax)
E-mail: query@bernan.com
URL: www.bernan.com

MÉXICO

Mundi-Prensa Mexico, SA de CV

Río Pánuco, 141
Delegación Cuauhtémoc
ME-06500 México DF
Tel. (52-5) 553 56 58/60
Fax (52-5) 514 67 99
E-mail: 104164.23compuserve.com

RÉPUBLIQUE DE CORÉE

Kyowa Book Company

1 F1, Phyeung Hwa Bldg
411-2 Hap Jeong Dong, Mapo Ku
121-220 Seoul
Tél. (82-2) 322 6780/1
Fax (82-2) 322 6782
E-mail: kyowa2@ktnet.co.kr.

**ANDERE LÄNDER/OTHER COUNTRIES/
AUTRES PAYS**

Bitte wenden Sie sich an ein Büro Ihrer
Wahl / Please contact the sales office of
your choice / Veuillez vous adresser au
bureau de vente de votre choix

Price (excluding VAT) in Luxembourg: ECU 29.50



OFFICE FOR OFFICIAL PUBLICATIONS
OF THE EUROPEAN COMMUNITIES

L-2985 Luxembourg

ISBN 92-827-8747-8



9 789282 787472 >