

EFFECTS OF AUSTERITY ON GREECE:

Effects of austerity on the public sector and other groups

by

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EFFECTS OF AUSTERITY ON GREECE: General Overview focusing on public sector and privatisation, rising inequalities, unemployment and effects on youth

This briefing paper provides an overview of how austerity programmes are affecting:

- The public sector
- The privatisation of public enterprises, infrastructure and assets;
- Unemployment;
- Young people;
- Inequalities.

Public sector

In exchange for two loans, the “troika” (European Commission for the EU, the European Central Bank and the International Monetary Fund) forced the Greek government to impose austerity measures to reduce public spending. The terms of the loans were conditional on a reduction of 150,000 public sector jobs.¹ As well as a pay cut of 12% to public sector allowances, posts have been frozen and recruitment limited. Only one worker can be recruited after five workers have left. Restrictions on the recruitment of temporary staff, freezing of vacant posts as well as a reallocation of qualified staff to priority areas are being imposed as a way of reducing jobs. This has had a dramatic effect on the public sector. In July 2013, the Greek Parliament approved a bill which will cause thousands of public sector workers to lose their jobs.² 25,000 redundant public sector workers will be transferred to a labour reserve, often from units being closed down or reduced in size. Staff in this labour reserve will be paid 75% of their basic wage, excluding overtime and other extra payments, for no more than 8 months, after which they will be dismissed.

Privatisation

As part of the terms and conditions of both loans, the Greek Government was required to privatise a large number of public enterprises, infrastructure and government assets, which was expected to generate €50 billion (Table 1) but will take until 2020. Privatisations will cover land owned by the government, motorways, ports, rail companies, utilities (water, gas, electricity, oil, post) and horserace betting (Table 1). Preparations are currently in process to prepare these enterprises for privatisation, which included the unbundling of energy networks. The view of the EU was that privatisation was “crucial for re-launching growth, modernising the economy and attracting foreign direct investment”.³ Legislation was passed in November 2012 allowing for the privatisation of utilities only after extensive popular resistance.⁴ The overall effect of privatising such a large number of government assets will be to place parts of the economy and public services in the control of the for-profit sector, with no democratic mandate.

Table 1: Stages of privatisations

	In process	Going ahead	long term
Land Development	Hellinikon, Afantou, Rhodes, Astir Vouliagmenis, Real Estate Properties Abroad, Thermal Springs, Xenia Hotels, St. Ioannis – Sithonia, Motorway Supporting Areas (in progress), e-Auction – small group of properties	Ermioni Voras Cluster Motorway Supporting Areas (rolling ahead) Agia Triada Asprovalta Nea Iraklitsa	
Infrastructure	Hellenic Motorways, Thessaloniki Water Supply and Sewerage Company,	“Egnatia Odos” Motorway, Athens Water Supply and Sewerage Company,	Public Power Corporation, Digital Dividend,

	Regional Airports, Small Ports & Marinas TRAINOSE (Train Operating Company) - ROSCO (Hellenic Company for Rolling Stock Maintenance SA)	South Kavala Natural Gas Storage, OLP, OLTH, 10 Regional Ports	
Corporate	Public Gas Corporation, Hellenic Horserace Betting Organisation	Hellenic Petroleum, LARCO, Hellenic Post, Hellenic Defence Systems, Hellenic Vehicle Industry	Mont Parnes Casino

Source: <http://www.hradf.com/>

Unemployment

Table 2: Unemployment rates 2007-2013 by age group

Age group	2007	2008	2009	2010	2011	2012	2013 (1 st q)
15-24	22.9	22.1	28.5	34.7	46.7	56.6	62
25-34	11.6	10.6	13.0	18.9	27.0	34.1	41.2
35-44	6.3	6.1	6.9	9.3	14.1	19.5	19.7
45-54	4.5	4.5	6.9	9.3	14.1	19.5	19.7
55-64	3.1	3.1	4.9	6.8	9.0	15.4	15.9
65+	1.4	0.8	1.0	1.9	3.6	4.9	7.5
Total	8.1	7.5	10.0	13.8	19.7	26.8	27.4

Source: Eurostat/ European Labourforce Survey

Unemployment rates have increased since 2008, with young people being disproportionately affected. In the first quarter of 2013, 62% of the 15-24 age group were unemployed. Unemployment rates for young people were already higher than for older age groups in 2008. Low paid employment and youth work poverty are not only restricted to young workers in manual occupations. Since 2009, youth employment policies have weakened employment protection legislation, reduced the benefit period for young people and introduced means tested benefits and welfare to work schemes.⁵ The aim is the make the youth labour force more 'flexible'. The implications of high unemployment rates for young people are serious. Over 250,000 young Greeks have emigrated since 2009. There are no clear career paths for young people, resulting in a lack of training and skills development.

Pension reforms

As part of the loan conditions, Greece had to introduce major pension reforms, which will limit pension spending during 2010-15 to 2.5% GDP. The reduction in pensions will be phased in pro-rata, starting in 2013, with a reduction of up to 26% for pensioners. In September 2012, the retirement age was further increased to 67 for women and men. There is also a penalty of 6% imposed on people taking early retirement.⁶ The government still has to initiate a functional review of the public administration and social benefits. Pension and social security reforms are one area where the "troika" is providing technical assistance to the Greek Government to 'guide' the reforms.

Rising inequalities

With the fall in GDP after 2010, there has been a transformation in the types of jobs that are available, with full time jobs being converted into part time or shift work, often without the consent of the worker. This

has resulted in an increase in the levels of precarious incomes, which contribute to increased poverty and inequalities.

Table 5: Conversion of full-time employment contracts 2008-12

Conversion of full-time employment contracts	2009	2010	2011	2012
To part time work	12,219	18,713 (+53.1%)	32.420 (+73,2%)	49.640 (+53,1%)
Shift work agreed between employer and worker	4,146	6,527 (+57,4%)	19.128 (+193%)	21.478 (+12,3%)
Shift work unilaterally imposed by employer	612	1,013 (+65,5%)	7.414 (+631,8%)	13.372 (+80,4%)
Total number of conversions	16,977	26.253 (+54,6%)	58.962 (+124,5%)	84.490 (+43,3%)

Source: Eurofound 2011 Sharp increase in flexible forms of labour

<http://www.eurofound.europa.eu/ewco/2011/05/GR1105029I.htm>

In addition to increases in precarious employment, there have also been cuts in social security protection which include limiting subsidies, cutting wages and reducing safety nets.⁷ Wider benefit reforms are reviewing disability criteria and replacing family benefits with a single targeted allowance. Tax reforms have also had a regressive effect with consumption taxes affecting a greater proportion of the income of low income groups.⁸ The minimum wage has been reduced by 22% and by 32% for those aged 25 or younger.

There have been extensive labour reforms which have weakened the position of labour in both the public and private sectors. Law 3863 reduced the length of notice period for individual dismissals from five to three months, reduced severance payments for white-collar workers. The law 3899 allowed companies of any size that experience adverse financial and economic conditions to conclude collective agreements containing less favourable conditions than those agreed in the relevant sectoral agreements.⁹ Labour reforms have decentralised collective bargaining to the company level, weakening national collective bargain structures.

The increase in unemployment, precarious work and poverty has resulted in rising rates of suicide for both women and men. 104.8% more women committed suicide in 2011 compared with the previous year. The overall suicide rate increased by 26.5% between 2010 and 2011.¹⁰ There are rising levels of homelessness, with over 20,000 people homeless.^{11 12} Over 10% of the population lives in extreme poverty.¹³

Political responses

There has been an increase in the number of strikes in the public and private sectors. More than 45 new unions have been established in the last three years in the large urban areas of Greece, formed by young people and migrant workers with a left leadership. A new left political party, called Syriza has been set up, which gained considerable electoral support in the last elections because it had a clear anti-austerity agenda. This has attracted people in cities, young people, precarious workers, the middle classes, including journalists and academics. It is considered untouched by previous political scandals and corruption. It has a strong presence in social media and street politics.¹⁴

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