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Generating employment,
raising incomes
and addressing poverty
in Greece

**Tim Bulman,
Mauro Pisu**

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GENERATING EMPLOYMENT, RAISING INCOMES AND ADDRESSING POVERTY IN GREECE

ECONOMICS DEPARTMENT WORKING PAPERS No. 1505

By Tim Bulman and Mauro Pisu

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ABSTRACT/RÉSUMÉ**Generating employment, raising incomes and addressing poverty in Greece**

Employment is pivotal to strengthening Greece's economic recovery, increasing social welfare and redressing poverty. Jobs are returning, making inroads into high unemployment, but their wages and skill levels are lower than many that were lost during the crisis. Greece's hiring is benefiting from more flexible arrangements. Legislative amendments can maintain this flexibility, ensure wages align with productivity and better protect individuals from labour market risks. Ensuring that workers possess skills that match employers' needs will sustain employment and productivity growth. Improving the education system is a long-term mission and involves raising its pedagogical strength and orientation towards professional needs. A social welfare system dominated by pensions has not been able to prevent a steep hike in poverty among children and the young, risking long-term harm to well-being. Pursuing recent steps towards a better targeted social protection, accompanied by support programmes for jobseekers, will provide a reliable safety net and reduce poverty.

This Working Paper relates to the 2018 OECD Economic Survey of Greece. (<http://www.oecd.org/eco/surveys/economic-survey-greece.htm>).

Keywords: Childcare, consumption, demand and supply of labour, education, employment, government expenditures and welfare programs, labour markets, poverty, simulation modelling, social security, unemployment, wages, compensation and labour costs, welfare programmes, well-being.

JEL codes: C63, E21, E24, H52, H53, H55, I2, I3, J13, J2, J3, J63, J68

Créer des emplois, accroître les revenus et lutter contre la pauvreté en Grèce

L'emploi est un élément essentiel pour renforcer le redressement économique, améliorer la protection sociale et remédier à la pauvreté. L'emploi est de retour en Grèce et fait reculer le chômage, d'un niveau élevé, mais les salaires et les niveaux de qualification sont inférieurs à ce qu'ils étaient pour bon nombre d'emplois perdus pendant la crise. Les embauches actuelles bénéficient d'une certaine flexibilité des modalités d'organisation du travail. Certaines modifications de la législation pourraient permettre de préserver cette flexibilité, d'assurer l'alignement des salaires sur la productivité et de mieux protéger les individus contre les risques du marché du travail. Le rapprochement entre les compétences de la main-d'œuvre et les besoins des employeurs permettrait de soutenir la croissance de l'emploi et de la productivité. L'amélioration du système éducatif est une tâche de longue haleine et nécessite de consolider ses fondements et son orientation pédagogiques vers les besoins du marché du travail. Le système de protection sociale, dans lequel les pensions de retraite occupent une place prépondérante, n'a pas été en capacité d'empêcher une montée abrupte de la pauvreté parmi les enfants et les jeunes, risquant de mettre durablement en péril le bien-être. La poursuite des mesures prises récemment en faveur d'une meilleure protection sociale, mieux ciblée, assorties de dispositifs d'accompagnement destinés aux demandeurs d'emploi, permettrait d'offrir un filet de protection fiable et de lutter contre la pauvreté.

Ce Document de travail se rapporte à l'Etude économique de l'OCDE de la Grèce, 2018 (www.oecd.org/fr/eco/etudes/etude-economique-grece.htm)

Mots clés : Aide à l'enfance, bien-être et pauvreté, capital humain agrégé, chômage, consommation, coûts du travail, dépenses publiques et éducation, dépenses publiques et programmes sociaux, éducation, emploi, emplois vacants, licenciements, marchés du travail, modèles de simulation, Offre et la demande de travail, pauvreté et programmes sociaux, productivité du travail agrégée, programmes sociaux, rémunération, renouvellement du personnel, salaires, Salaires, sécurité sociale et retraites.

Codes JEL : C63, E21, E24, H52, H53, H55, I2, I3, J13, J2, J3, J63, J68

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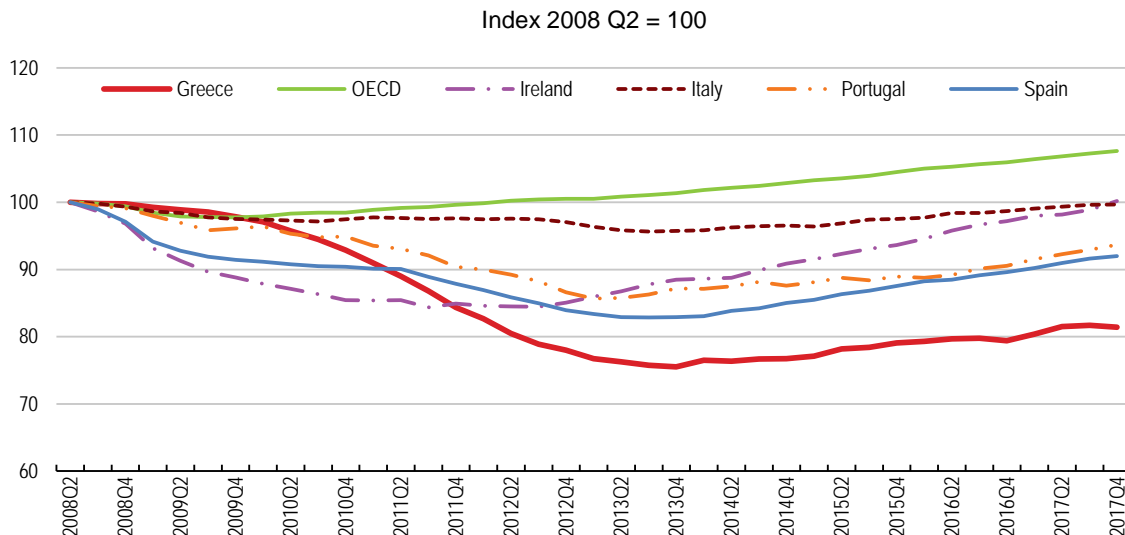
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GENERATING EMPLOYMENT, RAISING INCOMES AND ADDRESSING POVERTY IN GREECE

By Tim Bulman and Mauro Pisu ¹

Expanding employment is among the top priorities in Greece and is cardinal for redressing poverty. After the deep losses over the crisis, employment is now recovering (Figure 1, Table 1). The unemployment rate has fallen by 6.9 percentage points from its peak in 2013, to 20.9% in 2017Q4. Participation in the labour force has continued to expand, particularly among women. More workers are obtaining employee positions, rather than being self-employed. Wages have stabilised (Figure 2). However, full recovery remains distant. Employment at the end of 2017 was still 14% below its 2008 peak. Limited inroads have been made into the surge in poverty that has followed joblessness (Figure 3) and has particularly affected families with children. Many of the new jobs are part-time or temporary and pay the minimum wage; the share of working poor is rising (Figure 4). While unemployment is decreasing, the share of long term unemployed has increased (Figure 5), especially among those with less education (Table 1).

Figure 1. Employment in Greece fell further during the crisis and has recovered more slowly



Source: OECD (2018), *OECD Economic Outlook: Statistics and Projections* (database).

Employment grew more strongly for workers with higher levels of education, though jobs created since 2013 typically require fewer skills than those lost during the crisis (Figure 6). Despite solid education participation rates, the labour market and education system are not providing workers with the skills that employers need. Greece's workers are among the most likely to report being over-qualified for their jobs among OECD countries (Figure 7). At the same time, surveys find that high school students' test

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performance and adults' skills lag other OECD countries (OECD, 2016b). Adult education and active labour market programmes have lacked the capacity, quality and focus on the skills needed by workplaces to help the large number of unemployed access Greece's emerging economic opportunities. As the reform agenda progresses from rectifying the imbalances underlying the crisis to longer-term progress in activity and well-being, the government will need to address these issues.

Table 1. The labour market has improved but remains less inclusive than elsewhere

Percentage, unless otherwise indicated

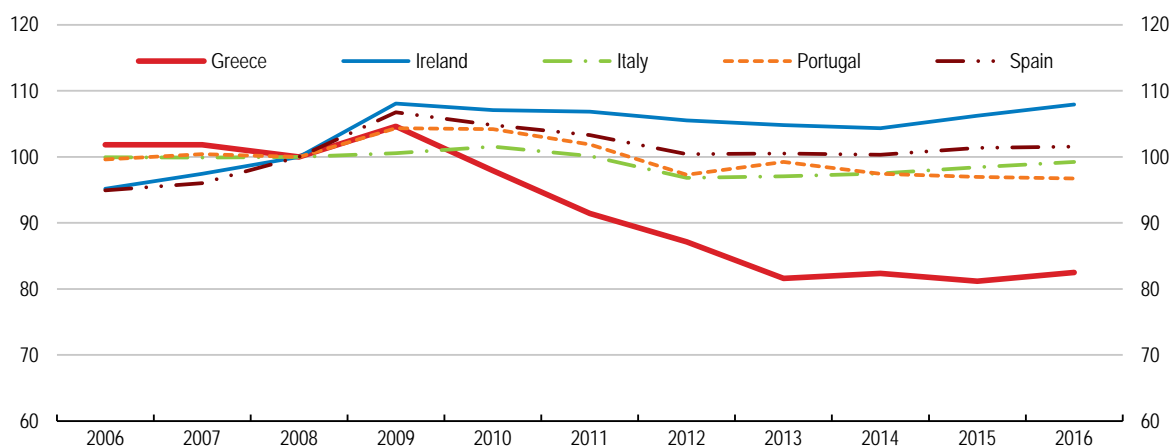
	Greece				OECD			
	2007	2013	2016	2017Q4	2007	2013	2016	2017Q3
Labour force participation ¹ (15-64)	66.5	67.5	68.2	..	70.6	71.0	71.7	..
Female	54.8	58.3	60.4	..	60.9	62.5	63.6	..
Youth (15-24)	31.0	28.4	24.6	..	49.4	47.0	47.2	..
Prime-age workers (25-54)	81.8	83.9	85.5	..	81.0	81.5	81.9	..
Older workers (55-64)	44.2	42.4	44.9	..	55.7	59.7	62.1	..
Employment rate ² (15-64)	60.9	48.8	52.0	53.4	66.5	65.2	67.0	68.1
Female	47.7	39.9	43.3	44.0	57.2	57.4	59.4	60.2
Youth (15-24)	24.0	11.8	13.0	13.7	43.4	39.4	41.1	42.7
Older workers (55-64)	42.7	35.6	36.3	38.9	53.5	56.3	59.2	60.6
Part-time employment ³ (Total)	7.7	10.3	11.0	..	15.4	17.0	16.7	..
Temporary employment ⁴ (Total)	11.0	10.1	11.2	..	12.2	11.1	11.2	..
Unemployment rate ¹ (15-64)	8.5	27.7	23.7	21.4	5.8	8.1	6.5	5.8
Youth (15-24)	22.7	58.3	47.3	..	12.1	16.3	12.9	..
Prime-age and older age ¹ (25-64)	7.3	25.5	22.3	..	4.8	7.0	5.6	..
Tertiary education ⁵	6.2	19.4	17.2	..	3.3	5.3	4.6	..
Below upper-secondary education ⁵	7.1	28.7	26.2	..	9.0	13.9	11.7	..
Long-term unemployment rate ⁶ (Total)	49.7	67.1	72.0	..	28.2	35.2	30.5	..
Youth not in employment, education or training (NEET) ^{1,5} (15-29)	16.6	28.5	23.5	..	13.9	15.5	13.9	..
Working age population (15-64, thousands of persons)	7357	7180	6934
Share of employment ³ , by industry:								
Agriculture, forestry and fishing	11.1	12.2	11.3					
Industry, including energy	11.3	9.8	9.3					
Construction	8.1	5.1	4.9					
Services	69.5	73.0	74.6					
of which trade ⁷	20.5	19.7	20.1					
Share of employment in general government ^{3,8}	18.0	18.6	17.8		17.9		18.1	

1. % in same age group.
2. % of working age population.
3. % of employment.
4. % of dependent employment.
5. For the OECD aggregate, average of data in 2016 or latest year available.
6. % of unemployed.
7. Includes wholesale and retail trade, repair of motor vehicles and motorcycles (ISIC Rev. 4 - Section G, Division 45).
8. 2015 instead of 2016 for the OECD aggregate.

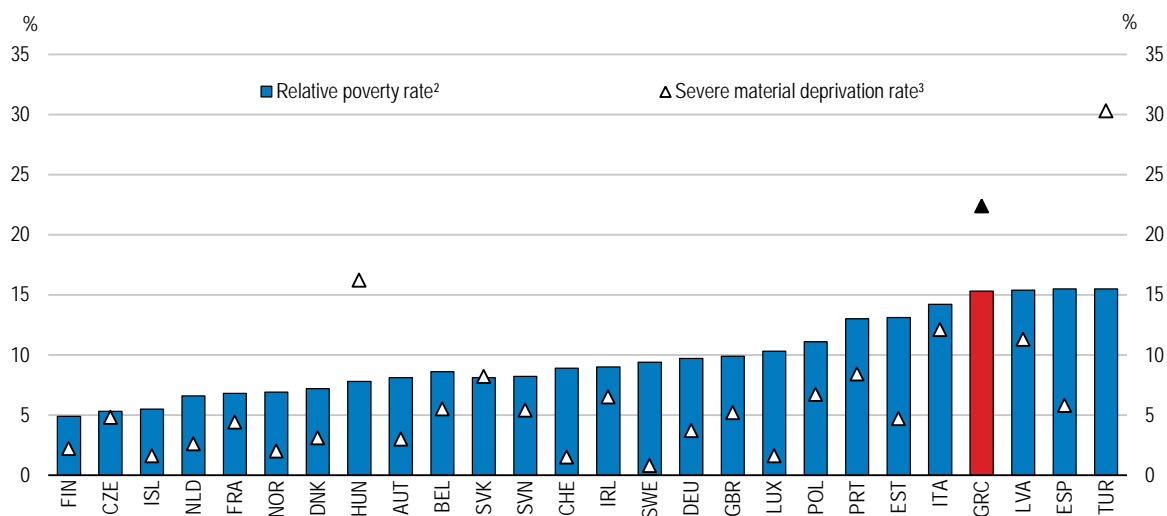
Source: OECD (2018), *OECD Employment and Labour Market Statistics* (database), *OECD Main Economic Indicators* (database), *OECD Education Statistics* (database) *OECD National Accounts Statistics* (database), OECD (2017), *Government at a Glance 2017*, and Eurostat (2018), *Population Statistics* (database)..

Figure 2. Real wages have stabilised

Real annual wages, index 2008 = 100

Source: OECD (2018), *Labour Statistics* (database).**Figure 3. Poverty rates in Greece are high**

2016 or latest year



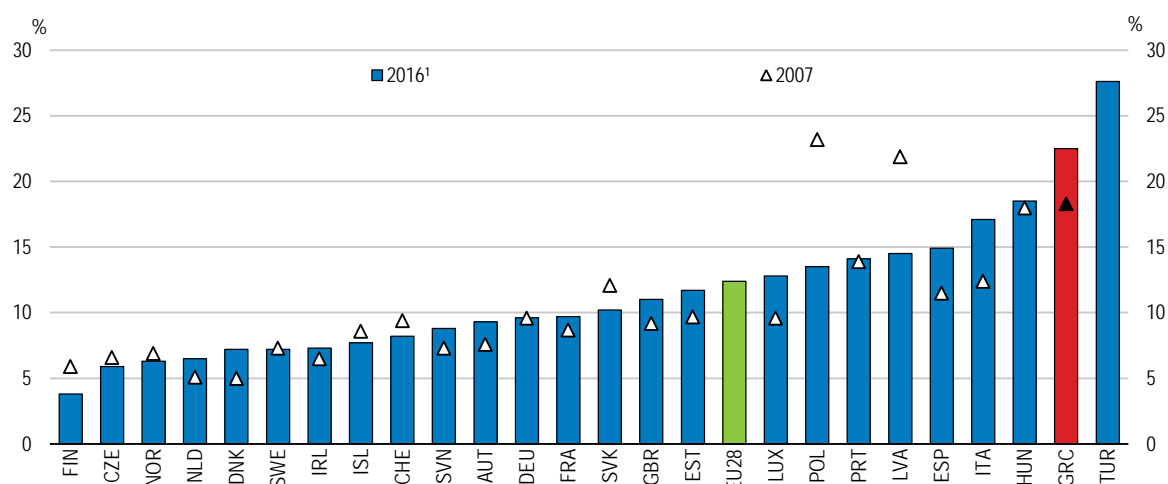
1. 2017 for Denmark and Latvia. 2015 for Iceland and Turkey.

2. The poverty line refers to 50% of the median disposable income. Household income is adjusted for household size.

3. The severe material deprivation rate is the proportion of the population living in households unable to afford at least four of the following items: unexpected expenses, a one-week annual holiday away from home, a meal involving meat, chicken or fish every second day, adequate heating of a dwelling, durable goods like a washing machine, colour television, telephone or car, or are confronted with payment arrears.

Source: Eurostat (2018), *EU Statistics on Income and Living Conditions* (database).

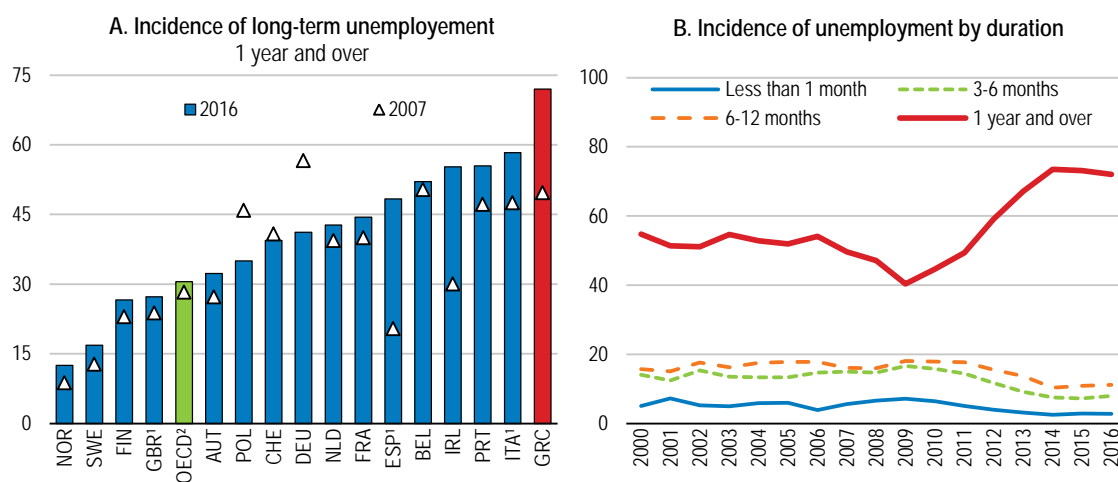
Figure 4. The share of workers at risk of poverty is high and has increased
Employed people at risk of poverty or social exclusion, 18-64 year-olds



1. 2017 for Denmark and Latvia. 2015 for Ireland, Iceland and Turkey.

Source: Eurostat (2018), *EU Statistics on Income and Living Conditions* (database).

Figure 5. The incidence of long-term unemployment is very high
% of total unemployment, population aged over 15



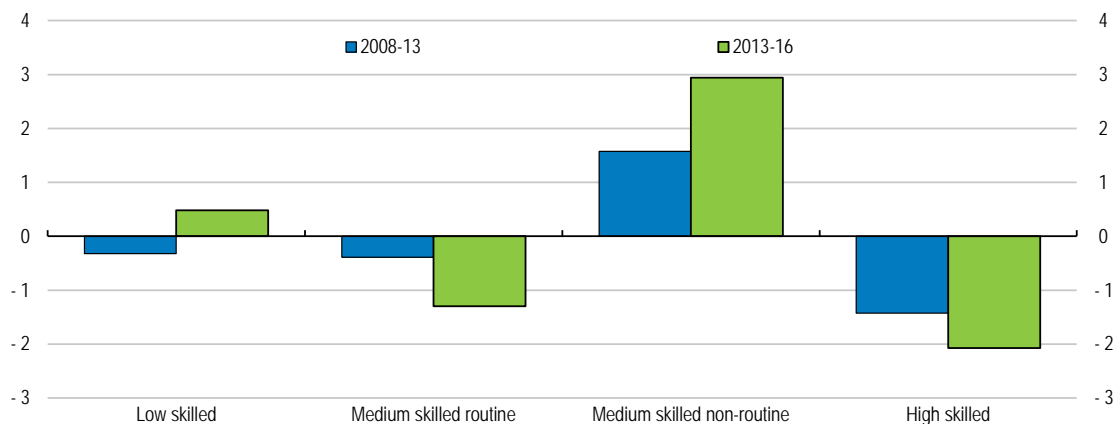
Note: Persons for whom no duration of unemployment was specified are excluded from the total.

1. For population aged over 16.

2. Weighted average.

Source: OECD (2017), *Labour Force Statistics* (database).

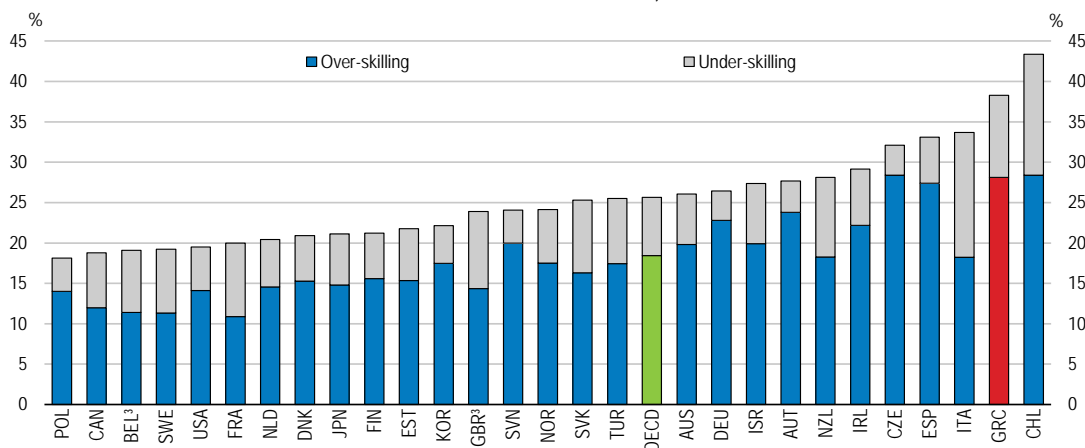
Figure 6. Employment has shifted away from higher-skill jobs
Change in employment shares by occupation category, percentage points



Note: Refers to population aged between 15 and 64. High skilled occupations include managers, professionals, technicians and associate professionals. Medium skilled non-routine occupations include service and sales workers and craft and related trades workers. Medium skilled routine occupations include clerical support workers, skilled agricultural, forestry and fishery workers and plant and machine operators and assemblers. Low skilled occupations refer to elementary occupations. There is a structural break in the data due to change in classification in 2010/11. ISCO-08 classification is at the 1-digit level.

Source: Eurostat (2017), *Labour Market Statistics* (database).

Figure 7. Many workers are over-skilled for their job
Share of workers with skill mismatch¹, 2012 and 2015²



1. The figure shows the percentage of workers who are either over- or under- skilled, for a sample of 11 market industries: manufacturing; electricity, gas, steam and air conditioning supply; water supply; construction; wholesale and retail trade; transportation and storage; accommodation and food service activities; information and communication; real estate activities; professional, scientific and technical activities; and administrative and support service activities. In order to abstract from differences in industrial structures across countries, the 1-digit industry level mismatch indicators are aggregated using a common set of weights based on industry employment shares for the United States. Skills mismatch occurs when a worker's skills are higher than the 90th percentile or lower than the 10th percentile of workers with self-reported well-matched skills.

2. Data correspond to 2012 for countries participating in the first round of the Survey of Adult Skills: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Estonia, Finland, France, Germany, Ireland, Italy, Japan, Korea, Netherlands, Norway, Poland, Slovak Republic, Spain, Sweden, United States and United Kingdom. Data correspond to 2015 for countries participating in the second round of the Survey of Adult Skills: Chile, Greece, Israel, New Zealand, Slovenia and Turkey.

3. Data for Belgium correspond to Flanders and data for the United Kingdom to England and Northern Ireland.

Source: Adalet McGowan, M. and D. Andrews (2017), "Skills Mismatch, Productivity and Policies in New Zealand: Evidence from the second wave of PIAAC", *OECD Economics Department Working Papers*, No. 1403, OECD Publishing, Paris. OECD calculations based on the *Survey of Adult Skills (PIAAC) (2012 and 2015)*.

This paper presents priority actions to achieve the complementary objectives of:

- Supporting household incomes through more jobs, as the best means of addressing poverty and improving inclusiveness;

- Ensuring that labour market arrangements for determining work conditions support social dialogue and sustainably improve employment and incomes;
- Quality education that provides individuals with the skills required to realise their potential and to raise their employability, productivity and wages; and,
- Protecting households and especially children from income shocks and the risk of poverty through a comprehensive social safety net, combined with effective active labour market programmes.

Supporting employment growth through more effective social dialogue

Rebuilding employment is essential to redress poverty, and to ensure that the recovery in activity is lasting and supports inclusive well-being. Substantial changes to wage-setting and employment protection arrangements during 2010 to 2013 focused primarily on giving firms the flexibility to adjust wages and employment (Box 1). Collective wage agreements were frozen, and the arrangements allowing their extension to non-signatory workplaces were suspended. The favourability principle, which gave precedence to the terms most generous to the employee when agreements overlapped, was also suspended. “Associations of persons” representing at least 60% of the employees in a workplace were given standing to enter agreements at the firm level in the absence of a union representative. The minimum wage was reduced, given statutory status that ensured it applied to all workers, and additional allowances were suspended while a subminimum wage was introduced for youth. Collective dismissals were simplified while the process to support affected workers was made more transparent and systematic and aligned more with other EU and OECD countries’ approaches.

Box 1. Reforms to Greece's labour market institutions

Greece's labour market institutions underwent substantial reform after the onset of the crisis. The reforms that had the most substantial effects include:

General wage setting:

- 2011: Collective agreements over 3 years old were terminated. Arrangements for *extending sectoral collective agreements* were suspended. The *favourability* principle was suspended, and agreements reached at the enterprise level gained precedence. These reforms remain valid for the length of the third EU structural adjustment program.
- 2011: Time-extension of existing agreements after their expiry was reduced to 3 months. If parties cannot reach a new agreement, conditions would default to the statutory minima, plus bonuses for experience, family situation, education levels and hazardous work.

Minimum wages:

- 2010: Collective agreements stipulating the minimum wage were suspended.
- 2011: Supplemental payments for experience were suspended until unemployment falls below 10%. Additional allowances continued to be provided for years of work experience achieved before 2012. Other bonus payments were ended, for family status, education, or the hazards associated with a job. A sub-minimum wage was introduced for those under 25, at EUR 510.95 per month, and for apprentices.
- 2012: Statutory minimum wage introduced on February 29, at EUR 586.08 per month. Private sector employees remained entitled to 2 months' bonus payments a year, raising the effective minimum wage to EUR 683.76, while the bonus month payments were suspended for public sector workers.
- 2013: Statutory minimum wage adjustment process legislated, providing that the government would set the minimum wage, following consultation with the five main social partner organisations, representing smaller and larger businesses and labour. Consultations would start at the beginning of each year with the decision made at the end of June. This process will apply after the conclusion of the third EU adjustment programme.

Representation:

- 2010: Restrictions removed on the *minimum size of a firm* to enter an enterprise agreement. In the absence of a trade union representative, an '*association of persons*' comprising at least 60% of an affected workforce could enter an agreement with the employer.

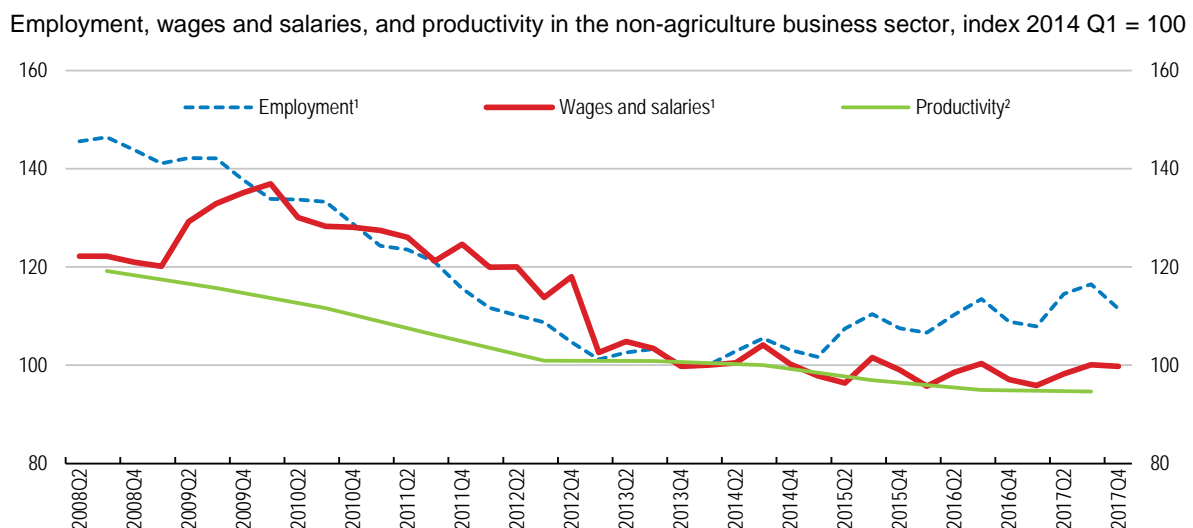
Employment protection:

- 2010: A *temporary contract* can be renewed three times over 3 years before it is considered permanent. The *probationary period* was extended to 12 months.
- 2010: Thresholds at which dismissals are regulated as *collective* adjusted: for more than 6 dismissals in firms with 20 to 150 staff or 5% of workers in larger enterprises, for indefinite term contracts and where the dismissals do not relate to the employee.
- 2010 and 2017: *Collective dismissals* requirements made more transparent and systematic. The employer has 30 days to discuss with employees' representatives proposed dismissals and investigate alternative solutions. The employer must submit a social plan, including measures to mitigate the consequences of the dismissal, to the employees' representatives and to the Supreme Labour Council (SLC, a committee within the Ministry of Labour made up of representatives from the employees and employers' associations and the government). The employer must submit consultation minutes to the SLC. If there is no agreement between the employee and the employer, the SLC must decide within 10 days whether the employer has complied with information and consultation obligations. If the employer has not, then the SLC may extend the consultation period.
- 2012: *Private work agencies* were permitted, to match jobseekers with employers, and to place workers into temporary positions.

Sources : Eurofound, 2014; Eurofound, 2017a; van Ours, 2016; ILO, 2015; Zepos and Yannopoulos, 2017

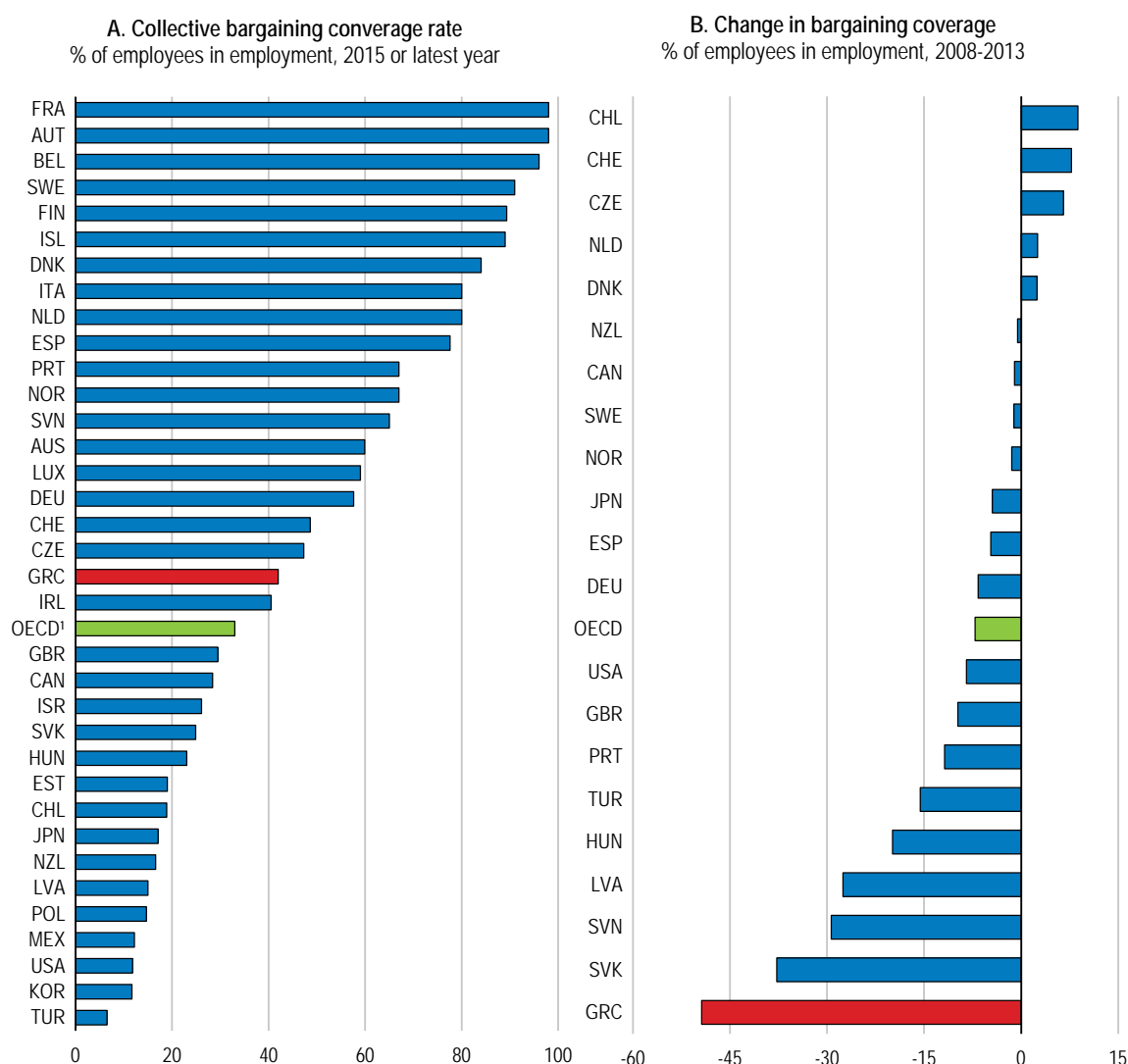
Between the onset of the crisis and early 2010, private sector wages rose by 12.1% even as 207 000 jobs were lost and labour productivity fell (Figure 8). The amended framework gave firms flexibility to lower wages, and allowed the crisis adjustment to shift from cutting jobs to reducing wages. They most often did this by entering firm-level agreements (Cholezas and Kanellopoulos, 2015; Daouli et al., 2016; Izquierdo, et al., 2017; Visser, 2016). Such agreements surged from a handful before the changes to 976 in 2012, covering the majority of workers (Figure 9), before the number of new agreements stabilised at near half of this level in recent years.

Figure 8. Wages have moved more closely with employment and productivity since changes to the wage-setting framework



1. The reference industry is aggregated according to the NACE Rev. 2. Wages and salaries are seasonally and calendar day adjusted.
2. Annual real gross value added per person employed. The reference industry is the non-agriculture business sector excluding real estate based on the ISIC Rev. 4.

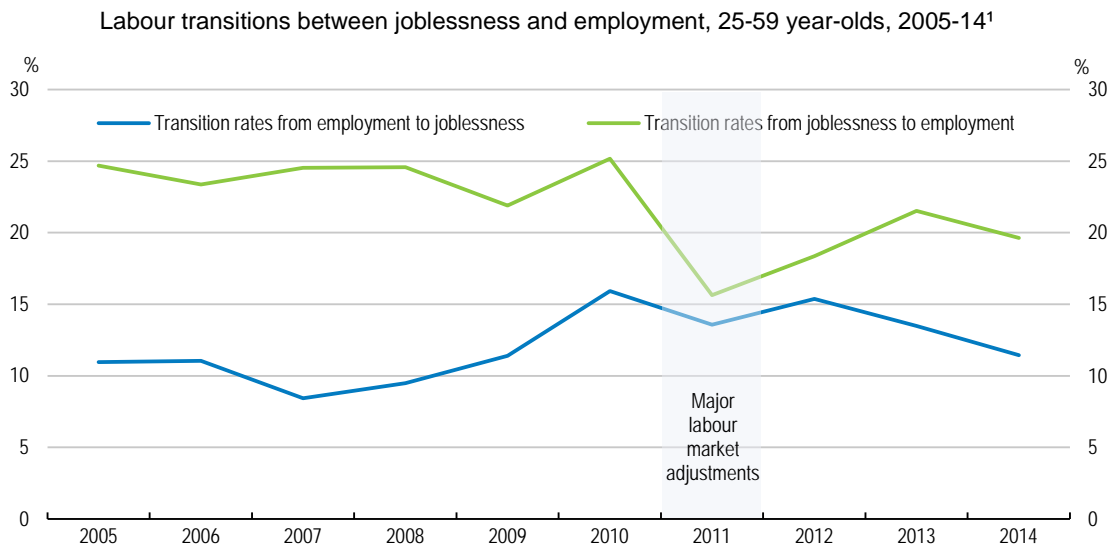
Source: OECD (2018), *OECD National Accounts Statistics* (database) and Eurostat (2017), *Labour Market Statistics* (database).

Figure 9. Collective agreements cover fewer Greek workers

1. Weighted average in 2013.

Source: OECD (2017), *OECD Employment Outlook 2017*.

Following the changes, wages, employment and productivity moved more closely (Figure 8; Daouli, et al., 2016). The allocation of labour across firms improved drastically, as more productive firms were able to attract or retain more workers (OECD, 2017c). The jobless became more likely to transition into employment (Figure 10). The share of workers who are self-employed declined. Trust between social partners recovered from its crisis-period lows, but remains below most other OECD countries. Wage inequality returned to pre-crisis levels. However new jobs are more likely to be temporary or part-time and require less skills than those lost (Table 1; Figure 6) and a large proportion are paid at the minimum wage rate, which, together, contribute to over half of private sector workers earning a gross salary which is lower than the at-risk-of poverty line equivalised for the net household income of a family of four (Figure 11) (OECD, 2017a).

Figure 10. Transitions into employment improved following labour market reforms

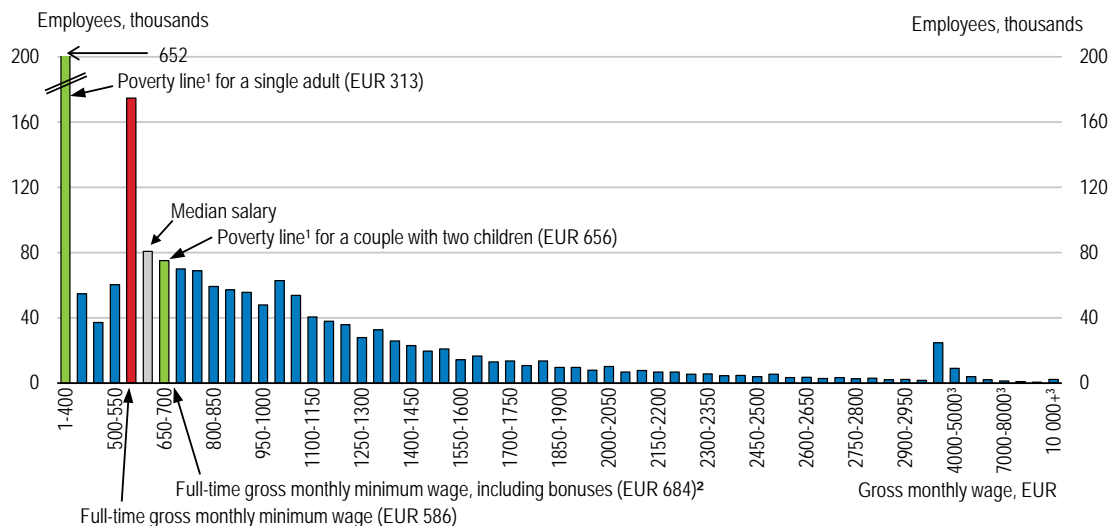
1. The reference income year.

Note: Transition rates between joblessness and employment at the individual level at time t measure the number of times an employed worker at the end of year $t-1$ experiences a transition from joblessness to employment (and from employment to joblessness), based on monthly information on employment status of the worker: employed; unemployed; and inactive. Individual transition information is used to calculate aggregate transition rates at the country level. See for more details in P. Garda (2016), "The Ins and Outs of Employment in 25 OECD Countries", *OECD Economics Department Working Papers*, No. 1350.

Source: OECD calculations based on *European Survey on Income and Living Conditions (EU-SILC) 2005-2015*.

Figure 11. Many private-sector employees earn less than the poverty line

Number of private-sector employees earning gross monthly salaries within specified ranges, September 2017



frameworks supports competitiveness and cooperation among social partners (Brandl and Ibsen, 2016). Under current legislation, once the ESM Stability Support Programme concludes the government will be able to adjust minimum wage rates following consultations with social partners and expert institutions, and with reference to the situation and prospects for competitiveness and labour market outcomes. A specialised body tasked with assembling evidence and building consensus would improve social dialogue and better align minimum-wage decisions with labour market conditions, especially for the unemployed. Other weaknesses in the changes to wage-setting processes also need addressing, such as extending to “associations of persons” some of the protections enjoyed by unions. A group of independent experts reported on Greece’s labour market institutions in September 2016 (van Ours, et al., 2016). In 2018, the government intends to review the arbitration and representativeness arrangements for collective agreements, and to launch a project to simplify the labour law.

Developing a flexible and inclusive framework to negotiate work conditions

The framework for wage and work condition negotiations should reap the benefits of efficient processes to negotiate agreements and of outcomes that are equitable. Sector level collective agreements can foster social dialogue and reduce the costs of negotiating wages and other working conditions, especially for small firms (OECD, 2017a). They can improve equality of outcomes especially for groups that suffer discrimination (ILO, 2016), and can help worker representatives negotiate wages that reflect workers’ productivity.

Sectoral collective agreements need to adjust for the circumstances of smaller firms. In Greece, like many countries, smaller firms have lower rates of unionisation and affiliation to employers’ associations (Figure 12), fewer resources for workplace negotiations (OECD, 2017a) and their productivity is often likely to be lower. Ensuring that the collective negotiation process adapts to these firms is especially important for Greece, given that small firms employ most workers.

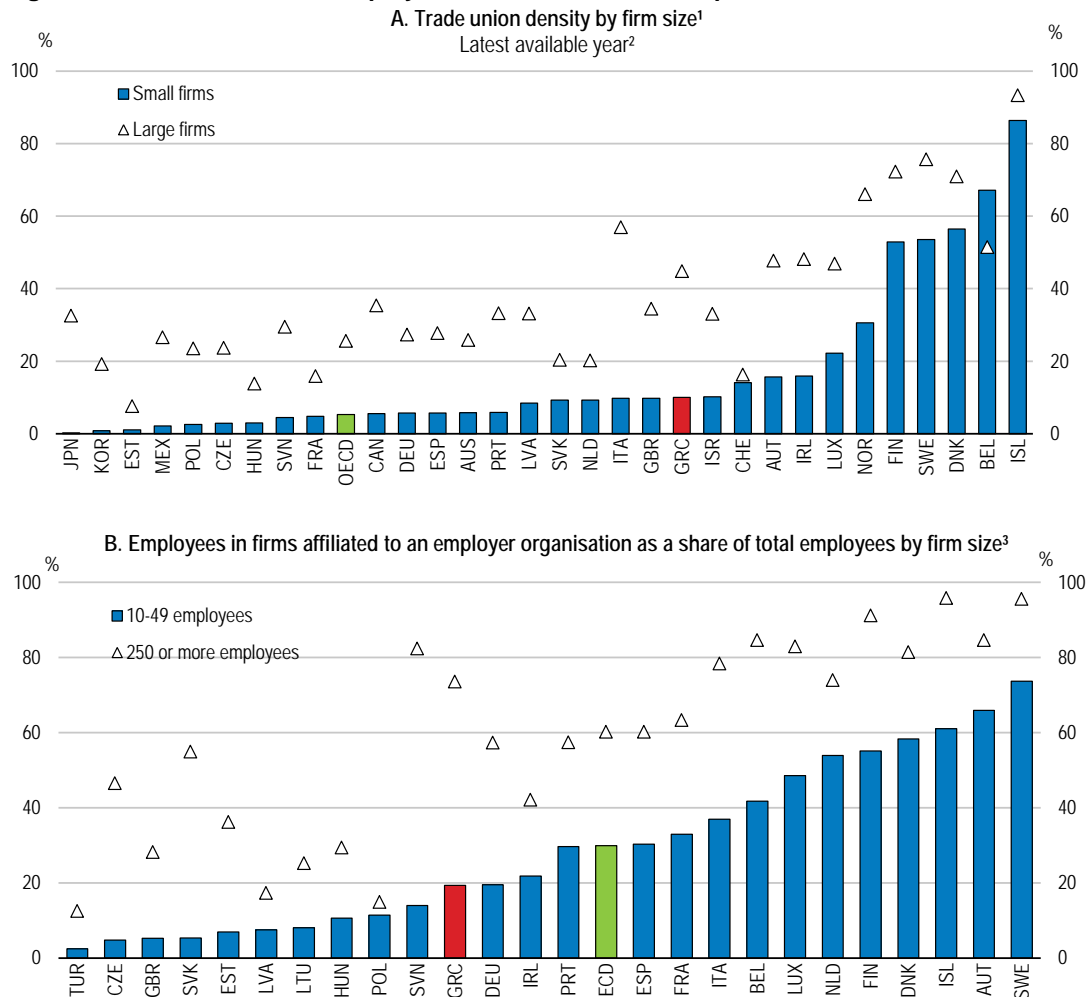
Extending sectoral collective agreements to non-signatory workplaces in clearly and objectively defined circumstances can improve efficiency and equity. However, the importance of ensuring that social partners enter work agreements freely and avoiding adverse impacts on non-signatories leads only some OECD countries to allow extensions of collective agreements. Of these, most do so on a case-by-case basis and under strict conditions (Table 2; OECD, 2017a; OECD, 2017b).

To maintain flexibility and reduce the risk of economic harm, Greece can follow the examples of other OECD countries where extensions are granted under certain conditions (OECD, 2017a). For instance, extensions could be granted only when the original agreement is signed by representatives of minimum shares of both workers and of firms, thus ensuring smaller employers have a voice in negotiations and encouraging workers and employers to organise. As part of its early 2010s reforms, Portugal introduced requirements that collective agreements be entered by employers of at least 50% of workers or 30% of SMEs affected by the extension (OECD, 2017b). Before the completion of the ESM Programme, the Greek government intends to assess the ability of the strengthened ERGANI database to reliably provide this information (European Commission, 2018). Some other OECD countries allow individual workplaces to determine some details of conditions, for example by allowing lower wages or flexible hours in smaller firms. Even where collective agreements meet participation thresholds, some countries also require a neutral body to approve extensions rather than extending agreements automatically. These bodies may invite submissions from affected social partners and assess the proposed extension’s economic and social impact.

Sector-level collective agreements that prescribe the acceptable range of negotiations while ensuring minimum standards are respected, so-called “framework agreements”, can provide sufficient flexibility for the diversity of firms and workers. In this model, social partners agree in sector-level collective agreement to the acceptable range of bargaining to ensure that minimum standards are respected. Firm-level bargaining defines the precise details of pay and working conditions. Social partners at the firm are able to negotiate mutually beneficial trade-offs, for example between working times or leave allowances and pay rates and

tailor working conditions to their specific needs. Portugal extended the capacity to enter such bargains to firms with more than 150 employees within its early 2010s reforms (OECD, 2017b). Firm-level bargaining processes should be easily actionable if smaller firms are to be able to adapt a framework agreement to their circumstances (OECD, 2017a).

Figure 12. Unionisation and employer association membership rates are lower in smaller firms



1. Trade union density by firm size has been adjusted for the overall trade union density shown in Figure 4.2. in *OECD Employment Outlook 2017* by using the share of each size of firms in total union membership and total number of employees. OECD average is the weighted average of the 31 OECD countries. "Small firms" and "large firms" refers, respectively, to firms with fewer than ten employees and 100 or more employees, except for Canada (respectively, to fewer than 20 employees and 100 or more employees), France and Hungary (respectively, to fewer than 11 employees and 50 or more employees), Finland (respectively, to fewer than ten employees and 50 or more employees), Germany (respectively, to fewer than 20 employees and 200 or more employees), Japan (respectively, to fewer than 30 employees, and 100 or more employees) and Mexico (respectively, to fewer than 11 employees and 51 or more employees).

2. 2004 for Luxembourg, 2008 for Greece and Latvia, 2011 for Germany and the Netherlands, 2012 for Israel, Italy, Korea, Poland, Portugal and the Slovak Republic, 2013 for Australia, Austria, Belgium, the Czech Republic, Denmark, Finland, France, Ireland, Norway, Slovenia, Spain, Switzerland and the United Kingdom.

3. Based on the third Eurofound European Company Survey (ECS 2013). Data covers all establishments of the private sector with 10 or more employees in all economic sectors except agriculture, activities of households as employers and activities of extraterritorial organisations. OECD average is the unweighted average of the 24 OECD countries shown.

Source: OECD (2017), *OECD Employment Outlook 2017*, Figure 4.A1.7 and Figure 4.A1.9.

Table 2. Most countries that allow extensions of collective agreements impose significant conditions

	Subject to relatively binding criteria	Subject to relatively mild criteria	Not subject to any criteria
Common	Finland (16.0% in 2014) Netherlands (9.3% in 2015) Slovenia (9.0% in 2012) Switzerland (13.7% in 2014)	Belgium (14.0% in 2013) France (22.6% in 2013) Portugal (38.3% in 2011) ^{a)}	Iceland* (24.0% in 2013) Italy* Spain* (6.6% in 2013)
Uncommon	Austria Czech Republic (5.7% in 2013) Germany (0.4% in 2008) Hungary (2.5% in 2012) Israel Japan Latvia Norway (4.0% in 2013) Slovak Republic (0% in 2013) Turkey	Estonia (1.0% in 2012)	Lithuania Luxembourg Mexico Poland

* No formal administrative extensions but functional equivalent are in place. Compulsory membership to an employer association in Austria can also be considered a functional equivalent.

a) The estimated share of workers covered by extensions refers to a period before the series of reforms that tightened extension criteria (see OECD (2017) *OECD Employment Outlook 2017*, OECD Publishing, Paris, Box 4.3).

Note: Extension mechanisms do not exist in Australia, Canada (except in Québec where they are rare), Chile, Colombia, Costa Rica, Denmark, Greece, Ireland, Korea, New Zealand, Sweden, the United Kingdom and the United States.

Figures in parenthesis refer to the additional coverage rate (as a percentage of employees) due to extension measures. For Belgium, France, Iceland, Ireland, Portugal, Slovenia and Spain, the figures refer to the difference between the coverage rate and the organisation rate of employers.

Source: OECD (2017) *OECD Employment Outlook 2017*, OECD Publishing, Paris.

Greece can better protect employment from future shocks by ensuring that collective agreements include clauses that allow firms to temporarily adjust terms. Current law allows employers to unilaterally cut work time in response to demand shocks, and this flexibility can be broadened and made accessible. France, the Netherlands, Portugal, Spain and Switzerland adopted these clauses after Germany demonstrated their effectiveness during the crisis (OECD, 2017a; OECD, 2017b). These clauses allow firms to agree to deviate temporarily from sectoral collective agreements in response to economic difficulties. During the crisis, they were most often used to cut work time following a drop in demand (Eurofound, 2015; Visser, 2016).

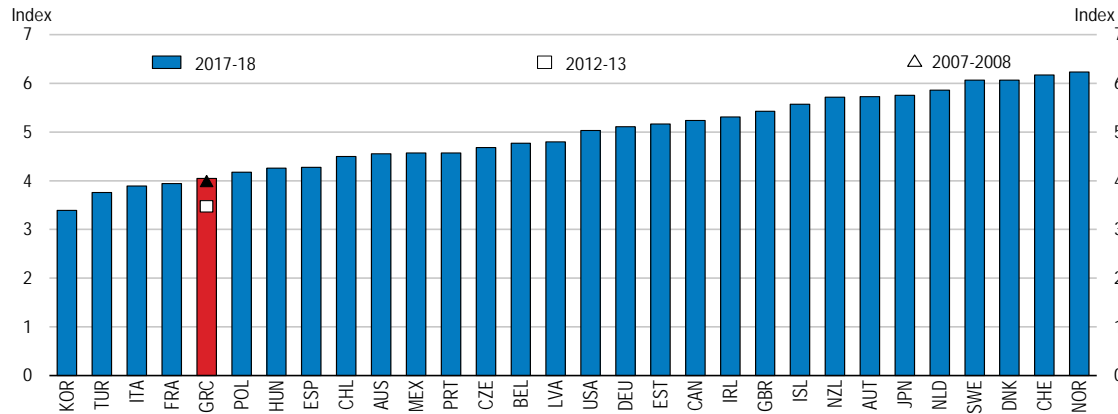
Clauses allowing for temporary adjustments to agreements are most effective when clear rules prescribe their use and prevent them being exploited. In countries with a multi-tiered system for agreeing wages and work conditions, a common approach is to allow a firm's social partners to suspend or adjust agreed terms. If the partners cannot reach agreement, or workers lack representation at the workplace, partners may refer to a mediator. In its labour market reforms, Spain provided for a tripartite commission to fill this role. In Greece, it could be taken by the Supreme Labour Council, or the arbitration and mediation procedures under review.

Improving dialogue between social partners

Cooperation between social partners in Greece remains below most other OECD countries even if it has improved since the peak of the crisis (Figure 13). Lower trust reduces the efficiency of collective bargaining and labour market outcomes (OECD, 2017a). The government expects to complete a review existing arrangements for mediation and arbitration in the first half of 2018 (European Commission, 2018). A better framework for negotiations could improve trust and the quality of social dialogue and of outcomes for workers and employers in Greece.

Figure 13. Trust between social partners rebuilt after the changes to the wage-setting framework, but remains low

Global Competitiveness Index on cooperation in labour-employer relations, scale from 1 (generally confrontational) to 7 (generally cooperative)¹



1. Executive Opinion Survey

Source: World Economic Forum, *Global Competitiveness Index historical dataset 2007-2016*.

Support of a mediator in negotiations and shared information could improve negotiation processes and outcomes (ILO, 2015; OECD, 2017b; OECD, 2017d). Following the examples of the labour mediators in Scandinavian countries or of the Japan Productivity Center, a mediator in Greece would share analysis with social partners of developments in the national and competitor labour markets, in productivity and in living costs, and the effects of changes in transfer and tax policies. The mediator would also intervene to address blockages and to advance negotiations. Given the overlap in their tasks, the mediator could be a function of the minimum wage commission proposed below.

To overcome low unionisation in medium and smaller firms (Figure 12 – Panel A), during the crisis “associations of persons” were given standing to enter work condition agreements if they represented at least 60% of an affected workforce and the firm lacked a union representative. However these associations were not provided with the protections enjoyed by union representatives. These associations entered the majority of enterprise wage agreements, and generally with terms that were less favourable to workers than those negotiated by unions (Eurofound, 2015).

Associations of persons can contribute to social dialogue by facilitating the use of opening and opt-out clauses. They are consistent with the freedom of association and assembly recognised in various international conventions. Extending to the associations the protections enjoyed by union representatives would strengthen their capacity to negotiate on an equal footing with employers. Advice and representation by trade unions may also support the associations and improve worker organisation, while ensuring that social partners adapt to each firm’s conditions.

The sequencing of collective negotiations between sectors can contribute to dialogue and outcomes. To help retain the new-found competitiveness of Greece’s export industries, collective agreements for these sectors can be negotiated first. Following the approach of several Scandinavian countries, Germany and Austria (OECD, 2017a), negotiations in these sectors account for movements in external economic conditions and of economy-wide productivity and competitiveness, and act as a non-binding ‘norm’ that guides agreements in other sectors and adjustments to minimum wage rates.

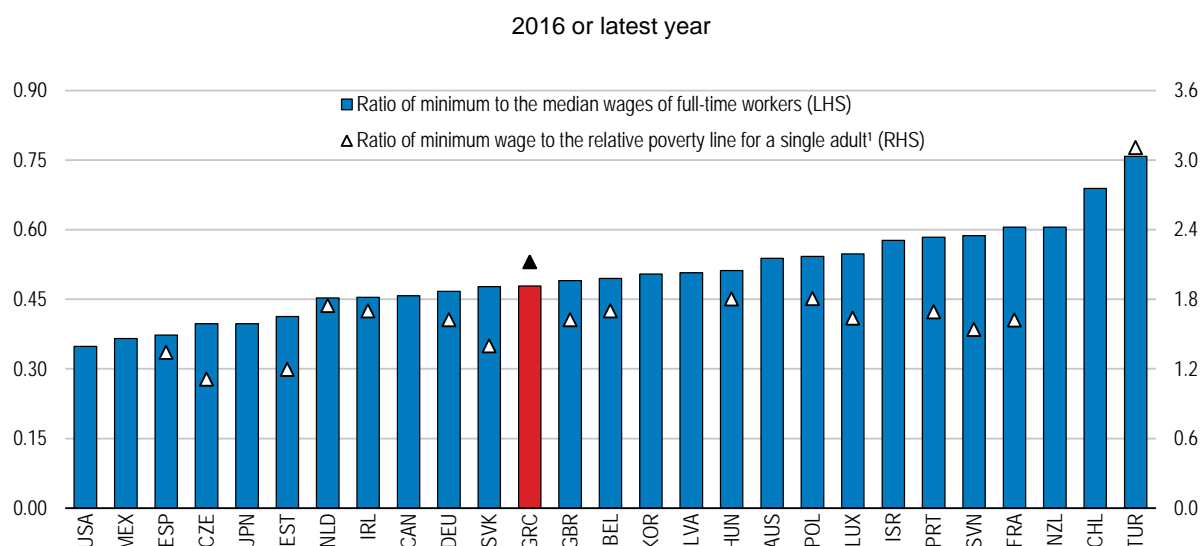
Minimum wages that are equitable and support employment

Greece adopted a statutory minimum wage as part of the crisis period wage-setting changes. Minimum wages prescribed by statute provide a hard floor to workers' wages in 27 out of 35 OECD countries, 22 of 28 EU members, and 90% of countries surveyed by the ILO (Eurofound, 2017a; ILO, 2014; OECD, 2015a, updated). Minimum wages can improve earnings equality, ensure workers enjoy a minimum standard of living, and overcome imbalances in negotiating power between employers and lower-skilled workers. They also serve as a basic labour standard, and guide collective and firm-level agreements. At the same time, they must ensure that unemployed or new or lower productivity workers can compete with other workers and enter the labour force. Further, they can make only a limited direct contribution to anti-poverty goals, which are best achieved through expanding employment, supported by well-targeted social protection, which is discussed below.

In February 2012 the gross minimum wage was cut by 22% to EUR 586 per month or EUR 684 per month for private sector workers who receive two bonus months annually. In 2011 minimum wage supplements for years of experience were suspended until unemployment falls below 10%, while others were cancelled, for factors including a worker's family situation, qualifications, and work that was classified as arduous or unhealthy. These supplements created approximately 50 different minimum wages rates (OECD, 2007a), and, together, they could lead to effective minimum wages that were higher relative to the average wage than in other OECD economies.

The minimum wage is fixed until the ESM Stability Support Programme concludes. The cuts brought the basic minimum wage into line with other OECD countries, either relative to the median salary or to output per capita. In 2016, the minimum wage was 48% of the median wage, near the average for the basic minimum wage between 2003 and 2009, and below the ratio of most other OECD economies – and the current net income at-risk-of poverty line for a family of four (Figure 14).

Figure 14. Greece's minimum wage is comparable to other OECD economies



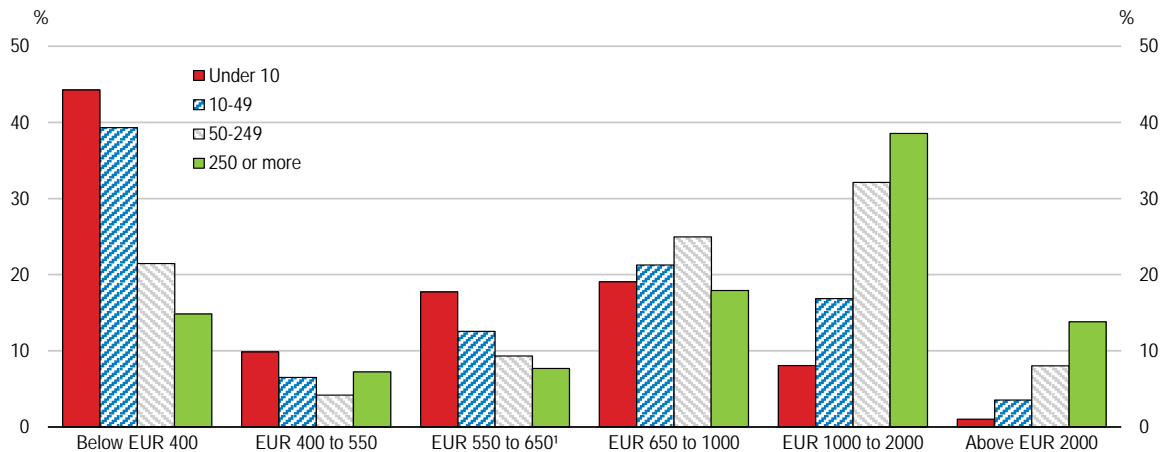
1. The poverty line refers to 50 % of the median disposable income in the corresponding year. Household income is adjusted for household size. 2015 for Turkey.

Source: OECD (2018), *Labour Statistics* (database) and Eurostat (2018), *EU Statistics on Income and Living Conditions* (database).

The minimum wage rate has a greater influence on employment conditions in smaller firms than larger firms. Smaller firms report paying a larger share of their employees the full-time minimum wage rate or less, reflecting part-time workers (Figure 15). The share of workers earning higher wages increases with firm size, which may reflect larger workplaces' higher productivity and greater resources to negotiate wage rates that reflect workers' productivity. In contrast, the distribution of salaries differs little between regions.

Figure 15. More workers in small firms earn low wages

Share of workers with reported monthly wages within specified ranges, by firm size, private sector, September 2017



1. Includes the full-time minimum wage.

Source: OECD calculations based on the *ERGANI* database from the Greek Ministry of Labour, Social Insurance and Social Solidarity.

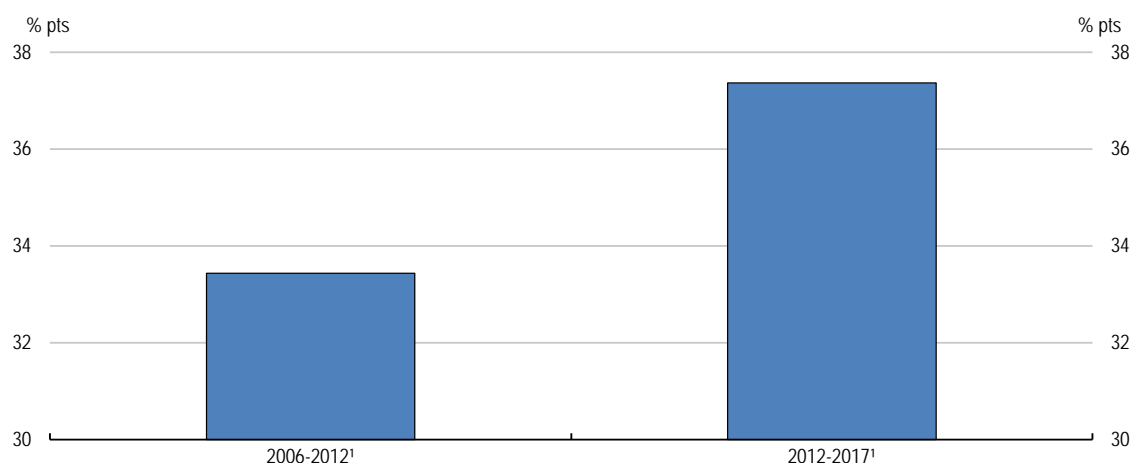
Minimum wages for young workers

Greece has a youth sub-minimum wage, however this has not provided younger workers with a path into employment. About half of OECD countries reduce the minimum wages for younger workers, apprentices and new labour market entrants, and, in several countries, workers with health issues (OECD 2015b). These are intended to allow targeted groups of lower productivity workers to enter the labour force, earn a living wage, gain experience and improve their skills and productivity. Greece's youth sub-minimum wage, alongside a sub-minimum wage for apprentices, replaced the previous minimum wage supplements. Introduced in 2012, its age threshold of 25 is higher than in other countries, although the 12% discount to the minimum wage is modest. Since its introduction, the share of those younger than 25 in total employment fell across nearly all sectors, and the labour force participation of those aged 20-24 gradually declined while it rose for those aged 25-29 (Figure 16).

Linking the sub-minimum wage to a worker's overall employment experience rather than their age may improve employment outcomes for Greece's youth. The minimum wage may be discounted significantly for a worker in their first year of work, with the discount diminishing for the second and third years. It would be consistent with the general ambition of amendments to wage setting processes to strengthen the link between wages and productivity. A number of OECD countries adjust the subminimum wage in several steps, and in Ireland these steps are related to both age and experience in the sector or progress through training programmes (Table 3; Eurofound, 2017a). In practice, the strengthened *ERGANI* labour database would be able to report a worker's experience.

Figure 16. Labour force participation fell among those receiving the youth minimum wage relative to the cohort receiving the adult wage

Difference between labour force participation rates of the population aged 25-29 and the population aged 20-24



1. Average of differences for the two sub-periods: from 2006Q1 to 2012Q1 and from 2012Q2 to 2017Q3.

Source: OECD calculation based on Eurostat (2018), *Labour Market Statistics* (database).

Table 3. Minimum wage levels, determination and differential across groups

Country	Standard annual rate, 2016 (USD 2015 PPP)	Youth	Type of determination
Australia	21 967	Annual steps, from 15 (36%) to 20 (97%)	The Fair Work Commission's Minimum Wage Panel decides the national minimum wage after consultation with industry, unions, individuals as well as the state and federal governments. The Wage Panel consists of 7 people: 4 are from FWC, 3 are experts from business, unions and academia.
Belgium	21 170	N/A	Minimum wages are determined by the National Labour Council, and laid down in collective agreements which are binding.
Czech Republic	8 399		Set by government following consultation of the social partners.
Estonia	8 595		Set by government following agreement between social partners.
France	20 414	<17: 80%; 17-18: 90% + lower rates for young people on training contracts	Consultation process. Commission made up of government representatives, trade unions and employer organisations annually submits an opinion on minimum wages. A commission of independent experts provides official advice to the government and to the Higher Commission for Collective Agreements.
Germany	20 847	<18: no minimum wage	Set by a Commission of a president, three employer representatives, 3 employee representatives, and 2 experts (without voting rights).
Greece	11 492	<25: 89%	After expiry of EU Assistance Programme, set by government following consultations with social partners.
Hungary	9 155	Adjusted for workers in professional occupations	Set by government following consensus between the social partners.
Ireland	18 943	<18: 70%	Set by government following recommendations of a "Low Pay Commission"
Israel	13 060	16: 70%; 17: 75%; 18: 83%	Government legislated.
Japan	15 292	N/A	Set by government based on the opinion of the Central or Prefectural Minimum Wages Council, composed of representatives of workers, employers and the public interest (academic experts).
Korea	14 441	N/A	Set by government, following a proposal by the tripartite Minimum Wage Council (representing workers, employers and the public interest).
Latvia	7 830	Higher hourly rates for <18 (114%)	Set by the government following social partners' recommendations.

Mexico	1 896	N/A	Minimum wages are fixed by the National Commission on Minimum Wages, which is a tripartite institution made up of representatives from the government, employers and workers.
Netherlands	22 210	Annual steps from 15: (30%) to 22 (85%)	Government legislated.
New Zealand	19 346	<20: 80% for some workers with <6 months tenure	Government legislated.
Poland	11 978	N/A	Adjusted (yearly) by the Tripartite Commission for Socio-Economic issues.
Portugal	10 941	<18: 75%	Set by government, after consulting the Permanent Committee for Social Dialogue.
Slovak Republic	8 980	<18: 80% 18-21: 90%	Set by government after consulting social partners.
Slovenia	14 521	N/A	Set by government after consulting social partners (Economic and Social Council).
Spain	12 317	N/A	Set by government following consultation of social partners.
Turkey	12 075	N/A	Set by the Minimum Wage Fixing Committee consisting of government, employee and employers' representatives.
United Kingdom	17 568	15-17: 59% 18-20: 80%	Set by government following recommendations of the Low Pay Commission.
United States	14 892	<20: 58% during the first 90 days with an employer	Government legislated.

Note: Austria, Denmark, Finland, Italy, Sweden and Switzerland do not have a nation-wide statutory minimum wage.

Source: OECD (2015), 'FOCUS on Minimum wages after the crisis: Making them pay'; *OECD Employment Outlook 2015*, OECD Publishing; Arpia, A, P. Cardoso, A. Kiss, K. Van Herck, A. Vandeplas (2017), "Statutory Minimum Wages in the EU: Institutional Settings and Macroeconomic Implications", *IZA Policy Paper* No. 124.

Inclusive processes to inform minimum wage adjustments

After the EU programme concludes, the government may adjust the minimum wage rate, following consultations with social partners and export bodies and addressing competitiveness and labour market conditions and prospects. Adopting a pay commission can strengthen this process, by helping to build evidence and social consensus for minimum wage adjustments, in light of the experience with such commissions in France, Germany, the United Kingdom and Ireland (Box 2). These countries' commissions consider a range of perspectives on wage adjustments by including representatives of large and smaller firms, workers, and independent academics and analysts, and by holding regular public consultations, including with advocates for the unemployed and others facing disadvantage accessing work. They publish recommendations and in some cases determine the minimum wage adjustments.

Retaining the final decision on minimum wage adjustments with the government would allow it to arbitrate across conflicting opinions of commission members. Governments tend to take a stronger role in minimum wage adjustments in countries where social partners are in greater conflict or do not represent groups that would be affected by wage decisions (OECD, 2017a; OECD, 2017b). Conversely, a stronger role of the government increases the risk that wage decisions will reflect shorter-term political pressures. Requiring the government to explain its decision and any divergence from the Commission's recommendations may help avoid these. This framework of consultation, analysis and discussion, backed by data and published externally, is supported by the relevant ILO conventions.

Box 2. A dedicated commission to advise on minimum wage movements

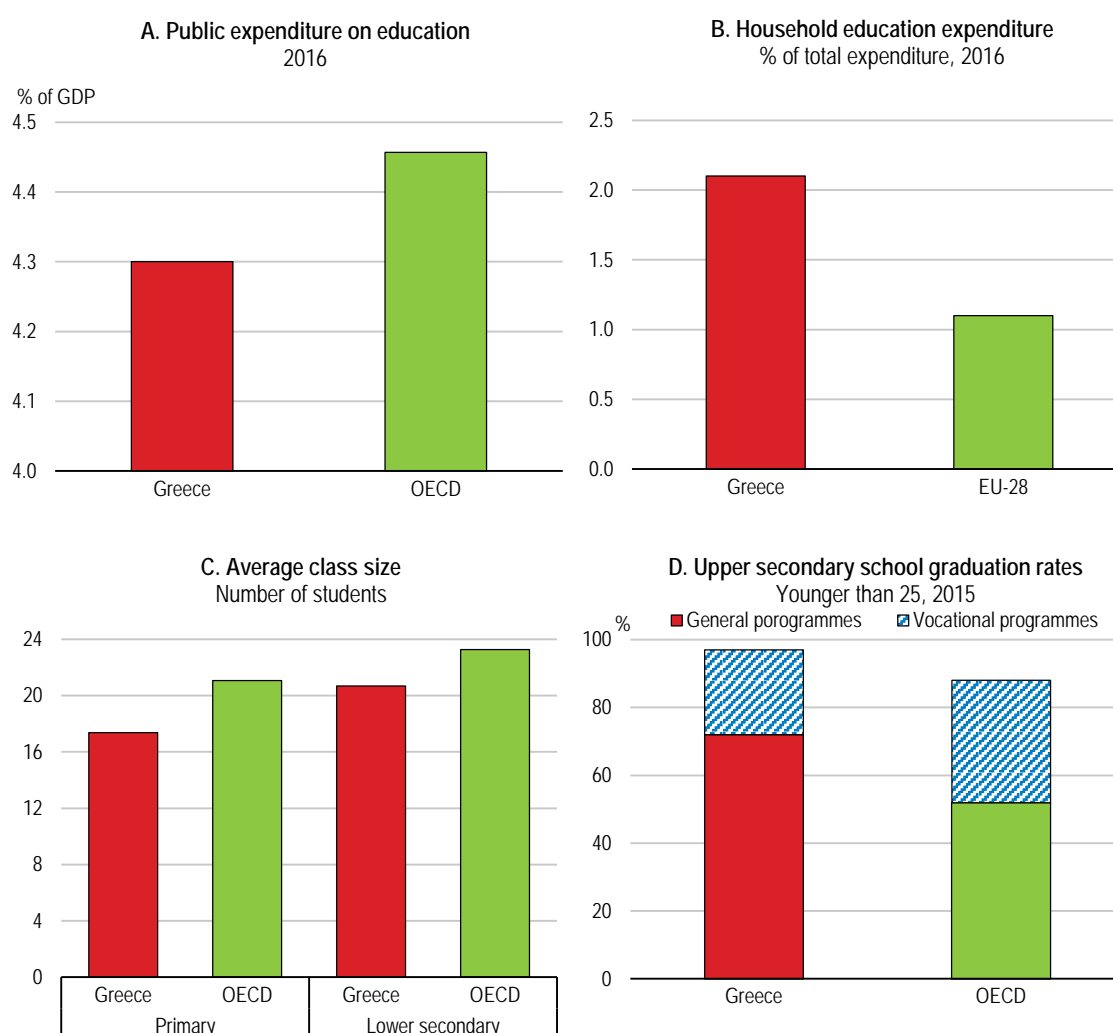
The United Kingdom's Low Pay Commission has been seen as effective at ensuring moderate and sustainable movements in minimum wage rates with limited social conflict. Its role has informed the design of similar commissions in Australia, Germany and Ireland. The commission is composed of worker and employer representatives and academics. It holds public and closed consultations across the country. Its deliberations are independent of government. Its members reach a consensus and publish an annual report with recommendations for the minimum wage arrangements. The government makes the final decision, but has been politically obliged to follow the Commission's recommendations. In the UK the role of the Commission was re-framed in 2016 when the UK government shifted to a 'living wage' goal, of raising the minimum wage to 60% of the median wage by 2020, subject to 'sustained economic

growth'. Advising on movements towards this goal has been added to the Commission's ongoing advice on the national minimum wage.

Expanding opportunities through a stronger education system

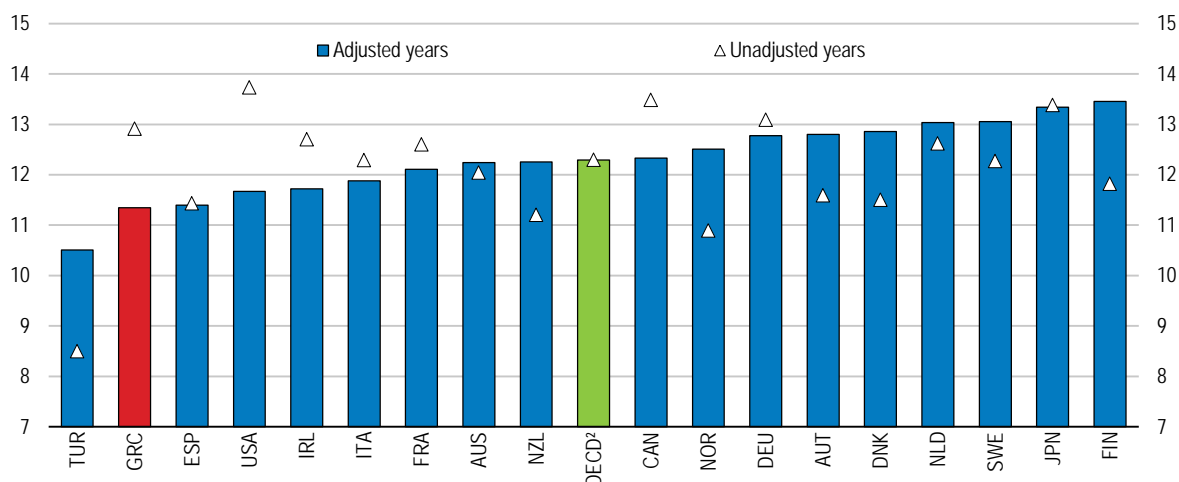
Strengthening skills and competencies through an effective education system is essential for improving employability, income and well-being in Greece. Participation in education is strong given Greece's social and economic conditions. Spending on education relative to GDP by government and households approaches the average of OECD countries (Figure 17 – Panel A), despite a smaller share of the population being at school age. The ratio of school teachers to students is high (Figure 17 – Panel C) and teachers have fewer teaching hours than in other countries. Rates of high school completion and transitions to university are higher than in most other OECD countries (Figure 17 – Panels C and D; OECD, 2017i), especially for younger cohorts. Greek workers spend near the OECD average number of years in education (Barro-Lee 2016) (Figure 18). These strengths reflect the high social value attached to education.

Figure 17. Greece's education input effort is in-line with other OECD countries



Source: OECD (2017), *OECD Education at a Glance 2017: OECD indicators* and Eurostat.

Figure 18. Years of schooling are above average
Average years of schooling, 25-29 year olds, 2010¹

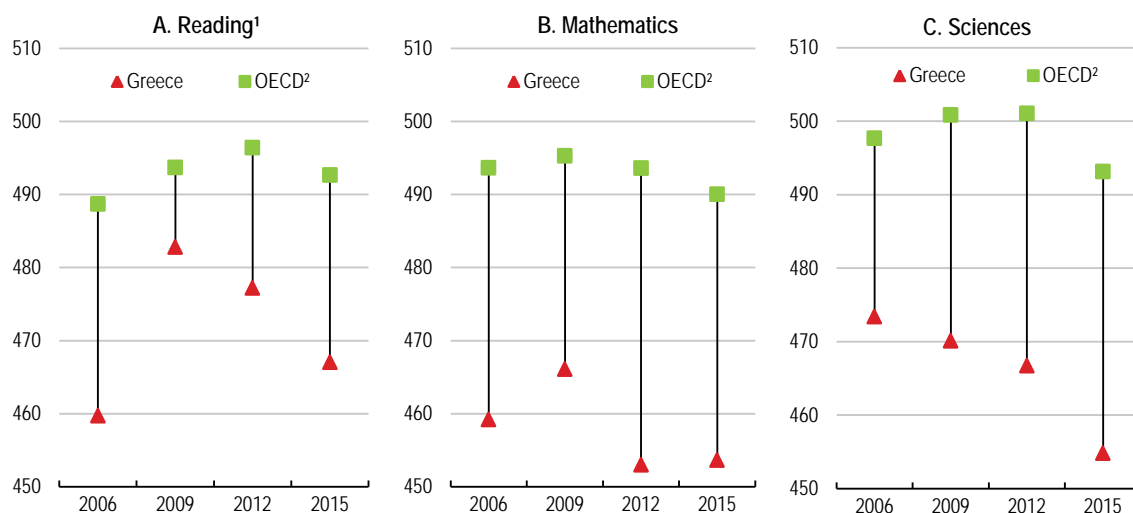


1. Unadjusted years of schooling are based on Barro and Lee (2016). Years of schooling are adjusted for the strength of educational outcomes using the PIAAC numeracy mean assessment in the following way: a country's unadjusted years of schooling are multiplied by the ratio of its median PIAAC numeracy score to its average years of schooling, divided by the benchmark ratio of the OECD median score to OECD average years of schooling. The benchmark ratio is calculated by dividing the median PIAAC numeracy score across available OECD countries by the average years of schooling across available OECD countries. The median PIAAC scores are from the 2012 assessment for 25-29 year olds, while estimates of average years of schooling are for 2010, also for 25 to 29 year olds.

2. Unweighted average of data shown.

Source: Barro and Lee (2016), *Education Attainment Dataset*, February, OECD (2016), *Skills Matter: Further Results from the Survey of Adult Skills* and OECD calculations.

Figure 19. Student performance at school is below the OECD average
Mean PISA score in reading, mathematics and sciences



1. The PISA reading assessment is comparable across years.

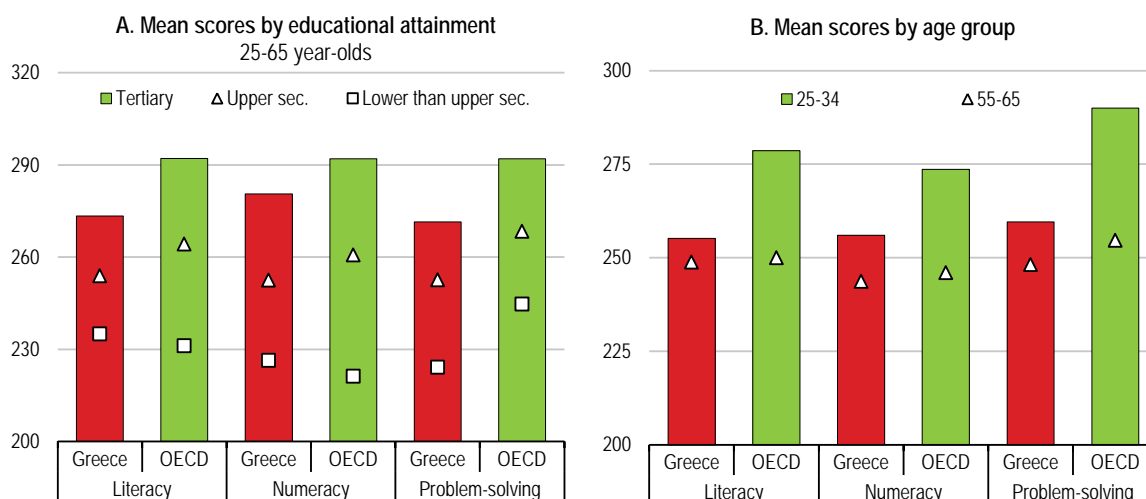
2. The OECD aggregate covers all OECD countries except Austria and the USA for reading and all OECD countries excluding the USA for mathematics and sciences.

Source: OECD, *PISA 2006, 2009, 2012 and 2015* databases.

Greece's best students build on these resources to be world-leaders – for example, Greece's emigrants are the tenth most prolific inventors globally, adjusting for population size (World Intellectual Property Organisation, 2013). However there is great scope to improve outcomes for most participants. Fifteen-year-olds' achievements in standardised tests are below other OECD countries, as are adults' skills, and these

improve less with longer or more recent education than in most other countries (Figure 19, Figure 20; OECD, 2016a; OECD, 2016c). After adjusting time in education for the level of young adults' skills, Greece ranks only above Turkey across OECD countries (Figure 18). Additional education raises wages or the likelihood of finding work by less than most other OECD countries (OECD, 2016a). These weaknesses are reflected in the public's limited satisfaction with the public education system (European Parliament, 2014; OECD, 2017g).

Figure 20. Adults' skills lag the OECD average
Mean PIAAC proficiency scores, 2014-15¹



1. 6 OECD member countries including Greece took part in the second round of the assessment from April 2014 to end-March 2015. OECD average covers all OECD member countries participating in the first and second round of the assessment.

Source: Calculations based on the *PIAAC database*.

The economic crisis has added to the sector's challenges, by reducing resources while bringing into focus the shortfalls in the system's outcomes. Public spending on education declined by 36% in nominal terms during the crisis (OECD, 2017j), and cuts affected school teachers in particular. Their real salaries fell by 28% in the decade to 2015, to among the lowest across OECD countries (OECD, 2017j). The workforce of permanent teachers is ageing, but a general recruitment freeze introduced in 2012 has placed all new teachers on annual 'substitute' contracts which lack security and are funded in parallel to the main education budget (OECD, 2017i; OECD, 2017j).

The demands on the education system have grown. The large numbers of adults who lost their jobs during the crisis require re-skilling to be able to return to work. Newly-arrived refugee children and teenagers need education and training to be able to contribute to Greece. Somewhat offsetting these pressures are the falling number of children entering school age, following the low birth rates of recent decades. ELSTAT projects the number of children entering primary school to decline by one-quarter between 2017 and 2023 (ELSTAT, 2016; Lazaretou, 2016).

Repeated efforts to address these weaknesses have fallen short. Previous reforms suffered from limited resources and ownership, or from a lack of a coherent long-term strategy. Improving the education system again features among the government's policy priorities, in agreement with the EU, and the government, led by the Ministry of Education, Research and Religious Affairs (MoERRA), is making new efforts (European Commission, et al., 2017; MoERRA, 2017a). It launched a nation-wide consultation in 2016, and specific interventions are being trailed in pilot programmes. The European Education and Training 2020 targets is also framing these efforts. The OECD is supporting through an *Education Policy Review*, which will recommend measures to: improve the sector's school and tertiary education governance through

decentralisation, autonomy and funding; improving school performance with respect to teacher professionalism, evaluation and assessment; and raising the system's efficiency and equity.

These efforts go in the right direction, but should be incorporated into a comprehensive and coherent long-term programme which provides policy continuity, coordination among different stakeholders, and ongoing monitoring and dialogue with affected groups (OECD, 2015c; World Bank, 2018).

Starting skill development from early childhood

Greece's education and skill levels would benefit from stronger early childhood education and care (ECEC). ECEC supports the development of emotional control, language and social skills, especially of disadvantaged children (Doyle et al., 2009; Cunha and Heckman, 2007). Accessible ECEC systems improve the equity of overall learning outcomes and raise social mobility between generations (OECD, 2016c; OECD, 2017k; European Commission, et al., 2014). ECEC is less costly than interventions later in life (Naudeau, et al., 2011). Two years spent in ECEC gives the equivalent of approximately one full year of additional schooling by age 15 as measured by PISA test results, controlling for various socio-economic characteristics (OECD, 2017k), which is the difference in the mean PISA score between Greece and the OECD average (OECD, 2016c).

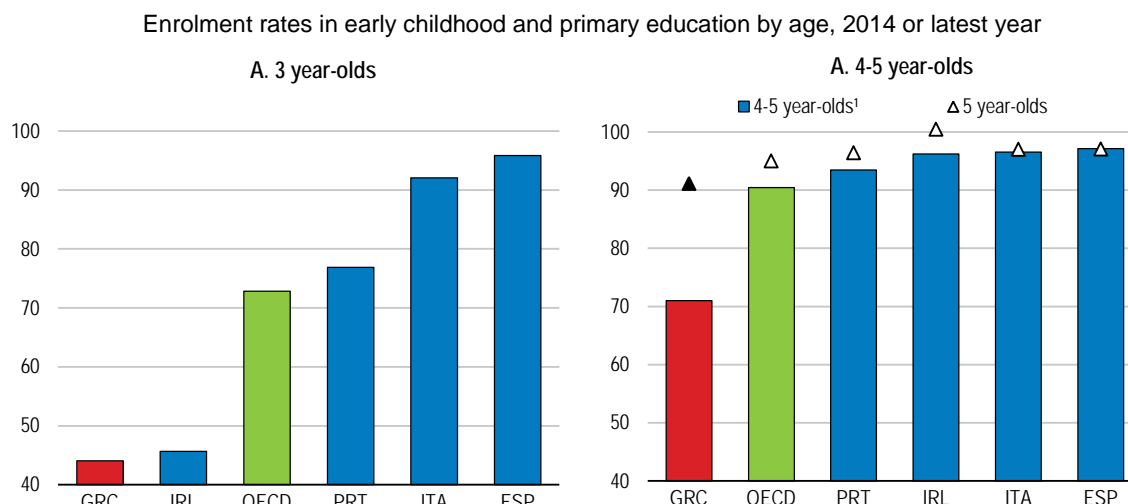
Greater access to ECEC would also address Greece's major long-term policy challenges of low fertility and an ageing workforce. It would help caregivers return to the workforce, expanding families' income and employment possibilities. This especially benefits women and single-parent families, both of which have lower labour market participation in Greece than in other OECD countries (OECD, 2017k). Access to quality childcare may support fertility rates, reversing the pattern of earlier generations (OECD, 2017k).

Participation and capacity in ECEC need to be further developed in Greece. Fewer than half of 4 year olds are enrolled in ECEC, and among younger age groups enrolment is lower and fell slightly between 2005 and 2014. Only 13% of 0-to-2 year olds are enrolled, compared with an OECD average of 34%. Enrolment jumps to over 90% at age 5, when pre-primary school becomes compulsory. In contrast, across other OECD and EU members pre-primary enrolment has become near-universal at the age of 4, and is rising for younger age groups (Figure 21).

The government will expand compulsory pre-primary school from 5 to 4 year olds over the coming years, which is welcome. Increasing enrolment of younger children would also be beneficial (MoERRA, 2017a). Parents can enrol their infants in childcare starting from the age of 2 months in private facilities charging relatively high fees and from 7 months in public facilities managed by the local authority at low fees (OECD, 2017m). At 2.5 years, children may be enrolled in a public child centre, also charging modest fees, which are reduced further or eliminated for low income households (OECD, 2017m). Limited availability of places appears to limit enrolment rates (OECD, 2017j).

Greater enrolment rates will first require investing in ECEC capacity, especially in population centres. At the same time, children are typically enrolled in ECEC full-time (OECD, 2017k). Greater use of part-time enrolment can expand the capacity of existing facilities and limit costs for parents, without significantly reducing the pedagogical benefits (OECD, 2017k). Demands on the system from increasing enrolment will also be offset by fewer children entering the system, due to low birth rates.

Figure 21. Enrolment in early childhood education and care before compulsory school age lags other OECD countries



1. 2017 data for Greece provided by the Greek Ministry of Interior and may not be fully comparable with other countries' statistics.

Note: Enrolment is currently compulsory from age 5 in Greece.

Source: OECD (2017), *Starting Strong 2017: Key OECD Indicators on Early Childhood Education and Care* and Greek Ministry of Interior.

Provision and supervision of ECEC in Greece is fragmented across institutions according to age. The Ministry of Health and Welfare supervises the provision of private early childcare while the Ministry of the Interior supervises the local authorities' child centres. Pre-primary school is managed by the MoERRA (European Commission, et al., 2014; UNESCO, 2015). This fragmentation reflects how most OECD countries have traditionally approached ECEC. However in some countries a fragmented system has been associated with a greater focus on care rather than education, and distances ECEC activities from the primary school curriculum.

Effective ECEC systems provide the foundations for school, while ensuring that care exceeds a minimum. The first priority to achieve this is ensuring that supervisors emphasise quality standards, especially in staff's interactions with children. Many countries are unifying responsibility for the supervision of ECEC systems into one ministry (Box 3). In Greece, this could be achieved by consolidating ECEC supervision into the MERRA.

The MERRA's experience in recruiting and training pre-primary school teachers can raise the ECEC workforce's teaching skills. Its management of pre-primary and primary schools can help ensure that ECEC activities prepare children for the school curriculum. Retaining responsibility for running facilities with local authorities and private sector providers would maintain the benefits of decentralised management and of closer relationship with their local communities, although it may create difficulties for ensuring consistent quality across the country (OECD, 2017k). A number of countries have achieved strong results through a central body supervising services delivered by local governments and private agencies (Box 3; OECD, 2017k).

Box 3. Integrating early education with early childhood care

A number of OECD countries have unified responsibility and supervision of their early childhood education and care (ECEC) systems into one agency, including Australia, the Flemish and the French Communities of Belgium, Chile, Finland, France, Germany, Ireland, Italy, Kazakhstan, Korea, New Zealand, Norway, Sweden and England (United Kingdom). Conversely, some Scandinavian countries have maintained divisions of responsibility while focusing on enforcing quality standards. In Italy, supervision and responsibility for ECEC systems has traditionally been split between many agencies. Monitoring children's development has been at the local level, if it occurs at all, and is not standardised nationally. The Italian comprehensive school reform program, '*La Buona Scuola*', announced in 2015 and progressively being implemented, has made ECEC reform a central component.

The Italian ECEC reforms propose to integrate education and instruction from birth to age 6, when compulsory education starts, shifting the focus of ECEC from care to broader education. The reforms propose to consolidate governance of ECEC by giving the Ministry of Education, University and Research responsibility for coordinating the new system with regional and local authorities. “Infancy hubs” are planned for children aged 0 to 6. These will be hosted within state comprehensive institutes and primary schools, in order to foster pedagogical continuity. They will be supported by specific infrastructure funding. Tertiary training will be provided for educators for children aged 0-3, to improve the pedagogical value of the system. For the first time, a maximum threshold for family contributions will be set. Children with disabilities will receive particular attention.

Sources: OECD, 2017e; OECD, 2017f

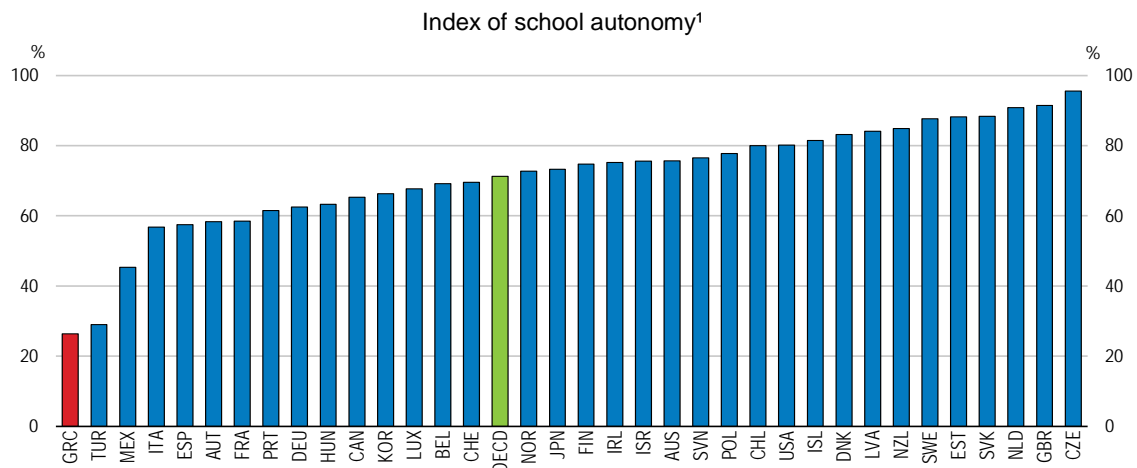
Improving schools

Providing schools and teachers with greater autonomy

Curriculum and resource management in the Greek education system are among the most centralised of OECD countries. There is little flexibility within the compulsory curriculum at either primary or secondary levels, with even individual lesson plans determined centrally. Teacher staffing decisions are made almost exclusively by regional or national authorities, while building spending is managed by local authorities on behalf of the Ministry of Infrastructure (OECD, 2015c; OECD, 2017j; OECD, 2017n) (Figure 22).

Across OECD countries, learning outcomes are stronger where educators in schools are able to manage teaching programmes and resources, at the same time as the education system’s capacity is strengthened (Hanushek et al., 2011; OECD, 2012; OECD, 2015c; OECD, 2016c; Woessmann, 2003). Giving local school management more autonomy on how resources are used, teaching time is spent and which teachers to employ, accompanied by the necessary skills and support, would allow schools to adapt learning processes and resources to students. For example, this can help address the Greece’s challenges in classroom discipline or students’ self-perception (OECD, 2016c).

Figure 22. Schools and teachers have limited influence over resource and curriculum management



1. % of tasks for which the principal, the teachers or the school governing board have considerable responsibility including allocating resources to schools (appointing and dismissing teachers; determining teachers’ starting salaries and salary raises; and formulating school budgets and allocating them within the school) and responsibility for the curriculum and instructional assessment within the school (establishing student-assessment policies; choosing textbooks; and determining which courses are offered and the content of those courses). Results based on school principals’ reports.

Source: OECD (2016), *PISA 2015 Results (Volume II): Policies and Practices for Successful Schools* and *PISA 2015 database*, Table II.4.5.

Given the historical organisation of teaching in Greece, investments in teachers’ and schools capacities need to accompany decentralisation (Hanushek, et al., 2011; OECD, 2010; OECD, 2017n). Developing these capacities is a decade-long process, requiring long-term policy continuity (World Bank, 2018). Current pilot programmes can be effective initial steps. During the 2016-17 school year MoERRA piloted a programme

to develop greater pedagogical autonomy, requiring teachers to prepare classes over one week on issues relevant to local communities. This trial challenged schools, and found that teachers were short of motivation to recognise and respond to their students' needs. Over coming years, MoERRA plans to offer teachers greater ongoing professional support and skill upgrading (MoERRA, 2017a). Such processes of trials, evaluations and new trials should be integrated into a longer-term school reform agenda.

Providing schools with limited additional discretionary funds may help develop their resource management capacity, and to innovate and adapt their activities to their communities. Evidence suggests that improving schools' capacity to manage funds can do more to improve education outcomes than a general increase in funding (Leuven, et al, 2007; OECD, 2015c). Additional funding should be allocated through a transparent, non-discretionary formula (OECD, 2012). Practically, this could build on the successful aspects of the Zones of Educational Priority (ZEP) programme that prioritises schools in disadvantaged socio-economic zones, while aiding other schools to develop their capacity to mobilise resources in their communities (OECD, 2017j).

Supporting educators with performance frameworks

Decentralising decision-making hinges on developing performance standards and evaluation frameworks for pre-primary, primary and secondary schools and their students, as well as central agencies such as the MoERRA. Generalised evaluation for Greek students in compulsory education is dominated by the university entrance exam, the standard of which varies between years. Portugal is the only other OECD country without regular national assessments of students. Evaluations have been absent or were suspended for teachers, schools and their principals and for the administration (OECD, 2017i; OECD, 2017n).

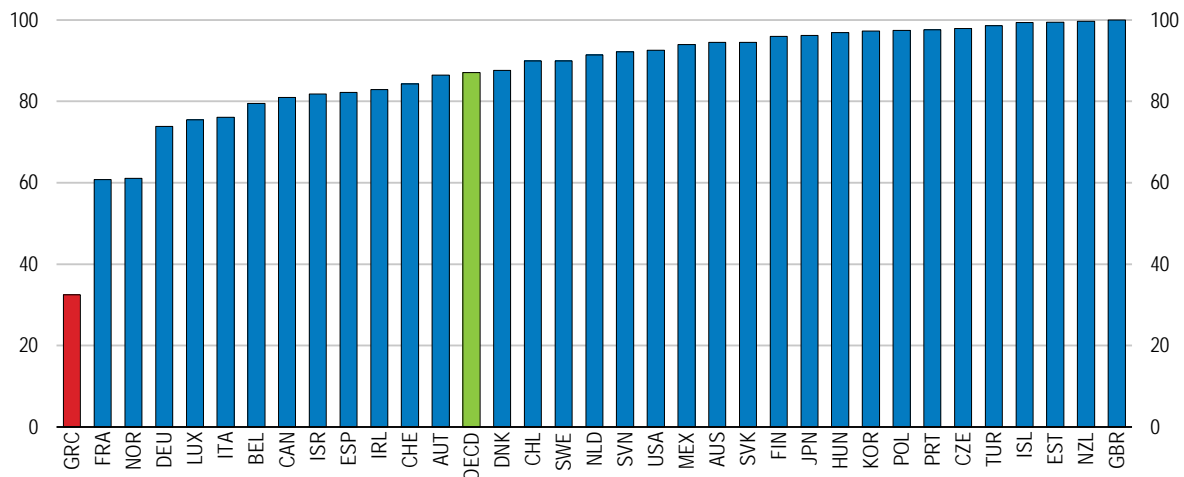
The end-high school university entrance exam is prestigious and competitive, and is students' main assessment throughout their schooling. Greece is one of only few OECD countries where tertiary education admission is solely determined by a test at the end of secondary school, alongside Portugal and South Korea (Edwards et al., 2012). Its design and pre-eminence creates incentives for families to use extra-curricular tutoring and cram schools, which can create socio-economic inequities and undermine other objectives of high school. Greece's households spend more than other European countries on education (Figure 17 – Panel B) during secondary school, which particularly disadvantages lower-income households and amplifies the effects of income loss following the crisis (OECD, 2017g). Only in Japan and Korea do larger shares of students attend after-school lessons among OECD countries (OECD, 2013c). Authorities in Korea as well as Turkey are restricting the shadow education sector (OECD, 2017i).

Reform of the exam is a priority for the government (European Commission, 2016a; MoERRA, 2017a). It could be replaced by a strengthened assessment of students' performance throughout their schooling. The government is developing a central bank of tests that would contribute to this. A centralised system generally achieves better educational outcomes compared to assessments developed by schools (Woessemann, 2003; OECD, 2015c). In due course, broader performance reviews against open-ended tasks can complement these tests. The various assessments can aid educators shape the classroom curriculum and teaching techniques (OECD, 2013b). In Australia, Sweden, Turkey, the United Kingdom and some U.S institutions, a general aptitude test calibrates the results of different class and school tests, which can also serve as an entry point to tertiary education for mature students.

In a welcome step to assessing schools' performance, MoERRA will roll out school-wide self-evaluation process over the coming years, alongside evaluation of administrators (MoERRA, 2017a). School-level evaluations have been rare in Greece (Figure 23). Past efforts to introduce evaluations of schools, teachers and students have failed, largely due to distrust in the evaluations' use (OECD, 2017j). Successful evaluation system build trust (Hopfenbeck, et al., 2013), and are collaborative and constructive. In MoERRA's trail programmes, teachers can work with colleagues from neighbouring schools in assessing how their school performs against agreed standards. In the future, the assessments can be linked to access to professional development, for example that helps teachers adapt classes to their classrooms. Trust could also

be built through 360-degree assessments that allow teachers and school principals to provide feedback to MoERRA, and by publicising successes (OECD, 2017n).

Figure 23. School evaluations are infrequent in Greece
% of school principals reporting that evaluations are used, 2012



Source: OECD (2015), *Education Policy Outlook 2015: Making Reforms Happen* and *PISA 2012 Database*, Table IV.4.32.

Investing in educators' skills

School teachers at all levels must complete university-level pedagogical training to be eligible for recruitment, and secondary school teachers must also complete subject-matter education at university level. The government is only now developing opportunities for serving school teachers and principals to update and develop their skills (OECD, 2017j). The maturity of Greece's permanent teacher workforce and the lack of support for the 'substitute' teachers employed since the crisis make this a priority. Pre-service training and training for active teachers is most effective when it is practical, focuses on concrete methods in a teacher's subject areas, and is class-room based. It works better when it provides teachers with continuous support rather than one-off workshops (Walter and Briggs, 2012; World Bank, 2018). Strengthening pre-service can complement in-service training, as demonstrated by Portugal's reforms (Matthews, et al., 2009).

Improvements in school teachers' and principals' pay and conditions over the medium-term could accompany skill development and other efforts to improve the education system. They have supported successful reforms programmes in a number of OECD countries, including Estonia and Israel (OECD, 2015c; World Bank, 2018). A priority should be to regularise the 'substitute' teacher workforce on temporary contracts, in a manner that is fiscally sustainable and does not perpetuate existing rigidities, for example by offering fixed and longer-term contracts. Teachers' salaries should be able to move with those of equivalently skilled workers in Greece. These improvements in conditions can accompany progress in the measures discussed above, such as involvement in training, adopting performance assessment frameworks, and increasing responsibility for class design.

Strengthening tertiary education

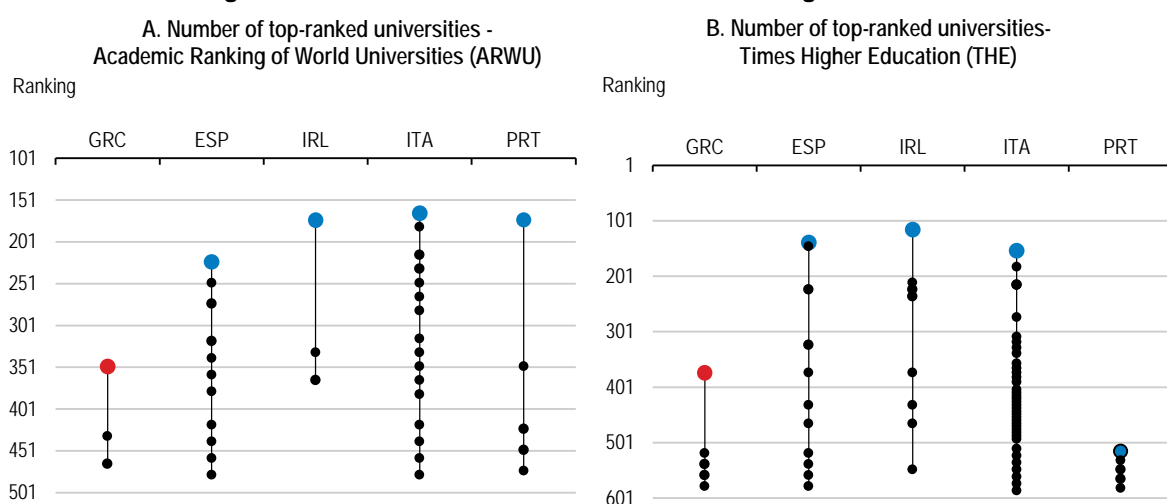
Tertiary education encompasses both universities and technical institutes. Greece's university graduation rate is above the OECD average among younger demographics and near average for the overall workforce. In general, university education has a high social status, and demand by high school graduates' for university education is strong. However, access can be inequitable. Like in many countries, students' perception of technical institutes is poorer, and enrolment rates are lower than for universities and fell during the crisis (European Commission, 2011; OECD, 2017j). Tertiary education has focused more on theoretical than professional skills. Greece's top graduates are able to achieve international success, for example Greece's diaspora ranked tenth globally for the number of patents registered relative to the population (WIPF, 2013). However, most students take longer to graduate, receive lower wage premiums and achieve

lower adult skills than in other OECD countries. To become internationally competitive, Greek universities need to raise their performance relative to their global peers (Figure 24; Mylonas, 2017).

Past reform efforts made some progress in addressing universities and technical institutes' fragmentation, lack of scale and large number of courses offerings (European Commission, 2016a; OECD, 2017j). The 2013-2014 *Athina* programme sought to strengthen leading departments, and to better connect institutions with their region's development and labour market needs, while consolidating or closing departments and universities. The consolidation efforts should resume. However, institutions have little autonomy across broader areas of management, and 2017 legislation reduced these further (European Commission, 2016a; Mylonas, 2017). Incentives and autonomy may motivate institutions to reach the financial scale for better teaching and to attract back some of Greece's highly educated and successful diaspora (Theodoropoulos, et al., 2014).

The availability of places in university and technical institute courses does not reflect the preferences of students and employers. Students nominate their preferred courses and location, and are allocated places based on their university entrance exam scores, but only 6% of 2011 entrants obtained their first, second or third choice. Once students are enrolled, in practice they cannot change courses (OECD, 2017j). The lack of choice may partly explain the limited income gains for most students from tertiary education, and why fewer students go on to post-graduate study than in other OECD countries.

Figure 24. Greece has few universities ranked among the world's best¹



1. Number of universities in each country that are ranked in the world top 500 (ARWU) and 1000 (THE). The ranking of each country is depicted on a line connecting the highest and lowest ranked among world top 500/600 universities.

Source: OECD calculations based on the Times Higher Education (THE), "World University Rankings 2018" and Center for World-Class Universities at Shanghai Jiao Tong University, "The 2017 Academic Ranking of World Universities (ARWU)".

More autonomy would enable universities and technical institutes to better respond to students' and employers' needs. Funding could follow demand and allow institutions to adapt their course offerings. Australia's recent reforms to tertiary education offer an example of how well-designed incentives, coupled with strong career guidance, can expand access to tertiary education (OECD, 2017o). The government can steer students towards priority courses and skill-sets through ear-marked funding. Allowing students to study their preferred subjects, while ensuring that those preferences are well-informed, is likely to improve learning outcomes, and can draw excluded groups into higher education, providing a pathway to employment and higher-skilled jobs, and boosting overall productivity.

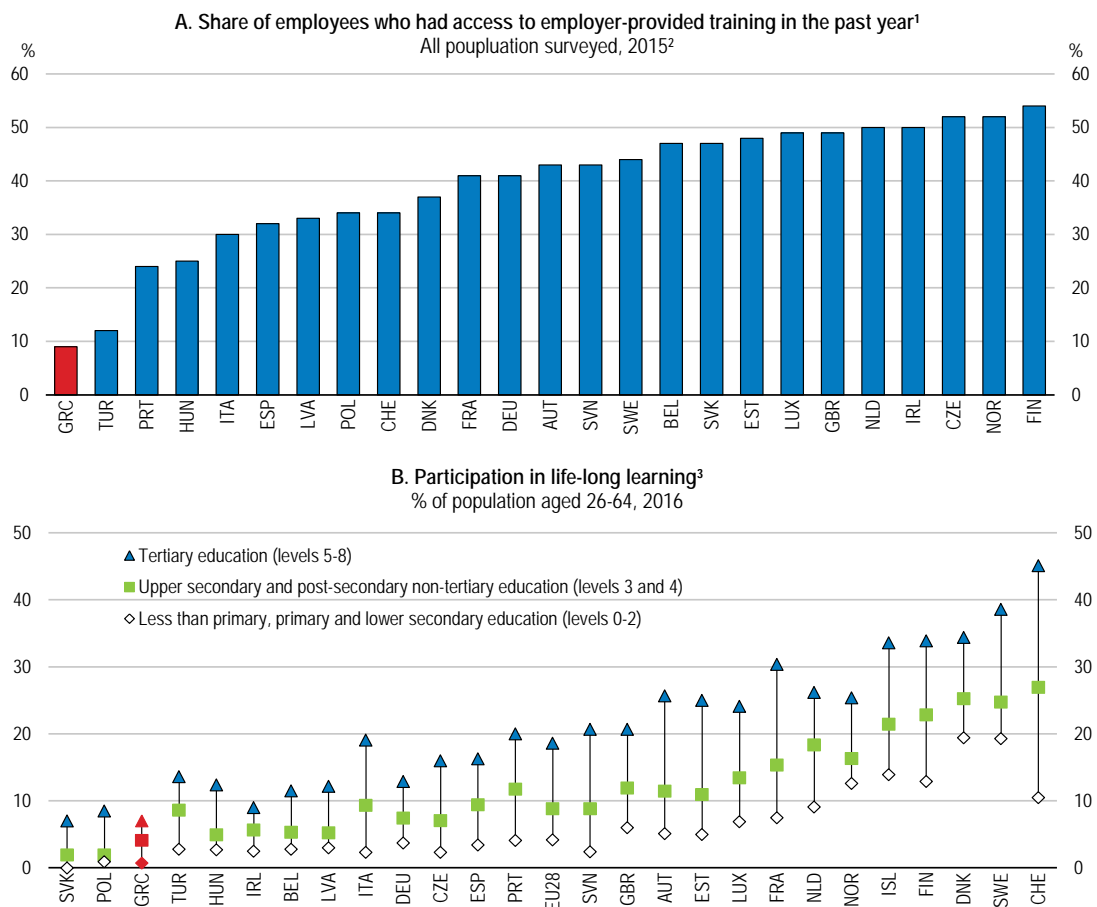
With greater autonomy, students' learning choices should be better informed. Personal interest in a subject has determined Greek students' study preferences (European Commission, 2011). This should be complemented by information from graduate tracking surveys and job market assessments anticipating future skill needs (OECD, 2016d), and the advice of guidance counsellors, which Greek students are the least likely in Europe to use (European Commission, 2011). The ERGANI database may enable better career tracking.

Complementing this information are the new, regular quality evaluations of tertiary education institutions. These are prepared by institutions, assessed by external bodies, and are published (HQA, 2014; OECD, 2017j).

New pathways to develop professional skills

Adult education has a growing role in Greeks' careers, although from a very low level and was set back by the crisis (Karalis, 2017). For adults entering the workforce and later in life, the tertiary education system has offered few pathways to develop professional expertise or to re-skill for evolving workplace needs. Universities offer limited possibilities of entry later in life (OECD, 2017g). Access to on-the-job training is limited (Figure 25 – Panel A), especially for the majority of the workforce employed by SMEs.

Figure 25. Few adults participate in professional training or life-long learning



1. % of persons responding positively to the question "Have you had training paid for by your employer (or self if self-employed) in the last 12 months?".

2. Survey reference year. Data is based on the 2015 European Working Conditions Survey (EWCS).

3. Includes formal as well as non-formal education and training.

Source: Eurofound (<https://www.eurofound.europa.eu/>) and Eurostat (2017), *Education and training* (database).

The quality and cost of adult training is patchy and participation is limited (Figure 25 – Panel B). Recent reforms to technical and adult education seek to better connect teaching with workplace needs. Tertiary and vocational education institutions are better coordinating with regional employers, and pilot programmes support students' transition from technical high schools into workplaces (MoERRA, 2017b). The government is developing 2-year professional courses that are linked with universities, towards ensuring they offer both practical skills and rigour. These efforts must expand to provide adults with the skills for the growing number of 'technicians and associate professionals' jobs (Athanasouli, et al., 2017). Specialised

language courses for refugees would allow them to participate in these courses and contribute their skills to the labour force (OECD, 2015e).

Clear information about the content and quality of adult education courses needs to accompany expanded supply. Reforms in 2012 sought to redress the limited supply of places in vocational education programmes at public institutions by liberalising private institutions' offerings. Programmes proliferated, but their quality and effectiveness has been patchy (OECD, 2017j). Following the approach developed in Chile, an existing education quality assessment body with a track record for independence, rigour and clarity should certify the quality of courses, at the request of course providers. It can aid institution needing support (OECD, 2017j).

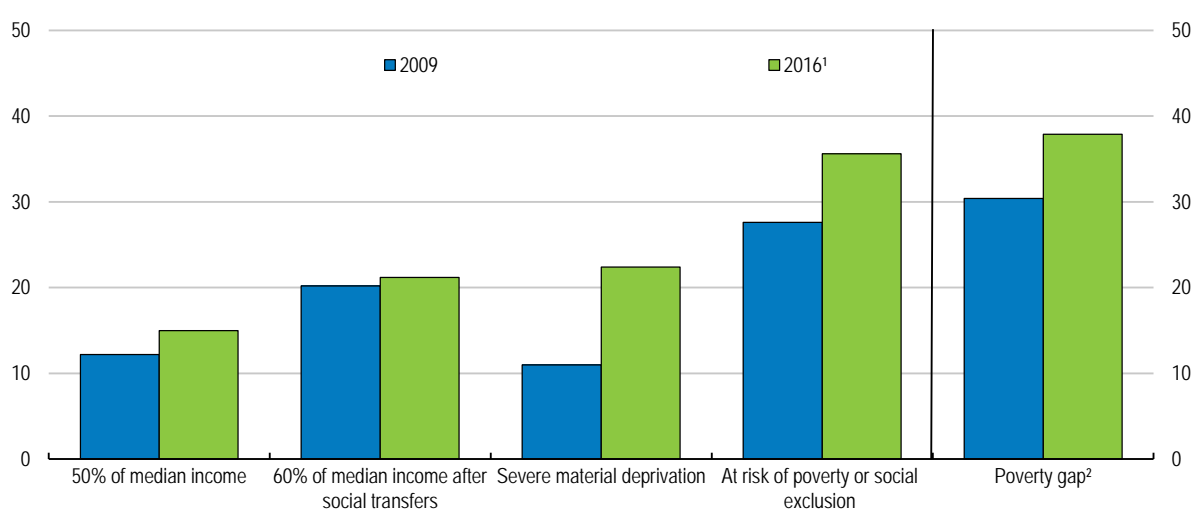
Lowering poverty through more effective social protection

Loss of jobs has led poverty to surge

Poverty rates rose after the onset of the crisis, and became deeper and more persistent (see Box 4). Absolute poverty measures show that Greece's poverty rate rose to become one of the highest rates in the OECD and EU. Poor households fell further below the poverty line during the crisis (Figure 26 and Figure 27), and they became less able to escape poverty. In 2015, 57% of households reporting incomes below half of the median income were also below the poverty line in two of the preceding three years, a higher rate than in most other OECD countries (Eurostat, 2017).

Figure 26. Poverty rates and the poverty gap rose in Greece over the crisis

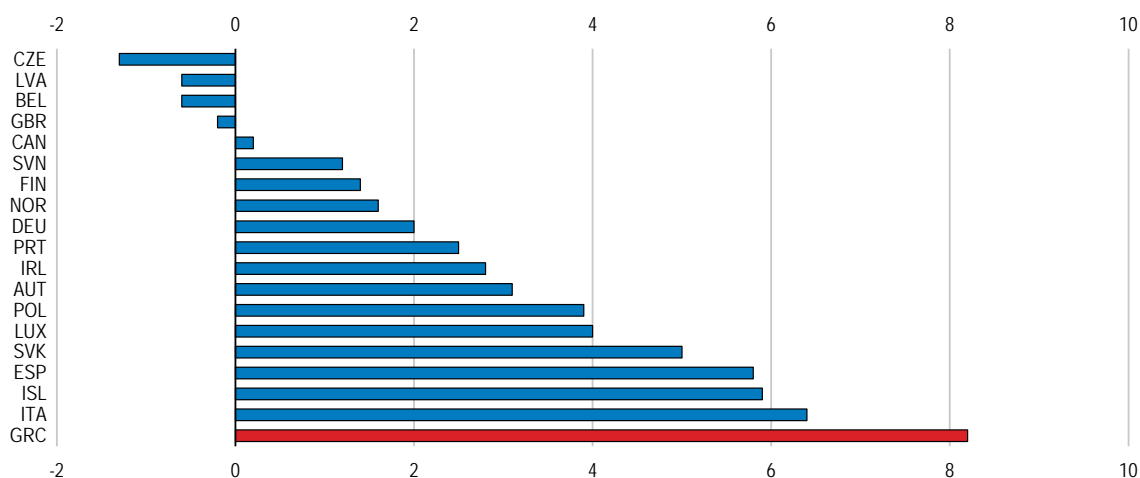
% of the population living in households below the respective poverty lines



1. 2015 for poverty gap.

2. The poverty gap is the percentage by which the mean income of poor households falls below the poverty line of 50% of the median household income, adjusted for household size.

Source: OECD (2018), *OECD Social and Welfare Statistics* (database) and Eurostat (2017), *EU Statistics on Income and Living Conditions* (database).

Figure 27. The poverty gap has widenedPercentage changes in the poverty gap¹ between 2008 and 2015, total population

1. The ratio by which the mean income of poor households falls below the poverty line of 50% of the median household income adjusted for household size. A larger poverty gap indicates that larger transfers would be needed to raise poor households above the poverty line.

Source: OECD (2018), *OECD Social and Welfare Statistics* (database).

Box 4. Measuring poverty

Poverty indicators summarise the incidence and depth of poverty across a population. These measures generally require information from household surveys of incomes or other aspects of their living conditions, which means they may only be available with a lag.

- **Relative poverty rate:** The proportion of individuals living in households where the total income is below a poverty line that is determined by the current distribution of incomes. To compare across countries, the OECD uses a threshold of 50% of the median disposable income. This paper uses this threshold, unless otherwise indicated. Eurostat and most EU countries use a threshold of 60% of the median income after accounting for transfers. Households with incomes below these thresholds are described as being “at risk of poverty”, as their actual material circumstances are not observed. The poverty threshold moves over time with the income distribution. In Greece, the fall in wages during the crisis reduced the threshold at 50% of the median annual income from a peak of EUR 5 981 for a single adult in 2010 to EUR 3 750 in 2016.
- **Material deprivation rate:** The proportion of people whose living conditions are severely affected by a lack of resources. For higher income countries, this is described as being unable to afford a range of items or activities which are typically accessible in a society at a given point in time. This approach avoids determining a rule to adjust for households’ size. Eurostat surveys the ability to afford unexpected expenses, a one-week annual holiday away from home, a meal involving meat, chicken or fish every second day, to adequately heat a dwelling, or durable goods like a washing machine, colour television, telephone or car, or being confronted with payment arrears. Eurostat defines *severe material deprivation* as the inability to pay for at least four of these items.
- **At risk of poverty or social exclusion:** The share of the population living in households where the equivalised income after social transfers is below the relative poverty line, or that are severely materially deprived, or where work intensity is low, meaning that working age members worked less than 20% of their total potential during the previous 12 months.
- **Poverty gap:** The depth of poverty for those below a given poverty line as the percentage difference between the average income of households below the poverty line and the value of the poverty line. A higher poverty gap indicates that larger transfers would be needed to raise poor households above the poverty line.

Poverty indicators should adjust a household’s income for the size and composition of the household. “Equivalence scales” are used to make these adjustments, and may also determine social benefit entitlements for different household sizes.

- Square root scale is the square root of the household size. This is used by the OECD for cross-country comparisons.
- The “modified OECD equivalence scale” gives a weight of 1.0 to the first person aged 14 or older, 0.5 to the next person in the household, whether they are adult or child, and a weight of 0.3 to each child. It is used by Eurostat and some national statistical agencies.

Sources: Eurostat, 2014; OECD, 2007b; OECD, 2014. See also www.oecd.org/els/soc/OECD-Note-EquivalenceScales.pdf

Good jobs are the best antidote to poverty

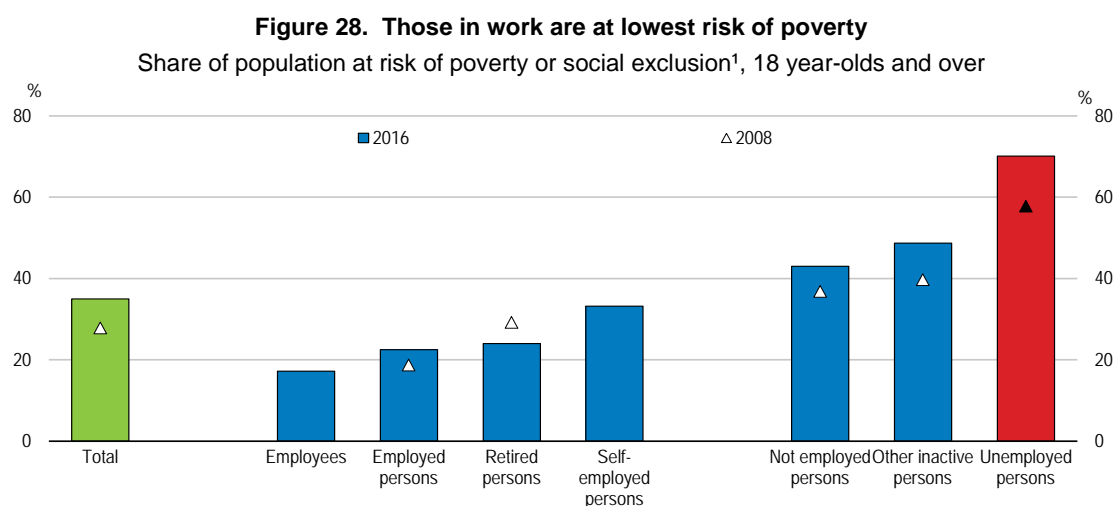
Jobs remain the best antidote to poverty (Causa et al., 2016). Across OECD countries poverty rates are lowest among employees holding stable full-time positions. In Greece, the unemployed and those out of the workforce have the highest poverty rates of any group and they experienced the largest increase in poverty during the crisis (Figure 28).

Poverty also affects those in employment. In-work poverty rates increased during the crisis and are among the highest across OECD countries. Most private sector employees’ gross salaries are below the poverty line for a household of two adults and two children of a net monthly household income of EUR 656.25, according to the Ministry of Labour’s information system (Figure 11). Part-time workers, especially those working part-time involuntarily, and the self-employed are more likely to experience material deprivation than full-time employees (Eurofound, 2017c).

During the crisis, retirees were better protected from income loss and rates in relative poverty fell (Figure 28, Figure 29). Fewer than 5% of retirees reported incomes below half of the median in 2016, the lowest rate on record in Greece and the lowest across population groups in 2016. In contrast, in 2000 retirees recorded the highest rate across population groups, at 23%. Absolute poverty indicators also fell among those older than 65.

Child poverty has become common

Poverty rose most dramatically among households with dependent children as their parents lost income. Among those aged under 18, 27% lived in households reporting severe material deprivation in 2016, compared with 9.5% in 2006 (Figure 28, Figure 29), among the highest rates across the OECD. This



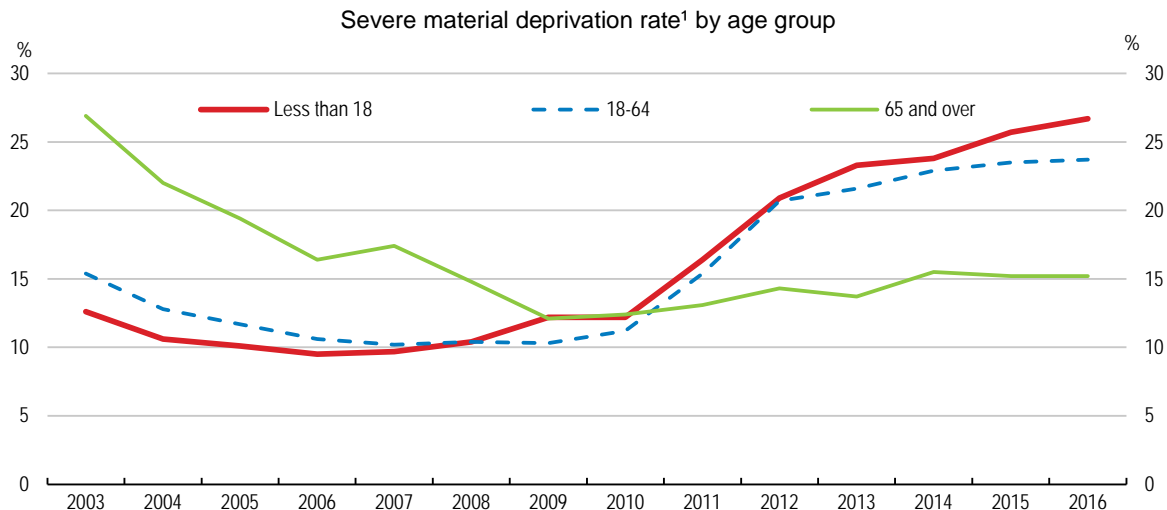
1. Share of population with disposable income below the relative poverty line or experiencing severe material deprivation, or living in households with very low work intensity where members of working age worked less than 20% of their total potential during the last year.

Source: Eurostat (2018), *EU Statistics on Income and Living Conditions* (database).

increase was particularly severe in households where parents had less than upper secondary school education, making them less likely to be employed. Other indicators also suggest a growing incidence of poverty among families with children. Greece recorded the second largest increase in the share of low birth weight infants during the crisis period, and the highest rate among OECD countries after Japan (OECD, 2016e; OECD, 2015b).

Poverty affecting children needs urgent action to avoid lasting harm. Across OECD countries, children who grow up poor achieve substantially weaker cognitive and educational outcomes, and mental and physical health. These effects are stronger the longer the period in poverty (OECD, 2009a). In Greece, parents' income level is correlated with educational performance at age 15 and students from low socio-economic backgrounds are less likely to be among the top performers than in most other OECD countries (OECD, 2015d; OECD, 2016c; OECD and Eurofound, 2017). Weaker outcomes in childhood can undermine an individual's well-being and life satisfaction, in addition to income and employment prospects (OECD, 2015d). Economy-wide, high level of poverty among children reduces productivity and potential output (Machin, 2006; OECD and Eurofound, 2017).

Figure 29. Poverty has shifted from retirees to young households with children



1. The severe material deprivation rate is the proportion of the population living in households unable to afford at least four of the following items: unexpected expenses, a one-week annual holiday away from home, a meal involving meat, chicken or fish every second day, adequate heating of a dwelling, durable goods like a washing machine, colour television, telephone or car, or are confronted with payment arrears.

Source: Eurostat (2018), *EU Statistics on Income and Living Conditions* (database).

The social transfer system is costly yet does not support many in need

Greece's social protection system is complex and fragmented, but steps are being taken towards consolidation. A 2016 World Bank assessment identified over 200 social protection programmes, ranging from benefits for large families to unemployment allowances to a variety of holiday camps and transport benefits. Most programmes were small and poorly targeted, and only 5.4% of social spending (including pensions) was means-tested in 2015. The system developed incrementally over decades, with occasional rationalisation efforts reversed by the introduction of new programmes targeting specific groups (OECD, 2013a).

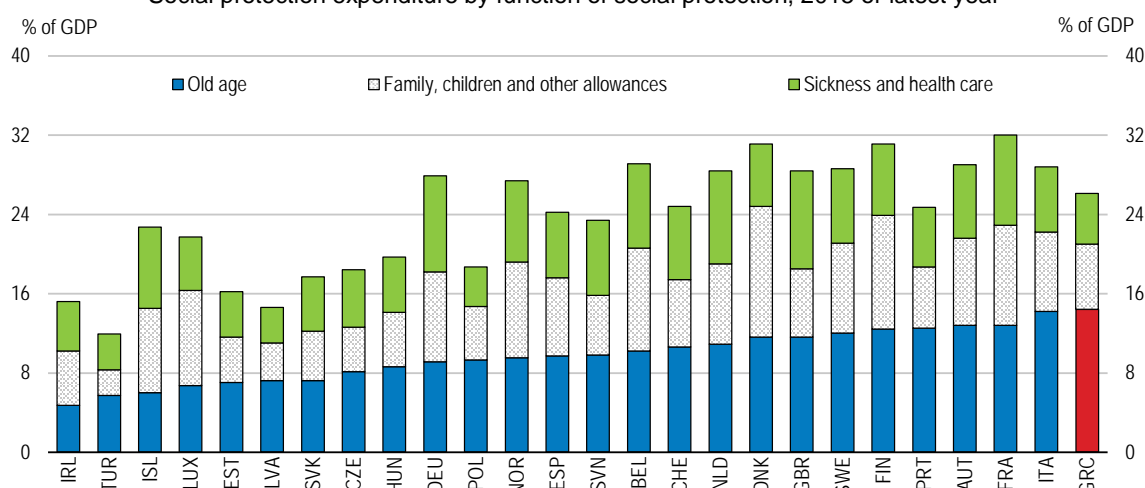
The programmes have been overseen, administered and funded by different agencies, ministries and levels of government, and multiple bodies can be involved in individual programmes (World Bank, 2016). This has created gaps and overlaps in mandates and activities (OECD, 2013a), and raised administrative costs (Stefan, 2015). For example, twenty-four different programmes supporting the disabled are

administered and provided by different levels of government, which follow varying and inconsistent procedures (World Bank, 2017a).

Some efforts are now being made to consolidate both programmes and their administration, for example by cutting heating allowances and some tax expenditures, reorganising the administration of certain benefits, introducing new IT systems to assess eligibility, and developing bodies with stronger administrative capacity (World Bank, 2017a).

Public social expenditure, at 27.0% of GDP in 2016 or nearly half of government expenditure, is higher than most OECD and European countries (OECD, 2017e; Figure 30). In Greece, social spending, in conjunction with taxes, significantly reduces income inequality and poverty (Figure 31). This reflects the scale of pensions. Old-age and survivor benefits absorb over half of social spending, the largest share across OECD countries (Figure 30). About 43% of households received at least one pension, but pensions provide little support to families with children (World Bank, 2016). The pension system has been in deficit for some time (OECD, 2009b; Tinios, 2005; World Bank, 2016). In 2016, contributions covered only half of payments, creating a deficit of close to 11% of GDP or four times the average of Euro area countries (European Commission, forthcoming; IMF, 2017a; IMF, 2017b; World Bank, 2016).

Figure 30. Pensions dominate Greece's social spending
Social protection expenditure by function of social protection, 2015 or latest year



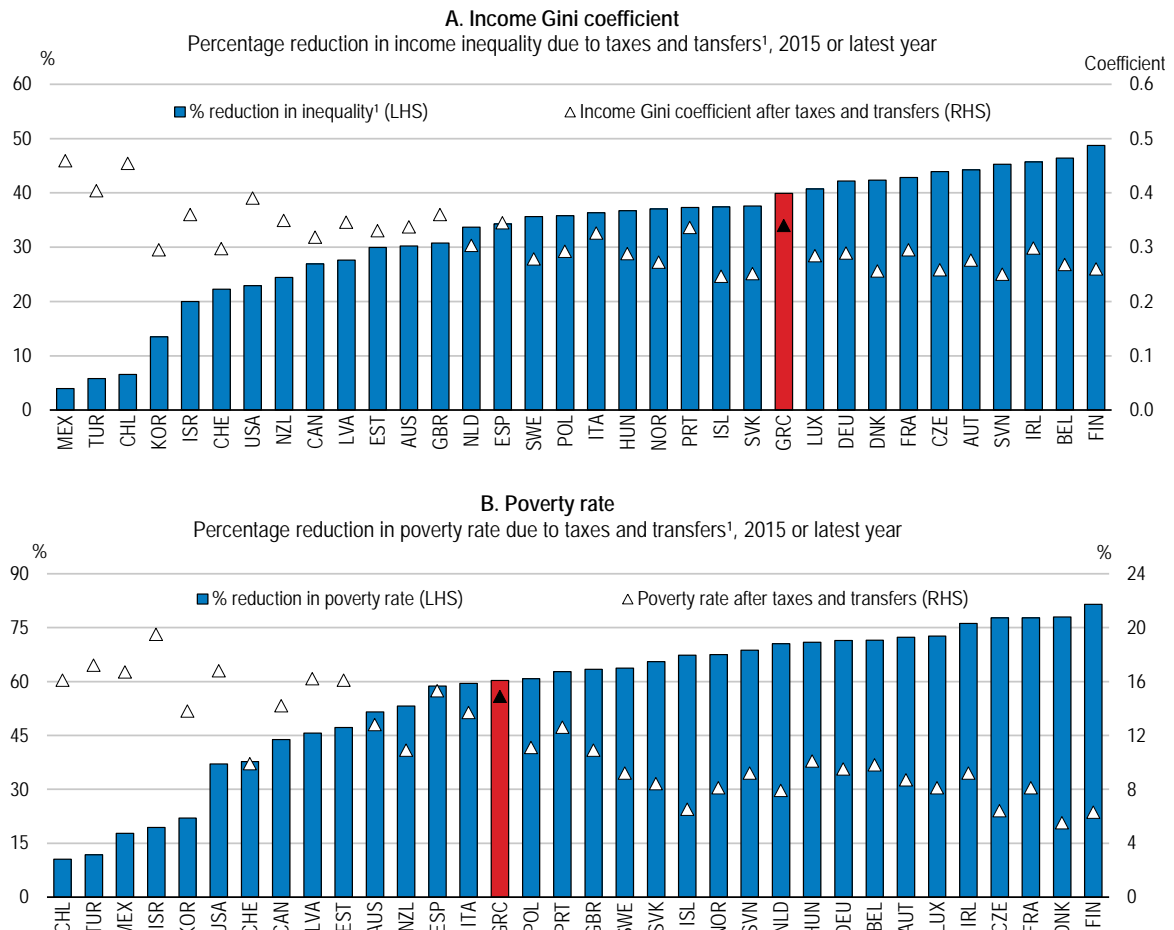
Note: Social protection encompasses interventions from public or private bodies intended to relieve households and individuals of the burden of a defined set of risks or needs, provided that there is neither a simultaneous reciprocal nor an individual arrangement involved. The eight main risks or needs are: old age, sickness/healthcare, survivors, disability, family/children, unemployment, housing, and social exclusion not elsewhere classified (n.e.c). The category 'family, children and other allowances' includes social expenditure on unemployment, housing and social exclusion n.e.c.

Source: Eurostat (2018), *Social Protection Statistics* (database).

The crisis gave urgency to addressing the pension system's long-recognised imbalances (OECD, 2007; OECD 2009b; OECD, 2013a; Tinios, 2005). Crisis-period reforms' first goal was to cut the system's demand on government finances. Pension entitlements were reduced overall. Changed eligibility and contribution requirements encourage later retirements, greater contributions and ended a patchwork of scheme-specific allowances (Ziomas and Theodoroulakis, 2016; IMF, 2017b). The fragmented array of funds, administrations, and entitlements (OECD, 2016g) are in the process of being consolidated or closed (European Commission, 2018), including those providing various special allowances. Inter-generational equity is gradually improving as the entitlements of existing and new pensioners come into line. The system is more generous for some low income earners and younger workers, and cuts to existing pensions have been capped through compensatory payments, which will unwind only slowly (IMF, 2017a; Tinios, 2016). The early 2010s reforms were anticipated by a surge of early retirements, which, with the fall in GDP, led pension spending to peak at 17.3% of GDP in 2016 (National Actuarial Authority, 2018; OECD, 2016f). Further reforms to improve the system's equity and long-term sustainability are scheduled for 2019 and should be

pursued. Together, these efforts are expected to reduce the cost of pensions to 13% of GDP in 2020 and to 10.5% by 2070 (European Commission, forthcoming).

Figure 31. Poverty and income inequality remain high even after extensive redistribution through taxes and benefits



1. The ratio of the difference between the income Gini coefficient before taxes and transfers (market income) and the income Gini coefficient after taxes and transfers (disposable income), to the income Gini coefficient before taxes and transfers.

2. The ratio of the difference between the poverty rate before taxes and transfers and the poverty rate after taxes and transfers (disposable income), to the poverty rate before taxes and transfers. The poverty line refers to half of the median disposable income. Household income is adjusted to take into account household size.

Source: OECD (2018), *OECD Social and Welfare Statistics* (database).

Low-income households need stronger support

Greece's social protection system is being reformed through the introduction and strengthening of means-tested cash benefit programmes. Reforms are shifting from emergency measures in response to the economic crisis to changes to the structure of social protection so as to more effectively support vulnerable households while strengthening work incentives. The World Bank is supporting the design of benefits and the reformed management systems. The introduction of the social solidarity income (SSI), strengthening of family benefits, plans to redesign disability support and to introduce an accessible housing allowance, and the consolidation of different benefit administrations are important steps. However a large number of smaller, mostly in-kind programmes, and fragmented management systems remain.

A number of the low-income household support programmes found in most OECD countries are still being developed in Greece:

- A minimum income scheme, the Social Solidarity Income (SSI), targeted to the poorest households, was rolled out nationally in February 2017, bringing Greece into line with other EU and most OECD countries. Several overlapping programmes were consolidated into the SSI. In 2018, recipients able to work and who are not employed or in education will be required to register with the public employment service to receive the SSI.
- The main family benefit programmes were unified in 2018 to better and more consistently target poorer households and larger families, and to improve their administration. Smaller schemes continue to provide a mix of mostly in-kind benefits, such as transport subsidies, student living-away-from home allowances, or access to summer camps and vacations. These programmes are poorly targeted, leave coverage gaps, and their administration is fragmented and costly (World Bank, 2016).
- A school meal programme is being progressively expanded and extended to the whole school year. The programme is geographically targeted as it benefits all school children within communities with high unemployment, rather than targeting children living in poor households.
- The many disability schemes support few beneficiaries relative to the overall population, although disability rates are also relatively low. Those eligible have received inconsistent support, depending on factors such as where they live, or whether they are insured or are eligible for a particular benefit regime. Coordination across these systems is limited (World Bank, 2016 and 2017a). The government plans to reform the disability support system over the coming years and in 2018 is piloting a shift to assessing beneficiaries according to their functional capacity.
- Over the crisis, housing costs became a significant stress for low income households, particularly renters, but housing-cost support programmes are very narrow or expiring. A stronger and better-targeted benefit to reduce housing-cost stress of low-income households and to complement other allowances is being designed for approval in 2018, with two benefit designs being considered.

Other programmes supporting specific groups at higher risk of poverty are weak. For example:

- Unemployment benefits are low, eligibility criteria are strict, and they support few of those out of work (World Bank, 2016), especially as unemployment duration lengthens (Lyberaki, et al., 2017).
- Survivor benefits are not well-designed and targeted, as demonstrated by persistently higher poverty rates among elderly women (World Bank, 2016) despite high spending on survivor benefits. Planned pension reforms will reduce survivor benefits overall.

Ensuring all households can access a minimum income

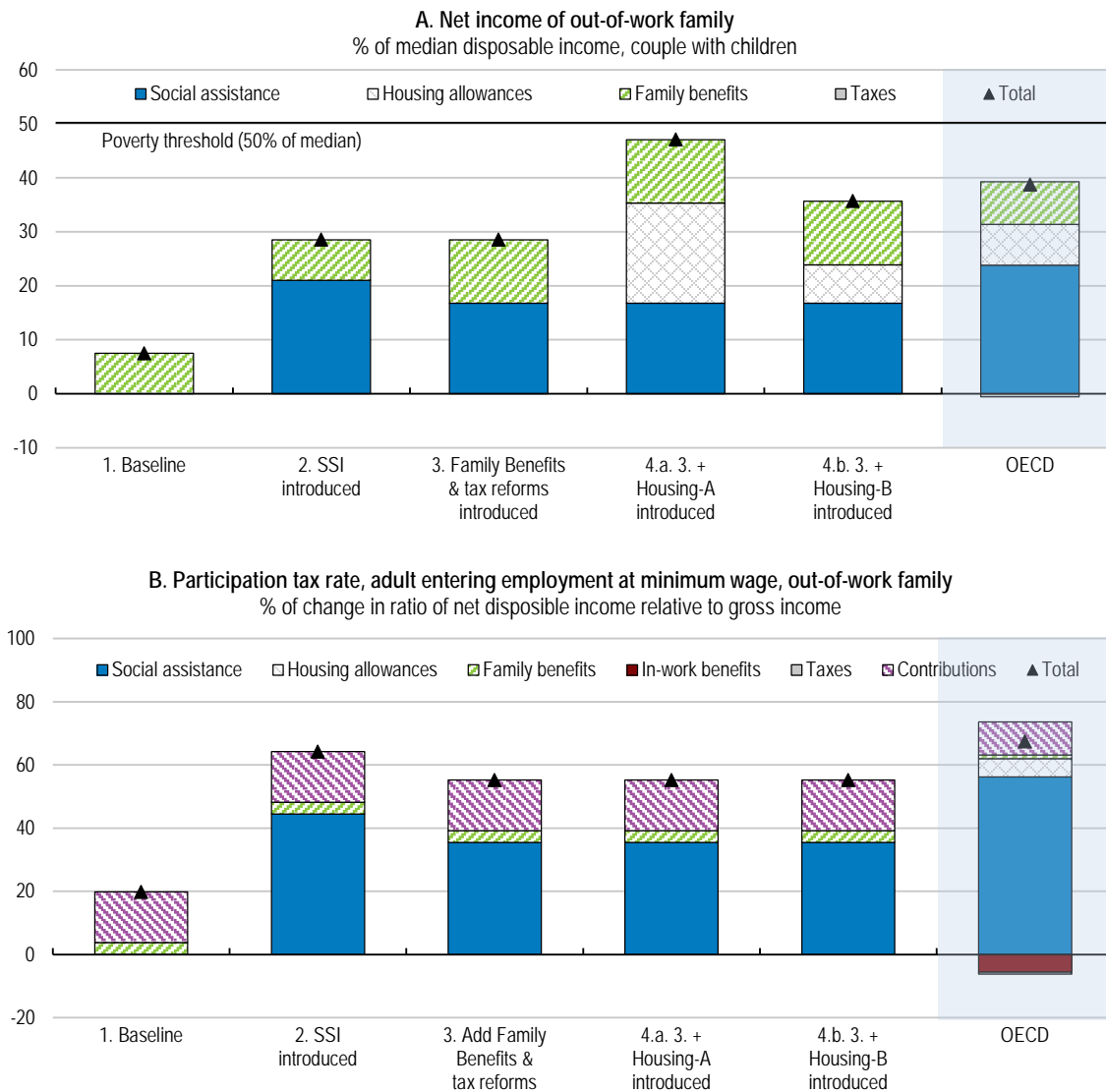
The Social Solidarity Income (SSI) was rolled out nationally in February 2017. It provides an income of last resort to low-income and low-wealth households. By early January 2018, 630 000 beneficiaries had been accepted (World Bank, 2017b; European Commission, 2018). The SSI is an important step towards protecting poor households not benefitting from any other social protection programme.

The SSI provides a monthly transfer of EUR 200 for the first adult in a household, EUR 100 for the second person, and EUR 50 for each child, up to a maximum allowance of EUR 900. To be eligible for the SSI, a household's total net income over the preceding six months must be less than the value of six months of the SSI, disregarding 20% of employment income and disability allowances. The household's assets must also be below certain thresholds.

The SSI raises poor households' income and reduces the poverty gap (Figure 32 – Panel A, Scenario 2). However, its effect on poverty headcounts is small as the transfer amount is below the poverty line, like in other OECD countries. For a family of two adults and two children without other sources of income, the

SSI would amount to 21% of the median household income, similar to most countries' minimum income schemes (Figure 32). Simulations suggest that the SSI may reduce the poverty rate by up to 0.6 percentage points from an initial rate of 21.2% (World Bank, 2015; Ziomas, et al., 2015).

Figure 32. The Social Solidarity Income, reformed family benefits, and proposed housing allowances raise poor households' incomes but also raise participation tax rates



1. Panels A and B illustrate, respectively, the effects on net income and participation tax rates for a family of 2 unemployed adults and 2 children under 14 of various policy scenarios. Box 5 describes these simulations.

Source: OECD calculations based on the *OECD tax-benefit model*.

Over 2018, the government intends to make SSI access conditional on engagement with social services, by linking it with social-service delivery and with active labour market programmes. This will improve low income households' access to social protection, and help recipients develop their human capital and move into employment:

- Improved access to other social services and goods. Recipients receive information and better access to other types of social services, such as free medical care for the uninsured, food and basic materials assistance programmes, and priority placement in child care centres. As well as supporting recipients' welfare, this access may improve the targeting of these benefits, while some

benefits that overlap with the SSI have been streamlined or eliminated (European Commission, 2018).

- Participation in ALMPs and other social inclusion policies. Unemployed beneficiaries who are able to work are included in pro-employment programmes such as community services, vocational training and ‘second opportunity’ schools for adults. All unemployed beneficiaries are required to register with the public employment agency and to report monthly on their activities. In the SSI pilots, the link between the income transfer and ALMP was a challenge (Ziomas, et al., 2015), which the growing network of community centres, the ongoing enhancement of ALMP, especially at the public employment services, and improved information systems may help to address.

The information and administration systems developed for the SSI exemplify the cost-effective and fit-for-purpose reforms to processes and systems needed across Greece’s social protection system (World Bank, 2017a). Access to the SSI is supported by the 250 community service centres being set-up across the country with EU Social Fund support. At these centres, access to new information systems and databases allow applicants’ eligibility for the SSI to be assessed objectively and transparently against quantitative criteria. In contrast, access to other social protection programmes, notably those provided by municipalities, remains through parallel agencies, managed by separate administrations and through systems that may overlap or be inconsistent. Some existing programmes rely on welfare officers’ manual assessments and are recorded and exchanged through paper-based systems (World Bank, 2017a). These complex, subjective and less transparent processes risk resulting in leakage and excluding households in need, especially foreign-born applicants and Roma who may not have the necessary documents. Ongoing efforts to strengthen the integrity and coherence of these systems need to continue (World Bank, 2017b; Ziomas, et al., 2015).

Box 5. Simulating tax and benefit policies

The OECD Tax-Benefit model simulates the impact of tax and benefit rules on families’ net income both in and out of work. It incorporates detailed and up-to-date tax and benefit rules in EU and OECD countries, and assesses tax burdens and benefit entitlements for different household circumstances, much like a tax administration or benefit administration would. National governments validate the rules and key model outputs. The model can also assess the consequences of different tax-benefit reform options or scenarios.

For Greece, ten different policy settings are simulated, six showing the progressive implementation of recent and legislated future policy reforms (Table 4), and four representing hypothetical policy reforms that may be considered in the future. These policy settings are used to calculate the net disposable income and participation tax rate for a family of two unemployed adults and two children younger than 14. Table 4 summarises these policy settings. Figure 32 presents the results of these simulations for the net income (Panel A) and participation tax rate from moving into work (Panel B), relative to the average of OECD countries. Figure 33 shows the same kind of results for the hypothetical future reforms, relative to selected OECD countries and the average.

Table 4. Recent and legislated policy settings

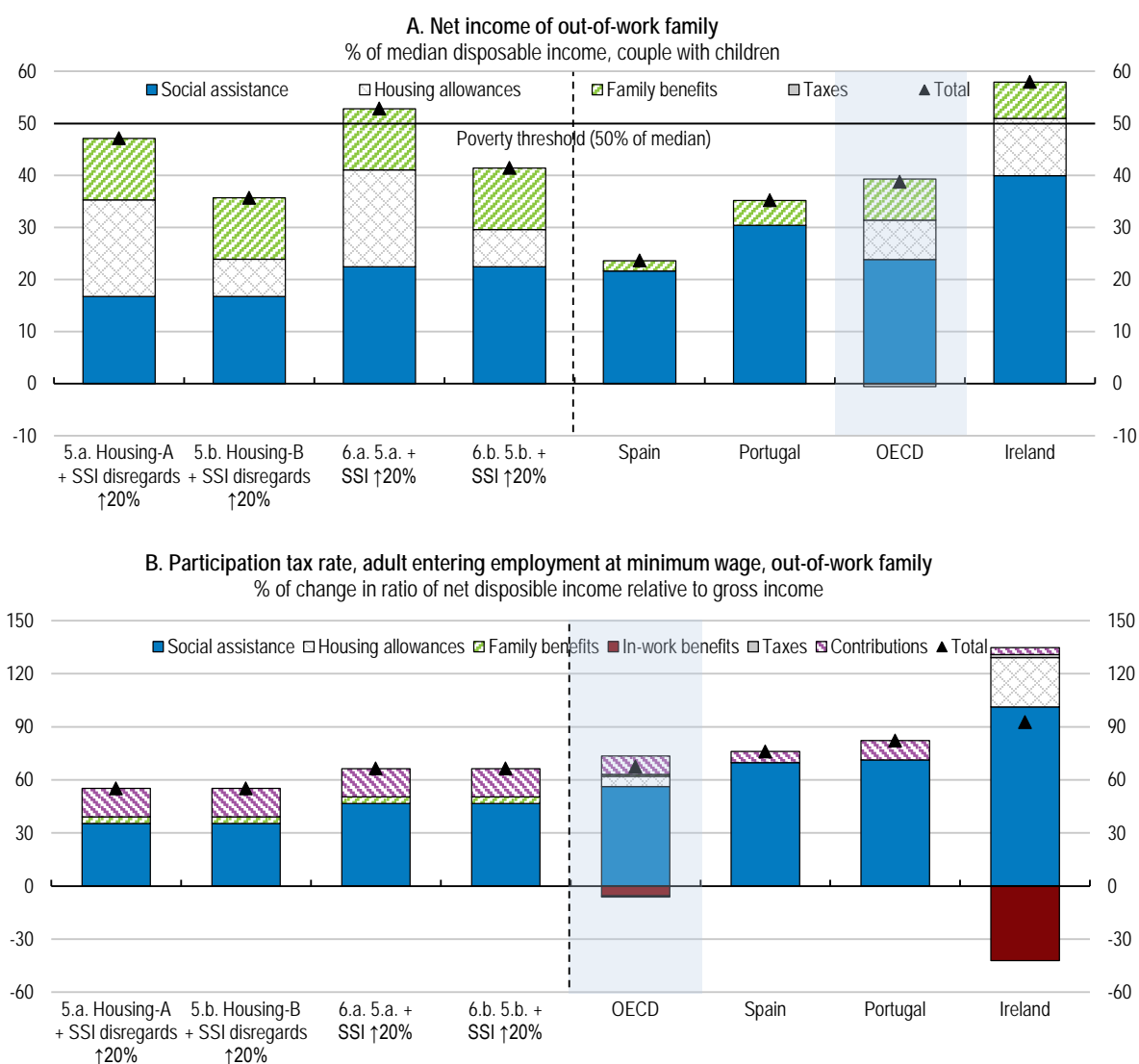
Scenario	Income tax rates	Family allowances	Housing benefit	SSI	SSI earnings disregard
<i>Recent and legislated future reforms:</i>					
1. Baseline	Policies at June 2016.	Policies at June 2016.	No programme in simulation.	No programme included.	No programme in simulation.
2. SSI introduced	Policies at June 2016.	Policies at June 2016.	No programme in simulation.	2017 programme: EUR 200/mth for 1 st adult, scaled to 50% for 2 nd adult or 1 st child; 25% per child, to max. transfer of EUR 900 /mth. Previous 6 mths’ income must be less than value of 6 mths	Disregard 20% of earned income in assessing eligibility.

				of SSI transfers, and household assets below thresholds.	
3. Add family benefit & tax reforms	2020 reform: Reduce personal income tax credit by EUR 650 across family sizes: cut personal income tax rates, with lowest rate cut to 20%; cut special solidarity contributions rates.	2018 programme: Monthly benefit of EUR 70 for 1 st and 2 nd child; EUR 140 for each additional child for the lowest equivalised income tier (EUR 0-EUR 6000), 60% and 40% of benefit for income brackets EUR 6001-EUR 10 000 and EUR 10 001-EUR 15 000. Cancels large family benefit.	No programme in simulation.	2017 programme.	20% of income disregarded.
4.a Add housing allowance option A	2020 reform.	2018 programme.	SSI income definition. Income eligibility thresholds of 2 x SSI. Monthly transfer of EUR 130 for 1 st adult; scaled to 50% for 2 nd adult or 1 st child; and 25% per child, to max. transfer of EUR 260/mth.	2017 programme.	20% of income disregarded.
4.b Add housing allowance option B	2020 reform.	2018 programme.	SSI income definition. Income eligibility thresholds 4 x SSI. Monthly transfer of EUR 50 for 1 st adult; scaled to 50% for 2 nd adult or 1 st child; and 25% per child, to max. transfer of EUR 150/mth.	2017 programme.	20% of income disregarded.
<i>Hypothetical future reforms:</i>					
5.a Add 20%↑ in SSI income disregard to 4.a	2020 reform.	2018 programme.	Option A (4.a)	2017 programme.	Disregard 40% of earned income in assessing eligibility.
5.b Add 20%↑ in SSI income disregard to 4.b	2020 reform.	2018 programme.	Option B (4.b.)	2017 programme.	Disregard 40% of earned income in assessing eligibility.
6.a Add 20%↑ SSI allowances & eligibility thresholds to 5.a	2020 reform.	2018 programme.	Option A (4.a) with income eligibility threshold increased by 20%.	20% increase in 2017 allowances and eligibility thresholds	40% of income disregarded.
6.b Add 20%↑ SSI allowances & eligibility thresholds to 5.b	2020 reform.	2018 programme.	Option B (4.b) with income eligibility threshold increased by 20%.	20% increase in 2017 allowances and eligibility thresholds	40% of income disregarded.
<p><i>Note:</i> The 2020 reforms to income tax rates may be brought forward to 2019 depending on macroeconomic conditions. The SSI and proposed housing allowance programmes adjust benefits and income eligibility thresholds for family size following the same scale: the first member receives 100% of the allowance, with an additional 50% provided for the second adult or first child in single parent families, and an additional 25% for each additional child, up to a prescribed transfer maximum. The 2017 SSI programme provides EUR 200 per month to the first household member, EUR 100 to the second adult or first child, EUR 50 for additional children, to a maximum of EUR 900. The income tax and family benefit reforms are presented together given that the simulations apply to a family without income and not affected by the income tax rate reforms.</p>					

Reforms to family benefits legislated in 2018 and planned housing allowances programmes add to the SSI's effort to improve poor households' well-being (Figure 32 – Panel A, Scenario 3 and 4). At least two designs for housing allowances are being considered for introduction in 2019 (Table 4, Scenarios 4.a and 4.b). One proposed design of the housing allowance would provide higher benefits and eligibility thresholds at twice those of the SSI (Table 4, Scenario 4.a), while the alternative would provide lower allowances with

eligibility up to four times the SSI. The first proposal, combined with the SSI and reformed family benefits, would lift an out-of-work family's income to near the poverty line (Figure 32 – Panel A, Scenario 4.a). The housing allowance proposal with lower benefits and higher eligibility thresholds (Table 4, Scenario 4.b), combined with the other benefits, would lift the family's income to above 35% of the median disposable income (Figure 33 – Panel A, Scenario 4.b). By comparison, on average across OECD countries benefit and tax systems provide the out-of-work family with 38.8% of the national median income (Figure 32 – Panel A).

Figure 33. Hypothetical increases in the Social Solidarity Income and earnings disregards would further support poor households' incomes



1. Panels A and B illustrate, respectively, the effects on net income and participation tax rates for a family of 2 unemployed adults and 2 children under 14 of various policy scenarios. Box 5 describes these simulations.

Source: OECD calculations based on the *OECD tax-benefit model*.

Withdrawing benefits gradually as households gain employment income limits the rise in the participation tax rate (Figure 32 – Panel B, Scenario 2, 3 and 4), encouraging labour force participation and avoiding poverty traps. Providing beneficiaries with incentives to seek formal employment is especially important in Greece, given that opportunities for informal income abound (Medina and Schneider, 2018),

and that Greece is still developing effective monitoring and control systems for its growing income-targeted welfare programmes. Increasing the share of earned income that is disregarded in assessing SSI eligibility would reduce the participation tax rate for beneficiaries, with its effects emerging as families' employment income grows. Modestly increasing the SSI income disregard is likely to have limited cost, estimated at 0.05% of GDP for a hypothetical increase from the current scheme's 20% disregard to 40%.

A hypothetical modest increase in the SSI allowances and eligibility thresholds, added to the family benefits reforms and proposed housing allowance programmes, would further lift low-income households' incomes closer to the poverty threshold (Figure 33 – Panel A). Combining the housing allowance option with higher transfers and lower eligibility with a 20% increase in the SSI allowance would raise the out-of-work family's income above the poverty threshold (Figure 33 – Panel A, Scenario 6.a). Combining the hypothetical increase in the SSI with the housing allowance proposal offering lower benefits and higher thresholds would lift the household's income to above 40% of the median income (Figure 33 – Panel A, Scenario 6.b). However, the hypothetical increase in the SSI allowance would also raise the participation tax rate to near the OECD average (Figure 33 – Panel B, Scenarios 6.a and 6.b), weakening work incentives.

Over time, as administrative capacity improves, the government should consider introducing working tax credits as a way to reduce in-work poverty, encourage labour force participation and formalise the shadow economy. Systems already in place in some OECD countries, such as France, the Netherlands, the United Kingdom and the United States, have proved effective if targeted and designed well (OECD, 2005; Immervoll and Pearson, 2009). Increasing the SSI's income disregard from 20% to 40% could be a step towards providing those in very low-wage jobs with top-up benefits without creating a new benefit from scratch.

Supporting families and children

During the crisis, families and children in Greece experienced the fastest increase in material deprivation rates, reaching the highest rates among OECD-EU members. This reflects the falls in salaries and employment, combined with the limited social safety net for families and children. Total spending on family and child benefits has been the lowest of OECD-EU countries, at 1.1% of GDP in 2015. Coverage falls short for some groups and the multitude of programmes mean similar households can receive different levels of benefits (World Bank, 2016).

In 2018, the main family benefit programmes were consolidated into a unified and targeted family income support. Its eligibility criteria and allowance rules were aligned with other means-tested social benefits, notably the SSI. The benefit is granted to families with up to EUR 15 000 of equivalised total gross family income, equal to EUR 30 000 of gross annual income for a couple with two children. For low-income families, benefits are considerably higher than the previous scheme, at EUR 70 per child each month for the lowest income tier, with a higher benefit for the third and additional children. Benefits are reduced for households in higher income tiers, so as to reduce the participation tax rate (Table 4, Scenario 3 details the revised allowances). Simulations for this Paper show that while the family benefit offsets part of the SSI receipts for a jobless family with two dependent children (Figure 32 – Panel A, Scenarios 2 and 3), this has the effect of reducing their participation tax rates by 9 percentage points as one adult enters work at the minimum wage (Figure 32 – Panel B, Scenarios 2 and 3).

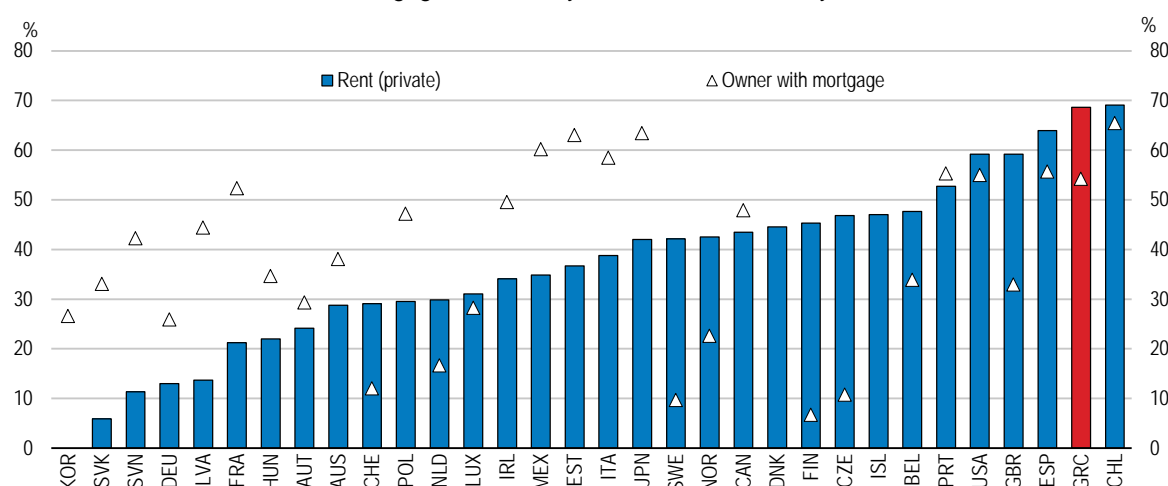
At least twelve other programmes continue to provide low levels of support to families and children. These programmes tend to be small and are administered by a variety of agencies. They are mostly poorly targeted, and a number are not means-tested. They subsidise transport for large families, provide one-off cash transfers if students pass the school year, pay for holiday camps, supplement income support for mothers on maternity leave, and pay lump sums to students studying away from home. Some transport subsidies will be reviewed over 2018, using newly available usage data.

Affordable housing for low income households

Housing costs became a significant burden for Greek households during the crisis, especially for poorer households and for renters. In 2016, over 40% of all households and 90% of poor households spent more than 40% of their disposable income on housing costs. At the onset of the crisis, these rates were respectively 20% of all households and two-thirds of poor households. These shares are high compared to other OECD countries (Figure 34).

Figure 34. Housing costs overburden most low income households, especially renters

Share of population in the lowest quintile of the income distribution spending more than 40% of disposable income on mortgage and rent, by tenure, 2014 or latest year



Note: Results only shown if category composed of at least 30 observations. For Chile, Mexico, Korea and the United States, gross income is used due to data limitations.

Source: OECD (2016), *OECD Affordable Housing Database*, Table HC1.2.3, December (<http://www.oecd.org/social/affordable-housing-database.htm>).

Housing policy across OECD countries mostly supports rent payments and provides social housing (Salvi del Pero, et al., 2016). Current housing support programmes in Greece include: payments by municipalities for the rental costs of elderly people without incomes; temporary support to re-house homeless people; temporary rental subsidy schemes; subsidised heating and energy costs (which has recently been cut as it mostly benefited higher income households). In Greece, there is effectively no social rental housing (OECD, 2017f; Pittini, et al., 2015), and only 7% of poor households have access to reduced rent housing (Salvi del Pero, et al., 2016). On average across European countries, 20% of poor households receive housing support.

The government plans to legislate for a new housing allowance, to become effective in 2019. Appropriately, the allowance is being designed with reference to reforms to other benefits and taxes rates, to ensure that it supports those in need without discouraging them from seeking formal employment. Allowances and eligibility would link to household size with the same equivalence scale and using the same income definition as the SSI, improving coherence across the different programmes and reducing their administrative burden. Two proposed designs for the housing allowance are being considered, setting eligibility limits at either twice or four times the SSI's equivalised household income limits (Table 4, Scenarios 4.a and 4.b). Higher income eligibility thresholds than the SSI and family benefits would allow poorer households to remain eligible for the housing benefit as they gain employment income and become ineligible for other benefits, with the effect of reducing the participation tax rate (World Bank, 2017a).

Simulations for this Paper suggest that either housing allowance design would substantially lift an out-of-work family's income (Figure 32 – Panel A, Scenario 4.). The smaller allowance with higher eligibility thresholds, combined with other benefits, would provide the household with over 40% of the median income,

close to the average provided by tax and benefit systems across OECD countries. The high eligibility thresholds for the allowances mean that they do not raise the participation tax rate as households move from unemployment into work (Figures 32 – Panel B, Scenario 4.), even under the hypothetical scenario of higher SSI allowances and eligibility thresholds (Figure 33 – Panel B).

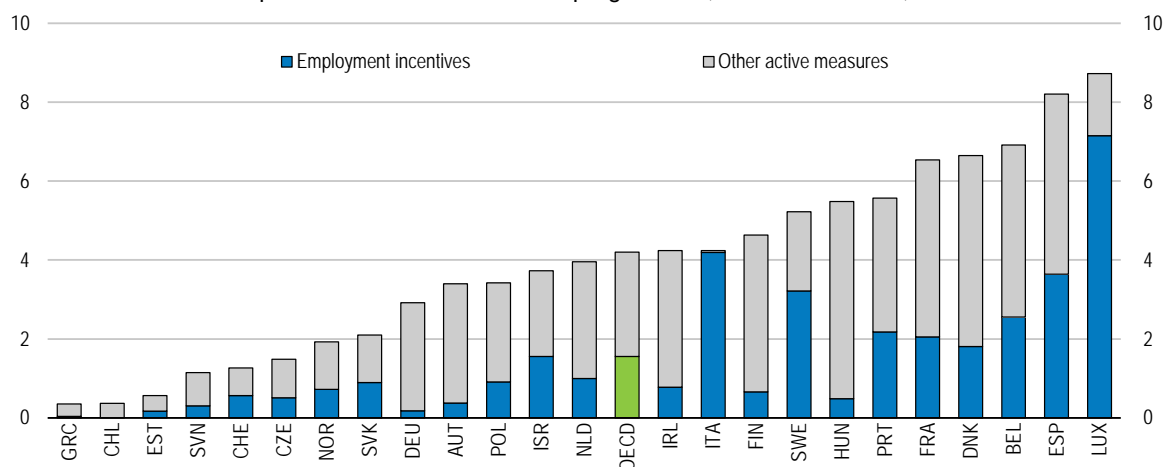
The housing allowance rates could adjust for the differences in housing costs between areas, to ensure that it is sufficient for poorer households to live in areas with greater economic dynamism and employment opportunities but higher rental costs, such as Athens. Paying the proposed allowance directly to landlords may help poor households access housing, following the experience with such direct payments in Chile, Japan and the United States (Salvi del Pero, et al., 2016).

Active labour market programmes that assist the recovery in employment

Active labour market programmes (ALMPs) play a very small role in Greece's labour markets (Figure 35). ALMPs can be effective at returning the unemployed to work even when unemployment is high and labour market slack is significant, as a large activation programme demonstrated at the peak of Portugal's recession in 2012 (Martins and Pessou e Costa, 2014). The government is expanding and strengthening the capacity of ALMPs to target the priority groups of the long-term unemployed and inactive youth, and to provide jobseekers with the skills that employers need. ALMPs are most effective when they provide services that adapt to the characteristics of different jobseekers and to labour market conditions. Many of the government's new efforts are still at pilot stages. Their effectiveness varies, highlighting the need for ongoing evaluations to identify the programmes that work, those that are not effective and can be scaled down, and to enable the supply of programmes to adjust as the labour market's needs evolve.

Figure 35 Participation in active labour market programmes is limited

Participants in active labour market programmes, % of labour force, 2015¹



1. Active labour market programmes include all social expenditure (other than education) which is aimed at the improvement of the beneficiaries' prospect of finding gainful employment or to otherwise increase their earnings capacity. This category includes spending on public employment services and administration, labour market training, special programmes for youth when in transition from school to work, labour market programmes to provide or promote employment for unemployed and other persons (excluding young and disabled persons) and special programmes for the disabled. Employment incentives consist of job rotation and job sharing schemes as well as programmes making payments for a limited period only to facilitate the recruitment, or continuing employment in the case of restructuring, of unemployed persons and other target groups into jobs where the majority of the labour cost is covered by the employer. Other active measures consist of training, sheltered and supported employment and rehabilitation, direct job creation and start-up incentives, excluding programmes related to public employment services. 2014 for Estonia and OECD average. 2012 for Greece, except for training data which are an average of 2011 and 2013 due to lack of 2012 data.

Source: OECD (2017), *OECD Employment and Labour Market Statistics* (database).

Enhancing employability

A mix of programmes is necessary to address the different skill gaps faced by different groups. For adults with work experience, programmes that develop specific skills needed by employers can be more effective than those that develop general skills. The government is developing these, focusing on the skills needed in Greece's most dynamic sectors. This effort complements the government's investments in vocational education, apprenticeship and adult learning systems. On the other hand, many out-of-work youth new to the labour force can lack solid general education. For them, reinforcing transferable, general skills, alongside work experience can improve long-term employability and earnings more than specific skill training (Card, et al., 2015; OECD, 2015b).

Supply of private professional skill training programmes exploded after the sector was liberalised in 2012. However, their quality is patchy and would benefit from certification, so as that participants have the information to choose high quality programmes. The benefits of effective quality indicators is demonstrated by the better results achieved when employers, who have more experience with different providers, are able to select training providers, than when youth choose the training providers.

The effectiveness of public jobseeker training programmes has also fallen short of what Greece needs. Some programmes have been very costly, averaging EUR 21 062 per participant in nationally funded programmes in 2014, while completion rates have been low – fewer than half of entrants completed their programmes in 2013 and 2014. Ongoing monitoring, evaluation and adjustment of different programme approaches should continue, and successful programmes should be supported.

Better matching job seekers and employers

Effectively matching job seekers with employers shortens spells of unemployment, and supports labour productivity and wages by ensuring skills are used efficiently. Greece's large pool of unemployed fills any vacancy quickly, but workers report high rates of skill mismatch, hindering firms' growth and aggregate productivity. Enhancing labour market matching was central to Portugal's successful programme in the early 2010s (Martins and Pessou e Costa, 2014). Improving vacancy registration and access via online databases and social media, coupled with better engaging with the unemployed through employment offices, were effective elements of Portugal's public employment service reforms (Martins and Pessou e Costa, 2014; OECD, 2017b).

Greece's public employment service (OAED) engaged with 323 869 people in 2015, or over one-quarter of the unemployed. Approximately 4% of those who found a job in the previous 12 months used OAED, a lower share than in most OECD countries. Greece's large number of SMEs would particularly benefit from greater recruitment support from OAED, given that most lack internal human resource departments. The government is re-engineering OAED to enhance its capacity to engage with employers and to more actively match job seekers' skills with vacancies. These efforts are welcome. The government is also expanding specific areas of OAED's capacity, in part by redesigning processes and directing counsellors to better liaise with employers and advise jobseekers. OAED is also expected to integrate into the new network of community service centres.

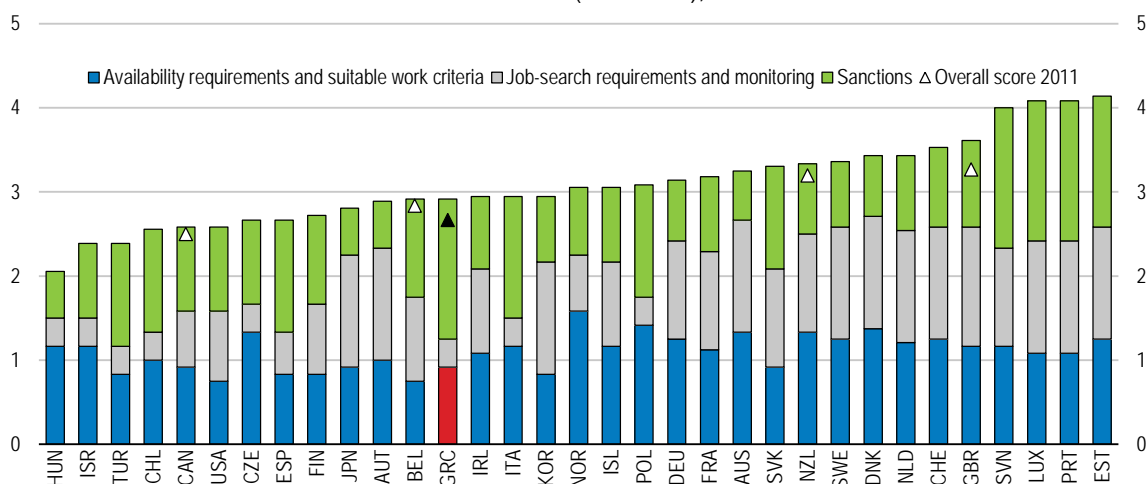
These are positive moves as they address reform priorities discussed in various *Economic Surveys* of Greece (OECD, 2013). Changing OAED job counsellors' responsibilities complements the investments in IT systems. More contact between counsellors and employers improves job matching rates (Frolich, et al., 2007). These changes may also require strengthening counsellors' 'soft' skills, such as job brokering, counselling and social work (OECD, 2015d). In the future, OAED could offer specialised support services for SME employers, following the success of such services at the British public employment service.

Strengthening job search and training incentives

Tax and benefit systems in some countries can create incentives against seeking employment, as the loss of benefits offsets gains in employment income. Greece's limited unemployment and welfare benefits and the structure of the tax system have curbed the participation tax rate (Figure 32 – Panel B, Scenario 1). To avoid a large increase in participation tax rates and creating poverty traps, increasing means-tested social benefits need to be accompanied by earnings disregards and progressive income eligibility thresholds (Panel B in Figures 32 and 2.33). Unemployment benefit coverage is low and reforms in 2016 and 2017 largely tightened eligibility and raised job search requirements (Figure 34; OECD, 2017p; World Bank, 2016). This strictness is intended to prevent seasonal workers using unemployment benefits to top-up their income during off-seasons, but it may discourage jobseekers from registering, thus detaching them from the formal labour market and ALMPs.

The SSI programme will oblige working-age beneficiaries who are able to work but not doing so to participate in job-search and training programmes. This mutual obligation will strengthen incentives to retrain and search for jobs. Such 'mutual obligation' is becoming a typical feature of benefit systems. For example, Italy has introduced such a link as part of its plan to overhaul ALMPs (OECD, 2017q).

Figure 36. Eligibility conditions for unemployment benefits are moderately strict
Scale from 1 to 5 (most strict), 2014



Note: Availability criteria cover: availability during ALMP participation, demands on occupational mobility, demands on geographical mobility, and other valid reasons for refusing job offers. Job-searching requirements and monitoring cover: frequency of job-searching monitoring, and documentation of job-search monitoring. Sanctions cover those for: voluntary unemployment, refusing job offers, repeated refusal of job offers, refusing PES (Public Employment Service) activities or ALMP (Active Labour Market Programmes) placements, and refusing PES activities or ALMP placements. For the detailed coding framework and weights, see Langenbucher (2015).

Source: Langenbucher, K. (2015), "How demanding are eligibility criteria for unemployment benefits, quantitative indicators for OECD and EU countries", *OECD Social, Employment and Migration Working Papers*, No. 166, OECD Publishing, Paris

Bringing youth into work

Youth inactivity is a significant challenge in Greece. High before the crisis relative to other OECD countries, youth inactivity has since risen further (Table 1), due to fewer employment opportunities and weak incentives to actively engage in job search or apprenticeships. Extended periods of inactivity depreciate human capital and can do lasting harm to income prospects. Most countries' ALMPs under-target youth (ILO, 2012) and Greece is not an exception. The most effective approaches tailor strategies to individual jobseekers' needs, such as additional general skill development, job-specific training, or employment matching (Eurofound, 2012). This requires different agencies to coordinate, which is best managed through

a single point of contact across agencies (European Commission 2016b). Greece's current social protection reforms go in this direction and merit pursuing resolutely.

In Greece, making a modest unemployment benefit conditional on job-search and training activities could encourage out-of-work youth to engage with the labour force. Greece also has ample scope to exploit more intensively and effectively the EU-funded youth guarantee scheme (European Commission, et al., 2017).

Ensuring resources support the most effective programmes

Funding additional ALMPs is feasible with modest additional resources. Modest increases in spending and participation in ALMPs can bring high returns by improving jobseekers' likelihood of finding work, generating tax revenues and reducing social security payments (OECD, 2015c). Current ALMP reforms in Greece focus on expanding public work programmes, and may also provide ICT training. These are targeted at long-term and low skilled unemployed towards maintaining some engagement with work. These programmes can be effective short-term responses to deep recessions, but their benefits recede with time compared with modern ALMPs (Card, et al., 2015; OECD 2015d). Effectiveness of employment subsidies is also mixed, suggesting that both of these programmes should shift to longer term skill development and employment matching.

The government's ALMP reform agenda also includes stronger monitoring and evaluation. This is essential for improving employment outcomes. To date, Greece's ALMPs have been less evaluated than those elsewhere – for example, a 2015 meta-analysis of over 200 recent ALMP evaluations across countries did not identify any evaluations of Greek programmes (Card, et al., 2015; OECD, 2015d). Developing strong evaluation culture and procedures will support more efficient public spending and, in turn, the effectiveness of spending on ALMPs (Andrews and Saia, 2017).

Recommendations for generating employment, raising incomes, strengthening skills, and addressing poverty

Generating employment and supporting incomes

- Introduce sectoral collective-wage bargaining covering broad working conditions and without automatic extensions.
- Ensure collective agreements are sufficiently flexible so that they can be adapted to specific firm level conditions.
- Commence rounds of collective agreement negotiations with sectors highly exposed to external competition.
- Share with social partners an analysis of labour market developments ahead of collective agreement negotiations.
- Establish a commission of social partners and independent experts to recommend minimum wage adjustments.
- Link the subminimum wage for younger workers to experience rather than to age.
- Permanently cancel the minimum wage supplements that are currently suspended.

Strengthening education and skills

- Introduce assessment frameworks and professional development schemes; gradually give schools and teachers greater pedagogical and managerial autonomy.
- Develop regular and broad assessments of students' learning, supplemented by general aptitude tests that, in the medium-term, can replace the current university entrance exam.
- Regularise the supplementary teacher workforce in a manner that is fiscally sustainable and that encourages effective teaching.
- Scale up post-secondary vocational education and adult education, linking them with labour market needs, and certify the quality of courses.
- Provide tertiary institutions with autonomy and incentives to consolidate courses, departments and institutions, to raise teaching quality, and to adapt courses to students' demands and workplaces' needs.

Addressing poverty and improving well-being

- Continue spending reviews to reallocate resources to targeted social programmes.
- Further rationalise remaining non-targeted programmes.
- Consider introducing in-work benefits.
- Strengthen the social solidarity income by raising earned income disregards, requiring recipients to participate in active labour market programmes, and expanding its administrative systems to include other social benefits.
- Implement planned reforms to housing benefits, consolidating existing heating subsidies, and improve the administration and accessibility of disability support.

Assisting re-employment

- Evaluate reskilling programmes, expand successful and cost-effective approaches and cancel those that are not.
- Certify the quality of professional skill development courses.
- Pursue the overhaul of the public employment service to better match candidates' skills with employers' needs, including by developing a unit focused on serving SMEs.
- Finance effective job training and search programmes by reallocating resources from public works and private employment subsidies.

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