European Semester
Country Report for Greece

European Commission – IOBE conference:
Integrating Greece into the European Semester Policy Framework: *Priorities for sustainable growth and competitiveness*

*Wednesday, 20 March 2019*

Acropolis Museum, Athens

Declan Costello
Mission Chief for Greece
DG ECFIN

Barbara Kauffmann
Director, Employment & Social Governance
DG EMPL
Outline

1. European Semester process

2. Country Report on Greece (27 Feb)
The European Semester: why and how

- Introduced in 2010
- Framework that enables EU member countries to:
  A) coordinate their economic policies throughout the year
  B) address the economic challenges facing the EU.

Goals of the European Semester

- ensuring sound public finances
- preventing excessive macroeconomic imbalances in the EU
- supporting structural reforms to create more growth, jobs and social inclusion
- boosting investment
Milestones

21 November 2018  **Autumn Package** (Annual Growth Survey)

27 February 2019  **Winter package** (Country reports)

18-22 March 2019  **Bilateral meetings with MS**

Mid-April 2019  **EL presents National Reform Programme**

5 June 2019  **Spring package** (COM adopts CSRs)

Second half of June  **Discussion on CSRs (EPC, EMCO, EFCA, EFC)**

July 2019  **Council adopts CSRs**

N.B. Dates for adoption of the various packages are indicative
**European Semester Winter Package: Main conclusions for the EU (1)**

<table>
<thead>
<tr>
<th>Some good news...</th>
<th>...but challenges ahead</th>
</tr>
</thead>
<tbody>
<tr>
<td>G Growing European economy, although at a more moderate pace</td>
<td>G Subdued productivity levels</td>
</tr>
<tr>
<td>G Employment at record high / unemployment at record low</td>
<td>G Youth unemployment still unacceptably high in some MSs</td>
</tr>
<tr>
<td>G Improving public finances overall, though still high debt in some MSs</td>
<td>G Intensifying population ageing</td>
</tr>
<tr>
<td></td>
<td>G Real household income below pre-crisis levels in some MSs</td>
</tr>
</tbody>
</table>
European Semester Winter Package: Main conclusions per Member State
Twin deficits largely correct, but legacy effects remain
Overview of Greece’s challenges, risks and adjustment issues

Important legacy issues remain…

- High public sector indebtedness
- Negative NIIP
- High NPLs
- Still high unemployment

...and continue to weigh on the banking sector and potential growth.

- Vulnerable banking sector
- Limited credit supply
- Low investment
- Weak productivity growth
Sustain implementation of agreed policies is essential

<table>
<thead>
<tr>
<th>Fiscal and fiscal-structural policies</th>
<th>Respect primary surplus targets. Fully clear arrears, a growth-friendly reform of labour and corporate taxes, a fully independent public revenue authority, public financial management reforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social welfare</td>
<td>Full integration of pension funds, primary health care and health procurement, phases-II and III of the SSI, complete the reform of housing and disability, benefits</td>
</tr>
<tr>
<td>Financial stability</td>
<td>Household insolvency, e-justice, exit strategy for sale of shares in systemic banks, capital controls</td>
</tr>
<tr>
<td>Labour and product markets</td>
<td>Minimum wage updates, undeclared work, investment licensing, cadaster, energy market reforms including divestment</td>
</tr>
<tr>
<td>Privatisation and HCAP</td>
<td>Completion of major privatisation projects, monetise real estate assets of ETAD and modernise SOEs</td>
</tr>
<tr>
<td>Public administration</td>
<td>Appointments of senior managers, mobility and performance assessments of staff, codification of legislation, anti-corruption, justice system</td>
</tr>
</tbody>
</table>
The current account has improved

Current account balance, 2009-2018

- Cyclically adjusted CA as % of GDP
- Net general government lending as % of GDP
- Current account as % of GDP
Exports and imports performance

Exports (% of GDP)

Imports (% of GDP)
Productivity remains subdued…

Productivity is hampered by the country’s economic structure

Labour productivity by company size

- Labour productivity (manufacturing and services)
- Employment (business economy)
Greece ranks 27 out of 28 EU economies in ease of doing business

Registering property, enforcing contracts and accessing credit remain an obstacle to firms...

A wide investment gap remains...

More than €15bn investment missing to reach EU average

Source: AMECO

Source: EC: DG ECFIN AMECO database
Investment opportunities

- **Investment needs are high & support to growth enablers is needed**

- **Transport and logistics:** ports, completion of the railway axis Patras-Athens-Thessalonica, small port infrastructures, coastal shipping routes

- **Energy market:** generation, transmission, energy efficiency, innovation

- **Public infrastructure:** climate adaptation, environmental challenges

- **Skills and employability:** education, social inclusion, public employment service, childcare and long-term care

- **Build-up of competitive advantage:** agro-food, tourism, health, R&D
Focus on recovery for growth and jobs

Employment and GDP levels, 2009-2020

- Employment continues to recover at an increasing pace.

- GDP growth has bottomed out since 2017.

But, need for a stronger, sustainable and more inclusive recovery.
Employment recovery but long-term unemployment challenge

Labour market situation improving.

Unemployment down to 18% (from peak of almost 28% in 2013).

But, long-term unemployment remains stubbornly high.
Situation of youth improving but difficult

Steady fall in **youth unemployment** (from 60% to current 39.5%)

Reduction driven by:
- ↑ Employment
- ↑ *Education*

Higher educational attainment as side-effect of the crisis

Need to monitor effects of last **minimum wage increase**
Very low female activity rate

- For younger age group (15-24) could be justified by higher participation in education
- But activity rate declines systematically after 45 years of age

\( \rightarrow \) Work-life balance
Demographic challenge

Population is ageing and shrinking:

- strong emigration (in 2011-2015)
- very low fertility rates
Poverty rates finally declining... thanks to:

- Employment recovery
- Enhanced social welfare system

But situation is still difficult.
Big achievement of welfare reforms

- **Social Solidarity Income (2017)** provides basic safety net
- **Reformed child benefit (2018)** alleviates child poverty
- **New housing benefit** to be introduced addresses housing rental cost over-burden.
### Social scorecard: a challenging situation

#### Social Scoreboard for Greece

<table>
<thead>
<tr>
<th>Category</th>
<th>Indicator</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equal opportunities and access to the labour market</td>
<td>Early leavers from education and training (% of population aged 18-24)</td>
<td>Better than average</td>
</tr>
<tr>
<td></td>
<td>Gender employment gap</td>
<td>Critical situation</td>
</tr>
<tr>
<td></td>
<td>Income quintile ratio (S80/S20)</td>
<td>Weak but improving</td>
</tr>
<tr>
<td></td>
<td>At risk of poverty or social exclusion (in %)</td>
<td>Critical situation</td>
</tr>
<tr>
<td></td>
<td>Youth NEET (% of total population aged 15-24)</td>
<td>Critical situation</td>
</tr>
<tr>
<td>Dynamic labour markets and fair working conditions</td>
<td>Employment rate (% population aged 20-64)</td>
<td>Critical situation</td>
</tr>
<tr>
<td></td>
<td>Unemployment rate (% population aged 15-74)</td>
<td>Weak but improving</td>
</tr>
<tr>
<td></td>
<td>Long term unemployment (% population aged 15-74)</td>
<td>Weak but improving</td>
</tr>
<tr>
<td></td>
<td>GDHI per capita growth</td>
<td>Critical situation</td>
</tr>
<tr>
<td></td>
<td>Net earnings of a full-time single worker earning AW</td>
<td>On average</td>
</tr>
<tr>
<td>Social protection and inclusion</td>
<td>Impact of social transfers (other than pensions) on poverty reduction</td>
<td>Critical situation</td>
</tr>
<tr>
<td></td>
<td>Children aged less than 3 years in formal childcare</td>
<td>Weak but improving</td>
</tr>
<tr>
<td></td>
<td>Self-reported unmet need for medical care</td>
<td>Weak but improving</td>
</tr>
<tr>
<td></td>
<td>Individuals' level of digital skills</td>
<td>To watch</td>
</tr>
</tbody>
</table>

- High gender gap (19.7%)
- High poverty rate (34.8%)
- High NEET rate (15.3%)
- Low employment (57.8%)
- Low income growth
- Low impact of social transfers in poverty reduction
More effective labour market policies

Favourable environment for growth and job creation:

• Well-functioning collective bargaining
• Contrast informality and undeclared work
• Investment in human capital

Policies improving employability and participation:

• Individualised services by the PES, job-matching
• Increased labour market relevance of education
• Improved availability and attractiveness of VET

Proper involvement of social partners in national policymaking needs to be ensured
Concrete actions in line with commitments

Improved support for the unemployed
✓ Modernisation of public employment service
✓ More effective design and delivery of active labour market policies

Full implementation of Action plan to fight undeclared work

On-going modernisation of the social welfare system
✓ Completion of setup of single pension fund EFKA
✓ Completion of primary health care system
✓ Completion of the disability benefits
Ευχαριστώ!