

Five priorities to help rejuvenate Greece's labour market after the COVID-19 crisis

by Tim Bulman, Greece Desk, OECD Economics Department

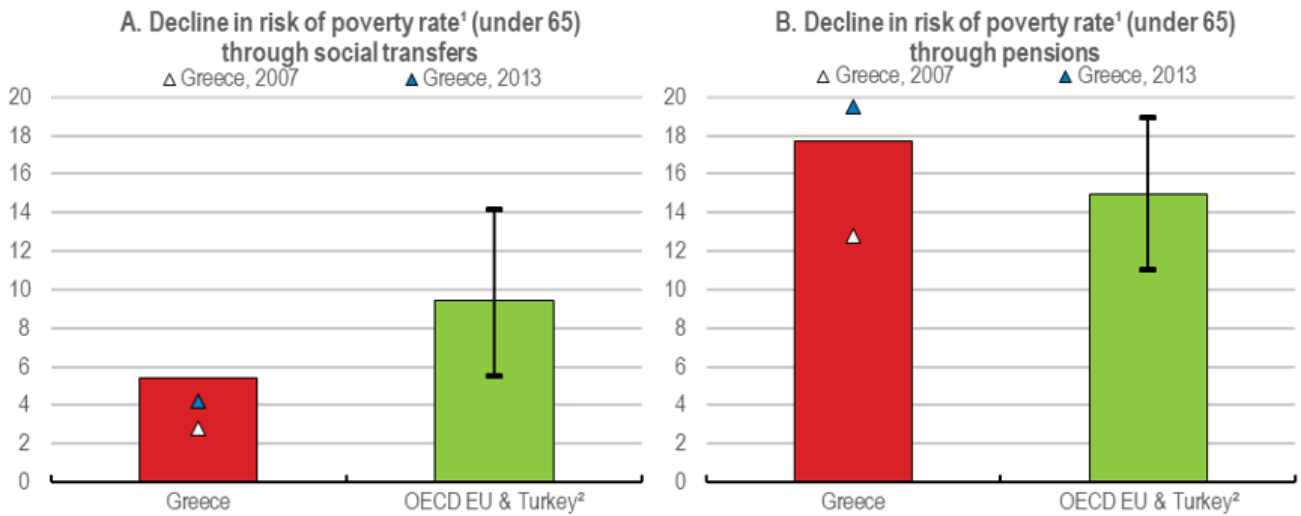
Across the globe, the COVID-19 crisis has hit workers with temporary contracts and those working in tourism and consumer-related services particularly hard. These groups make up large shares of Greece's workforce, and tourism's strong growth in recent years.

Greece's government is currently planning how the European Recovery and Resilience Facility will help overcome the COVID-19 shock and move the economy to a path of sustained and stronger growth. To support Greece's workers through the COVID-19 crisis and to set the labour force for a stronger recovery, the OECD's new Working Paper on 'Rejuvenating Greece's labour market to generate more and higher-quality jobs' highlights five policy priorities:

- 1. Strengthen the social safety net's protection for low-income households** (Figure 1). Reforms to Greece's social protection in recent years helped reduce poverty prior to the COVID-19 crisis but important coverage gaps remain. Further raising the value of Guaranteed Minimum Income transfers while tapering transfers to ensure that work pays would help protect households from income losses. Responsive and efficient administrative processes are vital for vulnerable households

to access this support when they need it.

Figure 1. Pensions rather than targeted social protection support poor households in Greece



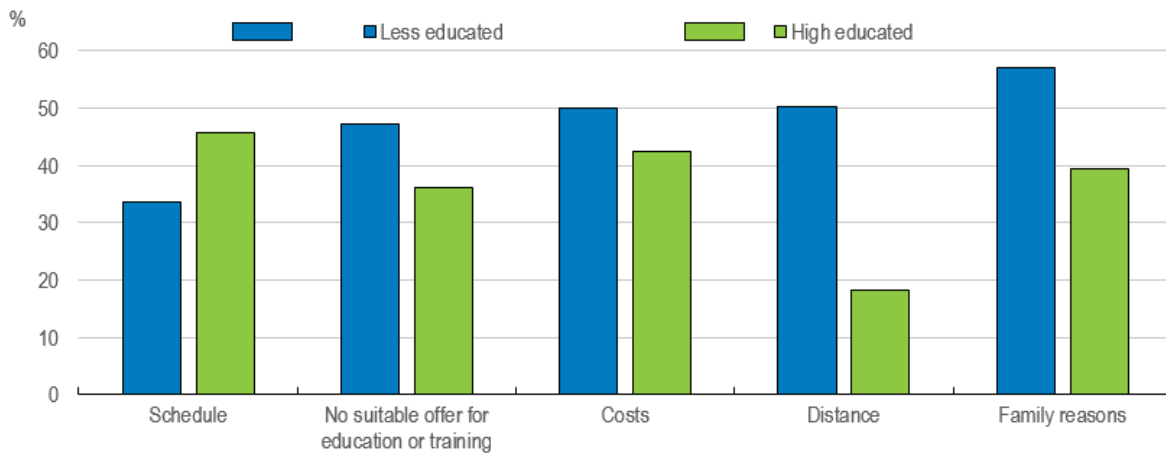
1. Change in the percent of the population under 65 with incomes below 50 % of median income after accounting for social transfers (Panel A) and pensions (Panel B), adjusted for household size.

2. European countries that are OECD members plus Turkey.

Source: OECD calculations based on Eurostat data.

2. Better support caregivers. Around the world, the COVID-19 crisis has disrupted schools and workplaces, and added to the pressures on family caregivers. In Greece, comparatively few young children are enrolled in early childhood education and care, while support to care for elderly relatives is limited. This can make the barriers to working or to engaging in adult education and training insurmountable (Figure 2), contributing to low employment rates among women in Greece.

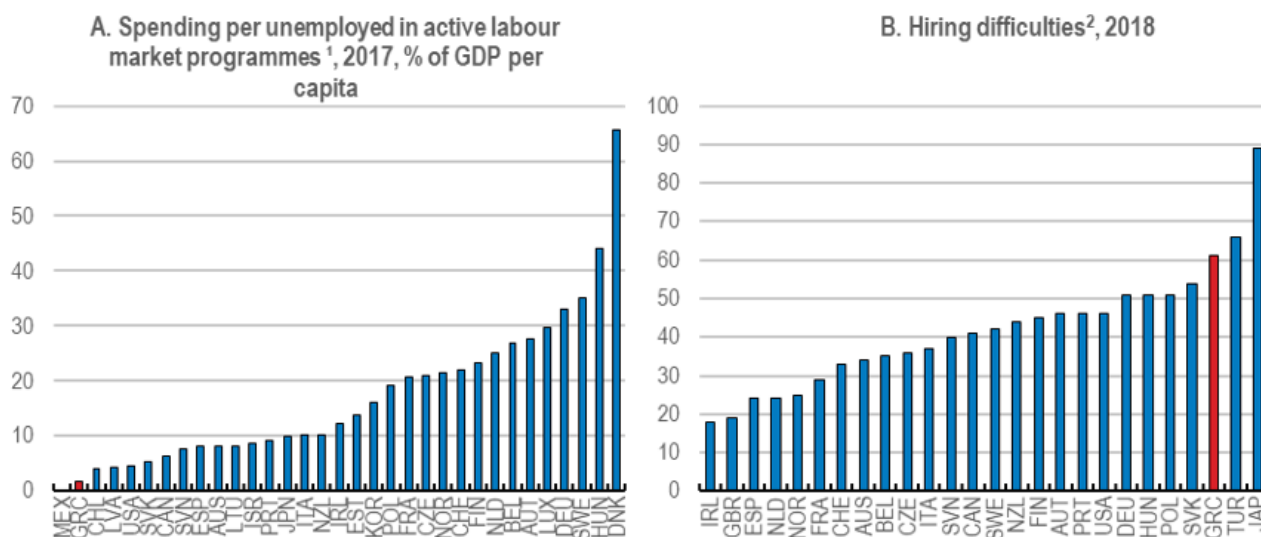
Figure 2. Family obligations are an important obstacle to participating in education and training
% of the population aged 25-64, 2019



Note: Low educational attainment refers to below upper secondary education (ISCED 0-2) and high refers to tertiary education (ISCED 5-8).
Source: Eurostat.

3. Improve access to active labour market policies for job search, training and work experience. This will improve employment prospects and help employers find the skills they need (Figure 3). Greece has been boosting the capacity of its public employment services, but they play a smaller role in Greece's labour market than in other OECD countries and suffer a legacy of under investment. Leveraging private sector providers to complement the public employment services would allow Greece to swiftly boost its capacity to support jobseekers to find lasting jobs.

Figure 3. Raising spending on active labour market policies would help employers find workers with the needed skills



1. Benefit administration programmes are not included for Greece.

2. % of employers reporting difficulty in filling jobs.

Source: OECD Labour Market Programmes database; OECD Economic Outlook database; and OECD (2019), Getting Skills Right: Future-Ready Adult Learning Systems, <https://doi.org/10.1787/9789264311756-en>.

4. Dramatically expand access to adult education and reskilling programmes. This would help prepare Greece's workers for new career opportunities, and ensure workers are ready for the coming opportunities and disruption from digitalisation. Historically, participation in lifelong learning has been low in Greece, and much of the workforce's skills need upgrading to employers' modern needs. Deep downturns such as the COVID-19 crisis are the best time to invest in adult education. Greece can do this by financing access to courses, encouraging universities to provide courses for adults that develop professional skills, and by certifying the quality and contents of private providers' courses.

5. Reducing social contribution rates while aligning effective income tax rates across different employment types would reduce both the cost of employing workers and the incentives to work semi-formally. Greece's high labour income tax and social contribution wedge create high employment costs and

reduce the return from working. The government is cutting some tax and social contribution rates. Large differences in tax rates depending on the legal form of employment can encourage self-employment. The self-employed are generally less productive and more at risk from income shocks, such as the shock from the COVID-19 crisis. Aligning tax rates across employment types would reduce the incentive to be self-employed. It would boost the tax base, and so support revenues.

The Working Paper discusses how Greece can pursue these priorities. The Paper accompanies the 2020 Economic Survey of Greece , launched in July 2020. The Survey estimated that pursuing these priorities would boost incomes by 5% by 2030 and by more over the following years. Along with other reforms outlined in the Survey, these five priorities can contribute to Greece reversing the COVID-19 shock and moving to stronger and sustained recovery.

For more details see:

Bulman, T. (2020), "Rejuvenating Greece's labour market to generate more and higher-quality jobs", *OECD Economics Department Working Papers*, No. 1622, OECD Publishing, Paris, <https://doi.org/10.1787/8ea5033a-en>.

2020 OECD Economic Survey of Greece