



NEWS / LABOUR

## In Greek economy's vicious cycle, workers lose most

*Experts say consumer prices have not fallen with ordinary Greeks paying the price of creditor-imposed austerity.*

by **John Psaropoulos**

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**Athens, Greece** - Out of money and out of time, Alexandros Mnimatidis is a product of his generation. He cannot afford to attend the robotics degree programme he enrolled in because he also needs to work and contribute to his parents' household budget.

But without that degree, it'll be difficult for him to rise above the retail work he now does for \$4.78 an hour.

"At the present rate," he says, "it'll take me another 10 years to graduate. I'll be 35, and at that age, it'll be really difficult to find a job in my area of expertise."

If he fails to obtain a university education, Mnimatidis may eventually join the ranks of Greece's working poor - people who cannot improve their socioeconomic position, no matter how hard they work.

During the eight-year depression that cost Greece a quarter of its economy, workers paid the highest price, absorbing much of the impact of economic reforms that raised Greek competitiveness.

### Public versus private

Salaries have fallen by an average of 15 percent since 2010, but they dropped especially sharply in the private sector. Until 2012, minimum take-home pay was \$848 (731 euros) a month for full-time work.

A law in February that year dropped it to \$690 (586 euros) a month, but even that often eludes workers because half of all new jobs are part-time or seasonal. A labour ministry employment database shows for the poorest one-third of private sector workers, salaries average 383 euros a month.

A separate survey from the Greek Federation of Enterprise, an employers' club, shows public sector salaries are on average 38 percent higher than private sector salaries.

There is little hope of private sector workers fighting back. Collective bargaining agreements were effectively abolished in 2012. According to the European Trades Union Conference, they now cover under one-third of Greek workers.

## **Employer versus employee**

"While salary cuts should have led to a cut in the prices of products and services, they didn't, because product markets are to a great extent monopolies or oligopolies," says Angelos Efstratoglou, a researcher at the Labour Institute, Greece's leading labour think-tank.

"We have a large number of multinationals operating in the country which didn't lower the cost of their products. They benefited from the salary cuts, but didn't become more competitive."

Partly as a result of the failure of market mechanisms, the statistical risk of poverty doubled since 2010 to 35 percent of the population. That's a rate surpassed only in Romania and Bulgaria; and the risk is almost twice as high among working-age adults and their families, as it is for pensioners.

## **State versus individual**

"Congratulations prime minister, you have brought Greece back from the brink!" Angel Gurria told premier Alexis Tsipras last month. The head of the Organisation for Economic Cooperation and Development (OECD) was referring to the country's remarkable macroeconomic shift over eight years.

Greece balanced its budget, closing a 36-billion-euro budget deficit. It now produces a primary surplus equal to 3.5 percent of its economy - enough to repay its debt premiums each year without further borrowing. It has returned to marginal growth after eight years of recession.

And exports are now responsible for one-third of the economy, up from a quarter before the crisis.

The question is whether this recovery is sustainable, because internally the economy remains a shambles.

Unemployment today stands at 20 percent, but the Labour Institute believes it is much higher.

Unemployment statistics count anyone who worked for at least one hour during the week as employed in surveys taken. The Labour Institute runs a parallel survey, which counts anyone who worked four hours or fewer in a given week as unemployed. By this measurement, the unemployment rate is closer to 27 percent.

Greeks have always placed a high premium on education, and they still beat European Union (EU) statistics for high school graduation (95 percent) and university graduation (45 percent). Perhaps not surprisingly, though, many young Greeks like Alexandros Mnimatidis are beginning to question the point of education.

Experts agree the investment seems pointless in the Greek labour market.

"Greece is first in the EU27 in skills mismatch," says Efstratoglou. "Mostly because people have higher skills than employers demand ... people are forced to take jobs they are overqualified for, meaning their skills are losing value, all the investment this country made in their education is cancelled out, and people leave, which leads to a brain drain."

More than half a million Greeks have left since 2008, national statistics show.



Protesters march against austerity policies [Petros Giannakouris/AP Photo]

## Growth policies needed

The problem with raising salaries is that labour is highly taxed. For every euro a worker takes home, she and her employer have spent another 60 cents on income tax and social security.

"We are at the point where the tax system is not a real tax system," says former finance minister Gikas Hardouvelis. "It doesn't give people incentives to work, it doesn't give incentives for capital to come in.

"The pension system is not fixed either ... There are no assurances for people who contribute a lot that they are going to get something down the line because the money is not theirs."

Hardouvelis believes Greece needs to be given the rest of this century to repay its debts, as the International Monetary Fund has recommended.

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This would allow the government to lower taxes and stimulate investment. And he says the Greeks should introduce individual retirement accounts, so people can maintain ownership of the money they save for retirement, instead of surrendering it to a system that has lost public trust.

Such actions would, in theory, create a virtuous cycle of investment and employment, enlarging the tax base, lowering taxes and, over time, bringing salaries up.

Few Greeks appear to believe their government or their political culture can easily make that happen.

**SOURCE: AL JAZEERA AND NEWS AGENCIES**

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