Is it possible to have a progressive reform of the first pillar in a climate of austerity and recession? The case of Greece

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The effects of the crisis and its “cure” on Greece and other EU countries

The social cost of the crisis: Impact of austerity policy on household-incomes 2008 – 2012

The social cost of the crisis: Poverty and Unemployment

**Unemployment**

- Unemployment rate
- Long-term unemployment

**Poverty and inequality**

- Income inequality
- Relative poverty
- Anchored poverty

The social cost of the crisis: Life satisfaction

Source: Eurobarometer, OECD Economic Surveys - Greece, 2016
Forecast Errors on Greek GDP by EU Commission

Source: EU Commission, G. Bosch, Deregulation, Experience and Recovery, Presentation at the Conference Collective Bargaining and the European Social Model, Athens, 16-17/9/2016
Impact of Austerity on Sovereign Debt and Growth

Unfinished Business

The euro zone faces double-digit unemployment and high debt in bailed-out countries.

Unemployment rates, monthly

General government debt as a pct. of GDP, quarterly

Source: Richard Portes, Monetary Union and Financial Stability, Inaugural Lecture, EUI, Tommaso Padoa-Schioppa Professorship, 19 November 2014
RISK OF POVERTY AND NEEDS FOR TARGETED INCOME SUPPORT

AT RISK OF POVERTY INDICATOR BY AGE GROUPS 1996-2014 (SILC)

Source: Eurostat Survey of Income and Living Conditions (SILC) 2015
Gross Replacement Ratios of Pension System 2008-2014

Chronic pathologies of the Greek Social Security...

- A highly fragmented system due to clientelistic arrangements: 13 funds of main and supplementary pensions and more than 930 pension schemes.
- Inequalities and discriminations in terms of benefits entitlement rules and benefits levels between different social categories.
- Inequalities based on the date of the entrance to the labor market (before and after 1993, 2001, 2015).
- Chronic deficits due to a structural unbalance between contributions and pensions and to lack of reserves as result of their ineffective management in the past and their haircut by the PSI.
...and their exacerbation by the crisis

• Additional financial deficits, equal to 9% of GDP due to lack of revenues as result of the high unemployment and the cuts of the salaries in the period 2010-2014.

• Very low compliance (< 50%) to the contributions collection from the self-employed.

• A problem of trust: 12 successive cuts of the pensions in the period 2010-2014 without achieving financial sustainability of the system.
The Reform (Law 4387/2016): A system based on equality and social justice

- Integration of all social insurance funds in one with full harmonization of rules (both regarding contributions and pensions) in private and public sector, salaried, liberal professions and farmers.

- A pension based on two components:
  - A national pension, financed exclusively by taxes, equal to the threshold of poverty (60% of median income)
  - A contributory defined benefit contribution
The Reform (Law 4387/2016)

National pension: flat rate, no means tested, provided after a minimum of 15 years of contributions

Contributive pension, on top of national pension. DB, with replacement rates round 40% for a full working life
RE-DISTRIBUTIONAL EFFECT OF THE NEW PENSIONS OF LAW 4387/16

GROSS REPLACEMENT RATES FOR DIFFERENT AMOUNTS OF WORKING LIFE MEAN MONTHLY INCOME

GROSS REPLACEMENT RATE FOR 40 YEARS OF CONTRIBUTIONS - LAW 4387/16
GROSS REPLACEMENT RATE FOR 40 YEARS OF CONTRIBUTIONS - LAW 3029/02
GROSS REPLACEMENT RATE FOR 30 YEARS OF CONTRIBUTIONS - LAW 4387/16
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GROSS REPLACEMENT RATE FOR 20 YEARS OF CONTRIBUTIONS - LAW 3029/02
GROSS REPLACEMENT RATE FOR 15 YEARS OF CONTRIBUTIONS - LAW 4387/16
GROSS REPLACEMENT RATE FOR 15 YEARS OF CONTRIBUTIONS - LAW 3029/02
The real issue: Ending the austerity-Revitalizing the European Social Model

We are all Greeks

(...)  
The world is weary of the past,
Oh, might it die or rest at last.

P.B. Shelley, Hellas, 100-1