

## GREECE

*Over the past decade, the income gap with the best performing OECD economies has been narrowing rapidly, but the scope to improve labour utilisation and productivity performance remains large.*

### Policy priorities

#### **Reduce the implicit tax on continued work at older ages**

**Challenge and recommendations:** To remove disincentives to work at older ages, it was recommended that pension benefits be better linked to lifetime contributions so as to increase the degree of actuarial fairness, stricter eligibility criteria for disability pensions be introduced and the categories benefiting from the arduous-work clause be defined more narrowly.

**Actions taken:** The government has initiated a consultation process on the long-term sustainability of the system. The arduous work clause is being examined.

#### **Reform employment protection legislation**

**Challenge and recommendations:** To reduce the large gender/age imbalances in unemployment, it was recommended that employment protection for different occupations be rebalanced, and, in particular, the high severance costs for white-collar workers be reduced and brought into line with those for blue-collar workers.

**Actions taken:** No action taken.

#### **Reduce barriers to entry in network industries**

**Challenge and recommendations:** To foster competition in key network industries, it was recommended that privatisation limits be abolished for all public enterprises and competition in the newly liberalised markets be assured, particularly through strong and independent regulators and a reduction in vertical integration, where appropriate.

**Actions taken:** The role of the energy sector's regulator was enhanced by giving it increased responsibility for setting network tariffs. Steps were also taken to reduce the dominance of the majority state-owned incumbent in electricity generation by allowing more competition through the development of a wholesale market. The minimum limit of the state's ownership in the Hellenic Telecommunications Organisation was abolished. Earlier legislation (end-2005) has paved the way for the full liberalisation of the electricity market (from July 2007) and for the gradual opening of the natural gas market (by November 2009).

#### **Improve the efficiency of the higher education system**

**Challenge and recommendations:** To make the higher education system more efficient and raise its standards to international levels, it was recommended that performance-based funding be introduced and the establishment of private universities be allowed. It was also recommended to limit study duration and to introduce tuition fees accompanied by a loan scheme with income-contingent repayment.

**Actions taken:** The government has enacted a higher education reform which includes a series of measures that will improve the governance of universities, ensure independent evaluation, limit the duration of academic study and raise the provision of student loans.

#### **Ease entry to the labour market**

**Challenge and recommendations:** To facilitate labour market entry, it was recommended that the minimum cost of labour be reduced, through the setting of sub-minimum wages that take into account high unemployment rates of youth, and greater scope to opt out of the national minimum wage in regions with high unemployment. It was also recommended that social security contributions for the low-paid be reduced, financed by savings elsewhere in the budget.

**Actions taken:** No action to reduce the minimum cost of labour since the 2004 legislation reducing employers' social security contributions for vulnerable groups, including unemployed young people and women with children.