

## GREECE

### Priorities supported by indicators

#### **Reduce implicit taxes on continued work at older ages (2007, 2009, 2011)**

**Recommendations:** Boost labour force participation of older workers through pension reform, aiming *inter alia* to restrict early retirement.

**Actions taken:** The 2010 pension reform tightened conditions for early retirement, including for workers in heavy and arduous professions, and reduced benefits for those retiring before 65. It also included an indexation of the retirement age on life expectancy.

#### **Reduce regulatory barriers to competition (2007, 2009, 2011)**

**Recommendations:** Remove administrative burdens on business and reduce barriers to competition in professional services and network industries.

**Actions taken:** A new competition law was enacted, a General Commercial Registry (GEMI) was created and one-stop-shops for business start-ups became operational in 2011, while other reforms including simplified licensing procedures, opening of over 150 closed professions, and liberalisation of the energy sector were approved by Parliament. A 2010 law liberalised the road freight sector. An ambitious privatisation plan for 2011-15 was adopted in mid-2011 but implementation is lagging behind.

#### **Reduce the tax wedge on labour income and broaden the tax base (2007, 2009, 2011)**

**Recommendations:** Reduce incentives for tax evasion and informality by broadening the tax base and lowering the high tax wedge on labour over the medium term, once fiscal targets are achieved.

**Actions taken:** Reforms adopted since April 2010 have broadened the tax base and improved tax collection by simplifying the tax system. Measures have also aimed to tackle widespread tax evasion through risk-based audits, increased fraud penalties and a more accountable tax administration. The pace of implementation has however been slow so far.

#### **Reform employment protection legislation (2007)**

**Recommendations:** Reduce differences in the strictness of employment protection legislation across different groups of workers to improve labour turnover and facilitate labour market adjustment.

**Actions taken:** In late 2010 job protection of white-collar workers was relaxed by lowering total severance costs. More flexible rules on settlements of severance payments have been enacted.

### Other key priorities

#### **Improve the efficiency and quality of the education system (2007, 2009, 2011)**

**Recommendations:** Improve formal education through better teaching quality and school curricula and by raising the standards of higher education to international levels.

**Actions taken:** In 2010, the “New School” policy for primary and secondary education introduced flexible curricula, streamlined teaching modules, established a certificate of pedagogic competence for teachers and evaluations for teachers and schools. A new framework law for higher education was adopted in 2011, introducing *inter alia* an independent evaluation system of academics.

#### **Ease entry into the labour market (2007, 2009, 2011)**

**Recommendations:** Reduce barriers to entry for young workers by lowering the high cost of labour.

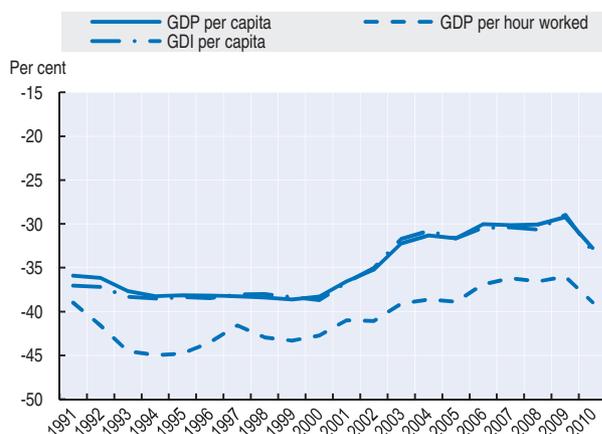
**Actions taken:** 2010 and 2011 laws provide for sub-minimum wages for workers between 18 and 25 and for apprentices between 15 and 18 years.

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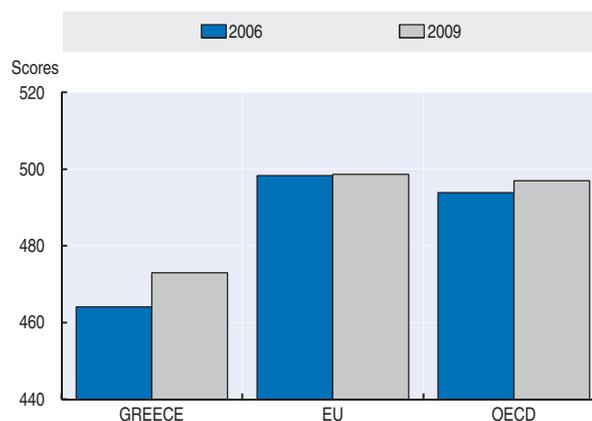
- The economic crisis has widened the income gap relative to the upper half of OECD countries, largely reversing its pre-crisis decline.
- Against the background of the recession and the euro area sovereign debt crisis, Greece negotiated an EU/IMF financial assistance programme, under which a range of structural reforms are being implemented. Progress has been made on all key priorities including reducing regulatory barriers to competition, improving the functioning of labour markets, the quality of education and work incentives for older workers. The vigorous reform process needs to continue and the pace of implementation should be speeded up including in the area of tax reform.
- In non-priority areas, recent reforms in the health care sector have aimed at improving spending control and the quality of services. The public remuneration system is being rationalised.

## Performance and policy indicators

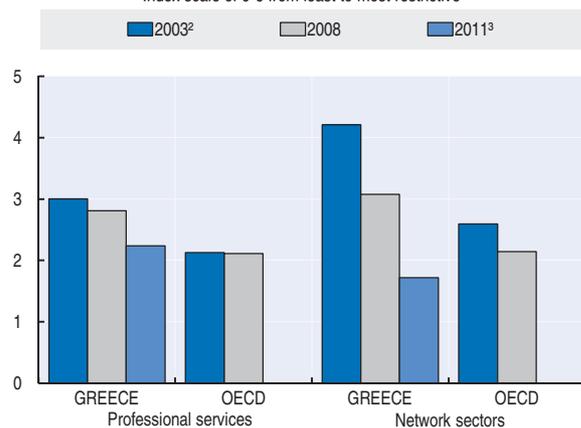
**A. Gaps in GDP per capita and productivity have widened again**  
Gap to the upper half of OECD countries<sup>1</sup>



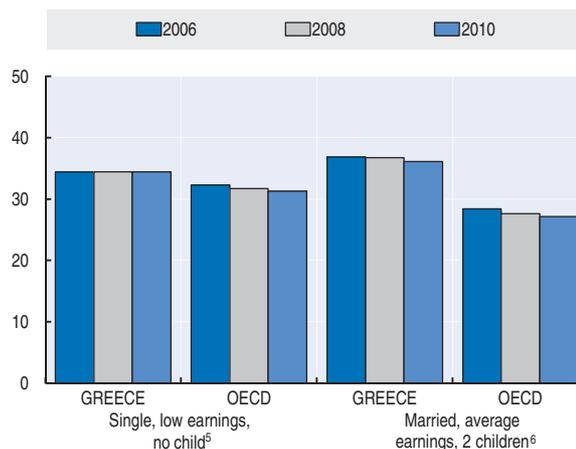
**B. Student performance has improved but remains low**  
Average of PISA scores in mathematics, science and reading



**C. Anti-competitive regulations in network industries and professional services have been eased**  
Index scale of 0-6 from least to most restrictive



**D. Tax wedges on labour income<sup>4</sup> remain above the OECD average**  
Percentage of total labour compensation



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).
2. The OECD average excludes Chile, Estonia, Israel and Slovenia.
3. The PMR indicators for 2011 are based on an intermediate and partial update conducted in the context of the 2011 OECD Economic Survey of Greece, rather than on a full update for all countries.
4. Labour taxes include personal income tax and employee plus employer social security contributions and any payroll tax less cash transfers.
5. Low earnings refer to two-thirds of average earnings.
6. At 100% of the average worker earnings for the first earner. Average of three situations regarding the wage of the second earner (0%, 33% and 67% of average earnings).

Source: Chart A: OECD, *National Accounts and Economic Outlook No. 90 Databases*; Chart B: OECD, *PISA 2009 Database*; Chart C: OECD, *Product Market Regulation Database*; Chart D: OECD, *Taxing Wages Database*.

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