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Despite brisk growth in the past decade, a large gap in GDP per capita remains vis-à-vis the leading EU countries. Labour productivity has accelerated sharply, but the increase in employment rates has been small.

Priorities supported by indicators

Ease employment protection legislation

Employment protection legislation is among the strictest in the OECD, and this may have contributed to low labour turnover and to persistently high unemployment rates for women and youth.

Actions taken: The rule which allowed collective dismissals of only 2 per cent of the workforce per month for medium-sized firms has been abolished. Provisions for smaller firms have been tightened.

Recommendations: High severance costs for white-collar workers should be brought more in line with those for blue-collar workers. Ensure no discrimination against part-time employment.

Reduce barriers to entry in network industries

Despite progress in privatisation, the government has retained a large stake in major public utilities. The liberalisation of key network industries is advancing at a slow pace.

Actions taken: A large number of public enterprises have been privatised in recent years, and entry barriers in the markets for fixed telephony, electricity and domestic sea transport have been reduced.

Recommendations: The opening up to competition of the electricity and other key sectors should be accelerated. The powers and responsibilities of the Competition Committee and the sectoral regulators should be enhanced. The Competition Committee should be adequately staffed and funded.

Reduce administrative burdens on start-ups

By international comparison, self-employment rates are high but enterprise creation rates are low, suggesting substantial barriers to entrepreneurship.

Actions taken: Registration and licensing procedures for new businesses have been simplified and one-stop shops for potential investors or entrepreneurs established.

Recommendations: Bureaucratic requirements for start-ups should be reduced significantly further and flanked by reforms to labour and bankruptcy legislation.

Other key priorities

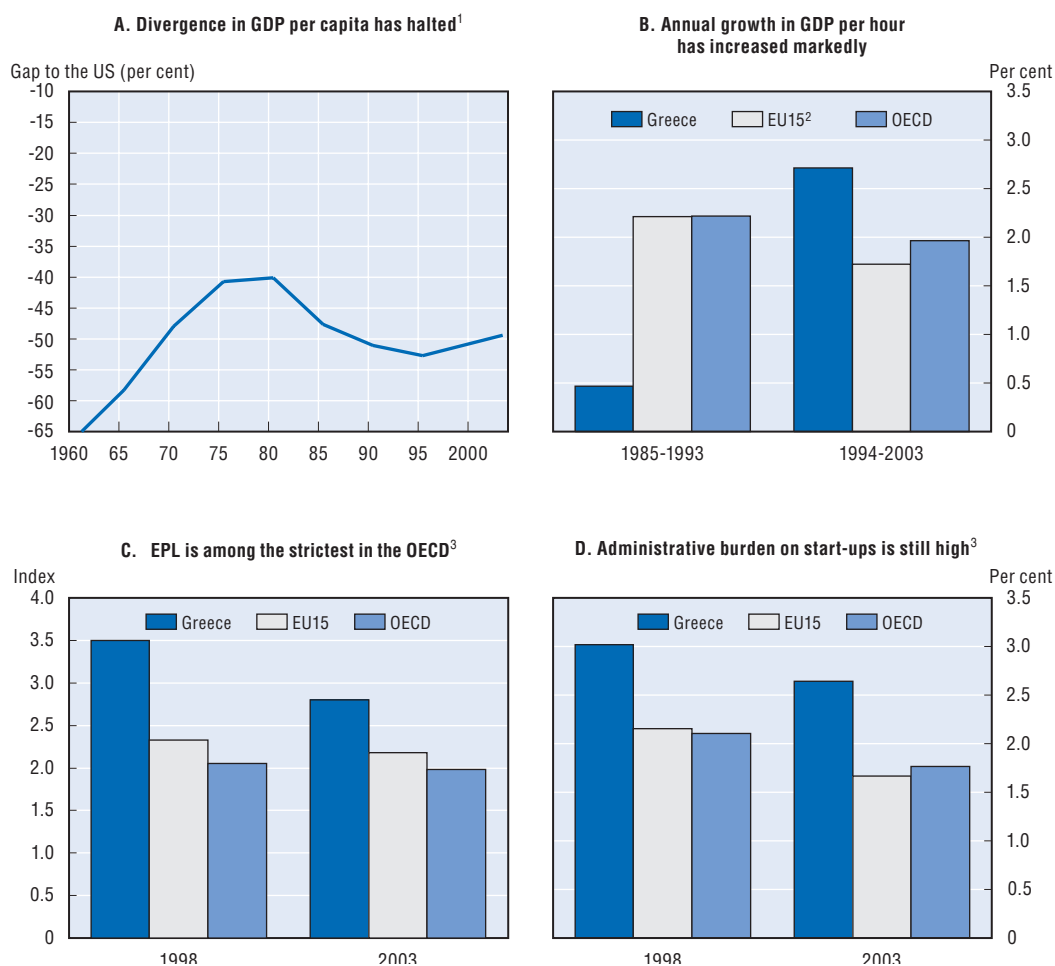
- Further simplify the tax system to reduce compliance costs and encourage investment activity.
- Reduce disincentives for continued work for people in arduous jobs and link pensions to lifetime earnings. Implement stricter eligibility criteria for early retirement schemes.

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Structural indicators

	1990	1995	2000	2003
Trend GDP per capita (% growth rate)	1.2	1.6	1.0	3.7
Trend employment rate	56.1	56.0	56.4	57.5
Trend participation rate	60.6	61.6	63.2	64.3
Structural unemployment rate (NAIRU)	7.4	9.2	10.8	10.5

Source: Estimates based on OECD Economic Outlook, No. 76.



1. Percentage gap with respect to US GDP per capita (in constant 2000 PPPs).

2. Excluding Austria and Luxembourg.

3. Index scale of 0-6 from least to most restrictive.

Source: Charts A and B: National Accounts of OECD Countries, 2004; OECD Labour Force Statistics, 2004; OECD Economic Outlook, No. 76; Chart C: OECD Employment Outlook, 2004; Chart D: OECD Regulation database.