

GREECE

Economic growth has been brisk but the gap in GDP per capita with best performing countries remains large due to productivity and labour utilisation shortfalls.

Priorities supported by indicators

Reduce implicit tax on continued work at older ages

The pension system discourages continued work at older ages because of high statutory replacement rates, with tenuous links between contributions and benefits; and easy eligibility criteria that allow retirement after 37 years in employment regardless of age. An important channel for early retirement is via disability schemes or under special provisions for those in “arduous” occupations, not always narrowly defined.

Actions taken: The government has announced a consultation process on the long-term sustainability of the system.

Recommendations: Remove disincentives to work at older ages by better linking pension benefits to lifetime contributions so as to increase the degree of actuarial fairness. Implement stricter eligibility criteria for disability pensions and define more narrowly the categories benefiting from the arduous-work clause.

Reform employment protection legislation

Employment protection legislation may be contributing to weak labour demand for “outsiders” and low labour turnover, hindering progress in reducing the large gender/age imbalances in unemployment and hampering innovation activities.

Actions taken: Recent legislation has abolished permanent contracts for new employees in all public enterprises and entities.

Recommendations: Rebalance employment protection for different occupations, in particular reduce high severance costs for white-collar workers to bring them in line with those for blue-collar workers.

Reduce barriers to entry in network industries

Despite substantial progress in privatising state-owned enterprises, the government retains a large stake in major utilities and competition is still limited in key network industries, adversely affecting economy-wide efficiency.

Actions taken: Two laws were enacted at end-2005 providing for the complete liberalisation of the electricity market from July 2007 and for the gradual liberalisation of the natural gas market. The role of the energy sector’s regulator was also enhanced.

Recommendations: Privatisation limits should be abolished for all public enterprises. Assuring competition in the newly liberalised markets should be given high priority, particularly through strong and independent regulators and a reduction in vertical integration, where appropriate.

Other key priorities

- Make the higher education system more efficient, raising its standards to international levels, by introducing performance-based funding and allowing the establishment of private universities. Also, impose limits on the study duration and consider introducing study fees accompanied by a loan-scheme with income-contingent repayments.
- The minimum cost of labour should be reduced by introducing a sub-minimum wage for young people and allowing for the possibility of opting out of the national minimum wage in regions with high unemployment. Social security contributions for the low-paid should be reduced, financed by savings elsewhere in the budget.