Economic Challenges

of

Lagging Regions

Annex 2

Task 2 - Country report GREECE

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Task 2 - Country report GREECE

A joint effort by

- The Vienna Institute for International Economic Studies
  Wiener Institut für Internationale Wirtschaftsvergleiche
- Cambridge Econometrics
- Applica Sprl.

Directorate-General for Regional and Urban Policy

2017 EN

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Table of Contents

Preliminary note

The Country Reports are concerned with identifying the main structural imbalances in each of the 8 Member States on the basis of a broad range of data from various sources with regard to the 6 reform areas that has been identified as likely to most influence investment decisions and which are:

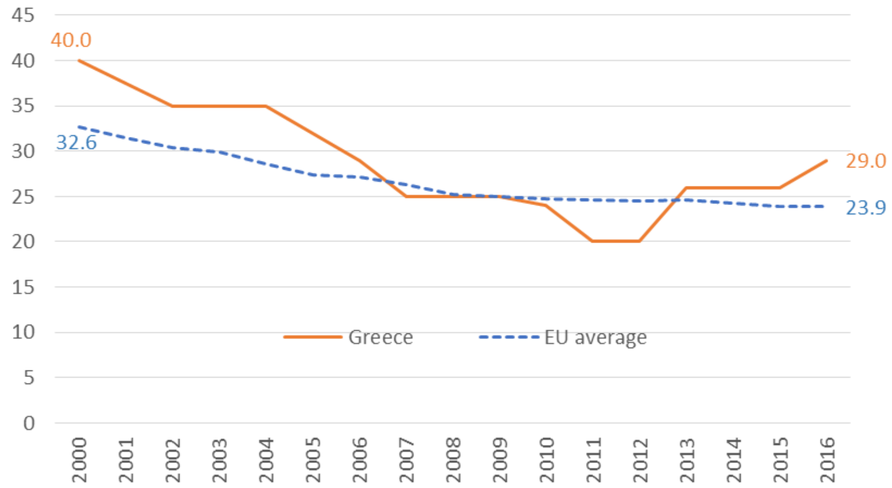
1. Corporate taxation
2. Banking and Access to finance
3. Labour market
4. Education
5. Business environment including product markets, research and innovation
6. Governance

The approach is to compare, for each structural variable, the situation in the country concerned and, so far as possible, in the lagging (NUTS 2) regions where data are available with the EU average, used as a benchmark. The findings are then confronted with the reforms recommended and implemented so to identify areas still in need of reform.

A summary of the main findings coming out from the detailed analysis provided in the Country Reports is included in the main report.

1. CORPORATE TAXATION

Figure 1.1 – Corporate income tax rate in Greece, 2000-2016



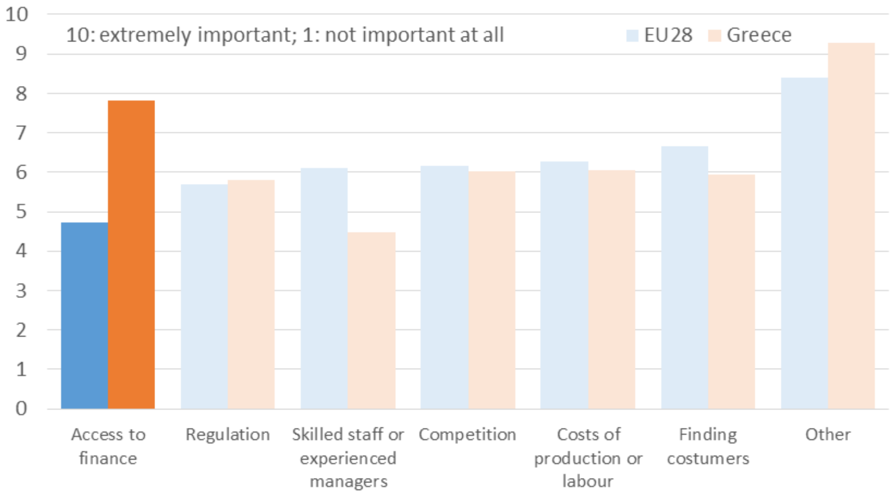
Source: OECD Tax Database.
Notes: The data presented is the combined corporate income tax rate imposed by central government and regional or local governments. The EU average does not include BG, LT, LV, MT, HR and RO.

Commentary

The corporate income tax rate in Greece was higher than in the EU in 2016. This was broadly true for the whole period examined except between 2007 and 2012. As for the EU average rate, the rate in Greece significantly declined between 2000 and 2012 (it was actually reduced by half), but started to rise afterwards (unlike in the EU as whole where the rate continued to decrease though less quickly than in the early 2000s). Tax on businesses is therefore a potential obstacle to growth in Greece, especially given the recent increase in 2016 from 26% to 29% which goes against the country-specific recommendation received in 2011 which urged the authorities to prepare a reform on corporate income tax allowing a gradual reduction in tax rates as revenue performance improves.

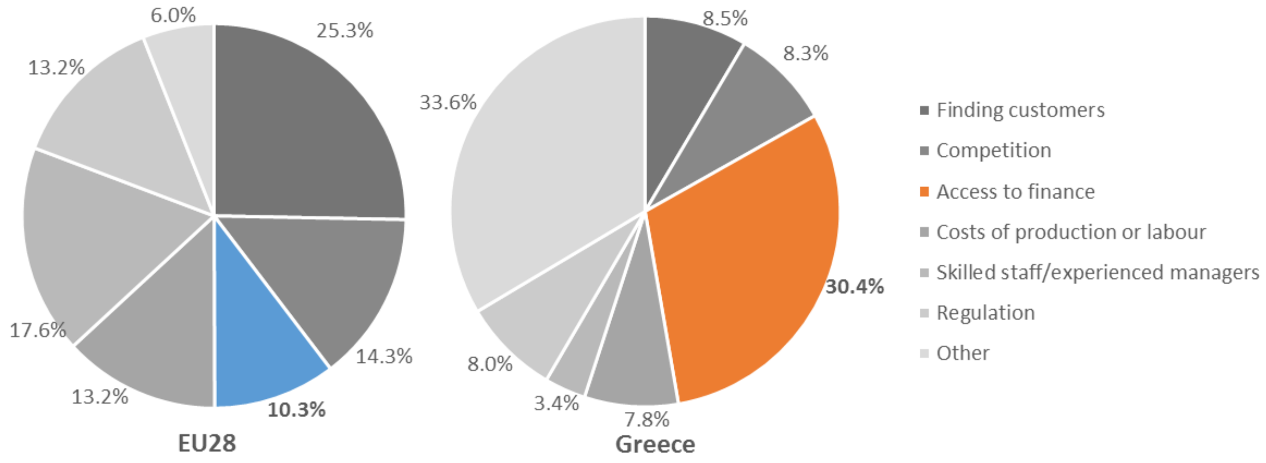
2. ACCESS OF ENTERPRISES TO FINANCE

Figure 2.1 – Problems faced by enterprises in the past 6 months in Greece, 2015



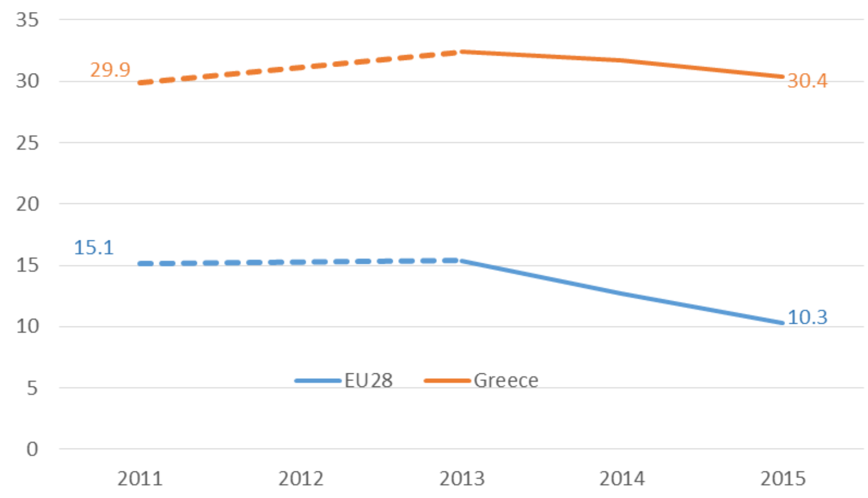
Source: SAFE, wave 13.

Figure 2.2 – Current most important problem for enterprises in Greece, 2015



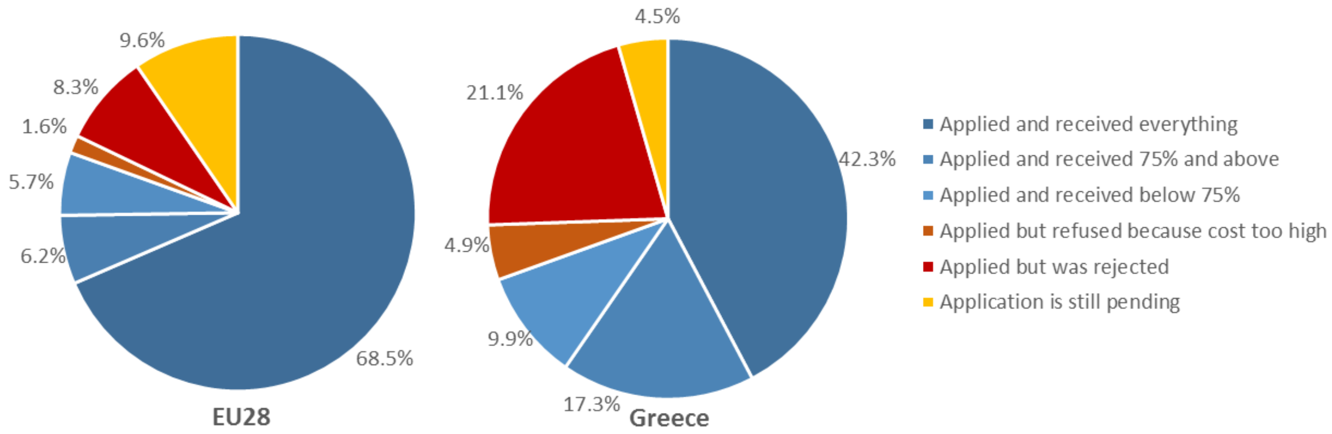
Source: SAFE, wave 13.

Figure 2.3 – Share of responding enterprises that said that access to finance was the current most important problem for them in Greece, 2011-2015



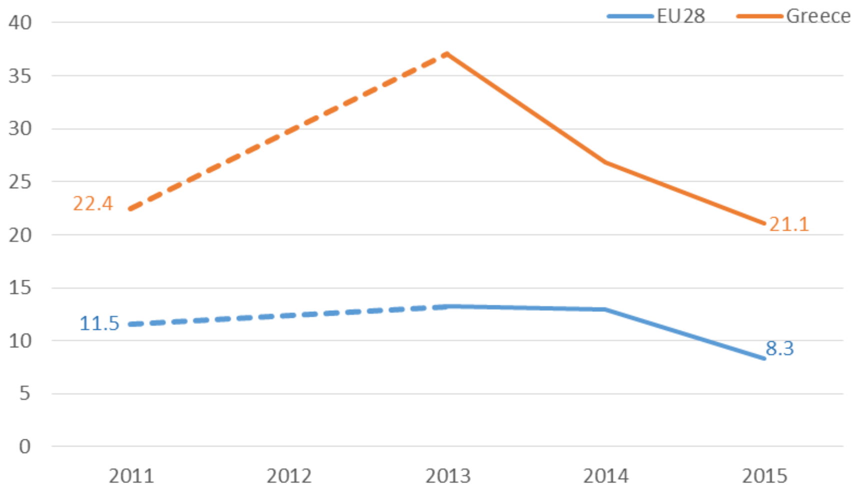
Source: SAFE, waves 5, 9, 11 and 13.

Figure 2.4 – Outcome of applications by enterprises for bank loans in Greece, 2015



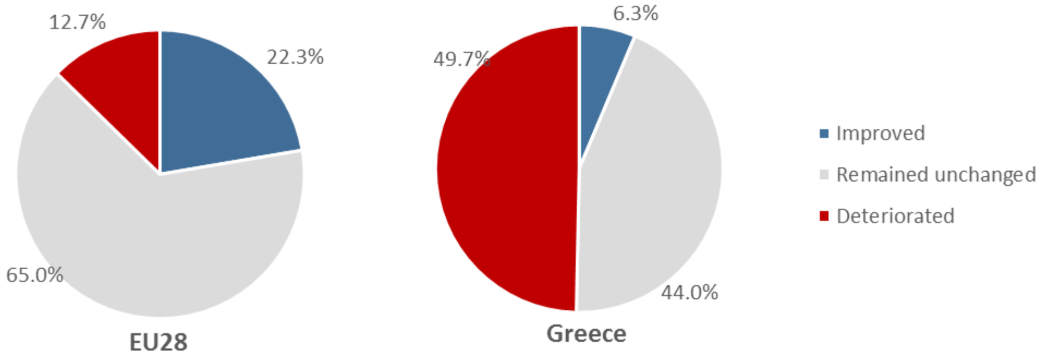
Source: SAFE, wave 13.

Figure 2.5 – Share of responding enterprises that applied for a bank loan but saw their application rejected in Greece, 2011-2015



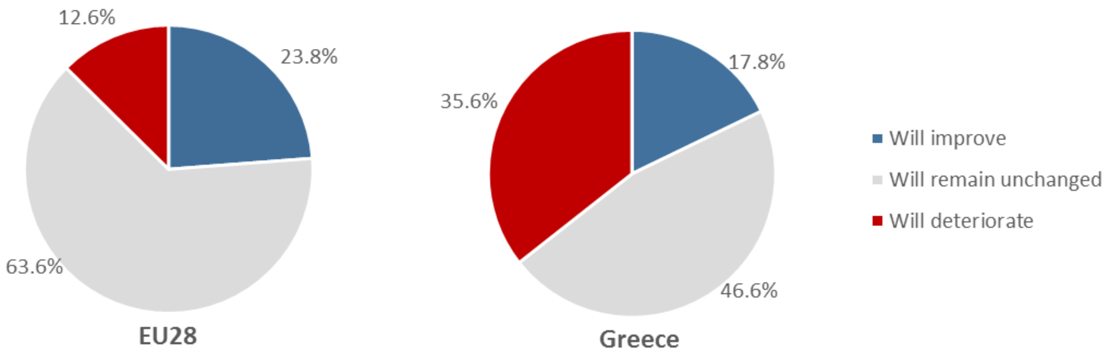
Source: SAFE, waves 5, 9, 11 and 13.

Figure 2.6 – Availability of bank loans over the past 6 months in Greece, 2015



Source: SAFE, wave 13.

Figure 2.7 – Evolution of the availability of bank loans for the future in Greece, 2015



Source: SAFE, wave 13.

ACCESS TO FINANCE in Greece

Country-specific recommendation, 2011-2015	
	None
Structural reforms carried out, 2011-2015	
2011	The *Entrepreneurship and Investment Fund* (ETEAN) was established to provide guarantees and new financial products (especially cheap loans) to individuals as well as to SMEs. Within ETEAN, the *Entrepreneurship Fund* provides low rate credit for investment projects through the banking sector.
2012	*Guarantee Fund* for Greek SMEs: the EIB grants favourable loans (EUR 1 billion) to Greek banks for on-lending to SMEs by the end of 2015.
2013	The *Institution for Growth*, with an initial capital of EUR 500 million, is an innovative financing mechanism combining public and private funds, aiming at channelling resources to Greek SMEs and financing infrastructure projects.
Outstanding challenges	
	Restoring liquidity and access to finance for SMEs is important to support the creation of jobs and restore economic growth.

Sources: CSRs 2011-2012, EAP 2013-2015, Commission Staff Working Document (SWD2014 - 409), National Reform Programmes (NRP) 2011-2015.

Overview

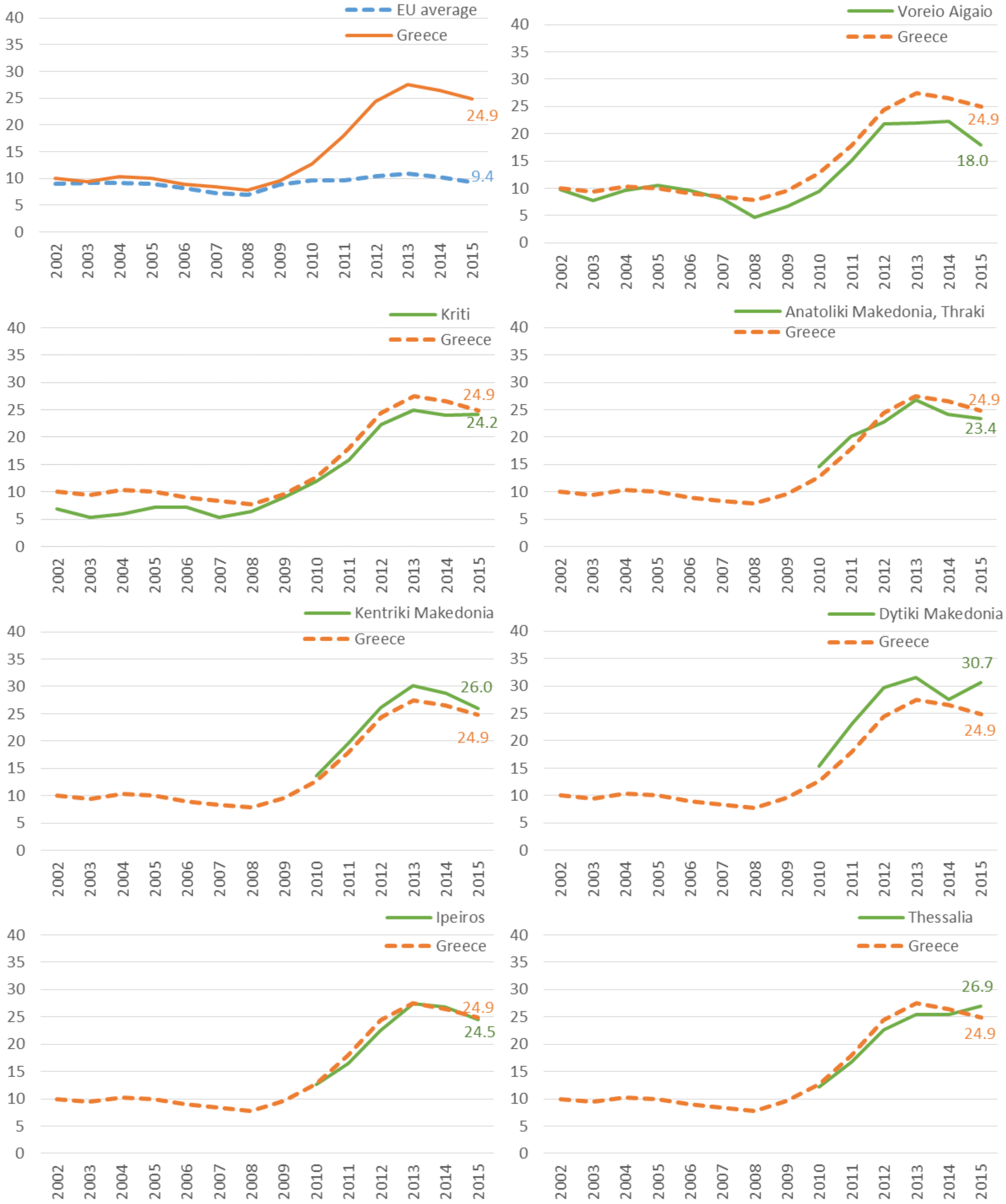
In the case of access to finance, data are not available at the regional level. The analysis is therefore limited to the country level.

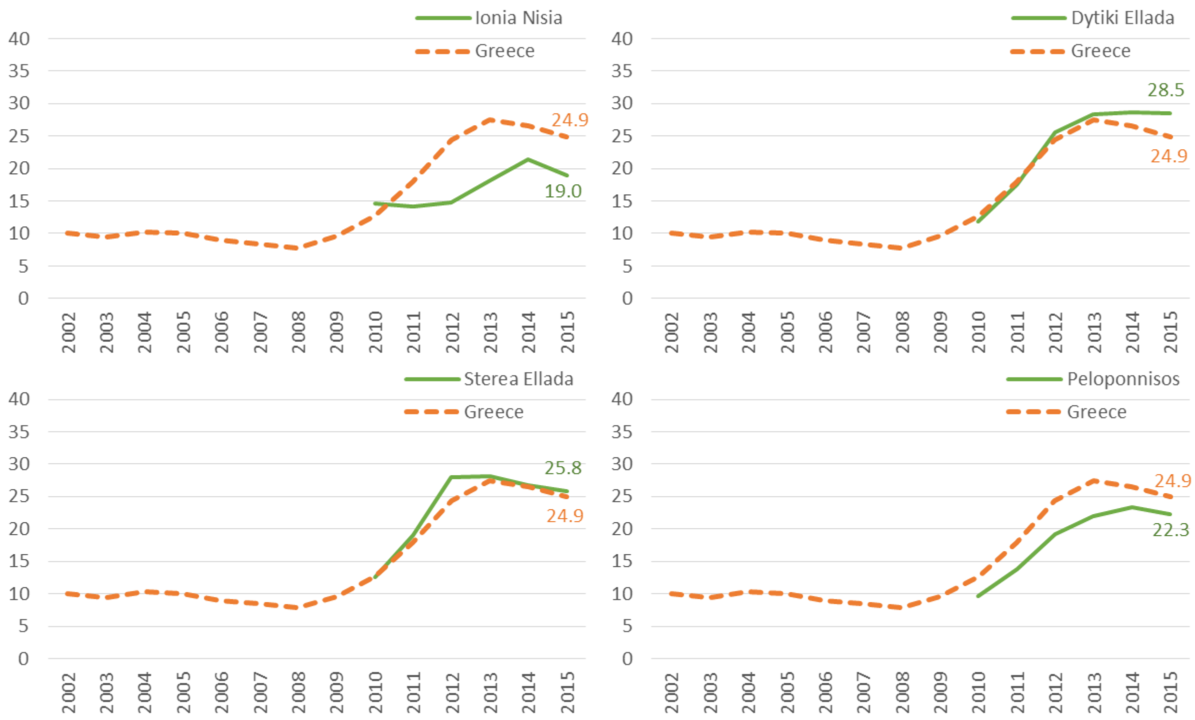
Based on the SAFE results for 2015, access to finance was considered as a major problem for enterprises in Greece, and it has been so over the preceding 4 years. Access to finance is more of an issue than in the rest of the EU, on average. In addition, data on the outcome of bank loan applications indicate that enterprises in Greece seem to have less access to this form of financing than elsewhere in the EU even if the situation has improved since 2013. In addition, perceptions of enterprises about the future availability of bank loans indicate a worst situation in Greece than in the EU as a whole.

Accordingly, enterprises in Greece seem to face more difficulty in accessing finance than in the rest of the EU, and it is likely to be the case in the lagging regions. No recommendation was issued for Greece in this respect over the 2011-2015 period. A few new measures were introduced over that period in order to facilitate access to finance to SMEs (the *Entrepreneurship and Investment Fund,* the *Guarantee Fund*, as well as the *Institution for Growth*). Despite that, access to finance for SMEs was still considered as an outstanding challenge for the country.

3. LABOUR MARKET

Figure 3.1 – Unemployment rate (15 and over) in Greece, 2002-2015


EU average
Greece
24.9
9.4
Voreio Aigaio
Greece
24.9
18.0
Kriti
Greece
24.9
24.2
Anatoliki Makedonia, Thraki
Greece
24.9
23.4
Kentriki Makedonia
Greece
26.0
24.9
Dytiki Makedonia
Greece
30.7
24.9
Ipeiros
Greece
24.9
24.5
Thessalia
Greece
26.9
24.9
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015



Source: Eurostat, LFS [lfst_r_lfu3rt].

Table 3.1 – Unemployment rate in Greece, 2015

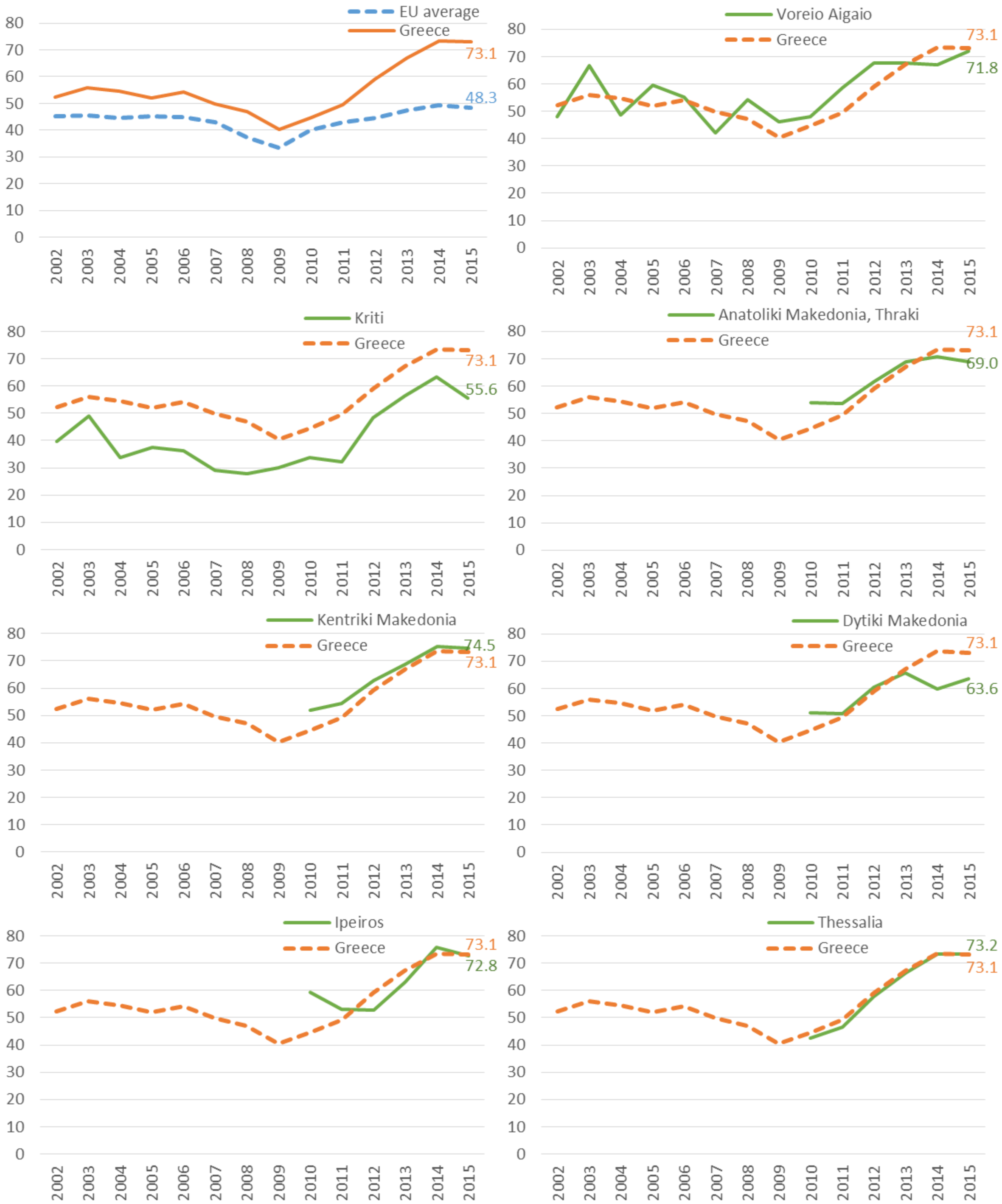
Region	Unemployment rate, 15 and over (%), 2015
Voreio Aigaio	18.0
Kriti	24.2
Anatoliki Makedonia, Thraki	23.4
Kentriki Makedonia	26.0
Dytiki Makedonia	30.7
Ipeiros	24.5
Thessalia	26.9
Ionia Nisia	19.0
Dytiki Ellada	28.5
Sterea Ellada	25.8
Peloponnisos	22.3
Greece	**24.9**
EU average	9.4

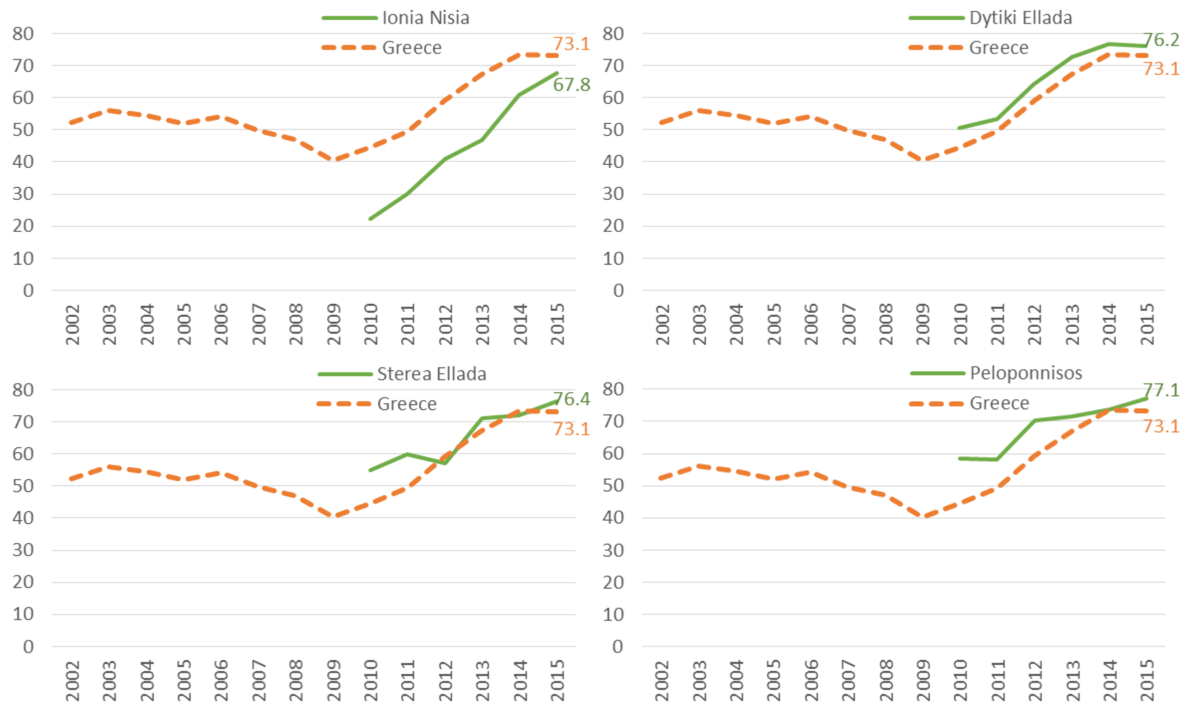
Source: Eurostat, LFS [lfst_r_lfu3rt].
Notes: Rates which are higher than the national average are shown in red. Rates which are higher than the EU average are highlighted in grey.

Commentary

While the unemployment rates in Greece and in the EU as a whole were much the same over the 2002-2009 period, after the onset of the global recession, it increased significantly in Greece and was much larger than the EU average in 2015. The rates in the lagging regions broadly tracked the country average even if data is only available for the whole period for only two regions. In 2015, the unemployment rate was higher than in the EU in all the eleven lagging regions. And it was larger than in Greece in five lagging regions, in particular in the western regions of Dytiki Makedonia and Dytiki Ellada. Job shortages, therefore, seem to be particularly acute in these regions.

Figure 3.2 – Long-term unemployment in Greece, 2002-2015, % of total unemployed





Source: Eurostat, LFS [lfst_r_lfu2ltu].

Table 3.2 – Long-term unemployment in Greece, 2015

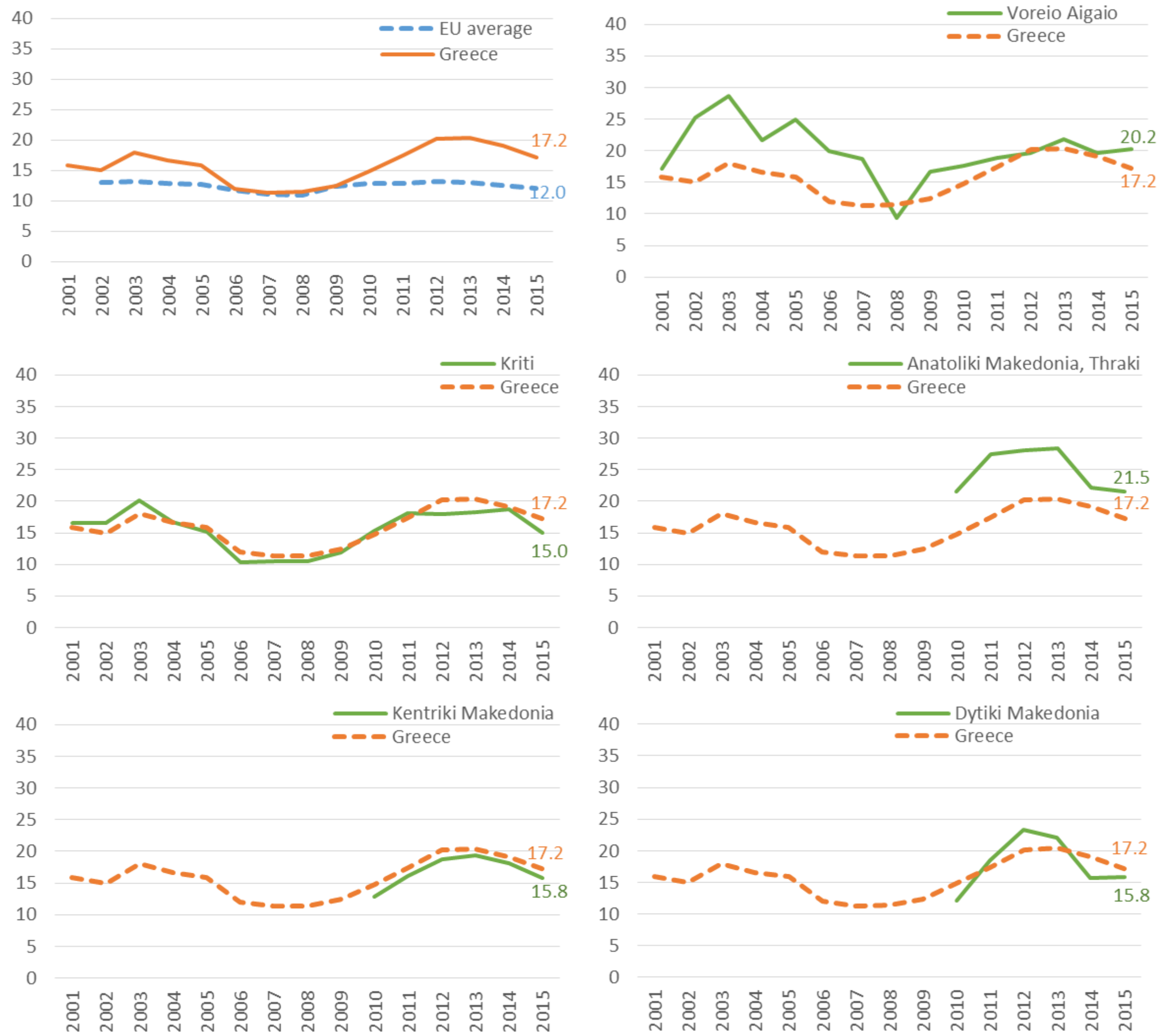
Region	LTU rate (% of total unemployed), 2015
Voreio Aigaio	71.8
Kriti	55.6
Anatoliki Makedonia, Thraki	69.0
Kentriki Makedonia	74.5
Dytiki Makedonia	63.6
Ipeiros	72.8
Thessalia	73.2
Ionia Nisia	67.8
Dytiki Ellada	76.2
Sterea Ellada	76.4
Peloponnisos	77.1
Greece	**73.1**
EU average	48.3

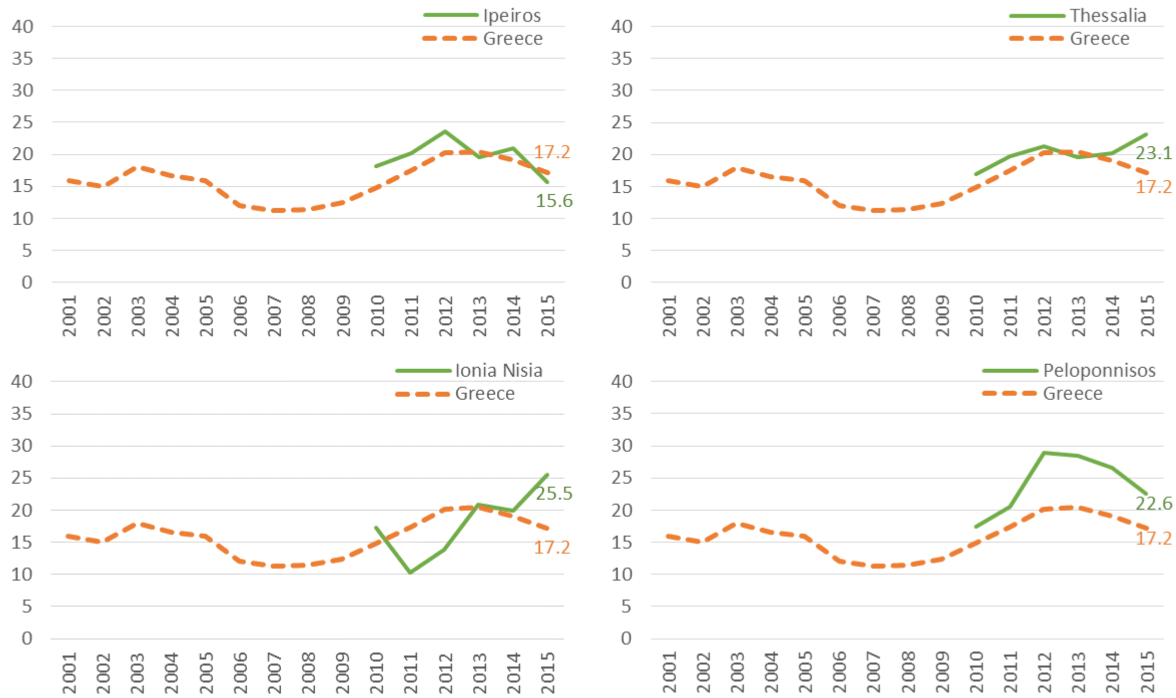
Source: Eurostat, LFS [lfst_r_lfu2ltu]]
Notes: Rates which are higher than the national average are shown in red. Rates which are higher than the EU average are highlighted in grey.

Commentary

The share of the unemployed out of work for a year or more – i.e. long-term unemployment – was markedly larger in Greece in 2015 than the EU average and was consistently above over the whole period (2002-2015), though the gap considerably widened as of 2012, suggesting that structural unemployment was more of a problem in Greece than in the rest of the EU. The share was also above the EU average in all the lagging regions. And it was above the national average in about half of the lagging regions, especially in Peloponnisos and its neighbouring regions Sterea Ellada, Dytiki Ellada. Structural unemployment, therefore, seems to be a particular problem in these three regions.

Figure 3.3 – Proportion of young people aged 15-24 neither in employment nor in education and training in Greece, 2001-2015





Source: Eurostat, LFS [edat_lfse_22].

Table 3.3 – NEET rate in Greece, 2015

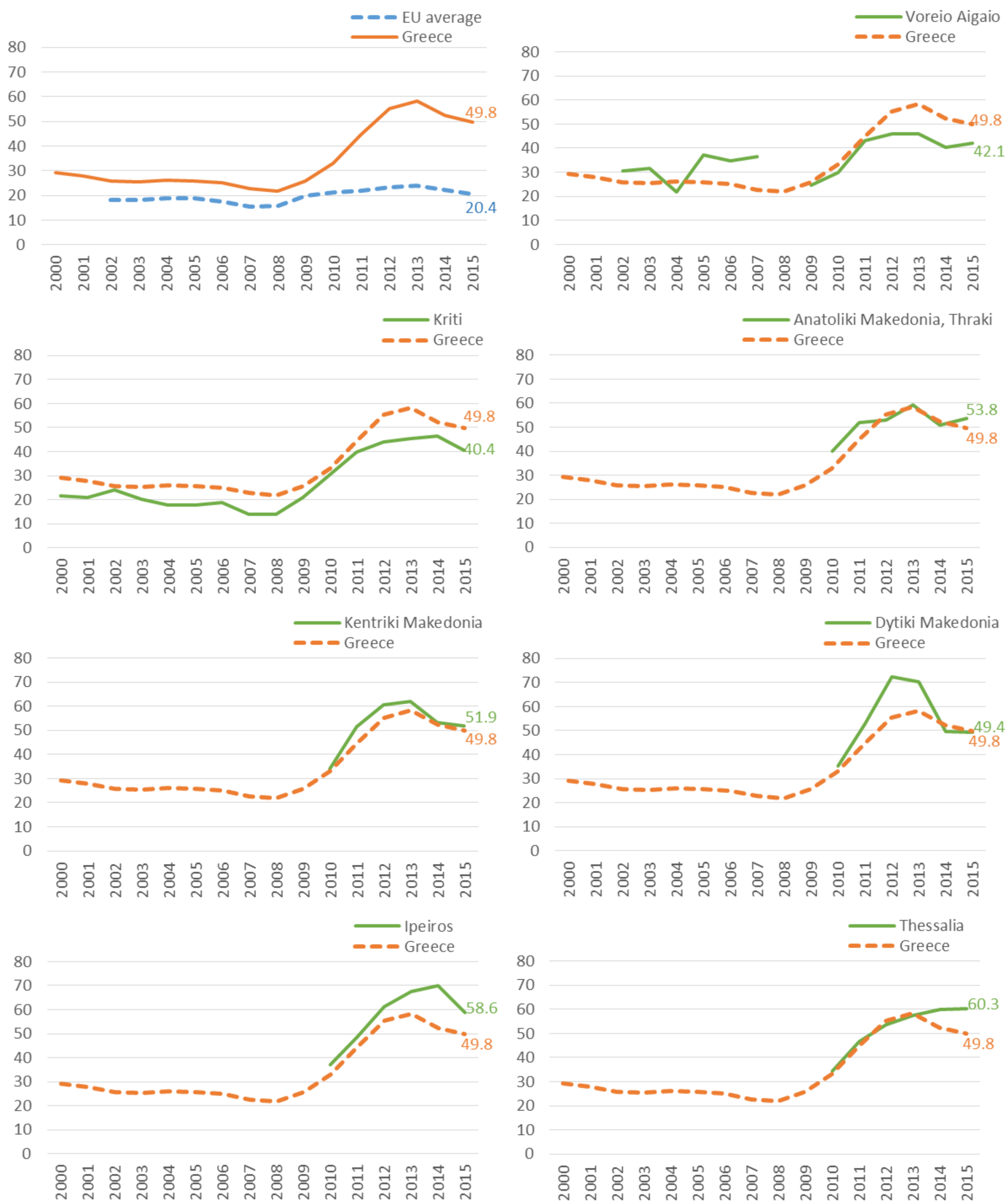
Region	NEET rate (15-24), % 2015
Voreio Aigaio	20.2
Kriti	15.0
Anatoliki Makedonia, Thraki	21.5
Kentriki Makedonia	15.8
Dytiki Makedonia	15.8
Ipeiros	15.6
Thessalia	23.1
Ionia Nisia	25.5
Dytiki Ellada	17.1
Sterea Ellada	25.1
Peloponnisos	22.6
Greece	**17.2**
EU average	12.0

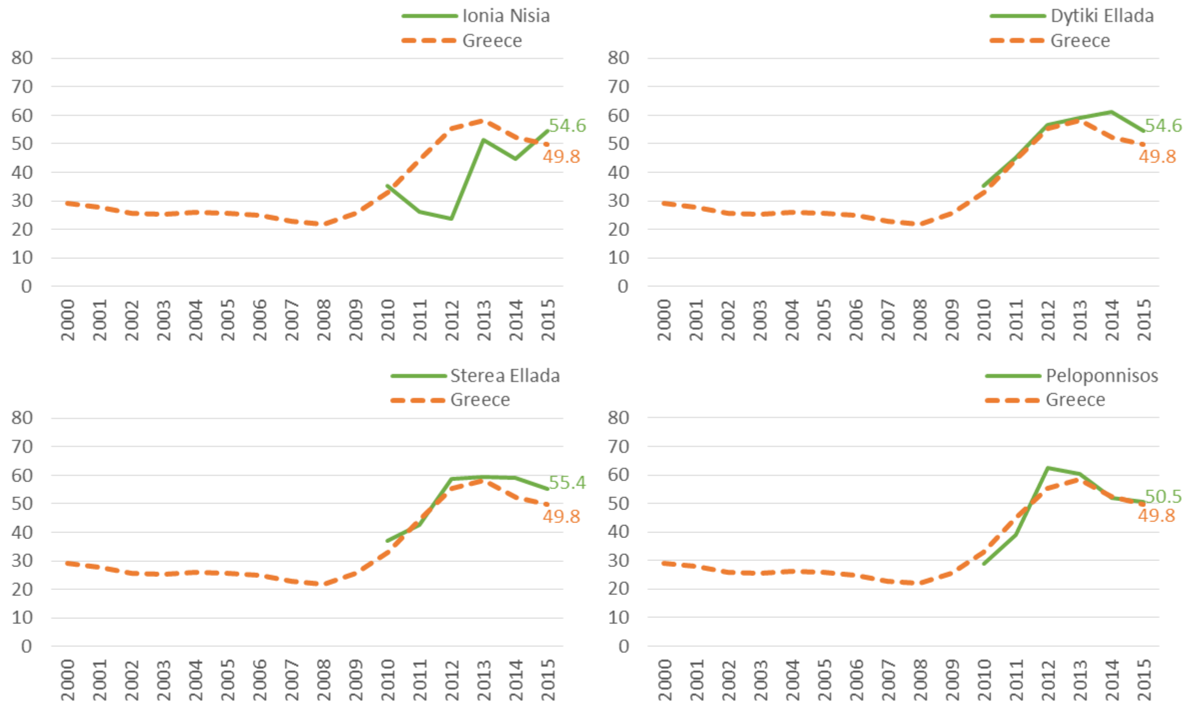
Source: Eurostat, LFS.
Notes: Rates which are higher than the national average are shown in red. Rates which are higher than the EU average are highlighted in grey.

Commentary

The NEET rate for young people aged 15-24 in Greece was higher than in the rest of the EU in 2015 as it had been over the preceding 5 years. While the rates were much the same over the 2006-2009 period, the situation again significantly worsened after the recession. Over the recent years however it seems that the rate in the country slightly decreased. The NEET rate was above the EU average in 2015 in all the lagging regions, and above the national average in six regions. It was particularly high in Ionia Nisia and Sterea Ellada. Unlike the other regions where the rate was either relatively stable or even decreased, it significantly increased over the recent years in Thessalia and Ionia Nisia. Problems of a lack of jobs for young people and/or their limited participation in education or initial vocational training were, therefore, particularly acute in these regions.

Figure 3.4 – Unemployment rate (15-24 years) in Greece, 2000-2015





Source: Eurostat, LFS [lfst_r_lfu3rt].

Table 3.4 – Youth unemployment rate in Greece, 2015

Region	Unemployment rate (15-24), % 2015
Voreio Aigaio	42.1
Kriti	40.4
Anatoliki Makedonia, Thraki	53.8
Kentriki Makedonia	51.9
Dytiki Makedonia	49.4
Ipeiros	58.6
Thessalia	60.3
Ionia Nisia	54.6
Dytiki Ellada	54.6
Sterea Ellada	55.4
Peloponnisos	50.5
Greece	**49.8**
EU average	20.4

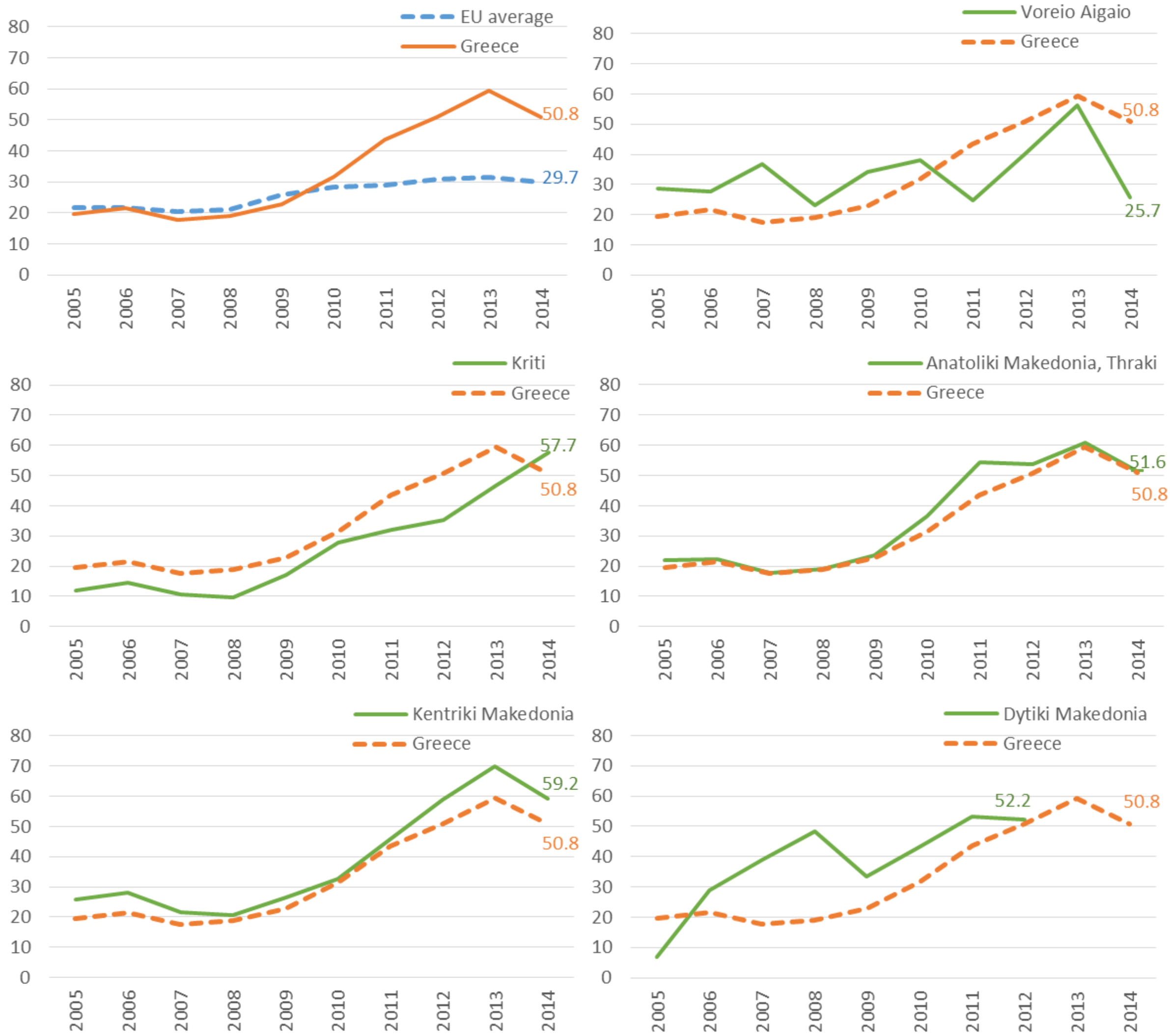
Source: Eurostat, LFS.
Notes: Rates which are higher than the national average are shown in red. Rates which are higher than the EU average are highlighted in grey.

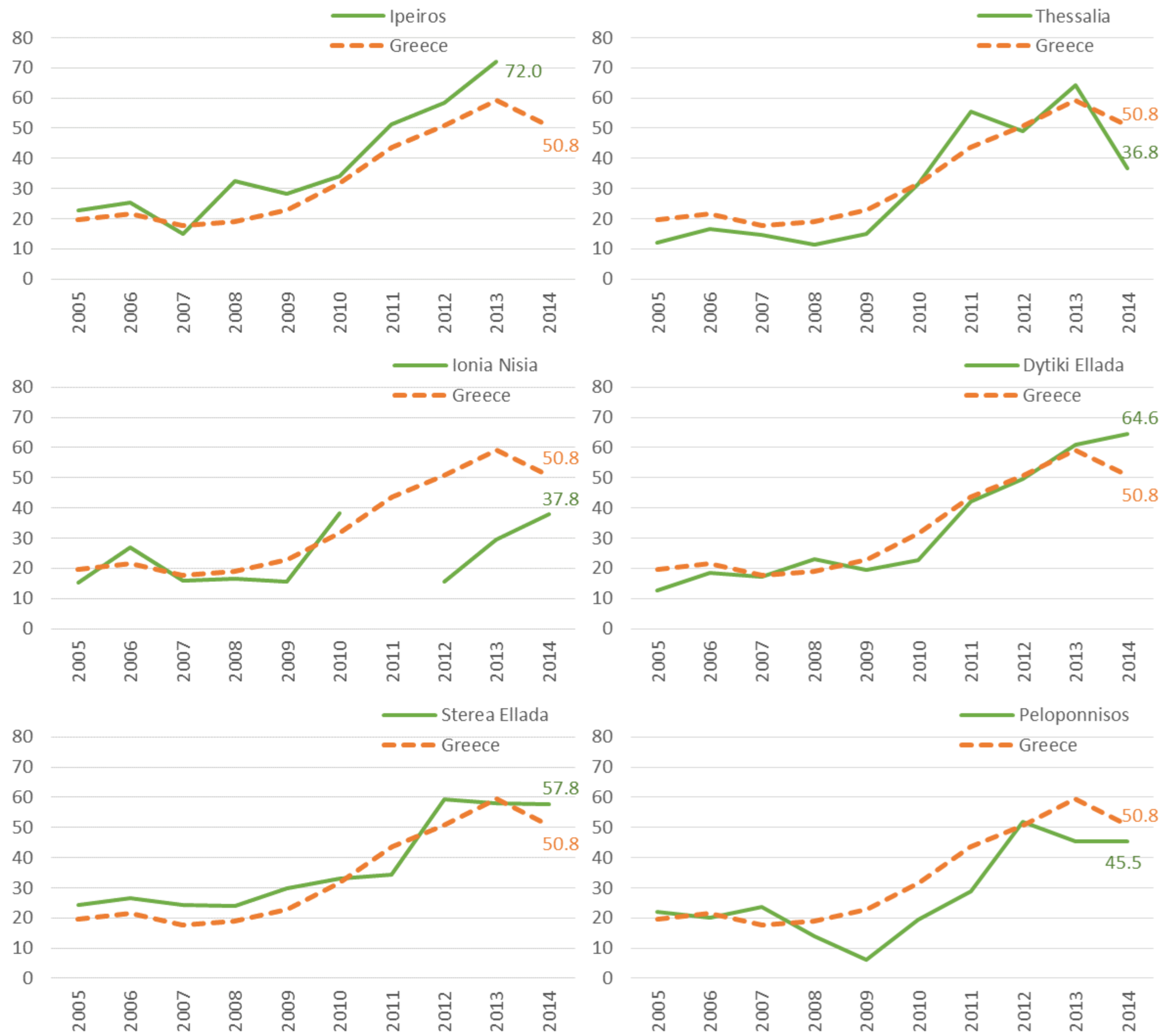
Commentary

The youth unemployment rates show a similar picture than the NEET rates. In Greece as a whole, youth unemployment was markedly higher than the EU average in 2015, implying that not only young people entering the labour market in Greece face much more difficulty to find a job than in the rest of the EU, but also that they were more likely not to participate in education or training. The youth unemployment rate was consistently above the EU average throughout the 2002-2015 period, though it seems that the gap narrowed over the recent years as the rate in Greece reduced.

At the regional level, the youth unemployment rate was larger than the EU and national level in all the lagging regions except Voreio Aigaio, Kriti and Dytiki Makedonia where it was lower than the national average but still significantly higher compared to the EU rate. The youth unemployment rate was highest in Thessalia and Ipeiros. The implication is that jobs were especially scarce for young people entering the labour market in most of the lagging regions.

Figure 3.5 – Unemployment rate of young people aged 15-24 with low education in Greece, 2005-2014



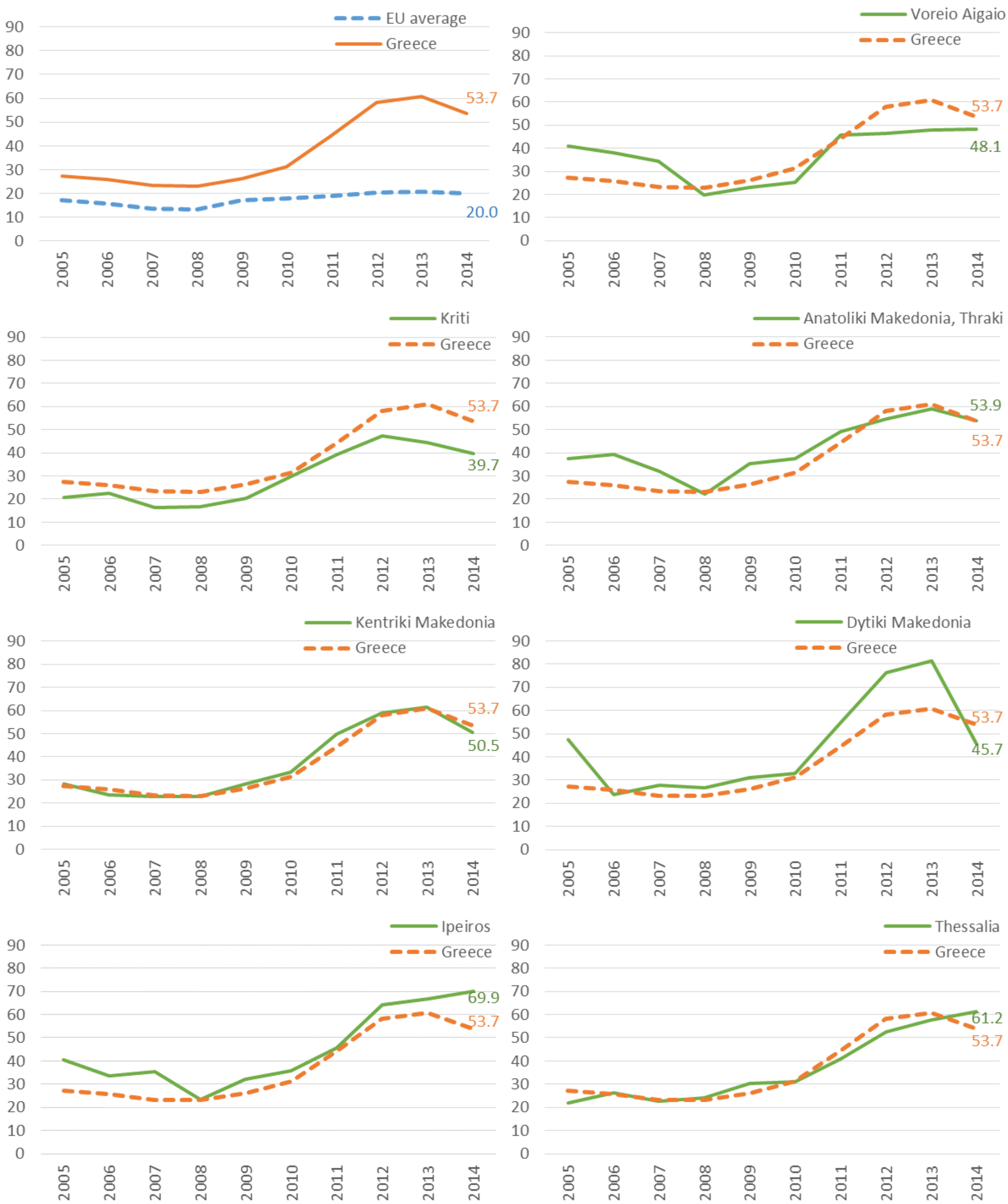


Source: Eurostat, LFS microdata.

Commentary

The unemployment rate among young people with only basic schooling was again considerably higher in Greece than that in the rest of the EU in 2014 and over the preceding 4 years. At the regional level, problems of young low-educated people finding employment were acute in all the lagging regions except Voreio Aigaio where the rate was significantly lower than the EU average. It was particularly high in Ipeiros and Dytiki Ellada.

Figure 3.6 – Unemployment rate of young people aged 15-24 with medium education in Greece, 2005-2014

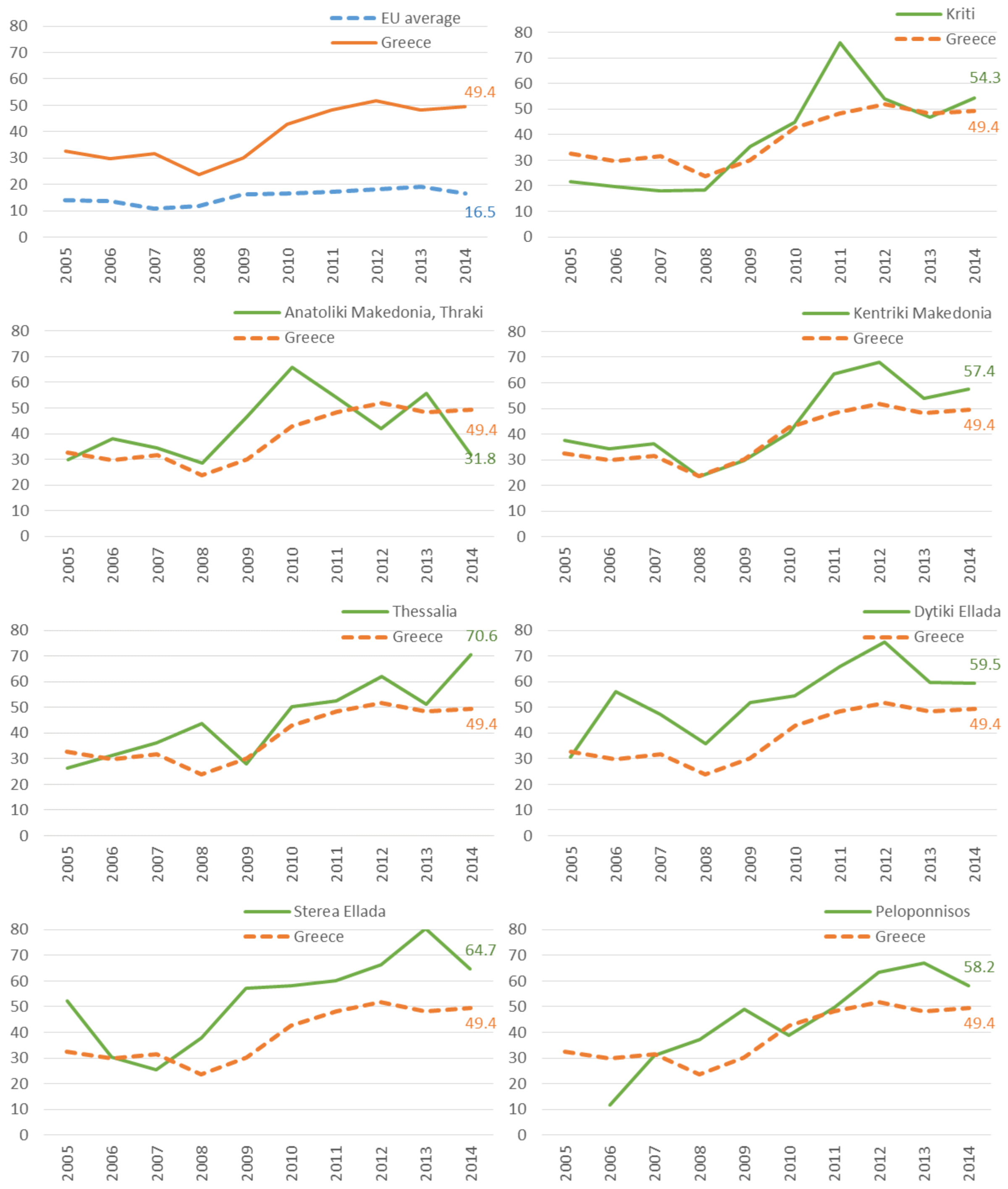

EU average
Greece
53.7
20.0
Voreio Aigaio
Greece
53.7
48.1
Kriti
Greece
53.7
39.7
Anatoliki Makedonia, Thraki
Greece
53.9
53.7
Kentriki Makedonia
Greece
53.7
50.5
Dytiki Makedonia
Greece
53.7
45.7
Ipeiros
Greece
69.9
53.7
Thessalia
Greece
61.2
53.7

Source: Eurostat, LFS microdata.

Commentary

As for young people with only basic education, the unemployment rate of young people with upper secondary education was much higher in Greece than in the EU as a whole, and the trend over the last decade was very much similar for both groups of people, with a significant increase between 2010 and 2013 followed by a marked decrease between 2013 and 2014 (the latest year for which data is available). Again the rate was particularly high in Ipeiros and Dytiki Ellada (as in the case of those with only basic schooling), as well as in Thessalia.

Figure 3.7 – Unemployment rate of young people aged 15-24 with high education in Greece, 2005-2014



Source: Eurostat, LFS microdata.
Note: Unemployment rates of people with high education cannot be published for some of the lagging regions because of the insufficient number of observations.

Table 3.5 – Youth unemployment rate by education attainment level in Greece, 2014

Region	Unemployment rate, 15-24, %, 2014		
	ISCED 0-2*	ISCED 3-4	ISCED 5-8**
Voreio Aigaio	25.7	48.1	32.8
Kriti	57.7	39.7	54.3

Anatoliki Makedonia, Thraki	51.6	53.9	31.8
Kentriki Makedonia	59.2	50.5	57.4
Dytiki Makedonia	52.2	45.7	62.9
Ipeiros	72.0	69.9	54.2
Thessalia	36.8	61.2	70.6
Ionia Nisia	37.8	42.7	58.1
Dytiki Ellada	64.6	60.0	59.5
Sterea Ellada	57.8	58.7	64.7
Peloponnisos	45.5	52.9	58.2
Greece	**50.8**	**53.7**	**49.4**
EU average	29.7	20.0	16.5

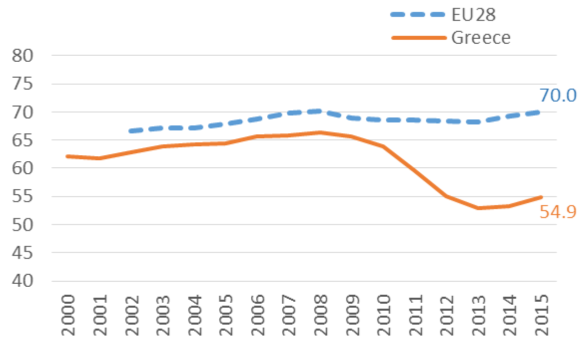
Source: Eurostat, LFS.
*Notes: *Unemployment rate of people with low education for Dytiki Makedonia relates to 2012 and 2013 for Ipeiros.*
***Unemployment rate of people with high education for Ipeiros relates to 2012 and 2013 for Dytiki Makedonia and Voreio Aigaio.*
Data are from the published LFS microdata, more up-to-date data will be obtained from Eurostat.
Rates which are higher than the national average are shown in red. Rates which are higher than the EU average are highlighted in grey.

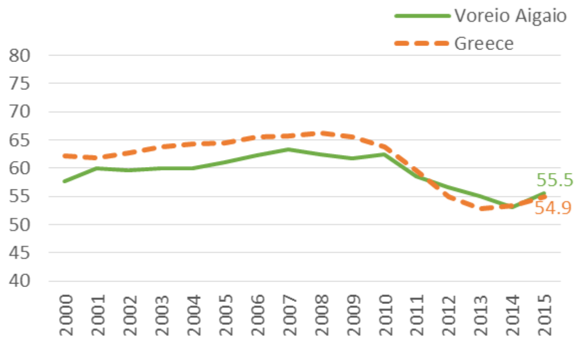
Commentary

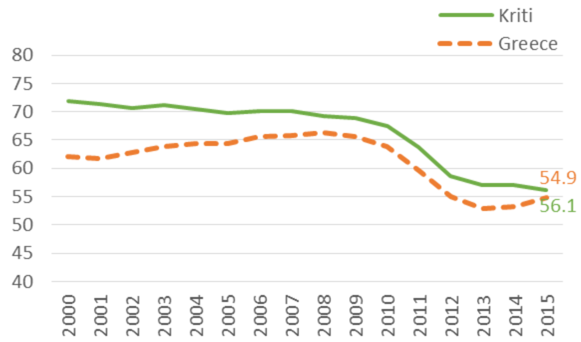
The unemployment rate for young people with tertiary education was also higher in Greece than in the rest of the EU in 2014 and over the preceding years. It was only in two lagging regions (Voreio Aigaio and Anatoliki Makedonia/Thraki) that the rate was below the national average. In all the remaining lagging regions, it was both above the EU and national average. And unemployment among tertiary-educated young people was highest in Thessalia (as for young people with at least upper secondary education) and Sterea Ellada.

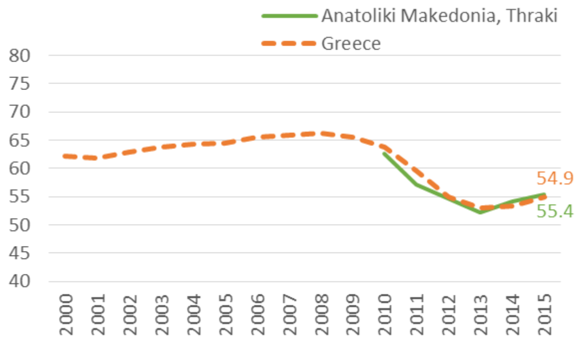
In sum, the unemployment of young people was higher than the EU average in Greece as well as in all the lagging regions irrespective of the education attainment level. The only exception is Voreio Aigaio where the unemployment rate of young people with only basic schooling was lower than the EU level (and the national level). Apart from this region, there was therefore a shortage of jobs for young people entering the labour market in all the lagging regions, whatever their education level.

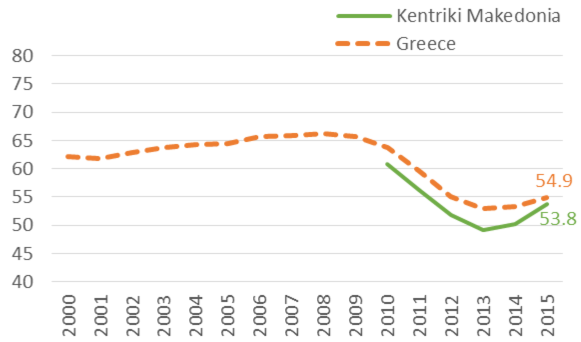
Figure 3.8 – Employment rate (20-64 years) in Greece, 2000-2015

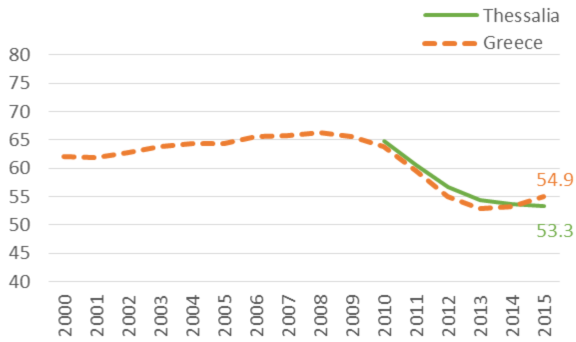

EU28
Greece
70.0
54.9

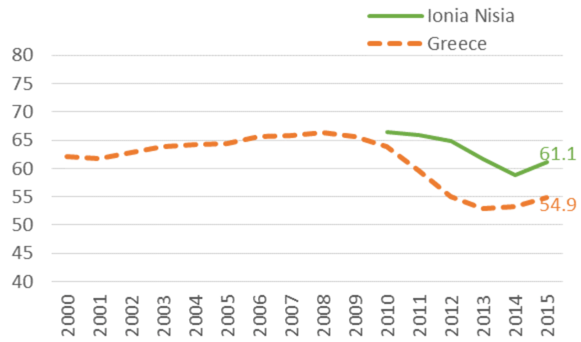

Voreio Aigaio
Greece
55.5
54.9

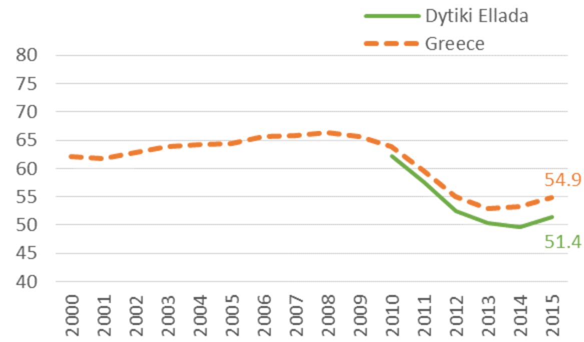

Kriti
Greece
54.9
56.1


Anatoliki Makedonia, Thraki
Greece
54.9
55.4

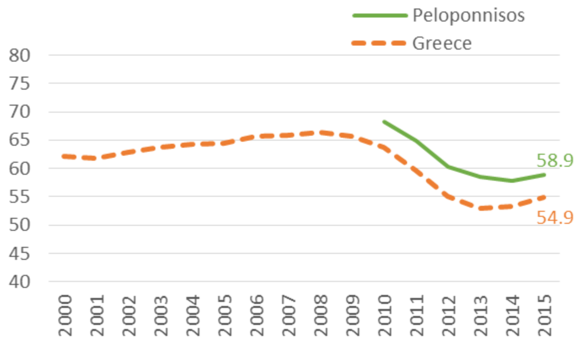

Kentriki Makedonia
Greece
54.9
53.8


Thessalia
Greece
54.9
53.3


Ionia Nisia
Greece
61.1
54.9


Dytiki Ellada
Greece
54.9
51.4


Sterea Ellada
Greece
55.6
54.9


Peloponnisos
Greece
58.9
54.9

Source: Eurostat, LFS [lfst_r_lfe2emprt].

Table 3.6 – Employment rate in Greece, 2015

Region	Employment rate (20-64 years), % 2015
Voreio Aigaio	55.5
Kriti	56.1
Anatoliki Makedonia, Thraki	55.4
Kentriki Makedonia	53.8
Dytiki Makedonia	49.4
Ipeiros	53.2
Thessalia	53.3
Ionia Nisia	61.1
Dytiki Ellada	51.4
Sterea Ellada	55.6
Peloponnisos	58.9
Greece	**54.9**
EU average	70.0

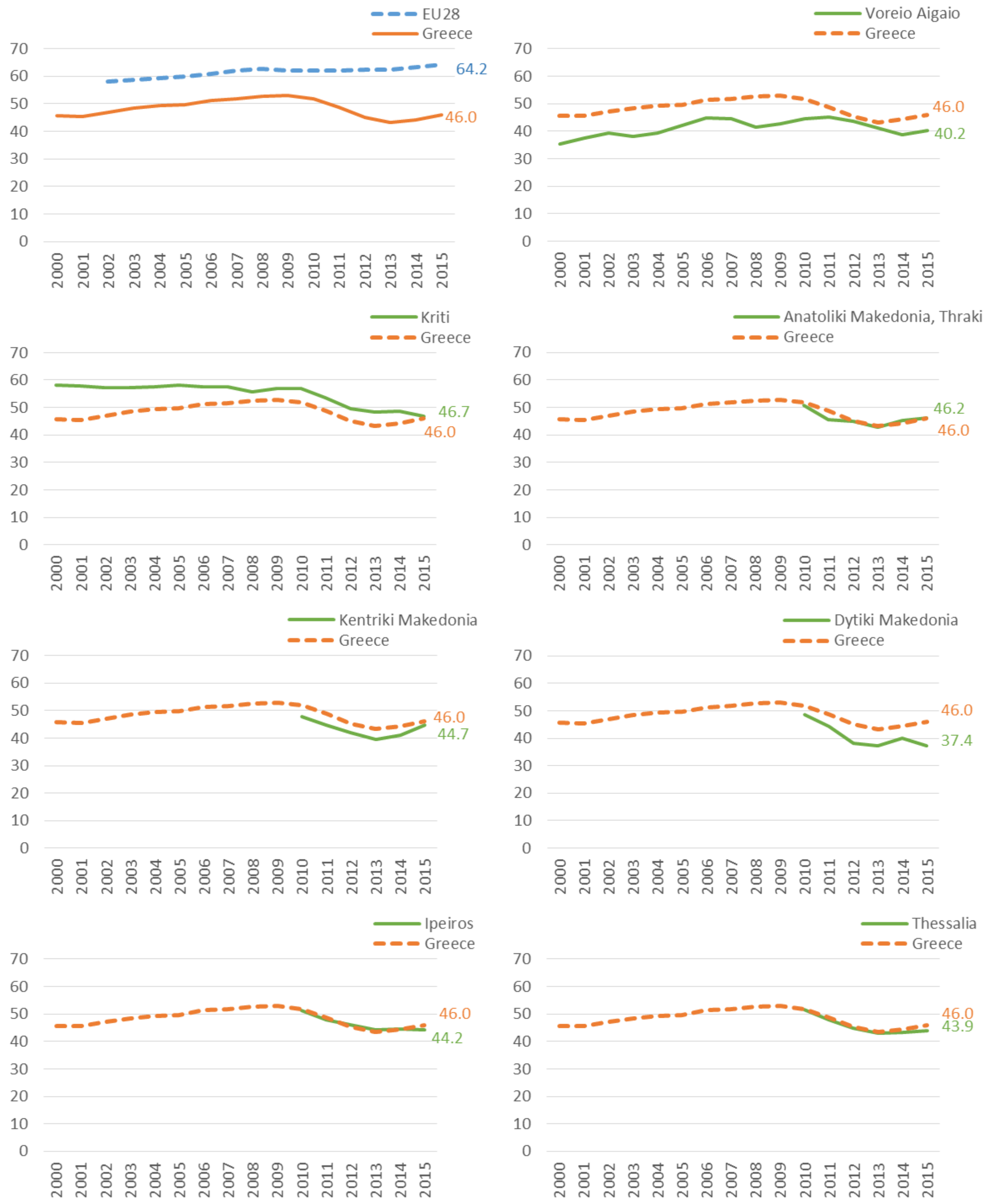
Source: Eurostat, LFS.
Notes: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey.

Commentary

The employment rate in Greece has been consistently below the EU average over the years, though the gap has widened after 2009 reflecting the larger effect of the crisis on the Greek economy than on most of the other Member States. Over the recent years however the situation seems to have improved as the rate slightly recovered.

At the regional level, full time-series is only available for 2 regions, for the remaining ones, data only cover the 2010-2015 period. Employment rates were smaller than in the EU in 2015 in all the lagging regions. In Ionia Nisia and Peloponnisos it was higher than the national average (but still much lower compared to the EU average), reflecting the relatively low rate of unemployment observed in these regions. In five of the other lagging regions, the employment rate was below the national average. It was particularly low in Dytiki Makedonia, 6 percentage points below the national average and 21 percentage points below the EU average, and it has been consistently low since 2010 (which is the latest year for which data is available). This is exactly in line with the unemployment rate which was markedly above the national and EU average in this region.

Figure 3.9 – Employment rate of women (20-64) in Greece, 2000-2015


EU28
Greece
64.2
46.0
Voreio Aigaio
Greece
46.0
40.2
Kriti
Greece
46.7
46.0
Anatoliki Makedonia, Thraki
Greece
46.2
46.0
Kentriki Makedonia
Greece
46.0
44.7
Dytiki Makedonia
Greece
46.0
37.4
Ipeiros
Greece
46.0
44.2
Thessalia
Greece
46.0
43.9
0
10
20
30
40
50
60
70
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013
2014
2015

Source: Eurostat, LFS [lfst_r_lfe2emprt].

Table 3.7 – Employment rate of women in Greece, 2015

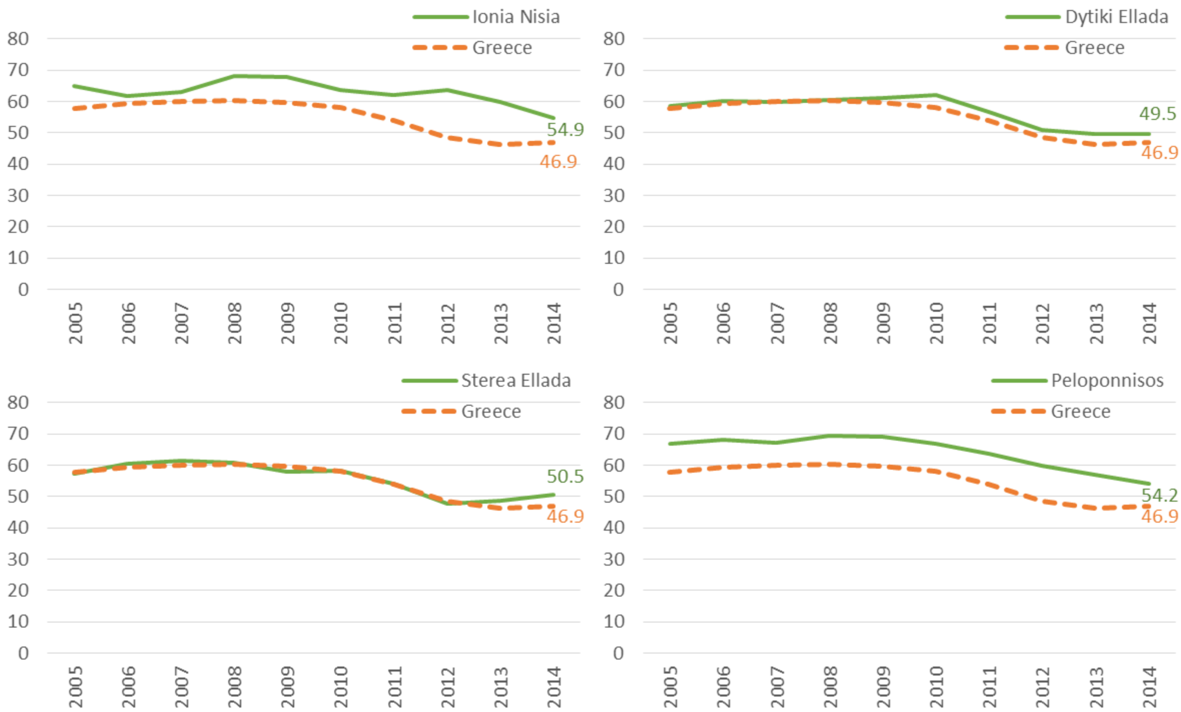
Region	Female employment rate (20-64 years), % 2015
Voreio Aigaio	40.2
Kriti	46.7
Anatoliki Makedonia, Thraki	46.2
Kentriki Makedonia	44.7
Dytiki Makedonia	37.4
Ipeiros	44.2
Thessalia	43.9
Ionia Nisia	52.6
Dytiki Ellada	41.7
Sterea Ellada	43.4
Peloponnisos	49.5
Greece	**46.0**
EU average	64.2

Source: Eurostat, LFS.
Notes: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey.

Commentary

The employment rate of women in Greece was further below the EU average in 2015 than the overall employment rate. Their participation rates are also relatively low, which might reflect a shortage of jobs as much as a reluctance to be in paid employment. Women seem to face more difficulties of finding employment as men in all the lagging regions. The female employment rate was particularly low in Dytiki Makedonia, reflecting the low level of the overall employment rate in this region.

Figure 3.10 – Employment rate of those aged 25-64 with low education in Greece in 2002-2015 and lagging regions in 2005-2014

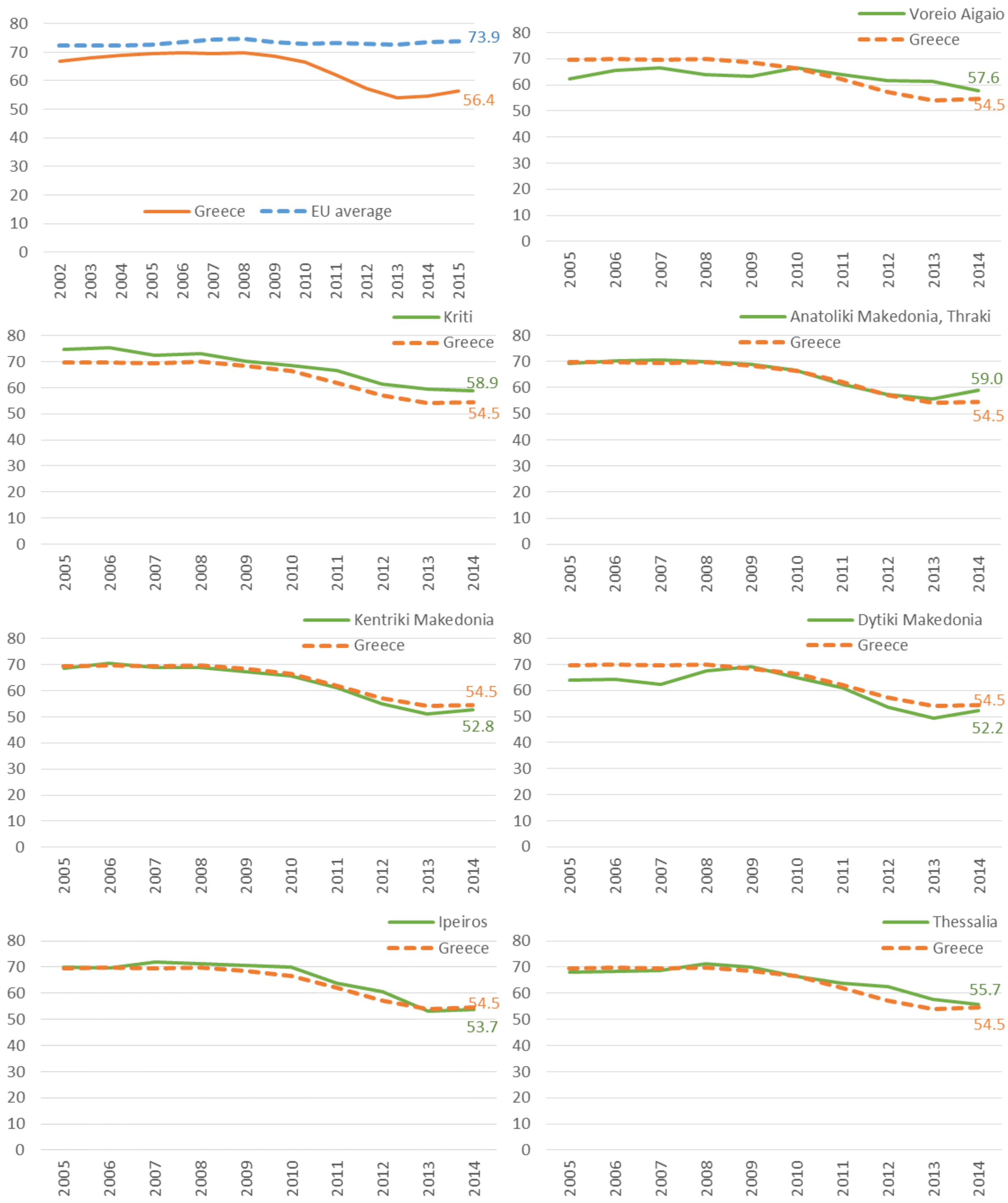


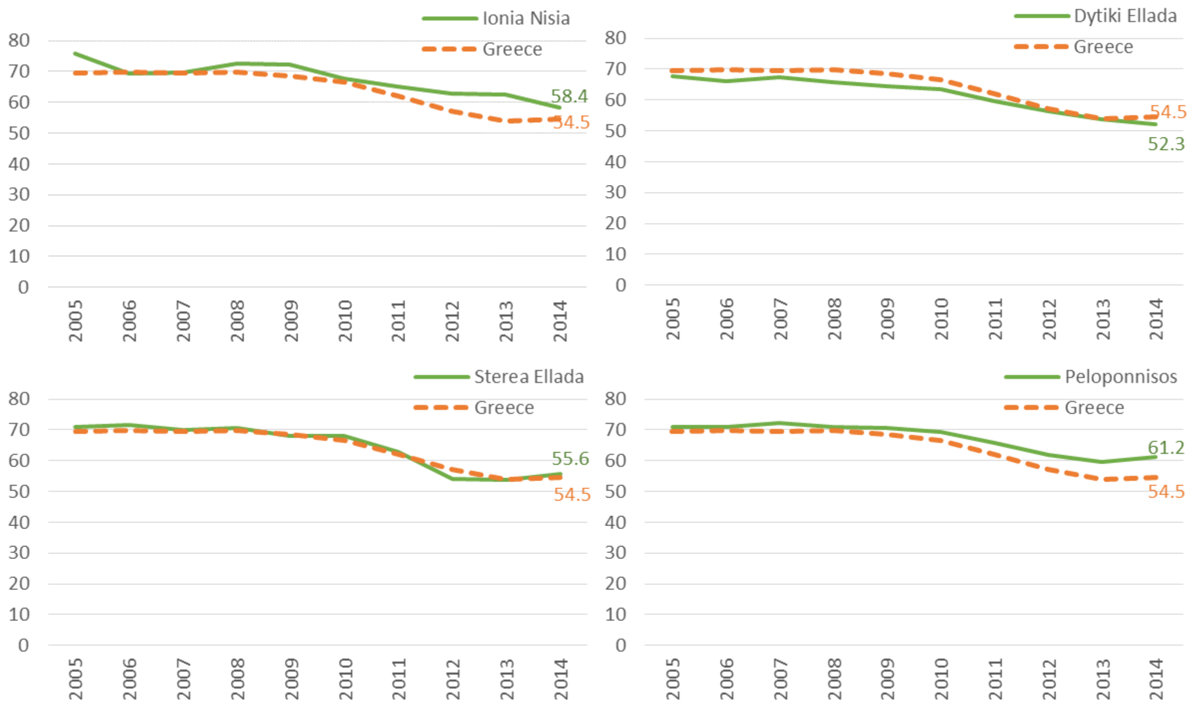
Source: Eurostat, LFS [lfst_r_lfe2eedu] and LFS microdata for the regional data.

Commentary

The employment rate of those aged 25-64 with only basic schooling in Greece was below the EU average in 2015 and this has consistently been the case over the preceding 3 years. People with low education, therefore seem to face particular problems finding work. In most of the lagging regions (except Voreio Aigaio, Kentriki Makedonia and Dytiki Makedonia), the employment rate of those with only basic schooling has usually been above the national average over the last decade. In these regions, therefore, there seem to be more jobs available for the low-educated people than in the rest of the country.

Figure 3.11 – Employment rate of people aged 25-64 with medium education in Greece in 2002-2015 and its lagging regions in 2005-2014


73.9
56.4
Greece
EU average
Voreio Aigaio
Greece
57.6
54.5
Kriti
Greece
58.9
54.5
Anatoliki Makedonia, Thraki
Greece
59.0
54.5
Kentriki Makedonia
Greece
54.5
52.8
Dytiki Makedonia
Greece
54.5
52.2
Ipeiros
Greece
54.5
53.7
Thessalia
Greece
55.7
54.5

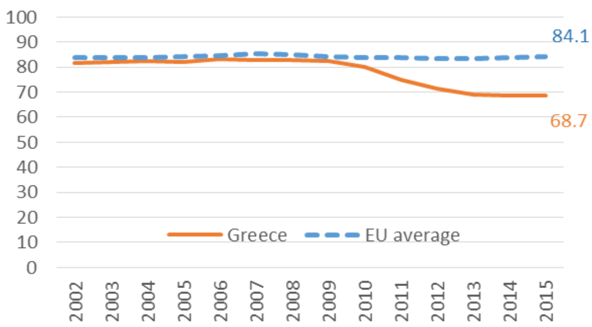


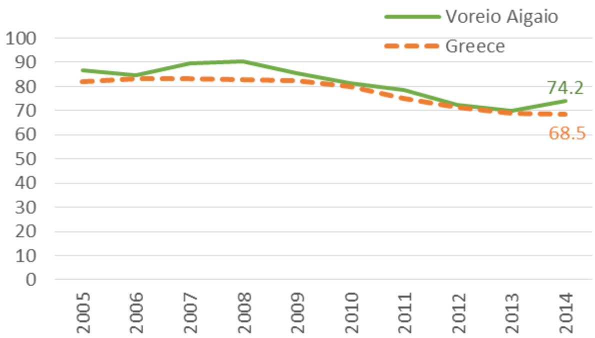
Source: Eurostat, LFS [lfst_r_lfe2eedu] and LFS microdata for the regional data.

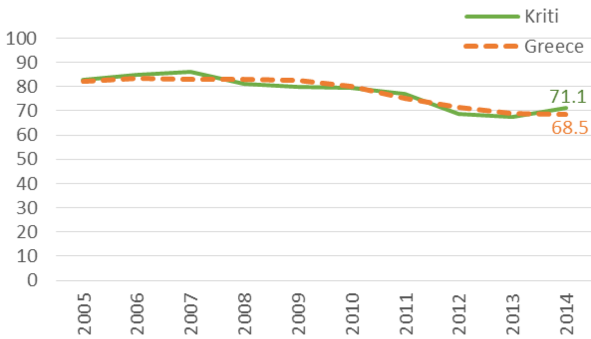
Commentary

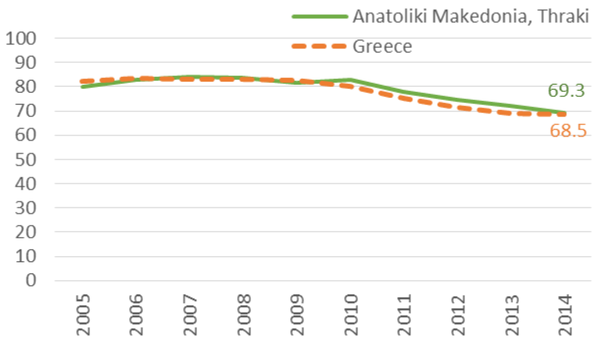
The employment rate of those with upper secondary education in Greece was also below the EU average, though more markedly than for those with only basic schooling. The rate was also below the EU average in the lagging regions, but above the national average in all the lagging regions except four (Kentriki Makedonia, Dytiki Makedonia, Ipeiros and Dytiki Ellada where the rate was only slightly below).

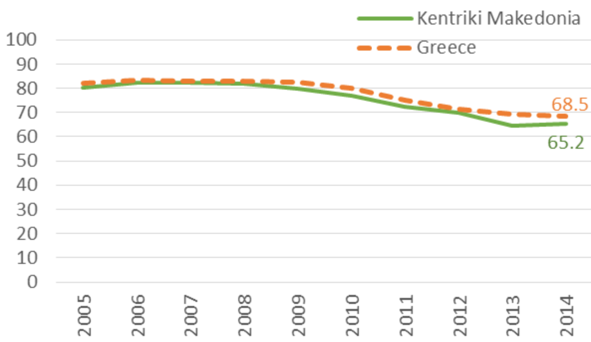
Figure 3.12 – Employment rate of people aged 25-64 with high education in Greece in 2002-2015 and its lagging regions in 2005-2014

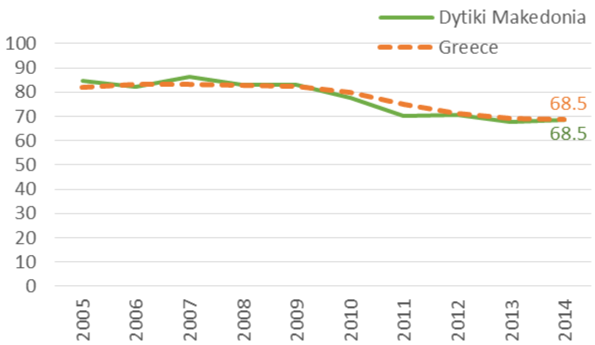

Greece
EU average
84.1
68.7

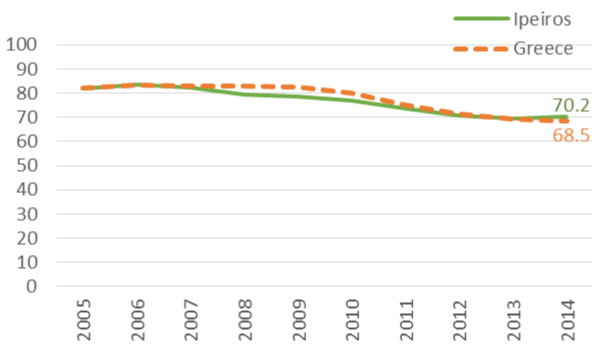

Voreio Aigaio
Greece
74.2
68.5

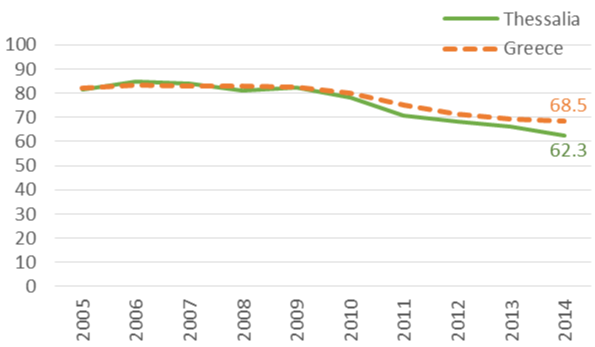

Kriti
Greece
71.1
68.5


Anatoliki Makedonia, Thraki
Greece
69.3
68.5


Kentriki Makedonia
Greece
68.5
65.2


Dytiki Makedonia
Greece
68.5
68.5


Ipeiros
Greece
70.2
68.5


Thessalia
Greece
68.5
62.3

Source: Eurostat, LFS [lfst_r_lfe2eedu] and LFS microdata for the regional data.

Commentary

As for the employment rates for the low-educated and those with upper secondary education, the rate for those with tertiary education in Greece was lower than the EU average in 2015 and this was true over the 2002-2015 period, though the gap, which was marginal up to 2010, increased afterwards. This suggests that in Greece in general the demand for labour is relatively low and people have relatively important difficulty in finding jobs (especially among those with tertiary or upper secondary education). In 2014, the rate was also below the EU average in all the lagging regions and below the national level in five of them. The employment rate was particularly low in Thessalia and Dytiki Ellada, suggesting that the demand for university graduates was well below the national average in these regions.

Table 3.8 – Employment rate by education attainment level in Greece, 2014

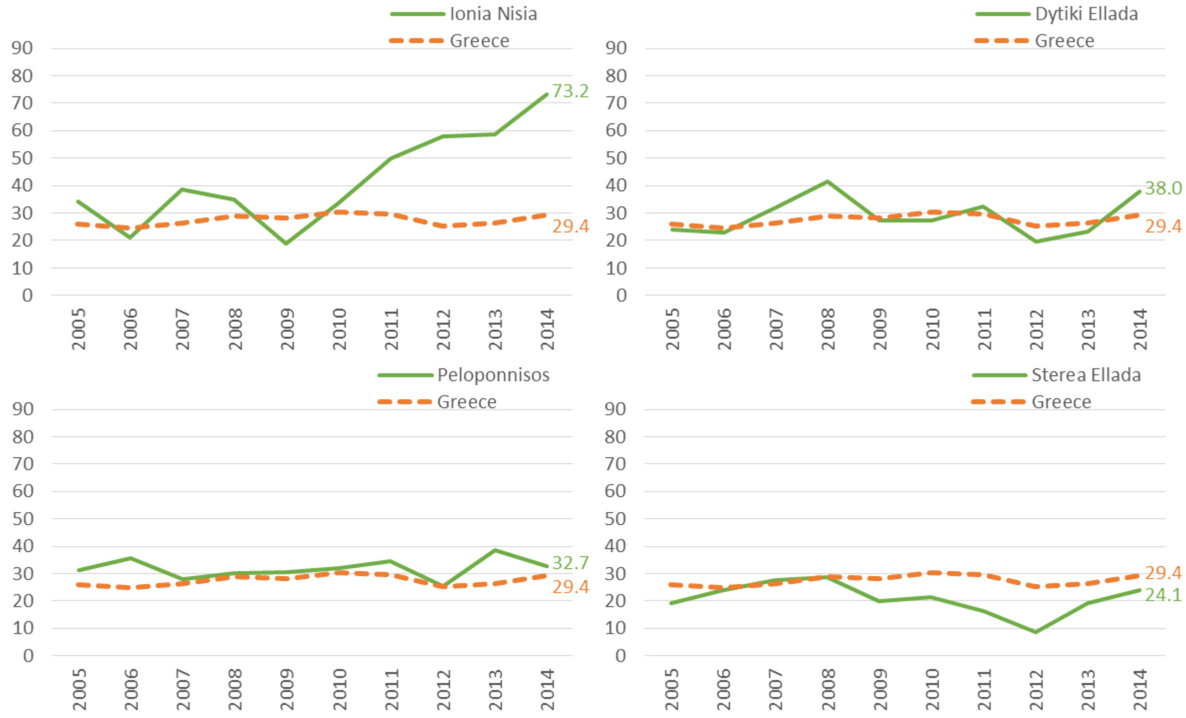
Region	Employment rate (25-64), %, 2014		
	ISCED 0-2	ISCED 3-4	ISCED 5-8
Voreio Aigaio	38.9	57.6	74.2
Kriti	54.7	58.9	71.1
Anatoliki Makedonia, Thraki	50.3	59.0	69.3
Kentriki Makedonia	43.6	52.8	65.2
Dytiki Makedonia	46.1	52.2	68.5
Ipeiros	49.5	53.7	70.2
Thessalia	53.2	55.7	62.3
Ionia Nisia	54.9	58.4	73.3
Dytiki Ellada	49.5	52.3	64.2
Sterea Ellada	50.5	55.6	65.1
Peloponnisos	54.2	61.2	66.4

Greece	**46.9**	**54.5**	**68.5**
EU average	52.8	73.4	83.6

Source: Eurostat, LFS.

Note: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey. Data are from the published LFS microdata, more up-to-date data will be obtained from Eurostat.

Figure 3.13 – Temporary employment (% of total employees aged 15-24) in Greece in 2002-2015 and its lagging regions in 2005-2014

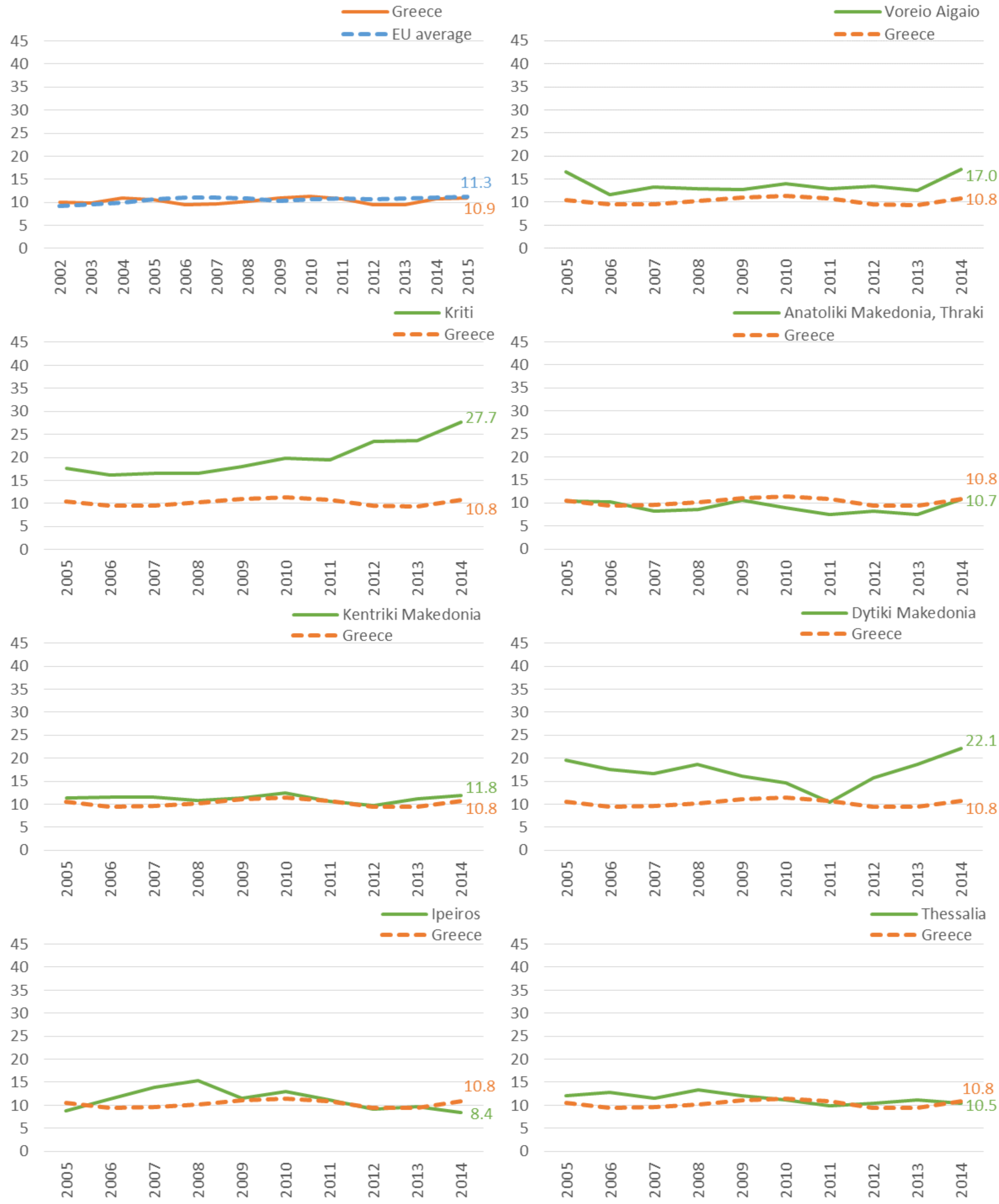


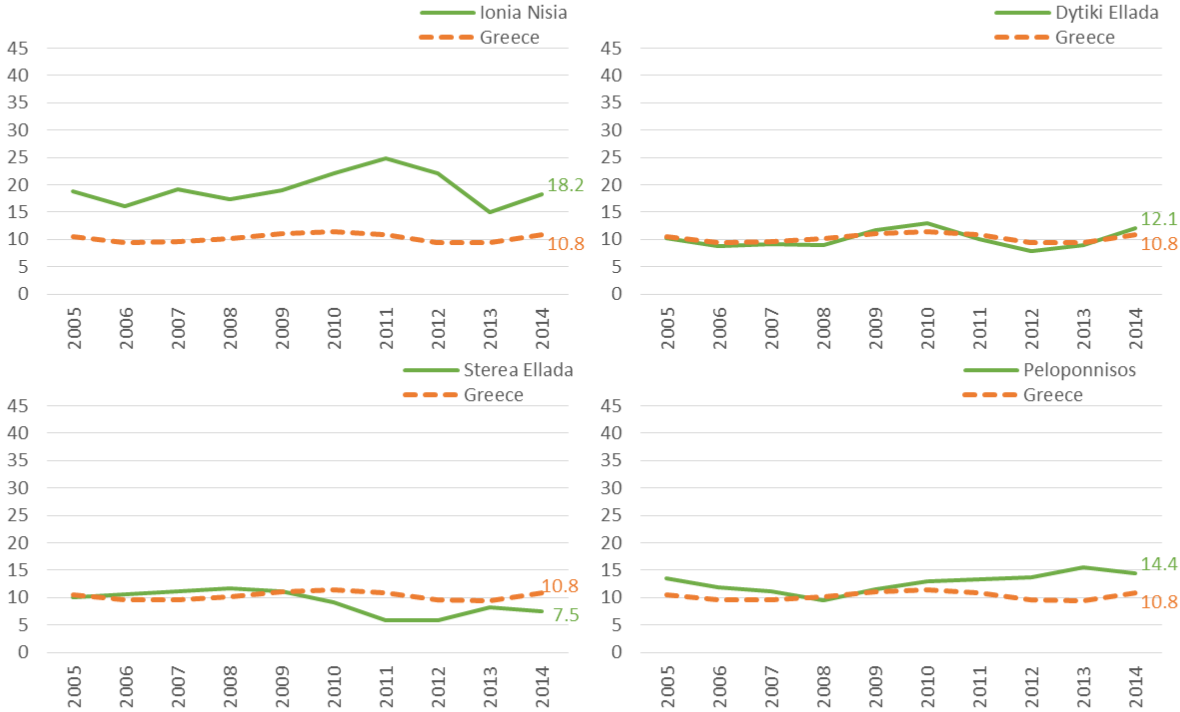
Source: Eurostat, LFS [lfsa_etpga] and LFS microdata for the regional data.

Commentary

The share of young employees aged 15-24 in temporary jobs is much smaller in Greece than in the EU as a whole, and this has consistently been the case over the 2002-2015 period, reflecting the fact that young people are more likely to be employed on regular open-ended contracts in Greece. This is also the case in all the lagging regions except in Kriti, Dytiki Makedonia and Ionia Nisia where the proportion of temporary employment was markedly higher than in the country and in the EU.

Figure 3.14 – Temporary employment (% of total employees aged 25 or over) in Greece in 2002-2015 and in lagging regions in 2005-2014


Greece
EU average
11.3
10.9
Voreio Aigaio
Greece
17.0
10.8
Kriti
Greece
27.7
10.8
Anatoliki Makedonia, Thraki
Greece
10.8
10.7
Kentriki Makedonia
Greece
11.8
10.8
Dytiki Makedonia
Greece
22.1
10.8
Ipeiros
Greece
10.8
8.4
Thessalia
Greece
10.8
10.5



Source: Eurostat, LFS [lfsa_etpga] and LFS microdata for the regional data.

Table 3.9 – Temporary employment in Greece by age group, 2014

Region	Temporary employment (% of total employees), 2014	
	15-24	**25 or over**
Voreio Aigaio	31.5	17.0
Kriti	51.9	27.7
Anatoliki Makedonia, Thraki	29.4	10.7
Kentriki Makedonia	24.9	11.8
Dytiki Makedonia	66.0	22.1
Ipeiros	18.3	8.4
Thessalia	26.8	10.5
Ionia Nisia	73.2	18.2
Dytiki Ellada	38.0	12.1
Sterea Ellada	24.1	7.5
Peloponnisos	32.7	14.4
Greece	**29.4**	**10.8**
EU average	43.4	11.1

Source: Eurostat, LFS.
Notes: Rates which are higher than the national average are shown in red. Rates which are higher than the EU average are highlighted in grey. Data are from the published LFS microdata, more up-to-date data will be obtained from Eurostat.

Commentary

The share of employees aged 25 and over who are in temporary jobs is a more relevant indicator of labour market issues than the share of young people. The share in Greece is again below that observed at the level of the EU, though the difference has been marginal over the 2002-2015 period. However in 7 lagging regions, the proportion of temporary employment was higher than the EU and the national average. The large share reflects the preference of employers to take on workers on fixed-term contracts rather than on standard contracts of employment, which is likely to be a response to the costs involved in dismissing workers should the need arise, but it raises some concern about labour productivity (as employers are likely to be more reluctant to provide training to temporary employees than permanent ones). It was particularly large in Kriti, Dytiki Makedonia and Ionia Nisia in 2015 as well as over most of the past decade. Dytiki Makedonia, which is the lagging region where the employment rate was lowest in 2015, is also the region where the proportion of temporary employment was among the highest, reflecting that in this region it's particularly difficult to get a job, but when this is the case it is more likely to be on a temporary basis compared to elsewhere in the country or in the EU.

Table 3.10 – Job vacancy rate in Greece, 2008

Region	Job vacancy rate, % 2008
Voreio Aigaio	0.4
Kriti	2.3
Anatoliki Makedonia, Thraki	:
Kentriki Makedonia	:
Dytiki Makedonia	:
Ipeiros	:
Thessalia	:
Ionia Nisia	:
Dytiki Ellada	:
Sterea Ellada	:
Peloponnisos	:
Greece	**1.2**
EU average	1.8

Source: Eurostat, Job vacancy statistics.
Notes: In 2008, the EU average is estimated with available data, which excludes BE, DK, IE, EL, ES, FR, IT, CY, MT and AT, for PT data are available only for 2014 and 2015. There is no data for SE for 2008 and 2014.

Commentary

In 2008 (which is the latest year for which statistics on job vacancy are available in Greece), the rate of unfilled job vacancies was lower in Greece than the EU average but because of the partial coverage of the data, it is more meaningful to examine the differences within the country. Regional data is however only available for two of the lagging regions (Voreio Aigaio and Kriti). In the former, the vacancy rate was three times as low compared to the national average while in the latter the reverse was the case.

The combination of low job vacancy rate and low unemployment rate in Voreio Aigaio suggests that the labour market is relatively balanced in this region. In Kriti however the unemployment rate was also lower than the national average (though less so) but the unfilled vacancies are higher, which suggests that the labour market is not sufficient to satisfy the needs of the economy.

Summary 1 – Overview of labour market (percentage point differences relative to the EU average for the national figures and relative to the national average for the regional figures)

LABOUR MARKET	Greece	Voreio Aigaio	Kriti	Anatoliki Makedonia, Thraki	Kentriki Makedonia	Dytiki Makedonia	Ipeiros	Thessalia	Ionia Nisia	Dytiki Ellada	Sterea Ellada	Peloponnisos
Unemployment and long-term unemployment												
Unemployment rate (15+), 2015	+15.5	-6.9	-0.7	-1.5	+1.1	+5.8	-0.4	+2.0	-5.9	+3.6	+0.9	-2.6
LTU rate (15+), 2015	+24.8	-1.3	-17.5	-4.1	+1.4	-9.5	-0.3	+0.1	-5.3	+3.1	+3.3	+4.0
NEETs												
NEET rate (15-24), 2015	+5.2	+3.0	-2.2	+4.3	-1.4	-1.4	-1.6	+5.9	+8.3	-0.1	+7.9	+5.4
Youth unemployment rate												
Youth unemployment rate (15-24), 2015	+29.4	-7.7	-9.4	+4.0	+2.1	-0.4	+8.8	+10.5	+4.8	+4.8	+5.6	+0.7
Youth unemployment rate (15-24), ISCED 0-2, 2014*	+21.1	-25.1	+6.9	+0.7	+8.4	+1.4	+21.2	-14.0	-13.0	+13.8	+7.0	-5.3
Youth unemployment rate (15-24), ISCED 3-4, 2014	+33.7	-5.5	-14.0	+0.2	-3.2	-7.9	+16.2	+7.6	-11.0	+6.3	+5.0	-0.7
Youth unemployment rate (15-24), ISCED 5-8, 2014**	+32.9	-16.6	+4.9	-17.5	+8.1	+13.6	+4.8	+21.2	+8.7	+10.2	+15.3	+8.9
Employment rate												
Total employment rate (20-64), 2015	-15.1	+0.6	+1.2	+0.5	-1.1	-5.5	-1.7	-1.6	+6.2	-3.5	+0.7	+4.0
Female employment rate (20-64), 2015	-18.2	-5.8	+0.7	+0.2	-1.3	-8.6	-1.8	-2.1	+6.6	-4.3	-2.6	+3.5
Employment rate (25-64), ISCED 0-2, 2014	-5.8	-8.0	+7.8	+3.4	-3.3	-0.8	+2.6	+6.3	+8.0	+2.6	+3.6	+7.3
Employment rate (25-64), ISCED 3-4, 2014	-18.9	+3.1	+4.4	+4.6	-1.7	-2.3	-0.8	+1.3	+4.0	-2.2	+1.1	+6.7
Employment rate (25-64), ISCED 5-8, 2014	-15.0	+5.6	+2.5	+0.8	-3.3	-0.0	+1.7	-6.3	+4.7	-4.3	-3.5	-2.1
Temporary work												
Temporary employees (15-24), 2014	-14.0	+2.1	+22.5	+0.0	-4.5	+36.6	-11.1	-2.6	+43.8	+8.6	-5.3	+3.3

Temporary employees (25+), 2014	-0.3	+6.2	+16.9	-0.1	+1.0	+11.3	-2.4	-0.3	+7.4	+1.3	-3.3	+3.6
Job vacancy ***												
Job vacancy rate, 2015		-0.8	+1.1	:	:	:	:	:	:	:	:	:
Structural weaknesses												
Number of unfavourable variables	12	5	5	5	11	10	7	9	5	12	9	7
Number of favourable variables	2	10	10	9	3	4	7	5	9	2	5	7

Notes: Unfavourable situations compared to the EU average are highlighted in grey and those which are unfavourable relative to the national average are shown in red.
** Data for Dytiki Makedonia refer to 2012 and data for Ipeiros refer to 2013.*
*** Data for Voreio Aigaio and Dytiki Makedonia refer to 2013 and data for Ipeiros refer to 2012.*
**** The job vacancy rate is considered in conjunction with the unemployment rate. Low vacancies and high unemployment mean that there is insufficient demand for labour, that there are unused resources which could add to GDP; high vacancies and high unemployment mean that there are structural problems in the sense that labour is available but it does not have the skills demanded by employers; high vacancies and low unemployment signal the labour available is not sufficient to meet the demand; low vacancies and low unemployment suggests a balanced labour market. Since there are problems in comparing vacancy statistics across countries because of the partial extent of coverage, the comparison here is relative to the national average only.*
":" Not available

LABOUR MARKET in Greece	
Country-specific recommendations, 2011-2015	
2011	Adopt a reform of employment protection legislation to extend the probationary period for new jobs to one year, reduce the overall level of severance payments and ensure that the same severance payment conditions apply to blue and white collar workers, raise the minimum threshold for the rules on collective dismissals to apply, especially for larger companies, and facilitate a greater use of temporary contracts and part-time work. Adopt legislation and take all necessary measures to complete the full and effective transposition of EU rules on recognition of professional qualifications, including the transposition of the Professional Qualifications Directive. Enact legislation to reduce social contributions to IKA by 5 percentage points and implement measures to ensure that this is budget neutral.
2012	Adopt a reform of employment protection legislation to extend the probationary period for new jobs to one year, and to facilitate greater use of temporary contracts and part-time work. Adopt acts to strengthen labour market institution and establish that: firm-level agreements prevail over those under sector and occupational agreements without undue restrictions; firm-level collective agreements are not restricted by requirements regarding the minimum size of firms; temporal limits in the use of temporary working agencies are eliminated; impediments for greater use of fixed-term contracts are removed; the provision that establishes higher hourly remuneration to part-time workers is eliminated; and a more flexible working-time management including part-time shift work is allowed for.
2013	Rising LTU presents serious policy challenges to assist the jobless in remaining attached to the labour market and not losing their labour skills in order to be able to reap the benefits from the expected upswing in labour demand going forward. Taking into account the weakness of labour demand in the short term and the lack of benefits available for the LTU and young people, urgent efforts need to be taken to address the social emergency and to underpin aggregate demand.
2014	-
2015	The new Stability support programme approved in 2015 calls on the authorities to integrate all

	existing labour legislation into a single Labour Code. This should facilitate compliance, thus improving the functioning of the labour market and having a positive impact on employment. Providing efficient and effective employment services will require complete and rapid implementation of the long overdue re-engineering project of the PES. The PES should improve links between benefit receipts and participation in active labour market programmes. In order to deliver these improvements, the PES must actively seek partnerships with other service providers, such as the temporary work agency sector as well as foreign PES, and prioritise integration into non-subsidised positions.
Structural reforms carried out, 2011-2015	
2010	Law 3899/2010 extends the probation period for new hiring from 2 months to 1 year.
2011	Law 3986/2011 extends the maximum duration of successive fixed-term employment contracts from 2 to 3 years. The reference period during which the renewals can take place before the contract is automatically transformed into an open-ended contract is extended as well. In addition, more flexible conditions for the regulation of working time in private undertakings are put in place and agreements on working time flexibility are facilitated.
2011	Law 4024/2011 suspends the automatic extension of collective agreements, and facilitates collective agreements at the firm level. In 2015, the Ministry of Labour was working to reshape the framework for collective bargaining in consultation with the social partners, towards the strengthening of the institution and enhancing the mechanisms of mediation and arbitration.
2012	Further reduction of the notification period for employees with period of service of 15 years or more to 4 months, combined with the reduction of the maximum severance pay to 12 monthly salaries for employees with 16 years of service or more in the same employer.
2012	Reduction of employers' social security contributions by 1.1 percentage point. Furthermore, a further reduction of social security contributions by 3.9 percentage points (2.9 percentage points for employers and 1.0 pp for workers) was enacted in 2014 (Law 4254/2014).
2012	Legislation on temporary work agencies and private employment agencies is revised to simplify the conditions and procedures concerning their establishment, reduce administrative costs, broaden the types of work for which hiring through temporary work agencies is possible and reduce restrictions on hiring via agencies.
2013	The authorities started to implement the reform of the PES which aims at supporting job matching between the unemployed and potential employers and activation of the unemployed.
2011-2013	*Operational Plan for the Support of Work 2011:* programme subsidising the insurance contributions of 200,000 full-time employees, in order to retain at least 400,000 job positions in enterprises of the private sector, a subsidy programme addressed to private enterprises hiring unemployed workers. The PES has launched a series of actions to subsidize the social security contributions for two-year period for 25,000 unemployed. A *Youth Employment Action Plan* was established in 2013 to tackle high youth unemployment rate (training vouchers, support to entrepreneurship, work experience). The *National Youth Guarantee Implementation Plan* was updated in 2014 (it includes the creation of a permanent mechanism to diagnose labour market needs which would enable the identification of skills and professions requested by the labour market). Law 4152/2013: Expansion of short-term and temporary public work programmes (unemployed are hired in full-time employment for a period of five months in municipalities, regions, directorates of primary and secondary education and other public services).
Outstanding challenges	
	Unemployment rate remains very high especially among youth, women and LTU.

Sources: CSRs 2011-2012, EAP 2013-2015, Commission Staff Working Document (SWD2014 - 409), National Reform Programmes (NRP) 2011-2015.

Overview

Unemployment is a problem in all the eleven lagging regions (and in particular in the western regions of Dytiki Makedonia and Dytiki Ellada), even if the unemployment rate has decreased in most of these regions over the recent years. Moreover, the long-term unemployment rate was particularly high in the country compared to the EU as a whole, though the gap which widened from 2011 seems to stabilise between 2014 and 2015. And in the lagging regions, the rate was especially large in three regions (Peloponnisos, Dytiki Ellada as well as Sterea Ellada). Youth unemployment rates was also a major problem in Greece and its lagging regions (especially in Ipeiros and Thessalia where about 6 persons aged 15-24 out of 10 are in unemployment). Not only young people struggle to find a job but it’s also more difficult for them to participate in education or training programmes in the lagging regions compared to elsewhere.

Employment rate in Greece was markedly below the EU level in 2015 and this was also the case in all the lagging regions (it was especially low in Dytiki Makedonia). Low employment seems to be a particular problem for those with upper secondary and tertiary education in Greece while employment rates are relatively close to the EU average for those with only basic education. Low employment rates among women are equally a problem in Greece and all the lagging regions, which reflects their low level of labour force participation (which was again particularly low in Dytiki Makedonia in 2015).

The country-specific recommendations in relation to the labour market have mainly focused on extending the probationary period for new jobs, reducing the level of severance payments, promoting the use of temporary contracts and part-time work, reducing social contributions, supporting LTU, integrating all labour legislation into a single Labour Code, and supporting partnership between the PES and the other service providers (such as temporary work agencies, foreign PES).

As a response, the authorities have introduced a number of measures to increase the flexibility of the labour market: the probation period for new employees was extended from 2 months to 1 year (2010), the maximum duration of successive fixed-term employment contracts was also extended from 2 to 3 years (2011), the notification period and the maximum severance payment was reduced for employees with a long period of service (2012), the legislation on temporary work agencies was revised to promote this temporary employment (2012), and the short-term and temporary public work programmes were expanded (2013). These measures are likely to explain the increase observed in the share of temporary employment over the recent couple of years in Greece. In addition, various measures were implemented in order to promote employment: employers’ social security contributions were reduced in 2012 as well as in 2014, programmes were set up to subsidise social security contributions for unemployed and employees. Moreover, a *Youth Employment Action Plan* and a *National Youth Guarantee Implementation Plan* were established in order to tackle youth unemployment rate. Despite these efforts, reducing the unemployment rate among youth, women as well as the rate of long-term unemployment was still considered as an outstanding challenge.

The labour market situation in the eastern islands of Voreio Aigaio and Kriti seems to be more favourable than in the rest of the lagging regions with an employment rate which is slightly higher than in Greece as a whole, and lower rates of unemployment (also among young people) as well as lower shares of long-term unemployment. However, the NEET rate among those aged 15-24 is relatively high in Voreio Aigaio and in Kriti the share of temporary employment is significantly higher compared to the country and the EU for both those aged 15-24 and 25+.

The situation in Anatoliki Makedonia/Thraki and Ionia Nisia is less favourable: unemployment and LTU rates are lower and the employment rates higher compared to the national average but both the NEET and the youth unemployment rates are higher. In addition, in Ionia Nisia, the share of temporary employment is markedly high (in particular for workers aged 15-24).

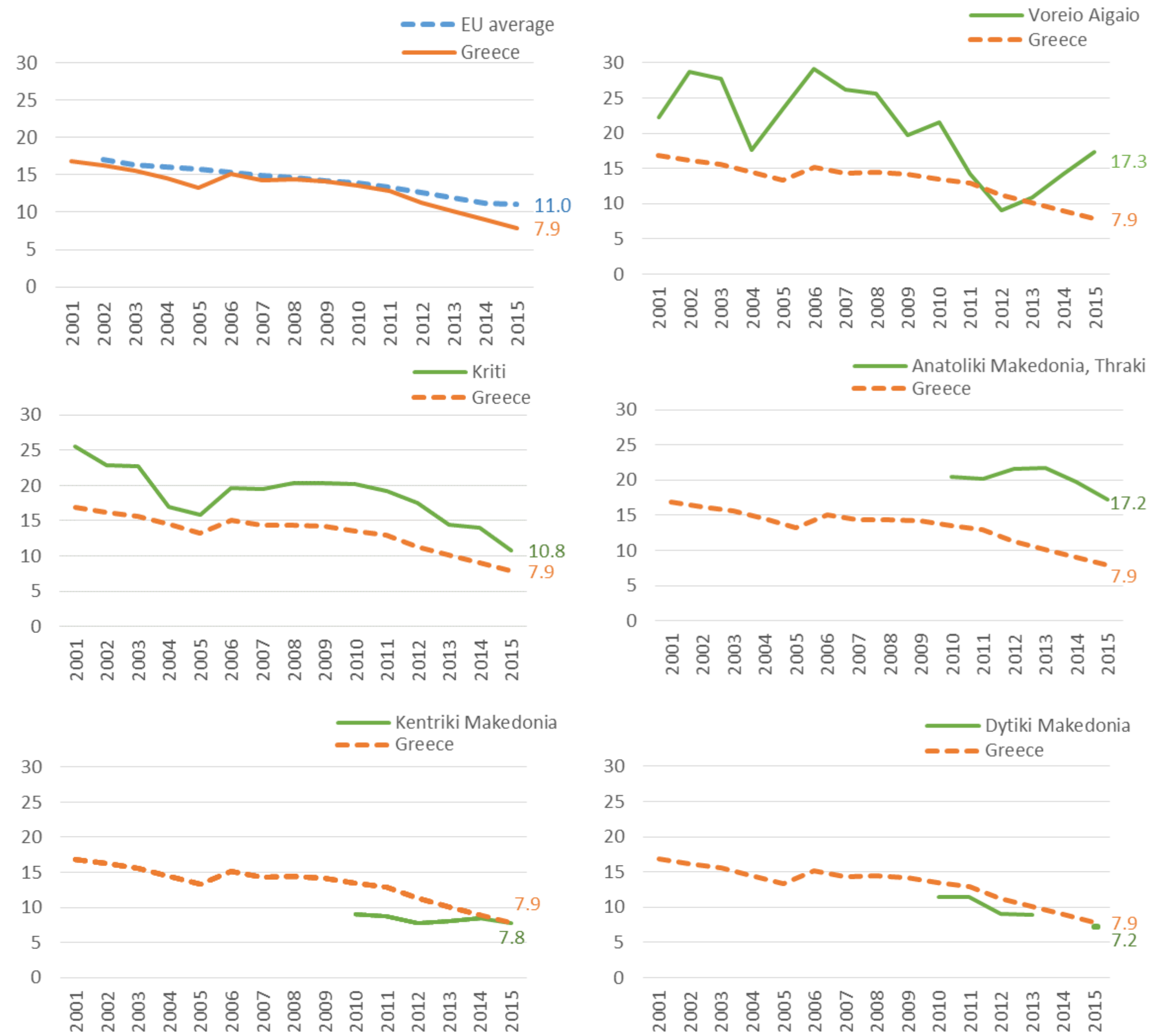
In Ipeiros, the youth unemployment rate is well above the national and EU average (especially among those with only basic education as well as those with upper secondary education), combined with a low employment rate.

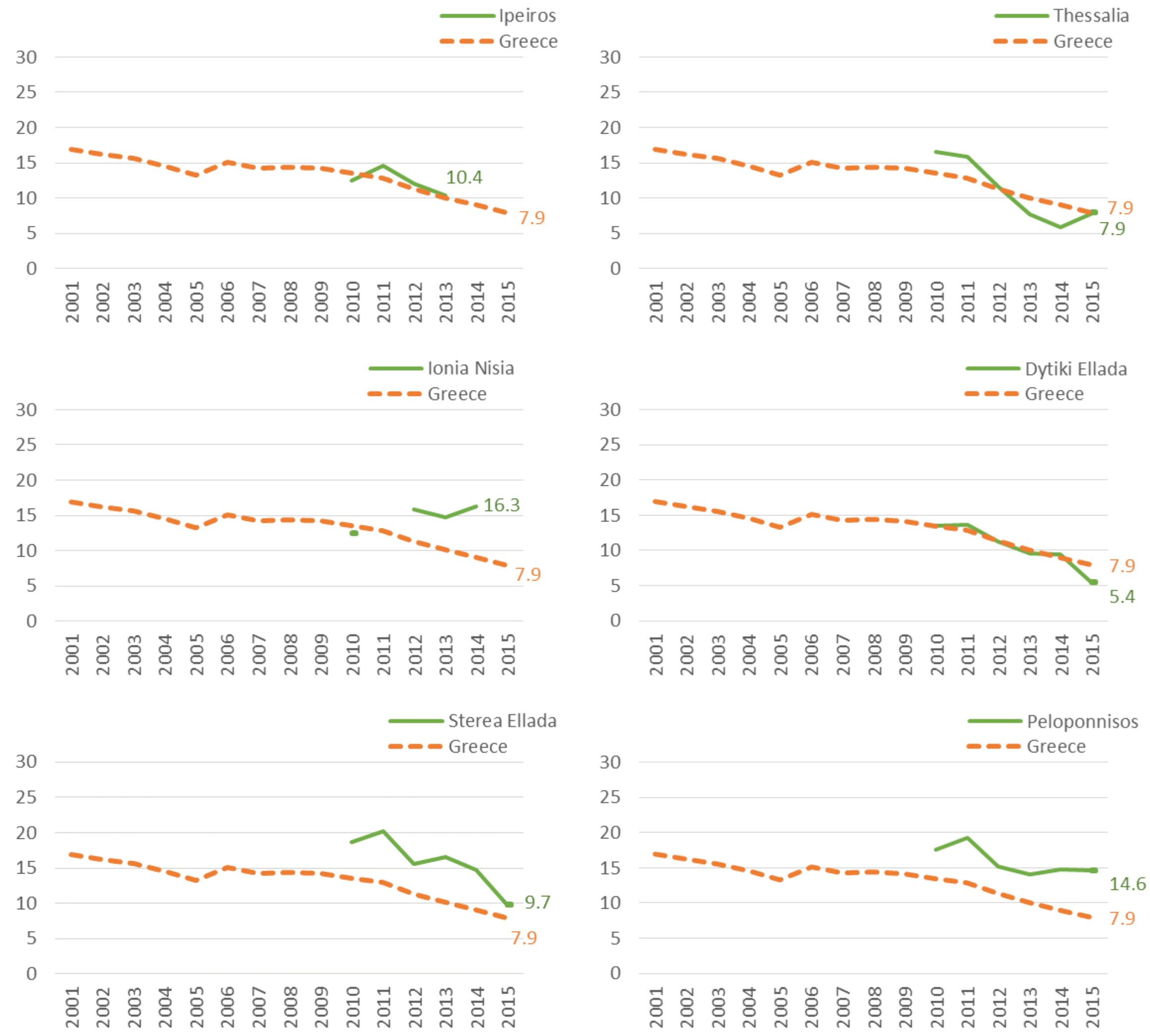
In Thessalia, Sterea Ellada and Peloponnisos, the NEET rate is particularly high compared to the national average, which is accompanied by a relatively higher youth unemployment rate.

In Dytiki Ellada the labour market situation is also critical, with high levels observed for the unemployment rate, the long-term unemployment rate, youth unemployment rate (especially among those with basic and tertiary education) as well as low employment rate, signalling an acute shortage of jobs in this region. The situation is very much the same in Kentriki Makedonia and Dytiki Makedonia, though in the former region the share of temporary employment is significantly higher compared to the country and the EU for both those aged 15-24 and 25+, and in the latter region the LTU rate was much smaller than in Greece as a whole and the youth unemployment rate was relatively similar to the national average.

4. EDUCATION AND TRAINING

Figure 4.1 – Early leavers from education and training in Greece, 2001-2015





Source: Eurostat, LFS [edat_lfse_16].

Table 4.1 – Early leavers from education and training in Greece, 2015

Region	Early leavers aged 18-24, %, 2015
Voreio Aigaio	17.3
Kriti	10.8
Anatoliki Makedonia, Thraki	17.2
Kentriki Makedonia	7.8
Dytiki Makedonia	7.2
Ipeiros*	10.4
Thessalia	7.9
Ionia Nisia**	16.3
Dytiki Ellada	5.4
Sterea Ellada	9.7
Peloponnisos	14.6
Greece	**7.9**

EU average	11.0

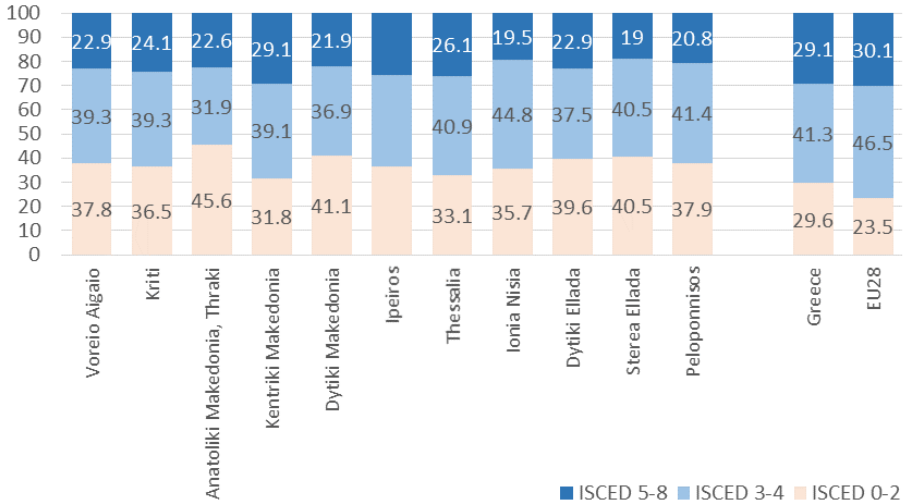
Source: Eurostat, LFS.
*Notes: * Data for Ipeiros refer to 2013.*
*** Data for Ionia Nisia refer to 2014.*
Rates which are higher than the national average are shown in red. Rates which are higher than the EU average are highlighted in grey.

Commentary

The relative number of young people leaving school without any qualifications beyond basic schooling in Greece is below the EU average. It has been so over the 2002-2015 period and it seems that the gap has slightly widened over the recent years. Four of the lagging regions have proportions which are the same as or below the national average (the rate being particularly low in Dytiki Ellada). The number of early school leavers was more than twice the national average in Voreio Aigaio and Anatoliki Makedonia/Thraki. In the former case, the proportion has shown a tendency to rise since 2013 and since the employment rate of those with only basic education is relatively low in this region, this represents an obstacle both for the young people concerned to find employment and for the region to achieve its growth potential.

In Ionia Nisia and Peloponnisos, the relatively high early school leaving rate is combined with a relatively high level of employment among low-educated people which seems to suggest that in these regions young people who have attained at most ISCED level 2 and who are no longer in education or training do not seem to face undue difficulty to find a job.

Figure 4.2 – Educational attainment by ISCED level in Greece, % of population aged 25-64, 2015



Source: Eurostat, LFS [edat_lfse_04].

Table 4.2 – Percentage of population aged 25-64 by educational attainment in Greece, 2015

Region	Individuals with at least upper secondary education, ISCED 3-8, %	Individuals with tertiary education, ISCED 5-8, %
Voreio Aigaio	62.2	22.9

Kriti	63.5	24.1
Anatoliki Makedonia, Thraki	54.4	22.6
Kentriki Makedonia	68.2	29.1
Dytiki Makedonia	58.9	21.9
Ipeiros	63.4	25.8
Thessalia	66.9	26.1
Ionia Nisia	64.3	19.5
Dytiki Ellada	60.4	22.9
Sterea Ellada	59.5	19.0
Peloponnisos	62.1	20.8
Greece	**70.4**	**29.1**
EU average	76.5	30.1

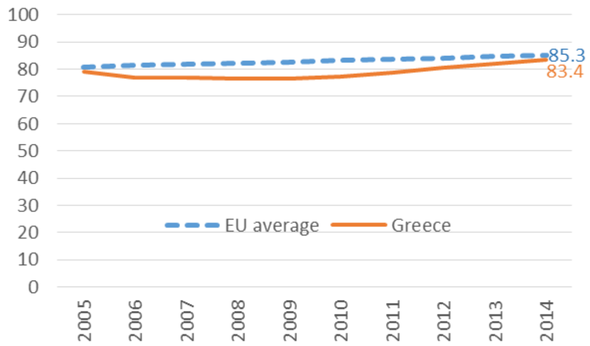
Source: Eurostat, LFS.

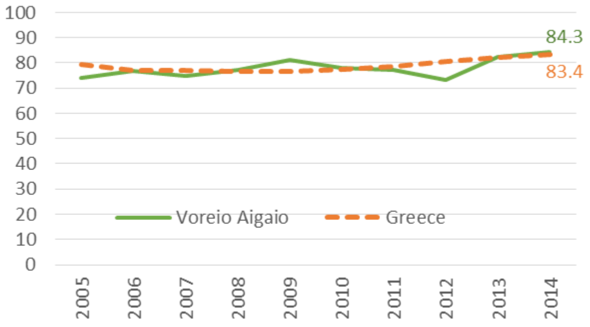
Notes: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey.

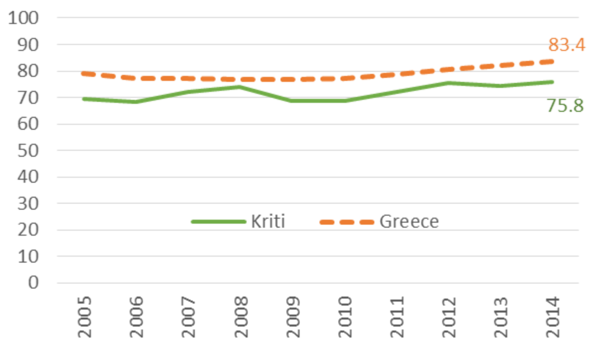
Commentary

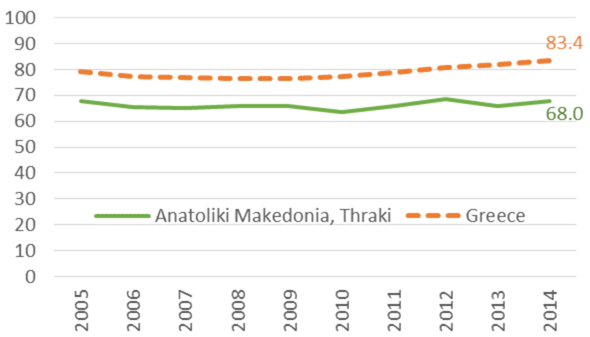
The relative number of people of working age with qualifications beyond basic schooling is lower in Greece than in the rest of the EU and this is also the case in all the eleven lagging regions. In all of these regions, the early school leaving rate was also below the national average. This is especially true in Anatoliki Makedonia/Thraki, where the rate was highest in 2015, which reflects the high early school leaving rate observed in this region over the same year. Similarly, the proportion with tertiary education is also less than the EU average (though less so), as it is again in all of the lagging regions. It is also below the national average in all these regions, except in Kentriki Makedonia. Since the proportion of the work force with tertiary education has consistently been found to be closely correlated with GDP per head, the relatively small proportion is therefore a potential hindrance to growth in most of the lagging regions.

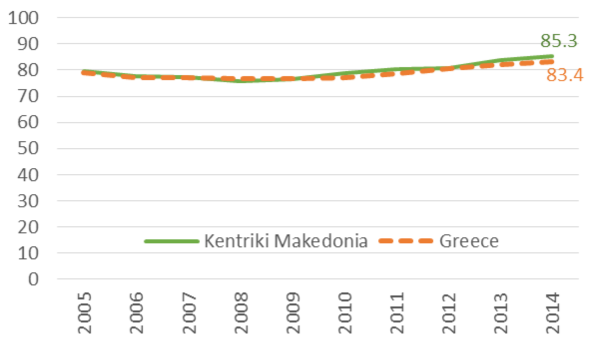
Figure 4.3 – Proportion of individuals aged 25-34 whose highest education level attained is ISCED 3-8 in Greece, 2005-2014

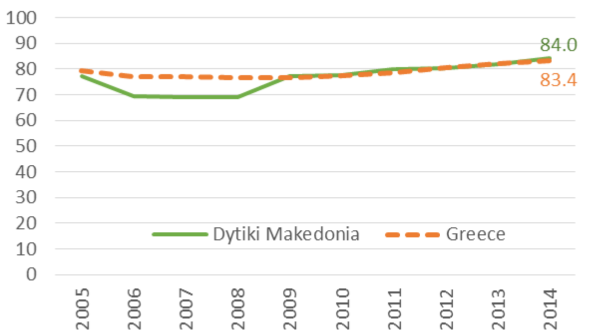

85.3
83.4
EU average
Greece

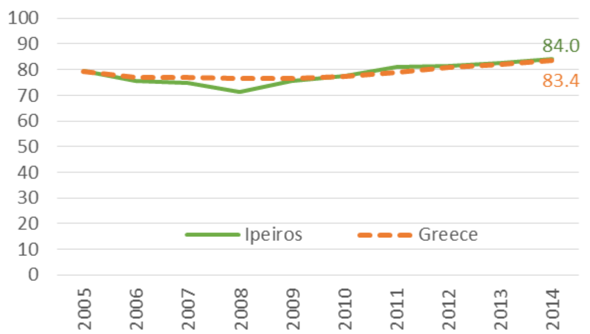

84.3
83.4
Voreio Aigaio
Greece

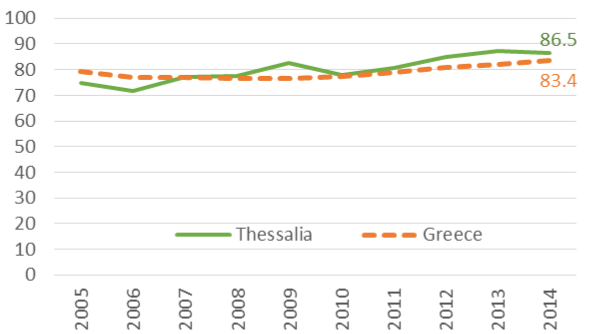

83.4
75.8
Kriti
Greece

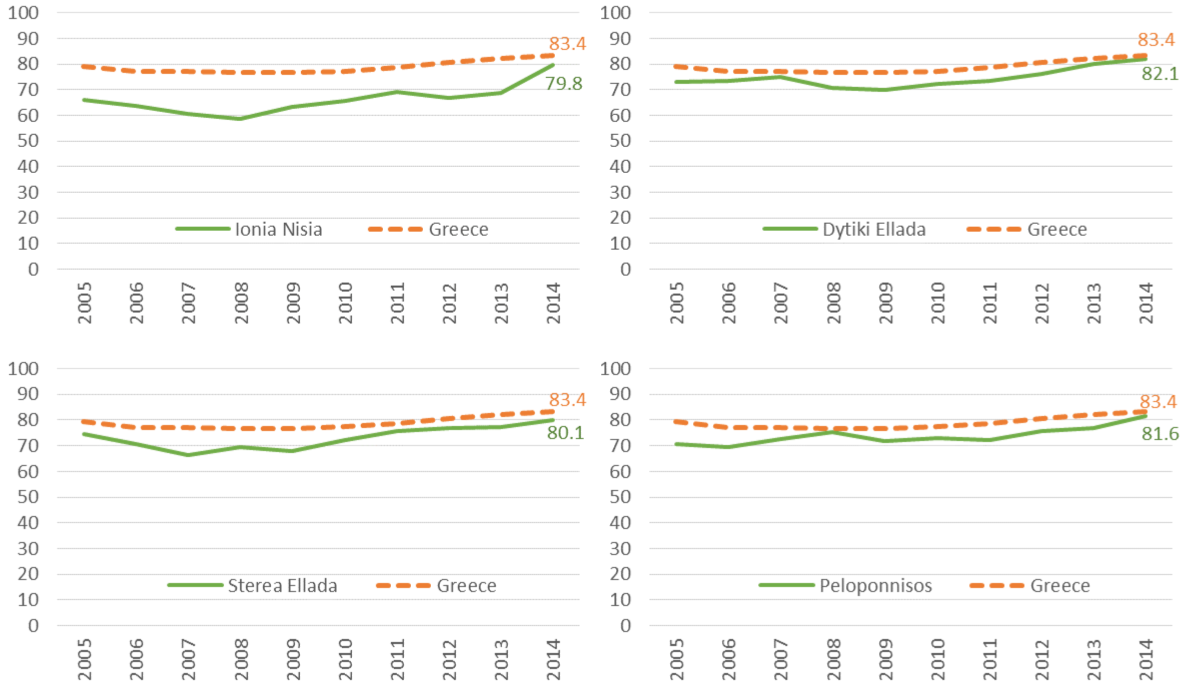

83.4
68.0
Anatoliki Makedonia, Thraki
Greece


85.3
83.4
Kentriki Makedonia
Greece


84.0
83.4
Dytiki Makedonia
Greece

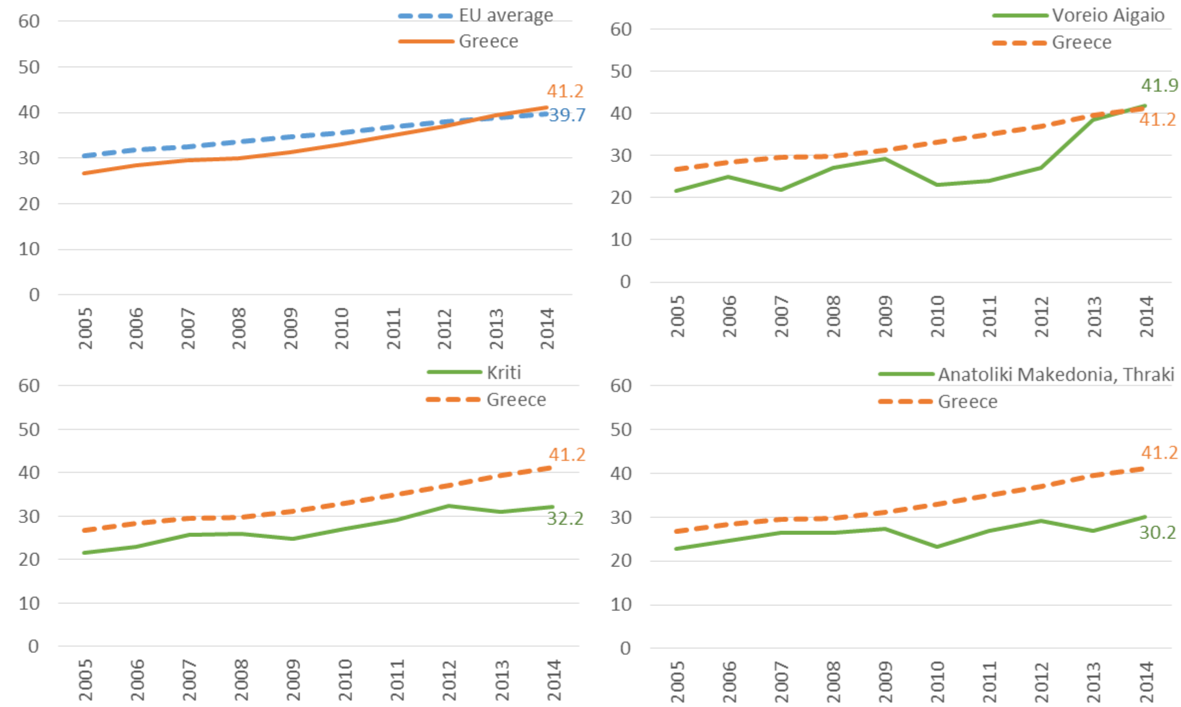

84.0
83.4
Ipeiros
Greece

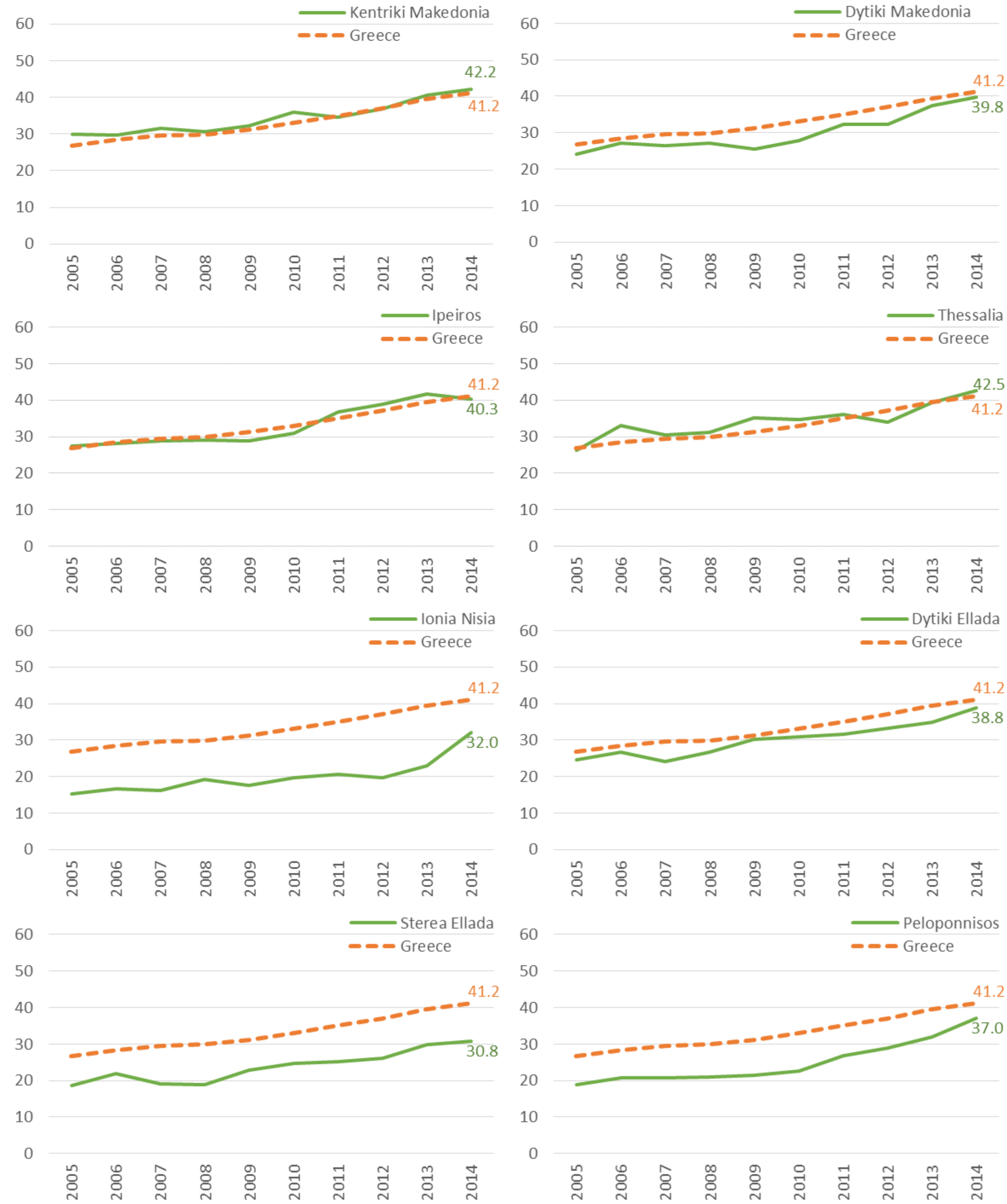

86.5
83.4
Thessalia
Greece



Source: Eurostat, LFS microdata.

Figure 4.4 – Proportion of individuals aged 25-34 whose highest education level attained is ISCED 5-8 in Greece, 2005-2014





Source: Eurostat, LFS microdata.

Table 4.3 – Highest educational level attained among people aged 25-34 in Greece, 2014

Region	ISCED 3-8, %	ISCED 5-8, %
Voreio Aigaio	84.3	41.9
Kriti	75.8	32.2
Anatoliki Makedonia, Thraki	68.0	30.2
Kentriki Makedonia	85.3	42.2
Dytiki Makedonia	84.0	39.8

Ipeiros	84.0	40.3
Thessalia	86.5	42.5
Ionia Nisia	79.8	32.0
Dytiki Ellada	82.1	38.8
Sterea Ellada	80.1	30.8
Peloponnisos	81.6	37.0
Greece	**83.4**	**41.2**
EU average	85.3	39.7

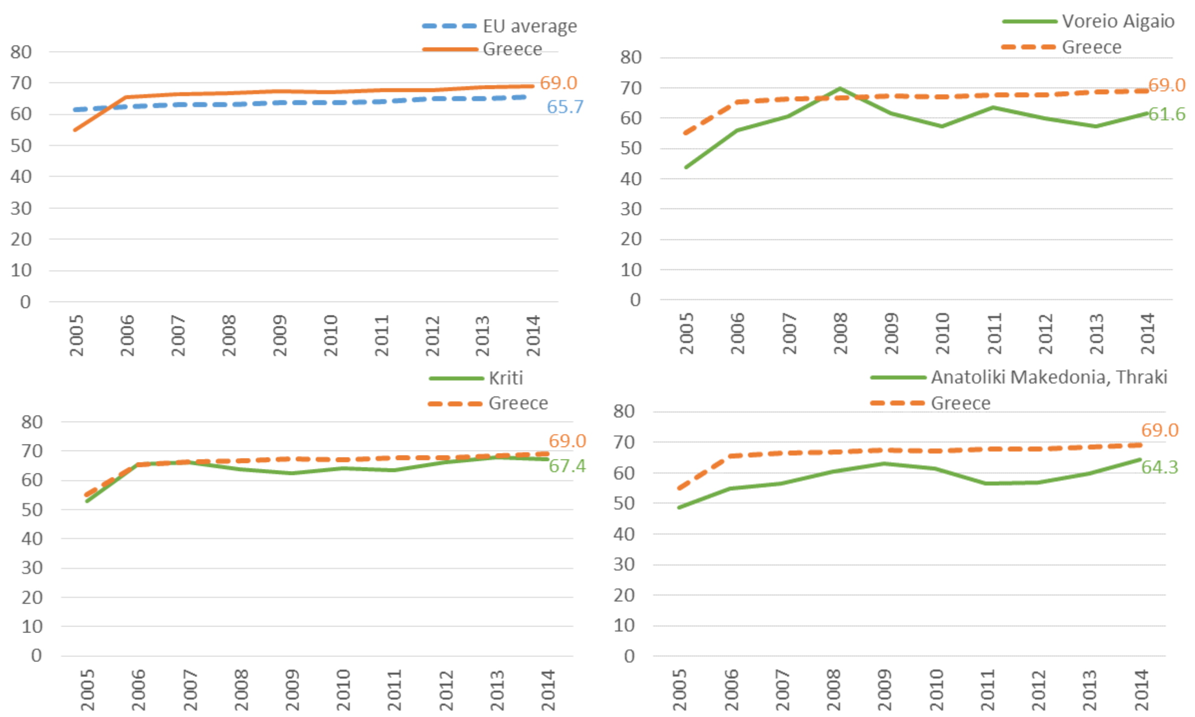
Source: Eurostat, LFS.

Notes: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey. Data are from the published LFS microdata, more up-to-date data will be obtained from Eurostat.

Commentary

Unlike for the working-age population as a whole, the proportion of the 25-34 age group in Greece with tertiary education is slightly above the EU average, reflecting the expansion of participation in tertiary education over the last decade. The proportion is also above the EU average in 5 lagging regions (it is particularly high in Thessalia, Kentriki Makedonia and Voreio Aigaio). In the other lagging regions, the proportion with tertiary qualifications is below the EU and the national average (it is especially low in Anatoliki Makedonia/Thraki as well as Sterea Ellada, which reflects the low proportions observed among the working-age population in these regions).

Figure 4.5 – Share of young people aged 15-24 in regular education or vocational training in Greece, 2005-2014



Source: Eurostat, LFS microdata.

Table 4.4 – Share of young people aged 15-24 in regular education or vocational training in Greece, 2014

Region	Young people in regular education or vocational training (% of population 15-24) 2014
Voreio Aigaio	61.6
Kriti	67.4

Anatoliki Makedonia, Thraki	64.3
Kentriki Makedonia	71.3
Dytiki Makedonia	73.7
Ipeiros	72.8
Thessalia	70.4
Ionia Nisia	61.2
Dytiki Ellada	71.8
Sterea Ellada	58.1
Peloponnisos	56.0
Greece	**69.0**
EU average	65.7

Source: Eurostat, LFS.
Notes: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey.
Data are from the published LFS microdata, more up-to-date data will be obtained from Eurostat.

Table 4.5 – Share of young people aged 15-24 in vocational education or training in Greece, 2014

Region	Young people in vocational education or training (% of population 15-24) 2014
Voreio Aigaio	5.7
Kriti	8.0
Anatoliki Makedonia, Thraki	7.1
Kentriki Makedonia	6.8
Dytiki Makedonia	5.8
Ipeiros	5.1
Thessalia	8.0
Ionia Nisia	2.2
Dytiki Ellada	7.8
Sterea Ellada	6.3
Peloponnisos	5.4
Greece	**6.9**
EU average	16.4

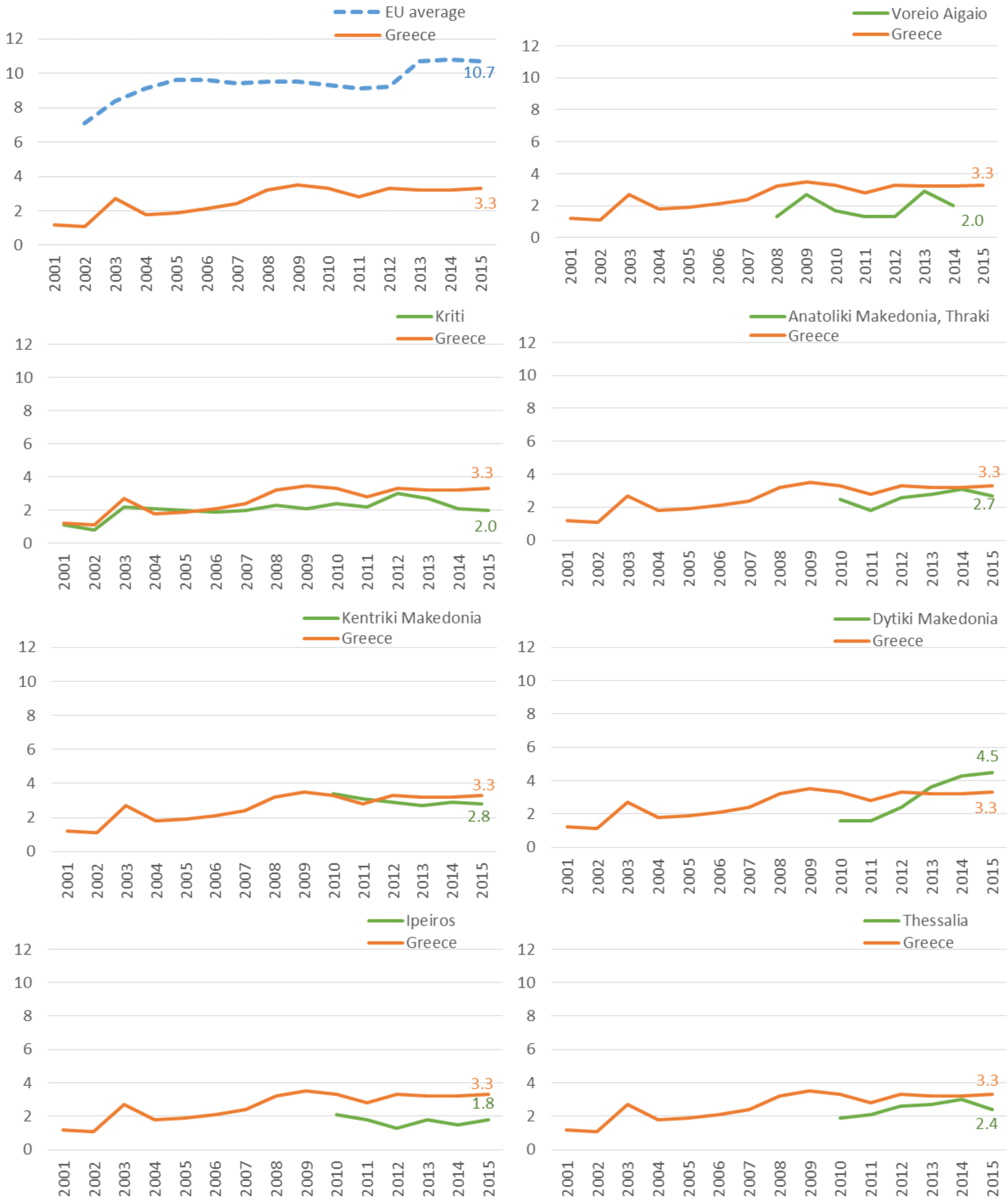
Source: Eurostat, LFS.
Notes: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey.
Data are from the published LFS microdata, more up-to-date data will be obtained from Eurostat.

Commentary

The proportion of young people aged 15-24 in regular education or vocational training in Greece is above the level observed in the EU as a whole, and this has been so over most of the last decade. This is also the case in six of the lagging regions, especially in Dytiki Makedonia and Ipeiros, in both which the proportion is also above the national average. By contrast, the proportion is particularly small in Sterea Ellada and Peloponnisos.

The proportion of young people in vocational education or training is significantly lower in Greece than in the EU as a whole, as it is in all the lagging regions, especially in Ionia Nisia where it is also well below the national average. This implies that in this region, the proportion studying at the tertiary level is relatively small, which suggests that the gap with the other regions in the share of 25-34 year-olds with this level of education is unlikely to close over the next few years.

Figure 4.6 – Participation rate of people aged 25-64 in continuing education and training in Greece, 2001-2015



Source: Eurostat, LFS [trng_lfse_04].

Table 4.6 – Participation rate of people aged 25-64 in continuing education and training in Greece, 2015

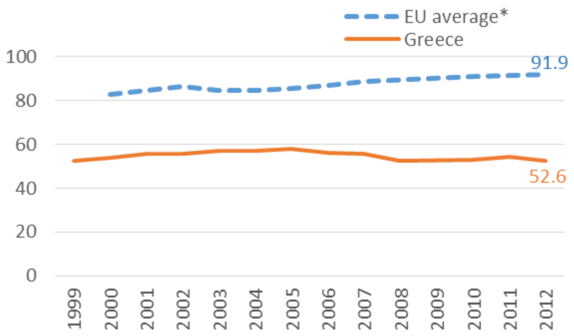
Region	Education and training participation rate, %, 2015
Voreio Aigaio*	2.0
Kriti	2.0
Anatoliki Makedonia, Thraki	2.7
Kentriki Makedonia	2.8
Dytiki Makedonia	4.5
Ipeiros	1.8
Thessalia	2.4
Ionia Nisia	3.1
Dytiki Ellada	3.2
Sterea Ellada	1.0
Peloponnisos	1.2
Greece	**3.3**
EU average	10.7

Source: Eurostat, LFS.
*Notes: * Data for Voreio Aigaio refer to 2014. Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey.*

Commentary

The participation of those aged 25-64 in continuing education or training is markedly lower in Greece than in the EU. This has been consistently the case over the 2001-2015 period, and the rate was relatively stable over the recent years. The situation is even less favourable in all the eleven lagging regions, though less so in Dytiki Makedonia, where the proportion was larger than the national average according to the 2015 data. In the other regions it is less than the national average and has consistently been so over the recent years (data for most of the lagging regions are only available from 2010. This is especially the case in Sterea Ellada and Peloponnisos, where the proportion accounted for a third of the national average in 2015. In Greece generally, therefore, and in most of the lagging regions in particular, workers have less possibility of improving their skills or acquiring new ones than in the rest of the EU; equally, the unemployed have less access to training to help them increase their employability.

Figure 4.7 – Participation rate of 4-years-olds in education in Greece, 1999-2012



Source: Eurostat, Regional education statistics [educ_regind].
Notes: Data for Voreio Aigaio and Kriti are only available for 2011-2012. Data for the rest of the lagging regions are not available.

Table 4.7 – Participation rate of 4-year-olds in education in Greece, 2012

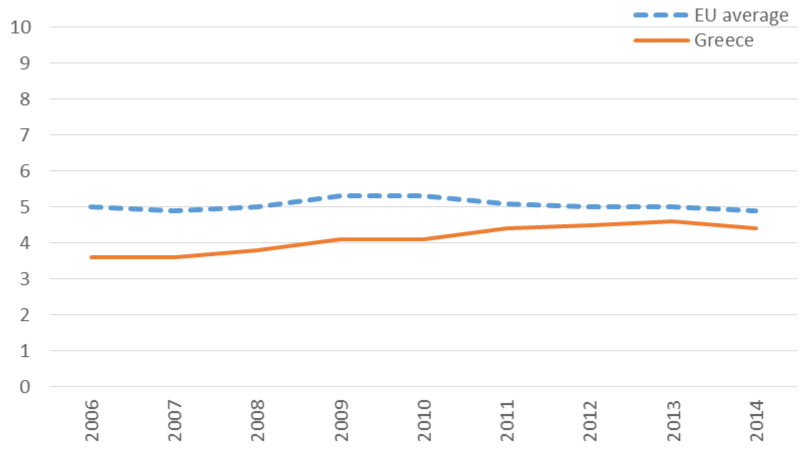
Region	4-years-old in education, %, 2012
Voreio Aigaio	84.2
Kriti	64.9
Anatoliki Makedonia, Thraki	:
Kentriki Makedonia	:
Dytiki Makedonia	:
Ipeiros	:
Thessalia	:
Ionia Nisia	:
Dytiki Ellada	:
Sterea Ellada	:
Peloponnisos	:
Greece	**52.6**
EU average (EU27)	91.9

Source: Eurostat, Regional education statistics.
Notes: Rates which are lower than the EU average are highlighted in grey.

Commentary

The extent to which children are involved in education at the age of 4 is much less in Greece than in the EU and there is no tangible sign that the gap is narrowing (at least up to 2012 which is the latest year for which data is available). Data is only available for two regions (Voreio Aigaio and Kriti) and in both case the proportion was less than the EU level but above the national average (especially in Voreio Aigaio), implying that children seem to be better prepared for school in these islands than in the other parts of the country.

Figure 4.8 – Expenditure of the general government in education in Greece, 2006-2014, % of GDP



Source: Eurostat, General government expenditure [gov_10a_exp].

Commentary

Expenditure on education was slightly lower in relation to GDP in Greece than the EU average in 2014 and this was consistently the case over the preceding 8 years even if the gap seems to have narrowed in the recent years.

Summary 2 – Overview of Education (percentage point differences relative to the EU average for the national figures and relative to the national average for the regional figures)

EDUCATION	Greece	Voreio Aigaio	Kriti	Anatoliki Makedonia, Thraki	Kentriki Makedonia	Dytiki Makedonia	Ipeiros	Thessalia	Ionia Nisia	Dytiki Ellada	Sterea Ellada	Peloponnisos
Early leavers												
Early leavers aged 18-24, 2015*	-3.1	+9.4	+2.9	+9.3	-0.1	-0.7	+2.5	-	+8.4	-2.5	+1.8	+6.7
Educational attainment level												
Share of population aged 25-64 with ISCED 3-8, 2015	-6.1	-8.2	-6.9	-16.0	-2.2	-11.5	-7.0	-3.5	-6.1	-10.0	-10.9	-8.3
Share of population aged 25-64 with ISCED 5-8, 2015	-1.0	-6.2	-5.0	-6.5	-	-7.2	-3.3	-3.0	-9.6	-6.2	-10.1	-8.3

Share of population aged 25-34 with ISCED 3-8, 2014	-1.8	+0.8	-7.6	-15.5	+1.9	+0.6	+0.5	+3.0	-3.6	-1.4	-3.3	-1.8
Share of population aged 25-34 with ISCED 5-8, 2014	+1.5	+0.7	-9.0	-11.0	+1.0	-1.4	-0.9	+1.4	-9.1	-2.4	-10.4	-4.2
Education and apprenticeship												
Young people aged 15-24 in regular education or vocational training, 2014	+3.3	-7.4	-1.6	-4.7	+2.3	+4.7	+3.9	+1.4	-7.8	+2.8	-10.9	-13.0
Young people aged 15-24 in vocational education or training , 2014	-9.5	-1.2	+1.0	+0.2	-0.1	-1.2	-1.9	+1.0	-4.7	+0.8	-0.6	-1.6
Lifelong learning												
Participation rate of 25-64 in continuing education and training, 2015**	-7.4	-1.3	-1.3	-0.6	-0.5	+1.2	-1.5	-0.9	-0.2	-0.1	-2.3	-2.1
Early childhood education												
Participation rate of 4-years-olds in education, 2012	-39.3	+31.6	+12.3	:	:	:	:	:	:	:	:	:
Education expenditure												
General government expenditure in education (% of GDP), 2014	-0.5	:	:	:	:	:	:	:	:	:	:	:
STRUCTURAL IMBALANCE												
Number of unfavourable variables	7	6	7	7	3	4	6	3	8	5	8	8
Number of favourable variables	3	3	2	1	4	4	2	4	0	3	0	0

Notes: Unfavourable situations compared to the EU average are highlighted in grey and those which are unfavourable relative to the national average are shown in red.
** Data for Ipeiros refer to 2013. Data for Ionia Nisia refer to 2014.*
*** Data for Voreio Aigaio refers to 2014.*
":" Not available, "-" No difference.

EDUCATION in Greece	
Country-specific recommendations, 2011-2015	
2011	To implement the Action Plan for the improvement of the effectiveness and efficiency of the education system and regularly report (twice a year) on the progress of its implementation, including an indicative planning of self-evaluations and external evaluations of Higher Education institutions in compliance with the new Law 4009/2011 on Higher Education.
2012	Establish an independent taskforce of education policy aiming at increasing the efficiency of the public education system (primary, secondary and higher education) and reach a more efficient use of resources.
2013	The Government has taken important steps to rationalise the Greek education system, but further efforts are needed to improve the quality of education, while continuing the rationalisation process.
2014	Clear efforts to rationalise the Greek education system have been undertaken, but further measures are needed to improve its quality. The initiatives included in the Education Action Plan need to be fully implemented, and the authorities should take the necessary additional steps to implement effectively the new policy of evaluation of schools and of educational staff. Further steps to increase financial and organisational autonomy of primary and secondary schools should also be considered. In Higher Education, the provisions of laws 4009/2011 and 4076/2012 need to be fully implemented and a comprehensive impact assessment of the Athina project is now urgent as a basis for possible

	additional rationalisation steps. The upgrading and expansion of vocational education and apprenticeships is crucial for fostering sustainable employment and make efficient use of human capital. An outline roadmap has already been adopted and the legal framework revised, but collaboration between the Government departments concerned (Ministry of Labour, Ministry of Education, and OAED) has so far been insufficient and substantial additional work is needed for implementation.
2015	-
Structural reforms carried out, 2011-2015	
2010	Law 3848/2010: various training are organised for teachers (for instance on innovation management, school violence, new theories of learning).
2011-2012	In higher education, the provisions of Laws 4009/2011 and 4076/2012 on the organisation and governance of higher education are being applied, including the external evaluation of higher education institutions. As far as rationalisation is concerned, a first wave of consolidation/mergers of departments has been finalised in the framework of the *Athina project* to increase efficiency. This project has led to the closure of 4 universities and the merger of a very large number of university departments.
2011	The *New School policy* for primary and secondary level education aims to improve the educational system. It is based on five key school principles: all-day, inclusive, digital, sustainable and innovative.
2011	Reform on the mergers of school units (*Kallikratis programme*) in primary and secondary education aims at upgrading the quality of education, ensuring the optimal development of infrastructures in order to allow the application of innovative teaching methods and facilitate the work of teachers and the provision of quality education services.
2013	The new curricula for secondary education are applied on a pilot basis in a restricted number of school units (188) in order to be evaluated.
2013	Law 4186/2013: *Schools of Vocational Training* were established to provide initial vocational training services. In addition, the *Apprenticeship Programme for Graduates of Technical Education for gaining work experience* aims at awarding scholarships to graduates of technical education in order to acquire working experience through apprenticeship over 2-6 months in the productive sector to enhance the knowledge and skills and to facilitate their entry into the labour market.
2015	Implementation of a national strategic policy framework to improve the quality and effectiveness of vocational education and training. This includes measures to improve the relevance of VET systems with the labour market and to improve the quality and attractiveness of VET.
2015	The authorities have recently increased the weekly teaching hours by 2 in secondary education, bringing teaching hours closer to the OECD average. This is an important structural measure which should contribute to the rationalisation of the school network. In addition, the authorities are planning to prepare an updated *Education Action Plan* in 2016 to align the number of teaching hours per staff member, the ratio of students per class and pupils per teacher to the best practices of OECD countries (to be achieved at the latest by June 2018).
2015	The Government is planning to take the following actions: (i) legislate on a modern quality framework for VET/Apprenticeships, (ii) set up a system to identify skills needs and a process for upgrading programmes and accreditation, (iii) launch pilots of partnerships with regional authorities and employers, (iv) provide an integrated implementation plan from the Ministry of Labour, the Ministry of Education, and OAED to provide the required number of apprenticeships for all vocational students by 2016 and at least 33% of all technical secondary education students by 2016-2017 and (v) ensure a closer involvement of employers and a greater use of private financing.
Outstanding challenges	
	More efforts are needed to improve the quality of education.
	There is a need to upgrade and expand vocational education, training and apprenticeship in order to increase the level of skills and the employability of people entering into the labour market.

Sources: CSRs 2011-2012, EAP 2013-2015, Commission Staff Working Document (SWD2014 - 409), National Reform Programmes (NRP) 2011-2015.

Overview

The proportion of people aged 18-24 leaving school without adequate qualifications is relatively low in Greece as compared with the EU though this is not the case in all the lagging regions of the country. It was indeed particularly high (above the national and EU average) in Voreio Aigaio or Anatoliki Makedonia/Thraki according to the 2015 data.

The proportion of people of working age with at least upper secondary education is lower in Greece than the EU average, as it is in all the lagging regions, where the proportion was also smaller compared to the national average. And a similar picture is observed for those aged 25-64 with tertiary education: in most of the lagging regions, the proportion of people with university education or equivalent is indeed lower than in the country as a whole. Nevertheless, participation in tertiary education in Greece has increased significantly over the recent and this is reflected in the relatively large share of 25-34 year-olds who have attained this level, which is slightly above that in the rest of the EU. The same is the case in about half of the lagging regions. In the rest, the proportion of young people who have successfully completed a tertiary-level education programme is less than the EU average and less than the national average in 6 regions, in particular in Anatoliki Makedonia/Thraki and Sterea Ellada. In these regions, the proportion of the 15-24 age group undertaking a tertiary-level programme was also relatively small, which suggests that the overall share of working-age population with this level of education is not likely to increase in future years.

The relative number of 15-24 year-olds in some form of education or training is however larger in Greece than in the EU, but in about half of the lagging regions, it is lower than the national level (which is problematic for the future education level of the work force in these regions). In addition, the number of young people in vocational education or training was lower in Greece than in the EU and particularly low in 7 lagging regions (in particular in Ionia Nisia).

The main weakness of the education and training system in Greece, however, lies in the very limited extent of continuing training. The proportion of those aged 25-64 participating in education or training is indeed considerably below the EU average and this is even more the case in the lagging regions (except in Dytiki Makedonia where the rate is higher than in the country as a whole). Accordingly, workers have limited opportunity to learn new skills and to adapt to advances in technology and methods of working.

It is also the case that the extent of earlier childhood education (the proportion of 4-year olds in school or pre-school) is less in Greece than in the rest of the EU, though this is not the case in the two lagging regions for which data is available, which suggests that children may be better prepared for their future schooling in these regions (Voreio Aigaio and Kriti) than those elsewhere in the country.

Country-specific recommendations in relation to education and training have mainly focused on improving the quality of education and on the implementation of the rationalisation process. Despite several measures in higher and vocational education over the 2011-2015 period (such as the creation of *Schools of Vocational Training*, the new apprenticeship programme for technical graduates, the university and school mergers, the external evaluations of higher education institutions, the increase of teaching hours in secondary education), it was still considered that the quality of education (and vocational education in particular) remained an outstanding challenge.

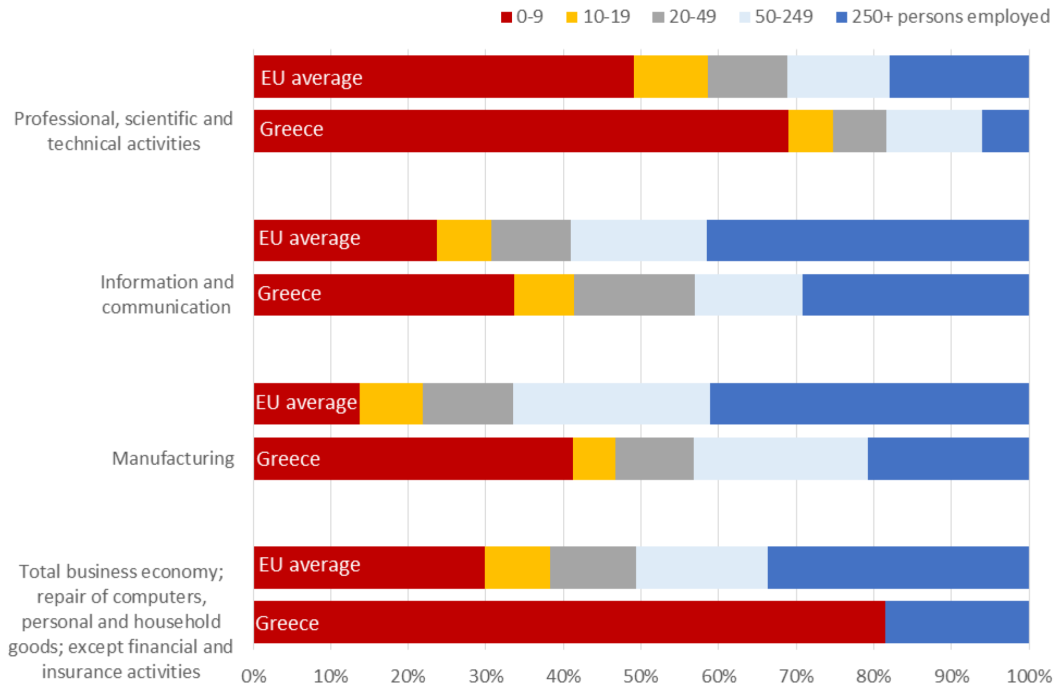
In the lagging regions, the situation with regard to education and training was particularly unfavourable in Anatoliki Makedonia/Thraki, Ionia Nisia, Sterea Ellada, Peloponnisos as well as Kriti, where the proportion of people (aged 25-34 and 25-64) with tertiary education was well below the national average and EU average. It was equally the case that the relative number of young people leaving school without adequate qualifications was higher in these regions. In addition, the proportion of young people aged 15-24 in education or training was also particularly low in these regions.

In Voreio Aigaio the situation is very similar except that the share of young people aged 25-34 with tertiary education was slightly higher than the national average.

In Dytiki Makedonia and Dytiki Ellada, the main issue concerns the shares of working-age people with upper secondary and tertiary education which are significantly lower compared to the country as a whole. The situation in Ipeiros and Thessalia is relatively the same, though the extent of the difference is less and in the former the rate of early school leaving is also higher than the national level.

5. BUSINESS ENVIRONMENT AND RDTI

Figure 5.1 – Breakdown of employment by size of enterprise in critical sectors in Greece in 2013



Source: Eurostat, Structural Business Statistics [sbs_sc_sca_r2].

Commentary

In all three sectors examined, the share of employment in micro and small-sized enterprises is much larger in Greece than in the EU, which indicates that firms in the country clearly face a size disadvantage compared to those in other countries in these specific sectors.

Table 5.1 – Ease of doing business and Starting a business in Greece, 2016

	Greece (rank in the EU, 1-28)

Ease of doing business*	**26**
Starting a business**	**17**

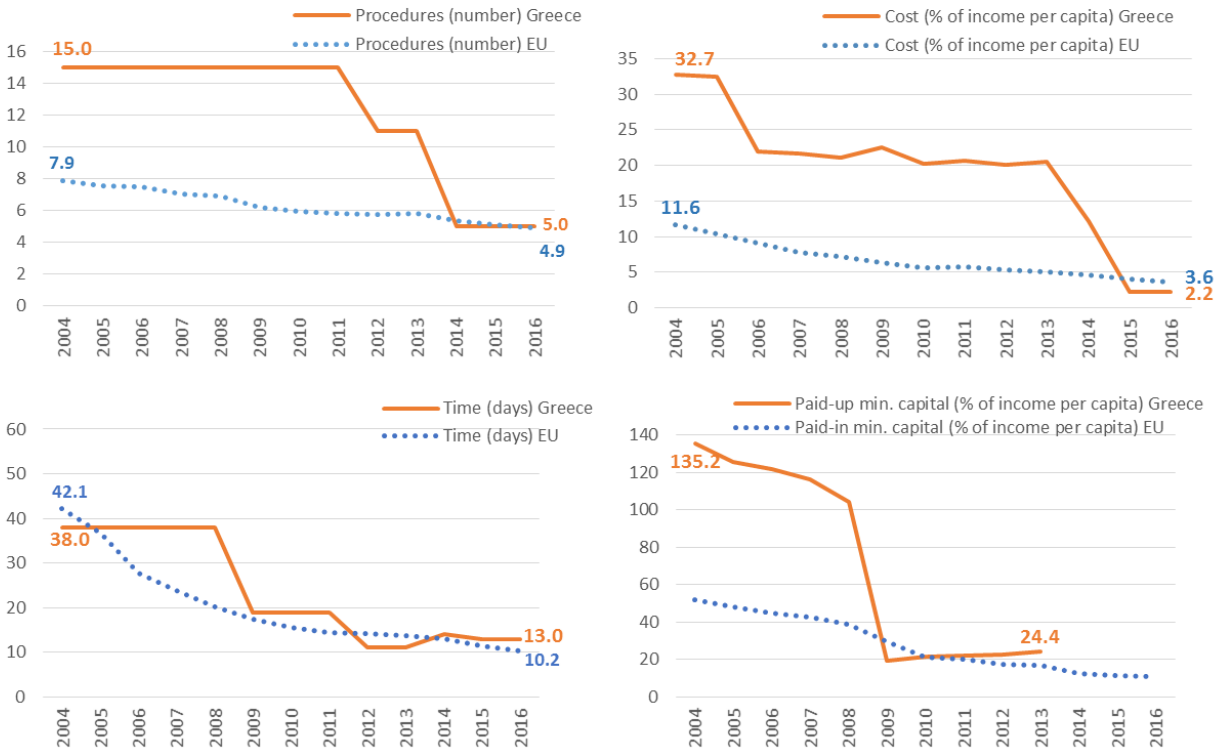
Source: World Bank: Doing Business report 2016.
Notes: * A low value corresponds to a high ease of doing business.
** A low value implies a more favourable situation in terms of the regulatory environment for starting a business.

Table 5.2 – Starting a business indicators in Greece, 2016

Region (city)	Procedures (number)	Time (days)	Cost (% of income per capita)	Paid-up minimum capital (% of income per capita)
Greece	**5**	**13**	**2.2**	**24.4***
EU average	5.1	11.5	4.0	11.3

Source: World Bank: Doing Business report 2016.
*Notes: * The latest available data on paid-up minimum capital for Greece refer to 2013. Values which are higher than the national average are shown in red. Values which are higher than the EU average are highlighted in grey.*

Figure 5.2 – Starting a business indicators in Greece, 2004-2016



Source: World Bank: Doing Business 2004-2015.

Commentary

The ease of doing business in Greece is well below the EU average (i.e. the country is ranked 26 out of the 28 EU Member States), which means that it is more difficult to do business in this country than in the EU on average. In terms of the ease of starting a business, the situation is slighlty better as Greece is ranked 17 out of the 28 Member States. The number of days (which remained broadly unchanged since 2012) as well as the minimum capital required (for which the latest data refer to 2013) are the main obstacles to start a business in the country, though both indicators present much lower values than in the mid-2000s. These data are unfortunately not available at the regional level.

Table 5.3 – Product Market Regulation (PMR) indicators in Greece, 2003, 2008 and 2013

	Overall PMR			State control			Barriers to entrepreneurship			Barriers to trade and investment		
	2003	2008	2013	2003	2008	2013	2003	2008	2013	2003	2008	2013
Greece	2.51	2.21	1.74	3.81	3.33	2.82	2.89	2.53	1.91	0.82	0.79	0.49
EU average	1.78	1.53	1.44	2.57	2.27	2.17	2.15	1.85	1.69	0.63	0.45	0.47

Source: OECD PMR indicators.
Notes: Values which are higher than the EU average are highlighted in grey.
The index ranges from 0 to 6, from least to most restrictive.

Commentary

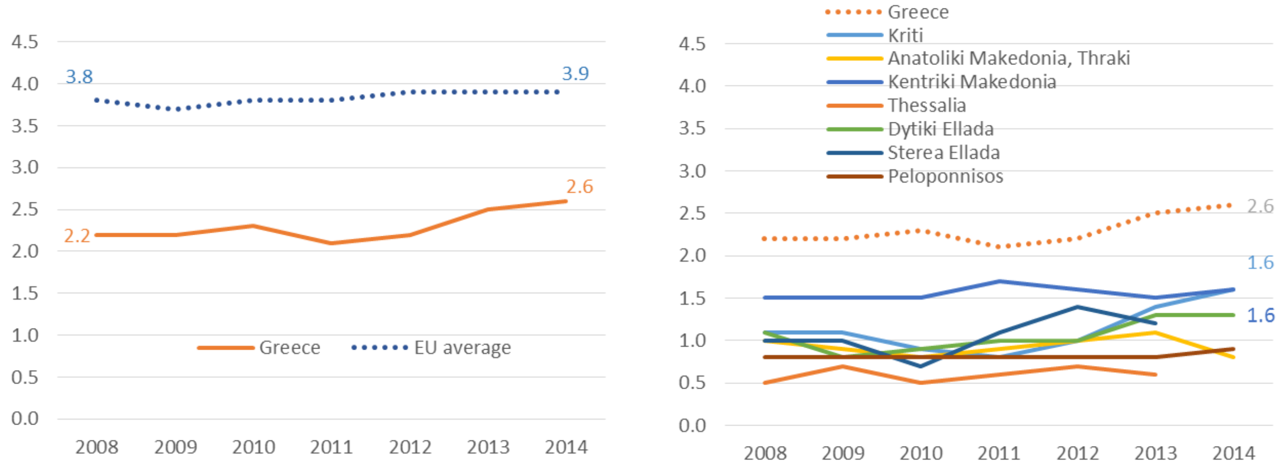
These indicators are available only at national level. They show: that the state control index has declined in Greece but there is still more State control than in other Member States; that barriers to entrepreneurship have also diminished but are still higher than the EU average (in line with the World Bank index on starting a business); and that barriers to trade and investment have equally been reduced, but also in this case they remain above those in the rest of the EU, though only slightly. Therefore, the overall PMR in Greece is still assessed as more restrictive than in other EU countries.

Table 5.4 – Employment in high-technology sectors (manufacturing and knowledge-intensive services) in Greece, 2014, % of total employment

Region	Employment in high-technology sectors (% of total employment), 2014
Voreio Aigaio	:
Kriti	1.60
Anatoliki Makedonia, Thraki	0.80
Kentriki Makedonia	1.60
Dytiki Makedonia	:
Ipeiros	:
Thessalia*	0.60
Ionia Nisia	:
Dytiki Ellada	1.30
Sterea Ellada*	1.20
Peloponnisos	0.90
Greece	**2.6**
EU average	3.9

Source: Eurostat, High-tech statistics [htec_emp_reg2].
*Notes: * Data for Thessalia and Sterea Ellada refer to 2013.*
Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey.

Figure 5.3 – Employment in high-technology sectors (manufacturing and knowledge-intensive services) in Greece, 2008-2014, % of employment



Source: Eurostat, High-tech statistics [htec_emp_reg2].
Note: Data are not available for Świętokrzyskie in 2011 and Warmińsko-Mazurskie in 2014.

Commentary

The share of employment in high tech manufacturing and knowledge-intensive sectors is smaller in Greece than the EU average though it has tended to increase by more than the latter over recent years, reducing the gap. The share in lagging regions is below the national average in all the cases and it has shown little tendency to increase over the period considered, with the only exception of Kriti, where the share has been increasing since 2011. The share is particularly small in Anatoliki Makedonia, Thraki and Thessalia, where it is less than a third of the national figure.

Table 5.5 – R&D personnel and researchers in Greece, 2013

Region	Total R&D personnel and researchers (% of total employment), 2013
Voreio Aigaio	0.96
Kriti	1.89
Anatoliki Makedonia, Thraki	1.03
Kentriki Makedonia	1.23
Dytiki Makedonia	0.61
Ipeiros	1.46
Thessalia	0.71
Ionia Nisia	0.43
Dytiki Ellada	1.16
Sterea Ellada	0.45
Peloponnisos	0.46
Greece	**1.2**
EU average	1.3

Source: Eurostat, R&D statistics [rd_p_persreg].
Note: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey.

Commentary

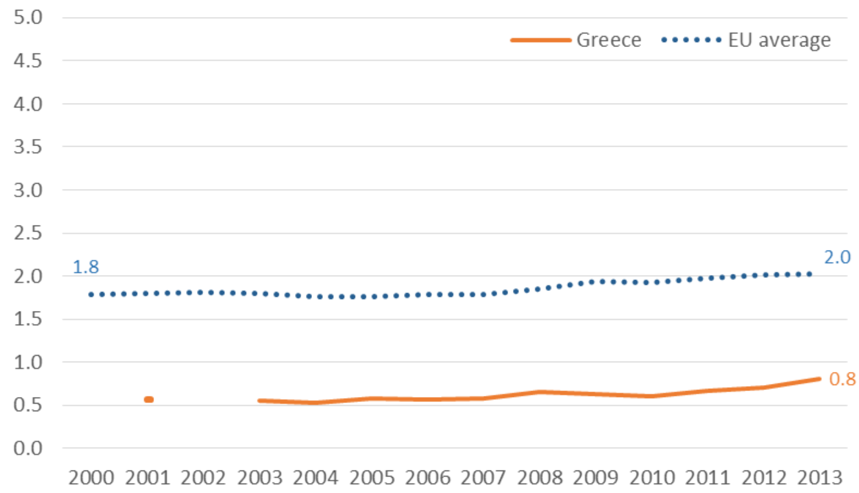
The share of employment accounted for by R&D personnel and researchers in Greece is only slightly below the EU average. The share is smaller than the national average in most of the lagging regions, except in three of them, namely Kriti, Ipeiros, and Kentriki Makedonia, where (except for the latter) the share is even higher than the EU average. It is particularly small in Ionia Nisia, Sterea Ellada and Peloponnisos.

Table 5.6 – Total intramural R&D expenditure in Greece, 2013

Region	Total intramural R&D expenditure (GERD) % of GDP, 2013
Voreio Aigaio	0.8
Kriti	1.4
Anatoliki Makedonia, Thraki	0.6
Kentriki Makedonia	0.8
Dytiki Makedonia	0.4
Ipeiros	1.0
Thessalia	0.5
Ionia Nisia	0.3
Dytiki Ellada	1.0
Sterea Ellada	0.4
Peloponnisos	0.4
Greece	**0.8**
EU average	2.0

Source: Eurostat, R&D statistics [rd_e_gerdreg].
Note: Rates which are lower than the national average are shown in red. Rates which are lower than the EU average are highlighted in grey.

Figure 5.4 – Total intramural R&D expenditure in Greece, 2000-2013, % of GDP



Source: Eurostat, R&D statistics [rd_e_gerdreg].

Commentary

Expenditure on R&D in Greece relative to GDP is less than half the EU average and there has been only a very limited tendency for it to converge towards the average in recent years. It is below the national average in the majority of the all the lagging regions, although there is a consistent number of lagging regions where the expenditure on R&D is higher than the national average, but still below the EU one. In line with the high share of researchers in total employment, the expenditure on R&D in Greece is the highest in Kriti. On the contrary, it is particularly low in Ionia Nisia, Sterea Ellada and Peloponnisos, in line with the small share of researchers in total employment.

Summary 3 – Overview of business environment (percentage point differences relative to the EU average for the national figures and relative to the national average for the regional figures, except where otherwise stated)

BUSINESS ENVIRONMENT AND RDTI												
	Greece	Voreio Aigaio	Kriti	Anatoliki Makedonia, Thraki	Kentriki Makedonia	Dytiki Makedonia	Ipeiros	Thessalia	Ionia Nisia	Dytiki Ellada	Sterea Ellada	Peloponnisos
Doing business												
Ease of doing business ranking, 2016	Bottom half (26/28)	:	:	:	:	:	:	:	:	:	:	:
Starting a business ranking, 2016	Bottom half (17/28)	:	:	:	:	:	:	:	:	:	:	:
Procedures (number), 2016	+0.1	:	:	:	:	:	:	:	:	:	:	:
Time (days), 2016	+2.8	:	:	:	:	:	:	:	:	:	:	:
Cost (% of income per	-1.4	:	:	:	:	:	:	:	:	:	:	:

capita), 2016												
Paid-up min. capital (% of income per capita), 2013	+13.7	:	:	:	:	:	:	:	:	:	:	:
PMR indicators (The index ranges from 0 to 6, from least to most restrictive)												
Overall PMR, 2013	+0.3	:	:	:	:	:	:	:	:	:	:	:
State control, 2013	+0.6	:	:	:	:	:	:	:	:	:	:	:
Barriers to entrepreneurship, 2013	+0.2	:	:	:	:	:	:	:	:	:	:	:
Barriers to trade and investment, 2013	+0.0	:	:	:	:	:	:	:	:	:	:	:
Employment in technology and knowledge intensive sector												
Employment in high-technology and knowledge intensive sector, 2014*	-1.3 pp	-2.6 pp	-1.0 pp	-1.8 pp	-1.0 pp	-2.6 pp	-2.6 pp	-2.0 pp	-2.6 pp	-1.3 pp	-1.4 pp	-1.7 pp
R&D personnel/researchers and expenditure												
Intramural R&D expenditure, 2013	-0.1 pp	-0.2 pp	+0.7 pp	-0.2 pp	+0.0 pp	-0.6 pp	+0.3 pp	-0.5 pp	-0.8 pp	-0.0 pp	-0.8 pp	-0.7 pp
R&D personnel and researchers, 2013	-1.2 pp	+0.0 pp	+0.6 pp	-0.2 pp	-0.1 pp	-0.4 pp	+0.2 pp	-0.3 pp	-0.5 pp	+0.2 pp	-0.4 pp	-0.4 pp
STRUCTURAL IMBALANCE												
Number of unfavourable variables	9	1	3	2	2	2	2	3	2	2	3	3
Number of favourable variables	4	1	0	0	1	0	0	0	0	1	0	0

Notes: Unfavourable situations compared to the EU average are highlighted in grey and those which are unfavourable relative to the national average are shown in red.
** Data for Thessalia and for Sterea Ellada refer to 2013.*
":" Not available. "-": No difference.

BUSINESS ENVIRONMENT AND RDTI in Greece	
Country-specific recommendations, 2011-2015	
2011	Adopt a law to simplify the start-up of new businesses. Adopt legislation to simplify and accelerate the process of licensing enterprises, industrial activities and professions. Propose legislation to remove restrictions to trade in restricted professions (such as pharmacy, notary etc.). Take measures to facilitate FDI and investment in innovation in strategic sectors (green industries, ICT etc...) through a revision of the Investment Law, the adoption of measures to facilitate PPPs, action to fast-track large FDI projects and measures to strengthen export promotion policy. Change legislation to mitigate tax obstacles to mergers and acquisitions such as the non-transfer of accumulated losses. Take decisions to simplify the process to clear customs for exports and imports and give larger companies or industrial areas the possibility to be certified to clear cargo for the

	customs themselves. Abolish the requirement of registration with the exporter's registry of the chamber of commerce for obtaining a certificate of origin. Carry out in-depth evaluation of all R&D and innovation actions to adjust the national strategy. Create an external advisory council financed through the 7th R&D programme to consider how to foster innovation, to strengthen links between public research and Greek industries and the development of regional industrial clusters.
2012	Adopt a law to simplify the start-up of new businesses. Adopt measures aiming at removing existing restrictions on the freedom to provide services. Present the results of screening of the regulations of the professions to assess the justification and the proportionality of the requirements reserving certain activities to providers with specific professional qualifications. Modify the unjustified or disproportionate requirements reserving certain activities to providers with specific professional qualifications, starting from the main regulated professions. Publish a plan for a Business-Friendly Greece, tackling remaining restrictions to business activities, investment and innovation. The Government pursues an up-to-date and in-depth evaluation of all R&D and on-going innovation actions, including in various OPs and existing tax/subsidy incentives with their costs and benefits. It presents a strategic action plan for policies aimed at enhancing the quality and the synergies between public and private R&D and innovation, as well as tertiary education. This action plan identifies a clear timetable for relevant measures to be taken, taking the budgetary impact into account and harmonising these actions with other relevant initiatives in these areas, in particular the investment law.
2013	Greece has recently transposed the Late Payment Directive, but a further strengthening of the payments processes and a reform of the overall audit system, notably by streamlining the excessive layers of control, is needed to ensure orderly and timely payments and a full clearance of arrears.
2014	One important area where significant progress must be made is ensuring timely payments and in preventing the build-up of arrears, both on the tax and expenditure sides. Full compliance with the Late Payment Directive (LPD) remains very challenging and a priority for 2014. In order to support growth and foster competitiveness, the Government shall fully implement the revised legal framework for R&D and innovation, so as to strengthen the links between R&D investment and economic growth, develop closer links between researchers and industry, foster technology transfer and address bureaucratic obstacles.
2015	-
Structural reforms carried out, 2011-2015	
2011	Greece adopted an Action Plan for reducing administrative burdens faced by businesses, particularly SMEs. Reforms in this area include: the "Fast Track Law" (to accelerate the approval and implementation of large investments of strategic importance; the Business Friendly Law further widens the scope of the fast track tool in order to increase the number of eligible potential investors), the new Investment Law aiming to promote growth by introducing investment aid schemes, the reform of the Competition Authority to ensure the authority's independence, effectiveness and accountability (Law 3959/2011). The Government adopts legislation to remove unjustified or disproportionate restrictions to competition, business and trade in restricted professions. A Framework Law for the support of Research, Technological Development was under preparation. The main pillars of the law consist of: improving the investment climate for R&D, strengthening the linkages between research and innovation, coordination between the relevant actors and SMEs support, strengthening of the Greek research system and human capital and its potential for supporting the economic development of the country, improving the effectiveness of public financing for R&D.
2012	Business Friendly Greece law, aimed at identifying barriers to entrepreneurship and taking action for their removal. The law provides for the establishment of a new flexible form of company (IKE) with no minimum capital requirements. IKE (which are now the most popular company type for setting up a limited liability company) also benefit from additional simplifications, such as no social security certificate, no documentation of the official company seat and no mandatory drafting of articles of association by a notary.

	Law 4051/2012: Merging of research institutes to create critical mass and economies of scale (the previous 56 institutes were merged into 32).
2013	The Government adopted legislation to further liberalize retail markets by removing restrictions against discounts outside sale periods and providing more flexibility in opening hours, including for Sundays, for both large and smaller shops. In addition, since July 2013, the authorities have reduced the minimum duration of commercial rental contracts from 12-16 years to 3 years. Law 4110/2013 provides for more advanced tax incentives starting from 2014. Moreover, the legislation was amended in 2015 to improve the design and implementation of tax incentives, which constitute an important instrument for boosting RDI activities.
2014	Law 4310/2014 for research and innovation foresees the preparation of the national strategic plan for research and innovation to facilitate the future implementation of the RDI strategy. A new Law on RDI was adopted in December to create a friendlier environment for the enhancement of RDI and the exploitation of the new knowledge. Among the provisions of the new law is the formulation of Regional Innovation Councils.
2015	The new law on the simplification of licensing processes for business parks, manufacturing units and technical professions introduces the principle of 'licensing first' and 'checking standards afterwards'. This provision aims to facilitate the licensing procedure by making it significantly faster. Moreover, by virtue of Ministerial Acts published in December 2013 and January 2015, the licensing system in 25 activities was abolished and replaced with an innovating Notification System: no submission of required documents by the businessman, no ex-ante inspection by state authorities, no processing of documents by the public service, no issuance of any kind of license, and immediate business operation. Innovation platforms have been established for major economic sectors with the aim to identify priorities within each sector.
2016	it is planned to prepare a new single Labour Code. It will codify the existing legislation with a view to strengthen the transparency and enforceability of the labour law and reduce the administrative burden and compliance costs for firms.
Outstanding challenges	
	-

Sources: CSRs 2011-2015, CR 2016 (SWD2016 - 89 final), National Reform Programmes (NRP) 2001-2015, Member States Investment Challenges – SWD(2015) 400 final.

Overview

The ease of doing business in Greece is much lower than EU average, signifying that it is much more difficult to do business in this country compared to the rest of the EU. Starting a business, on the other hand, appears only slightly below the EU average. It is more time-consuming and it requires an higher minimum capital (at least according to the latest data, referring to 2013) in Greece than in most other EU countries. Both the time taken to start a business as well as the minimum capital required have drop considerably in 2009, even below the EU average, but then they slightly increased over the subsequent years, thus settling them above the EU average.

Also, in the last 10 years, product market regulation has been improving, but is considered to be more restrictive in Greece than the EU average. Particularly, State Control and barriers to entrepreneurship appear to be much more restrictive while barriers to trade and investment are only slightly more restrictive than the EU average.

The share of employment in high-tech and knowledge-intensive sectors is smaller in Greece than the EU average and it is even smaller in all the lagging regions and especially small in Thessalia.

On the contrary, the share of employment in R&D activities is only slightly below the EU average and in two lagging regions (Kriti and Ipeiros) it is even higher than the EU average, although in the great majority of them it is smaller (particularly in Ionia Nisia, Sterea Ellada and Peloponnisos).

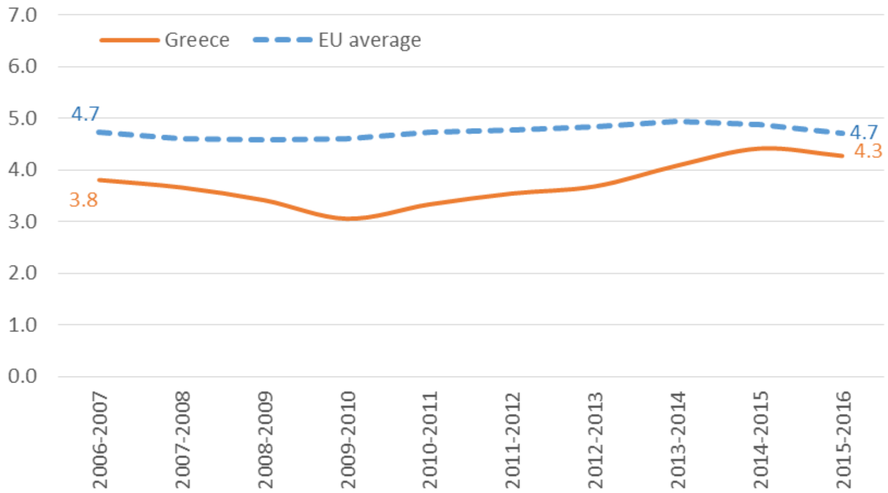
The R&D expenditure relative to GDP in Greece is, instead, less than half the EU average, although there are great disparities across the lagging regions, some of them showing rates higher than the national level, but still lower than the EU one, and some of them showing rates lower than the national average (and considerably below the EU one).

Accordingly, both the regulations in place and the limited availability of research expertise and R&D facilities are likely to discourage investment in Greece, especially in the areas with most growth potential (in knowledge- intensive sectors) and in the great majority of the lagging regions in particular.

The focus of country-specific recommendations has been on simplifying the start-up of new businesses and on liberalising the access to professional services, granting enterprises and industrial activities permits as well as on introducing measures to foster FDI and investment making the business environment more innovation-friendly. The Greek government adopted several measures to address the CSRs, including the adoption of the Fast Track Law and the Innovation Law to improve the investment climate and supporting the economic development of the country; the Business Friendly Greece Law to reduce the administrative burdens face to open new businesses; as well as a new Law which facilitates the licensing procedure for enterprises, industrial activities and technical professions. Despite these, there remains further room for improvement in different areas. For example, the time to obtain licences to carry out specific activities is still longer in Greece than in most of the EU Member States and state control and barriers to entrepreneurship are still pervasive and have negative impacts on competition.

6. GOVERNANCE

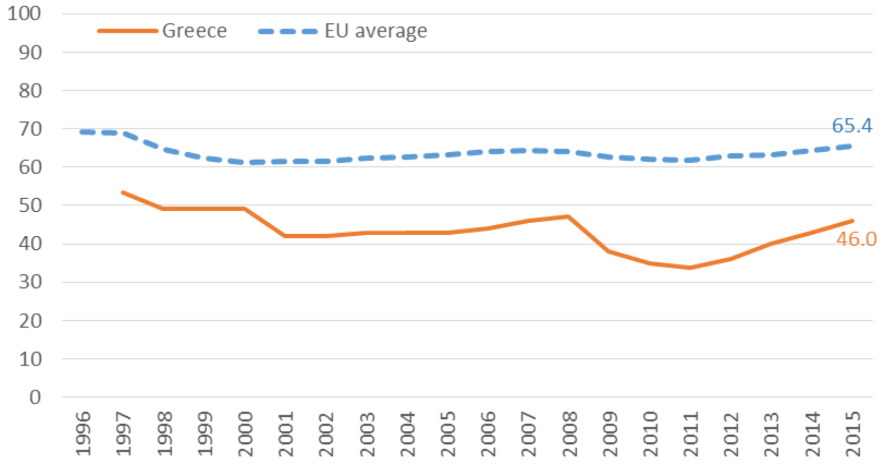
Figure 6.1 – Judicial independence in Greece, 2006-2016



Source: World Economic Forum.

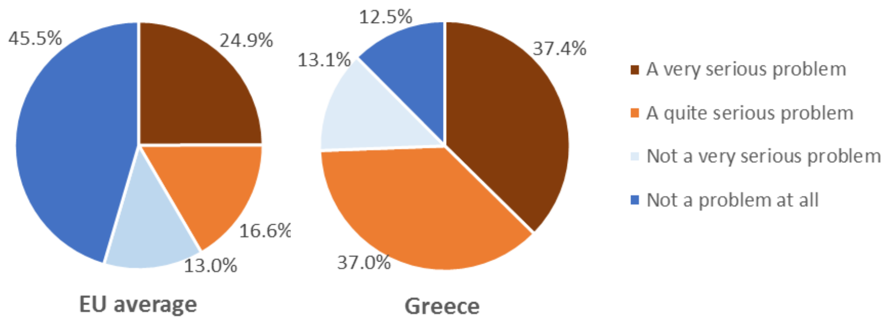
The scale ranges from 1 to 7, from least to most independent (i.e. a higher value reflects a more independent judicial system).

Figure 6.2 – Corruption perception index in Greece, 1996-2015



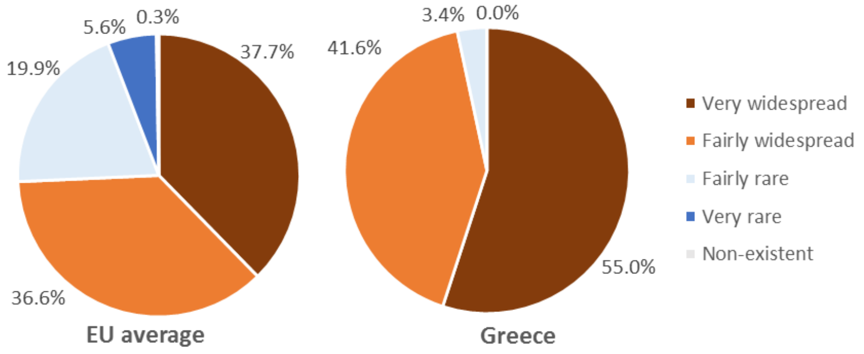
Source: Transparency International.
Note: The scale ranges from 0 to 100, from highly corrupt to highly clean.

Figure 6.3 – Corruption as problem for doing business in Greece, 2015



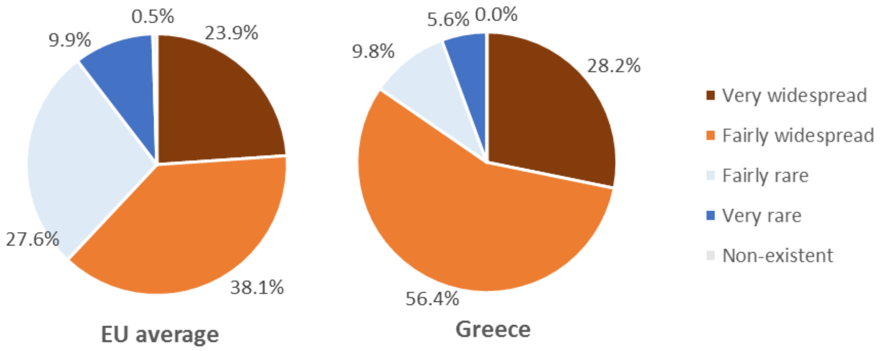
Source: Flash Eurobarometer 428, European Commission.

Figure 6.4 – Extent of corruption in Greece, 2015



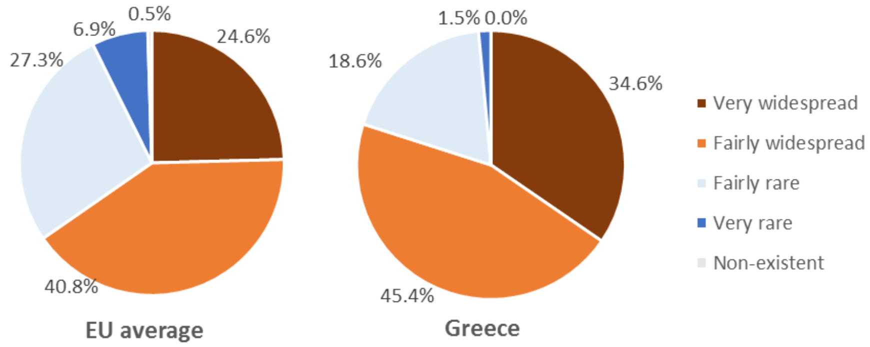
Source: Flash Eurobarometer 428, European Commission.

Figure 6.5 – Extent of corruption in public procurement managed by national authorities in Greece, 2015



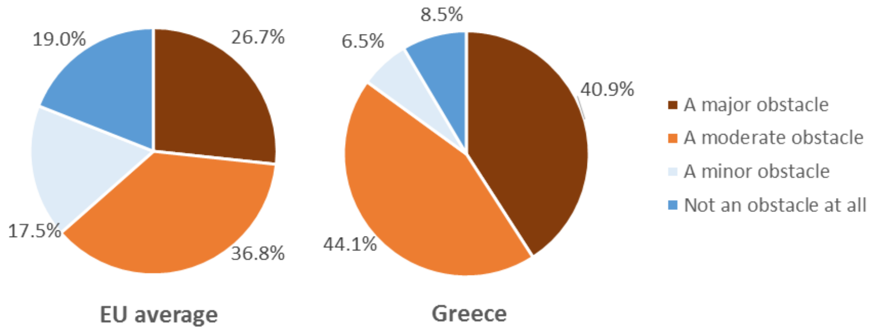
Source: Flash Eurobarometer 428, European Commission.

Figure 6.6 – Extent of corruption in public procurement managed by regional or local authorities in Greece, 2015



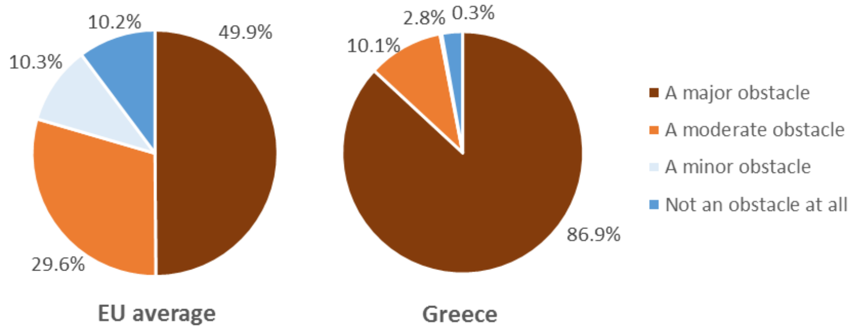
Source: Flash Eurobarometer 428, European Commission.

Figure 6.7 – Procedures for contract enforcement is an obstacle to the activities of enterprises, 2015



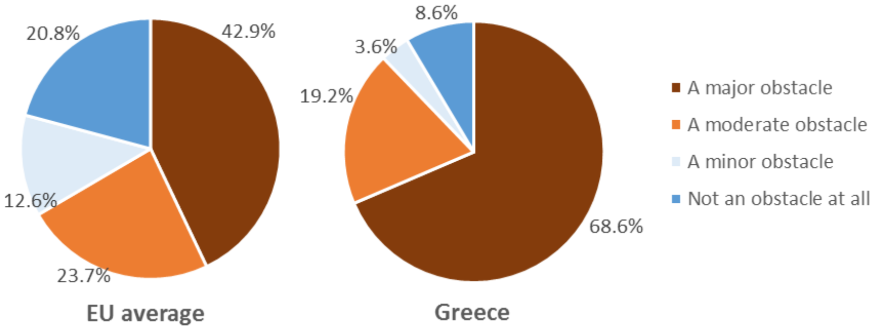
Source: Flash Eurobarometer 417, European Commission.

Figure 6.8 – Lack of predictability and stability of legislation is an obstacle to the activities of enterprises, 2015



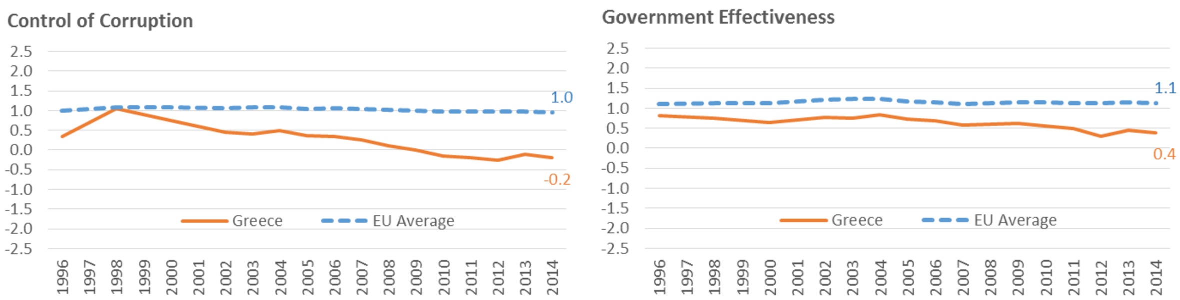
Source: Flash Eurobarometer 417, European Commission.

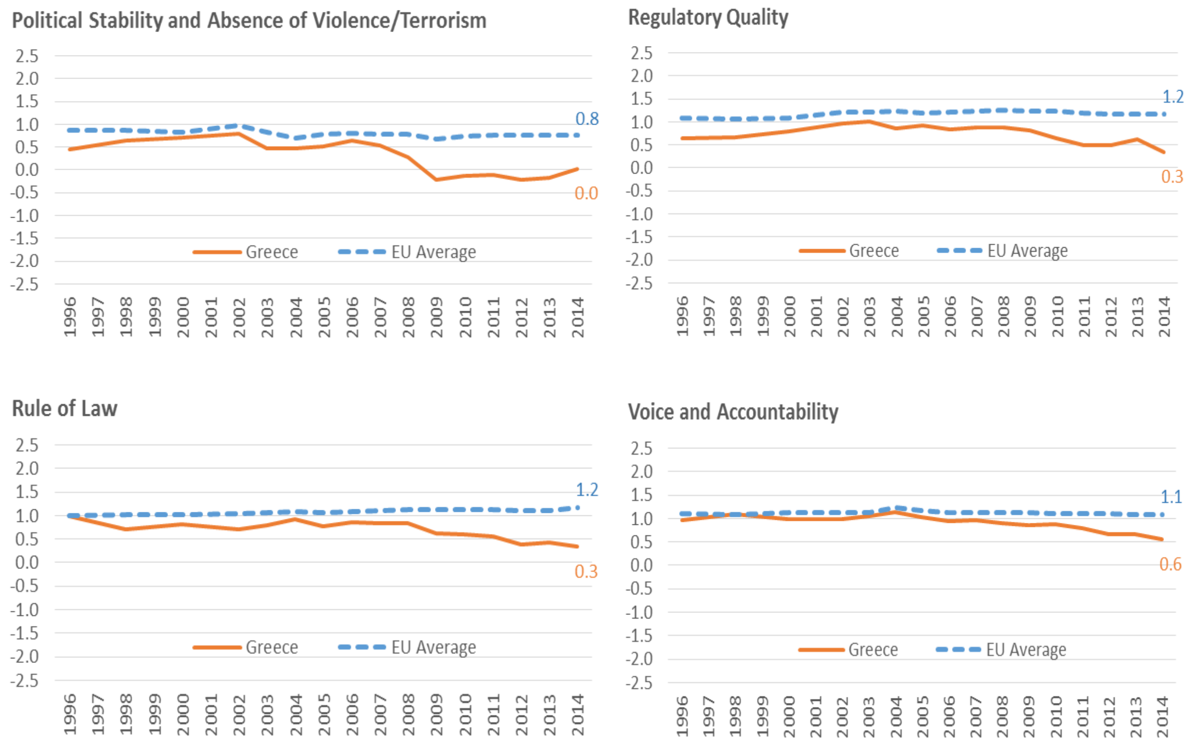
Figure 6.9 – The existence of an informal economy is an obstacle to the activities of enterprises, 2015



Source: Flash Eurobarometer 417, European Commission.

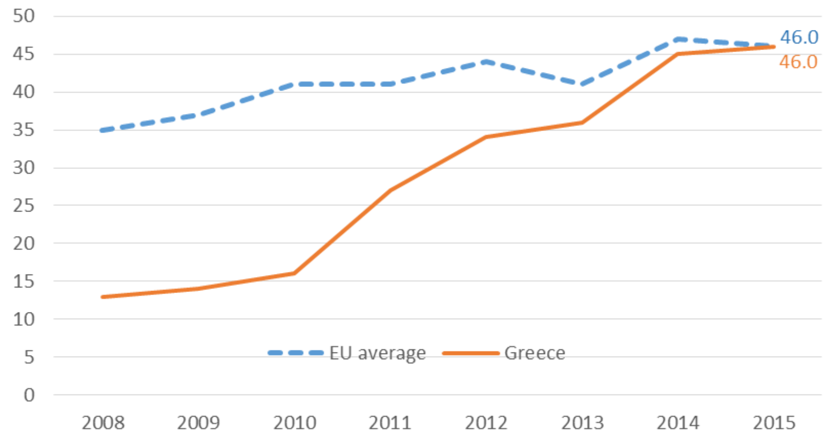
Figure 6.10 – Worldwide Governance Indicators in Greece, 1996-2014





Source: Worldwide Governance Indicators, World Bank.
Note: The scale ranges from -2.5 to 2.5, higher values corresponding to better governance.

Figure 6.11 – People aged 16-74 using the internet for interaction with public authorities in Greece, 2008-2015 (% total)



Source: Eurostat ([tsdgo330] for years 2000-2010; [tin00012] afterwards).

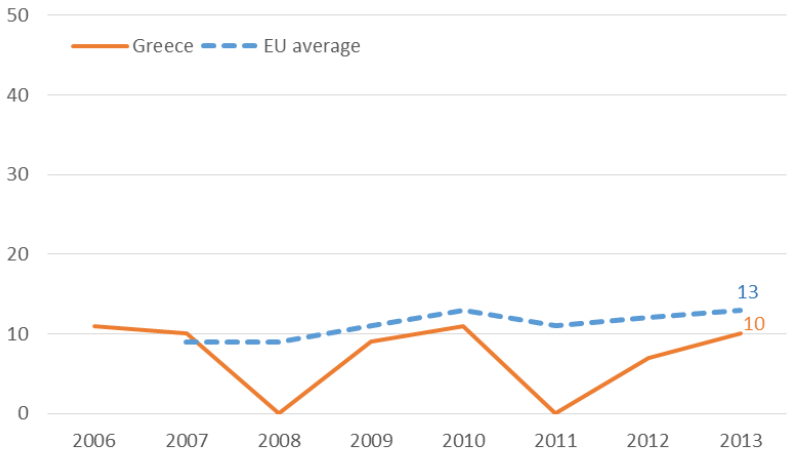
Table 6.1 – People aged 16-74 using the internet for interaction with public authorities in Greece, 2015

Region	% of individuals 16-74
Voreio Aigaio	39
Kriti	39

Anatoliki Makedonia, Thraki	45
Kentriki Makedonia	45
Dytiki Makedonia	45
Ipeiros	45
Thessalia	35
Ionia Nisia	35
Dytiki Ellada	35
Sterea Ellada	35
Peloponnisos	35
Greece	**46.0**
EU average	46.0

Source: Eurostat [isoc_r_gov_i].
Notes: Values which are lower than in the whole country are shown in red. Values which are lower than in the EU are highlighted in grey.

Figure 6.12 – Enterprises using the Internet to submit a proposal to public authorities, 2005-2013



Source: Eurostat [tin00109].

Table 6.2 – European Quality of Government Index in Greece, 2010 and 2013

Region	European Quality of Government Index (0-100)	
	2010	2013
Voreio Aigaio	36.9	44.1
Kriti	36.9	44.1
Anatoliki Makedonia, Thraki	:	:
Kentriki Makedonia	:	:
Dytiki Makedonia	:	:
Ipeiros	:	:
Thessalia	:	:
Ionia Nisia	:	:
Dytiki Ellada	:	:
Sterea Ellada	:	:

Peloponnisos	:	:
Greece	**31.3**	**45.2**
EU average	51.2	61.7

Source: N. Charron, L. Dijkstra and V. Lapuente, 'Mapping the Regional Divide in Europe: A Measure for Assessing Quality of Government in 206 European Regions'.
Notes: Values which are lower than in the whole country are shown in red. Values which are lower than in the EU are highlighted in grey.
In 2013, Greece was ranked 21st among EU countries.
The scale ranges from 1 to 100 range, higher values corresponding to a better quality of government.

GOVERNANCE in Greece	
Country-specific recommendations, 2011-2015	
2011	Adopt legislation reforming public administration at the local level, notably by merging municipalities, prefectures and regions with the aim of reducing operating costs and wage bill. Launch independent functional reviews of the public administration at central level and of existing social programmes. Establish a unified public procurement system with a central procurement authority, ensuring, in particular, robust tendering procedures, and ex ante and ex post controls. Adopt a law to establish the Single Public Procurement Authority in line with the Action Plan; and develop an e-procurement IT platform and set up intermediate milestones in line with the Action Plan, including: testing a pilot version, availability of all functionalities for all contracts and phasing-in of the mandatory use of e-procurement system for supplies, services and works contracts.
2012	Adopt a law reforming and simplifying public administration at local level with the aim of reducing operating costs. Adopt a law to establish the Single Public Procurement Authority in line with the Action Plan; and develop an e-procurement IT platform and set up of intermediate milestones in line with the Action Plan, including: testing a pilot version, availability of all functionalities for all contracts and phasing-in of the mandatory use of e-procurement system for supplies, services and works contracts. To improve the functioning of the judicial system, which is essential for the proper and fair functioning of the economy, and without prejudice to the constitutional principles and the independence of justice it is necessary to: (a) ensure effective and timely enforcement of contracts, competition rules and judicial decisions; (b) increase efficiency by adopting organisational changes to courts; (c) speed up the administration of justice by eliminating backlog of court cases and by facilitating out-of-court settlement mechanisms.
2013	By July, the Greek authorities are expected to adopt staffing plans for 360,000 employees and to include the remainder of the whole public administration by end-2013. Progress on the fight against corruption is behind schedule. The publication of the national anticorruption plan has been followed by slow compliance: only 7 actions of the national plan had been initiated out of the 23 that were to be initiated before end June, and also the draft law has not been delivered yet. The most important concern is about the preparation of the reform of the code of civil procedure: the draft was not delivered as agreed.
2014	Efforts to fight corruption are being stepped up but the challenge is substantial. According to recent reports by Transparency International and the European Commission, the perception of corruption in Greece is the highest among the EU Member States. The adjustment programme is tackling this reality, and there has already been some progress, with the adoption of an anticorruption strategy and the appointment of a national coordinator. Progress has been made in the field of public procurement, but implementation is now crucial. E-procurement platforms have been established, both for information and for tendering purposes, but a set of key recommendations coming from an independent assessment needs to be implemented, in order to improve their effectiveness. A comprehensive reform to improve the functioning of the judicial system and reduce the burden on

	businesses and citizens is taking place, but backlogs are hefty.
2015	Greece needs to take further action in the area of public procurement to increase efficiency and transparency of the Greek public procurement system, prevent misconduct, and ensure more accountability and control.
Structural reforms carried out, 2011-2015	
2011	The law on the creation of the Single Public Procurement Authority was adopted. The e-procurement IT platform is operational since 2013 (with a gradual implementation of the mandatory use of the platform for supplies, services and work contracts). The objective of the reform is also to increase the share of supplies and services tendered through Central Purchasing Bodies and to simplify the public procurement legislation. In addition, the educational procedures for public servants are being upgraded across the public sector in order to become more efficient in managing the procurements system. A consolidated, comprehensive and simplified legislative framework on public procurement (including the transposition of the new EU directives on public procurement and concessions - 2014/23, 2014/24, 2014/25) entered into force in January 2016.
2013	The national anti-corruption action plan was adopted. A national anti-corruption coordinator was appointed to improve governmental coordination and to oversee the implementation of the plan. Moreover, sectoral strategies were developed. The legal framework was improved in April 2014, notably on whistle blowers. In addition, the Government is expected to introduce a code of conduct for members of Government and to revise legislation on funding of political parties and legislation on declaration and monitoring of assets. The reduction of general government personnel continues by pursuing the rigorous application of an 1:5 attrition rule (only 1 employee can be hired for every 5 retirements). However, it is now essential in order to ensure the quality of services to hire new employees by following a rigorous, skill-based selection process and to set up a rigorous system of performance assessment.
2014	In 2014, a two-year administrative reform action plan, also encompassing a comprehensive human resources strategy, was adopted. The plan deals with mobility and deployment, performance of management, disciplinary cases, training, selection of top management, roles and assessment of management and HR managers' network. A comprehensive reform to improve the functioning of the judicial system and reduce the burden on businesses and citizens is taking place. Some progress in this area is already visible, as since 2012 the number of pending cases in the courts started to be reduced. However, the stock of pending cases remains high. Measures to reduce the backlog of cases and to develop e-justice applications in courts are also foreseen.
2015	In 2015, the authorities adopted the new Code of Civil Procedure to improve the efficiency of civil courts proceedings. Another stream of reforms is the development of out-of-court settlement of disputes. In this field, the activity of mediation has been opened to all professions in April 2014. Finally, development of e-justice applications in courts is continuing.
Outstanding challenges	
	Substantial improvements in public administration are still needed to bring Greece in line with best practices.

Sources: CSRs 2011-2015, CR 2016 (SWD2016 - 89 final), National Reform Programmes (NRP) 2001-2015, Member States Investment Challenges – SWD(2015) 400 final.

Overview

According to the World Economic Forum survey the judiciary system in Greece is perceived to be less independent of Government and other sources of influence than the EU average, however the difference with the latter has narrowed down over recent years. The Transparency International indicator also shows that Greece is perceived to be more corrupt than the EU average, though the difference with the latter is higher compared with the one indicated by World Economic Forum indicator. Also, the Eurobarometer survey in 2015 of business views on corruption indicate that this is seen as more of a problem in Greece than in other parts of the EU both in terms of doing business in the country and in relation to public procurement.

In addition, a larger proportion of businesses in Greece surveyed by Eurobarometer in 2015 considered the lack of predictability and stability of legislation, procedures for enforcing contracts and the presence of an informal economy as obstacles to their activities than in other parts of Europe.

World Bank Worldwide Governance Indicators show that Greece is viewed less favourably than the EU average in all the variables considered (in terms of control of corruption, government effectiveness, the rule of law and the quality of regulations, the degree of accountability and the extent to which people have a voice, as well as the political stability and the absence of threat of terrorism and violence).

The extent to which the internet is used by people to communicate with public authorities in Greece is in line with the EU average, thanks to a strong increase from 2010 onward, though in all the lagging regions the extent is lesser. By contrast, a lower proportion of enterprises in Greece used the internet to submit a proposal to public authorities in 2013 (the latest year for which there are data) than in the rest of the EU.

The quality of government index, based on a survey of residents, shows government in Greece to be assessed less favourably than that in other parts of the EU on average, the difference in 2013 being lower than in 2010. Values for the index at regional level are only available for two lagging regions (Voreio Aigaio and Kriti). In these regions the values are lower than both the national and the EU average, though this contrasts with the situation in 2010 when both the regions were considered to have a higher quality of government than the national average. (The marked change over just three years raises a question-mark over the reliability of the index, or at least over the significance of relatively small movements in it over time.)

The focus of country-specific recommendations in respect of governance over the years 2011-2015 in Greece has been on the reform of the local public administration, on creating a unified public procurement system, on strengthening the legal framework for the fight of the corruption as well as on increasing the efficiency of the judiciary system, particularly by eliminating backlog of court cases. In 2011, the Greek government adopted a Law promoting the creation of the Single Public Procurement Authority and it approved a comprehensive legislation on public procurement with the aim of simplify and rationalize it. A National anti-corruption action plan was adopted in 2013 and further improved in 2014, which filled a longstanding gap and marked an important step towards addressing the corruption challenges in the country. A human resources strategy, also aimed at rationalizing the general government personnel, was adopted in 2014. In the same year, a comprehensive judiciary reform entered into force while the following year a new Code of Civil procedure was approved. Both these measures were aimed at reducing the burden on the judiciary system as well as improve the efficiency of courts proceeding. Despite the important measures undertaken by the Greek government, the low quality and inefficiency of public administration and the lengthy judicial proceedings remain outstanding challenges both at central as well at regional level.

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