



Mutual Learning Programme

DG Employment, Social Affairs and Inclusion

Peer Country Comments Paper- Greece

Making the most of renewed opportunities for ALMPs at regional level up to 2020

Peer Review on 'Strategies for Employment Policy reform. Implementation challenges in decentralised countries'

Madrid (Spain), 5-6 October 2015



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1 Labour market situation in the peer country

This paper has been prepared for a Peer Review within the framework of the Mutual Learning Programme. It provides information on Greece's comments on the policy example of the Host Country for the Peer Review. For information on the policy example, please refer to the Host Country Discussion Paper.

The European Commission's projection at the end of 2014 was that the Greek economy would manage to exit from a six-year recession and grow by 2.5 % during 2015. Unfortunately, events during the first three quarters of 2015 in terms of political changes, a protracted period of negotiations between the Greek government and the representatives of international creditors, the threat of 'Grexit' (Greece's exit from the Euro) and the ensuing uncertainty which culminated in the imposition of capital controls in July 2015, all undermined economic recovery and contributed to overturn the positive outlook that was emerging in late 2014. Already in May 2015, the European Commission revised its projections to a 0.5% growth of GDP during 2015¹, but recent events have led to fears that the Greek economy may contract by 2%-2.5% in 2015².

As of July 2015, Greece had the highest unemployment rate in the EU, at 25%³ seasonally adjusted, compared to an EU average of 9.5%. Spain followed with an unemployment rate of 22.2%. Greece faces similar labour market challenges to Spain, in terms of youth unemployment.

Looking at the groups most affected by the crisis, young people have suffered greatly. The highest unemployment rate is noted in the age group 15-24. This was 52.4% for 2014, standing at 51.1% during the fourth quarter of 2014, compared to 56.7% year on year (ie during the fourth quarter of 2013). Spain is of course facing similarly high youth unemployment rates at 53.2% for 2014 and 51.7% in the fourth quarter of 2014. Despite the very high youth unemployment rates in Greece, a declining trend in youth unemployment is noted since the beginning of 2013 and the all-time high youth unemployment rates of 2012. Regional disparities in the youth unemployment rate are noteworthy between Notio Aigaio, the region with the lowest rate (26.4), and the regions of Ipeiros and Dytiki Ellada where young people face more than double that rate (at 54.1 and 53.1% respectively).

Another challenge in the Greek labour market has been the increasing rate of young people aged 15-24, not in employment, education and training (NEETs) in recent years. The NEET rate has increased from 11.4% in 2008 to 19.1% in 2014, among the highest in the EU. According to ELSTAT, the number of NEETs was 276 970 people during the fourth quarter of 2014 categorised almost equally between unemployed and inactive NEETs (138 576 and 138 394 people, respectively).

According to Eurostat data long-term unemployment (LTU) in Greece, is the highest in the EU-28, even though it decreased from 19.10% in the fourth quarter of 2014 to 18.90% in the first quarter of 2015. LTU had reached an all-time high of 19.90% in the first quarter of 2014 and is rightly a key concern for Greek policy makers. At the same time, LTU in Spain was at 12.4% in the first quarter of 2015.

Further challenges relate to a persistent gender gap in both employment and unemployment rates in Greece. Greece's male unemployment rate stood at 23.5 % in 2014, while the female unemployment rate was 30.4 % in 2014⁴. In addition, a significant gap remains between male and female employment rates in the country.

There are also regional disparities in the unemployment rates of Greece's 13 NUTS II Regions. Even though the total unemployment rate was above 20% in all Greek regions in 2014, the regional unemployment rate ranged from a 'low' of 20.1 % in the region of

¹ European Commission DG ECFIN Spring 2015 forecast, published 5 May 2015

² Source: IOBE quarterly report on the Greek Economy, published 22 July 2015

³ June 2015 figures for Greece, July 2015 figures for Spain and the EU average

⁴ Source: ELSTAT, Report on the Greek Economy, published 4 September 2015

Notio Aigaio and 21.4 % in the region of Ionia Nisia (these two regions include some of the most popular Greek island tourist destinations), to 28.7 % in both the regions of Kentriki Makedonia (Central Macedonia in Northern Greece) and of Dytiki Ellada (Western Greece). (Source: Eurostat Unemployment rates by sex, age and NUTS 2 regions (%) [lfst_r_lfu3rt], Last update: 31-08-2015).

As far as ALMP spending is concerned, in contrast to Spain, where ALMP spending represented 0.55% of GDP in 2012, in Greece ALMP expenditure was just 0.22% of GDP in 2010 (the last year for which data are available)⁵. Greece's ALMP spending remains the lowest in Southern Europe, and amongst the lowest in the EU. Despite this, ALMP spending as a % of GDP, has increased steadily between 2005 and 2010 and the challenges of the protracted economic crisis that Greece has been facing since 2010, have meant that there has been a drive to increase public expenditure on ALMPs further over the past five years, primarily for young people, but also for other target groups facing difficulties in the labour market. An emphasis on ALMPs is necessitated by the fact that currently, only about 18%-20% of the approx. 900 000 persons registered as unemployed are eligible to receive unemployment benefit. Thus, the vast majority of unemployed people are not eligible for unemployment benefit and are targets for activation measures.

⁵ This refers to expenditure on LMP measures (categories 2-7), which covers activation measures for the unemployed and other target groups including the categories of training, job rotation and job sharing, employment incentives, supported employment and rehabilitation, direct job creation, and start-up incentives. Source:
<http://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&code=tps00076&language=en>

2 Assessment of the policy measure

There are 13 NUTS II regions in Greece. These were initially set up in 1987, as a governance level that would complement central government. However, with the Kallikratis reform which entered into force on 1 January 2011, the regions became more independent and obtained additional powers that were until then performed either at central or at prefecture level. Since 2011, a regional governor and a regional council is directly elected through local elections, for a 5-year term. The national level holds the key competence related to employment services and programmes. The regions have a directorate of employment, whose responsibilities in relation to activation policies are limited to participation in nationally and EU-funded ALMPs.

Having said this, the general context for employment policy in Greece is characterised by a lack of a tradition of cooperation, both between the central and regional level agencies, but also between policy areas. There is weak coordination between employment, education/training and economic development at both national and local/regional level. Greek public administration is also generally strongly centralised. Most responsibilities are concentrated at the central/national level. This means that there is little leeway for local and regional actors to design and implement policies in response to local specificities and needs.

As far as the design and implementation of ALMPs is concerned, the ESF has been the main source of funding for ALMPs in Greece. As a result, Greece's national approach to balancing centralised priority setting with regional/local autonomy in the budgeting, planning and delivery of ALMPs has been changing with each Programming Period of the EU Structural Funds, since ALMPs are largely co-funded in this way. Overall, Greece has followed a different approach than Spain, in order to balance centralised and decentralised responsibilities for ALMPs and the approach has been to a large extent dictated by the ESF architecture in each of the seven-year Structural Fund programming cycles over the past twenty years.

During the 1980s, there was an emphasis on passive policies, which only started changing towards the end of the 1980s and during the 1990s, through the 1st and 2nd Community Support Framework. During the 1990s, Greece was able to build its capacity to manage European Social Fund (ESF) resources and to channel them into ALMPs with increasing effectiveness. According to national actors, this increased capacity and experience gained by the national level agencies started to bear fruit in terms of improved design and implementation of ALMPs.

The 1999-2006 Programming Period was considered by national actors to be the most successful so far. During this period, the ESF was implemented through two very significant (in terms of resources and ambition) horizontal Operational Programmes (OPs) focusing on employment and on education. These were complemented by 13 Regional Operational Programmes (ROPs) one for each of Greece's NUTS II regions, and each of which contained a line of ESF funding. In practice, this meant that each Region had a degree of autonomy to design ALMPs for their locality independently from the central authorities, accompanied by the resources necessary to implement such autonomous ALMPs, via the ROP.

During the Programming Period 2007-2013, the regional dimension of ESF was weakened in Greece. This was because the ROPs now only channelled ERDF funding. ESF was exclusively channelled via the horizontal, sectoral OPs. The regions received ESF funding via the sectoral, centrally managed OPs, on the basis of an allocation key according to the type of region (8 Convergence Regions, 3 Phasing-Out Regions and 2 Phasing-In Regions). This did not prove conducive to regional autonomy or differentiation in the implementation of ALMPs. The fact that Greece entered into a protracted recession nearly throughout this period posed further challenges for the regions to be able to transform these resources into effective ALMPs.

During the 2014-2020 period, there is a return to the logic of earmarking specific ESF resources within the ROPs, as was the case in 1999-2006. Approx. EUR 800 million will be channeled in this way, to allow the regions to implement ALMPs, but also policies to combat poverty and social exclusion. From the horizontal OPs, the OP 'Human Resources Development, Education and Life Lifelong Learning', aims to tackle unemployment, focusing on creating quality education opportunities, skills upgrading and sustainable employment to enhance social cohesion. The OP budget is over EUR 2 billion, including EUR 1.9 billion from ESF and EUR 171 million from the Youth Employment Initiative.

In summary, it can be said that ALMP rules are designed and decided centrally, after having received inputs from regional and local PES offices, social partners and training institutions. There is some level of regional flexibility in the sense that arms-length organisations such as regional/local offices of the public employment services and training agencies can decide on the training subjects to be offered, the type of jobs to be supported through subsidies in each locality etc.

The general framework of each ALMP is designed centrally and implemented by local agencies following the centrally dictated parameters for each ALMP. In this context, accurate recording of local labour market needs, and efficient reporting and feeding of such needs to central agencies is paramount. Progress can be noted in Greece in this respect, National Institute of Labour and Human Resources (EIEAD) was established in 2011 and systems have been set up at local/regional level to gather information on labour demand and supply in different sectors, as well as information on forecasted skills needs. The information is then channelled to EIEAD for processing.

Labour market forecasting is also a crucial component for regional ALMPs. While the 2014-2020 programming period offers the regions renewed autonomy to design and implement local initiatives for the activation of unemployed people, a key pre-condition for the disbursement of funds is for each region to prepare and submit a diagnostic study of local labour market needs.

Last but not least, national actors note an improved information flow during recent years between peripheral and central agencies and public bodies. This is thanks to the introduction of reforms for improved networking between local PES offices, improved skills forecasting, and the use of new tools such as the DIOFANTOS database holding information on the unemployed and their participation in ALMPs.

3 Assessment of the success factors and transferability

In general, there is room to improve the evaluation of ALMPs in Greece and in the different regions. Evaluation of individual ALMPs have been increasing in recent years. The most recent evaluations of ALMPs, include the evaluation of the Training Voucher scheme completed in 2014, and the evaluation of the Public Works Programme, which was completed in February 2015. However, overall there is not a great body of evidence on the impact of ALMPs implemented in Greece over the past decades, and the evaluation studies available are numbered. Currently, and by the end of 2015, Greece will put forward the evaluation plans outlining which ALMP interventions will be evaluated in the 2014-2020 period.

Greece is thus interested in improving the evaluation of ALMPs, with the ultimate aim of improving the effectiveness of its ALMPs. The way Spain has gone about improving ALMP effectiveness shows the steps that could be taken to transfer the approach to the Greek context. These would involve designing an overarching national strategy for activation (such as the SEA, which clearly sets out strategic and structural objectives), then agreeing a set of actions to implement to respond to the objectives. The crucial final steps are to agree the indicators that will enable an assessment of ALMP effectiveness. Learning from the experience of Spain, it appears that these indicators should include: a) process indicators on how well the regional/local PES are running their activities and b) outcome indicators that measure how well the actions taken by the PES help to accomplish the intended results, i.e. improve the employability of unemployed persons.

The outcome-based reallocation of funds foreseen in the context of the SEA is another very interesting element of the reform that Greece would like to explore further. It is understood that the indicators used to decide this reallocation of funds are mostly 'process' indicators, and that the regions that best comply with the processes described in the set of indicators agreed for each year, can then receive some additional funding the following year. If Greece decides to implement outcome-based reallocation of funds in the future, it could do so on the basis of PES performance, but always considering the contextual factors that influence performance. These include the regional economic context and regional needs in terms of number and characteristics of clients. Learning from the Spanish example, a challenge has proven to be the time within the year, when regions learn whether they will be receiving additional funds on the basis of good outcomes. As indicated in the Host Country Paper, decisions on what funds will be reallocated only become known mid-year (e.g. June 2015). This makes it difficult for regions to adequately plan their activating actions for the current year and to pay for them. So, it is crucial to take decisions on the allocation of performance-based funds as early as possible within the funding cycle.

Further key elements of Spain's SEA which Greece could develop further include developing the cooperation between the Public Employment Services (PES) and Private Employment Services (PrES) and creating a Single Job Portal.

As far as cooperation between the Public and Private Employment Services goes, this area is still underdeveloped in Greece. Before 2010, the legal framework governing private employment services in Greece was very restrictive, only allowing certain services and in certain professions. From 2010 onwards, steps have been taken to encourage cooperation. Legislative changes introduced since 2010, have gradually abolished the limitations that had originally been placed on the free establishment of Private Employment Agencies. If this more relaxed legislative framework can be combined with a supportive policy environment, it will be possible to develop cooperation between the PES and the PrES in Greece, given that there appears to be willingness on both sides to do so.

A Single Job Portal would also be very beneficial to be developed further in Greece. OAED, Greece's Public Employment Service currently has such a portal⁶, but this merits further development in order to be able to respond to the intense challenges of the Greek labour market. In particular, two key aspects of OAED's portal that merit development is attracting significantly higher numbers of vacancies posted by employers, and incorporating geographical information systems to show jobs in specific areas.

⁶ <http://eservices.oaed.gr:7777/pls/apex/f?p=1001:1:106104985710033:::>

4 Questions

- It would be interesting to discuss the results oriented funding and in particular obtain more details on the 26 indicators and on how the results oriented funding is done in practice.
- In relation to the Single Job Portal, has this completely replaced the pre-existing 7 job portals or does it exist alongside them? And what do you do to attract the interest of employers and engage employers to post vacancies on the single job portal (e.g. is there an advertising campaign associated with the launch of the portal)?
- It would be interesting to hear more about the Best Practise Programme, it seems that regional PES quite readily adopt tools and methods presented during the Best Practice Seminars. Is there some funding associated with the Best Practise Programme to support those regions that may want to transfer a tool or method from another region to their own?

5 Annex 1: Summary table

Labour market situation in the Peer Country

- As of July 2015, Greece had the highest unemployment rate in the EU, at 25% seasonally adjusted, compared to an EU average of 9.5%.
- Greece faces similarly high youth unemployment to Spain. The highest unemployment rate is noted in the age group 15-24 at 52.4% for 2014
- Long-term unemployment (LTU) in Greece, is the highest in the EU-28
- Even though unemployment is above 20% in all Greek regions, there are still disparities in the regional unemployment rates (20.1%-28.7%)

Assessment of the policy measure

- There are 13 NUTS II regions in Greece, set up in 1987. The regions obtained increased competences, a directly elected Regional Governor and Regional Council, in 2011
- ALMPs are centrally designed and implemented via the local offices of the national PES and training agencies
- Increased opportunities for regional ALMPs in the 2014-2020 programming period. This followed a centralised implementation and channelling of EU funds for ALMPs during the 2007-2013 period.

Assessment of success factors and transferability

The elements of the SEA that could be further developed in Greece include:

- Increased cooperation between PES and PrES in Greece
- A further developed unique job portal in Greece, such as Spain's Single Job Portal, attracting high numbers of vacancies.
- Improved evaluation of the effectiveness of ALMPs

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