

# Greece's socio-economic response to the COVID-19 pandemic

ESPN Flash Report 2020/35

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JULY 2020

*In the light of the COVID-19 outbreak, the Greek government took a number of measures to contain the spread of the coronavirus, to mitigate the effects of the lockdown and to support citizens in maintaining their income. Although these income compensation measures are expected to cushion the negative impact on incomes to some extent, significant challenges remain.*



## Description

At the end of February 2020, following the first confirmed COVID-19 case in the country, the Greek government adopted social distancing measures in order to contain the spread of the coronavirus. In early March 2020, it declared an almost total lockdown, along with the closure of all education institutions and non-essential businesses. These measures were accompanied by several income and employment protection measures to cushion the effects of the pandemic. Particular emphasis was placed on strengthening the healthcare system (infrastructure and workforce capacity) so as to respond to the ever-increasing needs resulting from the pandemic, while a kind of social safety net was established to protect the most vulnerable groups in the population and to alleviate the most apparent impacts of the crisis.

In response to the COVID-19 crisis, the authorities adopted a number of income support measures for the unemployed. In particular, these were: i) the prolongation of regular and long-term unemployment benefits until July 2020 for those beneficiaries whose benefits expired during the first three months of 2020; ii) the prolongation of unemployment benefit for approximately 120,000 seasonal workers until September 2020; and iii) an ad-hoc economic support payment of €400 to all registered long-term unemployed persons not eligible for the long-term unemployment benefit (i.e. about 168,000 persons). It should be noted that all Greek Manpower Employment Organisation (OAED)

services were provided electronically, including the application procedure for registration with OAED.

Moreover, the government introduced a number of income compensation measures. In particular, a special purpose compensation of €800 for the 45-day period from 15 March to 30 April 2020, and €534 per month after this, was provided to all employed persons whose labour contracts (irrespective of their contract type, full-time or part-time) were suspended, working either in businesses whose work had been suspended or in businesses significantly affected: this was done on the basis of their Business Activity Codes. The special purpose compensation was also provided to the self-employed, freelancers and business owners (with up to 20 employees) who were financially affected by the COVID-19 outbreak. This income support is expected to cushion the negative impact on incomes; however, given that the average net monthly wage is around €1,300, the negative impact on incomes will be sizeable (European Commission, 2020). It should be noted that employers will be fully compensated for the social insurance contributions of all employed persons whose labour contracts were suspended.

In addition to these, freelancers and self-employed persons could benefit from a 25% reduction in their social insurance contributions (and in their tax and VAT payments) for February, March, April and May if these were paid in time, or they could decide to postpone these payments to a later period, starting from September 2020.

An ad-hoc economic support payment of €600 was provided to certain liberal

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professions (i.e. economists/accountants, engineers, lawyers, doctors, teachers and researchers). The total number of beneficiaries was around 180,000, with an estimated budget of €120 million.

Another income compensation measure adopted was a 2-month extension for approved beneficiaries of the "Guaranteed Minimum Income" scheme which expired in February 2020, while an extra amount was provided to beneficiaries' households with at least one child. More specifically, the amount of the benefit was increased by €100 for the first child and by €50 for each additional child, while the total extra amount was capped at €300, irrespective of the composition of the household.

Finally, the government has extended the duration of receipt of the "Rent Subsidy", for approved beneficiaries, by two months, while beneficiaries of the "Housing and Work for the Homeless" programme, after their withdrawal from this programme, are entitled to receive the "Rent Subsidy" for a maximum period of six months. In addition, a special (40%) reduction of rent for the period March-June 2020 was granted for: i) the rented primary residence of employees working in businesses which were obliged to suspend operations; ii) the rented primary residence of employed persons whose labour contracts were suspended; iii) student-rented residences of children of the two abovementioned categories; as well as iv) rented professional premises of those businesses whose operation was suspended, and certain businesses (specified in the relevant Act of Legislative Content) which were affected by the COVID-19 crisis. Moreover, according to the relevant Act of Legislative Content, local authority organisations could operate additional temporary accommodation structures and

"Overnight Shelters" for the protection of homeless people.



## Outlook and commentary

As is the case in most EU Member States, the COVID-19 pandemic has had significant consequences for the Greek economy. Economic disruption and, consequently, large job losses are expected to increase the already high unemployment rate, while declines in disposable incomes may lead to a significant increase in the share of people at risk of poverty or social exclusion in the coming years. These developments, in turn, are expected to increase the number of people in need of social protection, putting significant pressure on the social protection system.

In this context, and in order to support employment and help businesses to maintain full-time jobs in the private sector, the government launched a new employment subsidy mechanism called "Syn-Ergasia". This mechanism will be implemented from 15 June until 15 October, funded by the newly established European instrument for temporary support to mitigate unemployment risks in an emergency (SURE). According to the relevant Ministerial Decision, employers can reduce, by up to 50%, the weekly working hours of their personnel, with a corresponding reduction in their salary. This reduction can be used for employed persons who were working on a full-time labour contract on 30 May 2020. Persons in part-time employment and persons whose contract has been suspended are not eligible for this mechanism. The state will cover 60% of the reduction in the employees' net salary, while the employer is obliged to cover the total amount of their social insurance contributions. In other words, employees who work reduced hours will be largely

compensated for the fall in their normal salary level, while their social insurance contributions will be covered without any loss.

Clearly, therefore, the COVID-19 related challenges that the country faces in the short- and medium-run are: i) to strengthen the efficiency of the healthcare system so it can respond and manage a rapid increase in COVID-19 cases; ii) to ensure universal healthcare coverage, especially for those belonging to vulnerable groups; iii) to ensure the proper implementation of the employment protection measures adopted (contract suspension, job rotation, etc.) in order to avoid further deregulation of the labour market; and iv) to strengthen social protection policies so as to respond effectively to the ever-increasing pressure on the social protection system. Securing adequate financial resources to be used in an economically viable manner is a first step in addressing these challenges successfully.

### Further reading

Economou Ch., Kaitelidou D., Konstantakopoulou O. and Vildiride L. (2020), Greece: Health system response to COVID-19, WHO Regional Office for Europe and European Observatory on Health Systems and Policies, COVID-19 Health System Response Monitor, available at: <https://www.covid19healthsystem.org/mainpage.aspx>

European Commission (2020), Enhanced Surveillance Report: Greece, May 2020, Institutional Paper 127, available at: [https://ec.europa.eu/info/sites/info/files/economy-finance/ip127\\_en.pdf](https://ec.europa.eu/info/sites/info/files/economy-finance/ip127_en.pdf)

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Quoting this report: Konstantinidou, D., Capella, A. (2020). *Greece's socio-economic response to the COVID-19 pandemic*, ESPN Flash Report 2020/35, European Social Policy Network (ESPN), Brussels: European Commission.