Support measures to mitigate the effects of the second wave of COVID-19 in Greece

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During both the first and second lockdowns in Greece, a number of measures were taken to mitigate the socio-economic effects of the lockdown. Yet there are still major gaps in this support, especially for the most vulnerable groups in the population.

Description

In early March 2020, the Greek government declared an almost total lockdown, along with the closure of all education institutions and non-essential businesses. In this context, on 28 April the government adopted a "Gradual De-escalation of Restrictive Measures Scheme", which enabled gradual relaxation of the lockdown measures. However, in the beginning of November, in an effort to halt a surge in infections, the government decided to proceed to a second lockdown, which -at present- is expected to last until 7 January 2021.

During both the first and second lockdowns, a number of measures were taken to mitigate the effects of the lockdown, and to help citizens maintain their income. The following government support measures, in particular, were taken in response to the pandemic to support vulnerable groups during the second lockdown:

The so-called "special purpose" compensation of €534 per month granted to all employed persons whose labour contracts have been suspended, working in businesses whose work has been suspended or which have been significantly affected by the COVID-19 pandemic was increased by €266 only for November (amounting thus to €800). This compensation is also provided to the self-employed, freelancers and business owners (with up to 20 employees) financially affected by the pandemic. Additionally, employers are being fully compensated for the social insurance contributions of all employed persons whose labour contracts have been suspended.

An extra one-off €400 means-tested economic support is planned to be granted to lawyers, engineers and economists financially affected by the crisis. The relevant ministerial decision that will specify the details of this measure has not been adopted yet.

In addition, the government introduced certain changes to the COVID-19-related employment subsidy mechanism "Syn-ergasia" (see Konstantinidou and Capella 2020), to make it more appealing to businesses and thereby increase its take-up. Since July 2020, the state has been covering 100% of social insurance contributions for hours not worked, as long as businesses retain the same number of employees they had in June 2020. This additional cost will be covered by the state budget, while the mechanism has been extended until 31 December. In October 2020 (latest available data), 40,401 employees benefited from "Syn-ergasia".

The authorities adopted two income measures to support the unemployed: a) a two-month extension of regular and long-term unemployment benefits for people whose benefits expired during the period January-December 2020; b) an extra ad-hoc economic support payment of €400, which is to be provided in December to those who became long-term unemployed after 1 March, are not eligible for the long-term unemployment benefit and did not receive the ad-hoc support in April (i.e. about 130,000 persons). In addition, efforts have been concentrated on promoting active labour market programmes, implemented by the Greek Manpower Employment Organisation (OAED), with a view to creating new jobs. A new programme subsidising employment for a total of 100,000 unemployed people was launched in October.

Moreover, during the second lockdown, beneficiaries of the guaranteed minimum income (GMI) scheme whose approved applications expired over the period November 2020-January 2021 had these extended by three months. In December 2020, all GMI beneficiaries will receive an extra one-off amount equal to their monthly GMI benefit.

With regard to housing support, in addition to a three-month extension of approved applications for the "Rent Subsidy" and the special 40% rent reduction (see Konstantinidou and Capella 2020), the authorities adopted Law 4714/2020 in August 2020. This law introduced a new temporary mortgage instalment subsidy scheme for vulnerable debtors who have a mortgage on their primary residence and have been financially affected by the COVID-19 crisis; the scheme is means-tested, based on income and assets. Eligible debtors can receive state subsidies of up to 90% of their monthly instalment for up to nine months for loans related to their primary residence (including non-performing loans, i.e. loans that are in default or close to being in default).

Outlook and commentary

As the description of the support measures shows, the government's main focus was to mitigate the effects of the pandemic on the labour market. Emphasis was placed on maintaining jobs and compensating employees' incomes. Yet although the income support and job protection measures are expected to cushion the negative impact on incomes to some extent, the negative impact on incomes will still be sizeable (European Commission, 2020).

Moreover, one-off payments and short-term extensions of the duration of social protection benefits are not sufficient to meet the needs of the most vulnerable groups in the population. Worse still, because eligibility for most social protection benefits (i.e. GMI, rent subsidy, child benefit) is assessed on the basis of the previous year's income, a number of people who have experienced a significant decline in their income cannot receive these benefits. There is therefore a significant share of the population who cannot cover their needs. It should be also noted that a huge number of registered unemployed are not eligible to receive unemployment benefit. According to the latest available OAED's data, out of the total registered unemployed in October 2020 (993,934 persons), only 166,035 (or 16.7%) received an unemployment benefit.

At present, moreover, there are no specific measures aimed at helping certain vulnerable groups (persons with disabilities, migrants and refugees, single-parent families, large families, Roma people) to cope with the consequences of the COVID-19 crisis. These groups can only benefit from the programmes and support measures already in place. They are therefore insufficiently covered, if at all. This is despite the fact that the consequences of the COVID-19 crisis can be even more profound for these people, who were already in a vulnerable position prior to this crisis.

Economic disruption and, consequently, large job losses are expected to increase the already high unemployment rate, while declines in disposable incomes are expected to lead to a significant increase in the share of people at risk of poverty or social exclusion in the upcoming years. Moreover, given that eligibility for most social protection benefits is assessed based on the income tax declarations of the previous year, the consequences of the pandemic are not yet reflected in the take-up rates of social protection benefits in Greece. A huge increase in the numbers receiving social protection benefits (and, subsequently, in expenditure) is therefore expected in 2021.

All these developments, in turn, are expected to increase the number of people in need of social protection in Greece, putting significant pressure on the social protection system. In this context, Greece needs to strengthen social protection policies so as to respond effectively to the ever-increasing pressure on the system and to cushion effectively both the short-term and the potential long-lasting socioeconomic impact of the pandemic. To this end, appropriate use of the funds available under the Recovery and Resilience Facility could provide a unique opportunity for the country to mitigate the socio-economic impact of the COVID-19 crisis and also, in the long term, to establish a comprehensive social protection system.

Further reading

Konstantinidou D. and 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.

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

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