

Greece reforms its public employment service and labour market policies

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A reform of the public employment service and of labour market policies in Greece was adopted in 2022 with a view to improving service quality as well as the overall capacity and effectiveness of the system. Although some of the provisions introduced are welcome, unemployment remains a persistent and critical issue that requires immediate action, while the benefits provided continue to be low and of limited duration and coverage.

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Description

The adoption of Law 4921/2022 by the Greek parliament in April 2022 introduced a reform of the public employment service and of labour market policies. This law introduced a new legislative framework for the Greek Public Employment Service (DYPA). Its main purposes, as outlined in Article 1 of the Law, include: i) transformation of the competent organisation into a contemporary and flexible organisation; ii) faster and more efficient reintegration of unemployed persons into the labour market; iii) introduction of financial incentives to those actively seeking employment; iv) upgrading of human capital skills; v) reform, coordination and interlinkage of training with the needs of the economy; vi) utilisation of available EU resources to ensure the provision of high-quality training to the unemployed; vii) strengthening the links between the skills of the workforce and the labour market; and viii) increase in the coverage of available jobs.

The most important provisions introduced are:

- Restructuring of the organisation, with a reform of its governance model to reduce the role of social partners in policymaking (and renaming of it).
- Introduction of new digital tools (DYPA digital card, digital unemployment registry and digital individual action plan) to help unemployed persons exercise their rights and to help the DYPA offer individualised services to job seekers.
- Introduction of an “employment benefit” for unemployed persons who find a job while receiving the unemployment benefit. The benefit amount is equal to 50%

of the unemployment benefit and is provided for the remainder of the unemployment benefit entitlement period.

- Provision of a one-off financial incentive (€300) for the creation of a digital individual action plan, for people who are in long-term unemployment for up to five years and are actively seeking a job.
- Introduction of income eligibility criteria for the DYPA’s additional benefits and services, available to those who are registered with the DYPA unemployment registry for more than one year. These criteria do not apply to the regular unemployment benefit.
- Introduction of sanctions in the case of a breach of beneficiaries’ obligations: a) an unemployed person who does not accept three suitable jobs offered is deleted from the DYPA unemployment registry, cannot re-register for two years and ceases to receive the unemployment benefit during that period; b) a job seeker who refuses to participate in lifelong learning initiatives, or fails to complete and receive the relevant certification, is deleted from the DYPA unemployment registry, cannot re-register for six months and ceases to receive the unemployment benefit; and c) job seekers who do not create a digital individual action plan within a specified timeframe are deleted from the DYPA unemployment registry for six months.

Further to these, the Law foresees the establishment of a national strategy for updating the skills of the workforce and strengthening its links with the labour market; it also updates the “Diagnosis Mechanism of Labour Market Needs”. In addition, the Law reforms and modernises the DYPA continuing vocational education and training model. It establishes obligations for providers and beneficiaries and introduces a payment by results system for both trainees and providers, aimed at making the system more

reliable and effective, while improving quality control. A number of pilot programmes to broaden the support provided to the unemployed and make the system fairer have also been included in the Greek National Recovery and Resilience plan, expected to be implemented by 2026. However, the ministerial decisions containing the details of the actual implementation of this reform are still pending. As a result, the reform has not yet been implemented.

Outlook and commentary

Whereas government representatives argue that this reform was long-awaited and will be successful in activating the unemployed and reducing unemployment, social stakeholders and opposition parties reacted with suspicion to the reduction of the role of the social partners, and criticised the reform for converting the competent organisation into a body of state administrative intervention. In their view, the new governance model undermines the formal role of the social partners, favouring the government's positions. Concerns have also been raised regarding the neoliberal approach taken in the reform, which emphasises individual responsibility for unemployment and reduces the state's role in supporting the unemployed.

In spite of the steady fall in unemployment observed over the last few years, Greece continued to show the highest unemployment rate among the EU Member States in 2021, i.e. 14.9% (together with Spain), more than double the EU-27 average of 7.1% in 2021 (Eurostat, Table LFSA_URGAN). Women continue to exhibit much higher unemployment rates than men (19.1% against 11.5% respectively in 2021), while the main age groups affected by extremely high unemployment are still young people aged 15-24 (35.5%), though a notable improvement can be observed in this respect. Long-term unemployment stands at 62.7% in 2021, which is extremely high compared to the respective EU-27

average (39.5%) (Eurostat, Table LFSA_UPGAN). It is also of ongoing concern that the at-risk-of-poverty rate of unemployed persons (aged 18 years and over) was 45.3% in 2020 (latest available data), which is much higher than the respective rate for employed persons (10.1%) and shows that unemployment benefits do not protect adequately against poverty (Eurostat, Table ILC_LI04).

These data indicate that, despite the significant reduction in recent years, unemployment remains a persistent and critical issue in Greece that requires further efforts, constituting one of the most pressing challenges for the government. In this context, the reform seems to address some of the issues needed to tackle future unemployment by enhancing labour market reintegration, though no action has been taken to compensate the unemployed effectively and adequately for loss of income. Worse still, the reform introduces stricter conditions for some of the benefits and services provided, while the sanctions introduced may have consequences for people excluded. It is also questionable whether the provision of financial incentives to the long-term unemployed for the creation of digital individual action plans can ensure (or even contribute to) their effective reintegration into the labour market, since sustained employment often needs to be accompanied by additional measures. Furthermore, the diminished role of the social partners is a concern, insofar as it undermines their formal participation in the process of deciding on unemployment support measures.

On the other hand, the promotion of individualised approaches in service delivery is a positive element. Additionally, the changes made to the upgrading of skills, the links with the labour market and the reform of the DYPA continuing vocational education and training model appear to be moving in the right direction, though it remains to be seen whether the provisions in the Law will be fully and effectively

implemented. Emphasis should be placed on ensuring that all individuals have easy and fair access to learning opportunities.

Nevertheless, it is too early to assess the impact of the reform in terms of improved capacity and effectiveness, let alone service quality. Even though some of the new provisions are welcome, the unemployment benefits provided can hardly act on their own as a "cash benefit safety net" against poverty and social exclusion. In fact, both the regular and - especially - the long-term unemployment benefits continue to be low and of limited duration and coverage. The level of the regular unemployment benefit depends on the average gross monthly earnings over the last six months, while the duration of the regular unemployment benefit is determined by the insured person's contribution record and varies between five and twelve months maximum. Even for those receiving it for the maximum period (12 months), the regular unemployment benefit ranges between €2,628 and €5,256 for the entire twelve-month period, which is below the at-risk-of-poverty threshold for a single-person household (€5,269 in 2020) and well below the at-risk-of-poverty threshold for a household consisting of two adults and two children younger than 14 years (€11,064 in 2020) (Eurostat, Table ILC_LI01). Therefore, there is still a need for concrete action to ensure access and adequate coverage against the risk of unemployment for all.

Further reading

Law 4921/2022, Official Journal of Government, Issue No. 75, Vol. A', 18 April 2022 (in Greek).

Hellenic Parliament (2022). [Explanatory report of Law 4921/2022](#) (in Greek).

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