National Recovery and Resilience Plan
Greece
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National Recovery and Resilience Plan: Greece

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Abstract

The *NextGenerationEU* plan is a golden opportunity for those Member States that were most badly hit, first, by the debt crisis, and then by the Covid-19 pandemic. Greece, one of the largest beneficiaries in per capita terms, is due to receive very significant resources that can help arrest the decline of the 2010s. Can these resources be spent wisely and efficiently enough to kickstart the process of inclusive and sustainable growth? This paper briefly reviews the Greek National Recovery and Resilience Plan (*Greece 2.0*), assessing its potential contribution to upgrading the economy's growth model, enhancing skills, boosting employment and improving social services.

Keywords: Greece, NRRP, Growth model, Skills, Jobs, Social services.

1. The *status quo ante.*

On 26 February 2020, when Covid-19 officially arrived in Greece, the country was still only slowly recovering from a decade of economic decline, social distress and political instability.[1] In 2010–2014, more than a million workers lost their jobs, the average earnings of those still in work fell by over a quarter and household incomes plummeted. In 2015–2019, the economy stabilised and unemployment began to fall, though the recovery was anaemic.

Relative to 2007, when the global financial crisis erupted, by 2019 the number of employed persons had shrunk by 15 per cent, real GDP per capita by 21 per cent and total investment by a stunning 70 per cent. At the same time, social spending per capita also decreased (by 6 per cent) in 2007–2019. Income inequality, whether measured by the Gini coefficient or the income quintile share ratio, was above the EU average, but below its level prior to the crisis. The poverty rate also fell, though this was due partly to the fact that the

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[1] Matsaganis M., *Safety nets in (the) crisis: the case of Greece in the 2010s*, in *Social Policy and Administration*, 54 (4), 2020, 587–598.

crisis reduced median incomes, and hence lowered the relative poverty threshold. As for the share of people at risk of poverty or social exclusion (at 30 per cent in 2019), it remained the third largest in the EU, having fallen from its peak (36 per cent in 2014).[2]

As the health system braced for the pandemic, its resilience was in doubt. Its traditional traits[3] – too many doctors, too few nurses; too many diagnostic tests, too little primary care; too many antibiotics, too little prevention – were ill-suited to the kind of challenge posed by Covid-19. Meanwhile, per capita public health spending was cut by as much as 46 per cent in real terms[4] in 2009–2019. Because not all of this had been waste or inefficiency, essential services suffered.[5,6,7] In this context, 8.1 per cent of all Greeks (17.6 per cent of those in the lowest income quintile) reported unmet needs for health, more than in any other EU Member State.

In a demonstration of the Greek economy's vulnerability, partly caused by overreliance on tourism, in 2020 real GDP fell by 9.0 per cent, in other words, a worse recession than in all other Member States except Spain.[8] As elsewhere, when the country went into lockdown, the government spent heavily to bolster health care and to support firms and households. IMF estimates[9] put the fiscal cost of all measures taken in 2020 and 2021 at 17.5 per cent of 2020 GDP, which was the highest of all EU Member States. Liquidity support cost another 3.7 per cent of 2020 GDP (which was not particularly high by international standards). As a result, the debt-to-GDP ratio briefly surpassed 200 per cent, before it fell to a still rather vertiginous 193 per cent in the last quarter of 2021.

2. Overview of the Greek NRRP

The lingering dearth of investment is perhaps the most ominous legacy of the Greek crisis. In 2007–2019, public investment declined by 62 per cent in real terms; business investment

[2] All figures cited in the text are published by Eurostat, unless otherwise stated.
[3] Matsaganis M., *Prerequisites to the revival of public health care in Greece*, in S. Kalyvas, G. Pagoulatos, H. Tsoukas (eds), *From stagnation to forced adjustment: Reforms in Greece, 1974–2010*, Oxford, Oxford University Press, 2013.
[4] OECD data online (Health expenditure and financing; Financing scheme: Government/compulsory schemes; Function: Current expenditure on health (all functions); Provider: All providers; Measure: Per capita, current prices). Current prices were converted to constant ones using Eurostat's Harmonised index of consumer prices (HICP) – annual data).
[5] Kentikelenis A., Karanikolos M., Reeves A., McKee M., Stuckler D., *Greece's health crisis: From austerity to denialism*, in *The Lancet*, 383 (9918), 2014, 748–753.
[6] Kanavos P., Souliotis K., *Reforming health care in Greece: Balancing fiscal adjustment with health care needs*, in C. Meghir, C.A. Pissarides, D. Vayanos, N. Vettas (eds), *Beyond austerity: Reforming the Greek economy,* MIT Press, Cambridge, 2017.
[7] Petmesidou M., *Health policy and politics,* in K. Featherstone and D.A. Sotiropoulos (eds), *Oxford Handbook of Modern Greek Politics*, Oxford University Press, Oxford, 2020.
[8] European Commission, *European Economic Forecast Spring 2022,* European Economy Institutional Paper 173, 2022, p. 71. *See* also: IMF, *Greece: 2022 Article IV Consultation*, Country Report No. 22/173, Washington DC, International Monetary Fund, 2022, 4.
[9] This estimate refers to 'Above-the-Line Revenue and Spending'. *See*: IMF, *Fiscal Monitor: Database of country fiscal measures in response to the Covid-19 pandemic*, Washington DC, International Monetary Fund, 2021a. *See* also: IMF, *Greece: 2022 Article IV Consultation*, Country Report No. 22/173, Washington DC, International Monetary Fund, 2022, 8.

also fell by 44 per cent; while households cut back on their investment expenditure (mainly on housing) by 89 per cent. Total capital stock declined, as the current level of investment was too low to offset depreciation. Clearly, underinvestment constrains growth and undermines future prospects. Here lies the special significance of the *Recovery and Resilience Facility* (RRF) for Greece, in addition to the resources available under the *Partnership Agreement 2021–27* and other EU programmes.

True, the country's historical record on absorbing, let alone spending sensibly, the EU funds earmarked for it has not been great.[10] This time, though, the outlook seems more promising. *Greece 2.0*, the National Recovery and Resilience Plan (NRRP) submitted to the European Commission[11] in April 2021, was explicitly modelled on the report of the Pissarides Committee,[12] chaired by LSE Professor and Nobel Laureate Sir Christopher Pissarides, delivered to the Prime Minister in November 2020. After more than a hundred consultation meetings with government officials,[13] the European Commission formally accepted the Plan in June 2021, hailing it as 'a comprehensive and adequately balanced response to Greece's economic and social situation'.[14]

2.1. The Greek NRRP at a glance.

The Greek government decided to apply for the maximum funds available under RFF in the form of both grants (17.7 billion euros (€)[15]) and loans (€12.7 billion), in its attempt to reduce the widening gap in living standards between the country and the rest of the EU.

The Greek NRRP comprises a total of 175 measures, 108 of which concern investments, while the remaining 67 refer to reforms. Specifically, *Greece 2.0* is structured in terms of four pillars:

(i) Green transition
(ii) Digital transformation
(iii) Employment, skills and social cohesion
(iv) Private investment and transformation of the economy.

[10] Makantasi F., Valentis I., *Partnership Agreement: A partly unexploited developmental instrument*, diaNEOsis, Athens, 2020 (in Greek).
[11] *Greece 2.0, National Recovery and Resilience Plan*, Athens, Government of the Hellenic Republic, 2021.
12 Pissarides Committee, *Growth plan for the Greek economy: Final report,* Athens, Ministry of Finance, 2020 (in Greek).
[13] Theodoropoulou S., *Recovery, resilience and growth regimes under overlapping conditionalities: the case of Greece*, in *Comparative European Politics*, 20 (2), 2022, 201–219.
[14] SWD, *Analysis of the recovery and resilience plan of Greece*, Commission Staff Working Document accompanying the document Proposal for a Council implementing decision on the approval of the assessment of the recovery and resilience plan for Greece. SWD/2021/155 final (17 June), Brussels, European Commission, 2021a, p. 33.
[15] The sum of €17.7 billion amounts to the maximum financial contribution to Greece, calculated on the basis of the formula described in Article 11 of Regulation (EU) 2021/241, minus the country's share of expenses (pertaining to preparatory, monitoring, control, audit and evaluation activities) as outlined in Article 6(2) of that Regulation.

These four pillars are further divided into 18 components. Overall, the plan encompasses key investments in energy networks, energy efficiency of dwellings, sustainable transport, high-capacity networks and connectivity, digitalisation of the public and private sector, education, active and passive labour market policies, reskilling and upskilling of the workforce, social services and health care.

Table 1: Structure of the Greek NRRP

	Pillars and components	Funds allocated	
		€ billion	% of total
1	Green transition	6.2	33.6
1.1	*Power-Up*	*1.2*	*6.5*
1.2	*Renovate*	*2.7*	*14.7*
1.3	*Recharge and refuel*	*0.5*	*2.8*
1.4	*Sustainable use of resources, climate resilience and environmental protection*	*1.8*	*9.5*
2	Digital transformation	2.2	11.8
2.1	*Connect*	*0.5*	*2.8*
2.2	*Modernise*	*1.3*	*6.9*
2.3	*Digitalisation of businesses*	*0.4*	*2.0*
3	Employment, skills and social cohesion	5.2	28.2
3.1	*Increasing job creation and participation in the labour market*	*0.8*	*4.2*
3.2	*Education, vocational education, training and skills*	*2.3*	*12.5*
3.3	*Improve resilience, accessibility and sustainability of health care*	*1.5*	*8.1*
3.4	*Increase access to effective and inclusive social policies*	*0.6*	*3.3*
4	Private investment and transformation of the economy	4.9	26.5
4.1	*Making taxes growth-friendly and improving tax administration*	*0.2*	*1.0*
4.2	*Modernise public administration*	*0.2*	*1.0*
4.3	*Improve the efficiency of the justice system*	*0.3*	*1.4*
4.4	*Strengthen the financial sector and capital markets*	*0.0*	*0.1*
4.5	*Promote research and innovation*	*0.4*	*2.4*
4.6	*Modernise and improve resilience of key economic sectors*	*3.7*	*20.3*
4.7	*Improve competitiveness and promote private investments and exports*	*0.1*	*0.3*
	Total[16]	18.4	100.0
	RRF loan facility (not allocated)	12.7	

Source: Greece 2.0 (p. 24).

At present, only about 60 per cent of all funds have been committed to specific actions (shown in Table 1). While no distinction is made in the table between grants and loans, the Plan makes it clear that loan support will be channelled to reforms and investments to close

[16] Note that the total exceeds the maximum financial contribution to Greece (net of expenses) by approximately €0.7 billion. It is not clear whether the discrepancy will be covered through the RRF loan facility or by national resources.

(i) the output gap, (ii) the investment gap, and (iii) the interest rate gap on business loans between Greece and other member states.[17]

The Plan appears to strive to balance the objectives of (i) satisfying RRF requirements (for example, as regards the minimum funds allocated to each pillar)[18], and (ii) selecting public policy areas or sectors of the economy in which underinvestment has been most counter-productive.

The *Green transition* pillar accounts for 33.5 per cent of all grants requested, more than any other pillar. *Renovate*, its main component, aims to upgrade energy efficiency by retrofitting public, commercial, residential and industrial buildings.

Employment, skill and social cohesion is the second most important pillar in terms of resources allocated (28.2 per cent of all grants). *Education, vocational education, training and skills*, its largest component, aims to address the perennial problem of low labour market participation through investing in workforce upskilling and reskilling. Other components of this pillar concern improving access to health care and social protection.

Next in order of importance, the *Private investment and transformation of the economy* pillar (26.5 per cent of all grants) addresses critical points of the Greek economy deemed to impede growth. *Modernise and improve resilience of key economic sectors* is by far the largest component: it targets a range of sectors, from agriculture and cultural heritage to tourism and transport. Other components address tax collection, public administration and the judicial system.

The *Digital transformation* pillar has the lowest allocation (11.8 per cent of all grants). Nevertheless, digital investments and reforms can also be found in other pillars of the Plan. Taking them all into account amounts to more than the minimum required by RRF rules (20 per cent). *Modernise*, the main component, supports the digital upgrading of Greece's public sector, aiming to promote interoperability, data security and the use of digital technologies by public agencies.

2.2. Estimated effects of the Greek NRRP on growth and employment.

Employment in Greece, comparatively low even when the economy was growing fast, fell significantly in the 2010s. In 2021, the country's employment rate (62.6 per cent) was the lowest in the EU, standing at over 10 percentage points below the EU average (73.1 per cent).[19] It follows that the challenge for the country is how to take advantage of the RRF in order to engineer a sustainable, jobs-rich growth. The government's strategy, inspired by the Pissarides Report, is to attempt to do so by upgrading the country's growth model, which in turn requires raising firms' productivity and improving export performance.

Is growth likely to accelerate? Official figures, produced by the Bank of Greece, forecast 'a positive contribution [of the NRRP] to the growth rate of GDP by around 1.2 percentage

[17] Greece 2.0, *National Recovery and Resilience Plan*, Athens, : Government of the Hellenic Republic, 2021, 24, 430.
[18] Note that the classification of actions in the Greek NRRP differs from the one used in RRF documents. We follow the 'national' classification here.
[19] All figures refer to the 20–64 age group.

points on average each year, during the period 2021–2026'.[20] Taking this effect into account, *Greece 2.0* projects real GDP to grow by over 4 per cent in 2023 and 2024.[21]

Is this realistic? The European Commission's latest economic forecasts (spring 2022) are more cautious,[22] while the IMF is even more pessimistic, its overall view being that 'over the medium term, growth is expected to converge to 1½ percent, supported by NGEU funds'.[23]

Similarly, as regards employment effects, official estimates put the number of new jobs created by *Greece 2.0* at 180,000 to 200,000, which would raise the employment rate by about 3 percentage points to nearly 66 per cent.[24] The projected decline in the unemployment rate[25] seems rather optimistic if compared with the IMF projection,[26] and even more so if set against the European Commission's estimate.[27] These are shown in Table 2.

Table 2: Competing forecasts of growth and employment

	Real GDP growth		**Unemployment rate**	
	2023	**2024**	**2023**	**2024**
Greece 2.0	4.1%	4.4%	11.7%	10.5%
European Commission	3.1%	…	13.1%	…
IMF	2.6%	2.0%	12.4%	11.6%

Source: Greece 2.0 (p. 703), European Commission (2022, p. 71), IMF (2022, p. 33).

Does it matter that the Greek government and international organisations have come up with divergent estimates of growth and employment? In fact, there is more at stake than a simple disagreement about numbers. As two acute observers of the Greek economy have put it: 'If policies and budgets are calibrated on expected growth rates that are higher than potential, then Greece risks getting into a new competitiveness and debt crisis'.[28]

Furthermore, *Greece 2.0* provides little information on the nature (and quality) of the jobs that will be created, while it remains silent about the jobs that will inevitably be lost as a result of economic change, accelerated by the shift to remote work in response to Covid-19, and by the 'creative destruction' implicit in the green and digital transitions.

[20] Greece 2.0, *National Recovery and Resilience Plan*, Athens, Government of the Hellenic Republic, 2021, 727.
[21] Greece 2.0, *National Recovery and Resilience Plan,* Athens, Government of the Hellenic Republic, 2021, 703.
[22] European Commission, *European Economic Forecast Spring 2022*, European Economy Institutional Paper 173, 2022, 71.
[23] IMF, *Greece: 2022 Article IV Consultation,* Country Report No. 22/173, Washington DC, International Monetary Fund, 2022, 8.
[24] Employment rate in the 20–64 age group: Greece 2.0, *National Recovery and Resilience Plan*, Athens, Government of the Hellenic Republic, 2021, 19.
[25] Greece 2.0, *National Recovery and Resilience Plan*, Athens, Government of the Hellenic Republic, 2021, p. 703.
[26] IMF, *Greece: 2022 Article IV Consultation*, Country Report No. 22/173, Washington DC, International Monetary Fund, 2022, 33.
[27] European Commission, *European Economic Forecast Spring 2022*, European Economy Institutional Paper 173, 2022, 71.
[28] Traa B., Bastian J., *Greece – On the importance of productivity growth*, in *MacroPolis* (1 February 2021).

2.3. The challenge of low employment.

Despite a steady increase in female employment in the past 40 years (from 35.8 per cent in 1981 to 52.7 per cent in 2021)[29] Greece is bottom of the EU league, at a great distance from most other Member States. (The female employment rate in the EU was 67.7 per cent in 2021.) That the gender employment gap is so large can be attributed at least partly to the obstacles Greek women face in reconciling work and family responsibilities. Large gaps in the provision of good-quality affordable child care and other social services, resulting in low participation,[30] are evidence of those obstacles. In recognition of the high social returns of investing in early childhood education and care, *Greece 2.0* aims to improve the quality and increase the availability of child care in the country.

Furthermore, skills mismatches have been identified as a serious constraint on growth and job creation. The prolonged recession of the 2010s made worse a situation that was problematic to start with. Even though higher education has massively expanded in recent decades,[31] data from the 2015 OECD Survey of Adult Skills (PIAAC) suggest that the literacy scores of younger adults were barely higher than those of older cohorts.[32] What is more, recent graduates scored surprisingly low in literacy, numeracy and problem solving.[33] Only 9.3 per cent of individuals aged 15–64 had 'well-rounded skills' – the lowest share of all countries participating in the PIAAC survey except Turkey and Chile.[34] The 2022 European Skills Index[35] confirmed that Greece scored very low in terms of skills development and skills activation, while it ranked thirtieth (out of 31 countries) in terms of skills matching. In spite of high unemployment, a recent survey found that 61 per cent of employers reported difficulties hiring qualified staff, a larger share than in any other EU Member State in the survey.[36] On the other hand, only 21.7 per cent of firms offered continuous vocational training to their employees in 2015 (latest data available), compared with the EU average of

[29] ElStat Labour Force Survey for the 1981 figure.
[30] In 2020, only 21.5 per cent of children aged 0–2, and 52.1 per cent of children aged 3–5, attended formal child care in Greece, compared with 32.3 per cent and 64.3 per cent respectively in the EU).
[31] The share of those aged 25–34 holding a tertiary education degree or more went from 23.3 per cent in 2000 to 43.7 per cent in 2020.
[32] Specifically, the difference in literacy performance of those aged 25–34 relative to those aged 55–64 was 6 points, while the average difference between the two age groups in all countries participating in the PIAAC survey was 29 points. *See* OECD, *Education for a bright future in Greece*, Paris, Organisation for Economic Co-operation and Development, 2018, 33.
[33] The share of tertiary-educated adults aged 25–34 lacking basic skills was 18.7 per cent in Greece, twice as high as in Lithuania (9.3 per cent), the second worst-performing European country. *See* Figure 6.2 'Education levels linked with lacking basic skills' in OECD, *Skills outlook*, Paris, Organisation for Economic Co-operation and Development, 2019.
[34] *See* Figure 4.17 Skills mix of countries' populations in OECD, *Skills outlook*, Paris, Organisation for Economic Co-operation and Development, 2019.
[35] CEDEFOP, *European Skills Index*, Thessaloniki, European Centre for the Development of Vocational Training, 2022.
[36] *See* Figure 3.3 Employer-reported labour market imbalances in OECD (2019) Getting skills right: Future-ready adult learning systems. Paris, Organisation for Economic Co-operation and Development.

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70.5 per cent.[37] In view of the above, it is no surprise that the NRRP emphasises upskilling and reskilling.

3. The social and labour dimensions of the Greek NRRP.

Most investments and reforms planned in the context of *Greece 2.0* have implications for jobs and social cohesion, direct or indirect, though of course it is impossible to quantify their effects at such an early stage.

3.1. Brief overview.

Here is a brief overview of the Plan's likely employment and social effects by component.

3.1.1. Employment, skills and social cohesion.

The *Increasing job creation and participation in the labour market* component contains a variety of actions aimed at supporting labour market policies, both active (aimed at boosting employment) and passive (mainly income support for the unemployed). The digitalisation and general administrative upgrade of Greece's public employment service (*ΟΑΕΔ*) will improve the services it provides to workers and firms. The reform of unemployment benefits is another important action within this component. Specifically, the Greek NRRP will pilot a reformed unemployment insurance benefit, with an additional earnings-related component (of up to €800 per month) in the early phase of receipt, gradually reduced to the current flat rate (€400 per month for up to 12 months). Moreover, a reformed unemployment assistance benefit will also be piloted, reserved for the long-term unemployed on a means-tested basis, with a similar structure (€325 per month in the first four months, gradually reduced to the current €200 per month for 12 months). Both benefits will be made conditional on participation in training, with a view to strengthening job-search incentives. It remains to be seen whether the reforms will also increase coverage, which currently is abysmally low.[38] Labour law reform also belongs here, although recent government initiatives have been criticised for failing adequately to protect platform workers, and for perpetuating the

[37] Greece's disadvantage persisted irrespective of firm size: the share of large firms (250+ employees) offering continuous vocational training to their employees was 68.2 per cent compared with the EU average of 95.0 per cent.

[38] In 2019, the share of unemployed workers receiving the major unemployment insurance benefit was 18.2 per cent. The unemployment assistance benefit for the long-term unemployed was paid to a few thousand recipients.

preferential treatment of self-employment by the tax code (the latter running counter to the recommendations of the Pissarides Report).[39]

The *Education, vocational education, training and skills* component aims to promote reskilling and upskilling (with a special emphasis on digital skills). The reform of vocational education and training is a key element of this. Clearly, given the poor state of Greece's current system of skills formation, it is hard to imagine that the country's performance in terms of both skills and employment can be raised without the successful overhaul of vocational education and training. Policies to promote on-the-job training, provided by firms, as envisaged in the Plan, are also vital. Given that on-the-job training is often 'fungible' (in other words, the skills acquired can be put to use in different firms from the one providing the training), sharing the costs between firms and the public employment service is appropriate.[40]

Furthermore, the *Improve resilience, accessibility and sustainability of healthcare* component aims at modernising hospitals and reforming primary care (an area in which the gaps in public provision are significant). In addition, the component also envisages targeted actions to enhance access to health services, which, as seen earlier, has deteriorated in recent years, especially for the poor and the elderly. The promotion of 'home health care', including via remote access, for patients with chronic conditions, and the reform of mental health and addiction services, will also be funded with RRF resources.

The *Increase access to effective and inclusive social policies* component lists various actions aimed at strengthening social cohesion and raising (female) employment. Improving the quality of affordable childcare, and increasing its availability, is a key objective within this component. Other actions are targeted at vulnerable groups, aiming to provide digital skills to the elderly and the disabled, to improve labour market outcomes for members of the Roma minority, and to house the homeless.

3.1.2. Green transition

The *Renovate* component is an ambitious attempt to redesign the built environment with a view to improving energy efficiency. The renovation of residential, commercial, and public buildings it will support is set to revitalise the construction sector (traditionally one of the main drivers of the national economy, severely affected by both the economic crisis and the pandemic).

The *Power-up* component aims at upgrading the national energy model. The phasing-out of (highly-polluting) lignite mines, traditionally used to power electricity plants, is part of the plan. In a pattern not uncommon elsewhere in the EU, Russia's invasion of Ukraine, and

[39] On regulatory changes affecting platform workers, *see* Theodoropoulou S., *Recovery, resilience and growth regimes under overlapping conditionalities: the case of Greece*, in *Comparative European Politics*, 20 (2), 2022, 213–214. On the preferential treatment of self-employment, *see* Matsaganis M., *False starts, wrong turns, and dead ends: How (not) to ensure social protection for all workers*, in T. Addabbo, E. Ales, Y. Curzi, O. Rymkevich, I. Senatori (eds), *Defining and protecting autonomous work*, London, Palgrave Macmillan, 2022.
[40] Boeri T., van Ours J., *The economics of imperfect labour markets* (3rd edition), Princeton University Press), Princeton, 2021, section 8.3.3. A similar point is also made by the Pissarides Committee.

the resulting turmoil in energy markets, have led the Greek government to postpone the planned phasing-out of lignite mines.[41] Nevertheless, there is little doubt that eventually local jobs will be lost.[42] While this may to some extent be inevitable, if carbon neutrality is to be achieved, it is essential to have policies in place to reskill displaced workers and to support the incomes of local communities. It remains to be seen whether the policies listed in *Greece 2.0* will prove equal to the challenge.

The *Recharge & Refuel* component's objective is to promote cleaner, safer and fairer urban mobility by investing in the installation and operation of electric vehicle charging stations. The shift away from internal combustion engines, however, is expected to threaten jobs in the maintenance and repair of motor vehicles sector,[43] a risk not adequately addressed in the Plan.

3.1.3. Digital transformation.

The *Modernise* component concerns investing in the digitalisation of public administration. A more efficient government bureaucracy entails clear benefits for citizens and businesses alike. As administrative procedures become faster, fairer and more transparent, firms will face lower transaction costs. This will release resources that can be redeployed in productive activities. The net effect on jobs, though difficult to quantify, is likely to be positive.

Similarly, the *Digitalisation of businesses* component (with a special focus on small and medium-sized enterprises) aims to help firms reduce operational costs and reallocate resources to productive activities.

3.1.4. Private investment and transformation of the economy

The *Improve the efficiency of the judicial system* component is an example of how a reform could have positive spillovers to job creation. Even though the reform *per se* does not concern the labour market directly, long delays and high costs place a burden on the economy, investment and job creation.

Lastly, the *Strengthen the financial sector and capital markets* component aims to facilitate access to credit for businesses. Given that Greek firms have faced higher credit costs and lower credit opportunities, especially since the onset of the country's debt crisis, it is reasonable to

[41] Koutantou A., Triandafyllou V., *In a Greek coal mine, stocks build up ahead of peak summer demand.* Reuters (16 June 2022).
[42] A recent survey put the number of jobs in lignite mines and in lignite-powered electricity plants at 4,900 and 1,600, respectively. *See* Miranda Barbosa E., Peteves E., Vázquez Hernández C. et al., *EU coal regions: opportunities and challenges ahead*, Joint Research Centre, Luxembourg, Publications Office of the European Union, 2018, 21. While these figures are negligible nationally (0.16 per cent of all jobs in Greece), they are important locally, as the mines and plants are located in two high-unemployment areas of the country (Ptolemaida and Megalopoli).
[43] In 2020, NACE Class 45.2 – Maintenance and repair of motor vehicles supported 30,751 jobs (0.78 per cent of all jobs in Greece).

expect that improving access to credit will help revive business investment, a prerequisite to creating more jobs.

3.2. Evaluation of the Greek NRRP by the Commission.

In reviewing *Greece 2.0*, the European Commission highlighted a number of challenges characterising the country's employment and social situation.[44]

Specifically, unemployment remains high, having declined slowly until 2019, then risen in the context of the Covid-19 lockdowns. Labour productivity rose modestly in 2017–2019, fell again in 2020–2021, and is now 'weak'. Demographic trends (ageing and shrinking population) are aggravated by the emigration of highly-skilled Greeks, raising concerns about brain drain. The Public Employment Service has limited capacity to provide individualised support and to monitor the quality of upskilling programmes. The informal economy, at 20 per cent of GDP, distorts the labour market.

Furthermore, until 2019 poverty remained high (though gradually decreasing), and inevitably rose during the pandemic, as reflected in the rising number of guaranteed minimum income beneficiaries. The integration in the labour market and society of a rising number of immigrants, mostly from non-EU countries, is very problematic. Also, the share of people living in households facing housing costs in excess of 40 per cent of disposable income (net of housing allowances) – known as the housing costs overburden rate – is by far the highest in the EU (36.2 per cent in 2019), and 'contrasts with the absence of a social housing policy'.

Finally, with respect to health care, the Commission's analysis has pointed out a number of structural problems: public spending is low, especially in primary health care, co-payments and supplier-induced demand leave vulnerable groups unprotected, while unmet needs for medical care remain among the highest in the EU.

As mentioned earlier, the European Commission has commented favourably overall on the expected contribution of *Greece 2.0* to meeting these challenges.[45]

3.3. The Greek NRRP in relation to the Social Scoreboard.

The Commission has also evaluated *Greece 2.0* in view of the country's performance on the Social Scoreboard supporting the implementation of the European Pillar of Social Rights.

[44] SWD, *Analysis of the recovery and resilience plan of Greece*, Commission Staff Working Document accompanying the document *Proposal for a Council implementing decision on the approval of the assessment of the recovery and resilience plan for Greece,* SWD/2021/155 final (17 June), Brussels, European Commission, 2021a, 11–13.
[45] SWD, *Analysis of the recovery and resilience plan of Greece*, Commission Staff Working Document accompanying the document Proposal for a Council implementing decision on the approval of the assessment of the recovery and resilience plan for Greece, SWD/2021/155 final (17 June), Brussels, European Commission, 2021, 39–40, 44–45, 57–58.

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In particular, it has shown that not only is the unemployment rate in Greece twice as high as in the EU as a whole (April 2022 figures: 12.7 vs 6.2 per cent, respectively), but two-thirds of all jobless workers have been unemployed for over a year, the gender gap in employment is as large as 18 percentage points, nearly 30 per cent of those aged 30–34 were not in education, employment or training (NEET), while the impact of social transfers in terms of poverty reduction (22.8 per cent) is well below the EU average (32.4 per cent).

In light of these issues, the Commission has commented positively on the Greek Plan's strategy for reforming unemployment benefits, upgrading the Public Employment Service, boosting the labour market integration of vulnerable groups, and perhaps most importantly modernising upskilling, reskilling and lifelong learning. On the other hand, it also noted that 'the structural reform needed to ensure timely and tailored delivery of active labour market policies to jobseekers nationwide is not sufficiently addressed'.[46]

Similarly, the Commission's evaluation commends efforts to expand access to early childhood education and care, to reform primary health care and to reduce unmet needs for medical care, but found that 'the interventions lack an overall framework for strengthening access to social services, including housing'.[47]

3.4 The Greek NRRP and the country-specific recommendations.

In truth, the country-specific recommendations (CSR) for Greece formulated in the last two cycles of the European Semester (2019 and 2020) made little mention of labour and social issues:

(i) 'Focus investment-related economic policy on sustainable transport and logistics, environmental protection, energy efficiency, renewable energy and interconnection projects, digital technologies, research and development, education, skills, employability, health, and the renewal of urban areas, taking into account regional disparities and the need to ensure social inclusion' (CSR 2019).

(ii) 'Strengthen the resilience of the health system and ensure adequate and equal access to healthcare. Mitigate the employment and social impacts of the crisis, including by implementing measures such as short-time work schemes and ensuring effective activation support' (CSR 2020).

In *Greece 2.0*, reforms and investments are framed as responses to the CSR. In the case of the employability (*Increasing job creation and participation in the labour market*) and health

[46] SWD, *Analysis of the recovery and resilience plan of Greece,* Commission Staff Working Document accompanying the document Proposal for a Council implementing decision on the approval of the assessment of the recovery and resilience plan for Greece, SWD/2021/155 final (17 June), Brussels, European Commission, 2021, 59.
[47] SWD, *Analysis of the recovery and resilience plan of Greece*, Commission Staff Working Document accompanying the document Proposal for a Council implementing decision on the approval of the assessment of the recovery and resilience plan for Greece, SWD/2021/155 final (17 June), Brussels, The European Commission, 2021, 59.

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components (*Improve resilience, accessibility and sustainability of healthcare*) the relevance is quite obvious.[48]

Beyond that, investments in urban renewal and energy efficiency (under the *Renovate* component) are presented as crucial for job creation, on the grounds that raising the employment rate to 70 per cent would be 'difficult to reach without investing in economic activities like the construction sector, severely hurt by the previous as well as the current COVID-19 crisis'.[49]

Moreover, the argument is made that investments in energy efficiency would help to alleviate energy poverty: 'By renovating existing houses and smaller commercial property the expenditure for energy and water bills will decrease considerably, thus increasing the disposable income of the middle and lower economic strata'.[50]

Finally, the potential of green investments for reversing the brain drain are also played up in *Greece 2.0*: 'the demand for new green technologies will mobilise economic activity in new green technological sectors of products and services and it is expected to create new jobs, some for highly skilled human resources, thus helping to tackle the intense Greek scientist migration and skyrocketing youth unemployment'.[51]

How realistic are the Greek government's claims? This is always difficult to assess beforehand, although the incentives to overstate the case are clear, and Greece's record in spending EU funds wisely (or at all) certainly leaves much to be desired. Nevertheless, the Commission seems to think that the Greek NRRP has potential, especially as regards job creation, though it points out that success 'will crucially depend on the reform of the lifelong learning system and the extent to which it will help ensure high quality and labour market relevance of offered programmes, accountability of providers and appropriate selection of participants'.[52]

4. Lessons from the previous crisis.

Greece is emerging from a dreadful decade-and-a-half, facing first a debt crisis caused by large fiscal and external imbalances, leading to austerity and a deep recession, followed by an anaemic recovery, followed by a freeze of economic activity in response to the pandemic. As a result, real GDP per capita in 2021 was 21.8 per cent below its 2007 level (while in the EU as a whole it grew by 9.1 per cent over the same period). Another way to describe the country's steep economic decline would be to show that Greece's GDP per capita, which in

[48] Greece 2.0, *National Recovery and Resilience Plan*, Athens, Government of the Hellenic Republic, 2021, 55.
[49] Greece 2.0, *National Recovery and Resilience Plan*, Athens, Government of the Hellenic Republic, 2021, 109.
[50] Greece 2.0, *National Recovery and Resilience Plan*, Athens, Government of the Hellenic Republic, 2021, 110.
[51] Greece 2.0, *National Recovery and Resilience Plan*, Athens, Government of the Hellenic Republic, 2021, 110.
[52] SWD, *Analysis of the recovery and resilience plan of Greece*, Commission Staff Working Document accompanying the document Proposal for a Council implementing decision on the approval of the assessment of the recovery and resilience plan for Greece. SWD/2021/155 final (17 June), Brussels, European Commission, 2021, 44.

2006 stood only 2.2 per cent below the EU27 average (purchasing power standards), had by 2020 fallen to 37.6 per cent below that average.[53]

Arguably, the key lesson from this debacle is that large budget and current account deficits financed by the accumulation of high levels of debt are a recipe for disaster: they inescapably lead to capital flight, a precipitous fall in living standards, social misery and political instability.[54] Has this lesson been learned? To some extent, it has: the rebalancing of the Greek economy is the key theme of the Pissarides Committee report,[55] which the current Greek government has made its own. In many other respects, it has not: influential political and social actors, including large sections of Greece's ruling party, assuming they ever learned that lesson, now seem to act as if they have already forgotten it. As a result, the path towards rebalancing is slower and more tortuous than it might have been had policy learning been more complete.

This is reflected in the latest in-depth review carried out by the European Commission, whose opening statement is: 'Greece is experiencing excessive imbalances. Vulnerabilities relate to high government debt, incomplete external rebalancing and high non-performing loans in a context of low potential growth and high unemployment'.[56]

There is evidence that policy learning has taken place on the part of Greece's European partners, too. In sharp contrast to the unrelenting focus on 'internal devaluation' in the early years of the country's debt crisis,[57] the Commission's in-depth review comments favourably on the 7.5 per cent increase in the minimum wage in May 2022, the second in quick succession after the 2 per cent increase effective from January 2022: 'This is set to support nominal wage growth and protect low-income workers in the second half of the year, given that 28 per cent of the total employees in the country receive a minimum wage'.[58]

As for the more recent crisis, caused by the lockdowns during the Covid-19 pandemic, this is how the IMF has summarised the main lessons: 'The pandemic has confirmed the merits of equal access to basic services – health care, quality education, and digital infrastructure – and of inclusive labor markets and effective social safety nets'.[59]

[53] *See* 'Gross domestic product at current market prices per head of population (HVGDPR) relative to PPS: EU-27 = 100'. in the European Commission's AMECO online database (current version: 16 May 2022).
[54] Matsaganis M., *Making sense of the Greek crisis, 2010–2016*, in M. Castells et al. (eds), *Europe's crises*, Cambridge, Polity, 2018.
[55] Pissarides Committee, *Growth plan for the Greek economy: Final report*, Athens, Ministry of Finance, 2020 (in Greek).
[56] SWD, *In-depth review for Greece*, Commission Staff Working Document accompanying the document 2022 European Semester – Spring Package, SWD/2022/630 final (23 May), Brussels, European Commission, 2022, 1. *See* also the similar assessment of the 2021 in-depth review: SWD, *In-depth review for Greece*, Commission Staff Working Document accompanying the document Economic policy coordination in 2021: overcoming COVID-19, supporting the recovery and modernising our economy, SWD/2021/403 final (2 June), Brussels, European Commission, 2021.
[57] Hemerijck A. and Matsaganis M. (with F. Corti, A. Parma and I. Plavgo), *Who's afraid of the welfare state now?*, Oxford, Oxford University Press, (forthcoming), Chapter 7.
[58] SWD, *In-depth review for Greece*, Commission Staff Working Document accompanying the document 2022 European Semester – Spring Package, SWD/2022/630 final (23 May), Brussels, European Commission, (2022) 3.
[59] IMF, *Fiscal Monitor: A fair shot*, Washington DC, International Monetary Fund, 2021,. 7.

The Commission's in-depth review takes a similar line, praising the Greek government's 'effective policy response' thanks to which 'the pandemic has had a relatively limited impact on the labour market'. In particular, the short-time work scheme *Synergasia*, financed under the *European Instrument for Temporary Support to Mitigate Unemployment Risks in an Emergency* (SURE), supported between March 2020 and February 2021 the incomes of as many as two million employees (over half of Greece's total employment); national resources continued to do the same, for a limited number of eligible workers, until March 2022.[60]

While the importance of the *Recovery and Resilience Facility* (RRF) for Greece can hardly be overstated, political debate on the country's NRRP has been rather subdued. This is partly because most political and social actors rarely go beyond a basic understanding (which they share) that European resources are welcome and that their 'absorption' should be maximised, to question which investment projects should be selected for funding and how they might serve the national interest. Often, the underlying problem seems to be that a national strategy does not always exist, other than in response to the funding opportunities available at EU level. Furthermore, the programmes launched with European resources, even when innovative and successful, are often discontinued when EU funding runs out, rather than being supported by the national budget.[61] Also, the temptation to divide available resources between smaller projects with a greater number of beneficiaries, ostensibly to maximise 'absorption', but surely also to maximise the electoral payoff, often results in zero-multiplier investments, with no other benefit than the immediate income transfer.

Earlier, the publication of the Pissarides Committee report, which provided intellectual coherence to the NRRP, had generated some debate, not so much on the notion that Greece should strive to balance its current account by exporting more (on which there is now broad consensus), but on the appropriate means of achieving this goal.[62]

In a rare contribution to the political debate on the NRRP, a socialist former finance minister and MP raised a number of questions: 'Who, and on which criteria, will decide that support for specific firms strengthens the economy's extroversion, leading to the gradual substitution of imports and/or increase of exports? Who, and on which criteria, will decide which firms are viable and must be supported to raise their productivity? Who, and on which criteria, will decide which programmes will best prepare the country for the great technological challenges of the present such as artificial intelligence? Which green or digital investments will create greater domestic value added over the coming decades? The rebalancing of the contribution of specific industries to the national economy is a necessary condition for strengthening its resilience. This implies that workers will have to be reallocated

[60] SWD, *In-depth review for Greece*, Commission Staff Working Document accompanying the document 2022 European Semester – Spring Package, SWD/2022/630 final (23 May), Brussels, European Commission, 2022, 9.
[61] This was the fate of the popular *Home Help* programme, which was piloted in 1997, launched nationwide in 2000 with funding from the 3rd Community Support Framework 2000-06, drastically retrenched to the point of extinction in 2011, and relaunched as a municipal service in 2019.
[62] Efstratoglou A., *The production model of the Greek economy, and the need to transform it*, Friedrich-Ebert-Stiftung, Athens, (in Greek), 2022, 2.

to other industries. It follows that they will need retraining in new skills, but not in the way this was done in the past.'[63]

A worrying aspect of the current political climate in the country is the widespread belief that the suspension of the EU fiscal rules in 2020–2023 to allow Member States to cope with the pandemic, subsequently with the economic stimulus, and more recently with the fallout from Russian aggression and the war in Ukraine, will be permanent rather than temporary. This is reinforced by the awareness that Greece's public debt, while huge, is held mainly by official creditors, at low interest rates, which contributes to a false sense of security. While a return to the harsh austerity and under-investment of the early 2010s would be divisive and counter-productive, it would be unwise for Greece to interpret the search for a more balanced stance at EU level as licence to return to the fiscal excesses of the late 2000s.

5. Final considerations.

NextGenerationEU is a great step forward for the EU, and a golden opportunity for those Member States that were hardest hit, first by the debt crisis, then by the pandemic. Greece's investment gap is the widest, undermining future growth prospects, and thus it is due to receive very significant resources that can help arrest the decline and restart the economy on a more sustainable footing. Whether these resources are spent wisely and efficiently will help determine both the country's future and also Europe's – at least in the sense that the better EU resources are spent in the Southern periphery (and elsewhere), the greater the willingness of Northern taxpayers to contribute to EU-wide collective efforts, and the higher the likelihood that *NextGenerationEU* will be succeeded by similar endeavours in the future (a *European Climate Change* fund?), rather than remain the exception. So the stakes are high.

Greece 2.0, the country's NRRP, embodies the contradictions of the current juncture. On one hand, there is consensus that the Greek economy should rebalance by pursuing a growth strategy that relies much more on exports than in the recent past, and much less on domestic consumer demand fuelled by debt. On the other hand, the legacy of the past weighs heavily on social and political actors, limiting their room for manoeuvre: economic decline, under-investment, a low-capacity public sector, an exhausted workforce lacking the necessary skills, an ageing society, a polarised polity, and a pervasive lack of trust. The list is daunting.

Whether the Greek NRRP can help heal the wounds of the country's recent crises will hinge on whether its investments kickstart the process of inclusive and sustainable growth. The need for it is greater than ever. There is an awareness that past mistakes must be avoided. Technically, *Greece 2.0* is competently drafted, as its reception by the European Commission indicates. Still, critical issues abound. It remains to be seen how things will play out over the next few years.

[63] Sachinidis F., *Intervention. Debate on the recovery and resilience plan of Greece*, Friedrich Ebert Foundation Athens, (18 March 2022).

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