The Greek Economic Crisis, Labor Markets and Policies

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Summary: The historic decision at the Euro Summit on July 12, 2015, to continue supporting Greece as a member of the EU and the euro family, provided Greece the chance to return to growth and sustainability, provided it takes the necessary steps to continue with its reforms. Jointly the Greek government with its partners (European Commission, European Central Bank and the International Monetary Fund), agreed that the success of economic policy decisions would be determined by the concentration on social policies. Policy initiatives should view reforms not as a debate between more versus less regulation, but rather as a matter of good versus bad regulation. Encouraging productive investment represents one of the main engines to sustain not just recovery but also promote productive transformations. Moreover one of the most pressing priorities for the Greek government should be to provide immediate support to vulnerable groups, to help alleviate the impact of the economic crisis, and set the stage for stable future economic growth.

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1 Introduction: The structural patterns of the crisis

The outbreak in 2008 of the ongoing economic crisis and its consequences for EMU economies, in particular Greece, raised a number of questions about the sustainability of the economic model. Despite the differences among European economies—namely inflation, unemployment, and competitiveness levels—the adherence of EMU principles on inflation targeting as well as on the convergence criteria set by the Stability and Growth Pact (SGP), led to the establishment of a dual growth model within the euro area (Arestis and Sawyer 2011a and 2011b, Hein 2014, Stockhammer 2012). On the one hand, the North-core countries (Austria, Belgium, Finland, Germany and the Netherlands) achieved growth under an export-led model, while on the other hand, the South-periphery countries (Greece, Spain, Ireland) followed a debt-led growth model[1] (Stockhammer 2012 and 2013, Hein 2014). In the name of a cohesively single financial and capital market, the periphery economies were covering their deficit problems by borrowing money from the core economies. The implied inequalities and the negativities stemming from them came up after the outbreak of the current crisis and resulted in destabilizing the *addictive borrowing dependence* of peripheral countries on the core EMU countries (Arestis and Sawyer 2011a and 2011b Hein 2014). On these grounds, the euro crisis can be considered as a balance-of-payment crisis or, alternatively, as an external-debt sustainability crisis (Mastromatteo and Rossi 2015).

Regarding the Greek case, the general economic crisis further expanded its high-level deficits, pushing the economy toward the experience of a sovereign debt crisis without its government being able to raise funds on the financial markets in order to resolve it. The Greek attempts to reduce the possibility of a government default by reversing any future upward-trend in the magnitude of public debt ratio, were finally assisted by rescue packages known as *Memorandums I and II* (2010, 2012); these were provided jointly by the European Commission, European Central Bank and the International Monetary Fund (the well-known *Troika* that has been renamed by the new government as *Institutions*). The main intention of the Memorandums was to help the Greek government to comply with the benchmark deficit and debt levels set by the SGP. In practice, the Memorandums were simply borrowing agreements that pushed the Greek economy into vicious circles of continuous borrowing, stemming mainly from the obligation to implement fiscal consolidation, labor market reforms and structural changes, in order for competitiveness to be regained; otherwise Greece could either exit the euro or default[2] (Frangakis 2015, Stockhammer 2013, Calcango 2012, Arestis and Sawyer 2011b).

1 The main characteristics of debt-led growth models are the expansion of economic activity parallel to extended inflows of foreign capital and the expansion of income inequalities, against (low) income labor profits, thereby causing the stagnation of real investment, since such decisions are profit driven. On the other hand, economies of export-led model base their ability to run surpluses on exports, since their domestic demand is relatively low (Barku et al. 2012, Stockhammer 2012, Hein 2014).

2 All these reforms could have been avoided if Greece could devaluate its own currency directly and faced imbalances (Mastrommateo and Rossi 2012, Arestis and Sawyer 2011b).

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2 Labor market reforms during 2010–2014[3]

Concentrating our attention on the case of Greece, we examine the labor market reforms that were undertaken in order to improve Greek labor market regulations, thereby reducing unemployment rates (ILO 2014). In addition, the implementation of a range of labor market policies[4] seeks to increase the degree of labor market flexibility, as well as to improve the matching between labor demand and supply, thereby increasing the possibility of potential workers finding employment (Immervoll and Scarpetta 2012, Cazes et al. 2009).

The adopted policy packages were determined by the assumption that the combination of fiscal austerity with internal devaluation (wage and price deflation) and appropriate structural reforms would expand the economy by improving investment, competitiveness, and exports. On these grounds, the reduction of unit cost would work to improve competitiveness and exports, so as to balance the negative consequences on domestic demand (Blanchard et al. 2014). Thus, any attempt to improve the labor market environment was rooted in the need to increase its flexibility. This target could be achieved by adopting the suggested reforms, which concerned the following two aspects: first, the downward squeeze of the minimum wage, in order to re-set the base for wage determination; and, second, the reduction in public wages, in order to improve fiscal conditions and potentially affect private sector wages. In addition, the following measures were suggested: the replacement of collective agreements with firm-level wage agreements, so that wages reflect the actual level of firms' productivity; changes in the social fund contributions; the overcoming of obstacles against dismissals; the abolishment of life-tenure contracts, in addition to the enhancement of temporary employment, so as to meet the fixed and constant needs of the enterprise; the introduction of a more flexible or fewer working hours scheme, in order to reallocate workforce toward more productively. Obviously, the direction of these reforms suggests as a solution for the Greek problem: the creation of a more flexible labor market environment. However a number of studies find these suggestions responsible for unemployment (Blanchard et al. 2014, ILO 2014).

The question remains as to what extent these reforms have been undertaken. By examining the *LABREF database*, we conclude that since *Memorandum I* (2010), many and continuous reforms were undertaken (until 2013, the last available data). In terms of labor market institutions, the majority of these reforms concern changes in labor taxation, in an attempt to reduce tax evasion and contemporaneously increase revenues in social funds. Significant reforms have been adopted relating to the introduction of flexible contracts (i. e. temporary contracts) and working-hours programs, while steps have been taken in reducing the notice and severance payments as well as the expansion of collective dismissals. Among the most important reforms are those referring to the freezing and progressive reduction of the public-sector wages and pensions, as well as changes to the minimum wage; all these decisions for reducing the public expenditures however instead of improving affect negative economic activity since they do only reduce aggregate demand. As

3 In our attempt to examine the changes implied by borrowing agreements, as the starting point of our analysis we us 2010, the year that Memorandum I was introduced.

4 Following the methodology of European Commission (2006) labor market policies are distinguished into (a) *services* (counseling, mediation); (b) *measures* (training, job sharing, subsidies, support to employment, public works), both of which consist Active Labor Market Policies; and (c) *support* (financial support to the unemployed and early retirement) representing the Passive Labor Market Policies measures. In practice the appropriate combination of these policies is required for expanding economic activity and appropriately addressing unemployment problems.

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for reforms related to labor market policies, these have been concentrated on discouraging early retirement as well as on establishing strict eligibility criteria for receiving unemployment or other social-welfare benefits; although in order to balance this, social assistance benefits for specifically vulnerable groups have been provided. On the other hand, in an attempt to motivate the unemployed, young people, and women, as well as those close to retirement, numerous reforms introducing programs related to subsidized employment, the direct creation of jobs, and training have been made.

Despite these useful institutional and legislation changes, an open issue is the ability of all these reforms to reduce unemployment, not because of their inappropriateness but because of the continuously changing Greek macroeconomic conditions. Additional doubts are also triggered by the relatively unstable political environment that characterizes Greece the last couple of years as well as the unwillingness of the political system to take up the cost of restructuring the social and economic relations.

3 The effect of austerity on the Greek economy

Any second thought about blindly implementing the social partners' policy suggestions (i.e. reduction of the size of the public sector, privatization and deregulation programs for the transport sector and energy, regulated professions, the judicial system and the pension system) (Frangakis 2015, OEC 2010), gradually faded away. It was believed that the crisis should be considered as an opportunity to get rid of pre-crisis economic and social structures that were consistent with negativities (Barkbu et al. 2012). However, imposing strict austerity and labor reform measures in a country suffering from recession would have only had catastrophic results, with unexpectedly adverse effects on income distribution, unemployment and output growth (Frangakis 2015, Calgano 2012, Stockhammer 2012)

Hence the extreme and inconsistent interventions for reducing pensions and wages, as well as the generosity (in terms of both eligibility levels and duration) and the relatively high coverage rate of both unemployment and social benefits in a society where unemployment had continuously expanded, were all factors that not only devastated income distribution, but also expanded further the pre-crisis income inequalities and poverty for specific groups (mainly pensioner unemployed, disabled people) in society. In turn, this resulted in a sharp reduction in living standards[5] (Giannitsis and Zografakis 2015, Matsagannis 2013); with these conditions having severe social consequences due to the asymmetry of the taxation system across income groups. This situation also had negative effects on health and social security, the existence of which became a luxury for most individuals, although during crises the opposite is expected (Drydakis 2015, Gianitsis and Zografakis 2015, Matsaganis 2013). As a result, it is not unusual nowadays for households to have at least one unemployed or partly employed member who has faced a sharp reduction in income and is unable to afford basic necessities or to pay their taxes.

5 The lower living standards that resulted from the crisis are not necessarily combined with expansions in income inequality and poverty, as long as the poverty line is determined as a proportion of average income (Matsaganis 2013). Besides even in the pre-crisis period, Greece was a country with high poverty rates (OECD 2013) while persistence on austerity measures seemingly appear to expand it.

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But the social crisis was not the only "side effect" of the policy packages; it also had adverse effects on the real economy. Thus, despite its problems, Greece remained focused on the suggested policies and the European focus on inflation, in order to increase its competitiveness without risking its liquidity. It succeeded in reducing its prices, with the *HCPI* (Harmonised Index of Consumer Prices) squeezed downward by 6.1 percentage points, relative to the 1.2 percentage point reduction achieved across eurozone (19 countries) countries during the 2010–2014 period.[6] It is important to note that the relatively high levels of HICP in 2010 and 2011 are attributed to increases in the Value Added Tax from 19 percent to 23 percent, as a part of the fiscal devaluation program (Frangakis 2015). Moreover, in line with policy suggestions, the real unit labor cost appeared to have fallen by 11.8 percentage points over 2010 to 2013 period (data availability until 2013), while the eurozone reduction was just 0.1 percentage points over the same period. Comparing real (or even nominal) unit labor costs in Greece with those in the eurozone, allows us to consider the achievement of internal devaluation. However the fact that the devaluation was not followed by the expected results in terms of competitiveness, investment and exports indicates that aggregate demand has negatively been affected. The implementation of this policy suggestion across members in the eurozone, without considering the specific national characteristics, does partly explain the reasons about which the expected effects are not exported.

Any other fear about characterizing this policy package as misguided is reflected in the negatively signed output growth rates, which though have been improved over time they inform us about the actual abilities of Greek economy. The eurozone's output growth was negative only in 2012 and 2013; while the Greek output growth was negative from 2010 to 2013 and positive only in 2014. The aggregate output growth (for the same period) shrunk by 24.51 percentage points in Greece, versus 3.41 percentage points increase in eurozone. Additionally, the expansion in total revenues during 2010–2014 by only 5.1 percentage points and its combination with an expenditure shrunk by 2.6 percentage points, give the illusion about macroeconomic improvement. However, the fact that such changes are achieved mainly through increases in taxation, downward pressures on public expenditures, pensions and wages suggest the possibility for future problems.

In particular, the increases in public debt of 32.4 percentage points from 2010 to 2014 do not indicate that Greece is out of the crisis period. On the contrary, while eurozone unemployment rise by just 1.5 percentage points between 2010 and 2014, in Greece it skyrocketed by 13.8 percentage points. Specific subgroups have fared more poorly: Greece's youth unemployment rate, up by 19.4 percentage points since 2010, appears to be the driving force for the expansion of total unemployment; something policy should address. Further, it is heartbreaking the expansion of long-term unemployment by 28.9 percentage points over the period under consideration; a fact that requires the reconstruction of policies, since the higher the long-term unemployment rate, the harder it is to solve the problem.

Undoubtedly, Troika's policy package had not the expected effects, as it pushed the Greek economy into a prolonged recession. So, given that the program failed to achieve its targets of restoring price competiveness, expanding growth expansion and maintaining public debt sustainability (OECD 2013), the question arising is what should be done in order to bring an end to the depression.

6 For the analysis that follows we have use data from the Eurostat Database. See Appendix.

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4 Strategic actions for Greece

Regardless of adhering to the programmes' suggestions, fiscal austerity should be addressed as a consequence and not as the cause of the crisis, since the two different growth models characterizing the eurozone indicate that the crisis had flourished due to private over-indebtedness and financial deregulation; it was not a crisis caused by fiscal profligacy (Mastromatteo and Rossi 2015, Calcagno 2012). In other words, the Greek fiscal austerity experiment failed; such failure was driven by the concentration on labor market reforms and their treatment as the main and not as the substitute instrument for pushing the economy out of recession (Cazes et al. 2012), while the absence of any attention to the demand side of the labor market made this result inevitable (Stockhammer and Klar 2010, Stockhammer et al. 2014). Moreover the fact that reforms were concentrated on the labor market, while little attention was paid to reforming the product market (i. e. lowering start-up costs or the high mark-up levels), inhibits improving economic activity and employment expansion (Blanchard and Giavazzi 2003, Gersbach 2000). In addition, product market reforms would facilitate employment expansion not by replacing labor market reforms, but rather by treating them as complementarities (Annett 2007, Blanchard and Giavazzi 2003, Gersbach 2000). According to evidence provided by Papageorgiou and Vourvachaki (2015), structural reforms to Greek product and labor markets can positively impact the macroeconomic environment and growth levels (both in the short- and long-run); the degree of this impact essentially determined by the adopted fiscal policy instrument.

In other words, in order for the labor market reforms to flourish, they should be combined with reforms in the product market as well as with policies concentrating on aggregate demand stimulation and income re-distribution, and, in turn, the policies should be restructured, recognizing the failures of the current policies, thus moderating the effects of the current recession (Hein 2014, Sawyer 2013, Stockhammer 2012, 2013, Barkbu et al. 2012). These suggestions should have been evident from the disappointing results, in terms of employment and growth, which were reached by the German attempt to face its structural problems by focusing on the supply side of labor while paid no attention to the demand side in order to reverse the situation and stabilize the domestic demand (Herzog-Stein et al. 2013). However, the question is to what extent Greece and its partners are willing to face the core of the Greek crisis.

Given these thoughts, the historic decision at the Euro Summit on July 12, 2015, to continue supporting Greece as members of the EU and the euro family provides a chance for Greece to return to growth and sustainability (European Commission 2015). The Greek government should implement best practices across the range of labor market legislations through constructive dialogue with its social partners (ILO 2014); in addition, jointly agreed policy approaches are important in order for social policies to be sustainable and successful (European Commission 2015, ILO 2014). This can be achieved by modernizing legislation through a process of consultation with the social partners, thus benefiting from the expertise of think tanks and international organizations (ILO 2014). The participation of all key actors and social partners increases the likelihood of bringing about sustainable solutions, especially in times of crisis (ILO 2014). Tripartite social dialogue and collective bargaining would benefit from more profound labor market monitoring, including monitoring of wages, working conditions, and price developments (ILO 2014).

Currently, the Greek government is reviewing, through a consultation process, the existing frameworks for collective dismissals, industrial action, and collective bargaining, taking into account best practices elsewhere in Europe (European Commission 2015). The Greek government

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is also working to adopt legislation for a unified wage grid reform, in line with the agreed wage bill targets, including decompressing the wage distribution across the wage spectrum in accordance with staff skills and responsibilities (European Commission 2015). Policy initiatives should approach employment protection legislation reforms not as a debate over more or less regulation, but rather as a matter of good versus bad regulation (ILO 2014). Balanced labor market reforms must seek to achieve both high-quality employment creation and adequate income security, while reconciling firms' need to adjust over the business cycle (ILO 2014).

An improved interaction between social protection measures and labor market programs would improve the effectiveness of government efforts to ensure that workers remain attached to the labor market and retain and improve their skills (ILO 2014). The suggestion that employees should keep full access to social security contributions, sick leave and maternity leave, eventually entitling them to unemployment benefits, along with the need to maintain the financial stability of the fund, shows the government's intention to secure these measures (World Bank 2015, ILO 2014). Providing comprehensive social protection that allows life to be lived with dignity (European Commission 2015) is the starting point, with the government ensuring the autonomy and effective representation of workers and employees (ILO 2014). In addition, Greece should employ social dialogue to connect companies with trade unions in order to provide worker representation through designated bodies at the enterprise level (ILO 2014).

In addition, as the Greek government acknowledges that the approach not only needs to balance flexibility and fairness for employees and employers, it also needs to consider the very high unemployment rate (European Commission 2015). The most pressing priority for the government should be to provide immediate support to the most vulnerable in order to help alleviate the impact of the economic crisis (European Commission 2015, Bank of Greece 2014). The collective mission should be to get people back to work and prevent the entrenchment of long-term unemployment (ILO 2014). The long-term unemployed are at particular risk of poverty and social exclusion, and their support from social security is meager. Income support should be linked to the duration of unemployment, so that resources directed to participants increase in line with the risk of long-term unemployment (International Labor Office 2014). The minimum allocation for emergency social measures should be increased; thus they would need to be designed in a way that optimizes their impact on poverty reduction and labor market inclusion through improved targeting (ILO 2014, Bank of Greece 2014). Better targeting would allow improved poverty-reduction efforts and help to improve the financial efficiency of social protection (ILO 2014, Bank of Greece, 2014).

Currently, Greece is trapped in a vicious cycle where low tax revenues induce higher corporate and labor taxation, which in turn pushes firms to exit the formal economy, hire uninsured workers, and/or downsize their business activity (World Bank, 2015, ILO 2014, 2015). The Greek government must take action to fight undeclared work, thus strengthening the competitiveness of legal companies and protecting workers, in addition to ensuring tax and social security revenues (IMF 2015, ILO 2014). Therefore, the government should strengthen the tax collection system through mandatory declarations and penalties, in an effort to enlarge the tax base and reduce informality (World Bank 2015, International Labor Office 2014). Improving the tax system is crucial to increasing financial resources for social security purposes, while meeting fiscal adjustment targets (World Bank 2015).

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To strengthen the capacities of the labor inspectorate, action should be directed toward designing inclusive labor inspection (ILO 2014). In addition, Greece should further enhance the legislation for temporary employment, so as to meet the needs of business (ILO 2014). In addition, the government should implement training programs aimed at providing youth with entrepreneurial skills and the guidance needed to start a business (European Commission 2015, OECD 2015b, ILO 2014).

Eventually, more flexible legislation could apply to specific sectors, where the seasonal nature of the activities requires a fixed information system (ILO 2014). Greece is also advised to continue its efforts to increase the effectiveness of reduced working-hour schemes, through the implementation of training measures in companies that have reduced working hours; in addition, shifting the workforce from declining economic sectors to more productive ones should be considered (ILO 2014). The government should be committed to compensating employees who are temporarily employed in work-sharing schemes up to a certain percentage of their foregone income (ILO 2014).

But none of the suggested reforms will work unless attention is also turned to the demand side of the economy. Thus, among its priorities should be the encouragement of productive investment, which represents one of the main starting points to both sustain the recovery and promote productive transformations (ILO 2014). Given the productivity structure of the Greek economy and its opportunities, Greece is required to create a public financial institution with the mandate of providing credit to SMEs, while promoting the participation of private institutions in their credit products (European Commission 2015, OECD 2015b, ILO 2014). Hence, direct public loans and European Investment Bank/EU funds could be combined with government credit guarantees, in order to spur private investor involvement (OECD 2015b). In addition, policy initiatives could attempt to enhance the quality of entrepreneurial activities for specific target groups that are perceived as facing the highest barriers to entrepreneurship (OECD 2015b). Moreover, in order to re-enforce investment, it is suggested that SMEs should benefit from a reduction in their tax and social security contributions for creating high skilled research jobs (ILO 2014). The government should provide firms, especially in their early stages, with dedicated support programs, such as mentoring, nurturing and coaching programs (OECD 2015b), while policies to foster firms' investment in innovation should be complemented by efforts to strengthen the collaboration between academic research and businesses (ILO 2014, Herrmann and Kritikos 2013). The government should strengthen the mechanism of co-funding among various entities, in order to foster risk sharing.

Finally, it is critically important for Greece to promote the acquisition of sector-specific skills among the workforce, while re-connecting the market strategy toward value added services (ILO 2014). For instance, Greece should enhance the profitability of the tourism industry by enhancing the quality of services provided (European Commission 2015, ILO 2014). Meanwhile, for agri-food businesses, policies should be implemented to strengthen the integration of their products into the tourism industry value-chain (ILO 2014). It is highly recommended that providing further incentives for investment in renewable energy could provide a series of positive externalities in terms of investments and job creation (European Commission 2015, ILO 2014).

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5 Funding opportunities for the Greek economy

Although the above suggested reforms aim at improving the labor market, while simultaneously mediating, if not resolving, some of the chronic pathogeneses of the Greek society, we also must consider whether these can be undertaken by an economy with virtually no liquidity.

Given this possibility, and recognizing the need to boost domestic demand, one of the significant decisions taken by the European Commission in June 2015 created a Structural Reform Support Service that is designed to offer support in such areas as labor market policies and improving the business environment, including assistance for the efficient and effective use of EU structural funds (European Commission 2015). In July 2015, the Commission committed itself to make a number of proposals (such as the early release of remaining EU payments and increasing the rate of pre-financing for 2014–2020 programs) in order to immediately improve liquidity, so that investments can be made now, with their beneficial impact on growth and jobs (European Commission 2015, OECD 2015a). According to the European Commission (2015), 35 billion euro from the European Structural and Investment Funds will become available to Greece between 2015–2017; these funds could be mobilized to create jobs and sustainable growth through (i) investment in innovative SMEs, in order to improve the business environment; (ii) youth employment initiatives, in order to enable young people to have a first job experience; and (iii) social funding that supports an active labor market and social inclusion (European Commission 2015; Bank of Greece 2014, Herrmann and Kritikos 2013). In addition, Greek farmers should continue to benefit from payments, both in terms of direct payment and income support, as well as measures that support key agricultural markets in order to help make the agricultural sector competitive (European Commission 2015, ILO 2014). Funding should support also coastal communities in creating a basis for sustainable fishing (European Commission 2015).

This funding will contribute to a spirit of entrepreneurship and job creation, improve education and vocational training systems, while also modernizing public administration (European Commission 2015, OECD 2015a). This fund will help thousands of SMEs benefit from investments in research and innovation, to cooperate with research institutes, and to boost their future competitiveness (European Commission 2015, Herrmann and Kritikos 2013). Based on the figures given, at least 250,000 unemployed people should receive support, along with 180,000 who are already employed but could benefit from additional training, as well as around 30,000 migrants and Roma people, 33,000 living in jobless homes, 10,000 disabled people, and 80,000 other disadvantaged people (European Commission 2015).

In 2016, the Commission will review the allocation of cohesion policy funding, and it is also likely to increase further the amount of EU funding available for investment in Greece (European Commission 2015). One immediate task would be for the Commission to support Greece in maximizing its absorption of EU funds, ensuring the fastest possible take-off of investment, as well as ensuring that sound financial management requirements and relevant deadlines are met (European Commission 2015). It is essential for Greece to fully respect the basic EU legal requirements, in terms of EU rules, in order to build trust and credibility with its partners and internationally. It is essential that Greece quickly returns to financial stability, so that it can make use of the substantial EU support available in the form of grants, loans and technical assistance to build a secure future (European Commission 2015, OECD 2015a). Reducing unemployment and increasing growth while simultaneously managing tightening financial conditions, tackling structural challenges, as well as reducing the uncertainty of the economic and political environ-

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ment (European Commission 2015, ILO 2014) is the challenge facing Greece. These problems could disrupt the efforts of many investment plans, and challenge the attempts of the Greek authorities to make good use of the EU's and international partners' financial support.

6 Conclusions

It is highly recommended that, in order to return to the path of job creation and economic growth, Greece must continue with reforms affecting both labor demand and supply, while also starting product market reforms. The country should develop a comprehensive social protection strategy effectively linked to the labor market and optimizes poverty-reducing effects through better targeting. The country should review its central social dialogue mechanisms and consultative processes, with the goal of improving its effectiveness, especially in terms of monitoring labor market and wage developments, in order to support evidence-based policy-making and effective collective bargaining. Effective collective bargaining at appropriate levels and organizing the decentralization process are necessary for improving confidence and creating a stable environment for growth and investment. But nothing can be achieved if aggregate demand is not boosted; this is why consideration should be given to reforming the product market, promoting investments in the real economy, improving access to credit for SMEs, and leveraging the human capital present in the country. Moreover, support should be given to large companies to maintain their focus on innovation, while public institutions should promote the growth in SMEs that can link into large companies' supply chains and collaborate in their research. In addition, there is a need for a tax regime that balances issues of competitiveness and revenues with a comprehensive strategy to implement sustained productivity and innovation, in order to promote the shift from the informal sector to the formal sector. In addition, the country needs to take steps to improve the regulations concerning economically dependent self-employment and temporary employment. Changes could aim to link the associations of self-employment and temporary work to some specific characteristics that define the status of economically dependent self-employment. Therefore, it is crucial for the government to create a public financial institution with the mandate of providing credit to SMEs, while promoting the participation of private institutions with their credit products. All the above, make it clear that the only route for Greece to escape from continuous borrowing and to achieve healthy growth rates is to enact reforms that will resolve any structural problems, while creating a friendly and financially stable environment for investment.

In general, the case of Greece should teach us that attention should be focused on diagnosing the problem correctly, so that the medicine does not have side effects. Also, there is no "one size policy" that fits everyone and contemporaneously, since policies should be determined with respect to the specific macroeconomic characteristics and needs of each economy; otherwise, only additional problems will be caused. Further, the fact that these reforms are undertaken with time delay and only as a part of the Memorandums in order to ensure future funding and not that robust growth is established explains the reason for their failure. Moreover, the refusal to accept the essence of some of these reforms for improving the well-known pathogeneses in the economic system reflects the inability to understand what is really required to fuel economic activity. In addition, policy suggestions should not only seek to help Greece escape from the current economic crisis, but they should also ensure the long-run survival of the Greek economy after the end of this "adventure".

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One it is for sure, it is time for Greece to understand that this is no time to postpone decisions; now is the time to take advantage of the opportunities provided to it, and to prioritize them in the best possible way. Equally, its social partners should understand that there is no room for additional experiments, recognize the possible mistakes in their policy suggestions, and to look at every alternative; otherwise Greece will only be driven into a deeper recession.

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Appendix

Table 1

Variable/Time	GEO	2010	2011	2012	2013	2014	2014–2010
HCPI (all items)	Greece	4,7	3,1	1,0	–0,9	–1,4	–6.1
	eurozone	1,6	2,7	2,5	1,4	0,4	–1.2
GDP growth rate	Greece	–5.47	–9.14	–7.27	–3.25	0.62	6.09
	eurozone	2.05	1.63	–0.85	–0.28	0.86	–1.19
Unemployment rate (total)	Greece	12.7	17.9	24.5	27.5	26.5	13.8
	eurozone	10.1	10.2	11.4	12.0	11.6	1.5
Youth Unemployment Rate (age group under 24)	Greece	33.0	44.7	55.3	58.3	52.4	19.4
	eurozone	21.3	21.3	23.5	24.4	23.7	2.4
Unemployment rate (age group: 25–74)	Greece	8.9	9.0	10.1	10.8	10.4	1.5
	eurozone	11.2	15.9	22.3	25.4	24.8	13.6
Long-term Unemployment*	Greece	44.6	49.3	59.1	67.1	73.5	28.9
	eurozone	42.5	45.3	46.5	49.7	52.5	10.0
Nominal ULC** (growth rate of nominal unit cost)	Greece	113.1 (–0.1)	111.0 (–1.8)	105.4 (–5.1)	98.1 (–6.8)		–15.0 (–6.7)
	eurozone	109.7 (–0.6)	110.7 (0.8)	112.7 (1.9)	114.1 (1.2)		4.4 (1.8)
Real ULC** (growth rate of real unit cost)	Greece	98.6 (–1.3)	95.8 (–2.9)	91.2 (–4.8)	86.8 (–4.9)		–11.8 (–3.6)
	eurozone	101.4 (–1.4)	101.0 (–0.4)	101.6 (0.6)	101.3 (–0.3)		–0.1 (1.1)
Governmental expenditures	Greece	52.5	54.2	55.2	60.8	49.9	–2.6
	eurozone	50.5	49.1	49.7	49.6	49.4	–1.1
Governmental revenues	Greece	41.3	44.0	46.3	48.3	46.4	5.1
	eurozone	44.3	44.9	46.1	46.6	46.8	2.5
Net lending/Net Borrowing	Greece	–11.2	–10.2	–8.8	–12.4	–3.6	7.6
	eurozone	–6.2	–4.2	–3.7	–3.0	–2.6	3.6
Public Debt	Greece	146.2	172.0	159.4	177.0	178.6	32.4
	eurozone	83.8	86.0	89.3	91.1	92.1	8.3
Interest Payable	Greece	5.9	7.3	5.1	4.0	3.9	–2.0
	eurozone	2.7	3.0	3.0	2.8	2.7	0.0

* Long term-unemployment as a percentage of total unemployment.
** 2010–2013.

Database

Countries: Greece, Eurozone: (EA11-2000, EA12-2006, EA13-2007, EA15-2008, EA16-2010, EA17-2013, EA18-2014, EA19).
HICP (all items): Harmonized Index of Consumer Prices, (2005=100)-annual data (average index and rate of change). Source: Eurostat Database (2015).
GDP: Gross Domestic Product and main components (output, expenditures and income) in

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constant prices 2005. Source: Eurostat Database (2015).
UNR: Unemployment Rate by sex and age groups-annual average percent. Source: Eurostat Database (2015).
Long-term UNR: Long-term unemployment in percent of unemployment. Source: Eurostat Database (2015).
Nominal ULC: Nominal Unit Labour Cost in constant prices 2005 (2005=100). Source: Eurostat Database (2015).
Real ULC: Real Unit Labour Cost in constant prices 2005 (2005=100). Source: Eurostat Database (2015).
Governmental Expenditures: Total general government expenditures as a percentage of GDP. Source: Eurostat Database (2015).
Governmental Revenues: Total general government revenues as a percentage of GDP. Source: Eurostat Database (2015).
Net lending/Net Borrowing: Net lending (+)/Net Borrowing (–) of the general government as a percentage of GDP. Source: Eurostat Database (2015).
Public Debt: Government (general government) consolidated gross debt as a percentage of GDP. Source: Eurostat Database (2015).
Interest Payable: Interest Payable (general government) as a percentage of GDP. Source: Eurostat Database (2015).

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