



# The Greek Economy Trade Union Wise



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The Greek economy is confronted with its future. With the regard to the state of the economy, the trade union movement has repeatedly voiced its concern that the challenges and pressures of international competition should not besiege the Greek economy targeting the core of its production processes, its redistributive mechanisms or workers' rights and income but rather prompt a reorientation towards research, innovation and investing in human skills and resources.

The time is ripe for a new paradigm of social and economic development in Greece. It is essential to effect basic changes in the country's production model and in the mix of macroeconomic and social policy options while reinforcing regional productive activities at the sectoral and horizontal levels.

Greece has one of the highest unemployment rates in Europe causing a grave concern to the trade union movement and increasing insecurity among our members. Contrary to views advanced by certain quarters, high unemployment and low productivity in certain areas or sectors of economic activity cannot be attributed to the wage levels. The salary cost in Greece fell by 30% over the last 20 years while wages remain at very low levels (being higher only than Portugal among the EU15).

The low competitiveness of the Greek economy today is not compatible with the country's capacity in terms of its education level, human resources and existing or potential competitive advantages. Clearly Greece cannot be transformed into a heaven of low labour cost to compete with China or its neighbors in the Balkans.

The Greek labour market is already characterized by a high degree of flexibility at many levels. However the flexibilisation of labour relations over the last years hasn't helped to combat unemployment. Flexible working time arrangements via new legislation aiming to reduce overtime cost will most probably depress the prospects of new jobs creation at a time where in Greece the average contractual weekly working time amounts to 40 hours (against 37,9 hours in the EU 15) and the real working time (with the addition of overtime) remains the highest in the EU 15 after Britain.

On the other hand employers exert pressure to decentralise the collective bargaining process starting at the company level and to further restrict sectoral collective bargaining as the case was in the Banking sector. The objective seems to be to reduce the effectiveness and the scope of collective bargaining and extend flexibility in labour relations to the detriment of job security and workers' rights.

In this context, the comprehensive annual **Economic and Employment Outlook** prepared by the Institute of Labour (INE-GSEE/ADEDY) is a significant contribution to the public debate on labour market developments and industrial relations in Greece. It also enriches debate on the evolution of basic macroeconomic indicators such as labour productivity, wages, labour cost and investment. The publication of the report each September and the presentation of its key findings coincides traditionally with the opening address of Prime Minister at the Thessaloniki Helexpo International Trade Fair.

Articulating trade union views and positions, this report in a way serves advance notice of the general orientation of economic and employment policy while providing a frame of reference annually for the state budget.

The 2006 report confirms that over the last years, the development of the Greek economy that was accompanied by a growth in GDP and a rise in labour productivity has come to a halt.

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The growth rate of the gross domestic product (GDP) in Greece is slowing down: from 4,7% in 2003-2004 to 3,5% in 2005. If the investments slack - particularly in machinery equipment- continues, the GDP growth rate will remain at the 2005 level over the next two years. Consequently, the GDP growth differential between Greece and the EU 15 has decreased from 3 percentage points annually to 1,5 percentage point.

The engine of the Greek economy throughout 2005 has mainly been the increase in domestic demand (2,5%). The fast increase in demand the 1996 -2004 period explains the positive performance of the Greek economy in a series of indicators such as GDP, labour productivity or fixed capital investments. As from 2005 however, domestic demand grew faster - but at a slighter pace - than in the other 23 developed countries in the world.

Other key findings of the 2006 report are:

- GDP growth is still based on non-investment factors, specifically on private consumption via increased bank loans, a decrease in household savings, and a 2.3% rise in real wages in 2005.
- There has been a significant slowdown in labour productivity, arising from a standstill in machinery and equipment investment. Notably, in 2005, a negative trend emerged: that year's increase in investments was only 0.5%, compared to an annual rate of increase of 7.5% for the years 2001 to 2004.
- Average monthly gross wages in 2005 amounted to €1,440, compared with an average of €2,110 in the EU15. This means that monthly labour costs in Greece amounted to only 68% of the EU15 average, while labour productivity stood at 91% of the average in the EU15. The purchasing power of the average gross wage in Greece in 2005 was 89% of the EU15 average.
- The fall in the competitiveness of the Greek economy is not due to wage increases, but rather to revaluation of the euro and to rising profit margins in enterprises. It should be noted that unit labour costs fell in comparison with competitor countries by 2% over the period 1999-2005, and by 3.2% over the period 1995-2005.
- Severe economic inequalities have been observed: the income of the wealthiest 20% of the population is regularly around six times higher than that of the poorest 20% of the population.
- The declared incomes of wage and salary earners and of pensioners have increased significantly, resulting in a strong shift of the tax burden from businesses and non-salaried earners to wage and salary earners and pensioners.
- The increase in employment by 1.2% mainly concerns the loss of part-time and temporary jobs among those with average education and skill levels.
- In the field of industrial relations, the policy options pursued alongside with certain government measures have considerably contributed to weakening the role of collective bargaining and its decentralisation. This in turn has led to increased flexibility in industrial relations.

In conclusion, with a view to foster long-term economic growth there is an immediate need for public investment to be increased and for more equitably redistributing income. This is particularly important since the rise in the profitability of the Greek economy as a whole can be entirely attributed to the decrease in the income share of labour. At the same time, particular emphasis is placed on the fact that the lower GDP growth rate raises the serious risk of a slowdown in terms of the real convergence of the Greek economy with the EU average in the near future.

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**Ανάπτυξη**

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**ΕΤΗΣΙΑ ΕΚΘΕΣΗ ΓΙΑ ΤΗΝ ΕΛΛΗΝΙΚΗ ΟΙΚΟΝΟΜΙΑ**



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