

Fact sheet on basic income: the case of Greece

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1.1 Introduction

Greece remains one of the very few EU Member States where Recommendation 92/441/EEC of June 1992, concerning the implementation of a Minimum Income Scheme, has not been enforced¹. Moreover, the discussion on basic income has never been a significant part of the public debate. The lack of a Basic Income Network in Greece plays a key role for its absence from social dialogue. However, the 2010 pension reform provided for the establishment of a near-universal basic pension from 2015. In a rather unpredictable way, the economic crisis brought basic pension on the top of the political agenda.

This fact sheet is structured as follows. Section 1.2 briefly describes the existing income protection schemes in Greece. Section 1.3 discusses the 2010 pension reform, including provisions for a basic pension. Section 1.4 concludes with a discussion about the prospects of a universal basic income in Greece amidst the country's severe economic crisis.

1.2 Brief description of income protection schemes in Greece

The lack of a universal guaranteed minimum income scheme in Greece is partly counterbalanced by a segmented and patchy system of income transfers. The excessive reliance of the Greek welfare state on contributory social insurance (pensions provide the average household with 24.8% of its disposable income) leaves very limited space for other social transfers (such as social assistance and unemployment, housing, disability and family benefits). These latter provide households with a modest 3.3% of their disposable income (EIStat, 2010).

This section offers a brief critical presentation of some of the main social insurance and social assistance benefits aiming at the financial support of specific population groups or groups living under certain socio-economic conditions. Policies are classified under one of the headings of unemployment, disability, family, housing and old age benefits.

More detailed information about the rates, the number of recipients and the annual expenditure on the policies mentioned below can be found in the Annex (Table 1).

Unemployment benefits

Workers losing their job can claim *unemployment insurance benefit* if they were insured for at least 80 work days per year over the past two years and at least 125 work days over the previous 14 months. The benefit is paid for a minimum of 5 months and a maximum of 12 months, depending on contributory record, with the average duration being 7 months. In July 2011, unemployment benefit was raised to €461.5 per month (61% of the minimum wage). The average number of workers who received unemployment insurance benefit during the first 7 months of 2011 was 246,000: only 35% of all registered unemployed (OAED, 2011). Persons working as self-employed are not eligible for receiving unemployment compensation. The benefit's contributory conditions also exclude young workers looking for their first job while the maximum duration of support excludes the long-term unemployed.

In 2001, an *unemployment assistance benefit* for this latter category was introduced: a financial support of €200 per month payable for a maximum of 12 months to long-term unemployed aged

¹ Among the other 26 EU Member States, 23 are having national minimum income schemes, whereas the other three (Italy, Spain and Hungary) are -either fully or partially- implementing minimum income schemes at a local level.

45-65 with yearly income below €5,000 that have exhausted their unemployment benefit. Its highly restrictive eligibility conditions made the benefit reachable by a mere 0.5% of the long-term unemployed (733 persons in 2008).

An almost negligible *benefit for young persons aged 20-29*, amounting to €74 per month for a maximum duration of 5 months, paid on condition that these remain unemployed for one year, is received by approximately 1,000 persons.

Summing up, it becomes clear that the existing unemployment assistance benefits are far from constituting a supportive safety net for people who do not fall in the coverage of the unemployment insurance benefit.

Disability benefits

Disability benefits are available on a non-contributory basis, funded out of general taxation and administered by local authorities. In the past, they were subject to various forms of means testing (abolished in 1987). Although not explicitly income tested, most benefits are reduced or withdrawn altogether if the recipient is in employment, a pensioner, or in receipt of invalidity pension. They are highly heterogeneous by type of disability and by category of recipient (there exist 10 categories and 21 sub-categories of disability benefits), but more than 40% of beneficiaries claim severe physical disability benefit, amounting to €313 per month in 2011.

Family benefits

Income transfers to families include non-contributory benefits and contributory allowances. Non-contributory universal benefits (*lifetime pension for mothers of many children, large family benefit, 3rd child benefit and €2,000 birth grant*) are targeted to families with three or more children. Non-contributory means-tested benefits are almost negligible; they include an *income support to families with children in compulsory education* of €300 per child per year to families with children up to 16 years old with annual income up to €3,000 and an *unprotected children benefit* of €44 per month, paid to each unprotected child up to the age of 16, on the condition that the annual family income is below €2,820.

Contributory family allowances are substantial for banking workers (€189 per month for a family with two children), employees of public utilities and civil servants (€71 per month for a family with two children). On the other hand, private sector employees not covered by such arrangements are eligible for family allowances amounting to €25 per month for the same type of family.

Since a significant number of poor children live in families with one or two children headed by private sector employees, the structure of family benefits leaves serious gaps in social protection.

Housing benefits

Housing policies are limited. A means-tested *rent subsidy* is available, but only on a contributory basis and with rather complex contribution requirements. As a result, many poor families with inadequate contributory record are left unsupported. The benefit's rate in 2011 was €165 per month for a family with two children. In 2010, its provision was suspended, leaving more than 100,000 families with no housing support at all. The Workers Housing Organisation arguments for this suspension were linked to the budgetary constraints that the Organisation faced due to the crisis and to the suspicion of a high degree of benefit leakage to fake beneficiaries.

Moreover, local authorities distribute a non-contributory *housing benefit to uninsured elderly*. The benefit is paid directly to landlords on behalf of uninsured persons aged over 65 with annual income up to €5,000. Its value in 2011 was €362. Due to its stringent eligibility conditions, the number of recipients is low: only 2,440 persons in 2008.

Old age benefits

The safety net in old age is highly segmented. Non-contributory pensions are paid to farmers and to the non-insured, while recipients of low pensions may also be entitled to an income-tested supplement. More specifically, the main schemes are: (a) the *pension to uninsured elderly*, aimed for those with no or low lifetime contributions; (b) the non-contributory *basic pension to farmers*, gradually phased out since 1998; (c) the *pensioners' social solidarity benefit EKAS*, an income-tested supplement to low pensions, reserved for recipients of a contributory pension except farmers; and (d) *minimum pensions* to those with sufficient lifetime contributions for a contributory pension, so that all contributory pensions reach at least a specified minimum.

This segmentation, combined with the absence of a guaranteed minimum income scheme, has led to the emergence of a contradictory situation, where high spending on pensions and old age benefits (accounting for almost 14% of GDP in 2009) is combined with high poverty rates among the elderly (21.4% for those over 65).

1.3 The 2010 pension reform: introduction of basic pension²

The Memorandum of Economic and Financial Policies, signed by the Greek government in May 2010, sketched the lines for a complete reform of the country's pension system. One of the main reasons for the inclusion of this clause in the Memorandum was the fact that pension expenditure in Greece was estimated to reach 19.4% of GDP in 2035 and 24.1% in 2060, whereas in the rest of the European Union it was set to rise smoothly to 11.9% and 12.6% respectively (EC 2009). The new pensions law, voted in July 2010, establishes a new pension structure from 2015: it introduces a contributory proportional pension which is less generous than social insurance pensions in the previous system but also more uniform across categories, and provides for a modest non-contributory basic pension.

With respect to the *proportional pension*, accrual rates will vary by length of insurance period. The return on contributions will range from 0.8% per year for a contributor with less than 15 insurance years, to 1.5% per year for one with 40 insurance years or more. The low accrual rates at the beginning of professional life intensify the risk that low-paid workers with uncertain career prospects see little incentive to pay social insurance contributions.

The *basic pension*, fixed at €360 per month in 2010 prices, paid 12 times a year, will be available with no means test to all those meeting the contributory conditions for a proportional pension (i.e. 15 insurance years). The full rate will be payable at age 65, reduced pro rata (by one thirty-fifth a year) for those who have been resident in the country for less than 35 years between the ages of 15 and 65. In cases of early retirement, the basic pension will be paid at a lower rate, reduced by 6% per each year short of age 65.

Those not meeting the contributory conditions for a proportional pension (i.e. people having less than 15 insurance years) will still be eligible for the basic pension, but only if they pass a means test: personal income must be below €5,400 per year, family income below €10,800 per year (in 2010 prices). The means-tested version of the basic pension is not payable before age 65.

The government plan was received with hostility and fierce protests. However, with very few exceptions, political parties failed to put forward a constructive critique to the proposed pension structure. In a rather superficial (albeit media friendly) way, they have all emphasised the losses compared to the status quo. Possible improvements to the pension bill in terms of equity and intergenerational justice have just not been part of the political debate. The majority of social actors -and especially trade unions- also denounced the whole basic pension idea³. In this context, support for a universal basic pension cannot but be weak.

² For a more detailed analysis, see Matsaganis & Leventi (2011).

³ "Generation 700 euro" (G700), a movement representing the rights of "Greeks aged between 25 and 35, who are overworked, underpaid, debt ridden and insecure" embraced the idea of a multi-pillar system and was generally supportive of the government plan. The movement criticised the bill for allowing residual inequalities in treatment.

Summing up, the 2010 pension reform moves towards a multi-tier system separating contributory from non-contributory elements. While its first tier falls short of full universality, it is the closest to a universal basic pension the Greek pension system has ever got. Proponents of a universal basic pension (if any) will be able to make their case in a drastically improved institutional environment⁴.

1.4 Prospects of a universal basic income in Greece

From the beginning of 2010 Greece has been at the centre of a severe economic turmoil. The impact of this crisis on society is alarming: the unemployment rate reached 16.2% in March 2011, the highest since Greece joined the Eurozone. Business and retail sectors are severely hit by rises in taxes, declining disposable income, and liquidity constraints. In 2010, average gross earnings of salaried persons declined in real terms, relative to 2009, by 9%. It is estimated that in 2011 they will go down by a further 5% (Bank of Greece, 2011). Homelessness has gone up by an estimated 25% (Alamanou et al., 2011).

Instead of mending the holes in the Greek frayed safety net, the ideas of *means-testing* and *ethnic selectivity* are gaining more and more ground in the political arena. There is an ongoing discussion about the introduction of income tests to non-contributory universal family benefits as well as to the unemployment insurance benefit. Moreover, in the end of 2009 the government opted for the introduction of two low-level lump-sum social assistance benefits. However, in order to be eligible, people had to be already in receipt of another social assistance benefit. Such ad hoc and discontinuous policies are leaving the coverage gaps and the poverty rates intact and are accentuating the already highly fragmentary character of the system.

As a whole, we can say that the Greek government's response to the rapidly increasing demand for social benefits has been inadequate. The supply of social benefits seems to have been reduced rather than increased. The examples are abundant: the number of unemployment insurance benefit recipients grew a lot less than the number of registered unemployed workers; in 2010 the (contributory) rent subsidy was suspended; the number of beneficiaries of one of the most successful social services for the elderly ("Help at Home" programme) was significantly reduced.

In a period of rapid social transformation, political upheaval and uncertainty, strengthening the social safety net becomes a matter of survival for an increasing number of people. The introduction of a universal guaranteed minimum income scheme or one of its age-specific variants (such as a universal child benefit) would constitute a very important step forward. Unfortunately, it seems that the political will needed for this change is limited. The main arguments of policy makers are linked to the insurmountable budgetary constraints that the country faces and to the lack of administrative capacity for this policy to be properly implemented. After the unsuccessful proposal for the establishment of a guaranteed minimum income, made by the Coalition of the Radical Left (SYRIZA) in 2004, the subject was carefully put aside. We have to note that, in April 2011, 27 MPs of the ruling Socialist Party (PASOK) signed a proposal regarding the introduction of a guaranteed minimum income scheme for the protection of the most vulnerable population groups living in conditions of extreme poverty. The proposal is still under review by the Ministry of Labour. Finally, in July 2011, Democratic Left, a small political party that was recently created, once more raised the issue in the Parliament.

In the face of this unprecedented crisis, there has rarely been a more important time to consider questions of where we should go next and how we might get there. The movement of the so-called "indignants" has seen thousands of Greeks gather every day in the main squares of a number of cities, peacefully protesting and discussing in a climate of self-organisation and open dialogue. This situation constitutes an opportunity for broadening the basic income debate to

⁴ "Action", a small liberal party founded in 2009 by Stefanos Manos, has already done so; the party's preferred solution involved the complete abolition of social insurance contributions and the introduction of a tax-funded universal national pension equal to the minimum wage (at €10,395 per year in 2010 prices).

society. Somewhat paradoxically, the current crisis allows the few existing basic income advocates⁵ to put forward their simple and powerful idea. Of course, in a country that has never had any kind of minimum income scheme and is currently flirting with bankruptcy, this task is far from easy. However, the unexpected introduction of basic pension and the tentative revival of the debate on minimum income tell us that it is not a “mission impossible” either.

In this era of precariousness and bleak labour market prospects, where mainstream neoclassical solutions are showing no real signs of putting the country back on the path to recovery, it is time for the basic income idea to leave the sphere of utopia and introduce itself as part of a pragmatic and viable policy alternative. The gathering of all basic income supporters under the umbrella of a Basic Income Network in Greece would definitely constitute an important step toward this direction.

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⁵ These basically include a limited number of academics and some members of the Greens, the Coalition of the Radical Left, the Democratic Left and Action (for this last political party, also see footnote 4). There is no formal basic income network established in the country.

Annex

Table 1: Selected income protection schemes in Greece

	benefit rates (€ per year)	number of recipients	expenditure (€ million)
old age benefits			
minimum IKA pensions	5,842	547,398	1,301
basic pension to farmers	4,320	753,082	3,495
pension to uninsured elderly	4,320	69,975	360
pensioners' social solidarity benefit EKAS	2,760	378,197	908
unemployment benefits			
unemployment insurance	5,451	277,904	858
unemployment assistance	2,400	733	2
seasonal unemployment insurance		146,385	128
other unemployment benefits		11,221	4
disability benefits			
severe physical disability benefit	3,756	116,681	347
blindness benefit	4,344	24,189	94
severe mental retardation benefit	6,324	16,118	77
other disability benefits		25,156	113
family benefits			
family allowances for private sector workers	296	397,079	97
family allowances for civil servants	852	218,367	219
3rd child benefit	2,124	58,787	133
large family benefit	1,584	259,128	399
lifetime pension for mothers of many children	1,224	174,372	217
unprotected child benefit	528	21,074	12
lump-sum birth grant	2,000	12,126	37
income support to families with children in compulsory education	300	17,168	6
other family benefits		1,154	2
housing benefits			
rent subsidy	1,980	126,440	229
housing benefit to uninsured elderly	4,344	2,440	7
lump-sum student housing benefit	1,000	44,678	45
other benefits			
benefit for households in less favoured areas	600	50,228	26
various emergency benefits		12,648	52

Notes: IKA is the private sector workers' social insurance fund. Benefit rates are those valid in 2011. The value of basic pension to farmers refers to persons who retired until 2002. EKAS' rate corresponds to the full benefit amount. The rate of blindness benefit corresponds to blind workers or students. The rates of rent subsidy, family allowances for private sector workers and civil servants correspond to a family with two children. The rate of large family benefit corresponds to a family with three children. Recipients and expenditure refer to 2008 with the exception of minimum IKA pensions (2006), EKAS (2007), pension to uninsured elderly (2009), unemployment insurance (Dec 2010), 3rd child benefit (2009), large family benefit (2009), lifetime pension for mothers of many children (2009) and lump-sum birth grant (2009).

Source: Tsakoglou et al. (2009) and various administrative sources.