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**Assessment of the 2014 national reform programme for  
GREECE**

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## EXECUTIVE SUMMARY

**The recession weakened markedly in 2013. For the year as a whole, GDP fell by 3.9%, compared to a contraction of 7.0% in 2012. Both confidence indicators and hard data continue to improve. According to the Commission 2014 spring forecast, real GDP is expected to grow in 2014 by 0.6%.** The economic recovery in the euro area this year should support the revival in Greek goods exports, as well as stronger shipping and tourism revenues, while imports are expected to show a less pronounced fall than in 2013. Overall, the positive contribution of net exports would be similar to the one of 2013. Real GDP growth is projected to rebound to 2.9% in 2015, with a more balanced growth contribution from exports and domestic demand. Both investment and private consumption are expected to contribute significantly to growth. The unemployment rate peaked at 27.3% in 2013 and is expected to decrease to 26% in 2014. Greece's current-account deficit reached 2.4% of GDP for 2013 and is expected to narrow marginally in 2014 and 2015. Consumer prices fell moderately in 2013 and are expected to fall somewhat further in 2014, reflecting falling unit labour costs and product market reforms. As the economic recovery gains pace, prices should rise mildly in 2015. Forecast risks are balanced. Downside risks are related to the potential impact of the developments in Turkey and Ukraine. A faltering in the pace of structural reforms could also affect investor confidence. Nevertheless, exports could perform better than expected and the impact of the structural reforms undertaken could surprise on the upside.

**Greece has made delayed, but eventually substantive progress under its second economic adjustment programme.** The fourth review of the programme was completed in April 2014. The fiscal position has further improved. The banking sector has been stabilised and consolidated. Important structural reforms have been implemented, notably in the product market, and in most areas of the public sector, which should start producing effects in terms of growth and jobs opportunities. The overall package of policies agreed in the fourth review contains important structural reforms which, if fully implemented, will consolidate recent progress and enhance Greece's prospects for sustainable growth and employment creation.

- **Public finances:** It is crucial for Greece to continue ensuring a rigorous delivery of the fiscal targets. Building on the significant fiscal consolidation effort in recent years, Greece achieved a primary surplus of 0.8% of GDP, exceeding the programme target of a balanced primary budget in 2013. The primary balance definition of the economic adjustment programme for Greece excludes extraordinary items such as the costs of banking recapitalisation and other items. The structural balance reached 2% of GDP in 2013, 3 p.p. higher than in 2012. In April, Greece returned to the international bond market after 4 years with a EUR 3 billion issue of five-year bonds that was heavily oversubscribed. On the back of several measures taken recently to assure achievement of its fiscal target for 2014, the scope was created for temporary support to the socially most vulnerable. The authorities have committed to achieve the 2015 primary surplus target of 3% of GDP, including as needed by extending expiring fiscal measures.
- **Banking sector:** the authorities remain committed to taking all necessary actions to ensure that banks are adequately capitalised and are in a position to support the economic recovery. The successful injection of private capital in the Greek banks is a sign of confidence in the sector. Banks and the supervisor now need to swiftly and forcefully address the high level of non-performing loans, also by fully implementing laws and by enhancing initiatives which enhance the payment culture.

- **Labour market, education and social policies:** the ambitious reforms implemented in the labour market have allowed Greece to recover the competitiveness lost over the last decade, in terms of unit labour costs. Dealing with the very high unemployment rate, in particular for youth, women and the long-term unemployed, remains a major priority. Further support will come from increasing flexibility and removing obstacles to employment, the reduction in administrative burden and a reduction in social security contribution rates entering in force in mid-2014. The authorities have been implementing their employment action plan to address the social emergency on the basis of some key active labour market policies mainly supported by co-funding from the European Social Fund. A good roll-out of the Youth Guarantee scheme as early as possible in 2014 is of the greatest importance. Reforms to upgrade the Greek education system have already produced significant efficiency gains, but more efforts are needed to improve the quality of education. Greece needs a major reform to upgrade and expand vocational education, training and apprenticeships in order to increase the level of skills and the employability of entrants to the labour market. Improving social safety nets and addressing the increase in poverty and high income inequalities continue to be an urgent policy priorities, and the adjustment programme has a strong focus on strengthening the welfare system and improving social safety nets. Key actions include the development of a guaranteed minimum income scheme and a comprehensive review of the social welfare system.
- **Structural reforms:** Reforms continue in the areas of the revenue administration, taxation, public financial management, privatisation, public administration, health care, pensions, and the fight against corruption. Wages better aligned with productivity dynamics and falling unit labour costs are improving cost competitiveness. Key structural reforms in the areas of product markets and business environment have been recently undertaken or are now to be taken by the authorities to increase competition and reduce administrative burden. A comprehensive reform to improve the functioning of the judicial system and reduce the burden on businesses and citizens is taking place. The crucial reforms of the Greek public sector, notably the rationalisation and modernisation of the public administration, are progressing further. However, very substantial improvements in public administration are still needed to bring Greece in line with best practices.

The amount and ambition of measures implemented since the conclusion of the third review of the adjustment programme in July 2013, as well as of the new concrete commitments enshrined in the updated programme following the fourth review, are significant. Nevertheless, very sizeable challenges remain in many areas, and Greece must build a strong track record of implementing growth-enhancing structural reforms under the adjustment programme.

## 1. INTRODUCTION

**Following a request from Greece in April 2010, the European Commission, on behalf of the euro area Member States, the ECB and the IMF negotiated an economic adjustment programme with the Greek authorities,** which was agreed by the European Council and the IMF Board in May 2010. A second economic adjustment programme was agreed by the European Council and the IMF board in March 2012. The combined financial package of both programmes amounts to EUR 237.5 billion, consisting of EUR 73 billion from the first programme and EUR 164.5 billion from the second one.

**The Adjustment Programme is supported through financing by euro area Member States and the IMF.** The financing by the euro area Member States is provided by the EFSF, whilst the IMF financing is channelled through the Extended-Fund Facility (EFF). Up to April 2014, international assistance loans disbursed to Greece amounted to EUR 221.2 bn. Of this amount, EUR 73 billion were disbursed under the first programme (EUR 52.9 billion were paid by the euro area Member States and EUR 20.1 billion by the IMF). Under the second programme, the EFSF and the IMF have disbursed EUR 148.2 billion (including EUR 139.9 billion from EFSF and EUR 8.33 billion from the IMF) until April 2014. The disbursements related to the 4<sup>th</sup> review amount to EUR 8.3 billion from EFSF (of which EUR 6.3 billion were already paid in April 2014) and EUR 3.5 billion from the IMF.

**The overarching objective of the economic adjustment programme is to restore Greece's fiscal sustainability, safeguard the stability of the financial system and boost competitiveness, sustained growth and employment.** To this end, the programme consists of a comprehensive set of ambitious policies that reinforce each other and that are outlined in the next sections. Greece is receiving technical assistance coordinated by the European Commission's Task Force for Greece and provided by the Commission, Member States, the IMF, the OECD, the World Bank and other technical assistance providers. Technical assistance concerns several areas which are crucial for the success of the programme.

**As for all Member States benefiting from a financial assistance programme, progress in implementing the accompanying policy programme in Greece is monitored in a dedicated, regular and specific manner, in line with the provisions of the Memorandum of Understanding.** More detailed information is given in the second economic adjustment programme reports<sup>1</sup>. Given the extensive reporting requirements under financial assistance programmes, as well as their strict monitoring and enforcement, programme countries are exempt from the obligation to submit National Reform Programmes and Stability or Convergence Programmes (Regulation (EU) No 472/2013, Article 10(1)). However, the Greek authorities chose to present a National Reform Programme on 30 April 2014 outlining information on structural reforms in key policy areas contributing to achieving the Europe 2020 targets. This Staff Working Document under the 2014 European Semester provides a synthesis of recent progress in implementing the economic adjustment programme and achieving the Europe 2020 targets.

## 2. ECONOMIC SITUATION AND OUTLOOK

**The recession weakened markedly in 2013. For the year as a whole, GDP fell by 3.9%, compared to a contraction of 7.0% in 2012. Both confidence indicators and hard data**

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<sup>1</sup> These reports, along with other information related to the financial assistance programme to Greece, can be found on:

[http://ec.europa.eu/economy\\_finance/assistance\\_eu\\_ms/greek\\_loan\\_facility/index\\_en.htm](http://ec.europa.eu/economy_finance/assistance_eu_ms/greek_loan_facility/index_en.htm)

**continue to improve.** The Economic Sentiment Indicator and the Purchasing Managers Index have improved further. Hard data for early 2014 confirm increasing industrial production and a stabilisation in retail sales, travel receipts and construction permits.

**According to the Commission 2014 spring forecast, real GDP is expected to grow in 2014 by 0.6%<sup>2</sup>.** The economic recovery in the euro area this year should contribute to support the revival in the Greek goods exports, as well as stronger shipping and tourism revenues, while imports are expected to show a less pronounced fall than in 2013. Overall, the positive contribution of net exports is expected to be similar to the one of 2013. However, this would more than compensate a still negative but much lower contribution of domestic demand, owing to recovering investment and a smaller contraction of consumption. Real GDP growth is projected to rebound to 2.9% in 2015, with a more balanced growth contribution from exports and domestic demand. Both investment and private consumption are expected to contribute significantly to growth.

**The unemployment rate peaked at 27.3% in 2013.** Wage setting reforms have already contributed to significant improvements in cost competitiveness which, together with the announced employment support programmes and the pick-up in investment should lead to a further decrease in unemployment to 26.0% in 2014 and 24.0% in 2015.

**Greece's current-account deficit reached 2.4% of GDP for 2013 and is expected to narrow only slightly to 2.3% in 2014 and 2.2% in 2015.** This is partly due to the weak prospects for import substitution over the medium-term. Non-tourism export growth is forecast to strengthen in 2014 and 2015. Consumer prices fell moderately by 0.9% in 2013 and are expected to fall further by 0.8% in 2014, reflecting falling unit labour costs and reforms in the product market. As the economic recovery gains pace, prices should rise by 0.3% in 2015.

**Forecast risks are balanced.** Downside risks are related to the potential impact of the developments in Turkey and Ukraine. A faltering in the pace of structural reforms could also affect investor confidence. On the upside, tourism receipts could perform better than expected, given the early indications of a further good summer tourism season and the impact of the structural reforms undertaken could also surprise on the upside.

### **3. CHALLENGES AND ASSESSMENT OF POLICY AGENDA**

#### **3.1. Fiscal policy and taxation**

**The budgetary situation in Greece is improving.** While in 2013 the ESA headline balance deteriorated by almost 4 pp to 12.7% of GDP, this deterioration was mainly driven by the one-off costs of bank recapitalisation (10.8% of GDP). Under the primary balance definition of the economic adjustment programme for Greece, which excludes extraordinary items such as these costs of banking recapitalisation and other items, Greece achieved a primary surplus of 0.8% of GDP, well ahead of the programme target of a balanced primary budget for 2013. The structural balance has reached 2.0% of GDP in 2013, 3 pps. higher than in 2012. In April, Greece returned to the international bond market after 4 years with a EUR 3 billion issue of five-year bonds that was heavily oversubscribed.

**In 2014, the headline deficit is projected to fall to 1.6% of GDP, while the primary surplus, in programme terms, would be in line with the target of 1.5% of GDP.** The government has undertaken steps to rationalise several expenditure programmes and strengthen social security as well as tax collection in order to secure achievement of the programme targets. At the same time, scope has been found in the 2014 budget to reduce the

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<sup>2</sup> [http://ec.europa.eu/economy\\_finance/eu/forecasts/2014\\_spring/el\\_en.pdf](http://ec.europa.eu/economy_finance/eu/forecasts/2014_spring/el_en.pdf)

social security contribution rate by 3.9%, whilst bolstering funds for social cohesion and eliminating various fiscal charges. Reviews of the VAT, social security and social welfare systems are expected in the second half of 2014. The government has committed to extend expiring measures to reach the 2015 programme target of a primary balance of 3.0% of GDP.

**The taxation system has been significantly reshaped over the last year.** Key reforms include the Income Tax and Tax Procedures Codes that have respectively strengthened the tax base and modernised the rules of tax administration. The new unified Property Tax has replaced both the PPC tax and the FAP wealth tax and transaction taxes have been substantially reduced. A new Accounting and Tax Recording Code will be adopted following these initiatives.

**Important progress has also been made with the reform of the revenue administration, after the long delays up to the end of 2012.** Reforms advance on three fronts: institution, audit and debt collection so as to address weaknesses in the system, reinforce tax collection, and support the fight against tax evasion and corruption. A semi-autonomous revenue administration has now been created with all competences on tax and custom issues. Its reorganisation is in good progress and plans to revise staffing and achieve an appropriate allocation of resources have been subsequently launched. In addition, an internal review unit has been put in place to which taxpayers must submit their claims, prior to them being able to go to court. This stream of reforms should be completed in the first semester of 2014. On the tax and debt collection front, tax collection has been consolidated in the largest offices and cash payments replaced by transfers and checks. New tools are in place, such as the indirect bank account register. Finally, on the audit and compliance front, an increased number of audits and the use of a risk-based approach should multiply the impact of the audits and slowly lead to an increase of compliance. Indirect audit methods should, at long last, start to be implemented in the second semester of 2014. This will improve the security of taxpayers and contribute to a better business environment.

**The collection of social security contributions and debt is also being stepped up gradually.** Measures have been taken to increase cross-checking of various labour and social security declarations, so as to increase compliance. A single debt collection centre was created in summer 2013 to collect the collectible debt (starting with debts over EUR 5 000) from the biggest funds, and new procedures have been set up to quarantine uncollectible debt. Work on these key issues will continue throughout 2014 to improve debt collection and to prepare the wider reform of transferring, in the medium term, debt collection to the public revenue administration.

**Since the inception of the adjustment programme, Greece has made significant progress in Public Financial Management reforms but improvements in the area of budget preparation are still needed and should be a priority for 2014.** These reforms now allow provision of timely and accurate budgetary information, assure strict compliance with the ceilings of the entity's budget, and ensure the management and optimal utilisation of each entity's resources. However, more training and further sectorial expertise is needed in order to reap the full benefit of the reformed set-up which is built upon General Directorates of Financial Services (GDFS) embedded in each line ministry. The stronger budgetary process is helping to ensure respect of targets, but the new corrective mechanisms can be useful to the full extent only if ceilings for the various levels of government are used in the budgetary process over time. To improve budget preparation, competences must be built up both in General Accounting Office and in GDFS, accompanying the upcoming overhaul of the organic budget law.

**Privatisation proceeds continue to come in, but again with some delays. Steps are being taken to reinforce the governance and effectiveness of the privatisation process, including of real estate assets.** Corporate sales advance broadly in line with plans, although some have been delayed in order to allow proper regulation of markets before privatisation (gas, ports). Concerning real estate, despite the large number of assets available, current weak demand and immaturity of assets make it difficult to extract much value from real estate in the short term, which has resulted in some adjustment in the projections. Recent tenders have nevertheless produced satisfactory results, and some are expected to set significant investment in motion over the coming years. Crucially, in order to speed up generation of proceeds, work has been undertaken to strengthen the institutions in charge of the privatisation process (HRADF) and of the preparation of real estate assets (ETAD), to be reflected in improved legislation and organisational changes. Monetisation through the involvement of private sector investors in the development of real estate assets is being explored, but will only be able to mobilise modest revenue flows in the short-run.

### **3.2. Financial sector**

**Access to the international capital markets has improved, as demonstrated by two successful senior bank bond issuances for the first time since 2009 and the successful share capital increases by all four core banks, validating investors' renewed trust in the Greek economy.** Reflecting a gradual improvement in the financial sentiment towards Greece, the Greek Government Bond spread and the Athens Stock Exchange index (ATHEX) continued to recover throughout the second half of 2013 and the first quarter of 2014. The deleveraging in the banking sector has continued, while the liquidity position of credit institutions also continues to improve. As a result of lowering their interest rate margin and tapping the international repo markets, Greek banks have substantially reduced their reliance on Eurosystem funding over the past few quarters.

**The authorities remain committed to taking all necessary actions to ensure that banks are adequately capitalised and are in a position to support the economic recovery.** The 4<sup>th</sup> review of the programme took note of the stress test results and attendant capital needs estimates by the Bank of Greece. There are upside risks to the capital needs estimates, in particular, if the authorities and banks do not urgently and efficiently address the high level of non-performing loans.

**The successful injection of private capital in the Greek banks is a sign of confidence in the sector, and will help to strengthen the private management of Greek banks.** The Bank of Greece should remain vigilant in its oversight of the banking system and proceed forcefully in requiring banks to work out their large stock of non-performing loans. The authorities are also committed to significantly strengthening the private sector debt resolution framework, also by implementing the transition scheme put in place in December 2013, after the moratoria on auctions expired, and facilitating the orderly and swift workout of impaired bank assets. The buffers in the Hellenic Financial Stability Fund will be retained to meet potential future adverse contingencies.

**Restoring liquidity and access to finance for SMEs is important to support the creation of jobs and restore economic growth. According to the 2013 SMEs' Access to Finance Survey, only (33%) of Greek SMEs got the financing they sought (EU: 65%) in 2013.** Access to finance is for 32% of SMEs the most pressing problem (EU: 15%)<sup>3</sup>. EU structural funds play an important role by providing funding (around EUR 1.7 bn. at the moment) for Financial Engineering Instruments (FEI) dedicated to address identified market gaps and facilitate the access to finance of micro-enterprises and SMEs and such policy will continue

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<sup>3</sup> 2013 SMEs' Access to Finance Survey, Analytical Report, European Commission, 14/11/2013



also under the next programming period 2014-2020. However, these instruments continue to under-perform with the exception of the Energy Efficiency Fund. This reflects a difficult market for loans, low appetite for risk taking and low quality of offered collaterals. Following the recapitalisation of the banking system, the financial instruments for the new financing period will be restructured in order to play an important role in financing the economic recovery.

**Meanwhile, the establishment of the Institution for Growth (IfG) has progressed.** It is an innovative financing mechanism combining public and private funds, aiming at channelling resources to Greek SMEs and financing infrastructure projects. The Institution for Growth aims to support profitable investments in Greece while supporting the country's growth policy. The fund will have an initial capital of EUR 500 million. It will finance SMEs and infrastructure projects using equity, loans, guarantees and other financial instruments, and participate in equity funds and hedge funds.

### **3.3. Labour market<sup>4</sup>, education and social policies**

**The prolonged recession in the Greek economy has led to major labour market and social challenges.** Unemployment, youth unemployment and the NEETs rate have all increased considerably. All these indicators are performing negatively against the EU average, and the deterioration of the position of young people and other vulnerable groups in the labour market is of high concern as it may also lead to a loss of human capital in the longer term which poses a threat to potential GDP growth. Gross household disposable income has declined significantly, which has also led to an increase in the number of people at risk of poverty or social exclusion (AROP) and to the persistence of high income inequalities.

**However, the ambitious reforms implemented in the labour market over the past two years should help to redress the situation, as they support stronger competitiveness and facilitate the reallocation of resources towards more dynamic sectors of the economy.** Supported by wide-ranging structural labour market reforms, such as wider use of decentralised wage bargaining, a lower minimum wage, and reductions in other non-wage labour costs, compensation per employee fell by 3.7% in 2012 and 7.8% in 2013 and is forecast to decline by a further 1.5% in 2014. The reforms have allowed Greece to recover the competitiveness lost over the last decade, in terms of unit labour costs. By 2014, Greece is projected to have broadly regained its 1995 labour cost competitiveness position relative to the Euro area. Overall, the ULC-based real effective exchange rate of Greece is forecast to fall by 21.6% between 2009 and 2014. At the same time, the diversity of work arrangements now available creates more scope for adjustment to the changes in activity. Finally, measures tackling undeclared work have started to deliver a significant reduction of its high levels.

**In the course of 2013, hiring became more dynamic, despite shrinking economic activity, and this trend is expected to strengthen along with the economy recovery in 2014 and 2015.** Total employment is forecast to start growing again and increase by 0.6% in 2014 and by 2.6% in 2015.

**Low employment levels and high unemployment of vulnerable groups are a crucial concern.** Low employment levels remain an important challenge in Greece (it is the lowest of the EU, reaching 53.2% in 2013). Moreover, the gender employment gap remains very large: the female employment rate dropped to 43.3% in 2013 and it has become the lowest female employment rate in the EU. Unemployment remains extremely high at 27.3% in 2013,

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<sup>4</sup> For further details, see the 2014 Joint Employment Report, COM(2013)801, which includes a scoreboard of key employment and social indicators.

although it is expected to decrease to 26.0% in 2014 and 24.0% in 2015. Youth unemployment also stands at the EU28 record high level of 58.6%.

**Dealing with the very high unemployment rate is therefore a major priority.** Further support will come from increasing flexibility and removing obstacles to employment, from the ongoing reduction in administrative burden through streamlining labour reporting requirements and from a reduction in social security contribution rates entering in force in mid-2014. New job creation depends upon GDP growth, reforms and adjustment in other areas of the economy, but also on continued improvement in labour market institutions. In this respect, Greece has undertaken measures to tackle unjustified restrictions which deter job creation. Administrative steps are being taken by the authorities to improve the system for collective dismissals, and should these improvements not be effective, credible and durable, the system will be aligned with best practices through legislation in the autumn of 2014. Legislation on temporary work and temporary work agencies is being reformed to favour a more effective use of such contractual institutions. The authorities have agreed to assess the framework for industrial action, in consultation with social partners, with a view to implement the necessary reforms at a later stage. The strengthening of the Public Employment Service OAED is key to help many unemployed in finding their way back to the labour market, and full implementation of its re-engineering project is needed. The government has also reviewed the minimum wage which would apply to long-term unemployed to facilitate their reinsertion in the labour market.

**Concerning support to the unemployed and active labour market policies,** in late 2013, the authorities expanded the criteria for providing unemployment assistance to the long-term unemployed and modified the terms and conditions for the payment of unemployment benefits to former freelancers and self-employed increasing the number of beneficiaries, yet a large share of unemployed remain ineligible for any type of assistance. The authorities have been implementing their employment action plan to address the social emergency on the basis of some key active labour market policies mainly supported by co-funding from the European Social Fund (ESF). There was an expansion of short-term and temporary public work programmes with 50 000 positions mainly for the long-term unemployed, and within the framework of the 2013-2015 National Youth Action Plan subsidised internships for young jobseekers with private sector employers. A new round of temporary public work programme with at least an additional 50 000 places and further youth internships, under a stricter monitoring and controlling legal and institutional framework to ensure avoidance of fraudulent behaviour, will be considered for 2014, also taking into account results and suggestions generated from evaluations of the programmes. Measures are also needed to encourage a higher participation of women in active labour market policies, to raise the coverage rate of children by formal childcare services<sup>5</sup>, as well as specific actions aiming at integrating more people with disabilities (especially women) in the labour market and at combatting discrimination against ethnic minorities.

**A good roll-out of the Youth Guarantee scheme as early as possible in 2014 is of the greatest importance in order to effectively target youth not in employment, education and training (NEETs) by providing good quality offers of employment, continued education, apprenticeship or traineeship and facilitating the much needed transition from school to work.** However, the Youth Guarantee Implementation Plan (YGIP) submitted by Greece only partially complies with the Council Recommendation of 2013.

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<sup>5</sup> In 2011, only 19% of children aged 0-3 years and 75% of children aged 3-6 years attended formal childcare services (vs. 30% and 83% respectively in the EU). Both rates are below the Barcelona targets.

**In the present socio-economic context Greece is faced with the need to improve the efficiency and the quality of education at all levels, adapt its higher education sector to the future needs of the Greek economy, and to enhance the provision, the attractiveness and the relevance of initial vocational education and training (iVET, including apprenticeships).** The Greek education and training system faces serious problems in terms of its systemic design, its functioning and its capacity to ensure a successful transition of young people to employment, as evidenced by the long period of transition from school to work and resulting in the very high level of youth unemployment. Reforms to upgrade the Greek education system have already produced significant efficiency gains, but more efforts are needed to improve the quality of education.

**In primary and secondary education, the system has been significantly rationalised.** Greece had one of the lowest numbers of teaching hours of all OECD countries and numerous organisational rigidities impeded a rational allocation of staff. The increase in the number of students per classroom and in teaching hours have brought Greece closer to the OECD average. As a result of these steps and other measures, such as the rationalisation of the school network, the new electronic database of schools and the legal changes to allow the possibility of mandatory transfers of staff, in the school year 2013-2014 only around 2,000 temporary teachers are required to meet demand, compared to around 15,000 in 2011-2012, thereby reducing significantly the wage bill. Operational expenditures have also been reduced. However, substantial additional measures are required to increase the quality of education. In particular, the initiatives included in the Education Action Plan need to be fully implemented. The authorities should take the necessary additional steps to implement effectively the new policy of evaluation of schools and of educational staff. Further steps to increase financial and organisational autonomy of primary and secondary schools should also be considered.

**In Higher Education, the authorities have completed a first wave of consolidation of HEIs and departments under the Athina project to increase efficiency and eliminate duplications.** The Athina project has led to the closure of 4 universities and the merger of a very large number of university departments (123 according to the 2014 NRP), but the system could benefit from further rationalisation. The reform does not seem to have had a significant impact on new intake. Entries in 2013-2014, taking place under the new structure, have showed only a 1.4% drop with respect to 2012-2013. A comprehensive impact assessment including budgetary impact, participation and future attainment rates, adequacy of staff allocation, R&D activities and quality of education is now urgent as a basis for possible additional rationalisation steps. The provisions of laws 4009/2011 and 4076/2012 on the organisation and governance of higher education need to be fully implemented. The Quality Assurance Authority should complete soon an external evaluation of the Higher Education Institutions. In addition, the authorities are completing the new organisation charts and internal regulations of the Higher Education Institutions, which should also be made available to the general public. Furthermore, a strategic policy framework for Higher Education is still not in place, although the relevant law refers to bodies, responsibilities and procedures for its formulation.

**Greece needs a major reform to upgrade and expand vocational education, training and apprenticeships in order to increase the level of skills and the employability of entrants to the labour market.** In order to sustainably increase the level of skills and the employability of entrants to the labour market, to facilitate mobility of workers and to attract new investment, additional steps should be taken by the Greek authorities in order to ensure with all involved stakeholders an effective implementation of Law 4186/2013 of September 2013 on secondary education. In this regard, the Government is expected to adopt a detailed implementation plan for the modernisation and expansion of vocational education and

training, including the increase in the provision of apprenticeships. The plan should include proposals to establish a quality framework, a monitoring mechanism to develop local partnerships, detailed proposals to ensure progressively closer employer engagement and private-sector funding in VET, clear estimates of the budgetary costs and a clear plan to match vocational education and training with the needs of the labour market.

**Improving social safety nets continues to be an urgent policy priority in order to alleviate poverty and income inequalities.** Between 2010 and 2012 the at-risk-of-poverty rate increased by 4.8 percentage points to 23.8%. Over the same time period income inequalities<sup>6</sup> increased from 5.6 to 6.6. Greece has been historically a country with a weak welfare system characterised by low coverage and adequacy (lowest in the EU) of unemployment benefits. The non-coverage rate of jobless poor (excluding child benefits) is the highest in Greece at 68.2%, while the adequacy of social assistance is the lowest in the EU.<sup>7</sup> Faced with the current major challenges, there is now growing awareness in the country that the current welfare system urgently needs a major overhaul to better support both transitions across jobs and the needy.

**The adjustment programme has a strong focus on strengthening the welfare system and improving social safety nets, and key actions include the development of a guaranteed minimum income scheme and a comprehensive review of the social welfare system.** A guaranteed minimum income scheme will start on a pilot basis in 2014 and a phased-in national roll-out should start in the course of 2015. Coordination between the guaranteed minimum income scheme and other benefits and services and a link to activation policies are also envisaged. The scheme will be a key component of the country's new strategy for social welfare, which will be based on a comprehensive review, consolidation, streamlining and better targeting of all existing benefits to ensure a more efficient and effective allocation and coverage for those in need. Profiting from the insight of that review, a strategy on social welfare and inclusion should be prepared in the second half of the year. The overarching objective is to create a fiscally sustainable, integrated and cost-effective welfare system in Greece, thereby increase the effectiveness of social welfare spending. The government has announced interventions in 2014 for income support for vulnerable at risk of extreme poverty.

### **3.4. Structural measures promoting sustainable growth and competitiveness**

**An important part of the structural policy package is the reform of product markets, services and network industries. According to the OECD, in 2008 Greece had one of the highest levels of regulation among developed countries. While reforms already implemented under the programme have allowed significant progress in this area in recent years, Greece is still among the OECD countries with relatively strict product market regulations<sup>8</sup>. This is also testified by the Doing Business report by the World Bank<sup>9</sup>, where Greece has greatly improved its ranking in recent years, but still remains low compared to other EU Member States.**

**The authorities are taking significant steps under the adjustment programme to remove restrictions to competition in many areas of the economy, and action is on-going to reduce administrative burden. Since July 2013, the authorities have, among others, lowered the property transfers tax, eased licensing procedures for retail outlets,**

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<sup>6</sup> Measured by S80/S20, i.e. the income earned by the top 20% of the income distribution divided by the income earned by the bottom 20%.

<sup>7</sup> ESDE 2013, pg. 137.

<sup>8</sup> <http://www.oecd.org/economy/growth/indicatorsofproductmarketregulationhomepage.htm>

<sup>9</sup> <http://www.doingbusiness.org/>

introduced simplified procedures in pilot customs offices and expanded e-customs functions, and reduced the minimum duration of commercial rental contracts from 12-16 years to 3 years. The Greek government started implementing in April 2014 almost in their entirety the OECD recommendations resulting from an in-depth study of legislation and practices in the key sectors of tourism, retail trade, food processing and construction materials, launched in 2012 as part of the programme. It has also been agreed to continue this work and four additional sectors will be analysed by the OECD or an equivalent organisation to identify further regulatory constraints on competition. These are wholesale trade, telecommunications, e-commerce and manufacturing.

Concrete measures are also being taken to liberalise the transport and residential rental markets, to develop the logistics market and also to open up closed professions. By June 2014, the authorities will take further steps to simplify licensing and customs procedures, to streamline rules for land use, and intend to adopt legislation to reduce administrative burden on business across 13 sectors. The liberalisation of key professions is proceeding. On electronic communications, the authorities had committed to launch the public consultation on the tender procedure for the assignment of the digital dividend (800 MHz band) allocating and authorising the use of the digital dividend to Electronic Communication Services by April 2014. It is important to launch the tender procedure itself by June 2014, in order to be able to meet the October 2014 deadline for the assignment of the frequencies of the digital dividend. In the transport sector, the privatisation of airports is proceeding and important reforms are underway in the maritime sector with the aim to further improve the competitiveness of the sector. Additional policies are in the pipeline to ensure a better intermodal connectivity between different means of transport. This includes prioritising public spending by creating a transportation and logistics hub and better exploiting Greece's regional competitive advantage.

An ambitious package of reforms of the energy market agreed under the adjustment programme has the potential of completely transforming the Greek energy market and liberalising it ahead of privatisation. Unlocking the Greek gas market, which benefits currently from a unique derogation under the EU directive, removing significant distortions in the electricity market and improving competition in the supply segment are essential steps of the reforms, which are urgently needed as the high cost of energy is affecting the competitiveness of the economy and the welfare of households. The poor performance of the Greek electricity retail market is reflected in poor consumers' assessment, which is the fourth lowest in the EU and lowest out of the 31 domestic services markets surveyed in the forthcoming Consumer Markets Scoreboard.<sup>10</sup> The government is implementing a package of reforms, designed to address in a structural manner the many distortions in the energy markets. The privatisation process of Public Power Corporation (PPC), the electricity incumbent, is a key element of this package and is progressing well. The Expression of Interest phase has been closed for, the sale of ADMIE, the network operator, and the legislation for the privatisation of part of the capacity of PPC ("Small PPC") was submitted to the Parliament in April 2014. Financing problems in the renewable energy sources (RES) account designed to fund incentives for renewable energies are finally being addressed in a structural way. Following a substantial lowering of feed-in tariffs for new installations, the Parliament has approved legislation to revise the existing power purchasing contracts and achieve

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<sup>10</sup> Consumer Markets Scoreboard (to be published in mid-June 2014), [http://ec.europa.eu/consumers/consumer\\_research](http://ec.europa.eu/consumers/consumer_research)

**long-term sustainability of the RES account. The law includes a cap on new Photovoltaic installation receiving incentives. A comprehensive cap is also expected to be introduced.**

**Greece showed the largest greenhouse gas (GHG) emission reductions within the EU in 2012 compared to 2011.** The significant decline in emissions can be attributed mostly to the economic downturn rather than the implemented measures. The GHG emission intensity of the economy is 63% higher than the EU average while the GHG emission intensity of energy use remains the highest in the EU (together with Poland). The energy intensity of the economy is slightly higher than the EU average, while particularly in the transport sector it is one of the lowest in the EU. Furthermore, Greece has one of the largest shares of energy in total trade in the EU and although Greece extracts solid fuels (lignite), it is entirely dependent on imports for its gas and oil consumption. The residential buildings and transport sectors have high sectorial shares in total final energy consumption and showed strong annual growth rate in the last years. A number of successful support programmes were launched to increase the energy efficiency of residential and industrial buildings, some of which will continue into 2014, but substantive progress is still needed. Greece needs to ensure that the existing and additional domestic measures are implemented so as to safeguard the achievement of its GHG emission reduction targets. Therefore the country should continue implementing and putting in place measures to improve energy efficiency and reduce energy import dependency in the industrial, transport and residential sector.

**A comprehensive reform to improve the functioning of the judicial system and reduce the burden on businesses and citizens is taking place, but backlogs are hefty.** Some progress in this area is already visible. In administrative justice, the structural balance between inflow and outflow of cases in the administrative courts has been more than restored, bringing a reduction of the stock of pending cases by about 10%. The stock of pending cases remains however high and measures to reduce it are discussed at the moment with the Ministry of Justice. In civil justice some reform measures already adopted in 2012 and 2013 are helping to reduce the imbalance between inflows and outflows, mostly in the first instance administrative courts. However the magistrates' courts still have a structural problem. A revised Code of Civil Procedure in line with international best practice is expected to be adopted and should improve the efficiency of the civil courts proceedings. Some measures will then have to be envisaged to deal with the stock of pending cases. Another stream of reforms is the development of out-of-court settlement of disputes. In this field, the activity of mediation has been opened to all professions in April 2014. Finally, development of e-justice applications in courts is continuing.

### Box 1: Potential impact of structural reforms on growth – a benchmarking exercise

Structural reforms are crucial for boosting growth. It is therefore important to know the potential benefits of these reforms. Benefits of structural reforms can be assessed with the help of economic models. The Commission uses its QUEST model to determine how structural reforms in a given Member State would affect growth if the Member State narrowed its gap vis-à-vis the average of the three best EU performers on key indicators such as labour market participation or the degree of competition in the economy. Improvements on these indicators could raise Greece's GDP by about 13¼% in a 10-year period. Some reforms could have an effect even within a relatively short time horizon. The model simulations corroborate the analysis of Section 3.3, according to which the largest gains would likely stem from improving competition and increasing labour market participation. In particular, reducing markups in the final goods market could support more than half of the potential increase of GDP in the first 5 years. Other important contributions could come from the reform of the implicit consumption tax rate and the reform of ALMPs. All of these results support the priorities of the adjustment programme.

**Table 1: Structural indicators, targets, and potential GDP effects<sup>11</sup>**

Reform areas		EL	Average 3 best EU performers	GDP % relative to baseline	
				5 years	10 years
Market competition	Final goods sector markups (price-cost margin)	0.34	0.13	3.1	7.2
Market regulation	Entry costs	20.1	0.13	0.5	1.3
Tax reform	Implicit consumption tax rate	16.3	28.6	0.9	1.4
Skill enhancing reforms*	Share of high-skilled	6.7	10.7	0.0	0.1
	Share of low-skilled	34.3	7.5	0.1	0.2
Labour market reforms	Female non-participation rate (25-54ys):			0.7	1.4
	- low-skilled	40.9	26.4		
	- medium-skilled	27.8	10.5		
	- high-skilled	10.7	4.3		
	Low-skilled male non-participation rate (25-54ys)	7.7	7.7	0.0	0.0
	Elderly non-participation rate (55-64ys):			0.4	1.0
	- low-skilled	20.4	13.4		
	- medium-skilled	9.5	4.8		
	- high-skilled	7.5	3.3		
	ALMP (% of GDP over unemployment share)	3.8	37.4	0.5	0.5
Benefit replacement rate**	13.8	52.6	0.0	0.0	
Total				6.2	13.0

Source: Commission services. Note: Simulations assume that all Member States undertake reforms which close their structural gaps by half. The table shows the contribution of each reform to total GDP after five and ten years. If the country is above the benchmark for a given indicator, we do not simulate the impact of reform measures in that area; however, the Member State in question can still benefit from measures taken by other Member States.<sup>12</sup> \*The long run effect of increasing the share of high-skilled population would be 2.1% of GDP and of decreasing the share of low-skilled would be 2.5%. \*\* EU average is set as the benchmark.

<sup>11</sup> Final goods sector mark-ups is the difference between the selling price of a good/service and its cost. Entry cost refers to the cost of starting a business in the intermediate sector. The implicit consumption tax rate is a proxy for shifting taxation away from labour to indirect taxes. The benefit replacement rate is the % of a worker's pre-unemployment income that is paid out by the unemployment scheme. For a detailed explanation of indicators see Annex.

<sup>12</sup> For a detailed explanation of the transmission mechanisms of the reform scenarios see: European Commission (2013), "The growth impact of structural reforms", Chapter 2 in QREANo. 4. December 2013. Brussels; [http://ec.europa.eu/economy\\_finance/publications/qr\\_euro\\_area/2013/pdf/qrea4\\_section\\_2\\_en.pdf](http://ec.europa.eu/economy_finance/publications/qr_euro_area/2013/pdf/qrea4_section_2_en.pdf)

Gross domestic expenditure on R&D was 0.69% of GDP in 2012, a slight increase compared to the previous year (0.67%), but still much lower than the EU average of 2.06% in 2012. The Europe 2020 R&D target set by Greece in the context of the 2013 NRP of 0.67% of GDP has already been achieved, and the Greek authorities have expressed in the 2014 NRP their intention to attain a level of 1.21% of GDP by 2020. This is a positive development, also in view of its potential impact on growth as described in Box 1. This more ambitious target should be compatible with the achievement of Greece's fiscal targets, be coherent with the smart specialisation (RIS3) framework and be achieved through well-targeted, competitiveness-enhancing expenditure increases in support of an increased knowledge-intensity of the Greek economy. Business expenditure on R&D (BERD) has increased, reaching 0.24% of GDP in 2012 compared to 0.17% in 2007. This coupled with the good performance of Greek participants in the EU Framework Programmes, shows significant potential nationally in the research and innovation field and opens up opportunities for Greece in the road to recovery.

Closer linkages between R&D and businesses are needed to boost the productivity and competitiveness of the economy. Efficiency and effectiveness of spending is weak, due in particular to the weak implementation of reforms, to a lack of association of RDI results with the business's needs which in its turn is not facilitated by the existing legal framework. Further efforts to increase efficiency are therefore essential. Greece is also lagging behind in finance, firm investments and intellectual assets. Greece ranks 19<sup>th</sup> in the Innovation Union Scoreboard 2014<sup>13</sup>, and its innovation performance is below the EU-27 average. Public policy is characterised by a lack of strategic vision and focus and planning remains fragmented in a wide spectrum of scientific and technological fields.

The authorities should fully implement the revised legal framework for R&D once formally adopted, and a comprehensive national research and innovation strategy for smart specialisation (RIS3) needs to be developed. The Greek RIS3 should have a strong thematic focus and provide a national framework for R&D and innovation policies. The strategy must include governance mechanisms to integrate and coordinate the regional RIS3 strategies, a better collaboration of academia-research centres and the business community, and measures to leverage private investment and foster systemic innovation. The development of industry-driven competence centres could work as a catalyst in that direction. One priority is to translate better the scientific research strengths into marketable goods and services. Efforts are also needed to foster technology transfer and address bureaucratic obstacles.

Waste management is Greece's most serious environmental problem. Greece has also been one of the MS particularly suffering from impacts of bad air quality in Europe. The recent switch to fuel wood in big urban centres is causing air pollution and smog with significant health and economic costs. Greece should improve waste management performance, prevent and reduce waste generation and increase reuse and recycling rates, especially through better use of economic instruments, particularly the newly introduced landfill tax. Greece should also advance in the protection of water resources through the implementation of EU water and marine legislation. Implementation of both waste and water legislation can create jobs and business opportunities.

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<sup>13</sup> [http://ec.europa.eu/enterprise/policies/innovation/files/ius/ius-2014\\_en.pdf](http://ec.europa.eu/enterprise/policies/innovation/files/ius/ius-2014_en.pdf)



### 3.5. Modernisation of public administration

**The crucial reforms of the Greek public sector, notably the rationalisation and modernisation of the public administration, are progressing further.** The strong reduction of public administration staff is proceeding ahead of plans. The 2013 targets for mandatory mobility have been achieved. The targets for mandatory staff exits in 2014 are being delivered according to plans, by dismissing people illegally appointed, subject to disciplinary procedures or who have been in the availability scheme without being moved to another position. Progress has also been made to enhance the quality and efficiency of the public administration, through the reorganisation of ministries to be completed in the next weeks, the reallocation of personnel also via mandatory mobility, the use of hiring plans, and by the adoption of a strategy for human resources.

**However, very substantial improvements in public administration are still needed to bring Greece in line with best practices.** Greece needs to clearly improve the quality of the civil service and of policy implementation, and make better use of tools to improve public administration performance (e-government, impact assessments, performance assessment and accountability). The priority of the reforms being adopted under the adjustment programme is on improving the quality and efficiency of the public administration, through the appointment of new managers based on qualifications and performance criteria, the introduction of competence-based evaluation for managers and staff, the establishment of an internal job market, better financial management, the simplification of rules, the reduction of scope for corruption. A broad review of government employment levels and the remuneration structure will be undertaken to ensure they are consistent with high-quality provision of public services and are fiscally sustainable. All these steps are expected to help improve the performance in the public sector and hence the service the public administration provides to businesses and citizens.

**A period of deepening and fine-tuning of health care reforms has now started, with important challenges lying ahead.** The financial situation of EOPYY (the National Organisation for the Provision of Health Services) remains difficult, though significant positive developments can be observed. Despite some progress, addressing remaining delays in the transfer of contribution revenues to EOPYY from Social security funds and the current lack of control, guidelines and proper referrals for the use of diagnostics, private clinics and hospitals remain important challenges. Regarding the pharmaceutical sector, the implementation of established policies continues, with new policies on pricing, generic targets and spending caps and an effective prescription budget for each doctor. However, EOPYY and EOF (National Organisation for Medicines) capacity must be reinforced to ensure pricing and reimbursement is timely and effective in delivering a cost-effective use of pharmaceuticals and securing the necessary savings. Important steps have been taken in the hospital sector to improve the monitoring of financial and activity data and to ensure that financial execution is in line with the budget. Nevertheless, more could be done regarding ESY (the national health system) facilities and hospital spending in a number of areas. Finally, a considerable concern remains that a large, but still undetermined, number of people do not have adequate access to healthcare and public health services, although access to health centres and emergency care is available to all. For this reason, a major effort should be made to ensure actual implementation of existing initiatives regarding access to primary care including prevention dimension. Furthermore efforts should be made to improve distribution of health care workforce especially regarding the balance between general practitioners and specialists.

**Since 2010, substantial progress has been achieved in the reform of the pension system, but important challenges remain.** While major steps have been taken to stabilise the system and make it sustainable, there is a clear need for further rationalisation of the social security system. The main pension system remains highly fragmented, relying on increasing financing from state transfer, while pension rules differ greatly across different categories of population. The 2012 reform of supplementary pensions has still to be implemented in full, while the reform of lump-sum pensions also needs to be completed. The authorities have committed to enhance the pension system to ensure its viability and support labour supply and to this end will prepare by June 2014 a draft comprehensive proposal on the main elements of social security funds consolidation and the harmonisation of contribution and benefit payment procedures, to be subsequently complemented by an actuarial study of the whole pension system, supporting specific design and parametric improvements. These changes will be legislated to take effect from January 1<sup>st</sup> 2015.

**Further efforts are needed to ensure an effective implementation of anti-corruption policies. Greece has taken steps towards the implementation of the national anti-corruption action plan agreed upon in early 2013 and is in the process of revising it. A much needed national anti-corruption coordinator was appointed to improve governmental coordination in a complex anti-corruption framework and to oversee the implementation of the plan. Moreover, sectoral strategies were developed or are being developed. The legal framework was improved in April 2014, notably on whistle blowers. In the EU Anti-Corruption Report of February 2014, the Commission pointed out that, in spite of some progress in relation to anti-corruption safeguards in public procurement, greater oversight in this area would be beneficial. The Government is expected to introduce a code of conduct for members of Government and, by June, revised legislation on funding of political parties and legislation on declaration and monitoring of assets which will put Greece at the forefront on this aspect.**

#### **4. CONCLUSION**

**Greece continues to make overall progress under the economic adjustment programme, but further efforts are needed to keep momentum.**

**The macroeconomic recovery seems more firmly established. The fiscal position has further improved. The banking sector has been stabilised and consolidated. Important structural reforms have been implemented, notably in the product market, and in most areas of the public sector, which should start producing effects in terms of growth and jobs opportunities.** Wages better aligned with productivity dynamics and improving unit labour costs resulting from labour market reforms are improving cost competitiveness. However, addressing major challenges in the labour market and the social situation in the short and medium-term remain crucial. Moreover, further major efforts are needed to implement a significant number of reforms, in particular enhancing competition, reducing administrative burden and removing regulatory constraints.

**Risks remain considerable, in particular in relation to perseverance in confronting vested interests. Full compliance with the fiscal targets and full implementation of the structural reforms continue to be crucial.** Sustained and determined reforms in the areas of product (goods and services) market, public administration and anti-corruption could clearly reduce costs for businesses and households and underpin a recovery in investment. In contrast, their postponement or incomplete implementation could perpetuate a heavy drag on the economy, making it difficult to achieve a substantial improvement in employment and productivity growth, and thus also a steady reduction of the debt-to-GDP ratio. Key reforms to revenue administration and the public administration are now beginning to bear fruit, but

delays may jeopardise the generation of revenues which underpin the fiscal projections. Progress on the privatisation programme may be more significant if the heightened investor interest results in stronger participation and higher proceeds. However, they could also be delayed by the persistence of the significant hurdles and administrative inefficiencies still in place. A lack of progress by authorities and banks in addressing Non-Performing-Loans, cleaning and strengthening bank balance sheets with the help of private investors and management, and in improving the payment culture, could severely undermine the ability of banks to supply more credit and support strong, sustainable economic and employment growth. Finally, addressing major challenges in the labour market and the social situation in the short and medium-term is crucial.

To effectively tackle the challenges Greece faces and thoroughly implement relevant measures, full use should be made of assistance provided by the European Commission under the Economic Adjustment Programme and through the Task Force for Greece.

## OVERVIEW TABLE ON EUROPE 2020 TARGETS

<b>Europe 2020 (national targets and progress)</b>	
Employment rate target: 70 %	<p style="text-align: center;">Current situation: 53.2 % (2013)</p> <p>The target of reaching a total employment rate of 70 % by 2020 was difficult to attain even before the crisis. The employment rate peaked in 2008 (66.5%) and has been declining since, reaching 53.2% in 2013. Under the current context, the prospects are even more challenging; taking into account projected population growth, the expected annual average employment growth needed between 2013 and 2020 to reach the target would be 3.8%. Despite the series of measures already taken promoting employment and additional measures foreseen under the adjustment programme, the employment rate target will be very difficult to attain by 2020 unless swift and considerable GDP growth is achieved; sustained efforts are required in the coming years in order to reach the target.</p> <p>Unemployment rate stands at EU28 record high levels (2013: 27.3%) as does youth and female unemployment that have reached 58.6% and 31.3% respectively. Change rates though have decreased in 2013 both for employment and unemployment rates suggesting an anticipated deceleration.</p>
R&D investment target: 1.21% of GDP	<p>Gross domestic expenditure on R&amp;D was 0.69% of GDP in 2012, a slight increase compared to the previous year (0.67%), but still much lower than the EU average of 2.06% in 2012. The Europe 2020 R&amp;D target set by Greece in the context of the 2013 NRP of 0.67% of GDP has already been achieved, and the Greek authorities have expressed in the 2014 NRP their intention to attain a level of 1.21% of GDP by 2020. Business expenditure on R&amp;D (BERD) has increased reaching 0.24% of GDP in 2012 compared to 0.17% in 2007. This coupled with the good performance of Greek participants in the EU Framework Programmes, shows significant potential nationally in the research and innovation field and opens up opportunities for Greece in the road to recovery.</p>
Reduction of greenhouse gas (GHG) emissions in sectors that are not covered by the Emission Trading System by 4% in 2020 compared to 2005 levels	<p>Change in non-ETS greenhouse gas emissions between 2005 and 2012: --22.7%. According to the latest projections and taking into account existing measures, the target is expected to be over-achieved with a margin of 1 percentage point (-5% in 2020 compared to 2005).</p>
Under Directive 2009/28/EC on the promotion of use of energy from renewable sources, Greece is required to reach an 18 % target of renewable energy sources in final energy consumption and a 10 % proportion of renewable energy in the transport sector by 2020. In Greece's National	<p>The share of renewable energy reached 15.1% in 2012, above the interim trajectory milestone of 9.1% set by Directive 2009/28/EC on renewable energy sources.</p>

Renewable Energy Action Plan, the commitment is made to achieve a 20 % target, rather than 18 %.	
20% Energy saving at EU level by 2020 Directive 2012/27/EU foresees national indicative targets	Greece has set an indicative national energy efficiency target for 2020, which foresees a level of final energy consumption of 20.5 Mtoe. This implies reaching a level of 27.1 Mtoe in primary energy consumption. Greece has also set an indicative national energy efficiency target in accordance with Articles 3 and 24 of the Energy Efficiency Directive (2012/27/EU). It has also expressed it, as required, in terms of an absolute level of primary and final energy consumption in 2020 and has provided information on the basis on which data this has been calculated.
Early school leaving target: 9.7 %	Greece performs slightly better than the EU average in early school leaving (10.1 in 2013 against 11.4% in 2012), in comparison with 11.9% for the EU average in 2013. The national target of 9.7% by 2020 remains an ambitious one. The ESL rate diminished by 1.3 p.p. during the period 2012-13. However the national average masks a significant variation between different geographical areas, types of schools and social groups. For instance, the subgroup of people born-abroad is lagging very significantly behind, with an ESL rate of 42% in 2012 versus 8.3% for the native born student group. The current reduction could also be a side-effect of the economic crisis, hence more needs to be done to sustainably improve education and to prevent ESL effectively. There is a persistent achievement gap between migrant-background and native pupils as well as inequalities in educational opportunities and outcomes in all levels of education and training; a large share (approx. 21%) of young 15-24 years old are not in employment, education and/or training (NEETs). In addition there are high drop-out rates from education for students from disadvantaged backgrounds. Finally regional disparities in educational opportunities and outcomes are also very visible (e.g. as regards insularity). Since late 2009, school reforms ('New School') co-financed with EU structural funds and included in the adjustment programme are aimed at improving compulsory education and at tackling low performance in basic skills. Structured around 20 broad objectives, they put emphasis on foreign languages, revised curricula, all-day provision, a culture of evaluation, teacher training, reform of special needs provision, a pilot scheme of Education Priority Zones (ZEP) and the "digital school" major project. Some progress has been made, but further efforts are needed including through future co-financing from EU structural funds for the period 2014-2020.
Tertiary education target: 32 %	The tertiary attainment rate increased in 2013 to 34.6% from 30.9% in 2012 and is now slightly lower than the EU average of 36.8% in 2013. Tertiary attainment in Greece increased by as much

	<p>as 3.7 p.p. during the period 2012-13 and Greece is now close to its national target of 32% set for 2020. However, tertiary attainment remains very low for the foreign born group, with only 10.3% in 2012. The Greek government has recently undertaken an important reform of this sector, both concerning the organisation and governance of higher education, as well as regarding the consolidation of the network of higher education institutions (HEIs) and their departments.</p>
<p>Reduce by 450 000 the number of people at risk of poverty or social exclusion.</p>	<p>Current situation: 3 795 000 (2012) + 749 000 (2008-2012)</p> <p>In 2008 (reference year) the number of people at risk of poverty or exclusion was 3 046 000. On the basis of available statistical data for 2012 (data based on 2011 income), the number has significantly increased by 392 100 people from 2011 to 2012. From 2010 onwards, the number presents an upward trend. The social situation has deteriorated sharply in Greece. Measures under the economic adjustment programme to tackle unemployment and improve the social safety net such as the launching of the minimum income scheme should therefore be fully implemented.</p>

## ANNEX

### Standard Tables

**Table I. Taxation indicators**

	2002	2006	2008	2010	2011	2012
<b>Total tax revenues</b> (incl. actual compulsory social contributions, % of GDP)	33.7	31.7	32.1	31.7	32.4	33.7
<b>Breakdown by economic function</b> (% of GDP) <sup>1</sup>						
Consumption	12.4	11.6	11.6	12.3	12.5	12.3
of which:						
- VAT	7.6	7.1	7.3	7.3	7.2	7.1
- excise duties on tobacco and alcohol	1.5	1.3	1.2	1.4	1.7	1.5
- energy	1.4	1.2	1.1	1.8	2.1	2.2
- other (residual)	1.8	2.0	2.0	1.7	1.5	1.5
Labour employed	12.0	11.3	11.7	11.4	10.9	12.6
Labour non-employed	0.9	1.0	1.0	1.0	0.9	1.6
Capital and business income	6.8	6.0	6.0	5.7	5.8	4.9
Stocks of capital/wealth	1.6	1.9	2.0	1.2	2.3	2.4
<i>p.m.</i> Environmental taxes <sup>2</sup>	2.3	2.0	2.0	2.5	2.8	2.9
<b>VAT efficiency</b> <sup>3</sup>						
Actual VAT revenues as % of theoretical revenues at standard rate	50.8	47.2	46.2	37.8	37.0	36.7

Note:

1. Tax revenues are broken down by economic function, i.e. according to whether taxes are raised on consumption, labour or capital. See European Commission (2014), Taxation trends in the European Union, for a more detailed explanation.

2. This category comprises taxes on energy, transport and pollution, and resources included in taxes on consumption and capital.

3. The VAT efficiency is measured via the VAT revenue ratio. It is defined as the ratio between the actual VAT revenue collected and the revenue that would be raised if VAT was applied at the standard rate to all final (domestic) consumption expenditures, which is an imperfect measure of the theoretical pure VAT base. A low ratio can indicate a reduction of the tax base due to large exemptions or the application of reduced rates to a wide range of goods and services ('policy gap') or a failure to collect all tax due to e.g. fraud ('collection gap'). It should be noted that the relative size of cross-border shopping compared to domestic consumption also influences the value of the ratio, notably for smaller economies. See European Commission (2012), Tax Reforms in EU Member States and OECD (2012), Consumption tax trends for a more detailed discussion.

Source: Commission

**Table II. Financial market indicators**

	2009	2010	2011	2012	2013
Total assets of the banking sector (% of GDP)	213.2	231.8	228.7	228.7	223.8
Share of assets of the five largest banks (% of total assets)	69.2	70.6	72.0	79.5	-
Foreign ownership of banking system (% of total assets)	21.0	20.0	19.0	16.4	-
Financial soundness indicators:					
- non-performing loans (% of total loans) <sup>1),2)</sup>	7.0	9.1	14.4	23.3	31.3
- capital adequacy ratio (%) <sup>1)</sup>	11.7	12.3	-1.7	9.6	11.7
- return on equity (%) <sup>3)</sup>	5.2	0.0	-169.2	...	...
Bank loans to the private sector (year-on-year % change)	-2.3	3.0	-3.3	-7.4	-3.3
Lending for house purchase (year-on-year % change)	3.9	4.9	-2.9	-4.7	-4.2
Loan to deposit ratio	79.6	119.6	138.3	136.5	128.6
CB liquidity as % of liabilities	11.8	21.8	31.7	32.3	22.5
Banks' exposure to countries receiving official financial assistance (% of GDP) <sup>4)</sup>	10.8	10.7	11.1	11.0	12.1
Private debt (% of GDP)	122.2	127.6	129.2	129.4	-
Gross external debt (% of GDP)					
- Public	95.4	81.6	75.0	125.6	147.3
- Private	11.5	9.6	8.1	10.8	14.7
Long term interest rates spread versus Bund (basis points)*	195.2	634.8	1314.1	2100.3	848.4
Credit default swap spreads for sovereign securities (5-year)*	163.5	656.6	2980.6	14045.8	14904.4
<b>Notes:</b>					
<sup>1)</sup> Latest data 2013Q3.					
<sup>2)</sup> Through 2011 other consolidation basis and from 2012 onwards DCCB consolidation basis.					
<sup>3)</sup> Latest data December 2011. After extraordinary items and taxes.					
<sup>4)</sup> Covered countries are CY, EL, ES, LV, HU, IE, PT and RO.					
* Measured in basis points.					
<b>Source :</b>					
<i>Bank for International Settlements and Eurostat (exposure to macro-financially vulnerable countries), IMF (financial soundness indicators), Commission (long-term interest rates), World Bank (gross external debt) and ECB (all other indicators).</i>					



**Table III. Labour market and social indicators**

<b>Labour market indicators</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Employment rate (% of population aged 20-64)	66.5	65.8	64.0	59.9	55.3	53.2
Employment growth (% change from previous year)	1.2	-0.6	-2.6	-5.6	-8.3	-4.1
Employment rate of women (% of female population aged 20-64)	52.5	52.7	51.7	48.6	45.2	43.3
Employment rate of men (% of male population aged 20-64)	80.4	78.8	76.2	71.1	65.3	62.9
Employment rate of older workers (% of population aged 55-64)	42.8	42.2	42.3	39.4	36.4	35.6
Part-time employment (% of total employment, 15 years and more)	5.6	6.0	6.4	6.8	7.7	8.4
Part-time employment of women (% of women employment, 15 years and more)	9.9	10.4	10.4	10.2	11.9	12.6
Part-time employment of men (% of men employment, 15 years and more)	2.8	3.2	3.7	4.5	4.9	5.5
Fixed term employment (% of employees with a fixed term contract, 15 years and more)	11.5	12.1	12.4	11.6	10.0	10.0
Transitions from temporary to permanent employment	19.0	20.0	18.0	25.0	17.4	:
Unemployment rate <sup>1</sup> (% of labour force, age group 15-74)	7.7	9.5	12.6	17.7	24.3	27.3
Long-term unemployment rate <sup>2</sup> (% of labour force)	3.6	3.9	5.7	8.8	14.4	18.4
Youth unemployment rate (% of youth labour force aged 15-24)	22.1	25.8	32.9	44.4	55.3	58.3
Youth NEET rate (% of population aged 15-24)	11.7	12.6	14.9	17.4	20.3	20.6
Early leavers from education and training (% of pop. 18-24 with at most lower sec. educ. and not in further education or training)	14.8	14.5	13.7	13.1	11.4	10.1
Tertiary educational attainment (% of population 30-34 having successfully completed tertiary education)	25.6	26.5	28.4	28.9	30.9	34.6
Formal childcare (from 1 to 29 hours; % over the population less than 3 years)	5.0	4.0	3.0	4.0	5.0	:
Formal childcare (30 hours or over; % over the population less than 3 year)	7.0	7.0	5.0	15.0	15.0	:
Labour productivity per person employed (annual % change)	-1.4	-2.5	-2.4	-1.6	1.5	0.2
Hours worked per person employed (annual % change)	-4.3	2.4	0.9	1.1	-0.2	0.1
Labour productivity per hour worked (annual % change; constant prices)	3.0	-4.9	-3.3	-2.7	1.7	0.1
Compensation per employee (annual % change; constant prices)	-1.1	1.2	-3.7	-4.4	-3.4	-4.7
Nominal unit labour cost growth (annual % change)	5.1	6.2	-0.1	-1.8	-5.1	-6.8
Real unit labour cost growth (annual % change)	0.3	3.8	-1.3	-2.9	-4.8	-4.9
<b>Notes:</b>						
<sup>1</sup> Unemployed persons are all persons who were not employed, had actively sought work and were ready to begin working immediately or within two weeks. The labour force is the total number of people employed and unemployed.						
<sup>2</sup> Long-term unemployed are unemployed persons for at least 12 months.						
<b>Sources:</b> Commission (EU Labour Force Survey and European National Accounts)						

<b>Expenditure on social protection benefits (% of GDP)</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Sickness/Health care	6.8	7.4	8.0	8.2	7.5
Invalidity	1.2	1.2	1.3	1.3	1.4
Old age and survivors	12.5	12.9	13.6	14.1	15.0
Family/Children	1.5	1.6	1.8	1.8	1.8
Unemployment	1.1	1.3	1.6	1.7	2.1
Housing and Social exclusion n.e.c.	0.5	0.5	0.5	0.4	0.4
<b>Total</b>	<b>24.1</b>	<b>25.4</b>	<b>27.4</b>	<b>28.2</b>	<b>28.9</b>
of which: means tested benefits	1.8	1.9	2.0	1.9	1.8
<b>Social inclusion indicators</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
At-risk-of-poverty or social exclusion <sup>1</sup> (% of total population)	28.1	27.6	27.7	31.0	34.6
At-risk-of-poverty or social exclusion of children (% of people aged 0-17)	28.7	30.0	28.7	30.4	35.4
At-risk-of-poverty or social exclusion of elderly (% of people aged 65+)	28.1	26.8	26.7	29.3	23.5
At-Risk-of-Poverty rate <sup>2</sup> (% of total population)	20.1	19.7	20.1	21.4	23.1
Severe Material Deprivation <sup>3</sup> (% of total population)	11.2	11.0	11.6	15.2	19.5
Share of people living in low work intensity households <sup>4</sup> (% of people aged 0-59)	7.5	6.6	7.6	12.0	14.2
In-work at-risk-of poverty rate (% of persons employed)	14.3	13.8	13.8	11.9	15.1
Impact of social transfers (excluding pensions) on reducing poverty	13.7	13.2	15.5	13.7	13.8
Poverty thresholds, expressed in national currency at constant prices <sup>5</sup>	6 292	6 425	6 598	5 786	4 859
Gross disposable income (households)	172 152	173 033	160 585	149 235	135 776
Relative median poverty risk gap (60% of median equivalised income, age: total)	24.7	24.1	23.4	26.1	29.9
<b>Notes:</b>					
<sup>1</sup> People at-risk-of poverty or social exclusion (AROPE): individuals who are at-risk-of poverty (AROP) and/or suffering from severe material deprivation (SMD) and/or living in household with zero or very low work intensity (LWI).					
<sup>2</sup> At-risk-of poverty rate (AROP): share of people with an equivalised disposable income below 60% of the national equivalised median income.					
<sup>3</sup> Share of people who experience at least 4 out of 9 deprivations: people cannot afford to i) pay their rent or utility bills, ii) keep their home adequately warm, iii) face unexpected expenses, iv) eat meat, fish, or a protein equivalent every second day, v) enjoy a week of holiday away from home once a year, vi) have a car, vii) have a washing machine, viii) have a colour tv, or ix) have a telephone.					
<sup>4</sup> People living in households with very low work intensity: share of people aged 0-59 living in households where the adults (excluding dependent children) work less than 20% of their total work-time potential during the previous 12 months.					
<sup>5</sup> For EE, CY, MT, SI, SK, thresholds in nominal values in Euros; HICP - index 100 in 2006 (2007 survey refers to 2006 incomes)					
<b>Sources:</b>					
For expenditure for social protection benefits ESSPROS; for social inclusion EU-SILC.					

**Table IV. Product market performance and policy indicators**

<b>Performance indicators</b>	<b>2004-2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Labour productivity <sup>1</sup> total economy (annual growth in %)	0.5	-1.6	-2.7	-1.0	1.5	0.4
Labour productivity <sup>1</sup> in manufacturing (annual growth in %)	-3.5	12.7	7.6	-5.0	9.7	3.7
Labour productivity <sup>1</sup> in electricity, gas, water (annual growth in %)	1.2	-0.9	-1.1	13.0	n.a.	n.a.
Labour productivity <sup>1</sup> in the construction sector (annual growth in %)	-1.3	-21.0	-22.5	-7.6	-4.4	-1.0
Patent intensity in manufacturing <sup>2</sup> (patents of the EPO divided by gross value added of the sector)	19.6	18.8	17.9	17.0	n.a.	n.a.
<b>Policy indicators</b>	<b>2004-2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Enforcing contracts <sup>3</sup> (days)	835.2	960	1030	1100	1140	1300
Time to start a business <sup>3</sup> (days)	34.2	19	19	11	12	14
R&D expenditure (% of GDP)	0.6	n.a.	n.a.	0.7	0.7	n.a.
Tertiary educational attainment (% of 30-34 years old population)	25.7	26.5	28.4	28.9	30.9	34.6
Total public expenditure on education (% of GDP)	4.0	n.a.	n.a.	n.a.	n.a.	n.a.
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Product market regulation <sup>4</sup> , Overall (Index; 0=not regulated; 6=most regulated)	2.2	n.a.	n.a.	n.a.	n.a.	1.7
Product market regulation <sup>4</sup> , Retail (Index; 0=not regulated; 6=most regulated)	3.9	n.a.	n.a.	n.a.	n.a.	2.5
Product market regulation <sup>4</sup> , Network Industries <sup>5</sup> (Index; 0=not regulated; 6=most regulated)	3.3	n.a.	n.a.	n.a.	n.a.	2.6
<b>Notes:</b>						
<sup>1</sup> Labour productivity is defined as gross value added (in constant prices) divided by the number of persons employed.						
<sup>2</sup> Patent data refer to applications to the European Patent Office (EPO). They are counted according to the year in which they were filed at the EPO. They are broken down according to the inventor's place of residence, using fractional counting if multiple inventors or IPC classes are provided to avoid double counting.						
<sup>3</sup> The methodologies, including the assumptions, for this indicator are presented in detail on the website <a href="http://www.doingbusiness.org/methodology">http://www.doingbusiness.org/methodology</a> .						
<sup>4</sup> The methodologies of the product market regulation indicators are presented in detail on the website <a href="http://www.oecd.org/document/1/0,3746,en_2649_34323_2367297_1_1_1_1,00.html">http://www.oecd.org/document/1/0,3746,en_2649_34323_2367297_1_1_1_1,00.html</a> .						
<sup>5</sup> Aggregate ETCR.						
<b>Source:</b>						
Commission, World Bank - <i>Doing Business</i> (for enforcing contracts and time to start a business) and OECD (for the product market regulation indicators).						

**Table V Green growth**

		2003-2007	2008	2009	2010	2011	2012
<b>Green Growth performance</b>							
<i>Macroeconomic</i>							
Energy intensity	kgoe / €	0.18	0.17	0.17	0.17	0.18	0.19
Carbon intensity	kg / €	0.78	0.71	0.70	0.69	0.73	n.a.
Resource intensity (reciprocal of resource productivity)	kg / €	1.08	0.96	0.87	0.80	0.84	n.a.
Waste intensity	kg / €	n.a.	0.37	n.a.	0.42	n.a.	n.a.
Energy balance of trade	% GDP	-3.0%	-4.0%	-2.3%	-3.1%	-3.5%	-4%
Energy weight in HICP	%	7	7	7	7	9	8
Difference between change energy price and inflation	%	4.84	14.40	-17.30	15.90	17.90	18.80
Environmental taxes over labour taxes	ratio	16.8%	15.4%	16.3%	20.2%	22.7%	n.a.
Environmental taxes over total taxes	ratio	6.6%	6.1%	6.5%	7.9%	8.3%	n.a.
<i>Sectoral</i>							
Industry energy intensity	kgoe / €	0.20	0.19	0.16	0.18	n.a.	n.a.
Share of energy-intensive industries in the economy	% GDP	6.8	6.9	6.9	n.a.	n.a.	n.a.
Electricity prices for medium-sized industrial users**	€/ kWh	n.a.	0.09	0.09	0.09	0.09	0.10
Gas prices for medium-sized industrial users***	€/ kWh	n.a.	n.a.	n.a.	n.a.	n.a.	0.05
Public R&D for energy	% GDP	n.a.	0.04%	0.02%	0.01%	0.01%	0.02%
Public R&D for the environment	% GDP	n.a.	0.01%	0.00%	0.00%	0.00%	0.01%
Recycling rate of municipal waste	ratio	12.6%	17.7%	18.9%	15.7%	16.1%	17.2%
Share of GHG emissions covered by ETS*	%	n.a.	53.5%	51.4%	50.9%	51.4%	55.5%
Transport energy intensity	kgoe / €	0.49	0.37	0.48	n.a.	n.a.	n.a.
Transport carbon intensity	kg / €	1.37	1.00	1.35	n.a.	n.a.	n.a.
<b>Security of energy supply</b>							
Energy import dependency	%	70.4%	73.3%	67.6%	69.1%	65.1%	65.6%
Diversification of oil import sources	HHI	n.a.	0.16	0.14	0.16	0.15	n.a.
Diversification of energy mix	HHI	0.42	0.40	0.40	0.37	0.34	0.33
Share renewable energy in energy mix	%	5.3%	5.4%	6.1%	7.4%	7.7%	9.6%

**Country-specific notes:**

The year 2012 is not included in the table due to lack of data.

**General explanation of the table items:**

Source: Eurostat unless indicated otherwise; ECFIN elaborations indicated below

All macro intensity indicators are expressed as a ratio of a physical quantity to GDP (in 2000 prices)

Energy intensity: gross inland energy consumption (in kgoe) divided by GDP (in EUR)

Carbon intensity: Greenhouse gas emissions (in kg CO<sub>2</sub> equivalents) divided by GDP (in EUR)

Resource intensity: Domestic Material Consumption (in kg) divided by GDP (in EUR)

Waste intensity: waste (in kg) divided by GDP (in EUR)

Energy balance of trade: the balance of energy exports and imports, expressed as % of GDP

Energy weight in HICP: the share of the "energy" items in the consumption basket used in the construction of the HICP

Difference between energy price change and inflation: energy component of HICP, and total HICP inflation (annual %-change)

Environmental taxes over labour or total taxes: from DG TAXUD's database "Taxation trends in the European Union"

Industry energy intensity: final energy consumption of industry (in kgoe) divided by gross value added of industry (in 2005 EUR)

Share of energy-intensive industries in the economy: share of gross value added of the energy-intensive industries in GDP

Electricity and gas prices medium industrial users: consumption band 500 - 2000MWh and 10000 - 100000 GJ; figures excl. VAT.

Recycling rate of municipal waste: ratio of municipal waste recycled over total municipal waste

Public R&D for energy or for the environment: government spending on R&D (GBAORD) for these categories as % of GDP

Share of GHG emissions covered by ETS: based on greenhouse gas emissions as reported by Member States to EEA (excl. LULUCF)

Transport energy intensity: final energy consumption of transport activity (kgoe) divided by transp industry gross value added (2005 EUR)

Transport carbon intensity: greenhouse gas emissions in transport activity divided by gross value added of the transport sector

Energy import dependency: net energy imports divided by gross inland energy consumption incl. energy consumption international bunkers

Diversification of oil import sources: Herfindahl index (HHI), calculated as the sum of the squared market shares of countries of origin

Diversification of the energy mix: Herfindahl Index over natural gas, total petrol products, nuclear heat, renewable energies and solid fuels

Share renewable energy in energy mix: %-share in gross inland energy consumption, expressed in tonne oil equivalents

\* Commission and EEA.

\*\* For 2007 average of S1 & S2 for DE, HR, LU, NL, FI, SE & UK. Other countries only have S2.

\*\*\* For 2007 average of S1 & S2 for HR, IT, NL, FI, SE & UK. Other countries only have S2.

## List of indicators used in Box 1 on the potential impact on growth of structural reforms.

**Final goods sector mark-ups:** Price-cost margin, i.e. the difference between the selling price of a good or service and its cost. Final goods mark-ups are proxied by the mark-ups in selected services sectors (transport and storage, post and telecommunications, electricity, gas and water supply, hotels and restaurants and financial intermediation but excluding real estate and renting of machinery and equipment and other business activities<sup>14</sup>).

Source: Commission services estimation using the methodology of Roeger, W. (1995). "Can imperfect Competition explain the Difference between primal and dual Productivity?" *Journal of Political Economy* Vol. 103(2) pp. 316-30, based on EUKLEMS 1996-2007 data.

**Entry costs:** Cost of starting a business in the intermediate sector as a share of income per capita. The intermediate sector is proxied by the manufacturing sector in the model.

Source: World Bank, Doing Business Database. [www.doingbusiness.org](http://www.doingbusiness.org). 2012 data.

**Implicit consumption tax rate:** Defined as total taxes on consumption over the value of private consumption. In the simulations it is used as a proxy for shifting taxation away from labour to indirect taxes. The implicit consumption tax-rates are increased (halving the gap vis-à-vis the best performers) while labour tax-rates are reduced so that the combined impact is ex-ante budgetary neutral.

Source: European Commission, Taxation trends in the European Union, 2013 edition, Luxembourg, 2013. 2011 data.

**Shares of high-skilled and low-skilled:** The share of high skilled workers is increased, the share of low-skilled workers is reduced (halving the gap vis-à-vis the best performers). Low-skilled correspond to ISCED 0-2 categories; high-skilled correspond to scientists (in mathematics and computing, engineering, manufacturing and construction). The remainder is medium-skilled.

Source: EUROSTAT. 2012 data or latest available.

**Female non-participation rate:** Share of women of working age not in paid work and not looking for paid work in total female working-age population

Source: EUROSTAT. 2012 data or latest available.

**Low-skilled male non-participation rates:** Share of low-skilled men of working age not in paid work and not looking for paid work in total male working-age population

Source: EUROSTAT. 2012 data or latest available.

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<sup>14</sup> The real estate sector is excluded because of statistical difficulties of estimating a mark-up in this sector. The sector renting of machinery and equipment and other business activities is conceptually part of intermediate goods sector.

**Elderly non-participation rates (55-64 years):** Share of the population aged 55-64 years not in paid work and not looking for paid work in total population aged 55-64 years.

Source: EUROSTAT. 2012 data or latest available.

**ALMP:** Active Labour Market Policy expenditures as a share of GDP over the share of unemployed in the population.

Source: EUROSTAT. 2011 data or latest available.

**Benefit replacement rate:** Share of a worker's pre-unemployment income that is paid out by the unemployment insurance scheme. Average of net replacement rates over 60 months of unemployment.

Source: OECD, Benefits and Wages Statistics. [www.oecd.org/els/benefitsandwagesstatistics.htm](http://www.oecd.org/els/benefitsandwagesstatistics.htm). 2012 data.