

Greek Debt Crisis: Greece's Pension System Was Once A Bloated Mess, Now It's A Crucial Lifeline For Struggling Families

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A Greek woman pauses by a broken marble National Bank sign outside a branch in Athens, Wednesday, July 8, 2015. Eurozone members have given Greece until the end of the week to come up with a proposal for sweeping reforms in return for loans that will keep the country from crashing out of Europe's currency bloc and into economic ruin. Photo: Reuters/Yannis Behrakis



A man waits outside a branch of the National Bank to receive part of his pension in Athens. Photo: Reuters/Yannis Behrakis



- Candles commemorating the death of a pensioner are placed in front of the parliament in Athens Photo: Reuters

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As the Greek debt crisis wears on, a critical pressure point has emerged: pensions. While

representatives from Greece's radical-left Syriza party have pledged to defend pension benefits, eurozone negotiators have zeroed in on the Greek retirement system for further belt-tightening.

Animating these tensions are long-held stereotypes about Greek workers. The popular German tabloid Bild, for instance, recently ran an issue featuring the word "NEIN" blaring across the cover, with the message "No more billions for greedy Greeks" underneath.

That echoes a common European sentiment, voiced by Sweden's Finance Minister Anders Borg in 2010: "Swedes and other taxpayers should not have to pay for Greeks who choose to retire in their 40s."

But scenes of [Greek pensioners weeping](#) outside of shuttered banks have presented a stirring counterpoint: Despite a pension system that consumes a huge portion of government spending, Greek pensioners are in distress.

Greece's eurozone creditors point to the huge cost of pensions -- 17.5 percent of GDP in 2012, more than any other European country -- as evidence of Greeks' outsized pension obligations.

Tense negotiating sessions hinge, in part, on the question: Are ordinary Greeks' pensions overstuffed, or have they become a sacrificial lamb to a German-led austerity agenda?

The Hairdresser's Pension

Like all matters relating to the Greek debt crisis, the truth is substantially more complicated than the sound bites.

The upstart Syriza government did inherit a jumbled, mismanaged pension landscape. When the eurozone crisis first blew up in 2010, more than 130 separate pension funds made up Greece's national retirement system. Loopholes and exceptions allowed workers in 580 job categories deemed hazardous or arduous to retire in their 50s.

The mess stemmed from decades of governments using pension benefits to shore up popularity and ensure electoral success. Greek hairdressers [infamously qualified](#) for retirement at age 50 due to the rigor of their work.

Much of this went by the wayside after the Greek government consented to austerity programs in exchange for bailouts in 2010 and 2012. The age of pension eligibility rose from 60 to 65 for women, then to 67 for both sexes. The government jettisoned beloved holiday-season bonuses and axed many of the early-exit exceptions for arduous trades.

Added up, the cuts were substantial. According to Greece's largest labor union, the [average pension](#) totaled 833 euros (\$915) a month in 2015, compared with 1,350 euros (\$1,484) in 2009.

Still, many Greek pensioners are comparatively young, if only slightly. In 2012, the average age at which Greeks got their first pension was 57.8, compared with 59.6 for the eurozone. That age is likely to rise as past reforms come into effect.

But these changes will hardly make the Greek pension system sustainable over the long haul, especially in a depressed economy. One in five Greeks are over the age of 65, putting Greece behind only Germany and Italy in having the oldest European population. And with a GDP 25 percent below its 2010 levels -- and youth unemployment reaching 50 percent -- few hold out hope that time alone will heal the pension system's deep wounds.

'The Last Social Safety Net'

It's not just the age of Greek pensioners that rankles Germans. The size of the pensions also strikes them as outrageous, especially given the caricature of the lackadaisical Greek worker. A 2013 [Pew research poll](#) found that Germany, Spain and Poland all considered Greece to be the laziest European country.

But the notion that Greek workers toil less than their eurozone counterparts is mistaken. Last year, the average Greek worked 44.2 hours a week, compared with 41.5 for a German worker and 41.2 hours in the broader eurozone.

Still, there is some basis to Germans' feelings that Greek pensions are somewhat generous. According to the Organization for Economic Cooperation and Development, for example, the annual pension for a Greek retiree in 2010 amounted to 96 percent of the salary they made when they were working. For Germans, the share was about half.

Of course, that proportion has likely changed as Greek pensioners have seen their benefits cut 27 percent between 2010 and 2014.

Now, the Greek government says, 45 percent of Greek pensioners hover near or below the poverty line. Sixty percent pull in less than 700 euros (\$769) a month.

Yet in many households, pensioners are the tentpoles holding the family fabric up. [Half](#) of all Greek households rely on pension payments to eke out a living.

"Pensions have become the last social safety net preventing Greek society from completely falling apart," Deputy Prime Minister Yannis Dragasakis recently announced. "The elderly population is literally feeding the rest of the family."

Greece has the highest unemployment rate in the eurozone, at 25.6 percent. Yet [per capita unemployment benefits](#), which stand at about 272 euros (\$299), lag significantly behind the European average of 450 euros (\$495). Meanwhile, the Greek unemployment office has [reported](#) that only 15 percent of those without work receive benefits.

As Prime Minister Alexis Tsipras wrote in an op-ed last month, "The pensions of the elderly are often the last refuge for entire families."

Though Tsipras has pointed to this reality in [decrying](#) the eurozone's "blind insistence" on pension cuts, the Greek negotiating team has given up ground on the issue. In [recent proposals](#), Tsipras offered an increase in healthcare contributions from pensioners and further restrictions in early retirement.

Despite the overtures, however, pensions are likely to remain a third rail in the increasingly tense euro group negotiations. Either one side will give in on pensions and other issues, or Greece will careen toward a costly Grexit -- a scenario that would be costliest for the Greek middle class.