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Social Security (Minimum Standards) Convention, 1952 (No. 102) - *Greece (Ratification: 1955)*

Follow-up to the conclusions of the Committee on the Application of Standards (International Labour Conference, 103rd Session, May–June 2014)

The Committee takes note of the information provided by the Government in its report and of the discussion concerning the application of the Convention which took place during the Conference Committee on the Application of Standards (CAS) of the International Labour Conference, at its 103rd Session, in May–June 2014.

In its previous observation, the Committee expressed concern that by maintaining the course of fiscal consolidation foreseen by the Memorandum of Understanding concluded with the "Troika" (that is the European Commission, European Central Bank and International Monetary Fund (IMF)) in conditions of mass-scale unemployment, non-payment of taxes and social security contributions and the huge deficit of the country's main social security fund, IKA, undermined the financial viability of the national social security system and its capacity to maintain the population "in health and decency" *(Article 67(c) of the Convention)* above the poverty threshold. The Committee therefore urged the Government to closely assess the overall impact of the economic adjustment policies on the sustainability of the social security system and on the rise of poverty, particularly child poverty, and made a number of concrete recommendations to the Government in this respect. From its side, the CAS recalled that the principle of the general responsibility of the State for the sustainable financing and management of its social security system expressed in *Articles 71* and *72* of the Convention required the Government to establish a sound financial and institutional architecture of the social security system and "take all measures required for this purpose", including in particular the following: maintain the system in financial equilibrium; ensure proper collection of contributions and taxes, taking into account the economic situation in the country and of the classes of persons protected; carry out the necessary actuarial and financial studies to assess the impact of any change in benefits, taxes or contributions; ensure the due provision of the benefits guaranteed by the Convention; and prevent hardship to persons of small means. The Committee examines below the situation in Greece in the light of these recommendations and principles established by the Convention.

Preserving the viability of the social security system. The CAS noted the Government's statement that times were extremely difficult and the Government had repeatedly been called upon to maintain the necessary balance between providing for social protection standards under Convention No. 102 and meeting the commitments assumed within the framework of the Memorandum of Understanding agreed with the "Troika" and drastically restructuring the institutional framework of the Greek social security system. In its report on the Convention, the Government states that the main economic policy that is still applied in the field of the adjustment programme of the Greek economy is based on both front-loaded *fiscal adjustments* to eliminate the primary fiscal deficit and the *internal devaluation,* in order to recover the loss of competitiveness of the economy. These efforts to correct macroeconomic imbalances brought a *significant* social impact, resulting in a deep recession and *significant* increases in unemployment and poverty. The impact of fiscal tightening was worse than expected, a fact recognized by the IMF itself, which acknowledged using "incorrect multipliers" in the projections of the impact of the measures implemented.

The Committee notes that the Government uses unambiguous language in acknowledging the fact that the main economic policy it pursued, on the advice of the IMF, has brought a *significant* social

impact in terms of creating *significant* increases in unemployment and poverty. The Committee, together with other supervisory bodies of the European Code of Social Security (ECSS), and with the United Nations and European human rights bodies, has identified the pressing need for assessing the social impact of the economic adjustment programmes in Europe. *The Committee hopes that the Government will take appropriate measures to correct the "multipliers" of its economic policy so as to significantly reduce unemployment and poverty.*

The Committee is pleased to note in this respect that, in the current economic environment, the Government considers it absolutely necessary for the social security system to remain sustainable and for the State to fulfil its obligations towards its citizens and its international obligations. The report informs that the Greek State, whose main objective is the viability of the system, has decided, in accordance with the terms of the Memorandum, to elaborate and apply the necessary political measures aimed at the rationalization and sustainability of the system, of which the report specifically mentions the measures aimed at reducing high pensions and at averting abuses of social benefits through the use of information technology (IT) systems. Progressive reductions are imposed on pensions over €1,000 in order for the burdens to be distributed proportionately to the income of pensioners, and the amounts resulting from these reductions to constitute revenues of the social security bodies. IT systems (Ergani, Ariadne, Ilios and Atlas) preserve the viability and the long-term sustainability of the insurance system by establishing the National Insurance Register and cross-checking electronic data, reducing undeclared and uninsured labour, monitoring payments and averting abuses of benefits. The Social Security Contributions' Collection Centre (KEAO) established a unified mechanism that deals with the collection of debts and arrears in contributions and marks the first step towards a wider reform aiming at the full integration of social security bodies in the tax administration. The purpose of Insurance Capital for the Generations' Solidarity (AKAGE) is the creation of reserves to finance pension branches of the social security institutions that will remain "locked" until 2019. Its resources will come from the future privatization of public enterprises and organizations (10 per cent) and from the annual revenues of value added tax (VAT) (4 per cent).

The Committee wishes to acknowledge the significant efforts made by the Government to foster the organization of a viable social security system through, inter alia, computerization, elimination of fraud and undeclared work, strict actuarial oversight and efficient administration, and even through cutting higher pensions to sustain lower pensions in the name of solidarity. However, the Committee still doubts that such measures alone would be sufficient to preserve the viability of the social security system in the current economic situation of the country. It notes that, although the macroeconomic indicators show that the Greek economy might be stabilized, the policy of internal devaluation pursued by the Government resulted not only in the fall of real hourly wages in Greece by 25 per cent in four years, as revealed in *OECD Employment Outlook 2014,* but also in the devaluation of the social security obligations of workers and enterprises sitting on those wages. With regard to workers, some 1.1 million of them are suffering wage arrears ranging from three to 12 months and have become "invisible" to the social security system in terms of contributions and benefits, at risk of losing access to health care. The report of the Labour Institute of the General Confederation of Greek Workers (INE-GSEE), released in September 2014, calculated that incomes of salaried employees and self-employed professionals, which constitute the contributory base of social security, were reduced in 2010–13, in current prices by €41 billion. With regard to enterprises, the debts and arrears in payment of social security contributions and taxes by small enterprises with up to 49 employees, which make up 99.6 per cent of Greek enterprises, continue to grow, with over one third of them declaring their inability to meet social security and tax obligations in 2014. Enterprises' social security debts and arrears are identified by many economists as the key problem obstructing economic recovery. More generally, the Athens Chamber of Commerce and Industry reported in September 2014 that more than 50 per cent of citizens are unable to meet their obligations to the tax agency and social insurance funds. The abolition of many taxes would additionally deprive the social security system of €1.7 billion. Internal devaluation of social security is amplified many times by surging unemployment and contraction of the number of insured persons. Although only one in

ten unemployed workers receives the sustainability of the system is undermined, given that the number of unemployed persons in May 2014, as reported by ELSTAT, who had stopped contributing to the social security system amounted to 1,309,213 unemployment benefits. The Government's report confirms the contraction of the number of insured persons contributing to the system, as well as of the persons receiving various benefits from it. The serious concern over the possible collapse of the social security system in Greece expressed in the previous observation remains fully justified and the recommendations made in it remain valid. With respect to the key requirement of the Convention *(Article 71(3))* that the viability of the social security system should be assessed periodically on the basis of the necessary actuarial studies and calculations concerning financial equilibrium, the Committee notes that the second actuarial study of the system by the National Actuarial Authority was due in 2014 and, by the end of October 2014, reports on the viability of social insurance funds in Greece were expected to be concluded. *The Committee requests the Government to summarize the findings of this study in its next report on the Convention, together with the plans for wider reforms of the system mentioned in the report, be it the full integration of social security bodies into the tax administration, the unification of all the different pensions funds into one, or the extension of the guaranteed minimum income scheme to the whole country to become the backbone of the new social protection system in Greece. The Committee understands that the future design of the Greek social security system would very much depend on the conclusions drawn from the above actuarial study "in accordance with the terms of the Memorandum", according to the proviso in the Government's reports. The Committee hopes that, in reforming its social security system, the Government will give effect to the basic principles of the organization and financing of social security established by the Convention and the European Code of Social Security (ECSS), which international experience has consistently shown to provide the best guarantees for constructing viable systems. The Committee wishes to remind the Government in this respect that, acknowledging the unprecedented financial and management challenges of steering the Greek social security system through the crisis, the CAS requested the Office to provide guidance to the Government on reforming its social security system in accordance with the Oslo Declaration of the ILO's 9th European Regional Meeting. The Committee hopes that the Government will not lose sight of the possibility of enlisting the services of the Office if need be.*

The CAS also observed that the continuous contraction of the social security system in terms of coverage and benefits has affected all branches of social security and, in some instances, resulted in reducing the overall level of protection below the levels laid down in *Articles 65–67* of the Convention. *Recalling that the CAS invited the Government to continue to review the functioning of the social security system, the Committee hopes that the introduction of the IT systems will enable the Government to submit, in its next detailed report, statistical data on the basic performance indicators of the system for the period 2010–14, showing in particular, under each of the accepted Parts of the Convention, the changes in the number of persons insured by the main social security bodies, the total amounts of contributions collected and benefits paid, and the accumulated debts and deficits of the social security funds.*

Furthermore, the Committee notes, from the public statements of the Minister of Labour, Social Security and Welfare in October 2014, that the Ministry has made efforts to simplify Greece's social security legislation, which represents "a mosaic full of special regimes and loopholes" including 5,436 different laws, some 2,600 court decisions and 26 European or international directives, stretching to almost 39,000 pages. According to the Minister, the simplification process would take 11 months but, that ultimately, Greece would have a social security system "built on healthy and strong foundations". The Committee welcomes the efforts of the Government to make its social security legislation manageable, which is an essential precondition for exercising its general responsibility for the proper administration of the social security system under *Article 72(2)* of the Convention. *The Committee hopes that the international obligations of Greece under the Convention and the ECSS will figure prominently in this exercise, and would like the Government to*

indicate the progress made in its next report, highlighting the form and structure to be given to the reshaped body of the Greek social security legislation.

Social security and reduction of poverty. With regard to poverty alleviation, the Committee notes that the Government is well aware of the social consequences associated with the increasing rates of poverty in Greece and is trying to design and apply policies "within the limits permitted by the implementation of the economic adjustment programme", aimed at the prevention and reversal of poverty, targeted to some extent at restoring social balance and providing relief to the most vulnerable population groups. Among these measures the report mentions: the payment of a social dividend to 564,535 beneficiaries; services providing housing, food and social support for homeless people; exemption from monthly pension cuts for those receiving low main pensions; income tax reductions for low-income and specific categories of persons with disabilities; tax exemptions for certain categories of salaries, pensions and allowances; establishment of a minimum guaranteed income for individuals and families living in conditions of extreme poverty; and other measures, which have been noted by the Committee previously. The Committee also noted in its previous comments that the Ministry of Labour, Social Security and Welfare has set up three national targets incorporated in the National Reform Programme 2011–14, concerning the reduction of the number of adults and children living at risk of poverty and the development of a "social safety net" against social exclusion.

The Committee notes that, before the CAS, the Government recognized that the effectiveness and scope of efforts undertaken so far were limited, due to the impact of the crisis and social budget limitations incurred by the implementation of the economic adjustment programme. The Committee notes, however, that, since the beginning of the financial crisis, the present reports under the Convention and the ECSS are the first ones which do not refer to new cuts and reductions in social benefits. The Committee notes that, while the Government appears not to be in favour of the "Troika's" plans for a second reform of the pension system, implying a further increase of the pension age and reductions in pensions paid by primary insurance funds, it has adopted a new method of calculating the primary pensions of those who retire from 2015 onwards, as well as the so-called clause of "zero deficit" for the supplementary pension funds, which means that, starting from 2015, both lump-sum payments and supplementary pensions will be adjusted (reduced) depending on the financial situation of each insurance fund. The Committee further notes from the information made public by the Ministry that 393 annual reports of 93 social insurance funds will be reviewed by November 2015 and will give a clear picture of the overall state of the funds. The Committee understands therefore that, in introducing the "zero deficit" clause, the Government did not yet have a clear picture of the reductions this clause would bring in supplementary pensions paid by different insurance funds, many of which are known to have serious financial difficulties. The Committee refers in this regard to the criteria laid down in *Article 71(3)* of the Convention for the exercising by the State of its general responsibility for the due provision of benefits, and hopes that the Ministry has duly carried out the necessary actuarial studies concerning the available means to achieve the financial equilibrium of the funds, and has fully assessed the social impact of the "zero deficit" clause on poverty among their insured population in accordance with the best EU practices. The Committee notes in this connection information provided during the discussion of the case of Greece by the CAS in 2014, that the "zero deficit" clause scheduled to take effect from 1 July 2014 would affect some 4 million people, with their supplementary pensions being cut by 25 per cent. *The Committee would therefore ask the Government to specify the magnitude of the new reductions in the amounts of the primary and supplementary pensions which would result from the measures mentioned above, as well as the outcome of its negotiations with the "Troika" on the second pension reform.*

The Committee *regrets* that the new wave of significant pension cuts is likely to make ineffective a large part of the Government's reported efforts to reduce poverty. In this context, the Committee observes that the situation of poverty in the country has not improved, notwithstanding the fact that

the at-risk-of-poverty threshold has fallen in the last three years by more than €2,000. There is a marked increase of indicators of child poverty and severe material deprivation. The Committee regrets that the report contains no data or indicators on monitoring poverty among different categories of the population and households, which would enable the effectiveness of social transfers and other measures detailed by the Government to be assessed and proved. There is also no indication in the report of the importance of establishing the minimum guaranteed income and other safety net benefits relating to the physical subsistence level determined in terms of the basic needs and the minimum consumer basket. The Committee notes, in this respect, that the new long-term unemployment benefit for persons who have already exhausted their right to regular unemployment benefit, as well as maternity benefit to self-employed women insured by the ETAA, have been established in the amount of €200, which is far below the lowest Eurostat at-risk-of-poverty level of 40 per cent of the median equivalized income (€279 in 2013). *The Committee requests the Government to explain which criteria were used to calculate the amounts of these new benefits as well as the benefit under the new guaranteed minimum income scheme which, according to the report on the Convention, aims to become the core of the new social welfare strategy for the entire country. Please provide information and data on the evolution of poverty in the country among different categories of the population and households, and explain the progress made in attaining the national anti-poverty targets, specifying the role assigned in this respect to the social security benefits.*

Finally, the Committee notes that, although the report demonstrates a positive attitude to the recommendations made by the Committee, no concrete action is mentioned towards their practical realization either at the national or at the EU level, and that no *ex ante* or *ex post* assessment of the social impact of austerity measures was made. The report repeats that the fiscal space reserved for the application of the Convention and the ECSS and for the anti-poverty measures in Greece is strictly defined by the limits permitted by the implementation of the economic adjustment programme and the commitments assumed by the Government under the Memorandum with the "Troika". *The Committee nevertheless urges the Government to provide substantive responses in respect of the following statements made in the report: (1) that the Government has and will put the issue of the prevention of poverty on the agenda of its meetings with the parties of the international support mechanism for Greece; (2) that the National Actuarial Authority will be in position to determine the social impact of the cuts in social security benefits; and (3) that the actions taken to prevent poverty analysed the most rapid scenarios for reversing certain austerity measures and disproportionate cuts in benefits.*

Part II (Medical care). According to the report, in 2010–11, in one year the number of insured persons for medical care contracted by over 400,000 persons, but since 2012 the competent health services provider (EOPYY), has not made available any data on the evolution of coverage to be included in the report. *Recalling that the report informs that the National Register of Beneficiaries of health care is established and updated in real time, the Committee requests the Government to provide updated statistics on the number of persons insured under Part II of the Convention.* The Committee remains concerned by the statements during the discussion of the case of Greece at the CAS in 2014 that the drastic reduction in public health expenditure led to longer waiting times, higher admission fees, co-payment and the closure of hospitals and health centres, and an exclusion of poor citizens and marginalized groups from the health system. People who are unemployed for longer than one year are losing their access to health coverage. The social security system owed the main public health-care provider €421.4 million in contributions which it had collected but had failed to distribute. As a consequence, an increasing number of persons living in Greece are without any or adequate access to health care, the quality of which has degenerated. *In light of this information, the Committee would like the Government's next report to include detailed information on the application of all Articles of Part II of the Convention in law and in practice, accompanied by statistical data showing the financial situation of the national health-care system and its performance in terms of maintaining, restoring or improving the health of the persons protected.*

Part XI (Standards to be complied with by periodical payments), Articles 65 and 66. Determination of the reference wage. The reference wage used in the 2014 report on the Convention to calculate the replacement level of cash benefits is determined under *Article 65(6)(a)* as the wage of the "married turner", according to the Labour Collective Agreement of 2010, after one year of contributions (€1,091.25) for Part VI of the Convention, after 15 years of employment (€1,331.26) for Parts V, IX and X, and after 30 years of employment (€1,462.21) for Parts III, V and VIII. The note in the report states that these calculations concern those who have been insured for the first time up to 31 December 1992. The Committee does not understand the implications of this note on the calculation of the reference wage for 2010 and beyond. It observes, nevertheless, that the method used for determining the reference wage of the skilled manual male employee does not seem to fully correspond to the methodology described in *Article 65* of the Convention and appears to be substantially lower than the reference wage calculated for a person deemed typical of skilled labourers on the basis of Eurostat data for the same year (2010). The Committee would like to point out in particular that, according to *Article 65(6)(a*), a turner should be selected not in the economy at large but in the division of the "manufacture of machinery other than electrical machinery", normally in the highest skill echelon and among male workers. *Furthermore, the Committee asks the Government to confirm that the Labour Collective Agreement of 2010, to which it refers in 2014, is still valid and that the turners continue to receive wages at the level set in 2010. With these considerations in mind, the Committee requests the Government to review the method currently used for determining the reference wage of the standard beneficiary under Article 65 of the Convention, as well as to establish, for the purpose of comparison, the reference wage of an ordinary adult male labourer under Article 66.*