GROWING INEQUALITIES AND THEIR IMPACTS IN GREECE

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Country Report for Greece
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Executive Summary

The aim of this country report for Greece is to present and examine key patterns and trends in the inequality ‘drivers’, highlight their potential impacts in the social, political and cultural spheres and the available evidence in that regard, and point to the role that various interest groups have played in shaping the institutions and policies that both created and sought to ameliorate the various inequalities and their socio-economic manifestations.

Greece represents a topical case study in light of the politico-economic developments which the country went through over the last four decades. Starting with the transition to democracy in 1974, Greece began its long, still incomplete, and as of lately precarious, socio-economic convergence towards the advanced European countries. The first phase, which lasted from 1974 to 1981, involved fast (economic) growth rates, low (and declining) unemployment rates, but slow progress regarding the social emancipation and integration of the disadvantaged groups of the population. The second phase, 1982-1994, showed considerable progress towards increasing the capacity of disadvantaged individuals and groups to make choices and to transform those choices into desired actions and outcomes. Central to this process was the large expansion of the public sector. This period started with the rise of PASOK (the Panhellenic Socialist Party) to power (October 1981), EEC entry (as the EU was then called), and ended with Greece’s decision to aim for accession to the EMU. The rather haphazard way in which the expansion of the public sector took place, along with the careless macroeconomic management which characterized (most) of this period, led to economic stagnation, rise in the unemployment rate, and culminated with a rise of the public debt (which was still predominantly held by domestic agents) to dangerously high levels. The third phase, 1994-2009, saw a further expansion (along with some rationalization) of the welfare state, fast growth rates, and, after an initial rise, significant declines in the unemployment rate. With the benefit of hindsight we know that the “growth model” of this period was seriously flawed, as it was predicated on excessive borrowing from abroad. The global financial crisis put the tombstone to this phase, and ushered-in the Greek Great Depression, taking the unemployment rate to 25.1% (as of July 2012).
**Income Inequality: trends and drivers**

The fast rising living standards during the first phase produced a large decline in inequality in Greece – the Gini coefficient was reduced by 19%. This reduction in inequality, albeit from a high level relative to the richer European countries, was underpinned by minimum wages increases of about 20% in real terms from 1974 to 1981, business-sector productivity increases by about 17%, and of unemployment rates below 4%. The rising tide of economic activity seems to have lifted the boats of middle-and-lower-income households by more than the affluent ones. During the second phase the economy stagnated, minimum wages in real terms were in 1994 about 20% lower than in 1982, whereas the unemployment rate had risen to 9%. Inequality remained roughly constant during this period – despite the decline in real minum wages – due to the expansion of an idiosyncratic welfare state. During the third phase growth resumed, minimum wages started increasing again, the welfare state started acquiring a more efficient institutional structure, and unemployment after 2000 started declining. During this phase inequality decreased as well – but not nearly as much as during the first phase. Since 2010, GDP has plummeted, the real value of the minimum wage has dropped by more than 25%, unemployment has soared, and social welfare spending has been seriously curtailed. Adding to these the large increases in VAT rates – especially on basic goods - it is rather improbable that inequality will not have risen substantially – possibly taking it back to the level it was three decades ago.

Educational inequalities in Greece are strongly linked with income inequalities, with higher levels of educational attainment strongly associated with higher earnings and household income. This link has been mediated through increasingly differentiated employment and participation rates across educational groups; indeed, unlike the economy-wide trends of rising employment rates, persons with less than a high-school diploma did not experience rising employment rates. Similarly, the declines in the unemployment rates for persons (females, especially) with upper secondary and post-secondary education was far more pronounced than for persons of lower-educational achievement – a result of the re-orientation of economic activity away from agricultural (and industrial) activities, and towards the service sector who was in need of a medium-skill workforce. The vicious circle that linkages between income and educational inequalities may create (i.e. income inequality, in the absence of equal education opportunities, reinforces educational inequality, which, in turn, leads to higher income inequality) has been kept in check in Greece through a significant expansion of educational opportunities, especially through the large expansion of the publicly-funded tertiary sector. Nevertheless, since this expansion did not manage to reduce inequality in accessing higher-educational institutions (especially Universities) for lower-income groups (e.g. farmers and blue-collar workers), and education is an important factor in the intergenerational transmission of
economic status, the reduction in inequality observed during the last four decades may not be sustainable once some of the other factors behind the decline in inequality exhaust their influence.

**Social Impacts**

The absence of sufficiently long time-series on relevant variables in Greece does not allow us to identify with confidence many of the social impacts of changes in income inequality. Yet, the available evidence is suggestive that levels of material deprivation have moved broadly in line with average income (or better, real compensation per employee), and naturally, are dependent on economic status. The close linkage between the labour market and the risk of social exclusion is made apparent by the fact that, compared with household heads which are full-time employees, the risk of social exclusion is about two and a half times larger for household heads which are part-time employees, and about four times larger for unemployed household heads; the regional differentiation of such risk is far smaller.

The rates of family formation and breakdown have moved closer to the EU15 average (through a rise in the divorce rate and a decrease in the marriage rate) - these changes have reflected more the expansion of tertiary education opportunities than the inequality trends. The declines in the total fertility rate which lasted until the early 2000s were reversed later - but they still remain significantly below most EU countries – probably due to the influx of immigrants but also due to the rise in labour incomes which started again in the late 1990s. In contrast to other European societies, however, births out of wedlock did not increase and lone parenthood was still a rather rare instance. Greece remains a relatively traditional society as far as family formation and family structure are concerned.

The same holds true with respect to the intergenerational mobility of income, since paternal occupation and education exercise a strong influence on the poverty risk of the children when they become adults.

The rising life expectancy in Greece reduced, but it did not eradicate, the difference in self-perceived health status across income quintiles, with members of the bottom quintile still (2008) being three times as likely to report a very bad/ bad health status as members of the top quintile. The differences in health status across educational groups became wider, with persons of only primary education being between two and eight times as likely in 2008 to report a very bad/ bad health status as persons with more education. The high rate of owner-occupier status among the poor in Greece has not prevented the existence of the highest severe housing deprivation rate among the EU15, which despite declining from 8.2% in 2004 to 7.6% in 2010, it was still the highest among the EU15, and higher than a few of the New Member States of the EU. Crime has also increased since the mid-
1990s, partly reflecting the influx of undocumented migrants, but also the social transformation of Greek society, namely its urbanization, as crime is less frequent when people live in rural areas. Reported levels of overall life satisfaction in Greece have remained below the EU average, have been very responsive to the economic cycle, and, naturally, have plummeted to unprecedented levels since 2008.

**Political and Cultural Impacts**

The large decline of (income) inequality in Greece from 1974 to 1982 helped to keep political participation in Greece quite high despite the high level of inequality. Extended participation was fueled by the high polarization between two political parties, representing the centre-right and the centre-left which were consolidated a few years after Greece’s 1974 democratic transition from the Colonels’ regime; by the legacies of political conflict which in the twentieth century included a Civil War (1946-1949) and three short-lived dictatorships (1925, 1936-1940 and 1967-1974); and by the expansion of secondary and tertiary education which particularly since the late 1960s offered increasing opportunities to young adults from rural areas and the poorer strata as well as to women to obtain public, free, higher education and enjoy social and political integration into the Greek society and politics. Last but not least, extended political participation was incited by an electoral system of Reinforced Proportional Representation, which actually favored the party that came first past the post. This system led to fierce electoral battles between the two largest contenders for power (ND, PASOK) and also stimulated party-led political participation, not only in elections, but also in other institutions, such as universities, trade unions and professional associations. However, extended participation in elections was not translated in a positive appraisal of the functioning of democratic institutions, which with the exception of the legal system, did not enjoy the stable confidence of citizens and lost this confidence altogether by the start of the crisis in Greece (2010). In contrast to many other advanced democracies, post-authoritarian Greece has had a party system in which, until the elections of 2012 which were preceded by the economic crisis, the extreme right was negligible and did not obtain parliamentary representation (with the exception of the short-lived ‘National Faction’ party in the 1977 elections). The extreme left, however, was comparatively stronger (section 4.4). The Greek party system stills includes one of the last remaining pro-Soviet communist parties in Western Europe, while other extreme left factions have been visibly present in universities and some public sector unions.

Attachment to traditional institutions, such as the extended family, went hand in hand with xenophobia, aggravated by the uncontrollable inflow of unregistered immigrants over 1991-2011.
Contradictions abound also with regard to values about social policy and the welfare state. Traditional Greek atomism, manifested in low trust in interpersonal relations and low levels of voluntarism, coexists with the highest propensity in the EU-27 to call on the government to redistribute wealth in a fair way to all citizens and the lowest in the EU-27 agreement with the idea that people, rather than the government, should take responsibility to provide for themselves.

While other EU societies have experienced high income inequalities, which had a negative political and cultural impact, in Greece income inequality is not clearly associated to political participation, levels of institutional trust, political values and values about social policy and welfare. Rather the contradictions of high participation, negative levels of trust and endurance of somewhat authoritarian values in a European consolidated democracy must be interpreted in a different light: recent Greek political history has been rife with acute party conflict; the role of the state in economy and society has remained preponderant even to this day; and the value system has been a mixture of traditionalism and modernity, reflecting Greece’s position in the periphery of the family of advanced European nations.

**Policy context**

Successive Greek governments have responded to the timeless wishes of the electorate for the government to redistribute wealth in a fair way to all citizens by “throwing money” at the problem. By the late 1990s both sides of the government budget (expenditures more so than taxes) had increased to levels observed in the rest of the EU15 countries. The same is also true of public social expenditure; however the rise in social spending in Greece has failed to reach the categories of the population which receive minimum or no social protection. The Greek welfare system has created “insiders” (such as the relatively well-protected members of liberal professions, employees of state-owned enterprises and civil servants) and “outsiders” (e.g., private sector employees, particularly those working in Small and Medium Enterprises or employed on fixed-term contracts or on other types of temporary employment). Among the outsiders those who fare worst are: a) young people who always suffer the most from unemployment (unemployment rates in excess of 25% have been typical – currently standing at over 50% - for the 18-24 years old); b) the long-term unemployed who are left on their own after the 12-month long period of unemployment benefits expires; c) women who are hired last and fired first and who also leave the labour market after they get married or after they bear their first child; and d) migrants who are employed by business owners paying them under the table and also refraining from paying social insurance contributions.
Labour market institutions do not reduce the various types of income inequality either. None of the categories of outsiders noted above are represented in Greece’s trade unions which mostly defend the interests of the civil servants or the employees of state-owned enterprises and the larger private businesses. It is also telling that Greece still remains one of the only two among the EU15 countries (the other is Italy) that does not have a minimum income guarantee programme either at the national or at the regional level.
Introduction

Some Key Macroeconomic Developments, 1970-2011

The level and evolution of various economic and social inequalities in Greece have been shaped by the peculiar characteristics of the Greek “development” model. We describe some salient features of these developments to serve as a helpful background for understanding the trends in various inequality drivers. Further reference to macroeconomic developments is made in the report when it is needed to illustrate the evolution of inequalities’ various impacts.

Greece experienced its fastest convergence, in terms of (real) GDP per-capita, during the 1960s, when its GDP per-capita increased from 43.9% of that prevailing in the EU15 (countries) in 1960, to 63.6% in 1970. The fast catching-up process was maintained during the 1970s, and by 1978 the ratio had increased to 72.0%. The divergence which followed in the next twelve years took the ratio to 57.6% in 1990, effectively reversing the convergence process, and bringing the country back to 1968 as far as relative GDP per-capita is concerned. (We note that the absolute value of Greece’s GDP per-capita was in 1990 about 75% higher than in 1968.) Greece resumed its convergence with the (rest of) EA12 in 1995, when its GDP per-capita was 57.7% of the (rest of) EA12; by 2009 it had reached 70.1%, and, following Greece’s Great Depression, the country’s GDP per-capita relative to the EA12 is expected to return in 2012 back to what was in the 1960s (less than 60%). In terms of absolute levels, Greece’s GDP per-capita is expected to be in 2012 at about the same level as it was in 2001.

1 The EU15 aggregate includes Greece; given Greece’s small size relative to the rest of the EU15, the numbers would not be substantially different if we exclude Greece. We follow this practice for all aggregate groups in which Greece is (as of August 2012) a member (e.g. EA17).

2 We use the euro area average after 1991, since there is a break in the EU15 series due to the German reunification.
The large gyrations in Greece’s economic activity were reflected in large fluctuations in real compensation per employee (deflator: private consumption). Using 2000 as the base year (see Figure 1.2), from 1970 to 2000 there was an increase in real compensation per employee by 58.7%. From 2000 to 2009 it increased further by 18.5%. However, it is expected to drop in 2012 to levels that were previously experienced even as far back as the late 1970s. What is important from our perspective of inequality trends is that there were two periods in which there was a clear upward trend in real compensation per employee: from the mid-1970s to the mid-1980s, and from the mid-1990s to 2009. (As will become clear later on, the movements in the real value of the minimum wage were of even greater significance.)
These developments in employee compensation were also reflected in the movements of the adjusted wage share (i.e. compensation per employee as percentage of GDP at market prices per person employed). As displayed in Figure 1.3, during the last years of the colonel’s regime the wage share was declining fast – at 56.0% in 1973 it was 8 percentage points less than the EU15 – and it started reversing after the restoration of democracy, reaching its highest level in 1983 (at 66.0%). After 1983 it started declining towards the 55% mark – where it hovered around until 2009, falling sharply with the Great Depression, first to 52.4% in 2010, and later to 48.5% in 2011. The rise in real compensation per employee and in the adjusted wage share from the mid-1970s to the early 1980s, were principal factors behind the large decrease in income inequality during this period.

\[\text{Figure 1. 2: Real compensation per employee (private consumption deflator, 2000=100)}\]

Source: AMECO

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During the 1960s, the adjusted wage share in Greece declined from an unbelievably high level of 86% in 1960, to 65% in 1970.
The early catch-up face for the Greek economy – which lasted until the late 1970s – was mainly investment-driven, associated with large increases in labour productivity. The investment rate was 33.4% of GDP in the 1970s, and it declined first to 25.1% in the 1980s, and then to 22.3% in the 1990s. There was a small rise to 23.9% in the 2000s, and it tanked to 15.4% in the first two years of the bailout period (2010-2011). The decline in the investment rate from the 1970s can possibly be understood as a natural response of an economy approaching developed-country status; in any case, until 2009 the investment rate was above the EU15 average. It could also reflect the decline in profitability of Greek industry as the large (effective) protection under which operated was gradually eliminated after the country’s admission to the EEC in 1981. What is more difficult to understand is the negligence shown by policymakers to the large, and continuous, decline in the gross national saving rate, from 28.8% in the 1970s to 9.8% in the 2000s, and to 3.5% in 2010-2011.

The decline in saving has been far more pronounced and pernicious: the gross national saving rate declined from 28.8% in the 1970s to 9.8% in the 2000s, and to 3.5% in 2010-2011. This huge decline in the gross saving rate meant that in the 2000s net national saving (equal to gross national saving minus depreciation) became negative, i.e. (in the absence of valuation changes) national wealth started decreasing. We note that the huge drop in the national saving rate has (since 1988) not been associated with a rise in government borrowing, but it is wholly attributable to the decline in the private sector’s gross saving rate (from 27% in 1988 to 11% in 2008). In fact, as portrayed in Figure

![Figure 1.3: Adjusted Wage Share as percentage of GDP (1970-2011)](source: AMECO)
1.5, it appears that the private sector reduced its saving rate at the same time as the government was trying to decrease its own dis-saving from the early 1990s to the mid-2000s (see, Moutos and Tsitsikas (2010) for more details).

**Figure 1. 4:** Gross national saving and gross capital formation

Among the likely causes of the decline in the private sector’s saving rate in Greece is the continuous decline of the share of agricultural employment (since farmers face greater income uncertainty than wage earners – especially government employees), the gradual extension of unfunded pension benefits to a larger part of the population, the rise in social protection expenditure, and since the mid-1990s the excessive credit expansion. The latter was facilitated by domestic banks who found it profitable to borrow from abroad, and extend to domestic households (in fact, all too often actively push) loans that with the benefit of hindsight should not be given. These loans were used to expand consumption spending, part of which fell on domestically-produced goods and services, and part on foreign-produced ones, leading to an expansion of the import share from 25% of GDP in 1994 to 38% in 2000.

Consistent with these facts, the net borrowing requirements of the Greek economy (the sum of the balance on current transactions and capital transfers in the Ameco database) as a proportion of GDP
from EMU entry (2001) until 2009 were on average 11.8%. During the same period, the average budget deficit was 7.3% (according to the data revised by Eurostat in November 2010), implying that the private sector not only was unable to finance the government’s budget deficit, but was also an equally significant net contributor to the rise in the country’s net foreign indebtedness (Katsimi and Moutos, 2010). In addition to the very large trade deficits, the rise in foreign indebtedness was also fuelled by the gradual decrease in the balance on current and capital transfers, which Greece was receiving (mainly) from the EU, and in net primary income. In 1995, the balance on these transfers was equal to 3.6 percent of GDP (2.9 on current transfers, and 0.7 on capital transfers). In 2009, the magnitude for the sum of these transfers had dropped to just 0.3 percent of GDP. The deterioration in net (income) receipts was even larger; in 1995 there was a surplus of 2.8 percent of GDP, which by 2009 had turned to a deficit of 2.9 percent; this just reflects and feeds on the country’s rising net foreign indebtedness.

Figure 1. 5: Gross and net national saving (% GDP)

The upshot of the large current account deficits incurred after 1997 was Greece’s net foreign debt position as a proportion of GDP from 3% of GDP in 1997 to 86% by the end of 2009 (IMF, 2010). At that point foreign investors started to question the ability (and/or willingness) of the government to generate the resources required for debt service to foreigners, since it became clear that the Greek government faced a mission-impossible; on the one hand, to make government debt sustainable, the
economy should grow so as to increase tax revenue; on the other hand, to make (the) net foreign
debt sustainable, the economy should contract so as to eliminate the huge current account deficit.
Under these conditions, foreign creditors started demanding interest rates that embodied a high
probability of default; this, in turn, forced the Greek government to seek official help, since paying
the higher interest rates demanded by the foreign creditors made default in the near future a
foregone conclusion.

This brought an end to the large expansion of Greek living standards (since 1995) - an expansion
which was based on the availability of private foreign credit to both government and the private
sector.\footnote{Greece’s net receipts from the EU budget declined from 3.8% of GDP in 1995, to 3.2% in 2000, to 2.2% in 2005, to 1.3% in 2009.} This growth-on-(credit) steroids allowed government spending on public employee
compensation to rise from 8.3% of GDP in 1976, to 12.7% in 2009.\footnote{The corresponding figure for the EA12 average was 11% in 2009. The public sector comprises the general
government sector plus all public corporations including the central bank, but it does not include the former
publicly owned utilities which had been privatized.} While up to 2000, the Greek
government was spending less (as a percentage of GDP) than the EA12 average on wages and
salaries, the inexorable rise in government spending on employee compensation is now higher than
the EA12 average. Between 1976 and 2009, the number of government employees increased by
about 150% (from about 282 thousand to 768 thousand ), while private sector employment during
the same period increased by about 34% (from 2.95 million to 3.96 million); thus, general
government employment increased from 8.7% of total employment in 1976 to about 15% in 2009.

Real wages of civil servants got a very large boost in the 1980s. In 1982 alone, the central
government’s wage bill increased by 33%. The growth in public sector compensation costs was
renewed in the 1990s under different guises. Wages in public enterprises have grown significantly
faster than wages in other sectors. The cumulative increase over the 1994-2009 period in (gross)
nominal private sector wages (excluding the banking sector) was 137%, whereas the cumulative
increase in public sector wages was 291%, and in publicly owned enterprises 356% (see, Fotoniatia
and Moutos, 2010). In economies unable to borrow excessively from abroad –something which being
part of the euro area allowed Greece to do – such increases in public employment and wages would
be associated with higher tax rates, thus crowding-out private employment (Malley and Moutos,
1996).
Figure 1. 6: Balance on current transactions, net foreign borrowing, balance on goods and services (% of GDP, 1970-2011)

The seemingly unlimited access to credit which the Greek economy enjoyed until 2008, allowed the private sector to develop along with the public sector, thus enabling private-sector employees to experience after-tax real wage increases as well. The increasing elimination of the “soft budget constraints” in the post-2009 era has produced unprecedented declines in private employment and wages (of all employees), thus setting the stage for large (unrecorded, as yet) increases in inequality.
1. The Nature of Inequality and Its Development over Time

1.1 Has inequality grown?

In this chapter we examine the nature and evolution of different inequality measures in Greece in order to provide a basis for our discussion of the social, cultural, and political impacts of these inequality developments in the rest of the report.

Unlike most of the rest-of-the-OECD countries, Greece experienced a decline in almost all inequality indices during the last three decades. However, as is well known, broad trends in inequality measures may mask differential developments for various groups of households which, in turn, may have affected in diverse and non-linear ways the impacted variables under study.

In the rest of the chapter we distinguish between various dimensions of inequality and poverty, including among household incomes and consumption, labour market earnings, and how they have been affected by various socio-economic developments (i.e. education, age, mode of labour market participation). Given the lack of high-quality data for some dimensions of inequality in Greece, the focus is on understanding the trends in various aspects of inequality through time, and not on the absolute inequality levels.

1.1.1 Household income inequality

Since income is the most commonly focused aspect of inequality, we start our discussion by looking at how household income inequality has changed during the last four decades and how tax and benefit policy shape the distribution and redistribution of household income.

Data on income inequality in Greece come from the Greek Household Budget Survey (HBS) which have been conducted by the National Statistical Agency of Greece (ESYE, recently renamed as ELSTAT). The surveys were conducted in 1974, 1981/82, 1987/88, 1993/94, 1998/99, 2004/05, and 2008. These HBS collect information about incomes, consumption spending (actual and presumptive), household amenities and durable consumer goods ownership, and the socioeconomic status of the households and their members. All of the HBS covered the entire country, but the sample has gradually decreased from about 7.500 households in 1974, to between 6.000-6.800 for the next five, and finally to 3.460 households in 2008. For all surveys, the interviews were spread throughout the whole year in which they had been conducted.

An important feature of the Greek HBS is that it contains data about the presumptive spending of households (mainly house rent and consumption of own-produced agricultural products). This property of the surveys is particularly valuable in Greece, since (i) owner-occupied housing is more common in Greece among low-
income than among high-income households, and (ii) consumption of own-produced agricultural goods is a substantial part of total consumption for many poor agrarian households. As a result, the surveys, by accounting for these features of Greek society do not necessarily lead to an overestimation of the level of inequality.

In what follows we follow standard practice and take into account the existence of economies of scale in household consumption needs, as well as the existence of different needs between adults and children. We thus report equivalised inequality measures according to the modified OECD scale, which gives a weight of 1.0 to the head of the household, 0.5 to all other members above 13 years old, and 0.3 to children up to the age of 13. We thus report on the evolution of equivalised income and consumption distributions, in which the income and spending of each household is divided by the equivalised number of its members, and the resulting number is attributed to each member of the household.

The aggregate inequality indices we present in Figure 2.1 are the Gini coefficient and the Atkinson index for values of the parameter capturing the aversion to inequality equal to ε=0.5 and ε=2.0. To make comparisons easier, all indices have been converted to a constant base of 1974=100. These indices portray a significant reduction in inequality between 1974 (following the return of democracy in Greece) and 1982. During this period household income inequality declined between 19 percent (Gini) and 36 percent (Atkinson, ε=0.5). From 1982 to 1999 income inequality has remained roughly at the same level, displaying small upward and downward movements. It is reassuring that these movements are similar across the three indices. The next significant decline in inequality took place between 1999 and 2004, and it declined very little – in effect, it remained constant – from 2004 to 2008. (As we shall see later, this small decline in income inequality during the last period is to be contrasted with a small rise in consumption inequality during the same period.) The indices which show the biggest drop in income inequality during this period are those that are more sensitive to changes at the extremes of the distribution (i.e. the Atkinson indices).

By way of comparison between the Greek HBS, the European Community Household Panel (ECHP) – available for the period 1995-2001, and the European Union Study of Income and Living Conditions (EU-SILC) – available for the period 2003-2009, in Figure 2.2 we present the corresponding Gini indices for household disposable income. In order to make the comparison meaningful, we present estimates from the HBS in which imputed sources of income are excluded from the definition of income. The general trends are similar across the three sources; however, the estimated level of inequality is higher from ECHP and EU-SILC data, relative to the Greek HBS. We also note that the estimates arising from the EU-SILC data do not register a decline in income inequality from 2004 to 2008.
The decline in income inequality has also been reflected in the rise of proportion of total income accruing to the poorest decile, according to the Greek HBS. Table 2.1a reveals that the poorest population decile increased its share of total income from 2.3% in 1974 to 3.7% in 2008. In contrast, the share of the richest decile declined from 29.7% in 1974 to 23.3% in 2008. We note that the rise in income shares from 1974 to 2008 was experienced by the seven lowest deciles, whereas only the two highest deciles had any discernible fall in their income shares.
Figure 2. Comparison of the evolution of the Gini Index for disposable income (1995-2009) across sources (HBS, ECHP, EU-SILC)

![Graph showing the evolution of the Gini Index for disposable income from 1994 to 2010.]

Source: EU-SILC, Mitrakos and Tsakloglou (2012)

### Table 2.1: Estimates of income shares by population deciles

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<tr>
<td>1 (poorest 10%)</td>
<td>2.3</td>
<td>3.2</td>
<td>3.0</td>
<td>3.1</td>
<td>3.0</td>
<td>3.5</td>
<td>3.7</td>
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<tr>
<td>2</td>
<td>4.0</td>
<td>4.9</td>
<td>4.8</td>
<td>4.8</td>
<td>4.7</td>
<td>5.1</td>
<td>5.2</td>
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<tr>
<td>3</td>
<td>5.1</td>
<td>6.0</td>
<td>6.0</td>
<td>5.9</td>
<td>5.9</td>
<td>6.1</td>
<td>6.2</td>
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<tr>
<td>4</td>
<td>6.1</td>
<td>7.0</td>
<td>7.0</td>
<td>7.0</td>
<td>6.8</td>
<td>7.1</td>
<td>7.1</td>
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<tr>
<td>5</td>
<td>7.2</td>
<td>8.0</td>
<td>8.0</td>
<td>8.1</td>
<td>7.9</td>
<td>8.1</td>
<td>8.2</td>
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<tr>
<td>6</td>
<td>8.4</td>
<td>9.1</td>
<td>9.1</td>
<td>9.3</td>
<td>9.0</td>
<td>9.3</td>
<td>9.3</td>
</tr>
<tr>
<td>7</td>
<td>9.9</td>
<td>10.4</td>
<td>10.5</td>
<td>10.6</td>
<td>10.4</td>
<td>10.6</td>
<td>10.5</td>
</tr>
<tr>
<td>8</td>
<td>12.0</td>
<td>12.2</td>
<td>12.3</td>
<td>12.3</td>
<td>12.1</td>
<td>12.2</td>
<td>12.1</td>
</tr>
<tr>
<td>9</td>
<td>15.3</td>
<td>14.8</td>
<td>15.0</td>
<td>14.9</td>
<td>15.0</td>
<td>14.7</td>
<td>14.6</td>
</tr>
<tr>
<td>10 (richest 10%)</td>
<td>29.7</td>
<td>24.3</td>
<td>24.4</td>
<td>24.0</td>
<td>25.1</td>
<td>23.2</td>
<td>23.3</td>
</tr>
</tbody>
</table>

Source: Mitrakos and Tsakloglou (2012)
GINI Country Report Greece

Table 2.2 (derived from 2.1) reveals also that the ratio of income accruing to the second richest decile to the income of the lowest decile (D9/D1) declined from 6.7 in 1974 to 4.6 in 1982. This large drop in the D9/D1 ratio tallies well with Gini’s decline during the same period. This ratio hovered around 5 until 1998, and then declined to 4.2 in 2004, and to 3.9 in 2008. The same qualitative movements are observed for the D5/D1 and D9/D5 ratios as well. This implies that the poorest registered gains in their relative income standing not only relative to the rich, but relative to middle incomes as well. OECD (2011) calculates that the growth in real household incomes for the bottom decile from the mid-1980s to the late 2000s were in Greece equal to 3.4% per annum, while the corresponding growth rate for the top decile was 1.8%. In contrast, for the OECD as a whole, the corresponding growth rates were 1.3% for the bottom decile and 1.9% for the top decile, with 19 of the 27 countries conforming to the same pattern.

Table 2.1. 1Decile ratios (D9/D1, D5/D1, D9/D5)

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</thead>
<tbody>
<tr>
<td>D9/D1</td>
<td>6.7</td>
<td>4.6</td>
<td>5.0</td>
<td>4.8</td>
<td>5.0</td>
<td>4.2</td>
<td>3.9</td>
</tr>
<tr>
<td>D5/D1</td>
<td>3.1</td>
<td>2.5</td>
<td>2.7</td>
<td>2.6</td>
<td>2.6</td>
<td>2.3</td>
<td>2.2</td>
</tr>
<tr>
<td>D9/D5</td>
<td>2.1</td>
<td>1.9</td>
<td>1.9</td>
<td>1.8</td>
<td>1.9</td>
<td>1.8</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Source: Mitrakos and Tsakloglou (2012) and authors’ calculations

The evolution of poverty has followed a similar pattern to the evolution of income inequality. In what follows we will concentrate on Eurostat’s relative poverty line, which corresponds to 60% of median equivalised income according to the utilized HBS. According to this definition, 15.6% of the Greek population was below the relative poverty line in 2008, i.e. the poverty rate was 15.6%. At the same year, the poverty gap –defined as the income that would be needed to raise the incomes of all persons classified as poor to the relative poverty line was 3.4% of aggregate augmented income. In Figure 2.3 we depict the percentage changes in relative poverty, the poverty gap, and in the Foster-Greer-Thorbecke (a=2) index (FGT2, hereafter) index, with respect to income. Comparing Table 2.1 and Figure 2.3 we observe a similar pattern in the evolution of inequality and poverty indices. Between 1974 and 2008, the drop in the poverty rate was 23.3%, the drop in the poverty gap was 47.6%, whereas the drop in the FGT2 index was 63.8%. The largest drop in the FGT2 index, which is sensitive to situations of extreme poverty, indicates that considerable progress was made in reducing extreme poverty. The biggest drop in poverty (much as in the case of inequality) took place between 1974 and 1982, with the largest drop been for the FGT2 index, which declined by 45.7%. Poverty
remained roughly constant from 1982 to 1999, and it declined again considerably from 1999 to 2008, which the percentage decline in the FGT2 index being 45.2% during this latter period.

As a way of comparison between the poverty measures based on the Greek HBS, and the ones resulting from the ECHP and the EU-SILC – which cover the period 1994-2008, in Figure 2.4 we present the poverty rate on the basis of disposable income. (We do this since in the ECHP and EU-SILC surveys there exist data only for disposable income.) On the basis of the ECHP and EU-SILC surveys, the poverty rate declined marginally from 1994 to 2009. This stands in contrast with the considerable decline on the basis of the Greek HBS, which shows a decline of 3 percentage points (from 19.8% to 16.8%) in the poverty rate from 2004 to 2008.

Despite the general importance of relative poverty indices, for countries making the transition from middle-income to developed-country status (as Greece seems to have done during the last four decades), of interest are also changes in the poverty rate in absolute terms. This is done by keeping the poverty line fixed in terms of real purchasing power, according to the HBS of 1998/99 and the evolution of the consumer price index. Once this is done, the percentage drop in poverty indices becomes impressive – especially for the period 1974-1982 (see Figure 2.5). The percentage drop from 1974 to 2008 in the poverty rate is 88.6%, for the poverty gap, 94.3%, and for the FGT2 index, 96.4%. The fact that the poverty gap and the FGT2 index have shown a larger drop than the poverty rate indicates that not only the poor were far fewer in 2008 than in 1974, but that there is a reduction in income inequality among the poor. This indicates that the reduction in poverty observed during this period was not just a straightforward implication of faster GDP growth (i.e., “a rising tide lifts all boats”), but an outcome testifying to the structural transformation of Greek economy and society.
Figure 2. 3: Income-based poverty indices

Source: Mitrakos and Tsakloglou (2012)

Figure 2. 4: Poverty rate 1994-2009, distribution of disposable income,

Source: EU-SILC, Mitrakos and Tsakloglou (2012)
1.1.1.1 Structure of Inequality

What factors are responsible for the evolution of aggregate inequality in Greece between 1974 and 2008? In this section we present results due to Tsakloglou and Mitrakos (2012), who have used the Mean Logarithmic Deviation index of inequality (Theil’s second index) and decomposed it in order to estimate the contribution of various factors. This index allows the separation of aggregate inequality into “between group inequality” and “within group inequality”, when the population is split into non-overlapping groups. The part of inequality due to inequality “between” groups can be defined as the inequality index that results from a hypothetical distribution in which every person within a group has income equal to the group’s average; similarly, the part of inequality due to inequality “within” groups is defined as the inequality index that results from a hypothetical distribution in which the mean income of each group is equal to the aggregate mean.

Table 2.3 presents the proportional contribution of inequality “between” different socio-economic groups to aggregate inequality. It appears that during the whole period (1974-2008) the contribution of differences “between” groups did not contribute more than 26% to aggregate inequality. For the first four categories (region of residence, urbanization index, demographic type of household, employment category of household head), the contribution of inequality “between” groups to
aggregate inequality was never more than 17%, implying that most of the inequality can be explained by differences which exist “within” these socio-economic groups. The contribution of the last categorization (according to the educational achievement of household head) increases the contribution of the “between” groups component to 25.2%, still implying that the overwhelming “cause” of inequality must be attributed to inequality within each educational group. The last line of Table 2.2 shows a multidimensional decomposition of inequality in which the population is separated into 109 relatively homogeneous groups. It is interesting that even in this case, the “between” groups inequality can “explain” only up to one-third of aggregate inequality.

Table 2.2: Percentage of total inequality attributed to differences "within" groups based on consumption expenditure distribution and Mean Log Deviation (second Theil index)

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</thead>
<tbody>
<tr>
<td>Region of residence</td>
<td>11</td>
<td>14.0</td>
<td>8.2</td>
<td>7.4</td>
<td>6.9</td>
<td>7.2</td>
<td>6.2</td>
<td>6.2</td>
</tr>
<tr>
<td>Degree of urbanization</td>
<td>4</td>
<td>13.3</td>
<td>9.8</td>
<td>10.2</td>
<td>6.5</td>
<td>10.0</td>
<td>6.8</td>
<td>7.1</td>
</tr>
<tr>
<td>Demographic type</td>
<td>9</td>
<td>3.7</td>
<td>5.6</td>
<td>6.8</td>
<td>6.4</td>
<td>7.2</td>
<td>7.0</td>
<td>5.8</td>
</tr>
<tr>
<td>Professional status</td>
<td>9</td>
<td>17.0</td>
<td>12.5</td>
<td>13.5</td>
<td>11.5</td>
<td>13.8</td>
<td>15.8</td>
<td>13.9</td>
</tr>
<tr>
<td>Education (Head of Household)</td>
<td>5</td>
<td>25.2</td>
<td>17.7</td>
<td>20.8</td>
<td>21.0</td>
<td>19.9</td>
<td>21.1</td>
<td>24.4</td>
</tr>
<tr>
<td>Multivariate decomposition of inequality</td>
<td>109</td>
<td>33.3</td>
<td>26.4</td>
<td>30.5</td>
<td>28.8</td>
<td>32.8</td>
<td>29.4</td>
<td>32.9</td>
</tr>
</tbody>
</table>

* Only 4 education levels

Source: Mitrakos and Tsakloglou (2012)

We turn now to an examination of equivalised estimates for income inequality, as provided by EUROMOD (2011). These estimates are based on a tax-benefit micro-simulation model using EU-SILC data, and which calculates direct tax and social contribution liabilities and entitlements to cash benefits on the basis of the tax-benefit rules which actually have been in place from 2005 to 2008 in Greece.
Table 2.3: The impact of tax-transfer policies on income inequality

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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<tbody>
<tr>
<td>Gini disposable income</td>
<td>0.3327</td>
<td>0.3329</td>
<td>0.3356</td>
<td>0.3421</td>
</tr>
<tr>
<td>Gini original income inc. pensions</td>
<td>0.3931</td>
<td>0.3951</td>
<td>0.3986</td>
<td>0.4051</td>
</tr>
<tr>
<td>Gini original income</td>
<td>0.5089</td>
<td>0.5103</td>
<td>0.5125</td>
<td>0.5173</td>
</tr>
</tbody>
</table>

Source: EUROMOD (2011)

Table 2.4 indicates that household income inequality in terms of disposable income is significantly lower than in terms of “original” income, the latter being defined as the gross household income from all sources (i.e. the sum of employment income, self-employment income, income of children under 16, income from rent, private pension, investment income, private transfers received, minus alimony payments and other maintenance payments), but excluding public pension benefits. This Table also indicates that the (small) rise in inequality from 2005 to 2008 applies to all income measures. We note that the decline of the Gini index as one moves from household original income inequality to disposable income inequality is about 0.175, which is slightly higher than Estonia, Lithuania, and Spain, slightly lower than Italy and the UK, and significantly lower than Belgium, the Czech Republic, and Hungary. This ranking of countries according to their effectiveness of tax-transfer policies to reduce the inequality of original incomes has remained unaltered from 2005 to 2008 (EUROMOD, 2011).

The decomposition of how tax-transfer policies alter the initial distribution of original incomes (as defined above) across decile groups to produce the distribution in terms of disposable income is presented in Table 2.4. We observe that for the seven lowest-income deciles, public intervention results in an increase in their (average) disposable income relative to their original and their (currently) earned income in 2005. Naturally, the increase in the post-intervention income is (proportionally) higher for the bottom deciles. Nevertheless, we note that it is the second decile that has captured the biggest increase in post-intervention income; the increase for this group has been 47% of its original income, whereas the corresponding increase for the first decile was 42%. In terms of absolute difference between original and disposable income, the largest increase was enjoyed by the fourth decile—an increase of 287 euros, whereas the first decile’s increase was only 131 euros. These features are also found in the other two “Mediterranean” Welfare States of the EUROMOD study, i.e. Italy and Spain.

These findings should be contrasted with the effects of public intervention in the EU countries with better-developed welfare systems. For example, in both Belgium and the UK, only the five lowest
deciles enjoy higher disposable income than their original incomes. Moreover, the decile which experiences the highest proportional increase in its power to consume (disposable income) relative to original income is the poorest one; for this decile, disposable income is more than six times larger than original income in Belgium, and more than five times larger in the UK. However, one must be careful to credit too much of this rise in the consumption possibilities of the poorest decile to a well-crafted social welfare system. The original income level (in euros) of the poorest decile in Belgium and the UK are significantly lower than the corresponding magnitude in Greece; the estimated figures are 121 for Belgium, 311 for Greece, and 157 for the UK. (If the comparison is made in terms of purchasing power parities, original income is higher in Greece for the second decile as well. This is a feature which is present in Italy and Spain as well.) This suggests that overly generous welfare states may generate welfare traps. However, another explanation is that the existence of a large shadow economy in Greece allows for employment opportunities which are absent in the better governed and regulated EU countries.

Table 2.4: Distribution of Monthly Average Incomes per Decile Components (Effects of 2005 Tax-Transfer Policies)

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<tbody>
<tr>
<td>1</td>
<td>442</td>
<td>311</td>
<td>294</td>
<td>35</td>
<td>27</td>
<td>146</td>
<td>209</td>
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<td>1,018</td>
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<tr>
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<td>2,182</td>
<td>2,284</td>
<td>2,185</td>
<td>10</td>
<td>22</td>
<td>468</td>
<td>500</td>
<td>245</td>
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<tr>
<td>9</td>
<td>2,668</td>
<td>2,996</td>
<td>2,804</td>
<td>6</td>
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<td>510</td>
<td>529</td>
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<td>4,535</td>
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<td>5,489</td>
<td>3</td>
<td>21</td>
<td>690</td>
<td>714</td>
<td>1,495</td>
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<tr>
<td>All</td>
<td>1,716</td>
<td>1,729</td>
<td>1,628</td>
<td>23</td>
<td>24</td>
<td>425</td>
<td>472</td>
<td>240</td>
<td>245</td>
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<tr>
<td>Poor</td>
<td>610</td>
<td>417</td>
<td>393</td>
<td>37</td>
<td>27</td>
<td>220</td>
<td>284</td>
<td>7</td>
<td>83</td>
<td></td>
</tr>
</tbody>
</table>

Source: EUROMOD (2011)

EUROMOD (2011) provides also estimates of the shares of income accruing to each decile. What Table 2.5 reveals is that the government’s tax-transfer policies have resulted in a rise of the share of disposable income of the poorest decile (relative to their original income) by 0.8 percentage points, a smaller percentage point increase than for the next 6 deciles (which can be as high as 1.9 percentage points for the fourth decile). In contrast, in Belgium and the UK, the corresponding increases for the
The poorest three deciles were about 3.7-3.9 and 2.6-2.9 percentage points, respectively; in both countries these increases were significantly higher than for the next three deciles. Again, the situation in Italy and Spain in this respect appears closer to the Greek experience than to the Belgian, or the UK, one.

Table 2.5: Share of Household Income and Income Components Received/Paid by Each Decile Group

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<tbody>
<tr>
<td>1</td>
<td>2.6%</td>
<td>1.8%</td>
<td>1.8%</td>
<td>15.4%</td>
<td>11.4%</td>
<td>3.4%</td>
<td>4.4%</td>
<td>0.2%</td>
<td>3.0%</td>
</tr>
<tr>
<td>2</td>
<td>4.6%</td>
<td>3.1%</td>
<td>3.0%</td>
<td>15.7%</td>
<td>11.0%</td>
<td>6.8%</td>
<td>7.5%</td>
<td>0.4%</td>
<td>3.8%</td>
</tr>
<tr>
<td>3</td>
<td>5.8%</td>
<td>4.3%</td>
<td>4.3%</td>
<td>18.0%</td>
<td>9.9%</td>
<td>8.1%</td>
<td>8.6%</td>
<td>0.7%</td>
<td>5.2%</td>
</tr>
<tr>
<td>4</td>
<td>6.9%</td>
<td>5.0%</td>
<td>5.1%</td>
<td>20.4%</td>
<td>12.1%</td>
<td>9.8%</td>
<td>10.4%</td>
<td>1.3%</td>
<td>6.2%</td>
</tr>
<tr>
<td>5</td>
<td>8.0%</td>
<td>6.6%</td>
<td>6.5%</td>
<td>10.0%</td>
<td>12.3%</td>
<td>10.2%</td>
<td>10.3%</td>
<td>2.6%</td>
<td>7.8%</td>
</tr>
<tr>
<td>6</td>
<td>9.1%</td>
<td>8.0%</td>
<td>8.1%</td>
<td>7.2%</td>
<td>8.4%</td>
<td>11.0%</td>
<td>10.7%</td>
<td>3.6%</td>
<td>9.7%</td>
</tr>
<tr>
<td>7</td>
<td>10.6%</td>
<td>9.4%</td>
<td>9.4%</td>
<td>5.7%</td>
<td>12.3%</td>
<td>12.9%</td>
<td>12.5%</td>
<td>5.6%</td>
<td>10.8%</td>
</tr>
<tr>
<td>8</td>
<td>12.5%</td>
<td>12.9%</td>
<td>13.1%</td>
<td>4.1%</td>
<td>8.9%</td>
<td>10.8%</td>
<td>10.4%</td>
<td>10.0%</td>
<td>14.2%</td>
</tr>
<tr>
<td>9</td>
<td>15.0%</td>
<td>16.7%</td>
<td>16.6%</td>
<td>2.4%</td>
<td>5.4%</td>
<td>11.6%</td>
<td>10.8%</td>
<td>16.3%</td>
<td>17.8%</td>
</tr>
<tr>
<td>10</td>
<td>25.1%</td>
<td>32.3%</td>
<td>32.0%</td>
<td>1.2%</td>
<td>8.2%</td>
<td>15.4%</td>
<td>14.4%</td>
<td>59.3%</td>
<td>21.6%</td>
</tr>
<tr>
<td>Poor</td>
<td>6.9%</td>
<td>4.6%</td>
<td>4.6%</td>
<td>30.8%</td>
<td>22.0%</td>
<td>10.0%</td>
<td>11.6%</td>
<td>0.5%</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

Source: EUROMOD (2011)

1.1.1.2 The effect of incomes in-kind

As is well known (e.g. Smeeding et al., 1993), ignoring the influence of non-monetary incomes in the calculation of inequality indices can produce a distorting picture of inequality – this is a consequence of the fact that incomes in-kind are usually distributed in a different way than monetary incomes. For countries like Greece – with a high proportion of owner-occupied housing, especially among the lower-income households, and a large agricultural sector, it is essential to examine the contribution of different non-monetary factors to income inequality.

Using data from the HBS of 2004/05, Koutsabelas and Tsakloglou (2012), have calculated that only 19.3% of households/dwellers were paying rent. Moreover, as Figure 2.6 details, the importance of incomes in-kind (consisting of the sum of imputed rent, education-related and health-related public transfers, and other in-kind incomes), is far more important for the lower quintiles, than for the higher quintiles of the distribution. For the lowest quintile, disposable income represents only 51.4%
of augmented income (which includes the incomes-in-kind), whereas for the top quintile, disposable income is 84.4% of total income.\textsuperscript{6} We note also that for the poorest quintile, whose non-monetary income is about half of the total, most of this income is due to public transfers (29.1% of the total), whereas private incomes in-kind represent 19.6% of the total. As we climb up the income distribution, the relative importance of public transfers becomes smaller; indeed, for the richest quintile, private incomes in-kind represent 8.5% of augmented income, whereas public transfers in-kind represent only 7.1% of augmented income.

The effects of the public transfers, in-kind, and private incomes, in-kind (we use the term non-monetary incomes for these incomes, thereafter), on inequality are presented in Table 2.6. Koutsambelas and Tsakloglou (2012) have calculated these by comparing the distribution of disposable income (which does not include non-monetary incomes) with the distribution which includes non-monetary incomes (defined as augmented income). The provision of free (publicly-funded) health services appears to be the factor with the strongest influence in reducing inequality for the three indices; the percentage reduction in inequality ranges from 10.9 (for the Gini index) to 23.3% (for the Atkinson index with $e=1.5$). Imputed rent and publicly-funded education have also exercised considerable inequality reducing power, with the percentage reduction in inequality ranging between 5.3 and 13.3% for the first, and between 6.4 and 12.1% for the second. The joint influence of the above non-monetary sources of income (including private incomes and transfers in-kind, consisting of own-consumption of agricultural and non-agricultural goods, in-kind employment benefits, and in-kind private transfer) is impressive, resulting in percentage reductions in the inequality indices between 22.1 and 41.8%.

\textsuperscript{6} Augmented income is calculated by attributing value to the different sources of incomes in-kind, and adding them to disposable income. For details regarding these calculations, see Koutsampelas and Tsakloglou (2012). The concept of augmented income must be distinguished from gross income, since the former is net of taxes.
Figure 2.6: Composition of augmented income by quintile

Source: Koutsampelas and Tsakloglou (2012)

Table 2.6: Effects of Public transfers and Private incomes

<table>
<thead>
<tr>
<th></th>
<th>Descriptive Statistics</th>
<th>Indices of inequality and poverty (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of disposable income</td>
<td>Gini</td>
</tr>
<tr>
<td>Imputed rents</td>
<td>11.7</td>
<td>-5.3</td>
</tr>
<tr>
<td>Public education</td>
<td>8.8</td>
<td>-6.4</td>
</tr>
<tr>
<td>Public health</td>
<td>10.9</td>
<td>-10.9</td>
</tr>
<tr>
<td>Other in-kind income</td>
<td>3.6</td>
<td>-3.4</td>
</tr>
<tr>
<td>Total</td>
<td>35.1</td>
<td>-22.1</td>
</tr>
</tbody>
</table>

Source: Koutsampelas and Tsakloglou (2012)

Given the lack of estimates through time for how the existence of non-monetary incomes has altered the inequality of disposable incomes, it is helpful to see whether their importance for reducing inequality is higher in Greece than in other EU countries. Figure 2.7 shows the importance of taking imputed rent into account for three inequality indices in Belgium, Germany, Greece, Italy, and the UK. For each country, the figure depicts the disposable income level of inequality as well as the
percentage decrease in inequality as a result of adding imputed rent in the definition of income. As expected, due to the high incidence of owner-occupied housing among the poorest households in Greece, the decline across all indices is relatively high (about as high as for the UK).

Figure 2. 7: The impact of imputed rent on income inequality: % decrease in inequality due to imputed rent and disposable income inequality


Figure 2. 8: Decline in inequality including non-monetary sources of augmented income

Source: Koutsampelas and Tsakloglou (2012)
However, this relatively large decline in inequality is not observed once all non-monetary sources of augmented income (the sum of imputed rent, education-related and health-related public transfers, and other in-kind incomes) are taken into account. Indeed, as can be seen from Figure 2.84, the decline in inequality is lower in Greece than in the rest of the countries examined. As a result, Greece’s relative inequality ranking does not improve – it even deteriorates with respect to the Gini and Atkinson (ε=1.5) indices (see, Koutsampelas and Tsakloglou, 2012).

1.1.1.3 Consumption Inequality

The evolution of consumption inequality has followed a similar pattern as income inequality. This is shown in Figure 2.9, which indicates that the indices showing the largest drop in inequality are the ones depended on changes at the tails of the distribution. The largest drop in consumption inequality has taken place from 1974 to 1982 (-13.3%, -25.3% and -21.1% for the Gini and Atkinson - for $\varepsilon=0.5$ και $\varepsilon=2$ – indices, respectively). From 1982 to 1999 the indices remain roughly constant, whereas a significant drop takes place between 1999 and 2004, the estimated decline being between 9.4% and 19.8%. The last period (2004 to 2008) shows a very small rise in consumption inequality.

Comparing Tables 2.1a with Table 2.7A we see that, as expected, consumption inequality has always been smaller than income inequality. For example, whereas the D10/D1 ratio with respect to income was 12.9 in 1974 and 6.3 in 2008, the D10/D1 ratio with respect to consumption was “only” 9.8 in 1974 and 6.1 in 2008. Nevertheless, the patterns related to the evolution of decile shares for consumption through time are similar to the ones for income; large increases in the relative shares of both the poorest and middle deciles from 1974 to 1982, near constancy from 1982 to 1999, a further significant rise again to 2004, with the new higher level remaining about the same through to 2008.
Figure 2.9: Evolution of Consumption Inequality Indices, 1974-2008

![Graph showing the evolution of consumption inequality indices from 1974 to 2008.](image)

Source: Mitrakos and Tsakloglou (2012)

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<td>1 (poorest 10%)</td>
<td>2.7</td>
<td>3.3</td>
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<td>3.3</td>
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<td>4.7</td>
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<td>10.7</td>
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<td>15.9</td>
<td>15.5</td>
<td>15.3</td>
<td>15.0</td>
<td>15.0</td>
<td>14.8</td>
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</tr>
<tr>
<td>10</td>
<td>26.4</td>
<td>23.2</td>
<td>23.3</td>
<td>22.9</td>
<td>23.82</td>
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<td>22.4</td>
</tr>
</tbody>
</table>

Table 2.7B reveals that whereas the poorest have done relative better throughout the entire period, the middle decile has made only marginal gains relative to the top deciles since 1982.
Table 2.7. Decile ratios (D9/D1, D5/D1, D9/D5)

<table>
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<td>D9/D1</td>
<td>5.9</td>
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<td>4.9</td>
<td>4.4</td>
<td>4.5</td>
<td>3.9</td>
<td>3.9</td>
</tr>
<tr>
<td>D5/D1</td>
<td>2.8</td>
<td>2.4</td>
<td>2.6</td>
<td>2.4</td>
<td>2.4</td>
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<td>2.2</td>
</tr>
<tr>
<td>D9/D5</td>
<td>2.1</td>
<td>1.9</td>
<td>1.9</td>
<td>1.8</td>
<td>1.9</td>
<td>1.8</td>
<td>1.8</td>
</tr>
</tbody>
</table>

Source: Mitrakos and Tsakloglou (2012) and authors’ calculations

Similar developments were registered with respect to declines in poverty indices when consumption is the yardstick over which poverty is defined. Figure 2.10 shows how the poverty rate, the poverty gap, and the FGT2 index have evolved defined on the basis of consumption spending. From 1974 to 2008 all three poverty indices have registered considerable decreases; the poverty rate by 27.1% (from 20.4% of the population to 15.0%), the poverty gap by 43.3%, and the FGT2 index by 53.2%. These decreases were smaller than the corresponding decreases when income was the yardstick, but were also concentrated over two periods: from 1974 to 1982, and from 1999 to 2004.

Figure 2. 10: Poverty Indices defined over consumption spending

Source: Mitrakos and Tsakloglou (2012)
Keeping the poverty line fixed in terms of real purchasing power – we do this by keeping the level of the relative poverty line according to the HBS of 1998/99 fixed in real terms by adjusting it in accordance with the evolution of the consumer price index, we see in Figure 2.11 that the decline in the poverty rate (defined over consumption spending) has been impressive; the poverty rate declined over the whole period by 87.8%, the poverty gap by 93.3%, and the FGT2 index by 95.8%. Almost all of these declines happened in two batches: the first from 1974 to 1982, and the second from 1999 to 2004.

Figure 2.11: Change in poverty indexes in absolute terms 1974-2008: distribution of consumption expenditure (poverty line 1999 in terms or real purchasing power)

Source: Mitrakos and Tsakloglou (2012) and authors’ calculations
1.1.2 Wealth Inequality

The distribution of wealth in Greece is a very under-researched topic, due to the lack of available data. The only data available come from the Credit Suisse’s (2011) Global Wealth Databook 2011. These data suggest that the personal distribution of wealth in Greece is more equitable than in most European countries. Figure 2.12 shows the distribution of wealth in 2011, for Greece and for Europe as a whole, across wealth classes (defined in US dollars). The proportion of Greek adults with wealth less than 1,000 USD is only 1.6%, whereas the European average is 20.4%. The high European average is obviously a result of the low wealth levels of some of the post-communist countries. Yet, there exist some high-income European countries for which a high proportion of their adult population has wealth below 1,000 USD; e.g. in Germany 13.6% of the adult population belongs to this category, 12.5% in the Netherlands, and 7.1% in the UK. Of interest is also that in Greece 48.3% of adults have wealth between 10,000 and 100,000 USD, whereas the corresponding figure in Europe is 28.2%. Again, the relatively low European average is partly due to the post-communist countries, but also due to the fact that the Global Wealth Databook reveals that if one focuses only on the high-income countries (i.e., the EU15 plus Norway and Switzerland, rather than Europe as a whole), more adults belong to the group with wealth above 100,000 USD, than in any other wealth class.

Figure 2.12: Population Shares Across Wealth Classes

Source: Credit Suisse (2011)
The above described data imply that wealth inequality is relatively low in Greece relative to most European countries. Credit Suisse (2011) calculates that in 2011 the Gini for wealth inequality among adults to be 70.3 in Greece against a European average of 82.9. Similarly, the ratio of mean to median wealth was 9.4 for Europe as a whole, and 2.4 in Greece. We note that the higher wealth inequality in the rest of the European countries is not only a result of high wealth inequality in the post-communist countries, which, with the exception of the Russian Federation and Ukraine, have far lower wealth inequality than the European average. It is also due to the relatively high wealth inequality estimated for countries like Denmark, The Netherlands, Sweden, Switzerland, as well as, France and Germany. In contrast, the less-developed welfare states of the European South (Italy, Portugal, and Spain) have low wealth inequality, possibly due to the higher need to “save for a rainy day”. Another plausible explanation of the relatively low wealth inequality of these countries (plus Greece) is their large agricultural sectors and widely spread holdings of agricultural land and home ownership (see Chapter 3).

How reliable are the data for Greece appearing in the Global Wealth Databook? Although no other comparable data exist, there is some information regarding the median wealth of households headed by persons aged more than 50, independently of the age of their spouses. These data are assembled by Christelis et al. (2005) on the basis of a sample of 1478 households, and indicate that the median household wealth of the “elderly” in Greece was €95,300.00 in 2004. Credit Suisse (2011) reports a value of wealth per adult of 100,900.00 USD in 2004. Although there is no easy way to compare the figure for mean wealth of adults appearing in the Global Wealth Databook with the median household wealth of the “elderly” appearing in Christelis et al., there is no a-priori reason why the two figures are incompatible with each other.

Christelis et al. (2005) provide also information about the median household gross financial assets for the “elderly”, which they calculate at €2,000.00 in 2004. This is similar to what they find for Italy (€2,300.00) and Spain (€1,900.00), and significantly lower than the corresponding magnitudes for the other countries in their sample (Austria, Denmark, France, Germany, Italy, Netherlands, Spain, Sweden, and Switzerland). The portfolio composition across financial assets and liabilities is also substantially different in Greece; the proportion of households with bank accounts stood at 56%, whereas the average for the other countries in the sample was above 80%; similarly, the proportion of Greek households holding bonds, stocks, and life insurance policies were 1.1%, 5.3%, and 2.2% (respectively), figures that are well below the rest of the countries average. By analogy, the proportion of wealth in the form of real assets (mainly housing) was far above in Greece, than in the rest of the countries (with the exception of Italy and Spain).
1.1.3 Labour market inequality

One of the salient features of the Greek economy is the differential labour market outcomes between males and females. Figure 2.13 shows the employment and participation rates for both genders, as well as the total values for these variables, for persons aged 15-64, during the last three decades. The differences between the sexes in employment and participation rates were enormous up to the early 1990s: in 1992, the participation rate for males was 76.4%, whereas for females it was only 41.8%; the difference in employment rates was also large in 1992 – 72.3% for males, and only 36.2% for females. These differences were far larger than the ones observed in the Northern European market economies, but very close to the ones observed in the Southern European market economies. By 2008, both the employment and participation gaps between the genders had closed considerably, mainly by increasing female participation and employment rates, which had increased to 55.1% and 48.7%, respectively, thus bringing the participation gap to 24 percentage points (it was 34.6 percentage points in 1992), and the employment gap to 24.6 percentage points (36.1 in 1992).

The improvements in the integration of females in market activities went in tandem with a large expansion of employment rates for persons with upper secondary and post-secondary non-tertiary education level qualifications. The employment rate for these persons rose from 52.3% in 1992 to 61.2% in 2008, but it still remained far lower than the employment rate for persons with tertiary education, which was 82.1% in 2008 (see Figure 2.14). On the other side of the educational spectrum, persons with less than a high-school diploma did not experience rising employment rates, possibly a result of the economy shifting from agricultural activities to the more skill-intensive service sector.
The decline in income inequality observed in Greece from 1999 to 2008 went in tandem with the large reduction in the unemployment rate for females with upper secondary and post-secondary education.
education, from 23.8% in 1999 to 13.2% in 2008 (Figure 2.15). The more than 10 percentage points reduction in the unemployment rate for this group was the largest drop among the unemployment rates for all groups during this period, and it was brought about by the expansion of a service sector in need of a medium-skill workforce. (The second-biggest reduction in the unemployment rate was for males of the same educational category.) In contrast, the decline in the unemployment rate for females with below upper secondary education was only 3.7 percentage points (from 16.2% to 12.5%) during the same period, as the manufacturing and agricultural sectors, where they were mainly employed, started to decline.

We note that the rise in female employment rates cannot be attributed to any increases in part-time employment (whose incidence is higher among female employees). Figure 2.16 shows that in 2008 part-time employment as percentage of total employment was 5.4% - a figure which is significantly lower than in most European countries, with the incidence of part-time employment being higher among females (at 9.8%) than among males (2.5%). However, there was no significant rise in part-time employment from the early 1980s to 2008, as the share of part-time employment ranged from 4% to 6% during this period. More importantly, the incidence of part-time employment among females also showed no upward trend from the early 1980s to 2008. Thus, the rise in female employment rates must be attributed to the expansion of the service sector (from the demand side) and the growing need for two-earner households⁷, rise in marrying age of women, and much-increased educational attainment of women (from the supply side).

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⁷ According to Eurostat, the proportion of two-earner couples in which both partners are working full-time was 21% of all households (excluding students and those aged more than 65) in 2010 in Greece; the corresponding EA12 average was 16.5%. In contrast, the proportion of couples, in which one partner was working full-time and the other part-time, was 3% in Greece and 11.5% for the EA12 average. The proportion of two, full-time-earner couples, was rising until 2008 in Greece, and has since declined due to the depression.
Figure 2.15: Trends in unemployment rates, by gender and educational attainment (25-64 yrs)

The significance of labour incomes for shaping-up income inequality is shown in Table 2.8, which decomposes overall income inequality by income source, for the seven Greek HBS. This inequality decomposition by factor components takes into account the level of inequality (as determined by the Gini coefficient) for each income source, the degree of correlation between each source of income and total income, and the importance (share) of each income source in total income (for details see, Mitrakos and Tsakloglou, 2010). The table also shows the elasticity of the Gini coefficient to changes in the income from each source, i.e. the ratio of the percentage change of the Gini coefficient for total income to the percentage change of mean income from each source. (The sum of these elasticities for all income sources equals zero given the independence of the Gini coefficient from mean income.) Wages and salaries remain throughout the period the most important factor in the formation of aggregate inequality, their trendless contribution ranging from 34.7% to 46.9%. This is due to the fact that labour income is the single most important source of income in the aggregate (equal to 34.7% of total income – the self-employed are included in a different category), but also to the large correlation coefficient between this source and total income. The contribution of incomes from self-employment (excluding agricultural income) and from capital ownership were (each) around one-quarter in 2008; however, the trend of the importance to total inequality of these two sources of income were different, with capital income increasing its importance, whereas the importance of income from self-employment, after an initial fall from 1974 to 1982, remained
constant. The rise of the importance of income from pensions during this period (from 8.4% in 1974 to 13.2% in 2008) reflects mostly its rise as a share of total income (from 8.6% in 1974 to 18.3% in 2008). Of particular interest is that the elasticity of the Gini coefficient to income from dependent employment (wages and salaries) became negative in the 2008 HBS. This implies that a rise in income from dependent employment will result in a reduction in overall income inequality – a result which is at variance with all previous HBS.

Figure 2.16: Part-time employment as percentage of all employment

Source: Eurostat
## Table 2.8: Income inequality components and inequality elasticities by income source

<table>
<thead>
<tr>
<th>Income Source</th>
<th>Percentage contribution to inequality</th>
<th>Elasticity of inequality with respect to the source of income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages</td>
<td>0.347</td>
<td>0.469</td>
</tr>
<tr>
<td>Incomes from self-employment excl. agricultural sector</td>
<td>0.343</td>
<td>0.255</td>
</tr>
<tr>
<td>Incomes from agriculture</td>
<td>0.024</td>
<td>0.035</td>
</tr>
<tr>
<td>Income from capital</td>
<td>0.166</td>
<td>0.163</td>
</tr>
<tr>
<td>Pensions</td>
<td>0.084</td>
<td>0.062</td>
</tr>
<tr>
<td>Others social transfers</td>
<td>0.036</td>
<td>0.017</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1.000</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Source: Mitrakos and Tsakloglou (2012)

The available evidence suggests that in Greece the inequality in the distribution of net hourly earnings is rather high relative to other European countries. Based on the 7th and 8th ECHP data (2000 and 2001), Cholezas and Tsakloglou (2007) find that, with the exception of Portugal, Greece has – among the thirteen countries examined - the most unequal distribution of hourly earnings according to all indices (Gini, Theil, Mean Logarithmic Deviation, Variance of Logarithms)\(^8\), followed closely by the UK and Luxembourg. Proceeding with a one-way decomposition of earnings inequality, by splitting wage and salary earners in each country’s sample according to (i) Education (3 groups: “Less than upper secondary”, “Upper secondary” and “Tertiary”), (ii) Age (5 groups: “18-24”, “25-34”, “35-44”, “45-54” and “55-64”), (iii) Sex (2 groups: “Males” and “Females”), and, (iv) Sector (2 groups: “Industry” (including employment in construction and public utilities such as electricity, gas and

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\(^8\) The corresponding numbers for the four indices for Greece are: 0.289, 0.147, 0.136, and 0.254.
water) and “Services”), Cholezas and Tsakloglou (2007) estimate the proportion of hourly earnings inequality emanating from disparities “between groups”. They find that, again, along with Portugal and Luxembourg, Greece is a country in which differences between just three educational groups account for a large part of the total earnings inequality (25.3% according to the Theil index, 26.1% according to the Mean Logarithmic Deviation, and 22.5% according to the Variance of Logarithms). They also find that differences between “Age” groups are far important an influence on earnings inequality in Greece than in other countries, accounting for up to 22.3% of measured earnings inequality. To some extent, “Age” can be considered as a proxy for potential experience or seniority, variables which in the Greek context are very important due to the importance of seniority in the wage-bargaining system for private-sector employees and in the civil service pay scales.

Figure 2.17: Inter-temporal trends in hourly earnings inequality (Mean log deviation)

Source: Cholezas and Tsakloglou (2007)

The inter-temporal changes in hourly net earnings inequality in Greece on the basis of the Greek HBS from 1974 to 1999 are shown in Figure 2.17. The Mean Logarithmic Deviation index declined from 0.161 in 1974 to 0.106 in 1988, and then it increased to 0.183 in 1999. The initial decline and subsequent rise in hourly earnings inequality can be explained by (i) the initial rise (up to 1984) and subsequent decline of the real value of the minimum wage in Greece, and (ii) the wage-compression policies which were followed by the Greek government until the mid-1980s.
1.1.4 Educational Inequality

During the last four decades there has been a large increase in educational attainment in Greece. This was a result of a latent demand in Greek society (expressed more openly after junta’s fall in 1974) for further democratization of higher education (university and non-university), linking it to the need for a less uneven and therefore a more just distribution of educational goods (Fountedaki and Sarafianos, 2000). Most of the demands were concentrated on the restrictive admissions policy (numerus clausus) which rationed the demand for, publicly provided and funded, tertiary education in Greece. This demand was partly met as the proportion of students admitted to tertiary education rose from about 15% of the high-school graduates in 1974 to about 40% in 2008.

The synthetic indices of education level and dispersion, reported by Meschi and Scervini (2010), and which draw on the EES and EU-SILC surveys, indicate a large rise in the percentage of population with tertiary education and a significant fall in educational inequality. As shown in Table 2.10, less than 6% of the population born between 1920 and 1924 in the EES sample has attained tertiary education whereas this percentage increases to over 43% for individuals born in 1982-1984 period. The Gini index for these two birth cohorts falls from 0.299 (for the 20-24 birth cohort) to 0.117 (for the 82-84 birth cohort).

Table 2.9: Educational inequality indices

<table>
<thead>
<tr>
<th>Birth cohort</th>
<th>Primary</th>
<th>Secondary</th>
<th>Upper Secondary</th>
<th>Tertiary</th>
<th>Gini</th>
<th>MLD</th>
<th>Theil</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920-24</td>
<td>69.01</td>
<td>26.98</td>
<td>21.24</td>
<td>5.74</td>
<td>0.299</td>
<td>0.140</td>
<td>0.135</td>
</tr>
<tr>
<td>1925-29</td>
<td>80.72</td>
<td>31.29</td>
<td>24.84</td>
<td>9.21</td>
<td>0.332</td>
<td>0.165</td>
<td>0.159</td>
</tr>
<tr>
<td>1920-24</td>
<td>87.09</td>
<td>33.70</td>
<td>27.19</td>
<td>10.94</td>
<td>0.314</td>
<td>0.172</td>
<td>0.156</td>
</tr>
<tr>
<td>1925-29</td>
<td>95.31</td>
<td>43.49</td>
<td>33.59</td>
<td>15.17</td>
<td>0.276</td>
<td>0.120</td>
<td>0.115</td>
</tr>
<tr>
<td>1920-24</td>
<td>98.08</td>
<td>57.98</td>
<td>48.19</td>
<td>25.27</td>
<td>0.247</td>
<td>0.103</td>
<td>0.099</td>
</tr>
<tr>
<td>1925-29</td>
<td>98.30</td>
<td>68.45</td>
<td>59.28</td>
<td>26.49</td>
<td>0.228</td>
<td>0.088</td>
<td>0.084</td>
</tr>
<tr>
<td>1920-24</td>
<td>99.11</td>
<td>74.22</td>
<td>60.21</td>
<td>25.69</td>
<td>0.199</td>
<td>0.068</td>
<td>0.064</td>
</tr>
<tr>
<td>1925-29</td>
<td>99.44</td>
<td>84.93</td>
<td>69.56</td>
<td>32.47</td>
<td>0.189</td>
<td>0.075</td>
<td>0.063</td>
</tr>
<tr>
<td>1920-24</td>
<td>99.72</td>
<td>88.55</td>
<td>76.02</td>
<td>35.94</td>
<td>0.156</td>
<td>0.049</td>
<td>0.043</td>
</tr>
<tr>
<td>1925-29</td>
<td>99.65</td>
<td>91.49</td>
<td>80.09</td>
<td>40.57</td>
<td>0.153</td>
<td>0.045</td>
<td>0.040</td>
</tr>
<tr>
<td>1920-24</td>
<td>99.63</td>
<td>94.31</td>
<td>85.27</td>
<td>43.29</td>
<td>0.117</td>
<td>0.025</td>
<td>0.023</td>
</tr>
</tbody>
</table>

Source: Meschi and Scervini (2010).

Yet, despite the significant expansion of tertiary education, which lessened the competition for the available places, lower-income families still faced considerable hurdles to gaining access to higher
education (Moutos and Tsitsikas, 2010). This is due to the fact that private spending on crammer schools preparing students for the national exams has increased; Kanellopoulos et al. (2003) estimate that the share of education expenditures in household budgets (mainly on crammer schools and private tutors) rose from 2.15% in 1974 to 4.41% in 1999. Recent studies (KANEP, 2009) estimate that in 2005 this figure had risen to 5.09% of household budgets. As a proportion of household spending for families with children in secondary school this can reach to more than 20% of household income for lower-income families (Psacharopoulos and Papakonstantinou, 2005). This rise in spending on crammer schools and on hiring of private tutors reflects the widespread perception among parents (and teachers) of a continuing deterioration in the quality of publicly-provided secondary education, which in turn makes access to the much sought-after fields of study (e.g. medicine) much harder for children of low-income families.

Figures 2.18 and 2.19 depict the evolution of an index (odds ratio) of educational inequality in accessing publicly-funded-and-provided tertiary education, which is based on the father’s occupational status. This index is constructed as follows (see, Chrysakis et al., 2009, for more details): First, we construct five occupational categories for the fathers of children being first-year students at Universities (AEI) and Technological Educational Institutions (TEI); the categories are (i) white-collar employees, (ii) blue-collar workers, (iii) farmers, (iv) unemployed, and (v) non-active population (mainly pensioners). Second, we divide the share of each category’s first-year students in the population of first-year students, to the share that each category represents in the aggregate population of males aged 45-64. The resulting inequality indicator is a (relative) population-weighted presence of each category among first-year students a score above (below) 1 indicates that a particular category is over(under)-represented in tertiary education. We thus see that, from 1984 to 2004, the children of white-collar employees enjoyed a slight increase in their over-representation as first-year students in Greek Universities; the inequality indicator for this group went from 2.01 in 1984 to 2.18 in 2004. In contrast, the inequality indicator for students whose father was a blue-collar workers suffered a drop, going from 0.90 in 1984 to 0.62 in 2004, whereas for farmers’ children the indicator went from 0.53 in 1984 to 0.32 in 2004. During the same period, first-year university students with an unemployed father are continuously and significantly under-represented in the student body, despite the improvement observed in the indicator, from 0.07 in 1984 to 0.26 in 2004.

It appears that the worsening prospects of children, whose fathers are either blue-collar workers or farmers, with respect to University education, were not reflected in better access opportunities in the (lower-ranked) Technological Educational Institutes. Daughters and sons of blue-collar workers or farmers became progressively less likely to attend TEI’s than in the past; for blue-collar workers, the Inequality Indicator dropped from 1.21 in 1984 to 1.00 in 2004, whereas for farmers it went from
0.75 to 0.50 during the same period. Again, surprisingly, the relative access of children with unemployed fathers improved, with the indicator rising from 0.07 in 1984 to 0.47 in 2004. A possible explanation for this improvement in the relative position of children whose fathers are unemployed may be the gradual emergence of a two-earner family in Greece – thus enabling families with unemployed fathers to be able to finance the expenses needed to succeed in the entrance examinations with the mother’s earnings.

Figure 2. 18: Inequality indicators (I.I)j for first year students in Tertiary Education (A.E.I.*) by father’s occupational status

* A.E.I.: Universities. Source: Chrysakis et al. (2009)
Access to higher education appears to influence a number of labour market variables. Figures 2.20a and 2.20b show the unemployment and participation rates (persons aged 15-64) for different education levels according to the Labour Force Survey conducted between 2004 and 2007. With an economy-wide unemployment rate of 10.7%, the data seem to suggest an inverse U-shaped relationship between educational attainment and unemployment. Persons with only primary education faced an unemployment rate of only 9.1%, persons with lower-secondary education had an unemployment rate of 11.1%, which rose further to 11.7% for high-school (Lyceum) graduates, and still further to 12.3% for TEI graduates, dropping to 7.9% for University graduates, and to 4.9% for doctorate-holders. However, the relationship between educational achievement and labour force participation is rather positive, as the participation rate rises from 59.6% for primary education, to 65.1 for Lyceum graduates to 97.1% for doctorate holders.
The overwhelming importance of educational inequality for determining differences in income inequality between groups was noted earlier (see, Table 2.2). It suffices here to mention that
whereas the importance of all other factors (region of residence, urbanization index, demographic type of household, employment category of household head) as an “explanation” of the inequality between groups has either declined (or remained small) from 1974 to 2008, the education of the household head has retained its large influence relative to the other categorizations. A possible explanation for this outcome may be due to assortative mating and the high participation rate of educated spouses.

1.2 Whom has it affected?

The fact that the fast growth experienced by the Greek economy from 1974 up to the start of the global financial crisis was accompanied by significant reductions in various inequality and poverty indices may lead us to conclude that the benefits of economic growth were spread evenly among various socio-economic groups. Let us then examine whether this is indeed the case regarding the exposure to the “risk at poverty” faced by different groups.

In Table 2.10 we depict the changing structure of poverty risk (in terms of augmented income) for a number of groups which are usually considered to be at high poverty risk. On the left side of the table the relative poverty risk (based on the FGT2 index) of each group is presented – a number greater than one indicates that the group faces a higher risk of poverty than the population as a whole. On the right side of the table, the percentage contribution of each group to the aggregate poverty rate is shown. We see that the poverty risk of all these groups, with the exception of households headed by a pensioner and couples without children, were facing a relatively high poverty risk in 2008. The table reveals that the relative poverty risk of these groups changed dramatically from 1974 to 2008; for persons aged more than 65 and living alone, as well as for households headed by a pensioner, the relative poverty risk declined considerably – from 4.36 to 1.39 for the first group, and from 1.93 to 0.49 for the second. In contrast, for households with 3 or more children under the age of 18, the relative poverty risk increased from 1.50 to 3.64, making this group the one with the highest poverty risk in 2008; it is important that this group’s contribution to the aggregate poverty is not large, hovering around 10% during the entire period. It is residents of agricultural areas that have always been, as a group, the one with the largest contribution to aggregate poverty – yet, this contribution declined steadily from 56.9% in 1974, to 28.7% in 2008; this group’s relative poverty risk has remained roughly constant during this period. Of interest is also that members of single-parent families, a group that is at high risk of poverty in many European countries, did experience a rise in its poverty risk – especially since 1982, but the group’s contribution to the aggregate poverty rate remains small (0.9% in 2008). Of possibly more
importance is the rise in poverty risk for members of households headed by a farmer, whose poverty risk increased continuously, and reached 2.91 in 2008; this group’s contribution to total poverty declined throughout the whole period (due to the declining share of farmers in the population), but it retained its importance for aggregate poverty, i.e., contributing 18.5%. Thus, as far as risk of poverty is concerned, the population groups with the two higher contributions to aggregate poverty (residents of agricultural areas, and farmer-headed household members) experience either a rise or a constancy in their relative poverty risk, whereas the group with the third-highest contribution (household members headed by primary school dropout) did experience a decline in relative poverty risk (from 2.11 in 1974 to 1.64 in 2008).

Table 2.10: Selected high risk groups for poverty: distribution of total income Foster et al (a=2)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-urban areas</td>
<td>1.6</td>
<td>1.6</td>
<td>1.8</td>
<td>2.1</td>
<td>1.7</td>
<td>1.7</td>
<td>1.5</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>3</td>
<td>2</td>
<td>5</td>
<td>7</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Singles over 65 years</td>
<td>4.3</td>
<td>5.3</td>
<td>3.4</td>
<td>2.9</td>
<td>2.0</td>
<td>1.3</td>
<td>1.3</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>8</td>
<td>2</td>
<td>2</td>
<td>6</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Couples no children (at least one over 65 years)</td>
<td>2.4</td>
<td>2.8</td>
<td>2.2</td>
<td>2.1</td>
<td>1.7</td>
<td>1.0</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>6</td>
<td>7</td>
<td>0</td>
<td>4</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>Couples with 3 or more children up to 18 years</td>
<td>1.5</td>
<td>0.7</td>
<td>1.1</td>
<td>1.9</td>
<td>2.4</td>
<td>2.0</td>
<td>3.6</td>
</tr>
<tr>
<td></td>
<td>0</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Singles with children</td>
<td>1.3</td>
<td>0.6</td>
<td>1.1</td>
<td>1.4</td>
<td>1.7</td>
<td>3.0</td>
<td>1.4</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>4</td>
<td>6</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Head of household farmer</td>
<td>1.3</td>
<td>1.2</td>
<td>1.5</td>
<td>1.5</td>
<td>1.5</td>
<td>2.2</td>
<td>2.9</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>6</td>
<td>2</td>
<td>0</td>
<td>4</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Head of household inactive</td>
<td>5.9</td>
<td>4.0</td>
<td>3.8</td>
<td>2.2</td>
<td>2.6</td>
<td>1.3</td>
<td>3.2</td>
</tr>
<tr>
<td></td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>5</td>
<td>9</td>
<td>2</td>
</tr>
</tbody>
</table>

Relative poverty risk (Greece: 1.00)

Contribution in total poverty (%)
Unfortunately, the above findings hold also for consumption-based relative poverty risk. Mitrakos and Tsakloglou (2010) have calculated that, for household members headed by a primary-school dropout and for residents of agricultural areas, relative poverty risk increased - from 1.92 in 1974 to 2.18 in 2008 for the first group, and from 2.36 to 4.22 (respectively) for the second group. These two groups continue to contribute substantially to aggregate poverty - by 38.3% and 40.3%, respectively.

For households headed by a pensioner, the relative (consumption-based) poverty risk declined, and this is a welcome development in the fight against poverty since this group contributed 42.4% to aggregate poverty in 2008.

We now examine how the reduction in income and consumption inequality decomposes across various socio-economic groups. Given that Greece experienced during the last four decades rapid changes in population structure, we rely on Mitrakos and Tsakloglou’s (2010) calculations of additive separable indices (proposed by Mookherjee and Shorrocks, 1982) which attribute (inter-temporal) changes in aggregate inequality to changes “within” groups, to changes in the size of each group, and to changes in the average income (or, consumption) of each group. Table 2.11 presents the results of this analysis, using as inequality indices the Theil index, the mean logarithmic deviation, and the variance of logarithms. If a particular variable has contributed to a rise in inequality, then this is denoted with a negative sign.

Leaving aside the results of demographic changes -which appear to have a relatively small influence on the evolution of aggregate inequality, and which contributed to the rise of inequality (with the exception of the rise of urbanization) – the reduction in aggregate (income, and consumption) inequality was accompanied by a reduction in within-group inequality. For all socio-economic groups, the reduction in overall income (and, consumption) inequality was accompanied by far larger
reductions in within-group inequality, than in inequality between groups. Given that in Greece the largest part of aggregate inequality is “determined” from differences that exist within different socio-economic groups (rather than, between groups) this has been a welcome development.

Table 2.11 Percentage contribution of different factors to the total change in inequality from 1974 to 2008

<table>
<thead>
<tr>
<th>Factor</th>
<th>Consumption expenditure distribution</th>
<th>Income distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number Of sub-groups Theil Index Mean Log Deviation Log Variance</td>
<td>Theil Index Mean Log Deviation Log Variance</td>
</tr>
<tr>
<td>Degree of urbanization</td>
<td>4 74.7% 74.8% 72.8%</td>
<td>82.4% 82.4% 73.0%</td>
</tr>
<tr>
<td>Δ(α)</td>
<td>6.6% 5.9% 9.3%</td>
<td>-0.4% -0.3% 2.2%</td>
</tr>
<tr>
<td>Δ(β)</td>
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<td>22.7% 48.2% 53.8%</td>
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Δ(α) Effect of within-group changes
Δ(β) Effect of population shares changes
Δ(γ) Effect of changes in average income or consumption
Source: Mitrakos and Tsakloglou (2010)
1.3 Interdependence between inequalities over time

The decline of income inequality in Greece from 1974 to 1982 appears to be mostly the result of declines in inequality “within” various socio-economic groups, the only exception being the linkages between educational inequalities and income (and consumption) inequalities. The vicious circle that such a linkage may create (i.e. income inequality, in the absence of equal education opportunities, reinforces educational inequality, which, in turn, leads to higher income inequality) has been kept in check in Greece through a significant expansion of educational opportunities, especially through the large expansion of the publicly-funded tertiary sector. Nevertheless, since this expansion did not manage to reduce inequality in accessing higher-educational institutions (especially Universities) for lower-income groups (e.g. farmers and blue-collar workers), and education is an important factor in the intergenerational transmission of economic status, the reduction in inequality observed during the last four decades may not be sustainable once some of the other factors behind the decline in inequality exhaust their influence.

1.4 Why has inequality declined in Greece?

From 1974 to 1982, inequality in Greece has declined considerably; various measures of inequality and poverty (e.g., Gini, Atkinson, poverty rate, poverty gap) show declines ranging between 20% and 60% of their initial value in 1974. Despite the large decreases in these measures, and the rise in the corresponding measures in most of the EU15 countries, Greece had a Gini coefficient of disposable income in 2008 which was higher than the EU15 average; the disposable income Gini coefficient in that year was 0.3065, and it was lower than the Gini’s for Italy, Portugal, Spain, and the UK. Regarding inequality of extended income (which includes in-kind benefits from public services, the Gini coefficient in Greece in 2008 was 0.288, with Portugal being the only country among the EU15 which had a higher Gini coefficient. Similar declines were also observed in the S90/S10 ratio of disposable incomes, and in 2008 the ratio in Greece stood at 7.4 (the fifth-highest among the EU15), down from its value of 10.2 in the mid-1980s (OECD, 2011). We note that this value in the mid-1980s was the highest among the EU15. We may thus conclude that as far as inequality is concerned Greece has successfully converged towards the EU15 average.

As one may expect in such cases, the initial improvements in the inequality front were larger than the latter. Indeed, about two-thirds of the total decline in inequality between 1974 and 2008 took place in the first eight years (1974-1982). Between the mid-1980s and 2008, the decline in the Gini coefficient of disposable income was “only” about 9%; the same holds for other inequality measures
like the S90/S10 for the working-age population, where the initial declines in the ratio were more impressive than the more recent ones.

It appears that the large decline in inequality between 1974 and 1982 was strongly connected with the cumulative rise in the real value of the minimum wage (for more details about the institutional structure and the evolution of the minimum wage see Chapter 5). The cumulative rise in the real value of the minimum wage was 52% from 1974 to 1982 - during the same period the cumulative rise in real compensation per employee was 39%. In order to appreciate just how large this increase was we note that the real value of the minimum wage started declining since 1984, and its subsequent rise did not return it to its 1982 level until 2009 (this was still a year that hardly anybody understood the dismal state of the Greek economy), subsequently dropping to levels that prevailed in the second half of the 1970s. Unlike the minimum wage, real compensation per employee did not suffer from a strong and protracted fall since 1982, and was 28% higher in 2008 than in 1982. Between 1982 and 1999, when income inequality increased slightly, real compensation per employee increased by 6%, but the real value of the minimum wage declined by 15%. Between 1999 and 2008, when inequality declined again, both the real minimum wage and real compensation per employee rose by 17% and 21%, respectively. The above observations suggest that rises in real compensation per employee are not, by themselves, able to explain the evolution of income inequality in Greece. In contrast, the behavior of the minimum wage appears more able to do so. Increases in the real value of the minimum wage (1974-1982 and 1999-2008) have been associated with declines in inequality. Declines in the real value of the minimum wage (1982-1999), which went in tandem with increases in real compensation per employee, have been associated with (albeit small) increases in inequality.

Another way to appreciate the importance of the minimum wage for the large decline in inequality from 1974 to 1982 is to compare the monthly minimum wage with the poverty line (equivalised disposable income) for 1974 and 1982. The monthly minimum wage (the minimum “wage” is set at an hourly rate for blue-collar workers and at a monthly rate for white-collar workers), was 3,543 drachmas in 1974, and it rose to 19,627 drachmas in 1982. The (monthly) poverty line was 2,765 drachmas in 1974, and 13,714 drachmas in 1982. These numbers imply that a minimum wage employee was earning 28% more than the poverty line in 1974; by 1982, the minimum wage employee was earning 43% more than the poverty line. Since no significant changes in taxation took place between 1974 and 1982, this rise in the “premium” of the minimum wage over the poverty line appears to have contributed to the significant decreases in inequality and poverty that took place during this period.\(^9\)

\(^9\) The rise in minimum wages has also been important in reducing within-group inequality, since changes in minimum wages acted as a benchmark for the lower-paid employees of many categories of workers, and not
The apparent significance of macroeconomic developments for inequality is also testified by the behavior of the unemployment rate, i.e. periods of low, or falling, unemployment rates are associated with declines in inequality, whereas periods of high, or rising, unemployment rates have put a break to the downward trend in inequality. These macroeconomic developments have, of course, been shaped by the constraints and opportunities which the external environment created for the Greek economy. Leaving aside the emergence of the East-Asian countries as powerful shapers of the international division of labour, EEC entry in 1981, euro-area entry in 2001, and the eastward expansion of the EU in 2004, have been equally important factors as domestic political developments for the evolution of aggregate inequality. The first and third (1981 and 2004) of these developments had intensified international competition for industrial firms and workers, whereas the third (2001) allowed an unsustainable influx of capital flows to mask the pressing need for economic and political restructuring. Nevertheless, the likely detrimental effect of these forces on inequality was thwarted by the large rise of social protection expenditures as a proportion of GDP, which reflected the wish of the majority of citizens for a “Europeanization” of social policy (albeit more on the expenditure than on the revenue side).

Another factor which has contributed to the decline in inequality is the increasing prevalence of two-earner families, as females entered masssively the labour market in the 1980s – partly as a result of changes in family attitudes, and partly as a result of the expansion of employment opportunities in the public sector. Not only the conditions of public-sector employment were less demanding on female employees - which had also to fulfill their traditional household duties, they were also more lucrative (in both current wages and future benefits) than private-sector jobs, thus providing an added incentive for labour market participation. Of crucial importance in this expansion of employment opportunities for females was the fact that it did not take the form of part-time jobs – although sometimes the actual tasks performed could be accomplished by a part-time employee. In OECD countries the share of part-time employment in total employment increased from 11% in the mid-1990s to about 16% by the late 2000s - with the strongest increases observed in European countries like Germany, Ireland, the Netherlands, and Spain (OECD, 2010), While offering suitable employment opportunities for traditionally under-represented groups, part-time work also contributed to widening gaps in the distribution of wages. Indeed, adding part-time workers to the full-time gross earnings distribution increases the Gini coefficient of inequality by more than five percentage points on average and by another two points when self-employed workers are also included. In contrast, in Greece there was no rise in part-time employment, whose share of total just the unskilled ones (see chapter 5 for more details about the institutional structure of wage-setting in Greece).
employment was hovering between 4% and 6%, with female-part time employment being in 2008 lower than in 1983.

1.5 Inequality and Poverty Developments since the start of Greece’s Great Depression

By September 2012 it was evident that the slowdown in economic activity experienced by Greece in 2008 and 2009 would turn out to be, in both GDP and unemployment terms, comparable in magnitude (if not larger) than the depression experienced by the US in the 1930s. (Compared with the present crisis, the Greek economy suffered a “mild” recession between 1929 and 1932, with the cumulative GDP drop being “just” 9%.)

Before we proceed with any discussion of the crisis’ impact on inequality, we provide a brief background of change in macroeconomic aggregates. According to ELSTAT, the (seasonally adjusted) unemployment rate for the month of July rose from 7.4% in 2008, to 9.5% in 2009, to 12.5% in 2010, to 17.8% in 2011, and it reached 25.1% in 2012. The accelerated rise in the unemployment rate was accompanied by a rise in the proportion of jobless households (i.e. those without any employed members) to 16.9% in the first quarter of 2012. Since 2010, the nominal value of minimum wages has declined by more than 22%, and their real value by almost 30%. These unfavourable labour market developments went in tandem with an 18% decline of GDP between the first half of 2008 and the first half of 2012, and significant cuts in social welfare spending.

Given the absence of any survey data for developments since 2010 (for example, the EU-SILC household budget surveys for 2010 will not be available until 2013), the only available method for gauging the effects of the crisis (as well as the policies which were adopted in response to the crisis) are the micro-simulations provided by the tax-benefit model EUROMOD, as applied in the Greek case by Matsaganis and Leventi (2012). Their simulations of the combined effect of some of the changes in the economic environment from 2009 to 2010 predict essentially no changes in inequality (i.e. the Gini coefficient “changes” from 0.349 in 2009 to 0.350 in 2010, the coefficient variation from 0.800 to 0.786, and the S80/S20 ratio from 6.109 to 6.193). With respect to income deciles, the model predicts that the lowest deciles (1-3) will suffer some small declines, deciles 5 to 9, will experience small gains, and richest decile small losses. The simulations suggest a bigger influence on the poverty rate, if the poverty line for 2009 is adopted for 2010 (adjusted for inflation); the poverty rate for the population as a whole rises from 20.06 in 2009 to 25.45 for 2010. (Using the unadjusted poverty line for 2010, the predicted poverty rate for 2010 is 20.88.)
To what extent these simulation results for changes in inequality and poverty can provide a guide for the likely consequences of the intensifying efforts at budget consolidation and current account adjustment in Greece? The very small rise in inequality predicted by Matsaganis and Leventi (2012) for 2010 is to a large extent predicated on the relatively small deterioration in the economic environment between 2009 and 2010, relatively to what has happened since then. Nevertheless, the significant rise in the adjusted poverty rate is an unwelcome portent given the accelerated deterioration in practically every economic magnitude which impacts directly on household welfare since 2010. The decision taken by decree in February 2012 to reduce the minimum wage by 22% for those aged more than 25, and by 32% for the rest, along with the doubling of the unemployment rate since 2010, and the large (and still ongoing) reductions in real compensation per employee, will, most likely, lead to a dramatic rise in poverty rates if previous patterns re-emerge and the social welfare budget is increasingly starved of funds (as is planned to be).

A key development of the labour market since the start of the crisis has been the dramatic rise in the number of unemployed men. While in the past the unemployment rate for men was close to four-tenths of the unemployment rate of women (in July 2007: males, 5.1%; females, 12.5%), in July 2012, the male unemployment rate was more than three-quarters of the female rate (males: 22.3%, females: 29.0%). Given the far larger labour force participation of males relative to females in Greece, this implied that the number of unemployed males became larger than the corresponding number for females. This development implies that households which were relying on a male breadwinner (a common thing in Greece) will have been hit particularly hard from the crisis, and this development is very likely to exacerbate the rise in the poverty rate in Greece.¹⁰

¹⁰ Preliminary evidence suggests that females (the “secondary” earners) have been entering the labour force as the unemployment rate was rising (in contrast to the “discouraged worker” effect) in the hope of finding employment. The dramatic rise in the number of jobless households suggests that this effort by the females was not, in the aggregate, successful.
2. The Social Impacts of Inequality

2.1 Introduction

Wilkinson and Pickett (2009) have systematically surveyed a large body of research and argued that there is a relationship between income inequality and social problems among countries over a certain income threshold. Their argument was that even among relatively high-income countries those with greater levels of income inequality fare worse on a range of social indicators. The purpose of this chapter is to examine to what extent one can discern any beneficial social effects from the reduction in income inequality in Greece during the last four decades.

2.2 Material Deprivation

It has long been observed (Sen, 1985) that household incomes are a key determinant of living standards, but adequately capturing living standards, and in particular deprivation and social exclusion, requires going beyond income to incorporate non-monetary indicators. A key concept in this respect is material deprivation, which refers to the inability for individuals or households to afford those consumption goods and activities that are typical in a society at a given point in time, irrespective of people’s preferences with respect to these items (OECD, 2007).

The material deprivation rate is an indicator in EU-SILC that expresses the inability to afford some items considered by most people to be desirable or even necessary to lead an adequate life. The indicator distinguishes between individuals who cannot afford a certain good or service, and those who do not have this good or service for another reason, e.g. because they do not want or do not need it. The indicator measures the percentage of the population that cannot afford at least three of the following nine items: (1) to pay their rent, mortgage or utility bills; (2) to keep their home adequately warm; (3) to face unexpected expenses; (4) to eat meat or proteins regularly; (5) to go on holiday; (6) a television set; (7) a washing machine; (8) a car; (9) a telephone. Severe material deprivation rate is defined as the enforced inability to pay for at least four of the above-mentioned items. Figure 3.1 plots the share of population in Greece and the euro area facing severe material deprivation, which shows a significant fall from 2003 to 2009.
Papadopoulos and Tsakloglou (2002) have constructed four static deprivation indicators using third-wave (1996) ECHP data for a number of European countries. These indicators cover the domains of Income (Poverty), Living Conditions, Necessities of Life and Social Relations, and the relevant results for Greece are shown in Figure 3.2. Regarding the first deprivation indicator, we note that household income in the ECHP includes only monetary incomes and ignores incomes in-kind from either private or public sources and, thus, it is not a satisfactory approximation of the concept of ‘command over resources’. Nevertheless, setting the poverty line at 60% of the median equivalised income per capita, and using the ‘modified OECD equivalence scales’, the poverty rate for Greece is calculated at 22.7%. This poverty rate is along with Portugal and the UK (23% and 22.3%, respectively) the highest among the 14 countries (EU15 minus Sweden) examined, indicating that relative poverty tends to be higher in countries with higher levels of aggregate inequality. The second deprivation indicator (Living Conditions) summarizes, by weighing appropriately, information on 22 items related to the availability of certain household amenities (separate kitchen, bath, etc.), the existence of particular problems in the accommodation (lack of space, environmental problems, etc.) and the inability to acquire a number of durable goods (car, dishwasher, etc.) Greece’s position remains second-worst on this indicator as well, with 10.6% of the population being deprived - Portugal (19.6%) and Ireland (9.7%) are the other two countries with high deprivation rates. The third deprivation indicator
(Necessities of Life) is based on answers that households of the ECHP gave about their ability to afford (if they wanted to) a number of activities considered as quite basic (for example, to keep their homes adequately warm, pay for a week’s annual holiday away from home, etc.). On this indicator, Greeks had the highest deprivation rate (32.1%) of the 14 countries, with the UK (16.9%), Italy (16%), and Portugal (15.9%) being the other three countries with high deprivation rates. The fourth indicator deals with deprivation in the domain of Social Relations, and it classifies as deprived those population members aged 16 or above who reported that they talk to their neighbours ‘once or twice a month’ or less frequently and, in addition, they meet friends ‘once or twice a month’ or less frequently and, further, they are not members of a club or organisation (such as a sport club, a local group, a political party, etc.). Ireland (0.6%), the UK (1.7%), and Greece (2.0%) score particularly well on this deprivation index. In fact, the highest aggregate levels of deprivation according to this indicator are reported in some of the higher-income EU countries (e.g., Belgium: 8.7%) - this is not surprising since there is no link between this indicator and monetary incomes.

![Proportion of population classified as deprived and relative ranking of Greece compared to 14 EU countries (ECHP, 1996)](image)

Source: Papadopoulos and Tsakloglou (2002) and authors’ calculations

We note that Greece fares worst if the concept of ‘cumulative disadvantage’ is used, which measures the number of indicators according to which each population member is classified as deprived. In all
countries examined by Papadopoulos and Tsakloglou (2002), the majority of the population is not classified as deprived according to any of the four deprivation indicators (mentioned above). The proportion of the population classified as deprived according to at least one indicator varies between 21.6% in Luxembourg, to 41.5% in Portugal, and to 43.5% in Greece.

Given that for a person to be classified as deprived according to one criterion only, may be due to a chance factor, whereas limiting the group of people suffering from cumulative disadvantage to those classified as deprived according to three or four criteria could not be regarded as due to chance, we can regard the latter group of people as seriously disadvantaged. According to this criterion, the population share of this group varies between 1.07% in The Netherlands to 5.8% in Portugal (5.8%), with Greece and Ireland having the second-highest proportion of seriously disadvantaged persons (both at 4.4%).

Some further evidence regarding material deprivation in Greece is given in Figure 3.3, which concerns deprivation in terms of ownership of five consumer durables (telephone, colour TV, personal computer, washing machine, and car). On the basis of EU-SILC data, Andriopoulou, Papadopoulos, and Tsakloglou (2010) have calculated the proportion of the Greek population deprived of these goods for four consecutive years (waves). The proportion of the population deprived of these goods declined, especially for personal computers and cars. Also, as expected, the balanced sample of 2006 indicates that the deprivation rate in the ownership of consumer durables is significantly lower among the non-poor than among the poor. Nevertheless, for cars and personal computers the deprivation rate even among the non-poor is significant (7.0% and 12.4%).
In contrast with the “objective” measures of material deprivation discussed above, in Figure 3.4 we present the (“subjective”) assessments by household members whether they are able to cover basic household needs. It appears that for all four types of needs there was a decline in the share of population declaring inability to cover their needs. Yet, about 50% of households thought that they could not afford a week’s vacations per year, about one-third of the households declared that they lack the means to cover unexpected financial obligations, about one-in-four that they are unable to pay the bills for utilities (although the proportion declined to about one-in-six by 2007), and just less than 10% cannot afford to eat meat or fish every second day. As expected, the deprivation indicators are larger for the poor than for the non-poor, but it still strains credibility to believe that 42.6% among the non-poor could not afford a week’s vacation per year. (A possible explanation for the apparent larger percentage of non-poor that did actually have a week’s vacation per year maybe that they indeed they could not afford it, but irresponsible borrowing/lending made it possible.)
Figure 3.4: Assessments by household members about their ability to cover basic household needs

Source: Andriopoulou, Papadopoulos, and Tsakloglou (2010)

Figure 3.5 presents EU-SILC based estimates about the share of the population in Greece which reports that they are deprived with respect to their housing needs. The proportion of people whose dwellings do not have an adequate number of rooms shows a small rise from 2004 to 2007 (from 29.9% to 32.1%); this cannot be explained on the basis of greater aspirations as it is based on the objective assessment of the surveyors. What is notable is that in the balanced sample of 2006, about one-third of the non-poor are deemed as deprived in this respect. For all other variables there was a discernible decline in the deprivation rate, but still, 13.8% of the poor did not possess an in-house bathroom in 2006, whereas 24.1% of them felt that their heating was inadequate.
2.3 Cumulative Disadvantage and Multidimensional Measures of Poverty and Social Exclusion

The concept of social exclusion is transcending economists’ traditional focus on monetary incomes. Unlike poverty, which is a distributional outcome, social exclusion refers to a process of declining participation, solidarity, and access. For some, exclusion is a broader term encompassing poverty; for others, it is a cause or a consequence of poverty (Heady and Room, 2002). Social exclusion refers to a “rupture of the social bond” or “solidarity”, since the social contract is not supposed to leave individuals to fend for themselves, unprotected by the vagaries of the market. Society owes its citizens the means to a livelihood, and citizens in turn have obligations to the larger society. European welfare states were supposed to do away with “charity” for “the poor,” providing basic social assistance, and, hence, as a right of citizenship, eliminating absolute material deprivation. Atkinson et al. (2002) considers the term social exclusion to be “shorthand for a range of concerns considered to be important in setting the European social agenda”. In contrast to poverty, which is exclusively economic, material, or resource-based, social exclusion is (i) multidimensional, and encompasses collective as well as individual resources, (ii) dynamic or process-oriented, (iii) relational, in that exclusion entails social distance or isolation, rejection, humiliation, lack of social support networks, and denial of participation, (iii) active, in that there is a clear agency doing the excluding – e.g. even the welfare state can exclude some citizens from protection or trap them in...
unemployment, and (iv) relative to context. In short, social exclusion relates to being unable to enjoy levels of economic, political, or cultural participation that most persons of a given society take for granted.

Given the potentially dynamic nature of social exclusion it is important to examine whether exclusion today creates the seeds for exclusion tomorrow. In Figure 3.6 we present the results of such an analysis by Andriopoulou et al. (2010), in which the deprivation rates of each of the three categories presented in the previous section are first aggregated into a single cumulative deprivation index, and then these are used to form a Multidimensional Cumulative Deprivation index, in which the weights used in various stages reflect the proportion of the sample that “owns” the various goods. The numbers in Figure 3.6 refer to the proportion of persons experiencing Multidimensional Cumulative Deprivation for one, two, or three consecutive years; the cutoff point below which a person is considered facing deprivation is set at 85% of the median “welfare score” constructed on the basis of “ownership” of the different goods in the three categories above – see, Andriopoulou et al. (2010) for further details regarding the calculations. For the balanced sample of 6563 persons, the percentage not facing Multidimensional Cumulative Deprivation in none of the three waves (years) is 75.5%, whereas 24.5% faced such deprivation in at least one over these three years, and 9.2% faced it throughout the three years. The latter group may be considered as facing a high risk of severe social exclusion. A more inclusive measure of Cumulative Inter-Temporal Deprivation may be one in which persons experience Multidimensional Cumulative Deprivation in at least two of the three years examined, in which case the proportion of people with high risk of social exclusion is 15.3% - in what follows we use this index. Considering the poor and non-poor as distinct groups, the proportion of poor people with high risk of social exclusion is 35.0%, whereas for the non-poor 10.0%. The latter figure is high enough to justify the notion that poverty and social exclusion are not tightly linked, as more than half of the people considered to be of high risk of social exclusion are not poor (i.e. earn more than 60% of median income).
We now turn to an examination of how the risk of social exclusion varies between socio-economic groups. These groups are separated according to (a) gender, and gender of household head, (b) employment of household head, (c) educational attainment of household head, and (d) geographical region. The numbers quoted in Figures 3.7-3.10 show (i) the relative risk of social exclusion (calculated as the division of the Multidimensional Cumulative Deprivation index of each group with the same index for the full sample (i.e. 15.3%), and (ii) the contribution of each group to the total deprivation rate, which is the share of each group to the total number of people deemed to be socially excluded. Figure 3.7 reveals that females face a marginally higher risk of social exclusion than males, and this is also reflected in their gender’s contribution to the total number of people with high risk of social exclusion. However, the situation changes markedly if we use the gender of the household head as our criterion; households headed by females face significantly higher risk of social exclusion, with the relative risk for females being almost twice as high as for males (1.62 and 0.87, respectively). Nevertheless, persons belonging to households headed by males are the largest group (71.9%) among persons with high risk of social exclusion, due to the large share of this group in the population (82.7%).
Figure 3.8 shows how the risk of social exclusion is related to the labour market. The close linkage between the labour market and the risk of social exclusion is made apparent by the fact that, compared with household heads which are full-time employees, the risk of social exclusion is about two and a half times larger for household heads which are part-time employees, and about four times larger for unemployed household heads. We note that although pensioners face the same risk of social exclusion as the population on average, their contribution to the total number of socially excluded is the largest of any other category due to their being the second most populous group in the sample (31.0%); similarly, full-time employees are the second largest group among those with high risk of social exclusion due to their being the most populous group.

Figure 3.7: Relative risk of social exclusion and contribution to total deprivation

Source: Andriopoulou, Papadopoulos, and Tsakloglou (2010)
The relationship between personal educational attainment and social exclusion is negative, as testified by Figure 3.9. We thus see that the risk of social exclusion is about eight times larger for household heads with primary education than for graduates of tertiary institutions. Persons with the lowest educational qualifications make up more than 60% of the population with high risk of social exclusion.
Finally, Figure 3.10 shows the differentiation in the degree of social exclusion across regions. The four regions examined are Northern Greece (comprising of Macedonia, Thessaly, and Thrace), Central Greece (Epirus, Sterea Ellada, Peloponnese, and the Ioanian Islands), Attika (including Greater Athens), and Aegean Islands plus Crete. Attika is the region in which the population faces the lowest risk of social exclusion, with residents of the Aegean Islands plus Crete facing about twice as high risk as those in Attika.

**Figure 3.10: Distribution of Cumulative Inter-Temporal Disadvantage, by regions**

Source: Andriopoulou, Papadopoulos, and Tsakloglou (2010)
2.4 Social cohesion and social isolation

In Greece there is a traditional pattern of social life that involves members of the nuclear and extended family, neighbors and colleagues from work. It is often the case that family members of more than two generations live under the same roof (grandparents, parents and children). Owing to the rising unemployment which particularly hits the young, there are obvious pressures to young adults who used to have a job but are now unemployed to return to the household of their family of origin. In brief, tradition and unemployment create conditions favorable to closely-knit social relations rather than social isolation.

As Figure 3.11 shows, few Greeks consider themselves isolated in the sense that they are unable to ask anyone close to them (relative, friend or neighbor) for help at times of need. In this respect Greece fares better than the EU average and belongs to the group of Netherlands, Denmark, Sweden and Spain, where social isolation is low. Among South European countries, there is a stark contrast between Greece and Spain on the one hand and Italy on the other, where social isolation is the highest among the EU27.

Figure 3.11: Percentage share of respondents not able to ask any relative friend or neighbour for help, 2006

Source: Eurostat (2011) Note: EL stands for Greece. The blue horizontal line marks the EU average.
This picture is corroborated by the fact that compared to other European nations those Greeks who meet with friends, do so very frequently. As Figure 3.12 shows, the relative majority of Greeks (over 40 per cent) get together with friends on a daily basis. This is a pattern common in other South European countries, such as Portugal and Cyprus (and less so, Spain), where people meet friends daily at a frequency which is double the EU average, which is a little over 20 per cent.

As Figure 3.13 shows, social isolation is larger among the old age people (65+) and this is particularly true for old people in Slovakia, the Baltic states, Denmark, Cyprus and Greece. In Greece this result may be interpreted in the light of the traditional family structure and the lack of adequate state-provided social care for the elderly. As noted above, grandparents, very often live in the same house with their progeny. In other words old people may socialize more with family members than friends. Notably, in Greece, Cyprus and Portugal family contacts remain important: over 70% of the population get together at least once a week with both family and friends (Eurostat 2011).

**Figure 3.12: Frequency of getting together with friends, 2006**

Figure 3. 13: Ratio of those with no friends by age groups compared by total population, 2006


To sum up, Greeks are among the least socially isolated people in Europe. Social cohesion is based on the extended family networks, where closely-knit relationships are formed among family members of different generations.

2.5 Family formation and breakdown

Marriages

As Figure 3.14 shows, the number of marriages per 1,000 inhabitants declined in Greece between the end of the 1970s and the end of the 1990s and stabilized afterwards (at about 5.2 marriages per 1,000 inhabitants). The evolution of the marriage rate does not seem to be linked with the evolution of income inequality. The decline of crude marriage rate is associated with the postponement of the time of first marriage and with rising enrollment rates in tertiary education.

Between 1996 and 2001 the number of students in Greece almost doubled, because the Greek government increased both the number of available places in universities and the number of new universities particularly in isolated regions. As a result in 2001, “the percentage of young people in the age cohort between 18 and 21 years registered in higher education institutions in Greece exceeded 58%” (report of the Greek Ministry of Education, available at http://www.ehea.info/Uploads/Documents/GREECE_2003.PDF, accessed on 4
August 2012). While in the context of a still predominant traditional value system, Greek families continue to highly value the marriage of their offspring, they also value higher education. The expansion of higher education has meant that men and women who have obtained higher education have postponed the time of first marriage, until they enter the labour market or until they finish their postgraduate education as well.

It is telling that between 1980 and 2008 the mean age at first marriage for Greek men increased from 27 to 32 years and for Greek women from 22 to 29 years (United Nations data, available at http://w3.unece.org/pxweb/dialog/Saveshow.asp?lang=1, accessed on 4 August 2012).

Figure 3.14: Crude Marriage Rate in Greece (4-year moving average), 1975-2007

Source: Hellenic Statistical Agency (ELSTAT)

The traditional character of the Greek family is also indicated in the type of family structure. As Table 3.1 shows, the share of couples cohabitating is much smaller in Greece than in the rest of the EU, even in the younger age groups, i.e., among people in their twenties and their thirties. The difference is more pronounced for couples with children, in which case cohabiting unions represent only 0.3% for younger age groups in Greece, and about 21% in the EU27.
In Greece, the total fertility rate is throughout the years far below the OECD average and despite its increase in 2002-2009 it is far below the reproduction level too (Figure 3.15). The total fertility rate declined until the early 2000s, but rose afterwards.

Trends in the total fertility rate in Greece are not linked to trends in income inequality. Particularly after 2000 the rise of fertility rate did not follow the ebb and flow of income inequality but kept rising. However, the observed rising trend in the 2000s may be owed first, to the rise of living standards among Greeks in the second half of the 1990s and the first half of the 2000s and, second, to the large inflow of irregular migrants into Greece. Measured against the basis of EU-27=100, Greek GDP per capita in purchasing power parities (PPS) grew from 83 in 1996 to 94 in 2004 (Eurostat data, http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&plugin=1&language=en&pcode=tec00114, accessed on 4 August 2012). On the other hand, the inflow of migrants had started in the early 1990s, continued throughout the 2000s and is still going on. According to the local mission of FRONTEX, the EU’s agency monitoring EU’s borders, the inflow of irregular migrants from the Turkish border increased even in 2011, in the wake of the economic crisis: “migratory pressure on the Greek-Turkish border remained high with over 55,000 detections by the end of 2011. This was an increase of approximately 17 per cent compared to 2010” (FRONTEX data, http://www.frontex.europa.eu/news/greek-turkish-land-border-jo-poseidon-land-situational-update-january-2012-DWvKc6, accessed on 3 August 2012). Migrant women, be they irregular migrants or not, give birth to children in the maternity wards of Greek public hospitals, which allows for the newborn children to be counted.

<table>
<thead>
<tr>
<th></th>
<th>Twenties</th>
<th>Thirties</th>
<th>Forties</th>
<th>Fifties</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>25.2</td>
<td>0.3</td>
<td>6.9</td>
<td>0.3</td>
</tr>
<tr>
<td>EU-25</td>
<td>62.9</td>
<td>28.4</td>
<td>38.4</td>
<td>13.8</td>
</tr>
</tbody>
</table>

In Greece, live births outside marriage are not as common as in the rest of the EU (Figure 3.16. No time series data available for earlier periods). The trends in live birth outside marriage are not affected by trends in income inequality in Greece. Following similar EU trends, the number of live births outside the wedlock increased in Greece, rising from 3.87 per cent of all births in 1999 to 7.28 per cent in 2010. In proportional terms, in 1999-2007, this was a more dramatic increase than the corresponding increase in the EU.
Divorces

There was a sharp rise in divorces, particularly in the 1990s and the 2000s. This rise took place regardless of fluctuations in income inequality. The number of divorces was only 6,156 in 1992, but soared to 13,607 in 2009 (Hellenic Statistical Agency data, [www.statistics.gr](http://www.statistics.gr)). As Figure 3.17 indicates, the number of divorces per 1,000 population fluctuated between 1992 and 1998 but has been on a constant rise ever since. The long term increasing trend of the divorce rate reflects the gradual modernization of social and cultural values of Greek society. While once being divorced carried a stigma, particularly for divorced women, today divorce is widely accepted as a possible outcome of married life and does not contribute to stigmatization.
Lone parent families

Greek family patterns remain traditional: couples get married and have children. This is indicated in the distribution of patterns of living arrangements for children under 18 in 2008 (Figure 3.18). The share of children living with co-habitating parents is five times smaller than the corresponding EU-27 mean and the share of lone parent families in Greece is three times smaller than the corresponding average in the EU-27.
To sum up this section, fluctuations in income inequality do not seem to be linked with patterns of family formation and dissolution or patterns of fertility and living arrangements for children. In Greece, as in other modern European societies, fertility and the crude birth rate declined over the past decades. Divorces also rose over the last two decades. In contrast to other European societies, however, births out of wedlock did not increase and lone parenthood was still a rather rare instance. Greece remains a relatively traditional society as far as family formation and family structure are concerned.

2.6 Health Inequalities

The health status of the Greek population, as measured by healthy life years at birth seems to have improved in the recent years (see Figure 3.19). This is also true for life expectancy (at birth), which increased markedly since the 1980s. Life expectancy for males increased from 73.5 years in 1985 to 78.1 years in 2010, whereas the corresponding rise for females was from 78.4 years to 82.8. (All data quoted in this section are from Eurostat.) These figures are close to the average life expectancy among the EU15 countries; however, Greece’s relative position has deteriorated during the last decade vis-à-vis the other EU15 countries. Regarding life expectancy at 65 (i.e. the number of years
still to be lived by a person aged 65), Greek males in 2010 were expected to live a further 18.5 years (the third highest among the EU15), whereas Greek females were expected to live a further 20.4 years (a figure which is the second lowest among the EU15). Infant mortality (i.e. the number of deaths of infants under one year old per 1,000 live births) in Greece fell significantly, from 9.71 in 1990 to 3.80 in 2010. There were only two countries among the EU15 with higher infant mortality than Greece in 2010 (Austria and the UK); however, Greece’s relative position improved since 2000, when it had the highest infant mortality rate among the EU15.

**Figure 3.19:** Healthy life years at birth by sex

A particularly unwelcome development for Greece during the last four decades has been the large fall in the (total) fertility rate (defined as the average number of children that would be born to a woman over her lifetime if (i) she were to experience the exact current age-specific fertility rates (ASFRs) through her lifetime, and (ii) she were to survive from birth through the end of her reproductive life). It dropped continuously from 2.33 in 1975 to 1.25 in 2001, and it has since then partially recovered to 1.51 in 2010 (but still well below the replacement fertility rate of about 2.1), mainly due to the influx of (legal) migrants whose fertility rate is significantly higher than the indigenous population. Although one can generate various hypotheses connecting the evolution of
income inequality and fertility, we are not aware of any serious efforts to disentangle the direction of causality in the Greek context.

A question that is often asked in health surveys relates to self-perceived health status, and is usually similar to: "How is your health in general?" Despite the subjective nature of answers to these questions, with cultural factors affecting responses, indicators of perceived general health have been found to be a good predictor of people's future health care use and mortality (see Miilunpalo et al., 1997). However, cross-country differences in perceived health status may be difficult to interpret. Figure 3.20 is a case in point. Since 2004, more than 50% of Greeks perceive their health status to be “very good”; the corresponding figure for the EU27 has never been more than 25% during the same period. It is difficult not to attribute such a large discrepancy to cultural factors. Nevertheless, Figure 3.20 remains useful as it reveals a decline in the share of Greeks reporting their health status to be “very good”, from 58.4% in 2004, to 52.32% in 2009 (before hardly any Greek felt any anxiety about the unfolding economic crisis), and to 51.1% in 2010. We note that during the same period the share of people perceiving their health to be either “bad” or “very bad” was about the same in Greece and in the EU27 (the sum hovering around 10%).
We turn now to an examination of how self-perceived health status varies across (equivalised) income quintiles. As expected (see Figure 3.21), the proportion of respondents stating that their health status is either “bad” or “very bad” is inversely related to their income. In 2010, the proportion of persons replying that their health status is either “bad” or “very bad” was three and a half times larger for the first income quintile than for the fifth quintile. This gap in self-reported health status between the top-income and the lowest-income groups was however smaller than in 2004, when members of the poorest quintile were more than four times as likely to report “bad” or “very bad” health status than members of the richest quintile.

Inequalities in self-perceived health status exist also across education groups. This is evident in Figure 3.22, where we see that the disparity in self-perceived health status is very large, with the incidence of “bad/very bad” health status among persons who have not proceeded beyond primary education being about nine times larger than among those that are graduates of post-secondary and first-level tertiary institutions. This gap in self-perceived health status had declined between 2004 and 2008, but with the arrival of the global financial crisis, and its deleterious effects among the less-skilled, the gap had widened again by 2010.
Figure 3. 21: Self-perceived health (bad/very bad) by income quintile (%), equivalised income

Source: Eurostat (EU-SILC)

Figure 3. 22: Self-perceived health (bad/very bad), by education (ISCED 1997)

Source: Eurostat (EU-SILC)
Differences in health status, in the form of long-standing illness or health problem, are also largely shaped by education. In Figure 3.23, the incidence of such problems was between two and a half and eight times as large among persons with only primary education, than for the other education groups. Another notable feature of Figure 3.23 is that although there was a continuing rise in the aggregate share of people with health problems (from 34% in 2004 to 42% in 2010), this upward trend was not experienced by people with post-secondary and first-level tertiary education. Interestingly, persons with post-graduate education not only experienced an increased incidence of health problems (2004: 6.1%, 2010: 9.5%), but also faced significantly higher incidence than persons who had attained only post-secondary level education (5.6% in 2010).

Figure 3. 23: People having a long-standing illness or health problem, by education

Source: Eurostat (EU-SILC)
2.7 Housing tenure

The process of monetary convergence and towards Eurozone participation implied a very significant expansion in the credit supply for consumption and housing. Housing loans represented only 4% of GDP in the 1980's. This share rose sharply - following the fall in interest rates at the end of the 1990s attributed to the adoption of the Euro- to 34% of GDP in 2010 (Figure 3.24).

Figure 3.24: Mortgages and consumer credit as percentage of GDP

Housing tenure is increasingly seen by social scientists (e.g., Kurz and Blossfeld, 2004) not only as an outcome of one’s labour market position, but also as an important factor in shaping social inequality. This is largely because housing circumstances are dependent upon socioeconomic status, but also because home ownership interacts with various structural, cultural, and political factors to determine intergenerational wealth transfers. These issues are particularly pertinent in the case of Greece since family assistance and wealth transfers have been all too important in the achievement of home ownership. In the Greek case this has not been limited to inheritance and the common practice of a cash help in the downpayment towards a loan, but also through the direct transfer of a house or a land plot to the family’s offspring – all too often well before the parents reach old age. Although these practices have been associated with the institution of dowry, their prevalence was almost equally important for sons as for daughters.
These practices, along with the socially acceptable practice of young people staying in their parents’ home until marriage (too often in their thirties), produced for Greece –despite the lack of a functioning market for housing loans – a very high rate of owner-occupation. Figure 3.25 shows that until 2001, owner-occupiers were 90% of all dwellers, but since then their proportion had dropped to 76% in 2007 and to 77% in 2010. This is still a large rate by European standards, and its fall during the last decade probably reflects the steadily decreasing unemployment rate (until 2008) for persons up to 34 years old (see Chapter 2), which allowed them to move to rented accommodation. The importance of high intergenerational wealth transfers is also evident in that 60% of all dwellers had no outstanding mortgage or housing loan until 2010.

**Figure 3.25: Distribution of population by tenure status, (Source: SILC)**

Source: Eurostat (EU-SILC)

Greece’s high rate of owner-occupied housing relative to EU countries is more pronounced when the comparison is made among the poor (income less than 60% of median equivalised income) than among the non-poor. In 2010, 79.0% of the non-poor were owner-occupiers in Greece, compared to 70.7% in the EU27 – a difference of 8.3 percentage points; moreover, the time-trend (2004-2010) was upward for Greece and downward for the EU27 (Figure 3.26.). In Greece, 60% of the non-poor had no outstanding mortgage or housing loan obligations (in 2010), compared to 35% in the EU27. The percentage point difference in owner-occupier status among the poor between Greece and the EU27 was 23 percentage points in 2010 (Greece: 70.1%, EU27: 47.1%) – see Figure 3.27. The relative small difference in owner-occupied status between poor and non-poor in Greece (9 percentage
points higher for the non-poor) is, probably, a recent phenomenon, since in the middle 1990s more than 90% among the poor in Greece were owner-occupiers. Although no data are available for the non-poor in the 1990s, it is safe to assume that even if a higher proportion of the non-poor were owner-occupiers, the difference with the poor would have been smaller. In any case, the (still) very high rate of home ownership among the poor in Greece explains the relative small wealth inequality in Greece (see chapter 2).

Figure 3. 26: Distribution of population by tenure status, above 60% of median equivalised income

![Figure 3. 26: Distribution of population by tenure status, above 60% of median equivalised income](image)

Source: Eurostat (EU-SILC)

The high rate of owner-occupier status among the poor in Greece has not prevented the existence of the highest severe housing deprivation rate among the EU15. Severe housing deprivation rate is defined as the percentage of population living in a dwelling which is considered as overcrowded, while also exhibiting at least one of the housing deprivation measures (i.e. houses with a leaking roof, no bath/shower and no indoor toilet, or a dwelling considered too dark). Greece had a severe housing deprivation rate of 8.2% in 2004, which was the second highest (Italy: 9.0) among the EU15. By 2010, the deprivation rate had dropped to 7.6, which was the highest among the EU15, and higher than a few of the New Member States of the EU.
Greece had also one of the highest housing cost overburden rates (i.e. the percentage of the population living in households where the total housing costs represent more than 40% of disposable income) in 2009. Figure 3.28 shows the housing cost overburden rates by tenure status and for the population as a whole, for Greece, the euro area, and the EU27. At an overall overburden rate of 22.1%, Greece had in 2009 the second highest rate among the EU27 (Denmark: 24.4, euro area: 11.8, EU27: 12.1). What produces this surprisingly high overburden rate for Greece is that the overburden rate among tenants is 67%, far above any EU27 country -second highest is Romania at 56.5, while Portugal, a country which has many characteristics close to the Greek ones, had an overburden rate of 19.8%. It is also surprising that the overburden rate in Greece among owners-occupiers without mortgage or housing loan is higher (at 13.6%) than among those with mortgage or loan (at 10.5%); the corresponding figures for the EU27 are 5.7% and 8.8%, and for the euro area, 3.1% and 7.8%. A possible explanation for this paradox in Greece is that the housing stock of owners-occupiers without mortgages is older, and in need of more repairs to keep it functional, than the housing stock of mortgage indebted owners-occupiers, a vast majority of which acquired their newly-built homes during the credit boom that started in the mid-1990s.
Prices of dwellings which rose significantly in the first years of Eurozone participation have, as expected, fallen significantly since 2009 (Figure 3.29)

Source: Eurostat (EU-SILC)

Source: Bank of Greece
In 2009 Greece had also a higher overcrowding rate (i.e., the proportion of people living in an overcrowded dwelling, as defined by the number of rooms available to the household, the household’s size, as well as its members’ ages and family situation) than all other EU15 countries. Again, what differentiates Greece from the other EU15 countries is that there was not much difference between the overcrowding rates for the poor and the non-poor – a result also of the high owner-occupation of old and small dwellings by the poor.

2.8 Crime and punishment

While in the 1990s and the 2000s the risk of poverty in Greece remained stable, at the 20 per cent level, and income inequality slightly declined, there was an upward shift in crime trends, with only a slight decrease in the mid-2000s. As shown in the graphs of this section, between 1995 and 2007 (the period for which data are available), trends in the number of criminal offences against the person (e.g., homicide and against property (e.g., robbery, motor vehicle theft and burglary) do not follow trends in income inequality. Trends in the size of prison population do not correspond to shifts in inequality either.

Recorded crimes

As Figure 3.30 shows, the total number of recorded crimes in Greece was below 3200 in 1995 but by 2002 the number had reached 4400. For this analysis, EU rather than Greek sources are used. This is because Greek authorities provide EU sources with data which are then standardized for cross-national comparisons.
Figure 3.30: Trends in the number of criminal offences in Greece, 1995-2007


Figure 3.31: Trends in the number of (completed) homicides in Greece, 1995-2007
Figure 3. 32: Trends in the number of robberies in Greece, 1995-2007

Figure 3. 33: Trends in the number of burglaries in Greece, 1995-2007
Figure 3.34: Trends in the number of motor vehicle theft in Greece, 1995-2007
Figures 3.31-3.35 above show the evolution of various types of crimes. With regard to violent crimes, there is a dramatic increase in robbery over 1995-2007, while the number of homicides declined after 2001. There is not enough data on motor vehicle theft which, however, was on the rise in the 1990s. By contrast, the number of burglaries declined in 1995-2005. Notably, drug offences increased substantially over 1995-2003 and declined afterwards.

Prison population

As Figure 3.36 shows, Greece’s prison population also increased, probably following the upward trends of some of the types of crimes noted above. The increase was more evident between 2004 and 2009. After this period, the Greek government took measures to release prisoners incarcerated for less serious crimes, because prisons had reached maximum capacity.

What are the causes of above trends? The public opinion and the press in Greece tend to associate the rise in crime with the inflow of unregistered migrants which started after the fall of state socialism in neighboring Balkan countries (1989-1991). Such inflow has continued unabated ever
since, with the addition of migrants from South Asia and Sub-Saharan Africa in the more recent years. Indeed, in Greece the share of foreign offenders among all those arrested for all types of criminal offence rose from 1.1 per cent in 1990 to 19.8 per cent in 2007 (research by the Greek National Centre for Social Research, summarized in the newspaper He Kathimerini, 2 May 2009).

However, arrested migrants are over-represented among all those arrested only for specific types of crimes, such as theft, robbery and forgery of official papers. The share of foreigners among arrested robbers climbed from 3 per cent in 1990 to 37 per cent in 2007; and in the case of arrests for intended homicide, the share rose from 5.4 per cent in 1990 to 32.5 per cent in 2007. However, as those figures show, it is Greek nationals who commit the bulk of crimes. Also the participation of non-Greeks in economic crimes and corruption is small (He Kathimerini, 2 May 2009). In short, the inflow of migrants explains only part of the rise in criminality.

Figure 3. 36: The evolution of prison population in Greece, 2003-2009

The rise in total crime is probably related to the increase in drug trafficking and in consumption of illegal drugs. Drug-related crimes almost quadrupled between 1995 and 2003, but declined in 2004-2005 (Figure 3.35). In contrast to most other EU Member-States, Greece’s geographical position makes it a ‘natural’ gateway for smuggling drugs into Western Europe. Cannabis and heroin are
smuggled from the Middle East and South West Asia to Europe through the northern regions of Greece bordering on Turkey. The latter country has never taken adequate measures to stop the tide of drug trafficking.

Another plausible explanation for the rise in crime has to do with the social transformation of Greek society, namely its urbanization and modernization over the last decades. Crime is less frequent when people live in rural areas. In Greece the population living in urban centres (over 10,000 inhabitants) rose from 43 per cent of the total in 1961 to 59 per cent in 2001. Moreover, the Greek life-style changed, as Greeks started consuming more and more. Owing to tax evasion, it is difficult to estimate how much the income available for private consumption rose in Greece in the 1990s and 2000s, up until the onset of the current crisis (2010).

2.9 Subjective measures of well-being, satisfaction, “happiness”

Subjective measures of well-being are important because they capture the actual perceptions citizens hold about their life. Figure 3.37 tracks the Eurobarometer survey responses to the question “On the whole are you very satisfied, fairly satisfied, not very satisfied or not at all satisfied with the life you lead?” Among the older South European EU member states listed here, Greeks register the lowest rate of life satisfaction, except for certain sub-periods when Portugal scores lower. Out of all the countries traced in Figure 3.37, Greece appears to have the strongest positive correlation with Spain. It is correlated with the EU average during 1981-90, after which the EU trend moves upward and the Greek downward. They become correlated again after 1998, and move in parallel until the 2008 crisis, after which the EU average trend is stabilized while that of Greece collapses to the lowest levels recorded. There are six local peaks of life satisfaction (1986, 1989, 1997, 1999, 2004 and 2006) all more or less corresponding to sub-periods when the economy was doing well in terms of GDP growth.
Figure 3.38 (inequality-adjusted life satisfaction) is an index denoting the degree to which a country combines a high average level of life satisfaction with low inequality in life satisfaction. Theoretically ranging between 0 and 100, the index gives equal weight to level and inequality of happiness. It is measured as a linear combination of the mean and the standard deviation of the distribution of life satisfaction or happiness in a nation. Over 1981-2007 we see an overall long-term upward convergence trend towards the EU average, after which Greece begins to steeply diverge from the EU, reaching (after 2010) the lowest levels recorded.
Figure 3.38: Inequality-adjusted life satisfaction, yearly average

Source: Eurobarometer

The final figures (3.39 and 3.40) display findings from the European Social Survey, Rounds 1, 2 and 4 (Greece did not participate in Round 3), completed for Greece in 2003, 2005, and 2009 respectively. They display the total scale of responses, from 0 (fully dissatisfied) to 10 (fully satisfied), allowing a more detailed picture of the distribution of responses.
Figure 3. 39: Sense of Personal Happiness

Figure 3. 40: Satisfaction from the Economy

Source: National Centre for Social Research (EKKE)
In accordance to what we saw in the previous graphs, the greatest divergence from the European average (not EU but average of ESS participating European countries) occurs in the 4th ESS round of 2009, where the non-satisfaction rates for Greece are much higher the European average than they are in the previous rounds. It is finally worth noting that respondents declare a very low degree of satisfaction from the economy while at the same time scoring relatively high on their own subjective account of personal happiness. The importance of the economy notwithstanding, it seems that other, far more subjective factors, also play a crucial role in determining one’s individual count of personal happiness.

2.10 Intergenerational mobility

Very limited empirical research has been carried out regarding intergenerational mobility in Greece, and it concerns mainly the role of education. Standard literature shows that in both developed and developing countries, better education tends to ensure workers higher wages, lower unemployment and better prospects of career development. In line with existing literature, Tsakloglou and Cholezas (2005) find that education appears to be the single most important factor that shapes the overall distribution of income and influences the probability of poverty.

Considering its level of development, Greece has had a relatively well-educated population, with high rates of tertiary education among the younger generations. The educational qualifications of the Greek labour force have steadily improved over the recent decades (Table 3.2).

<table>
<thead>
<tr>
<th>Educational level</th>
<th>1974</th>
<th>1988</th>
<th>1999</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Below</td>
<td>36–</td>
<td>Over</td>
</tr>
<tr>
<td>Tertiary</td>
<td>7.3</td>
<td>8.3</td>
<td>5.3</td>
</tr>
<tr>
<td>Upper secondary</td>
<td>21.3</td>
<td>13.0</td>
<td>7.5</td>
</tr>
<tr>
<td>Lower secondary</td>
<td>9.1</td>
<td>5.3</td>
<td>4.1</td>
</tr>
<tr>
<td>Primary</td>
<td>55.5</td>
<td>43.8</td>
<td>47.6</td>
</tr>
<tr>
<td>Primary not completed</td>
<td>6.7</td>
<td>29.5</td>
<td>35.6</td>
</tr>
</tbody>
</table>

Source: Tsakloglou and Cholezas (2005)
Table 3.2 shows the significant improvement of educational qualifications of the labour force in all age groups between 1974 and 1999. In 1974, for example, 7.3% of the age group below 35 were tertiary education graduates and 62.2% had completed less than lower education; by 1999 the percentages were 23.6% and 13.2% respectively (Tsakloglou and Cholezas, 2005).

State-provided education, however, has coexisted with high levels of private spending in education (private schools, tutorials and cram schools, and one of the highest percentages of tertiary student emigration in the world). Success in the public university entry exams is easier for students with a higher educational and income family background as compared to those from lower socioeconomic strata. Table 3.3 shows that students from a poorer socioeconomic family background are heavily overrepresented among those not continuing their studies in the post-compulsory stages of secondary education, and overrepresented in technical rather than university tertiary education. Students from a wealthier family background have a much higher probability of attending cram school and private tuition, and when they do they devote a higher budget. Students from wealthier family backgrounds are overrepresented in university education.

Table 3.3: Participation in education and private spending per upper secondary education student per quintile of household income, 1993/94

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Bottom</th>
<th>Lower middle</th>
<th>Middle</th>
<th>Upper middle</th>
<th>Top</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of persons aged 15–17 not in education, %</td>
<td>31.51</td>
<td>11.16</td>
<td>10.05</td>
<td>9.18</td>
<td>2.50</td>
</tr>
<tr>
<td>Proportion of upper secondary education students in technical education, %</td>
<td>23.62</td>
<td>21.67</td>
<td>18.97</td>
<td>24.85</td>
<td>12.53</td>
</tr>
<tr>
<td>Proportion of households with upper-secondary education students with expenditures on fees for cram schools and private tuition (%)</td>
<td>22.00</td>
<td>42.33</td>
<td>52.51</td>
<td>57.87</td>
<td>62.82</td>
</tr>
<tr>
<td>Monthly mean private spending per upper-secondary education student attending a cram school or taking private tuition (in drachmas)</td>
<td>9,226</td>
<td>15,096</td>
<td>19,218</td>
<td>26,318</td>
<td>33,875</td>
</tr>
<tr>
<td>Ratio of tertiary education to upper secondary education students</td>
<td>0.3068</td>
<td>0.3644</td>
<td>0.5264</td>
<td>0.6179</td>
<td>0.4989</td>
</tr>
<tr>
<td>Ratio of university to general upper secondary education students</td>
<td>0.2769</td>
<td>0.2760</td>
<td>0.3850</td>
<td>0.5501</td>
<td>0.3632</td>
</tr>
</tbody>
</table>

Source: Antoninis and Tsakloglou (2001)

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For example, Psacharopoulos and Tassoulas (2004), Katsikas and Kavvadias (1994).
In one of the few studies to examine the distributional impact of Greek public education transfers-in-kind, and using data from the 1993/94 Household Budget Survey, Antoninis and Tsakloglou (2001) find that transfers to primary and secondary education students reduce inequality substantially, while transfers to tertiary education, and especially University students, are regressive, increasing inequality.

A number of empirical studies agree on the importance of family background (parents occupation and education) with regard to the poverty and exclusion risk of the individual in their adult life. Papatheodorou (1997) and Tsakloglou and Papadopoulos (2002) find that the parents education is a significant factor in explaining whether the individual, in their adult life, will be located above or below the poverty line or risk social exclusion.

No cross-temporal study is available comparing outcomes of intergenerational mobility over the recent decades. We thus rely on studies using microdata from specific surveys on Greek households. Papatheodorou (1997) uses microdata from a survey carried out in 1988 by the Greek National Centre for Social Research (EKKE). He finds that the father's education is associated with father's occupation but does not have a significant direct effect on the individual's poverty independently of other variables. Rather, the father's education influences the individual's probability of falling below the poverty line indirectly, through the significant effect on the individual's education and the association with the father's occupation. But the father's occupation has a strong direct effect on the individual's poverty independently of other variables. The children of fathers who are professionals, administrative executives, clerical, tradesmen or salesmen are less likely to fall below the poverty line compared to those whose fathers were craftsmen, labourers or service workers, and even less likely than those whose fathers were farmers (Papatheodorou, 1997: 27).
Table 3. 4: Poverty by educational level of the father of the head of household

<table>
<thead>
<tr>
<th>Educational Level of the Father of the Head of Household</th>
<th>No Primary Education</th>
<th>Primary Education</th>
<th>Secondary Education</th>
<th>Higher Education (College)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor (%)</td>
<td>30.2</td>
<td>18.6</td>
<td>9.7</td>
<td>1.3</td>
<td>23.0</td>
</tr>
<tr>
<td>Not Poor (%)</td>
<td>69.8</td>
<td>81.4</td>
<td>90.3</td>
<td>98.7</td>
<td>77.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>(N)</td>
<td>(1130)</td>
<td>(1094)</td>
<td>(124)</td>
<td>(79)</td>
<td>(2427)</td>
</tr>
</tbody>
</table>

$X^2 = 78.089$  DF: 3  Significance 0.000

Source: Papatheodorou (1997)

Table 3.4 shows that the father’s level of education affects poverty rates. 61% of households below the poverty line have a household head with a paternal background of "no primary" education. A household head with a paternal background of "no primary" education is 33.7 times more likely to be poor than one with a paternal background of tertiary education.

Table 3. 5: Poverty by occupation of the father of the head of household

<table>
<thead>
<tr>
<th>Occupation of the Father of the Respondent</th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor (%)</td>
<td>9.0</td>
<td>18.0</td>
<td>29.3</td>
<td>23.0</td>
</tr>
<tr>
<td>Not Poor (%)</td>
<td>91.0</td>
<td>82.0</td>
<td>70.7</td>
<td>77.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>(N)</td>
<td>(389)</td>
<td>(651)</td>
<td>(1.387)</td>
<td>(2.427)</td>
</tr>
</tbody>
</table>

$X^2 = 83.187$  DF: 3  Significance 0.000

I: Professionals, Administrative Executives, Clerical, Tradesmen and Salesmen.
II: Craftsmen, Labourers, Service Workers
III: Farmers


Table 3.5 shows the strong association between paternal occupation and poverty risk. Households where the father of the household head is a farmer are 3.2 times more likely to be poor than those
whose father’s occupation belongs to category I, and 1.6 times more likely than those belonging to category II.

Table 3.6: Households by educational level of the heads of household and the educational level of their fathers

<table>
<thead>
<tr>
<th>Educational Level of the Father of the Respondent</th>
<th>No Primary Education</th>
<th>Primary Education</th>
<th>Secondary Education</th>
<th>Higher Education (College)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Primary Education (%)</td>
<td>27.3</td>
<td>6.5</td>
<td>0.0</td>
<td>0.0</td>
<td>15.6</td>
</tr>
<tr>
<td>Primary Education (%)</td>
<td>57.7</td>
<td>51.2</td>
<td>17.7</td>
<td>10.1</td>
<td>51.2</td>
</tr>
<tr>
<td>Secondary Education (%)</td>
<td>10.6</td>
<td>26.0</td>
<td>39.5</td>
<td>32.9</td>
<td>19.7</td>
</tr>
<tr>
<td>Higher Education (%)</td>
<td>4.4</td>
<td>16.4</td>
<td>42.7</td>
<td>57.0</td>
<td>13.5</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>(N)</td>
<td>(1.130)</td>
<td>(1.094)</td>
<td>(124)</td>
<td>(79)</td>
<td>(2.427)</td>
</tr>
</tbody>
</table>

\[X^2 = 616.359 \quad \text{DF: 3} \quad \text{Significance 0.000} \quad \text{Gamma = 0.64902}\]

Source: Papatheodorou (1997)

Table 3.6 illustrates a picture of considerable upward intergenerational educational mobility. In all educational levels, the majority of respondents have done better or (in the secondary and higher educational levels) at least as well as their fathers. However, only a small percentage of respondents whose fathers possess no primary education or just primary education make it to secondary or even more to higher education. This suggests that educational (and thus also occupational) development remains constrained by unequal starting conditions related to family background.
Table 3.7: Households by respondent’s father occupation and respondent’s educational level

<table>
<thead>
<tr>
<th>Educational Level of Respondent</th>
<th>Occupation of the Father of the Respondent</th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Primary Education (%)</td>
<td></td>
<td>4.6</td>
<td>10.1</td>
<td>21.3</td>
<td>15.6</td>
</tr>
<tr>
<td>Primary Education (%)</td>
<td></td>
<td>31.1</td>
<td>45.9</td>
<td>59.3</td>
<td>51.2</td>
</tr>
<tr>
<td>Secondary Education (%)</td>
<td></td>
<td>31.6</td>
<td>28.1</td>
<td>12.5</td>
<td>19.7</td>
</tr>
<tr>
<td>Higher Education (%)</td>
<td></td>
<td>32.6</td>
<td>15.8</td>
<td>7.0</td>
<td>13.5</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>(N)</td>
<td></td>
<td>(389)</td>
<td>(651)</td>
<td>(1.387)</td>
<td>(2.427)</td>
</tr>
</tbody>
</table>

$X^2 = 362.905$  DF: 6  Significance 0.000

I: Professionals, Administrative Executives, Clerical, Tradesmen and Salesmen.
II: Craftsmen, Labourers, Service Workers
III: Farmers

Source: Papatheodorou (1997)

Table 3.7 shows that educational development is influenced by paternal occupation. 80.6% of respondents whose fathers were farmers stop in primary education, whereas 32.6% of respondents whose fathers were occupied under category I receive higher education.

In another study, Papatheodorou and Papanastasiou (2010) use microdata drawn from the 2005 EU-SILC project. They find the father’s occupation to be statistically significant for the poverty risk of children in their adult life for Greece, France, and the United Kingdom, but not for Denmark. For Greece, France and the UK they find a strong association between an individual’s poverty risk and their father’s occupation, regardless of the child’s occupation. The father’s occupation is moderately associated to that of the children in all four countries examined.

Papatheodorou and Papanastasiou (2010) show that, for Greece, as well as the United Kingdom, the direct impact of the father’s occupation on the poverty risk of their adult children remains strong even after controlling for individual variables (such as the children’s occupation). On the contrary, after controlling for such variables, the impact of the father’s occupation disappears for France, whereas for Denmark, paternal occupation carries no impact on the poverty risk of adult children (Papatheodorou and Papanastasiou, 2010: 42). They find that, for all 4 countries, family background
has a significant influence on the occupational level of individuals even after controlling for individual variables like the individual’s education. Children whose fathers held a higher occupational status have stronger chances of moving higher themselves in the occupational hierarchy.

In conclusion, Greece, over the recent decades, is a country characterized by relatively low intergenerational mobility of income. Paternal occupation and education exercise a strong influence on the poverty risk of the children when they become adults. This can be, among others, attributed, to the low effectiveness of social and educational policies in curbing inequalities. In some areas, such as higher education, public spending is regressive. However, there is significant intergenerational upward mobility of education. Postwar generations attached a premium on their children’s education, among others in order to raise their chances of a safe job in the public sector. Tertiary education has been important in order to respond to the rapid changes in the occupational structure and the transformation of an erstwhile developing, late-late industrializing economy into a middle-income service-based economy, into an opening economy subject to far-reaching changes under the European single market.

2.11 Conclusion

As indicated in chapter 2, most of the decrease in inequality in Greece took place from the mid-1970s to the early 1980s, with only small declines in inequality taking place in the 2000s. On this account it is not surprising that we have not seen improvements in many of the socio-economic indicators examined in this chapter, since most of the available data on social outcomes cover only the last 10 years. (The declines observed The appearance of upward intergenerational educational mobility mentioned in the previous section is certainly a positive outcome, but one wonders to what extent it is simply an artifact of the expansion of tertiary education, since periods of expansion will necessarily have more children going to University than their parents. Indeed, other aspects of educational mobility examined in the previous section are not congruent with high intergenerational mobility.)

To some extent the failure of inequality decreases to impact positively on social outcomes has to do with the failures of social policy in Greece (see chapter 5). But it also reflects the changes in social and economic structure that took place during the last two decades; chief among them has been the movement of the population from rural areas to urban centres, and the large influx of immigrants.
3. Political and cultural impacts

3.1 Introduction

In Greece income inequality does not directly impact on political participation, which is quite extended and must be interpreted in the context of the Greek party system and political culture. In 1974-2011, two parties, the socialist PASOK and the conservative New Democracy (ND) alternated in power, forming single-party majority governments. Coalitions were extremely rare (e.g. a coalition government was formed for less than a year in 1989-1990). The two parties structured the political system in a highly polarized fashion which pressed the electorate to take sides, choosing one or the other party, before each election. The PASOK – ND polarization was compounded by the polarization between these two parties, on the one hand, and the Left (primarily the Communist Party, but recently the radical left party Syriza as well), on the other. Such polarization fueled political participation which remained quite high in the 1990s and the 2000s, up until 2009 (section 4.2, below). While democracy was consolidated just after Greece’s transition from the Colonels’ regime (1974), the legacies of political conflict which in the twentieth century included a Civil War (1946-1949) and three short-lived dictatorships (1925, 1936-1940 and 1967-1974), did not allow for the emergence of new collective actors (parties, unions) representing the poorer vs. the richer income groups.

Political party identification was so strong that high and low income earners voted on the basis of family tradition (whose side the voter’s family was on during the Civil War) and personal political socialization (e.g. whether the voter had shaped his or her value system in the post-war period or during the Colonels’ regime or the transition from authoritarian rule that followed). Political participation was also positively affected by the expansion of secondary and tertiary education. Particularly since the late 1960s the Greek state offered increasing opportunities to young adults from rural areas and the poorer strata as well as to women to obtain public, free, higher education and enjoy social and political integration into society and politics.

Extended political participation was also the result of what was only nominally an electoral system of Reinforced Proportional Representation. In practice, the electoral law promoted the chances of the party that came first-past-the post by granting this part a large number of additional parliamentary seats (e.g. 40 additional seats in a 300-seat parliament) far above what the party’ share of the vote
would normally allow.

Owing to this tradition of conflict and polarization, extended participation in elections was not reflected in patterns of trust towards democratic institutions (section 4.3). Except for the legal system, i.e. the courts, which were relatively trusted by Greeks, the parliament, the government and the political parties did not enjoy the stable confidence of citizens and lost this confidence altogether by the start of the crisis in Greece (2010).

Until recently, in contrast to other European systems which had witnessed the rise of the far right in the 1990s, the Greek party system leaned more to the left than to the right. In 2012, in the wake of the economic crisis, the Golden Dawn party obtained 7 per cent of the vote and entered the parliament, but until then the extreme right was negligible (with the exception of the short-lived ‘National Faction’ party in the 1977 elections). The rise of extreme right should be interpreted also in the context of attachment to traditional institutions, such as the extended family. Attachment to traditional institutions went hand in hand with xenophobia, aggravated by the uncontrollable inflow of unregistered immigrants from Eastern Europe, South Asia and Sub-Saharan Africa over 1991-2011. The extreme left, however, was comparatively stronger (section 4.4). The left, including the pro-Soviet communist left, has been able to influence the student and labour movements.

Traditional attachment to the family has coexisted with atomism, manifested in low trust in interpersonal relations and low levels of voluntarism, coexists with the highest propensity in the EU-27 to call on the government to redistribute wealth in a fair way to all citizens and the lowest in the EU-27 agreement with the idea that people, rather than the government, should take responsibility to provide for themselves (section 4.5).

In brief, income inequality is not clearly associated to political participation, levels of institutional trust, political values and values about social policy and welfare. Instead of the usual income-group based political cleavages, divisions in Greece reflected, first, party conflict between the right and the left which was associated with past dramatic moments of political history (Civil War, breakdown of democracy); second, political contests to ‘colonize’ the state, a preponderant actor in the Greek economy and society; and, third, a contradictory value system containing modern and traditional aspects which reflected Greece’s position in the periphery of Europe. It is in the light of these patterns that Greece’s high political participation, negative levels of trust, and endurance of traditional values can be better understood.
3.2 Political and civic participation

Greeks turn up to vote in elections in relatively high numbers. Voting is mandatory, though administrative sanctions for not voting have very rarely been enforced. Since the 1974 transition to democracy and until roughly 2007, the participation rate in the general elections has ranged in the 75-80% area (Figure 4.1). From the 1990s, the intense politicization and party polarization of the earlier period gradually began to subside, as Greek society became subject to increasing cultural openness and “Europeanization”. Depoliticization spread: between 1985 and 1996, the percentage of people declaring “limited or no interest in politics” rose from 42% to 59%, out of which those “not at all interested” went from 15% to 27%. Scattered opinion data over the years since the 1990s and up to the late 2010s show that younger age groups tended to be depoliticized and to abstain from voting.

Voter turnout declined in the elections of 2007 and 2009 and even more so in the elections of 2012. The high voter turnout until then had been sustained by certain crucial features of the post-1974 political system: the dominance of the two party system (the centre-right ND and the centre-left PASOK up to the 2009 elections typically gathered well over 75% of the popular vote), the ability of the two parties to mobilize their supporters and ensure a mass turnout in the elections, and a relatively high level of acceptance and legitimacy of the political party system that led voters to the voting booth. These main preconditions of a high voter turnout were severely weakened: an avalanche of political scandals tarnished the record of the 2007 government; soon followed the 2009 economic crisis, which rapidly delegitimized the two-party political system in the eyes of their traditional voting groups. The total vote received by ND and PASOK in the twin elections of 2012 (May and June) was just 32% and 42% respectively, compared to 77% in 2009. Rising electoral abstention post-2009 is a demonstration of intensifying political discontent and system delegitimization.

There is no visible evidence of an association between voter turnout and inequality, which does not appear to have an effect on the voting behavior of Greeks. Other factors underlined above (notably party identification and politicization, which despite their relative decline after the 1990s are still high compared to West European levels) are more significant in determining voting behavior. It is too early to examine the implications of the new post-crisis landscape that has emerged after 2012.

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12 See, for example, Pappas (2002).
Figure 4. 1: Voter turnout


Ever since Greece’s accession to the EC/EU in 1981, turnout in the EP elections has been consistently well above the EU average, always higher than the percentages for Spain and Portugal, very close to those of Italy until 1999, but lower than Italy for 2004 and 2009. From the 1994 elections onwards, the Greek participation rate follows a clear downward trend, reaching 63.2% in 2004 and 52.6% in 2009, still remaining above the 43% EU average.

As with other EU countries, the European Parliament elections have predominantly operated as second-order national elections, where voters express (dis)approval of the government or preference of a national political party rather than choosing between competing European party platforms. However the decline of participation in European elections correlates less with the participation rate in national elections (where no such parallel decline is evidenced), and more with the declining confidence in the EU over the same period (see Graphs 4.4-4.6).
High rates of political participation have co-existed with relatively low rates of civic participation. Associational activity and the autonomy of civil society in Greece have been traditionally underdeveloped under a pervasive state and party system.\textsuperscript{13} High levels of party-political partisanship have crowded out participation in civic organizations. By the same token, the declining rates of party politicization since the 1990s have opened way to higher levels of civic participation.

National-level data on associational activity are discontinued and incomplete, and suffer lack of cross-national comparability. We use EU-level data. The European Values Survey includes Greece for only 2 years, and the European Social Survey has a significant overlap with the Eurobarometer survey. We rely on Eurobarometer, as well as on Eurostat data. According to Eurostat, in 1994 only 10\% of the Greek population was estimated to participate in an association or in organized voluntary activity, compared to an EU average of 34\%. The Greek levels of associational and voluntary participation were lower than those of Spain, Portugal and Italy. By 1998 the percentage of associational participation had more than doubled, rising to 24\%, half the EU average of 48\% and still lower than the other Southern European EU member states. By 2006, after thousands had volunteered for the 2004 Olympic Games, the percentage had risen to 50\% (Figure 4.2). According to

the 2004 Eurobarometer, 74% of Greeks were not members in any voluntary organization, compared to a EU15 average of 49% (EU25: 53%). 23% of Greeks were members of 1 or 2 voluntary organizations, compared to an EU15 average of 40% and EU25 average of 37% (Table 4.1). Table 4.2 shows a consistently lower record in all forms of participation in voluntary organizations.

**Table 4.1: Number of Memberships in Voluntary Organizations (%)**

<table>
<thead>
<tr>
<th>Country</th>
<th>N</th>
<th>No membership at all</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6 or more memberships</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>74</td>
<td>18</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>EU15</td>
<td>49</td>
<td>27</td>
<td>13</td>
<td>6</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>EU25</td>
<td>53</td>
<td>25</td>
<td>12</td>
<td>5</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>


**Table 4.2: Forms of Participation in Voluntary Organizations (%)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Activities in Any Organizations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No activity in Any Organization</td>
</tr>
<tr>
<td>Greece</td>
<td>57</td>
</tr>
<tr>
<td>EU25</td>
<td>40</td>
</tr>
</tbody>
</table>


**Table 4.3: Forms of Political Participation (%)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Voted</th>
<th>Signed a petition</th>
<th>Boycotted products</th>
<th>Products for political reasons</th>
<th>Contacted a politician</th>
<th>Participated in public demonstration</th>
<th>Worked in interest group</th>
<th>Participated in strikes</th>
<th>Wore political campaign badge</th>
<th>Worked in party</th>
<th>Participated in illegal protest activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>75</td>
<td>4</td>
<td>5</td>
<td>2</td>
<td>11</td>
<td>7</td>
<td>3</td>
<td>4</td>
<td>3</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>EU15</td>
<td>41</td>
<td>19</td>
<td>10</td>
<td>9</td>
<td>8</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>EU25</td>
<td>41</td>
<td>17</td>
<td>9</td>
<td>8</td>
<td>8</td>
<td>6</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

Forms of political participation remain skewed towards using the channels of the party system. This is demonstrated on Table 4.3, which draws on Eurobarometer (2004). Apart from the high voting turnout rate, which we already discussed, a higher than EU-average participation rate is posted in the forms of participation that are more closely associated with the traditional repertoire of political party activities: contact with politicians, participation in public demonstrations, work for political party. On the contrary, novel forms of political participation associated with civic activism and new social movements (petition signing, product boycotting) have remained relatively underdeveloped.

Of all types of associations, participation rates in trade unions are not greatly divergent from the EU and OECD average. One reason for that is the close ties of labor unions with the political parties. A second reason is the strong presence of unions in the wider state-controlled and sheltered sectors of the economy, and their role in obtaining selective benefits for their members, who have been typically insiders of a well-protected (until 2010) labor market.

Figure 4.3 shows the evolution of trade union density, that is the percent of wage and salary earners that are trade union members over the total number of wage and salary earners, according to the OECD Labour Force Statistics. (Chapter 5 provides a longer time-series for trade union density in Greece.) Between 1999 and 2008, trade union density slightly declined from 27% to 24%, levels that are still higher than the OECD average, Spain, and Portugal, but lower than Italy, Ireland, let alone the Scandinavian countries, Austria, Belgium and Luxemburg. No visible association is established between trade union density and inequality.
Until July 2010, Greece was among the strictest OECD countries in terms of employment legislation. A rigid labour market protected insiders at the expense of outsiders, failing to catch up with societal changes such as the massive entry of women in the employment market. Correlated with the over-regulation of the “official” employment sector was the regulatory anarchy and lack of social protection of employees in the very extensive informal sector, altogether amounting to a polarized duality of the labour market. Institutional rigidity was among the main reasons why Greece over the 2000s posted one of the highest rates of female unemployment, youth unemployment and long-term unemployment in the EU15. The labour market reforms introduced in 2010-12 liberalized labour relations, but unemployment rose further as a result of severe austerity policies.

The relatively small share of salariat in the total workforce (65% compared to 86% EU-27 average), given the large percentage of the self-employed, limits the influence of trade unions. With a very limited presence in the private sector, trade unions have been confined to their traditional bastions of the government and public enterprise sector and formerly state-controlled banks. Unionization has been absent in the vast majority of private sector enterprises, largely because of the small size and family structure of Greek businesses. Unions have not been able to penetrate and organize in large business concerns such as shopping malls, large business groups, etc, businesses that extensively rely on precarious employment. The recently expanding categories of flexible and part-time employment, as well as immigrants, are heavily underrepresented in national-level unions. Issues of representativeness notwithstanding, the acceptance of the need for strong trade unions has been broadly shared in the population. In 2003 Greece registered one of the highest cross-European rates of agreement with the statement that strong unions are needed to protect the working conditions and wages of working people, with a total 85.4% agreeing/ strongly agreeing, and only 2.6% disagreeing (European Social Survey/ EKKE, 2003).

3.3 Trust in others and in institutions

Trust in institutions

Greeks turn out to vote in elections in high numbers (with the voter turn-out ranging from 65.1 to 76.5 per cent in national elections in 1996-2012). Yet, Greeks show relatively little trust towards political institutions. More precisely, they accord little legitimacy to the functioning of the parliament, government and opposition, and the legal (i.e., the justice) system. They do not challenge the institutions per se, but have low trust towards the performance of institutions, as the following Tables indicate. However, as the three following Figures show, after the mid-2000s, i.e. in 2005-2010, the fluctuations in trust towards the parliament, the government and political parties do not follow the
comparatively small GINI fluctuations.

In detail, since 2003 trust in Greek parliament has started falling (Figure 4.4). Trust dropped from 61 per cent in October 2003 to just above 10 per cent in 2012. This was a dramatic fall which however mostly occurred in 2010-2011, owing to the crisis in Greece. Before 2010, in Greece trust in parliament was higher than the EU-average, particularly in 2003-2008 and equal to the EU average in 2008-2009. The large decline of trust in parliament in Greece after 2008 cannot be accounted for only by the global financial problems and the Greek economic crisis. It is probably the result of, on the one hand, the long rising political cynicism and alienation in the Greek political system, the signs of which were first reported in the late 1980s, and, on the other hand, the disillusionment of Greek citizens with the political class of their country, the performance of which had been marred by incidents of corruption since the late 1990s.

Figure 4.4: Evolution of trust towards the parliament in Greece in comparison with the EU average, 2001-2012

Source: Eurobarometer surveys, various years.

Similar but more prolonged trends are shown in Figure 4.5. Trust in the Greek government fell from 50 per cent in 2004 to below 10 per cent in 2012. Before the crisis in Greece, i.e. in 2003-2009, trust towards the Greek government declined rapidly in-between national elections, but rose after each election. The time points at which there was a resurge of trust in government (October 2004, October
2007 and November 2009) coincided with the first months after the parliamentary elections of 2004, 2007 and 2009, out of which a new single-party majority government was formed (New Democracy in 2004 and 2007 and PASOK in 2009). By contrast, in the EU, with the exception of May 2007, when it increased to 41 per cent, trust in government on the average ranged between 29 per cent and 35 per cent in 2003-2011.

Figure 4.5: Evolution of trust towards the government in Greece in comparison with the EU average, 2001-2012 (% tend to trust)

Source: Eurobarometer surveys, various years

How do Greeks see opposition parties? There is no data on trust in opposition, but there is a survey of satisfaction from the functioning of the single-majority government (of the centre-right New Democracy, ND) and the largest party of the opposition (the centre-left PASOK) in 2004 – 2007 (V-PRC; 2008, Table 4, p. 60). The survey, conducted by a private polling company, showed that satisfaction from the functioning of the government ranged between 28 and 37 per cent, while satisfaction from the opposition ranged from 16 to 27 per cent. In other words, opposition fared worse than the government and this can be explained by the contours of the Greek party system. The 2004-2007 period was the first term of PASOK in opposition after this party had remained in power for more than a decade (1993-2004). As a result, attitudes towards the opposition party in 2004-2007
probably reflected an evaluation of PASOK’s inability to formulate a credible political programme. Low trust in opposition also reflected PASOK’s lack of a coherent opposition strategy after its fall from power in 2004, rather than any general opinion trend towards opposition parties.

A proxy of the missing data on trust in opposition is trust towards political parties, as in Greece coalition governments are very rare and most parties most of the time are in opposition rather than in government. Figure 4.6 below shows a clearly falling trend of trust in political parties, which becomes sharp after 2006. Trust in Greek parties fell from 25 per cent in 2006 to 5 per cent in 2011. The impact of the crisis on this trend is obvious. The trust towards parties in Greece, which was already very low in the 2003, dropped further in 2010 and 2011, as the two last surveys were made after May 2010, i.e., after the Greek government had agreed on the first bailout package with the ‘troika’ of EC, ECB and IMF. In the EU, trust in parties also declined after 2008, i.e., after the onset of the global crisis. However the EU average of trust in parties never fell as lowly as in the case in Greece. Before 2011, the EU average of trust in parties ranged between 15 and 22 per cent. Comparing across institutions, we note that the EU average of trust in parties was lower than trust in government or parliament, a pattern also true for Greece. This was probably an indication of the dissatisfaction of European citizens with the way the political class manages democracy today.

Figure 4.6: Evolution of trust towards political parties in Greece in comparison with the EU average, 2001-2012 (% tend to trust)

Source: Eurobarometer surveys, various years.
A similar, but somewhat less pronounced tendency is shown in Figure 4.7. In 2010, 41 per cent of Greeks trusted the legal system, which was a far better level of trust than the 9 per cent of Greeks trusting political parties. Nevertheless, trust towards the legal system also fell dramatically from 68 per cent in 2003 to 41 per cent in 2010. Importantly, this decline was gradual and was not necessarily linked to the more recent period of economic crisis. Moreover, the Greek pattern of Table 4.3.4 differs from the pattern of the EU average of trust in the legal system. The latter has fluctuated between 50 per cent and 43 per cent, but fell after the onset of the global crisis, i.e. after 2008.

Figure 4. 7: Evolution of trust towards the legal (i.e., the justice) system in Greece in comparison with the EU average, 2001-2010 (% tend to trust)

Source: Eurobarometer surveys, various years.

What probably explains the decline of trust in the legal system is a set of developments innate to the justice system and the relations between the government and the justice system. First, in the 2000s the administration of justice in Greece slowed down as court cases piled up, while lawyers exploited loopholes in civil and criminal procedure to delay the processing of cases in which their clients were on the losing side. Second, judges themselves resorted to the courts against the Greek Ministry of Finance (literally against their employer, i.e., the Greek state) in order to demand salary and pension increases for their profession. Judges naturally obtained favorable court decisions improving on or
protecting their income levels, while the rest of civil servants and the population were subjected to the meanders of income policies of successive governments. Third, even though after 2009 the politicization of the justice system subsided, incoming Greek governments used to hand pick higher judges on less than meritocratic criteria and appoint them to the presidency of high courts. Finally, judges were implicated in cases of corruption, many of which were not cleared up (still, in a highly publicized case two judges received prison sentences). In short, administrative inefficiency, economic privilege, political interference and doubts cast on the integrity of judges have depressed trust towards the legal system in Greece.

To sum up this section, in Greece there is very high distrust towards political institutions and such distrust has grown over time. In fact, as Figure 4.8 shows, even compared to the high drop in trust in Portuguese, Spanish and Italian political institutions, between 2003 and 2010, the decrease in trust in Greek political institutions was so dramatic, that we can claim that political trust in Greece collapsed in the late 2000s.

Figure 4.8: Trust in political institutions in Southern Europe, 2003 and 2010 (percentage share of respondents showing a lot or some trust)

Source: Standard Eurobarometer surveys 2003 and 2010.
Trust in other people

Greeks are only periodically included in samples comparative surveys of attitudes. Consequently, there is sparse evidence on whether Greeks trust other people. In the World Value Survey of 1999 only 20.5 per cent of Greek respondents answered that most people can be trusted, while the average for Italy, Portugal and Spain on the same question was 27.8 per cent (available at http://www.wvsevsdb.com/wvs/WVSAnalizeQuestion.jsp).

The first wave of the European Social Survey, conducted in 2003, measured trust in most other people in terms of the scale 0.0 (low trust)-10.0 (high trust). On the average Greek respondents scored a low 3.6. This was even lower than the corresponding scores of Spaniards (4.9) and Portuguese (4.0), while the EU average was 5.0. Greece was included in two more waves of the same survey, i.e., in 2005 and in 2009, in which there was very little change. In both years, the score for Greeks was 3.9 on the aforementioned scale, while the EU average was 4.9 (National Centre for Social Research “Greece – Europe”, results of the ESS, June 2010, Table 1, p. 28, available at http://www.ekke.gr/html/gr/NewsEvents/ESS4_results.pdf).

The Eurobarometer survey no. 62.2 of 2004 showed that in Greece there is comparatively low interpersonal trust. Only 18 per cent of Greek respondents answered that most people can be trusted (EU-15: 33 per cent, EU-25: 30 percent; Eurobarometer 62.2, 2004). In 2007, the European Quality of Life Survey, conducted by the European Foundation for Working and Living Conditions, showed that in the scale 0.0-10.0. Greeks on the average scored a low 4.2 (EU-15: 5.3, EU-27: 5.2). Even if the question asked in the all those surveys noted above was the same, it is not feasible to construct a Table of changes in attitudes across time, because the samples were different and the scale of values of the variables varied. However, it is clear that compared to other European nations Greeks on the average do not trust most other people.

3.4 Political values and legitimacy

For 35 years between 1974 and 2009, under the Third Republic, political extremism has been marginal in the Greek two-party political system, assisted by an electoral system of reinforced proportional representation. The orthodox Communist Party (KKE) has been the only significant force in the extreme left, its national vote share usually ranging around the 10% area until 1990, and between 8,5% and 4,5% during 1993-2012. The extreme right was insignificant until 2007, when the right-wing populist LAOS entered Parliament.
There have been two main push factors of political extremism from the second half of the 2000s. The first has been provided by the large inflows of illegal immigration, an issue that since the second half of the 2000s has acquired growing salience in the public debate. Widespread insecurity and rising criminality rates attributed to immigrants, especially in the less affluent inner-city neighborhoods, have bred xenophobic and racist stances. The second push factor is the ongoing deep economic crisis that erupted in 2010. This has also been received as a failure of the party-political status quo, fuelling anti-systemic sentiment, and multiplying the unemployed, the precarious and the poor. Available data, however, so far do not demonstrate any clear association of the fluctuating rates of inequality with political extremism.

The main beneficiary of the aforementioned developments has not been the extreme left or KKE, apart from a spectacular electoral rise of the radical left Syriza party from 4.6% of the national vote in 2009 to 26.9% in June 2012 (we do not include Syriza in the extreme left); the extreme right has been the main winner. In June 2012, one new right-wing populist and one neo-nazi party (Chryssi Avgi - Golden Dawn) entered Parliament, the latter receiving 6.9% of the national vote. In 2012, younger voters in their 20s and 30s voted overwhelmingly for Syriza, extreme left parties, or the extreme right. Chryssi Avgi came second after Syriza in the voter group aged 18-34 (Public Issue, http://www.publicissue.gr/2043/koinwniko_profil_6_2012/ ). So after decades of “normal” political development in the post-1974 Republic, the Greek political system and society are, in the 2010s, faced with momentous transformations (Figure 4.9).
Immigration became an issue for Greek society after the 1989 collapse of the communist bloc. The first massive wave of immigration originated from Eastern Europe (mainly Albania) and former USSR countries. Mass waves from Africa and Asia followed during the 2000s. The Eurobarometer public opinion survey shows immigration retaining a relatively low single-digit percentage score as “one of the two most important issues facing our country” until 2008, always lower the EU average. In June 2009 however, it rises to 16% (EU: 9%) and in November 2011 to 39% (EU: 26%) (http://ec.europa.eu/public_opinion/cf/showchart_column.cfm?keyID=2212&nationID=16,4,&startdate=2003.11&enddate=2012.05).

There are very few surveys tracking public opinion stances towards immigration in a consistent and comparable manner over the last two decades. Into the 1990s, there was a growing public sentiment that the country had reached its limits as to the number of immigrants it can host. In the special 1997 Eurobarometer survey (Eurobarometer 47.1, spring 1997, p.7

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http://ec.europa.eu/public_opinion/archives/ebs/ebs_113_en.pdf) Greece displays the highest percentage (85% vs 65% EU15) of positive responses to the question “Our country has reached its limits; if there were to be more people belonging to these minority groups we would have problems”. This motto has reverberated in the public debate with growing intensity over the 2000s and 2010s.

Table 4.4: Policy for Individuals of Different Race or Nationality “…for people who belong to different race or nationality, the … (country) should …?”

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Greece (N=2566)</td>
<td>Sum of European</td>
<td>Greece (N=2406)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Countries (N=42359)</td>
<td></td>
</tr>
<tr>
<td>Allow many people</td>
<td>3.0</td>
<td>4.4</td>
<td>11.6</td>
</tr>
<tr>
<td>to come and live</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>here</td>
<td>10.7</td>
<td>14.8</td>
<td>35.7</td>
</tr>
<tr>
<td>Allow some people</td>
<td>58.1</td>
<td>54.2</td>
<td>32.8</td>
</tr>
<tr>
<td>to come and live</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>here</td>
<td>24.6</td>
<td>25.6</td>
<td>16.1</td>
</tr>
<tr>
<td>Allow only few</td>
<td>3.6</td>
<td>0.9</td>
<td>3.8</td>
</tr>
<tr>
<td>people to come and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>live here</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Allow no one to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>come and live</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>here</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N/A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sum</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: National Centre for Social Research (EKKE) Greece - Europe, Results of the European Social Survey.

On Table 4.4 we see the results of the three rounds of the European Social Survey in which Greece participated. Through the 2000s, the percentage of people responding that Greece should allow very few or no foreigners to come to live in the country ranges steadily in the 80-83% area, a very high rate compared to an average European response of 48-49%. In the same survey for 2003, Greece again displays one of the highest percentages of agreement with the statement that “if a country wants to reduce social tensions it should stop immigration”: 65.1% agree/ strongly agree vs 7.7% who disagree (Spain: 23.3% agree/ strongly agree vs 42.5% disagree; Portugal: 42.5% vs 24.4%; UK: 42.8% vs 34%). (European Social Survey/ EKKE, Greece - Europe: Society, Politics, Values, November 2003, p.49 [in Greek]).
A Greek opinion survey (Public Issue, 2009) offers no surprise in the large percentage of Greeks who believe that the country has reached its limits as to the immigrants it can accept (70%). However, on the question regarding the legalization of existing illegal immigrants, responses appear remarkably balanced, with only 15% suggesting that no one should be legalized (Figure 4.10).

Figure 4.10: What should be done with illegal immigrants living in Greece (2008-09)

This latter finding is indicative of the tension between, on the one hand, the progressive Europeanization of the Greek public debate over issues concerning social values and civil rights, and on the other hand the growing societal fears and insecurity vis-à-vis the rapidly growing waves of illegal immigration.
Figure 4.11: EU membership approval score (yearly average)

![Graph showing EU membership approval score (yearly average) with 1981 to 2011 as the x-axis and 31.5 to 35.5 on the y-axis. The graph compares Greece, EU, and a Gini (right axis) indicator.]

Figure 4.12: EU membership 'a good thing' (yearly average)

![Graph showing EU membership 'a good thing' approval (yearly average) with 1981 to 2011 as the x-axis and 0 to 90 on the y-axis. The graph compares Greece, EU, and a Gini (right axis) indicator.]

Since the country’s 1981 accession to the EC, Greeks, on average, have always liked the European Union. Between 1988 and 2007, Greek approval rates of EU membership have been higher than the EU average, indeed among the highest in the Union. At the peak points, those who think EU membership is a “good thing” exceed those who see it as a “bad thing” by 60, 70 or even 80 percentage points. A crucial factor in the 1980s is the gradual transition of the ruling PASOK under Andreas Papandreou from a half-hearted acceptance to an increasingly positive embrace of the EU. Greek approval rates of the EU are usually positively correlated to the EU average. During the halcyon days of European integration and a booming European economy, from the launch of the single market program until Maastricht, positive views peak both in Greece and the EU. The economic slowdown of the early 1990s mitigates the positive sentiment. Then, between 1996 and 2007, a new sub-period of pro-EU stance evolves, associated with the rising national self-confidence, bred by a booming economy, EMU-accession and the 2004 Olympic Games. The domestic economic climate seems to be a key factor affecting the public approval of EU membership, given the widespread understanding of the close interdependence with the EU. A demonstrated commitment by Greek political leaders to the European Union project and values (as expressed after 1996 by the Simitis government) also seems to play a positive role in enhancing the public approval of the European Union. The economic crisis after 2009 is a turning point. Between 2009 and 2011, the
difference between positive and negative views falls from 39% to just 5%, the lowest rate of EU membership approval for 30 years. The Greek public registers its dissatisfaction with the way in which the EU has handled the severe economic crisis (Figures 4.11, 4.12, 4.13). At first sight there appears to be some weak association of negative views of the EU with declining rates of inequality, which appears paradoxical; however, the short-term duration of this fluctuation makes us reluctant to venture any interpretation.

When it comes to societal values regarding the factors of individual progress in society, Greece does not significantly diverge from the EU average. Table 4.5 tracks the responses given to the question “Getting ahead in life depends on...”. Getting a good education and working hard are seen as the two most important things for getting ahead in life; such is also the case throughout the European Union. Notably, in Greece (as well as Hungary) working hard comes before getting a good education; in all other EU27 countries, a good education is ranked higher than working hard. Spain and Italy (but not Portugal) also tend to attribute almost equal importance to hard work as compared to a good education. Probably the upward social mobility of the postwar decades still reverberates in Greek society, when people from poor village backgrounds joined the middle class through their hard work. Knowing the right people also gets a slightly higher score compared to the EU average.

Table 4.5: “In your opinion, out of the following, which are the 2 most important things for getting ahead in life”

<table>
<thead>
<tr>
<th>Countries</th>
<th>Getting a good education</th>
<th>Working hard</th>
<th>Knowing the right people</th>
<th>Being lucky</th>
<th>Being smart</th>
<th>Coming from a wealthy family</th>
<th>Being a man</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>54%</td>
<td>57%</td>
<td>29%</td>
<td>25%</td>
<td>17%</td>
<td>10%</td>
<td>1%</td>
</tr>
<tr>
<td>Spain</td>
<td>50%</td>
<td>50%</td>
<td>18%</td>
<td>36%</td>
<td>21%</td>
<td>9%</td>
<td>2%</td>
</tr>
<tr>
<td>Italy</td>
<td>46%</td>
<td>44%</td>
<td>32%</td>
<td>26%</td>
<td>7%</td>
<td>18%</td>
<td>4%</td>
</tr>
<tr>
<td>Hungary</td>
<td>33%</td>
<td>40%</td>
<td>29%</td>
<td>31%</td>
<td>22%</td>
<td>31%</td>
<td>2%</td>
</tr>
<tr>
<td>Netherlands</td>
<td>61%</td>
<td>36%</td>
<td>22%</td>
<td>38%</td>
<td>26%</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Portugal</td>
<td>67%</td>
<td>37%</td>
<td>20%</td>
<td>28%</td>
<td>24%</td>
<td>14%</td>
<td>3%</td>
</tr>
<tr>
<td>EU-25</td>
<td>62%</td>
<td>45%</td>
<td>26%</td>
<td>24%</td>
<td>17%</td>
<td>9%</td>
<td>2%</td>
</tr>
</tbody>
</table>

3.5 Values about social policy and social welfare

Compared to the rest of European societies, Greece has high income inequality, since the Gini index hovers around 0.31-0.34 in the 0.0-100.00 scale (see introduction to this chapter). One may assume that if income inequalities are high in a certain country, then citizens would not tolerate income differences. They would demand that the state intervenes in order to make income distribution fairer. In other words, if income inequality is acute, one expects that egalitarian views will predominate in public opinion. This of course presupposes that people believe that those who belong to the low-income groups or are poor do not have an individual responsibility for their condition or that they have ended up in the low-income brackets or in poverty because of situations beyond their control (e.g., social causes of poverty, such as entrenched injustice in society or a particular structure of the labour market).

Greeks by far exceed other Europeans in their belief that the government should actively engage in redistribution (Table 4.6, below). In the special Eurobarometer survey 321, conducted in 2009, on the average 82 per cent of Europeans (EU-27) agreed that the “Government should ensure that the wealth of the country is redistributed in a fair way to all citizens”. Greeks agreed to this statement by 97 per cent, which was the highest in EU-27. They were followed by the Hungarians (94 per cent), Portuguese (92 per cent), the Maltese (91 per cent), the Spaniards and the Cypriots (both 90 per cent). When this survey was repeated in 2010 (special Eurobarometer survey 355), Greeks again agreed by 95 per cent that the government should ensure a fairer redistribution of wealth.

In the same survey of 2009 only 19 per cent of Greeks agreed with the statement that “income inequalities are necessary for economic development”, which was by far the lowest score in all Europe (EU-27 average: 44 per cent; after Greeks, the next lowest were Cypriots agreeing by 24 per cent and Bulgarians by 28 per cent). When this survey was repeated in 2010, 24 per cent of Greeks agreed with the aforementioned statement, attaining again the lowest score in EU-27 (Table 4.11).

Additional evidence to corroborate the conclusion that Greeks are the most ‘interventionists’ with regard to the government’s role in redistribution is offered by the Luxembourg Income Study (wave no. 6, 2009). According to this study, 78.5 per cent of Greeks agree that the “government should reduce differences in income levels” (Greeks are followed by Hungarians agreeing to that statement by 73.4 per cent and Cypriots by 68 per cent).

The above set of attitudes can be explained by looking whether respondents attribute the blame for the condition of poverty to the poor people themselves or to social causes. In 2007 21 per cent of Greeks thought that the poor are lazy (EU-27 average: 18 per cent), down from 31 per cent who thought the same in 1989 (Table 4.12). Further on, the majority of Greeks (57 per cent) thought that
the causes of poverty are social (EU-15: 49 per cent), namely that “there is much injustice in society” and that “poverty is an inevitable part of progress” (Figure 4.14). There is some change over time in 2002-2007, but with regard to the perceived causes of poverty Greeks do not differ substantially from the rest of Europeans. In Greece and in EU-15, more people think that the causes of poverty are social rather than personal.

Table 4.6: Perceptions of government’s role in income redistribution and of the necessity of income inequalities in economic development

| Percentage share of respondents who totally agree with the following statements |
|-------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| “Government should ensure that the wealth of the country is redistributed in a fair way to all citizens” | “Income inequalities are necessary for economic development” | “Poor are lazy” |
| Greece | 97 | 96 | 19 | 24 | 31 | 21 |
| EU-27 | 82 | 85 | 44 | 44 | 17 | 18 |

In order to interpret these trends, one should take into account the traditional role of the state in the Greek economy and also the large influence of centre-left and left ideas in Greek society after the 1974 transition to democracy. In contrast to many other EU Member-States, the Greek state still intervenes extensively in the economy. It has a monopoly in various sectors of the economy (e.g., energy, urban transport, railways, armaments industry) and employs about one-fifth of the Greek labour force. Also the sway of interventionist ideas in Greek society has been large and stable. The Greek socialists (PASOK) ruled, forming single majority governments, for a total of 20 out of the last 30 years (1981-2011). Moreover, Greece, along with Portugal, is the last remaining West European democracy in which a traditional communist party (KKE) is still represented in parliament. KKE’s share of the national vote fluctuates between 5 and 8 per cent, while the radical left coalition (SYRIZA) obtained an impressive 27 per cent of the vote in the parliamentary elections of June 2012.

To sum up this section, compared to the rest of Europeans, Greeks are by far the strongest supporters of government’s intervention to accomplish a fairer distribution of income and to ensure that everyone is provided for. This stance should be seen interpreted in the light of Greeks’ perception of the causes of poverty as social rather than personal, the traditional role of the Greek state and the preponderance of statist political values in post-authoritarian Greece.
3.6 Conclusions: the ‘national story’ of inequality drivers and their cultural and political impacts

In Greece there are multiple, criss-crossing types of income inequality. First, there is income inequality between groups which, ranging between 0.31 and 0.34 (GINI coefficient), is quite high by West European standards. Second, there is inequality within groups, i.e., large discrepancies of income among members of the same profession (Mitrakos and Tsakloglou; 2012). Finally, there is inequality between ‘insiders’, such as the relatively well-protected members of liberal professions, employees of state owned enterprises (SOEs) and civil servants, on the one hand, and the much less protected ‘outsiders’, consisting of private sector employees, particularly those working in Small and Medium Enterprises (SMEs) or employed on fixed-term contracts or on other types of temporary employment.

The Greek social protection system does not curb income inequalities and poverty. By contrast, the aforementioned types of income inequality are exacerbated by the ineffectiveness of the Greek welfare state. As is the case with other European welfare systems, the bulk of social expenditures is devoted to pensions for the elderly. However, in Greece the vast majority of government social expenditure goes to pensions. In Greece between 1980 and 2007 the total government expenditure on old-age pensions as share of GDP more than doubled, as it increased from 4.6 per cent to 10.0 per cent of the GDP (OECD data available at http://stats.oecd.org/Index.aspx?QueryId=4549). Expenditures on unemployment, active labour market policies, housing, social care and social assistance are compressed, while non-monetized social services are minimal.

Moreover, while in the 2000s Greece managed to catch up with the rest of EU Member-States as far as social spending is concerned, it has been unable to tilt its social policy towards the categories of the population which receive minimum or no social protection. Among the ‘outsiders’ of the welfare system mentioned above, those who fare the worst are a) young people who suffer the most from unemployment in the current crisis (over 50 per cent unemployment in the 18-24 age group in the first trimester of 2012); b) the long-term unemployed who are left on their own after the 12-month long period of unemployment benefits expires; c) women who are hired last and fired first and who also leave the labour market after they get married or after they bear their first child; and d) migrants who are employed by business owners paying them under the table and also refraining from paying social insurance contributions.

Labour market institutions do not reduce the various types of income inequality either. None of the categories of ‘outsiders’ noted above are represented in Greece’s unions which mostly defend the interests of civil servants or the employees of SOEs and the larger private businesses. It is also telling
that Greece is still the only EU Member-State in EU-15 that does not have a minimum income guarantee (MIG) programme either at the national or at the regional level.

No independent variable can explain the total of income inequalities but the impact of educational attainment is the largest. Research shows that in Greece differences in educational levels of individuals account for income inequalities more than gender, rural-urban or age differences (Dafermos and Papatheodorou; 2010, Tables 2.3, 2.4 and 2.5, available at http://www.ineobservatory.gr/dhmosieuseis/episthmonikes-ektheseis/domh-kai-taseis-ths-oikonomikhs-anisohtas-kai-ths-ftwcheias-sthn-ellada-kai-thn-ee-1995-2008/, accessed on 7 August 2012). Despite the regressive nature of public spending on higher education in Greece, the expansion of state-owned higher education has opened up educational opportunities for previously excluded categories of the population, such as young adults (18-24 years old) from rural areas as well as women who have massively entered Greek universities since the 1970s."

Income inequality does not seem to be notably associated with trends of civic and political participation. Party political identification and relatively high (compared to other West European countries) levels of politicization remain strong factors, that override the impact of inequality. In general, the short-term span of the inequality data as registered in the Gini coefficient for Greece makes us reluctant to venture any association and interpretation.
4. Effectiveness of policies in combating inequality

4.1 Introduction

In this chapter we examine to what extent the policies pursued by successive Greek governments are responsible for the fall in income inequality observed during the last four decades. In particular, we consider to what extent the large and sustained expansion of the Welfare State in Greece since the mid-1970s interacted with the changing economic structure and gradually increasing outward orientation of the economy to shape the socio-economic developments. Given the importance of labour market outcomes for the evolution of various inequalities, we start with an examination of the institutional framework under which the labour market operates (e.g., minimum wages, structure of wage bargaining, employment protection legislation), and then move on to examine the structure and parameters of the tax and social transfer systems and the level and pattern of social expenditures (e.g. spending on unemployment benefits, health, education, old age pensions, housing, family benefits). The chapter concludes with a discussion of how economic and social forces influenced the particular policy trajectory which Greece followed until the unsustainable “Greek Welfare State” met its nemesis in the form of the global financial crisis.

4.2 Labour Market Institutions

Minimum wage (MW) legislation was first introduced in Greece in 1953, and it has, in effect, through the years substituted for the lack of a well-developed welfare state (Fotoniata and Moutos, 2010). Figure 5.1 portrays the evolution of the real (gross) value of the MW and of the productivity of labour in the business sector (per hour worked) from 1974 to 2008. We observe that following the restoration of democracy in Greece in 1974, the real value of the MW increased substantially until 1978 (the cumulative increase from 1974 to 1978 was about 25%), and then declined by about 5% until 1981. The next large increase in the MW took place when the socialists (PASOK) came to power in October 1981; the real value of the MW increased by about 27% from 1981 to 1982, followed by further increases in 1983. The cumulative increase in the real value of the MW over the period 1981-84 was about 30%. After 1984, there was a sustained decrease in the real value of the MW, and by 1993 it was below its 1978 level, and only 2% higher than in 1981. These changes in the real value of the MW are contrasted with the change in labour productivity. We observe that both the cumulative increase in productivity and in the real value of the MW was substantial from 1970 to 1980 (although
the rise in the MW was only half as large as the rise in productivity), whereas during the 1980s the (real value of the) MW kept rising, while labour productivity fell. Since the early 1990s, there has been a significant rise in labour productivity (by about 40% up to 2005), while most recent increases in the real value of the MW have failed to match the rise in labour productivity. It is hard to avoid making the connection between the large increase in the real value of the MW between 1974 and 1982 and the substantial decline in income inequality during the same period.

Figure 5. 1: Evolution of real minimum wages and business sector labour productivity in Greece (1970=100)

The MW in Greece is determined at the national level and sets the floor for all wage settlements in the country (independently of regional, sectoral, or firm level), with the exception of wages in the public sector (policy determined). The level of the minimum wage used to be (until 2010) the outcome of negotiations between the social partners, represented by third-tier organizations of employees and employers. These are the General Confederation of Greek Workers (GSEE), the Federation of Greek Industries (SEV), the General Confederation of Professionals, Craftsmen and
Merchants (GSEVEE), and the National Confederation of Greek Trade (ESEE). The resulting National General Collective Agreement (EGSSE) was given legal force by the government and it covered all workers independently of age (must be at least 15 years old), sex, or employment status, and it is legally binding for all workers in the private sector, in state-owned enterprises, as well as for non-permanent civil servants. (Until the late 1970s MWs were differentiated according to gender, with females earning less than males; this change may have also contributed to the reduction in inequality from 1974 to 1982.) The negotiations used to take place every two years and allow for bi-annual wage adjustments in line with inflation. It must, however, be mentioned that the value of the MW varied according to the employee’s length of service and marital status; there were also different rates applied to blue- and white-collar workers. (The normal averaging period for complying with the MW legislation is the (6:40 hours) day for blue-collar workers and the month for white-collar workers).

In the pre-bailout framework, the bi-annual round of wage negotiations started with the EGSSE, and was followed by:

- Sectoral or occupational agreements at the national level (involving bargaining between second-tier employer and employee organizations)
- Sectoral or occupational agreements at the local level (involving bargaining between first-tier employer and employee organizations)
- Enterprise agreements covering workers in a single enterprise, which are conducted between employers and company trade union organizations covering workers in the specific enterprise.

Such a wage coordination scheme involving mixed industry and economy-wide bargaining places Greece on par with Central European countries like Austria and Germany. These countries receive scores equal to 4 on a 1-5 scale, with high-coordination countries like Sweden receiving 5, and low-coordination countries like the US and the UK (since 1980) receiving 1 (Amsterdam Institute for Advanced Labour Studies, ICTWSS database).

The EGSSE which was signed in 2010 after the first bailout (covering the years 2010-2012), provided for no (nominal) wage increases for 2010, whereas for 2011 and 2012, the wage increases would be equal to the euro-area’s inflation rate in the previous year. However, the Greek government in February 2012, in compliance with the terms of the second bailout, directly intervened and reduced the legally binding minimum levels of pay freely negotiated by the social partners in the 2010 agreement. The stipulated reduction in pay would be equal to 32% for employees less than 25 years old, and 22% for persons more than 25 years old; as a result the (liable to employee social security contributions) monthly minimum for the first group was set at €510.95, and for the second group at
€586.08 - if the employee had no work experience and was not married. These rates could go to as high as €820.51, if the employee had nine years of tenure and was married.

The importance of the MW as a benchmark for sectoral or occupational wage increases can be gleaned from Figure 5.2, where we present the percentage change in bargained wages in three sectors (clothing, restaurants, and the retail trade) as well as in the MW from 1995 to 2007. We note that for the restaurants and retail trade sectors, the bargained wage increases were (with the exception of two years) above those of the MW, whereas the opposite is true regarding the comparison between the clothing sector and the MW; the cumulative increase in the MW was about 7 percentage points higher than the bargained wage increases in the clothing sector, whereas the restaurants and the retail trade sectors had cumulative increases about 3 percentage points higher than the MW. This is understandable since from the three sectors mentioned above, only the clothing sector faces fierce competition from imports. Nevertheless, we must remind the reader that the level of the bargained wages in all sectors remains higher than the MW.

Figure 5.2: Minimum Wages and Bargained Wages, % changes, Greece, 1995-2007

Source: Fotonika and Moutos (2010)
The usually higher (than the minimum wage) increases in bargained wages resulted in a continuous fall in the ratio of minimum to average wages from 1995 to 2004 – a trend which was reversed afterwards. Nevertheless, the continuous rise in the real value of the MW, along with the rise of participation and employment rates for women of lower educational attainment, appears to have succeeded in lowering inequality during this period.

**Figure 5.3: Ratio of Minimum Wages to Average Wages**

![Graph showing the ratio of minimum wages to average wages from 1995 to 2011.

Source: ELSTAT and Bank of Greece]

It also bears noting that the reduction in the ratio of minimum to average wage – a reversal of the wage compression policies which were followed in the early 1980s – was happening during a period of protracted reductions in trade union density, from 39% in the early 1980s to 24% in 2008 (Figure 5.4). More important, than the decline in trade union density in Greece (which was a general trend among many OECD countries), was the changing structure of trade union membership. Almost all of the decline in membership took place in the non-banking private sector, while there was hardly any fall in the banking sector, the state-owned enterprises, and in the public sector (these are unofficial estimates of the main private-sector and public-sector unions). The effects of these changes in the structure of trade-union membership were reinforced by the disproportional representation of employees in the banks and in state-owned enterprises among the governing councils of the GSEE – while the employees of these sectors were only 8% of the total number of employees (excluding the
civil servants) their representatives had the absolute majority in the governing bodies, and almost always the President of GSEE. Given the increasing gross under-representation of manufacturing-sector workers in the top positions of the trade union movement, it is natural to assume that the sectoral wage negotiations (in banking and state-owned enterprises) took precedence over the minimum-wage ones, the latter being of less importance for the white-collar employees but of crucial importance for blue-collar workers.

Figure 5. 4: Trade union density (Greece, 1977-2008)

Source: Amsterdam Institute for Advanced Labour Studies, ICTWSS database, and OECD

4.3 Structure of Taxation

The size of government expanded rapidly in Greece during the last four decades, with both sides of the government budget approaching levels close to those observed in other EU countries. Figure 5.5 shows the evolution of government revenue relative to GDP in Greece (since 1988) and the EU15 (since 1995). The rise of the share of government revenue in GDP in Greece in the 1980s lagged behind the rise in government spending. While government spending relative to GDP rose by 18 percentage points in the 1980s, government revenue rose by only 5 percentage points (from 26% in 1980 to 31% in 1990). More adjustment in government revenue occurred in the 1990s, when its GDP share rose by 11 percentage points (from 31% of GDP in 1990 to 43% in 2000). This brought Greece’s
GINI Country Report Greece

general government revenue less than 3 percentage points below the EU15 average (and above the average for Ireland, Italy, Portugal, and Spain), but by 2009 total government receipts in Greece (at 38.2% of GDP) had again fallen way below the EU15 (which stood at 44.7%) and even the peripheral 4 (Ireland, Italy, Portugal, and Spain) average (which stood at 39.3%).

Figure 5. 5: Total government revenue (% of GDP): Greece and EU15

Note: The above figures include non-tax receipts as well. Non-tax receipts consist of property income (including dividends and other transfers from public enterprises and the ECB), fees, charges, sales, fines, capital transfers received by the general government, etc. Non-tax receipts in the case of Greece have recently been around 7 percent of GDP. Source: AMECO

The changing structure of tax revenue is depicted in Figure 5.6, which shows the declining importance of indirect taxes in total government revenue; the significance of indirect taxes declined from 40% of government revenue in 1988 to 30% in 2011. Given the non-progressive nature of these taxes, it is not surprising that the decline in their relative significance was followed by reductions in both income and consumption inequality.
Social security contributions, which provided 26% of government revenue in 1976 (Moutos and Tsitsikas, 2010), rose to represent 35% of revenue in 1989, and had dropped to 31% in 2011. This rise in the importance of social security contributions in government revenue came about through large rises in statutory tax rates. In 1981, the rate for employer social security contributions stood at 18.75%, whereas the employee rate was 10.25%. By 2008, these rates had risen to 28% for employers and 16% for employees. The relevant figures for the EU15 average in 2008 were 24% and 11.4%, respectively (OECD, 2008).

The Greek state has traditionally relied on consumption taxes, than on taxes on labour, or on capital to support its functions. Table 5.1 portrays this information, by comparing Greece with the EA17. From 1995 to 2005, there has been a decrease in the share of consumption taxes to total tax revenue in Greece, bringing it closer to the EA17 average. This trend had been reversed by 2010, as the bailout of the Greek government in May 2010 involved significant increases in VAT tax rates. Tax revenue which are sourced from labour incomes have also been raised from 1995 to 2010 - both as share of GDP and of total tax revenue; this stands in contrast to EA17 developments. We note that the stagnation/recession which was plaguing most EA17 countries in 2010 resulted in far larger declines in the reliance on capital incomes, and more so in Greece than in the EA17.
Table 5.1: Decomposition of tax receipts by main tax components

<table>
<thead>
<tr>
<th></th>
<th>% of GDP</th>
<th></th>
<th></th>
<th></th>
<th>% of total taxation</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Taxes on consumption</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Euro area</td>
<td>10.9</td>
<td>11.1</td>
<td>10.8</td>
<td>10.7</td>
<td>27.4</td>
<td>27.1</td>
<td>27.3</td>
<td>27.5</td>
</tr>
<tr>
<td>Greece</td>
<td>12</td>
<td>12.4</td>
<td>11.3</td>
<td>12.1</td>
<td>41.3</td>
<td>36</td>
<td>35</td>
<td>38.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Taxes on labour</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Euro area</td>
<td>21.5</td>
<td>21.3</td>
<td>20.5</td>
<td>20.8</td>
<td>54.1</td>
<td>52</td>
<td>51.9</td>
<td>53.4</td>
</tr>
<tr>
<td>Greece</td>
<td>10.5</td>
<td>12.4</td>
<td>13.1</td>
<td>12.4</td>
<td>36.1</td>
<td>35.9</td>
<td>40.5</td>
<td>39.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Taxes on capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Euro area</td>
<td>7.5</td>
<td>8.7</td>
<td>8.3</td>
<td>7.6</td>
<td>18.8</td>
<td>21.1</td>
<td>21</td>
<td>19.5</td>
</tr>
<tr>
<td>Greece</td>
<td>6.6</td>
<td>9.8</td>
<td>7.9</td>
<td>6.5</td>
<td>22.6</td>
<td>28.3</td>
<td>24.5</td>
<td>21.1</td>
</tr>
</tbody>
</table>

Source: Eurostat

The information provided in Table 5.2 shows that the worldwide trend in reducing the top statutory tax rates was observed in Greece as well. From 2000 until 2002 the top statutory income tax rate decreased from 45% to 40%, and it remained at that level until 2009. The bailout of 2010 forced the Greek government to raise this rate back to the 45% level. These gyrations of the top statutory tax rate produced similar changes in the combined central government and sub-central government marginal personal income tax rate at the earnings threshold where the top statutory personal income tax rate first applies; these changes are also apparent if in the calculation includes (All-in) the relevant social security contributions.
Table 5.2: Top marginal personal incomes tax rates for employees (single, no dependents)

<table>
<thead>
<tr>
<th>Year</th>
<th>Combined</th>
<th>All-in</th>
<th>Top statutory income tax rate</th>
<th>Threshold (multiple AW)</th>
<th>AW</th>
<th>AW in $ using PPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>37.8%</td>
<td>53.7%</td>
<td>45.0%</td>
<td>6.0</td>
<td>9,496</td>
<td>14,005</td>
</tr>
<tr>
<td>2001</td>
<td>35.7%</td>
<td>51.6%</td>
<td>42.5%</td>
<td>3.8</td>
<td>17,108</td>
<td>14,515</td>
</tr>
<tr>
<td>2002</td>
<td>33.6%</td>
<td>49.5%</td>
<td>40.0%</td>
<td>1.7</td>
<td>20,134</td>
<td>16,436</td>
</tr>
<tr>
<td>2003</td>
<td>33.6%</td>
<td>49.6%</td>
<td>40.0%</td>
<td>1.6</td>
<td>22,448</td>
<td>18,809</td>
</tr>
<tr>
<td>2004</td>
<td>33.6%</td>
<td>49.6%</td>
<td>40.0%</td>
<td>1.4</td>
<td>20,863</td>
<td>19,875</td>
</tr>
<tr>
<td>2005</td>
<td>33.6%</td>
<td>49.6%</td>
<td>40.0%</td>
<td>1.3</td>
<td>21,029</td>
<td>19,891</td>
</tr>
<tr>
<td>2006</td>
<td>33.6%</td>
<td>49.6%</td>
<td>40.0%</td>
<td>1.2</td>
<td>22,707</td>
<td>21,874</td>
</tr>
<tr>
<td>2007</td>
<td>33.6%</td>
<td>49.6%</td>
<td>40.0%</td>
<td>3.7</td>
<td>23,407</td>
<td>23,031</td>
</tr>
<tr>
<td>2008</td>
<td>33.6%</td>
<td>49.6%</td>
<td>40.0%</td>
<td>3.7</td>
<td>23,934</td>
<td>23,823</td>
</tr>
<tr>
<td>2009</td>
<td>33.6%</td>
<td>49.6%</td>
<td>40.0%</td>
<td>4.8</td>
<td>18,541</td>
<td>26,089</td>
</tr>
<tr>
<td>2010</td>
<td>37.8%</td>
<td>53.8%</td>
<td>45.0%</td>
<td>5.8</td>
<td>20,457</td>
<td>28,930</td>
</tr>
<tr>
<td>2011</td>
<td>37.6%</td>
<td>54.1%</td>
<td>45.0%</td>
<td>n.a</td>
<td>n.a</td>
<td>n.a</td>
</tr>
</tbody>
</table>

Source: OECD

Explanatory note: Combined is calculated as the additional central and sub-central government personal income tax resulting from a unit increase in gross wage earnings, and it takes into account the effects of tax credits, the deductibility of sub-central taxes in central government taxes, etc. All-in includes the relevant employee social security contribution as well. The statutory tax rates are the combined central and sub-central governments. The threshold at which the top statutory rate first applies, is measured as a multiple of the average wage. Average wage is the average annual gross wage earnings of adult full-time manual and non-manual workers.

The outline of the Greek tax system shows that Greece has significantly lower tax revenue (including social security contributions) than the other EU 15 countries and even lower ones than the other countries in the periphery (with the exception of Ireland). In comparison to the former, the lack of total government revenue, and of tax revenue, relative to GDP has been in the range of 6 or 7 percent of GDP in recent years. In addition, the Greek tax system remains replete with serious drawbacks. These have arisen as the tax system has been changing frequently in ad-hoc fashion to comply with EU regulations, to generate additional revenue, and to reverse (or, sometimes foster) real or perceived inequities of the tax system.

Both the issues of equity and efficiency are adversely affected by the main issue bedevilling Greek public finances, i.e. tax evasion. This issue is particularly pertinent among those owning small
businesses and the self-employed (from plumbers and electricians to medical doctors and lawyers), and it is exacerbated by the fact the share of self-employed in total employment is so high in Greece. That the self-employed are more likely to tax evade than those on dependent employment is well established in the literature. For example, using US tax audit data Slemrod and Yitzhaki (2002) calculated that the rate of under-reporting of income from dependent employment was less than 1 percent, whereas the rate at which the self-employed under-reported their income was close to 58 percent. Assuming that the behaviour of the self-employed in Greece regarding tax evasion is similar to that in the US, the difference in the shares of self-employment in the two countries (Greece: 30 percent, US: 7 percent) would explain most of the difference (about 20 percentage points) in the estimated size of the shadow economy in the two countries. 15

The distributional implications of tax evasion in Greece have been found to largely offset some of the progressive elements of the tax system. Matsaganis and Flevotomou (2010) have compared the tax reported incomes of a large sample of income tax returns in 2004/05, with those observed in the household budget survey of that year. They found that tax evasion causes the poverty rate and the poverty gap to rise above what would have been under full tax compliance, in spite of the fact that in their calculations the poverty line was allowed to rise to reflect higher disposable incomes with tax evasion.

In addition to the large rates of income tax evasion, Greece faces very high rates of payroll tax evasion. As is to be expected in such cases, the estimates vary widely. Studies conducted by the Social Insurance Foundation (IKA) estimate that payroll tax evasion has increased through the years; the early 1990s estimates were around 13% of revenues, whereas more recent estimates raise this figure from about 16% in 2003, to 20% in 2005 (POKOPK, 2005). IKA estimated that employers in 10% of all firms inspected in 2008 failed to pay social contributions, while 27% of all workers remained unregistered (Matsaganis et al, 2010). A weak connection between individual contributions and benefits has created incentives for collusion between employer and employee in order to minimize their social security contributions.

Successive Greek governments have tried to implement reforms aimed at increasing the efficiency of tax collection, mainly through efforts to curb tax evasion. Yet, these measures have not had much effect on tax evasion. A reason for that is the measures are most of the time piecemeal and do not take into account all other pieces of existing legislation. Another reason is that recurring tax amnesties have eroded the credibility of the system by providing incentives to taxpayers to delay and

15 Schneider and Enste (2000) and Schneider (2006) estimate the size of the shadow economy in Greece to be the largest (as a proportion of GDP) among 21 OECD countries. Their estimates hover between 25 and 30 percent of GDP.
eventually evade the payment of taxes. A further incentive for tax-evading behaviour is provided by the existence of deadlines that permit taxpayers to be absolved of their tax obligations if the state has not managed to collect the owed taxes in time. In 2007 alone, around €3.5 billion (about 1.5% of GDP) in taxes were written off, mainly to lapses in time for the collection of the owed tax revenue (State Audit Report, 2008).

4.4 Social Expenditure

Up until 1980, government spending in Greece was significantly smaller than the average for the EA12 countries. In 1970, government spending as a proportion of GDP was 23% in Greece and 34% in EA12, whereas in 1980 the corresponding figures were 30% for Greece and 43% for the EA12. After a huge expansion of the public sector in Greece in the 1980s, government reached 44% of GDP in Greece in 1999 (EA12: 48%). It appears that after gaining entry in the Eurozone, Greek policymakers stopped becoming even less vigilant in their efforts to curb government spending, and by 2008 (before the global crisis hit Greece), government spending stood at 48%, climbing to 53% of GDP in 2009.

Figure 5. 7: Total Government Expenditure (% Of GDP)

Source: AMECO
The growth in government spending in Greece is largely accounted by the growth in social transfers, which rose from 8% of GDP in 1970 to 21% of GDP in 2009, and in the compensation of public employees, from 8% in 1976 to 12.7% of GDP in 2009 (Moutos and Tsitsikas, 2010). The growth in transfers (mainly to households) can be partly explained by the fact that as late as 1980 Greece spent only 11% of its GDP on income transfers, whereas the average for the EU15 was 17%.

The most important category among income transfers in Greece is old-age benefits. This is the fastest growing category of social spending, and the biggest risk regarding the sustainability of public finances in Greece. Government spending on old-age benefits (of which pension payments represent more than 95% of total spending in this category) rose from 9.5% of GDP in 1995 to 11.3% in 2009 (Figure 5.9). Significant rise was also observed during the same period in public expenditure on sickness/health care, which rose from 5.0% of GDP in 1995 to 8.0% of GDP in 2009. All other categories of social spending (i.e., invalidity payments, unemployment benefits, family/children benefits, housing benefits) remained below 2% of GDP during the period 1995-2009. We note that with the exception of old-age benefits (i.e. essentially pensions), for all other categories of public social expenditure Greece spends less (as percentage of GDP) than, on average, the EA17 countries.
From 1980 to 2007, the growth in cash payments and in payments in kind was large – both types of public social expenditure doubled as percentage of GDP (from 6.9% to 13.9%, and from 3.6% to 7.3%, respectively). This increase has brought government spending on these items close to what the EU15 countries spend on average. Thus, whereas in 1995 total public spending on social protection (as percentage of GDP) was 7.2 percentage points lower in Greece than in the EU15, by 2009 the difference was only 1.8 percentage points (Greece: 27.3%, EU15: 29.1%).
Figure 5. 10: Public social expenditure by transfers/cash as percentage of GDP

Source: OECD SOCX database

Regarding the allocation of social expenditure between means-tested and non means-tested, the importance of non-means tested social expenditure has increased, whereas means-tested expenditure has remained roughly constant as percentage of GDP. Thus, the total of non means-tested benefits increased from 18.1% in 1995 to 25.4% in 2009 (Figure 5.11). We note that most of the increase in non means-tested benefits during this period was in benefits in kind—from 5.2% in 1995 to 9.0% in 2009. It is also worth mentioning that although means-tested benefits were still in 2009 significantly lower in Greece than in the EU15 (Greece:1.9%, EU15:3.4%), the pan-European trend in the rising (relative) importance of means-tested benefits was also observed in Greece (the relevant figure was 1.1% in 1995).
The type of government expenditure where Greece still lags significantly behind other European countries is on active labour market programmes. Although Greece had during the last three decades higher unemployment rates than most of the EU15, its public expenditure on active labour market programmes never exceeded 0.4% of GDP, and it was most of the time less than 0.25%. In contrast, many of the EU15 spent on such programmes more than 0.8% of their GDP, whereas some countries (e.g. Denmark, Netherlands) spent regularly more than 1.2%.
Education has been a most important route to social mobility in Greece. The idea that one’s family background should be no barrier to economic success was widely accepted and policymakers tried to implement it through an expansion of publicly-provided education – especially of tertiary education – during the last three decades. Figure 5.13 shows public expenditure on education as percentage of GDP in Greece and the EU27. Despite the increased public spending on education in Greece - from 2.9% in 1993, to 4.1% in 2005 – it remained significantly lower than the EU27 average which hovered around 5%.
Despite the increased public spending on education in Greece during the last two decades, the gross enrolment ratio in preprimary education has not shown any marked improvement; but, for a brief period in the late 1990s, it has remained roughly constant at about 67% (Figure 5.14). This compares poorly with other EU15 countries where the average ratio was above 80% in the late 1990s and has increased significantly ever since reaching 93% in 2007. (http://www.stats.uis.unesco.org/unesco). It appears that part of the increased spending was used to lower the students to teacher ratios in primary and secondary education – from 11.4 in 2001 to 8.6 in 2007. These ratios were the lowest in the EU15 (where ratios close to 15 are not the exception), and may reflect, in addition to geography (i.e., a lot of small islands), the inefficiency in which resources are allocated in the education sector.

Figure 5. 14: Gross enrolment ratio, preprimary education
The expansion in the number of students in tertiary education from 1999 to 2010 was very large in Greece – from 387.9 to 641.8 thousand, an increase of 65.5%. During the same period, the number of students in tertiary education in the EU27 expanded by 27.5%. According to Eurostat, Greece appears to have had in 2010 the highest number of students in tertiary education per capita among the EU15 countries.\footnote{To some extent this is due to the exceedingly large number of years Greek students take to complete their studies.} Given the relatively low public expenditure on education, it is hard to avoid the obvious conclusion that this expansion in tertiary education compromised the quality of provided education – it was mostly driven by the willingness of political parties to satisfy the demands of local communities for a boost to the local economy through a publicly funded influx of staff and students.\footnote{As a result, there exist university and TEI departments which are very small, based in relatively isolated locations and face major problems in reaching economies of scale in numbers and qualifications of academic staff, equipment (especially for the TEIs) and essential academic, student, and administrative support services.} As a result, there exist some Technological Educational Institutes which register less than 100 students per year. This is also evidenced by the very low public spending per student in tertiary education (even when normalized by GDP per capita) in Greece relative to all of the EU15 countries.

The Greek HBS of 2004/05 provide us with some information regarding intergenerational educational mobility in Greece. Table 5.3 shows measures of such mobility classified according to the household’s
Among the poor (defined as those with income less than 60% of the median equivalised income), the proportion of those which achieved the same level of education as their father was 31.5%, whereas the corresponding proportion among the non-poor was 22.4%. (We note that due to assortative matching the relative proportions if the mother’s education was the reference point were similar.) Upward educational mobility (i.e., a person’s educational achievement is higher than his/her father) was experienced by 62.5% among the poor, and by 72.3% among the non-poor. The high proportion of upward educational mobility among the poor may just reflect the previous generation’s high proportion of very low educational achievement (less than primary, or just primary education).

Table 5.3: Trends in intergenerational educational mobility: Educational mobility measures from father’s to children’s generation %

<table>
<thead>
<tr>
<th>Measures of educ. mobility</th>
<th>Poor</th>
<th>Non-poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational stagnation</td>
<td>31.5</td>
<td>22.4</td>
</tr>
<tr>
<td>Upward trend in educational mobility</td>
<td>62.5</td>
<td>72.3</td>
</tr>
<tr>
<td>Downward trend in educational mobility</td>
<td>6.2</td>
<td>5.0</td>
</tr>
</tbody>
</table>

Source: ELSTAT

In many European countries about half of welfare state transfers consist of in-kind benefits such as education, health insurance, child care, elderly care and other services. Regarding tertiary education, Callan et al. (2008) have estimated that, in Greece, the proportion of beneficiaries of (publicly-funded) tertiary education do not vary greatly across household income quintiles, ranging between 17.3% (of the total population) for the top-income quintile to 24.8% of the second-from-the-bottom income quintile. (This is common across many European countries, with Netherlands being the exception, where 39% of the total number of beneficiaries comes from the lowest-income quintile.) However, the distribution of beneficiaries changes markedly if the sample excludes students living away from the parental home. In this case, the beneficiaries belonging to the lowest-income quintile are only 9.2% of the total. The proportion of beneficiaries rises gradually as we move to higher-income quintiles, with those belonging to the highest-income quintile representing 25.8% of the total number of beneficiaries. Given that in Greece most of tertiary education students live with their parents (and are thus counted as part of their parents’ household in the HBS), the distribution excluding students living away from the parental home is a more appropriate metric for the incidence of in-kind educational transfers. It thus appears that the incidence of these transfers is regressive.
Table 5.4: Distribution of beneficiaries of third-level education by household income quintile

<table>
<thead>
<tr>
<th></th>
<th>Quintile</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bottom</td>
<td>2nd</td>
<td>3rd</td>
<td>4th</td>
<td>Top</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All beneficiaries</td>
<td>17.6</td>
<td>24.8</td>
<td>20.7</td>
<td>19.6</td>
<td>17.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excl. students</td>
<td>9.2</td>
<td>17.0</td>
<td>22.3</td>
<td>25.7</td>
<td>25.8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Callan et al (2008)

4.6 Causes and Consequences of (Social) Policy Activism in Greece

This chapter has presented the broad outlines of policies which could, either directly or indirectly, affect the evolution of driver inequalities in Greece. Before commenting on the politico-economic environment which allowed the emergence of these policies, we take a brief look at their ability to alter market outcomes.

Leaving aside the effects of tax/transfer schemes on the Gini coefficient discussed in Table 2.2, we focus here on the effects of social transfers on poverty risk since they demonstrate both the inefficiency and inter-generational character of Greek social policy. Table 5.5, which is based on EU-SILC data, shows the average effect of social transfers in Greece during the period 2004-2010.\(^{18}\) We thus see that the average reduction in the at-risk-of-poverty-rate was 3.0 percentage points for the whole population, and 4.9 percentage points for those aged more than 65. During the same period, among the EU15 countries, the average reduction in the at-risk-of-poverty-rate for the total population was 10.0 percentage points, and 4.0 percentage points for those aged more than 65. These data not only underscore the inability of the Greek state to use social policy effectively (Greece does spend on social policy comparable sums to the EU15 average), but they also reflect the willingness of Greek policymakers to cater to special interest groups.

Table 5.5: Percentage point reduction in at-risk-of-poverty rate due to social transfers

<table>
<thead>
<tr>
<th>Total population</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
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</thead>
<tbody>
<tr>
<td>Before Social</td>
<td>23.7</td>
<td>22.5</td>
<td>22.6</td>
<td>23.4</td>
<td>23.7</td>
<td>23.3</td>
<td>22.7</td>
<td>23.8</td>
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<td>Transfers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>After Social</td>
<td>20.8</td>
<td>20.2</td>
<td>19.5</td>
<td>20.8</td>
<td>19.2</td>
<td>20.1</td>
<td>19.7</td>
<td>20.1</td>
</tr>
<tr>
<td>Transfers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference</td>
<td>2.9</td>
<td>2.3</td>
<td>3.1</td>
<td>2.6</td>
<td>4.5</td>
<td>3.2</td>
<td>3.0</td>
<td>3.7</td>
</tr>
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</table>

\(^{18}\) Pensions are counted as income (before social transfers) and are not included in the definition of social transfers.
The overwhelming attention given to older persons by Greek policymakers cannot be explained by just pointing to the fact that this group is a large, and fast increasing, share of the electorate. After all, this is also true other EU15 countries. It is rather a reflection of the fact that, before social transfers, the at-risk-of-poverty-rate was 6 percentage points (average for 2004-2010) higher for those older than 65 than for the total population. In contrast, for the EU15, the corresponding rate was lower by 3 percentage points for the older than for the total population. In order to understand these differences, we must also take into account some salient characteristics of post-war Greece, which have exercised considerable influence in the development of the Greek economy and society.

A purely structural/economic explanation would point to the very large share of agricultural employment in Greece relative to the other EU15 countries. Agricultural workers (i.e. small-scale farmers) were receiving, until the 1990s, a very low pension for which they had not paid any contributions. Since 1998 a proper pension fund (OGA) has been created which uses public funds to still pay 340 euros per month to persons not having made any contributions; this sum can more than double for persons which opted to pay contributions. Nevertheless, the bulk of OGA pensioners receive less than the poverty line threshold and this fact can be part of the explanation why the incidence of poverty risk is higher among older citizens in Greece relative to the total population. However, this fact begs the question: Why did it take so long for Greece to develop a proper pension fund for agricultural workers? The answer must be sought in the contradictory role played by the state. On the one hand, a liberal ideology was assigning a prominent role to the entrepreneurial spirit, but, on the other hand, most of the variables influencing market outcomes were controlled by the state, which was, in turn, a prize which feuding groups (aka political parties) were trying to capture. As a result, instead of rational bureaucratic structures which embody the idea of universal social rights, what developed in Greece was a discretionary (and, often in practice, a clientilistic)
system of welfare provision, which favoured particular groups while at the same time ignoring basic social needs of large segments of the population. An effort to redress some of these shortcomings took place in the early 1980s. While in many Western European countries the recession following the second oil shock was leading to cuts in welfare expenditure, in Greece there was a significant rise in social spending. Unfortunately, this rise was not associated with the appropriate changes in the institutional environment to secure an efficient allocation of social welfare spending. Although social security coverage widened, neither the composition of welfare spending nor the distribution of social benefits could be considered a rational response to pressing welfare needs. A particular case which illustrates the haphazard way in which the disbursement of social welfare was administered is old-age pensions. From the mid-1970s to the mid-1980s the pensions-to-GDP ratio almost doubled. The lowest pensions increased considerably, uninsured old-age persons started receiving a social-assistance benefit, and pensions (along with social security coverage) was granted even to groups that had not paid any contributions (e.g. to Greek repatriates from the former Soviet Union and other Eastern European countries). Yet, the system remained fragmented, with pension funds serving “special-interest” groups managing to maintain their privileged position – usually achieved by receiving indirect subsidies by the government (often by imposing taxes on third parties). To give an example of differential treatment consider the following example (Matsaganis, 2011): The same amount of contributions would give a pensioner of IKA, which is the main social insurance fund catering to private-sector employees, a pension of €500 at 65, while it would give a pensioner of TAP-OTE (a fund catering to a telecom firm which was, until recently, publicly owned), €1,500 at 55. Such unequal treatment of pensioners, which was underpinned through the use of public funds, was also responsible for the higher incidence of poverty among pensioners than for the population as a whole. It is thus ironic that social transfers (excluding pensions) in Greece were very effective in reducing the high (relative to EU15) at-risk-of-poverty-rate for persons older than 65, while at the same time government policy was responsible for creating the high poverty risk among pensioners by over-subsidizing through scarce public funds the more “affluent” pension funds.

The inequities of social protection in Greece are not restricted to just old-age pensions; they permeate all aspects of it. For example, blind people receive €362 (per month) if they students or employees, and €697 if they are lawyers; the low-income family benefit is €25 (per month) if the parents are private-sector employees, and €236 if they work in wider public sector or in a bank (Matsaganis, 2011). These examples, which demonstrate that social protection benefits are not disbursed according to some widely accepted, and just, principles, have been weakening the trust of citizens
Some efforts at improving some of the inequities and inefficiencies of the social welfare system were made in the 1990s and in the first decade of the new millennium. These efforts, most of the times underpinned by the belief (or, the pretext) that social and economic reform should be the result of social dialogue, did not produce the hoped-for social concertation and successive governments had to abandon them.
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## Appendix

### Log Table Chapter 3

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