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## Cuts Watch brief

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Author: David Hall

### Greece

#### Summary

| Country                                  |            | Greece  |
|--|------------|---|
| GDP change 2009                          | -2.0       | GDP declines further: -4.5% in 2010, -3.8% in 2011  |
| Stimulus: % of GDP                       |            |   |
| Support for banks etc: % of GDP          | <b>5.0</b> |   |
| Government austerity cuts: % of GDP      | -15.4      | 2011 plus 2010 package, by 2015   |
| IMF proposed extra cut by 2030: % of GDP | -14.0      |   |
| Public sector job cut                    | -157,038   | Cut of 20% from 2010 to 2015, plus 7,000 job cuts in quangos  |
| Public sector pay cut                    | -21.3%     | 2010 cuts were 15%. The 2011 package includes increase in hours from 37.5 to 40 per week, equivalent to a further cut of -6.25%. Also cuts in pension entitlements. Inflation erodes value further. |
| Healthcare cut                           | -7%        | Across the board cuts   |
| Pensions cut                             | Yes        | Pension age will rise from 55 to 65   |
| New privatisation                        | Yes        | €50billion package of specific asset sales, controlled by special commission not by govt, dedicated to paying off bonds   |
| Municipal, regional, state level cuts    | -7%        | Across the board cuts   |

#### Links:

- European Commission 2011 [The Economic Adjustment Programme for Greece - Fourth Review - spring 2011](#) European Economy. Occasional Papers. **82**. July 2011.
- ETUI 2010 Vera Glassner [The public sector in the crisis](#) Working Paper 2010.07
- LRD 2010 [The wrong target – how governments are making public sector workers pay for the crisis](#)
- European Anti-Poverty Network (EAPN) The Social Impact of the Crisis and of the Recovery Policies 2011 <http://www.eapn.eu/images/stories/docs/EAPN-position-papers-and-reports/crisis-report-2011-en.pdf>
- Financial Times: [Interactive timeline: Greek debt crisis](#) 2009-2011
- Ekathimerini 19 November 2011 [Ambitious budget eyes surplus](#)

Debtocracy: a film on the Greek crisis April 2011 <http://www.debtocracy.gr/indexen.html> ; <http://en.wikipedia.org/wiki/Debtocracy> ;

### 1. Further austerity package June 2011 and new government November 2011

Following the resignation of George Papandreou as prime minister, a new government was appointed headed by a banker. A new budget in November 2011 aims to comply with the requirements of the June 2011 deal by bringing down the government deficit from 9% of GDP to 5.4% of GDP in a single year, despite a forecast that GDP will fall by 2.8%. The plans depend partly on banks agreeing to accept a loss of 50% on government bonds, partly on €9.3 billion revenue from privatisations, and partly on further cuts in spending.

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In June 2011 the Greek government agreed to impose a set of cuts required by the European Commission and the IMF as a condition for supporting the value of Greek sovereign debt. In total, this and the previous package amount to a re-adjustment of 15% of GDP

**Table 1. Impact of cuts and tax rises as % of GDP 2011 package**  
cumulative impact as % of GDP by 2014

|   | change by 2014 as % of GDP |
|---|----------------------------|
| <b>Total</b>  | 10.5                       |
| <b>Spending cuts</b>  |                            |
| Social benefits   | 1.9                        |
| Wage bill   | 0.9                        |
| Pharmaceutical spending                                     | 0.5                        |
| Health care   | 0.3                        |
| Extra-budgetary funds (finance for non-government agencies) | 0.5                        |
| Other expenditure (finance for local government)            | 0.4                        |
| State-owned enterprises (subsidies)                         | 0.4                        |
| Operational expenses  | 0.3                        |
| Investment spending   | 0.2                        |
| Defence expenditure   | 0.1                        |
| <b>Tax increases</b>  |                            |
| Tax policy  | 3.6                        |
| Tax compliance  | 1.4                        |

Source: European Commission 2011

### 1.1. Jobs, pay and conditions

Through recruitment freezes and other measures, over 150,000 jobs will be cut: “From 2010 to 2015, the total number of government employees is expected to be cut by 20 percent, from 727 thousand to 577 thousand.” The package also includes 7,000 jobs to be cut as a result of closing or merging over 150 quangos.

In addition to the pay cuts of 2010, there will be “an increase in the weekly working hours for public sector employees from 37½ to 40 hours and a reduction in overtime payments.” The increase in hours is equivalent to a pay cut of 6.25%.

### 1.2. Impact on services

The 2011 package includes, in addition to the cuts in public employee numbers and pay:

- Cuts in vbenefits (1.9% of GDP)
- Cuts in spending on healthcare and drugs (0.8% of GDP)
- cuts in funding to local government, non-governmental agencies and state-owned companies (equivalent to 1.3% of GDP)

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- a cut of 7% across the board in operating expenditure , and cuts in investment and military spending (0.6% of GDP)

It also includes tax increases equivalent to 5% of GDP.

One critic described the health cuts as leading to:

“the loss of two key societal freedoms implicit in human security, namely, freedom from fear and freedom from want, which are now suspended in an uneasy limbo under the weight of job layoffs, diminishing family resources, removal of social safety nets, and the influx of vulnerable refugees with their basic human needs. If vulnerability creeps upwards, health status can take a beating worse than any ever seen.

There is great anger in Greece both with the political world and with dysfunctional institutions (justice, education, health and environment). Health is being chipped away and wellbeing has been compromised. Home loss and homelessness can grow, chronic disease can become exacerbated, resistance to infection can diminish and an epidemic of mental health problems can emerge, while mental health is still a taboo topic of discussion.” (Athens News 5 July 2011 [Warning: The memorandum could damage your health](#) )

### 1.3. Privatisation

Privatisation of a specific list of public sector operations is a core part of the measures. This is expected to raise €50billion by 2014, equivalent to over 20% of GDP. The list of those to be partly or wholly privatised includes: water services in Athens and the second city Thessaloniki, rail, gas, mobile telecoms, airports, motorways, the state electricity company,

Greece has been forced to give up its sovereignty over this process: it will be managed by a specially created private company overseen by EU appointees, with quarterly targets for the amounts to be sold. The proceeds are expected to be used to pay off the west European banks who hold Greek bonds.

Sources:

- European Commission 2011 [The Economic Adjustment Programme for Greece - Fourth Review - spring 2011](#) European Economy. Occasional Papers. **82**. July 2011.
- Athens News 5 July 2011 [Warning: The memorandum could damage your health](#) )

## 2. Impact of 2010 austerity measures

### 2.1. Jobs pay and conditions

The European Trade Union Institute (ETUI) summarised the impact on workers of the 2010 cuts as follows:

“In Greece pressures to cut public spending were particularly strong as the country received a loan of €110 billion from the EU and IMF. In order to reduce the budget deficit from 12.7 to 8.7% of GDP in 2010 and 2.8% by the end of 2013, the government announced, among other measures such as an increase in VAT and pension reforms, a cut in public sector wages, a 30% cut in special bonuses (e.g. holiday and Christmas bonus), a reduction in overtime pay and the suspension of recruitment of new workers. It is estimated that cuts in wages and bonuses will result in a de facto loss of income for public sector workers of 12 to 20%. Trade unions strongly rejected the

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‘emergency package’ and repeatedly took industrial action, including several general strikes in 2010, with the most recent in October.”

The LRD summarised the impact of pay cuts for public service employees in Greece as equivalent to 14% to 15% pay cut over the year, and 20% after allowing for 5% inflation::

- January 2010: 10% cuts in allowances – equivalent to 4% reduction in pay
- March 2010: allowance cuts will be 12% rather than 10%, and 14th month salary reduced
- May 2010: allowance cuts will be 20% rather than 12%, and 13th and 14th month salary reduced
- July 2010: public (& private) sector pensions worsened
- Similar cuts imposed on those in publicly-owned companies

## 2.2. Impact on services

According to the IMF the 2010 cuts included, in addition to the cuts in jobs and pay:

“Other expenditure cuts involve employment reductions, cuts in discretionary and low-priority investment spending, untargeted social transfers, consolidation of local governments, and lower subsidies to public enterprises”

There was a major cut in the state pension scheme, including the rapid raising of the retirement age from 55 to 65 by 2015, a cut in the levels of pensions, and an overall ceiling on the total payable. The IMF summarises the pension reforms as:

“a major pension reform that will limit the increase in pension spending during 2010-50 to 2.5 percent of GDP. While the reduction in pensions will be phased in pro-rata starting 2013, the increase in the retirement age will be fully effective in 2015.” EAPN adds that: “The State will only guarantee a basic pension of 360 € for all.”

The overall effect of these cuts is that spending on pensions will be cut by a quarter by 2020 (equivalent to a cut of 2.4% in GDP) and a third by 2060 (equivalent to a cut of 4.6% of GDP)

### Sources

- ETUI 2010 Vera Glassner [The public sector in the crisis](#) Working Paper 2010.07
- LRD 2010 [The wrong target – how governments are making public sector workers pay for the crisis](#)
- European Anti-Poverty Network (EAPN) The Social Impact of the Crisis and of the Recovery Policies 2011 <http://www.eapn.eu/images/stories/docs/EAPN-position-papers-and-reports/crisis-report-2011-en.pdf>
- IMF 2010 “A Status Update on Fiscal Exit Strategies” IMF Working Paper WP/10/272 <http://www.imf.org/external/pubs/ft/wp/2010/wp10272.pdf>
- European Commission 2011 [The Economic Adjustment Programme for Greece - Fourth Review - spring 2011](#) European Economy. Occasional Papers. **82**. July 2011.