



## **INTERVENTION OF THE ECONOMIC AND SOCIAL COUNCIL OF GREECE IN THE CURRENT ECONOMIC AND SOCIAL DEVELOPMENTS**

Today, Greece is at breaking point. Greek citizens have suffered an unprecedented decline in income. Additional sacrifices are not possible. This difficulty is intensified because there is no clear prospect of exit from the crisis. It is required immediately to give developmental targeting to the country, by searching and specifying its comparative advantages and correcting its structural problems. Otherwise, the Greek economy will continue to wobble in an environment of prolonged deep recession and high unemployment. According to provisional figures by Hellenic Statistical Authority (EL.STAT.), the decrease in GDP for the second quarter of 2012 reached 6.3% and unemployment in July reached an unprecedented rate of 25.1%.

The exit from the crisis depends not only on governmental choices. It also depends on the wider use of the creative forces of the country, both in Greece and the international arena. Therefore, active and meaningful participation of the whole society is required. All social and productive forces of the country are called upon to come to an understanding without negligence and delays and to agree not only on goals, but also on specific policy measures.

The ESC works systematically towards this direction. To date, it has taken important initiatives in the country, aimed at the convergence of the views of all stakeholders on key development areas of the Greek economy, such as the "National Social Development Agreement" and the "Roadmaps for Development". It has also taken important initiatives internationally, through alliances and interventions at international forums, but also through useful and effective bilateral relations and cooperation.

In this context, we consider imperative need and paramount duty to emphasize our deep concern and anxiety of all stakeholders, resulting from the restriction and the continuing decline of the importance and the role of social dialogue on economic growth and social cohesion. If this outcome is a political choice, **leads to complete impairment of social dialogue, with all that this implies** for the functioning of institutions and the representation of organized society.

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### **THE PRESIDENT OF THE ESC**

Christos Polyzogopoulos

## **SOCIAL DIALOGUE: A BASIC COMPONENT OF GREEK ECONOMY'S RESTRUCTURING**

The Economic and Social Council of Greece, from the beginning of its operation, monitors closely the developments in the Greek economy and the Greek labor market. Already by 2008, in the Opinion on the National Reform Program, we had pointed out the high likelihood of derailment of our country's fiscal indicators.

Then, throughout the entire period of fiscal adjustment (Memorandum I and II), the ESC has repeatedly stressed the need for remaining in the eurozone and the euro because any other scenario would have multiple negative effects on society and the country's economy. At the same time, however, it has pointed out that there is a need for a sustainable debt management and decent living conditions for large segments of the population, such as employees in the public and private sector and pensioners.

In the framework of financial stability, the policies followed by governments promoted and continue to promote extreme austerity, reduction of social spending and deregulation of labor relations. These policies, as demonstrated, aggravated and continue to aggravate the recession and tremendously increase unemployment. Specifically, further extension of the recession is expected, with a GDP drop (according to provisional figures by EL.STAT. for the second quarter of 2012) of 6.3%. Moreover, further increase is expected in unemployment, which, according to official figures by EL.STAT., during the second quarter of 2012 reached 23.6% and in July 2012 the unprecedented rate of 25.1%, while there is no evidence whatsoever of a halt of the rise.

With unemployment at an alarmingly high level, with positive inflation (increase in the General Consumer Price Index in September 2012 compared to August 2012 by 2.5% and an increase of the average index from October 2011-Sept. 2012 by 1.9%) and negative growth rates, even if we succeed at some point in the future in the financial goals as a country, the economy will have surely been driven to collapse, society to despair and vulnerable groups to full marginalization. Exiting from the crisis can be based on fiscal discipline, only to the point that recession begins, since tough austerity has never worked as a strategy for growth. And without growth, Greece cannot repay its debts and become economically and socially sustainable.

Therefore, at the point that we are now, the only solution is developmental targeting for the country, by searching and developing its comparative advantages and correcting its structural problems. Towards this leads the finding that the measures which have been taken, unfortunately fall considerably short of the goals they were required to serve: the control mechanisms for combating tax evasion have performed poorly. The actions for fiscal consolidation of the broader public sector businesses, apart from remaining unfinished, were also largely unsuccessful. The government's privileged treatment of the banks has not, so far, facilitated the functioning of the real economy, since liquidity was not injected into businesses. Finally, interventions in the labor

market deregulated labor relations, without any documentation - except in general terms - of whatever positive effects they may have on the competitiveness of the Greek economy. The invocation of the economic crisis as a reason to extend flexible working relationships is a fact that the political leadership should be more extensively preoccupied with. Such forms of interventions that subvert the legal framework of Collective Bargaining and Collective Agreements and determine the minimum wage by legislative intervention will surely have devastating effects on the proper functioning of the labor market, with all that this implies for labor and social peace. Their impact on the competitiveness of the Greek economy is dubious. Labor costs may affect the competitiveness of Greek businesses, but their competitiveness has long before and to a much greater extent been affected by the low level of integrated production technology and the high bureaucracy that entrepreneurship in our country faces daily.

The ESC has stressed that a necessary condition for limiting the consequences of the crisis and supporting employment is the country's immediate and complete transformation of the economic, productive and social model it follows. The implementation of this new orientation requires revisions of the choices that characterized the policies of the previous period, in terms of income distribution, the relationship between private and public sectors and the balance between market function and public supervision.

The limitation of painful conditions in the economy and employment requires immediate planning and implementation of a long-term program for the reconstruction of the Greek economy and the reorganization of the labor market, on the basis of a new development model aimed at increasing competitiveness, promoting employment, improving the welfare state and ensuring social cohesion.

At this point, we should note that it is beyond any doubt that government policies should be geared to tackle the budget deficit. If the deficit does not become manageable, the country will not be able to move forward. But apart from financial stability, social cohesion should be ensured as well. The fiscal problem, along with the recession, has led to a significant increase in the poverty rate and has destabilized social cohesion. The income cuts and the significant increase in unemployment have marginalized vulnerable groups, such as the young, the elderly, unskilled workers and immigrants.

It is a fact that since the last election, the government has engaged in a race to approach the fiscal targets, in order to be able to secure the next loan tranche and avoid bankruptcy, at least in the immediately foreseeable future. The specific context strictly prohibits any retarding maneuver. Therefore, it is required that the necessary reforms in the economy to proceed immediately. An integrated and coherent growth-oriented program of financial stability is also required. Otherwise, the derailment of the fiscal adjustment program of the Greek economy, which will wobble in an environment of prolonged recession and high deficits, is certain.

The ESC, after extensive dialogue with its members, has concluded that there are three main areas that the recovery and reform effort of the Greek economy should be based on.

**First, a comprehensive plan to increase public revenue that will ensure a balanced budget.** The hitherto financial stability policies had as a sole effect the reduction of the income of

employees and the downgrade of the welfare state, through cuts in social policy, which is necessary now, more than ever. The increase in public revenue can only come through the drastic reduction of tax and social contributions evasion, the enhancement of transparency and the rationalization of public expenditure and that of companies of the broader public sector.

**Secondly,** a comprehensive package of reforms aimed at strengthening the competitiveness of the Greek economy and attracting new investment. We are all familiar with the problem of bureaucracy, which impedes the attraction of investment capitals and increases the operating cost of businesses. We are also familiar with the permanent practice of continuous tax changes, which is a pathogenesis of the Greek economy and works against development. Nobody can deny that the constant changes in the tax system and the imposition of new taxes on the basis of a tax collection rationale inhibits investments, as it contrasts with the required stability of the business environment and significantly burdens middle incomes, which are the driving force of domestic demand.

What is needed is primarily targeted actions supporting industries and businesses that have the potential to play the role of the lever to exit the crisis. The need to make strategic choices, combined with the corresponding options for education and research, is visible in the energy sector, but also in the sectors of domestic software and high-tech machinery production, innovative traditional products manufacture, the agro-food sector, as well as the industries of tourism and cultural services. The government should then proceed to specific arrangements that will support and provide additional tax or other incentives to businesses that innovate and export-oriented businesses. In this context, VAT rates for tourism businesses and eating establishments should be revised, including the removal of regulations that lead to over-taxation of real estate, particularly those used in the production process of manufacture and agribusiness (buildings-warehouses).

Moreover, a faster and more efficient utilization of National Strategic Reference Framework (NSRF) resources is required for more infrastructure and business investments, in order to support growth. All partners of the NSRF, the Regions and Ministries must make the best of their powers in order to promote the projects that have already been agreed.

Finally, the terms of financing businesses should be reexamined, particularly regarding SMEs, which are the lifeblood of the Greek economy and today have almost been excluded from bank financing. We have reached the limit and appropriate arrangements are required for banks to directly inject the liquidity given to them into the real economy.

**Thirdly,** there is a need for a structured effort to promote social cohesion by giving priority to social policies. It is an immediate priority to design and adopt a comprehensive social policy that deals jointly with unemployment and poverty and which will be an integral part of the overall strategy of sustainable development.

Otherwise, we will be led to a society of sharp inequalities and segregation. A society with "civil war" features, in which will reside demerit, destruction or even social "cannibalism". This kind of society cannot create growth. **Therefore, there is only one way, regardless of the**

**financial constraints, which goes through support and reinforcement of the welfare state.** The government should avoid earmarking all revenues to serve the debt, in order to obtain the resources necessary for the development of an adequate social safety net, and make the necessary reforms, so that the welfare state becomes modern and efficient. It is in this direction that efforts should be intensified towards more European funds for social protection and cohesion (employment support programs for the youth and the long-term unemployed, welfare programs for the homeless, etc.).

**Finally, at this point we should note** that for the abovementioned interventions to have a substantial impact on growth and competitiveness **the mobilization of all economic and social forces** must be ensured and **the greatest possible social consensus must be achieved** on important issues that concern the Greek economy and society.

**Tackling the crisis and the serious problems it causes to companies and employees requires the reinforcement of social dialogue.** It is commonly accepted that the exit from the crisis does not depend only on government choices. Active and meaningful participation of the whole society is required. Concerted action and solidarity are key prerequisites for economic recovery and job growth. **Because it is only through broad consensus that policies can affect real economy, limit the effects of the crisis and, of course, lead us, as soon as possible, to overcome it.**

At the breaking point that the country is, all social and productive forces are called upon to come to an understanding and to agree not only on goals, but also on specific policy measures. The broader social and political understandings and agreements cannot permit negligence and delays. And the right place to achieve the necessary social consensus is in the framework of the Economic and Social Committee (ESC), which is the main constitutional institution of social dialogue in our country.

We who serve this institution, conscious of our responsibilities at such a critical time for our country, have long been devoting our efforts to this goal: as you know, in 2008, the Economic and Social Council of Greece began an extensive dialogue on the formulation of a **National Social Development Agreement**, which, if exploited by the political and productive forces, might have made the crisis more easily manageable.

In continuation of this effort, the Economic and Social Council invited all stakeholders to participate in an open dialogue on the formation of a main proposal for discussion on the socio-economic restructuring of the country.

And we will continue this effort, utilizing all available opportunities provided by the institutional framework of the ESC, as well as the expertise gained over its years of operation.

**On the part of the government, what is needed is a systematic and timely dispatch of the legislative measures to the ESC.** Unfortunately, in the past, despite our repeated requests, only a small portion of the bills was sent for an Opinion to the ESC, thereby indirectly weakening the process of social dialogue. This practice must change, especially now that the reforms planned require harsh interventions in the productive and social fabric of the country. Interventions that will definitely cause social tensions and extreme phenomena of social

upheavals. And the only way to "bloodlessly" address them is through meaningful social dialogue and broad social understanding.

Finally, because of the circumstances we find that dialogue has been significantly limited among social partners and among the social partners, the government and the Troika. There is a systematic attempt to downgrade its importance and its role in social cohesion and development. This turn of events, if it is a policy option, **would lead to the complete discrediting of the social dialogue, with all its implications** to the operation of institutions and the representation of organized society.

## **POSITIONS OF THE ESC ON KEY SECTORS OF THE ECONOMY AND SOCIETY**

### **1. Growth and Competitiveness**

Established positions of the Economic and Social Council on Growth and reinforcement of Competitiveness, which have been expressed in a large number of Opinions, are as follows:

- The stability of the economic environment is a prerequisite for a country's social and economic growth and the improvement of its international competitiveness.
- Greece should intensify its efforts, in order to be able to develop its openness and to reduce the GDP's dependence on domestic consumer spending.
- Only competitiveness based on the qualitative aspect of the production system is long-standing. Business activity can be competitive by aiming at quality, highly qualified and systematically trained manpower and knowledge-intensive, technology and innovation sectors.
- The role of the state in the growth process is important, as it is common knowledge that the state and its policy, quality and efficiency in the public sector affect the level of competitiveness and can act as disincentives for investment. Simultaneously, social consensus and the development of a climate of trust in the institutions and the political leadership are equally - and often more - important factors that promote productivity and competitiveness of an economy.
- The environmental dimension of growth is particularly important and therefore environmental sensitivities should be treated responsibly within the individual policies.
- Favorable business environments include transparency, institutions that preserve competition, facilitation and support to business activities. Specifically, the following are required:
  - i) Measures that will reinforce competition by ensuring price stability. It is necessary to immediately address underground economy and eliminate regulatory interventions or practices that restrict competition in segments or sectors of the economy and encourage monopolistic or oligopolistic pricing behaviors.
  - ii) Development of lifelong learning and implementation of effective training systems of human resources with special attention to people with disabilities.

iii) Measures to improve the business environment and specific actions to:

- eliminate unnecessary bureaucracy (reducing costs and simplifying and speeding up procedures) and the corruption associated with it,
- establish a stable taxation framework with predictable overall tax burden.
- further implement e-governance and ensure access to it for all citizens, particularly people with disabilities.
- expand the market by creating conditions for the service of consumer groups hitherto ignored (e.g. people with disabilities, the elderly, etc.)
- reinforce SMEs, since it is observed that the existing policies are insufficient to create an overall favorable environment for these businesses that form the backbone of the Greek economy.

Below are the ESC's points on specific issues regarding the growth and competitiveness of the Greek economy:

### *1.1 Education-Training*

No development-production model can work if it is not supported by a corresponding dynamic, modern and targeted education system. It is no coincidence that political parties in western countries have education interwoven with growth on their agenda. Also, a complete education system that will provide equal opportunities to education and access to higher levels of education, contributes decisively to eradicating the social, economic and educational inequalities that plague our country and are continuously expanding as a result of the crisis.

Unfortunately, the policies implemented so far have not led the education system to "produce" graduates who are ready to integrate in a difficult competitive environment. Through education, young people should be able to compete with their peers from other countries that are much more equipped with knowledge and skills. Otherwise we will not manage to build the new production-growth model that the country needs.

Established positions of the Economic and Social Council on Education and Training, which have been expressed in a large number of Opinions, are as follows:

- Reorientation of objectives of the education system, which must be transformed from a mechanism of knowledge reproduction into a source of skills development - not just cognitive skills, but also skills related to their future academic / professional training (home/business economics principles, entrepreneurship and management principles).
- Revision of curricula and replacement of the single, sterile manual with a more pluralistic, qualitative and practical direction of the educational process with the use of new technologies and modern teaching aids.
- Introduction of local activities (agriculture, tourism, etc.) in the curriculum for the boost of Career Guidance
- Training of teachers on the country's new educational and developmental needs
- Introduction of social work programs in the form of summer apprenticeships for young people, according to the standard of Western European countries
- Interconnection of Greek schools with schools abroad and interaction of education systems
- Review of the access system to higher education

- Modernization of higher education institutions and their connection with labor market needs
- Compensatory teaching and the teaching of foreign languages should be upgraded, in order to limit the students' need for private language schools and private tutoring, a phenomenon which negates the concept of free education.
- Reinforcement of postgraduate studies in areas that the country has a comparative advantage.
- Direct connection of training with technological developments in production, the needs of businesses and learners.
- Synergy and complementarity of the policy for lifelong learning with other labor market policies.
- Direct involvement and reinforcement of the companies' role in the entire configuration and implementation system of vocational training.
- Reinforcement of the social partners' participation in all processes of planning, implementation, support, monitoring and evaluation of implemented policies.

### *1.2. Research and innovation*

As regards the improvement and strengthening of research and innovation as a factor of growth and competitiveness support, the ESC's positions focus on the following:

- A clear connection is required between the research and innovation reinforcement strategy and activities aiming at improving the business environment within competitive product markets, as a precondition for the reinforcement of demand for innovative applications with high research content.
- Direct tackling of the weaknesses of the policy followed until now, namely: i) the concept of innovation as a subset of research policy, ii) the concept of innovation and research as a discrete field of government action, independent and unattached from other areas of policy, and iii) the lack of linking research results to production.
  - The strategic options for research should include, among others:
    - i) developing specialized research centers in all areas of strategic importance relating to economy, society and the environment,
    - ii) ensuring the medium-term or long-term nature of research programs, even those realized with competing methods.
  - Every public body (ministry, general secretariat, regional administration), is obliged to include a dimension of innovation and research in the package of measures and actions implemented.
  - Development and implementation of long-term technology development and research programs, focusing on areas such as energy, the environment, tourism, shipping, agriculture, defense and security. These programs should be designed with the participation of all stakeholders interested in the possible use of the research results.
  - Incentives, through which the private sector's involvement in research is pursued, must be reinforced



- Any tax incentives to improve the investment climate for R & D, should be long-term and there should be an establishment of zero taxation for spin-offs, spin-outs, science and technology parks, as well as reinvestment of capitals on projects for scientific and technological research.

- Strengthening the links between research and innovation goes through: i) the creation and support of businesses that exploit research results (spin off), incubators and S & T parks of universities and members of the academic community, ii) the smooth and efficient operation of liaison offices and iii) the formation of long-term contracts with enterprises or groups of enterprises for the provision of research and technology services.

- To reinforce the Greek research system, ie the demand for research and the improvement of the quality of the research system (human resources and infrastructure), funding of research programs should be accompanied by institutional interventions in order to eliminate the factors that hinder the involvement of university researchers in business partnerships.

- A priority of government funding should be the commercial exploitation of innovations. Moreover, there is a need to consider the institutional protection of entrepreneurs in the case of innovative investments failure (e.g. provision of special treatment in Article 99 of the Bankruptcy Code Law 3588/2007).

- A modernization of the National patent systems is required. In any case this modernization should include the improvement of the patenting procedure and protection of innovations by enhancing the consultative one-stop services of the Industrial Property Organization (OBI), as well as speeding up the time required for patenting.

### *1.3. Institutional framework for investment aid*

As regards the institutional framework for investment aid, the ESC points out the following:

- Proper allocation of state aid for strategic sectors of the national economy is of particular importance from the perspective of the current circumstances, where the potential to reinforce new investment is limited.

- Attracting investment is the result of an integrated effort which has as its main axes entrepreneurship and the creation of a friendly investment climate, both in Greece and abroad, and cannot rely only on one investment law. In addition to the investment law, there is a need to update and supplement the institutions and processes in the individual systems that make up the framework for investment, including location, licensing, infrastructure and support structures.

- Economic growth and investment boost must necessarily be linked to employment support and the creation of quality, sustainable jobs.

- The evaluation of investment projects for inclusion in the respective growth laws should be based on targeted criteria concerning both the solvency of the investing body and the expected growth result, counting in particular the multiplier benefits expected to result from the investments.

- Investment promotion bills, after evaluation of the previous institutional framework, directly applicable and not dependent on a large number of Ministerial - Joint Ministerial - Presidential decisions that ultimately make them inactive.

#### *1.4. Treatment of major investment projects*

As regards the special "privileged" treatment of major investment projects because of their importance for growth, the ESC points out:

Particularly useful is the legislative provision of a special fast-track procedure for the promotion of large projects, since nowadays the implementation of investment projects is of paramount importance, due to the unfavorable economic situation that our country is facing.

- Of course, it is equally necessary to deal effectively with the difficulties encountered in implementing the smaller investments because they, too, are absolutely essential for the economic and social development of the country.

- Clearly, there is a need for effective rules for fast promotion of large public and private investments. However, the pursuit of efficiency must be served with appropriate and safe rules, so that the relevant legislative initiatives are sustainable and resilient to legal disputes that may arise in the implementation phase. In any case, the legal certainty of the investments must be pursued.

- Deviations from the existing terms and limitations of building, etc. within approved town planning, should not contradict the "urban acquis", and even if there is no problem with the urban acquis, their effects should be investigated.

- Intervention in the licensing procedures, in order to be viable and effective, should at least include the following:

- i) The merger / consolidation of individual licenses and approvals, where necessary and possible, in order to save time and administrative resources.

- ii) The creation, according to the Olympics legislation model, of special services in the central administration (ministries) for the licensing of strategic investments, in order to ensure the uniform and consistent treatment of similar cases and substantially accelerate relevant licensing procedures.

- iii) Standardization and reduction of the documentation required for the issuance of individual permits and approvals, as well as the possibility of their electronic submission and tracking of the licensing process.

#### *1.5. Support of the primary sector*

The primary sector at this time has significant potential for growth and job creation. Towards this direction, in addition to other measures, targeted moves are required, enabling the country to promote its interests in the context of the Common Agricultural Policy 2013-2020 and ensuring the resources it deserves.

#### *1.6. Functioning of the financial system*

As regards the functioning of the financial system as the market suffocates from a lack of liquidity, the ESC points out that:

- Ensuring its stability is critical. Of course, besides the provision of liquidity to banks, what we must ensure is that this liquidity will eventually be transferred to the market.

- Particularly high is the importance of the supervisory role of the Bank of Greece for the smooth functioning of the banking sector. The BoG must become more effective in its supervisory

role, by helping Greek banks improve the quality of their portfolios and reduce their exposure level to risky investments.

- The operation of the financial system should serve sustainable economic growth and be in harmony with the existing national and Community law.

#### *1.7. Institutional framework for competition assurance in the internal market*

As regards the institutional framework for competition assurance in the internal market, the ESC's key position is that free competition affects positively both the operation of businesses, and the "daily lives" of citizens regarding price level and product quality. Until now, the mechanisms of State intervention in situations of wry or limited competition have not worked effectively. When such situations are noticed, they have adverse effects on a) healthily competing companies b) weaker companies and c) the final recipients of the provided goods and services, the consumers.

In view of the above, the following are pointed out:

- An effective policy of free competition, under Community and national law should include, among others, the systematic search and prevention (or penalties) for anti-competitive behavior, and prevention or addressing of anti-competitive structures and market rules in important sectors of the economy.

- The independence and effectiveness of the Competition Commission is a prerequisite in order to address the great lack of competition in domestic markets of products and services.

- The provisions on partnerships, concentrations and abuses, as well as the enhancement of both the deterrent power of the existing penalties and the new stricter penalties, should be as clear as possible, in order to ensure legal certainty, equal treatment and transparency in business treatment.

- Concentration control must be performed in such a way that it does not conflict with the imperative necessity for growth of the small, in comparison with their competitors, Greek business units and the attraction of foreign investment to our country.

- It is deemed appropriate that the Competition Commission should examine specific cases as a priority, taking into account the criteria of public interest, the estimated effect on competition and consumer protection (quantification of the above criteria), just as provided in the recently adopted Bill.

- The effectiveness of the Competition Commission largely depends on its qualitative and quantitative adequacy of human resources and rationalization of procedures and its method of operation. The work of the Competition Commission should not adapt to its possibilities, but to the ever increasing needs of consumers and businesses. In the Plenary session of the Commission, representatives of the social partners, the ESC and large social groups affected by its operation, such as farmers and consumers, should participate as regular members. Especially for consumers, it is necessary to ensure the participation of a representative from the tertiary institution representing people with disabilities and their families, due to the special and specific problems they face.

#### *1.8. Opening of closed professions*

As regards the opening of closed professions, the ESC's key position is that any regulation or regulation annulment for a professional team must first meet the principles of healthy

competition and ensure immediate, full and qualitative coverage of society's needs.

Any reform must be extremely specific from the beginning. Otherwise, apart from the delays that this entails, a scene of uncertainty is created in the market, with all that this implies for the professionals involved and the people who are users of these services.

#### *1.9. Reorganization of DEKO (Public Corporations of Common Benefit)*

As regards the legislative arrangements for the reorganization of DEKO, the ESC has pointed out that any reforms should not be guided primarily by a narrow economic sense, but they should equally serve the quality of work and the social character of services.

As regards labor issues and staff transfers in the DEKO, the ESC has pointed out that they should not be governed by a "horizontal" logic, but they should take into account the specificities of each sector. Also, they should be based on business plan development, which will determine the needs of the services under reorganization and will lead to new organization charts. Especially for disabled employees and employees who demonstrably have in their care persons with disabilities, separate measures should be taken to safeguard their jobs (obligatory retention or transfer status, etc.).

#### *1.9. Privatization program*

Finally, as regards the program of privatizations, the ESC's position is that in order to achieve the effective use of public property, an integrated, comprehensive, growth-oriented plan should be developed for its exploitation. Such an important growth resource cannot be treated only in the context of a purely "technocratic" valuation process, in order to pay a portion of the escalating debt. It is imperative to both accelerate the process of privatization and include in it the aspect of productive use of public wealth, with all that this implies, so that the national economy does not lose a strong base of productive reconstruction in the present and the future.

## **2. Tax Policy**

The ESC believes that, even in exceptional circumstances, such as the present crisis, tax policy must serve specific objectives:

A. Ensure the necessary financial resources to safeguard the sustainability of public finances and be able to exercise effective growth and social policy.

b Redistribute income in favor of the weaker sections through a fair distribution of tax burden.

c. Create a stable and favorable climate for new investments.

Established positions of the Economic and Social Council on the tax system, which have been expressed in a number of Opinions on various tax bills, concern the need to:

- Create a stable and simple tax system with clear rules, which will be fully understood by taxpayers and control mechanisms. Constant changes do not help anyone, hinder tax consciousness and, most importantly, do not create a favorable climate for entrepreneurship and attracting new investments.

- Reinforce the growth aspect of fiscal policy. Tax measures aiming only at collecting do not support long-term growth, do help to improve business competitiveness or attract new investments.

- Design tax incentives to promote entrepreneurship among people with disabilities and their parents or legal guardians, as well as employment of people with disabilities in small private companies.

- Fairly distribute tax burden, depending on citizens' actual ability to pay tax, and emphasize on redistribution of income in favor of the weaker. Tax exemption should cease to be used as a means of support for specific population groups. When there is a need of such support, a specific benefits policy should be followed, instead of a tax exemption policy that leads to distortions and complicates financial programming.

- Ensure progressive taxation and link tax burden to each citizen's ability to pay tax.

- Improve the relationship between direct and indirect taxes, since indirect taxes do not vary with income, thus not favoring tax fairness.

- Enhance the objectivity of audits and the association of fines and surcharges with substantial violations of tax laws, instead of irregularities that do not conceal substantial violations of the law. The system of audit evaluation should be based not only on quantitative but also qualitative criteria.

- Reinforce a transparent and merit-based approach in staffing control mechanisms. Appointing staff members in such critical positions should presuppose thorough inventory of their assets and their regular monitoring.

- Combine activation of tax mechanisms with the mechanisms of the Labor Inspectorate, IKA and OAED, towards exploiting all the data to control tax evasion and combat undeclared work. It is well known that a significant part of tax evasion in our country is combined with the phenomenon of undeclared labor.

- Correlate taxation cost to the expected benefit, so that citizens gain tax consciousness and become active subjects in the effort to limit tax evasion.

Under these conditions, the absolute priority of fiscal policy should be to address the problem of widespread tax evasion. Due to the recession, further revenue measures would have minimal efficiency and disproportionate social costs. The ESC emphasizes that real economy cannot absorb new taxes. Instead, what is important is the combat against tax evasion and an increase in tax revenues. Therefore, it is necessary to have:

- immediate implementation of the arrangements for the reorganization and reinforcement of control mechanisms

- implementation of income and assets declarations for everyone

- exploitation of information systems,

- broad checks of declared incomes and deposits of individuals, and

- determined implementation of relevant legislation, without setbacks and exceptions

The most recent recommendations of the ESC on taxation, as expressed in the opinion<sup>1</sup> on the latest tax bill, are:

a) Immediate implementation of the repeal of KVS (Code of Books and Records) and replacement of the crime sheet in the form of an independent piece of legislation.

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<sup>1</sup> Opinion No. 255, "Combat of Tax Evasion, Tax Services Restructuring and other provisions under the jurisdiction of the Ministry of Finance", March 2011.

b) Repeal of income and assets declarations of temporary cash facilitation for partners towards the enterprises' funds and reducing loan stamp to 1%, the same as capital increase.

c) Establishment of the so-called "consultative audit" regarding consultation to new entrepreneurs by monitoring instruments (e.g. SDOE).

d) Creation of a "Tax Audit Code" with objective criteria.

e) Creation of a "Computerized Central Information System" located at the General Secretariat for Information Systems, through AFM (tax registration number), where all services will be electronically redirected .

f) Public rewarding of businesses that pay taxes and the inclusion of tax legitimacy in the quality criteria of businesses.

### **3. Public Administration**

Public administration must be the proper tool for the implementation of policies decided by the democratic state, with a dual purpose: on the one hand, to improve the living standards of its citizens, enhance their quality of life and ensure their individual rights and on the other hand, to promote the country's relations and cooperation with other countries and international organizations.

The ESC has identified a series of individual goals that also constitute the instruments of implementation, in order to achieve this broader goal:

1. A hallmark of a modern public administration should be the administrative planning, accompanied by continuity in its operation.

2. The administration should be citizen-friendly and accessible to him.

3. The administration's operation must be decentralized, so that decisions respond more to the real needs and have more realistic implementation prospects.

4. The responsibilities of the administration and its operating procedures must be governed by clarity and simplicity.

5. Employees in public service should have adequate working and payment conditions, incentives for advancement and room for initiatives. In this direction, there should be a broad application of "reasonable adjustments" provided for by the legislation - L.3304/2005 – in order to address any difficulties that disabled employees may have while performing their work.

6. Transparency must be an integral feature of public administration in terms of both the policies followed and the economic aspects of public administration, combined with accountability wherever public money is managed.

The ESC has repeatedly referred to the chronic problems of public administration and has expressed the need for restructuring and modernizing the public and the broader public sector. Specifically, the policy applied should aim at tackling low productivity, improve service delivery and reduce bureaucracy, which is a prerequisite for improving the business environment and generally improving the competitiveness of the Greek economy. In this direction, the ESC deems necessary the following interventions:

- Universal application of a merit recruitment system and review of the existing system (N.2643/1998) for recruitment of people with disabilities in the public sector because of the serious deficiencies and problems it presents.

- Implementation of an integrated policy on human resource management which will include: evaluation and utilization of existing staff, its rational allocation per service, its increased efficiency and productivity, better connection between specialty and field of work, development of an objective and sustainable system for the identification of new needs in human resources in the context of a comprehensive and integrated planning.

- Introduction of the programming and targeting procedures for each organizational unit.

- Establishment of procedures for assessing planning and objectives achievement by each service.

- Redefinition of organic position for each service, based on modern and objective needs.

- Greater ease of distribution and redistribution of approved costs of a Ministry.

- Establishment of the institution of official, fixed-term general and special secretaries with merit-based selection processes.

- Provision of incentives to citizens in order to make use of new technologies when contacting Public Administration, while ensuring the accessibility of these technologies to citizens with disabilities as well.

- Upgrade of the involvement of Public Administration officials in European policy-making processes.

- Implementation of eGovernance. At this point, we should note the passing of Framework Law for Electronic Governance (L.3979/2011), which is a very important legislative initiative that will contribute significantly to the reorganization of public administration, in order to automate its processes and transactions.

Finally, it is an established position of the ESC that any public sector reforms, as urgent as they may be, must be based on a comprehensive program of organizational and operational restructuring of the state with specific long-term goals that creates economies of scale and does not annihilate the social and quality dimension of services.

#### **4. Labor Market**

Established positions of the Economic and Social Council on the labor market and employment, which have been expressed in a number of Opinions on various bills related to employment, are as follows:

- The combat against unemployment and the limitation of undeclared employment should become strategic objectives of the national policy and actions for employment. Achieving them requires a development policy with a focus on creating new, sustainable quality jobs, and removing all restrictions so that we can talk about a labor market open to all, inclusive and without first and second rate employees, with particular focus on the population groups at risk of exclusion from the labor market.

- Enhancing the effectiveness of employment policies requires specialization of the general objectives and their quantification on the basis of the characteristics and needs of the Greek economy at central and regional level. Employment policies should be designed, implemented, monitored and evaluated with the cooperation and active participation of the social partners.

- The reinforcement of social dialogue and the safeguard of collective bargaining and collective agreements are prerequisites for the smooth functioning of the labor market. The severity of the crisis and the serious problems it is causing to companies and employees requires reinforcement of social dialogue and safeguard of the right to collective bargaining and collective agreements at all levels.

The cancellation of the institutional framework of industrial relations is particularly disconcerting, with measures lacking growth prospects, boosting employment, the troubled market and innovative entrepreneurship, as well as protection of the social groups most exposed to the crisis.

Regulations on collective bargaining and specifically provisions of Law 3845/10 and Law 4046/12 and act 6 of the 2012 Ministerial Council on collective agreements should be repealed. Such forms of interventions that subvert the legal framework of Collective Bargaining and Collective Agreements have disastrous consequences on the smooth functioning of the labor market, the protection of employees and the fundamental action of unions and lead to unbearable income cuts for employees.

Measures such as the reversal of the hierarchy of Collective Agreements by allowing deviation from their conditions, the prevalence of operational versus sectoral collective agreements, when unfavorable, the abolition of the extension of the application of collective agreements, the reduction of the continuance period from six to three months, contribute to the decrease of employee's bargaining power and the weakening of trade unions, deeply disturbing labor peace.

The ESC<sup>2</sup> evaluates equally negatively the regulation which gives the opportunity of representation and the responsibility to conclude CA to employee groups that do not have the legal guarantees of operation, such as trade unions. Additionally, the ESC believes that there is a need to restore the mechanism of social welfare benefits given through the Workers' Housing Organization, involving hundreds of thousands of low-paid workers and were financed solely by employer and employee resources.

- The emergence of knowledge as one of the main productive forces of modern society has resulted in the emergence of education policy issues, and the combination of education and training with the real needs of the Greek economy and the labor market, as issues of primary importance. We need to have a diachronic training policy that is based on social consensus and responds to the contemporary needs of the economy and society

- Lifelong learning should be a key priority of the national development policy. Upgrading human capital is one of the major factors that can contribute to the reinforcement of competitiveness and employment in the context of sustainable development, the reinforcement of social cohesion and improvement of citizens' life quality. Inequalities in labor skills are closely linked to inequality in income distribution, while low skills are closely linked to limited job opportunities and low wages.

As regards the current situation, the ESC's opinion is that a recovery plan should be implemented immediately for the preservation of jobs centered on public investment, enterprises support, active labor market policies, the protection of the unemployed and the most vulnerable

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<sup>2</sup> As well as the International Labour Office



social groups (e.g. people with disabilities, parents and legal guardians of persons with disabilities, etc.) and investments in areas and industries that are particularly dynamic. Specifically, the following are proposed:

- *Increase of the resources available for passive employment policies*

The ESC considers that there should be immediate measures to reduce the impact of the crisis on social cohesion, on the basis of a comprehensive strategy that addresses both unemployment and poverty. It is necessary to establish a new framework for the protection of the unemployed by increasing unemployment benefits and the extension of the concession period that will ensure an acceptable standard of living.

- *Improvement of the effectiveness of active employment policies and effective combat against undeclared work*

The ESC believes that there is a need to immediately establish a dynamic and integrated system of assessment and anticipation of competences and skills, with the participation of companies, combined with the policies and considerations for structural changes in the economy and employment. As regards L.3789/2010, key observations of the ESC include the following: i) The transfer of responsibilities and activities of lifelong learning at the regional and municipal level should be accompanied by the necessary public resources and ii) the responsibilities of the established institutions (National Congress of Lifelong Learning, National Council for Lifelong Learning, General Adult Education Standing Conference, Program Implementation Monitoring Committee) and their relationships with the governing bodies of the system (General Secretariat for Lifelong Learning, National Organization for the Certification of Qualifications) should be clearly defined.

- *Redefinition of policies for education and research*

The ESC believes that the country's shortfall in education, research and innovation, should be addressed primarily with the emergence and implementation of public strategies in these areas. The freeze of spending on public education and research and the approach of research policy, from the perspective of creating a market for research programs which, additionally, is connected with business needs to a small degree, are the main causes of delays in our country, in terms of the transition to the knowledge economy. Moreover, policies that promote innovation in enterprises should be reoriented, from grants to individual businesses to the creation of support and facilitation structures for the input of new knowledge, which should be available to all enterprises.

- *Support measures to productive activities*

The ESC believes that the state must intervene immediately and initially support all businesses, with an emphasis on small businesses, through tax cuts and measures to reduce labor cost in order to maintain jobs.

Additionally, targeted support measures are required in industries and enterprises that have the potential to play the role of the exit lever from the crisis. More specifically, there is a visible need for strategic choices in the agro-food sector, in the sectors of energy, software and high-tech machinery manufacturing, manufacturing of innovative traditional products and in the industries of metal, tourism and cultural services, combined with the respective options for education, research and the general support of businesses operating in them.

Finally, it should be noted that:

- Measures relating to flexible working patterns, increasing the limit of collective redundancies, reducing compensation after notice and operational contracts that supersede sectoral, deregulate labor relations without any documented effects on entrepreneurship or growth and competitiveness of the Greek economy. The invocation of the economic crisis as an opportunity to extend flexible working relationships constitutes a fact that the public dialogue should be more extensively preoccupied with, in order to create a socially acceptable security framework.

- It takes effective measures to combat undeclared work, which in recent years has become extensive in the labor market. Currently, undeclared work has exploded and it is absolutely related to tax evasion, contribution evasion, lack of transparency and corruption. As a result of uninsured work, a part of the labor market is operating outside the existing institutional framework and largely not according to labor and insurance law. These conditions affect the fundamental right of workers to social security while depriving valuable resources from insurance providers in the country. It is, therefore, necessary to improve the verification system of compliance with laws on working conditions, health and safety in the workplace, in order to drastically reduce dualism in the labor market and the perpetuation of the existence of a market for cheap, unprotected labor.

- Particularly useful is the evaluation of all labor market interventions aimed at curbing unemployment and increasing employment. It is necessary to have documentation of difficulties and obstacles encountered in the implementation and integration phase into an overall strategic plan for employment, to ensure the necessary synergies and to achieve the maximum benefit for employment.

- In the field of labor relations, it is imperative to simplify and codify labor laws.

## **5. Environment**

The development and implementation of a comprehensive environmental policy with a focus not only on protecting and preserving the environment, but also the best use of its structure and function for the benefit of man, is an immediate priority. Key feature of such a policy is the recognition of the dynamic functioning of ecosystems and the ability to combine environmental protection with economic development.

It is imperative to adopt a modern policy that ensures both the protection of natural ecosystems and the future development of human activities in a sustainable manner. It has been proven that sustainable management of the environment creates jobs with social and environmental added value and duration. The absence of the environmental dimension from development policies is what leads to problematic economic and environmental productive activities.

It is a common belief that prevention is always more inexpensive and effective than treatment. The restoration of a degraded area is extremely difficult, and in many cases, impossible. The lack of a comprehensive policy on the management of natural resources in our country has accumulated problems and deadlocks, which now need to be addressed. Addressing the problems of the natural environment is not only a matter for the central administration, but it is also a matter of awareness and active participation of the local community. It is known that the

state, due to customer relations and other related problems, does not dare to intervene decisively but prefers half-measures that further distort a problematic situation. On the other hand, ignorance, prejudice and distrust between citizens and government interventions are substantial obstacles to a sustainable growth path.

The policy of protection and sustainable management of natural resources must be accompanied by awareness, information and activation of citizens. Everyone must participate, along with the central administration, in the formulation and implementation of a policy of sustainable management of natural resources. This policy should aim at protecting existing resources, adapting existing economic activities and selecting young people that will take into account and will integrate the environmental and developmental dimension.

The mechanisms and actions of a horizontal nature, concerning several aspects of the nature conservation policy, should focus on:

- the dramatic reduction of the regime of lawful building outside the city plan. It affects almost all aspects of nature conservation: biodiversity, landscape, treatment of soil, water and air pollution,
- the creation of an effective response mechanism (monitoring, prevention, suppression) of illegal building,
- the promotion of land-use planning in extra-urban space, and
- the operation of an Environmental Observatory, with the integration of different (individual) environmental information systems and the creation of mechanisms for continuous information.

Equally important is the role of the National Spatial Planning. Key priorities must be the restoration of environmental damages from unregulated development (consolidation of coasts, transfer of industries, etc.), the absolute protection of all elements of cultural heritage, the preservation of the entire natural capital and of the agricultural land, the non circumvention of Article 24 of the Constitution, the establishment of a sustainable energy policy, as well as the inclusion of the environmental protection criterion in all public policies.

As regards specific actions in various sectors of the natural environment, the following are included in the detailed proposals:

a) reinforcement of the protection of the Natura 2000 areas and other regions and areas of environmental interest, using design tools (Special Environmental Study, General Urban Plans, Open City Urban and Residential Organization Plans) which have hitherto been little exploited in our country. Under these conditions, accelerating land-use planning in extra-urban space, and with a high priority in areas of the Natura 2000 network, is imperative, if the Greek government actually wants the protection of these areas not to remain unreal but to become substantial. The promotion of land use planning must be combined with the direct restriction of the possibilities in the current legislation on building outside the city plan, and the formulation of an effective policy to combat illegal building.

b) addressing the forest degradation by strengthening and upgrading the forest service, the appropriate technical equipment in the Fire Service and the establishment of uniform liability (prevention and suppression) for fire protection. Also, it is believed that one thing which will contribute positively in an upgrade effort is an independent administrative structure, responsible

for the supervision of the protection of forest ecosystems and securing the necessary funds for the establishment of forest maps and the creation of an organization, based on the land registry model, for the preparation of a forest registry.

c) With regard to the activities of the primary sector, the new reality requires farmers with a high level of awareness and education, food production according to health and safety rules, enhancement of the shift towards more environmental modes of exploitation, such as organic agriculture and stockbreeding, promotion of the institution of large areas of ecodevelopment and stricter controls on agricultural activities (fertilizers, overgrazing, pesticides, etc.).

d) in the field of water resources, it is imperative to begin systematic public awareness of the need to save water supply at individual and collective level. Also, in the field of irrigation, infrastructure, irrigation networks and modern watering methods are required, in order to save significant amounts of water. Moreover, there should be an immediate systematic and concerted effort to maintain and improve and operation of water supply systems by the Water Supply and Sanitation Public Enterprises, in order to limit the loss of water supply, which, in many cities, reaches 40-60% of consumed water.

e) Among the immediate priorities of the national policy for the marine environment, the following are proposed: actions for reinforcement on human resources and technical means of the bodies responsible for preventing and tackling marine pollution, creation of infrastructure in ports for the reception of residues generated by ships and elimination of destructive fishing practices (overfishing, use of dynamite or chemicals, waste, waste oils, destruction of fishing grounds, etc.)

Other issues of priority for the Greek coastal areas, directly affecting the marine environment, are ending the illegal building and occupation of coasts, converting them to recipients of sewage and waste, and the environmental management of dozens of large and medium-sized ports.

f) the maintenance and improvement of soil quality necessitates the establishment of a system of its detailed recording and quality monitoring, as well as measures of immediate restoration, depending on the degree of degradation, e.g. projects on protection and management of water basins. Another important problem that must be addressed in a way that fully meets the requirements of EU and national legislation is the restoration of the Uncontrolled Waste Disposal Sites (CHADA) with strict specifications.

g) the comprehensive strategy of tackling the problem of waste management requires acceleration of integration into Greek legislation of the European Union directives concerning industrial waste. Among the important issues that should be promoted is the prevention of waste creation, the improvement of the recycling market by setting environmental standards, as well as the creation of database with all those production processes that are able to utilize waste.

As for the integrated management of municipal solid waste, it should be primarily aimed at the elimination of the amount of useless waste ("garbage") and their maximum utilization as raw material or as energy source. Therefore, the desired actions must focus on building adequate infrastructure in cities that will facilitate citizens in recycling efforts, supporting sorting, as well as supporting composting processes (domestic or central) of the fermentable part of waste.