

# 3. Human resources and social policies

KEPE, *Greek Economic Outlook*, issue 46, 2021, pp. 38-44

## 3.1. Recent developments in key labour market variables

**Ioannis Cholezas**

### 3.1.1. Introduction

Following the reduced economic activity in 2020 due to Covid-19 and the associated measures to protect public health, the economy seems to be recovering in 2021, with positive effects on the labour market. The analysis of the first six months of 2021, using the Labour Force Survey, shows that considerable increases in employment are recorded in the second quarter of the year. However, employment in the second quarter of 2021 (2021Q2), both in terms of the number of the employed and the hours worked, still falls behind the respective quarter in 2019, a year which is used as a benchmark considering the unusual drop in economic activity in 2020. Moreover, the analysis by industry suggests a strong contribution of the public sector, which is likely not economically sustainable. Combining these facts with continuous changes in public health due to the virus's new variants and the alarming developments in the economy associated with inflationary pressures and an increase in debt to GDP ratio in Greece,<sup>1</sup> we need to be alert for what lies ahead.

### 3.1.2. Employment

The employment rate for individuals aged 15-64 stands at 57% in 2021Q2, 1.2 percentage points greater than 2020Q2 and 0.1 percentage points smaller than 2019Q2. Respectively, the number of the employed

aged 15-64 increased compared to 2020Q2 by 59.2 thousand, but remains smaller than 2019 by 62.1 thousand. In the first six months of this year, the number of the employed was smaller by approximately 89 thousand compared to 2020 and by 135 thousand compared to 2019. The big loss of jobs in the first quarter of the year (-237.4 thousand) contributed significantly to this result. Therefore, employment has still not recovered from the losses recorded in the second quarter of 2020 due to the pandemic, despite the strong rebound in the second quarter of 2021 (+285 thousand new jobs compared to 2021Q1 and +59.2 thousand compared to 2020Q2).<sup>2</sup>

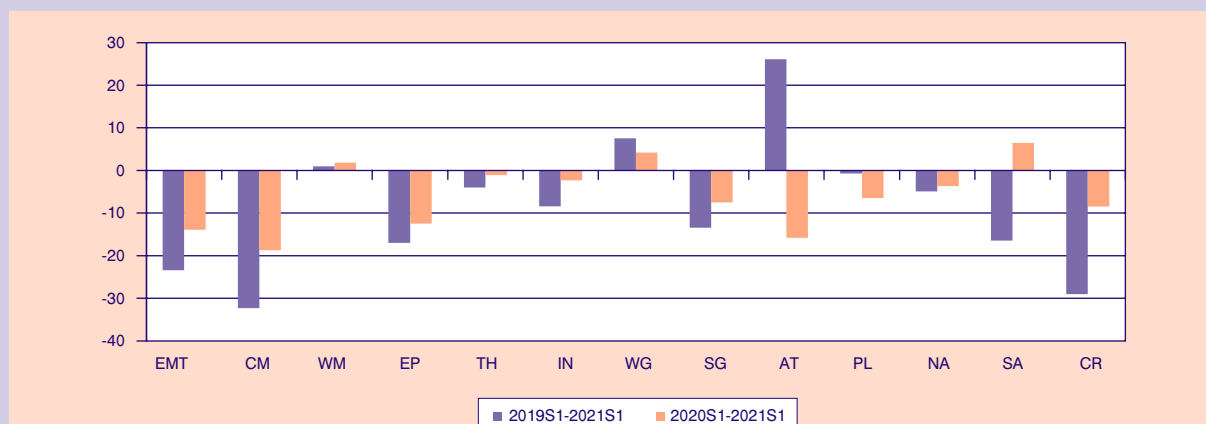
Focusing on different population groups reveals that in the first six months of 2021, the number of employed women decreased faster than the number of employed men aged 15-64 (51.5 thousand vs. 37.5 thousand) compared to 2020.<sup>3</sup> Moreover, the number of employed women decreased more in the first quarter of the year, while the recovery that followed in the second quarter was slightly stronger for men (36.4 thousand or +1.7% and 22.9 thousand or +1.4%). On the other hand, the number of employed individuals aged 30-64 decreased by 53.9 thousand in the first six months, while the number of employed individuals aged 15-29 decreased by 35.2 thousand. When the total number of employed in each age group is considered, it becomes obvious that the reduction among younger individuals is greater, since it represents a -0.07% decrease vs. a -0.02% decrease of individuals aged 30-64. It should also be noted that in the second quarter of the year, the number of young employed continued to decrease, while the number of employed individuals aged 30-64 increased by 62.9 thousand. Most of these changes in employment are probably due to the different distribution of employed individuals across industries, since there is often gender

1. According to ELSTAT data, the general price index in Greece for August 2021/August 2020 increased by 1.9% when, last year, for August 2020/August 2019, it decreased by -1.9%. Moreover, based on Eurostat, the debt to GDP ratio in 2020 went up to 206.6% from 180.5% in 2019.

2. Even in terms of annual change, the number of the employed grew by 1.6% in period 2020Q2-2021Q2 compared to 2.3% in period 2019Q2-2020Q2.

3. However, in relevant terms, the changes were almost identical, i.e., -0.03% for women and -0.02% for men.

**FIGURE 3.1.1**  
**Changes in employed individuals by region (aged 15-89, in thousand)**



Source: Labour Force Survey, ELSTAT, KEPE processing.

Note: EMT: East Macedonia and Thrace, CM: Central Macedonia, WM: West Macedonia, EP: Epirus, TH: Thessaly, IN: Ionian islands, WG: West Greece, SG: Sterea Greece, AT: Attica, PL: Peloponnese, NA: North Aegean islands, SA: South Aegean islands, CR: Crete.

and age segregation in some industries, like tourism. In any case, younger individuals seem to suffer more damage from the reduced economic activity.

The impact of the pandemic is unequally spread across regional labour markets (Graph 3.1.1). There are fewer employed individuals in most regions in the first six months of 2021 (2021S1) compared to previous years. The biggest losses compared to 2020 are recorded in Central Macedonia (CM), East Macedonia and Thrace (EMT) and Crete (CR). Small employment gains are recorded in West Macedonia (WM), West Greece (WG) and the Aegean islands (AI). The quarter-on-quarter analysis seems to verify the recovery of the labour market. Therefore, while in the first quarter of 2021 the number of employed individuals increased compared to 2020Q1 in almost all regions, the opposite is true in the second quarter, which is dominated by increases everywhere with the exception of Epirus (EP) and East Macedonia and Thrace (EMT). On the other hand, the number of the employed in Attica has increased between 2019S1 and 2020S1, but it subsequently decreased between 2020S1 and 2021S1.<sup>4</sup> Should these trends persist in the following months, they must be thoroughly explored in order to detect the causes

behind them and to avoid delaying the recovery in these regions. On the other hand, West Greece (WG) stands out due to a steady increase in the number of the employed in the first six months in both years. Breaking down these changes into quarters reveals that employment gains during the second quarter in the region over-compensated for the losses in the first quarter. This may be not sustainable; hence, it would be wiser to wait for the whole year before jumping to conclusions.

Table 3.1.1 presents changes in the number of employed individuals aged 15-89<sup>5</sup> by industry in the first six months of 2021. Most new jobs were created in *Public administration and defence, compulsory social security, etc.* (45.6 thousand) followed by *Professional, scientific and technical activities* (29 thousand) and *Agriculture, forestry and fishing* (18.8 thousand). The first industry is dominated by the public sector as an employer. This means that the finding cannot be generalised to the entire economy. Perhaps an even more important fact is that only six in ten industries have a positive sign, which points more to stabilisation and less to an increase (<0.5%). There are big industries in terms of the number of employed individuals that re-

4. The increased demand for certain occupations during the pandemic, e.g., nurses and delivery workers, despite the weakened economic activity in 2020, is probably responsible for this finding.

5. The definition for employed individuals changed in 2021. Instead of referring to individuals aged 15+ it now refers to individuals aged 15-89. Given the small number of employed individuals over the age of 89 this change is not likely to cause inconsistencies in comparisons over time.

**TABLE 3.1.1 Employed individuals by industry of economic activity in the first semester (aged 15-89, in thousand)**

	<b>2021S1</b>	<b>2019S1-2021S1</b>	<b>Δ%</b>	<b>2020S1-2021S1</b>	<b>Δ%</b>
<b>Total</b>	<b>3,770.2</b>	<b>-115.0</b>	<b>-3.0</b>	<b>-78.1</b>	<b>0.0</b>
Agriculture, forestry and fishing	444.1	-17.0	-3.7	18.8	0.0
Mining and quarrying	10.5	-1.4	-11.8	-0.9	-0.1
Manufacturing	373.7	1.9	0.5	-1.5	0.0
Electricity, gas, steam and air conditioning supply	35.7	6.7	22.9	3.7	0.1
Water supply, sewerage, waste management and remediation activities	17.5	-15.1	-46.3	-10.7	-0.4
Construction	135.1	-13.3	-9.0	-3.6	0.0
Wholesale and retail trade, repair of motor vehicles and motorcycles	676.6	-4.6	-0.7	-28.9	0.0
Transportation and storage	203.0	2.6	1.3	-12.8	-0.1
Accommodation and food service activities	255.0	-107.8	-29.7	-70.1	-0.2
Information and communication	99.7	-6.0	-5.7	-0.7	0.0
Financial and insurance activities	75.9	-8.0	-9.5	-6.0	-0.1
Real estate activities	6.8	1.1	18.4	1.5	0.3
Professional, scientific and technical activities	248.1	29.2	13.3	29.0	0.1
Administrative and support service activities	72.7	-16.6	-18.6	-12.6	-0.1
Public administration and defence, compulsory social security	380.1	33.7	9.7	45.6	0.1
Education	314.7	-11.8	-3.6	-18.7	-0.1
Human health and social work activities	280.6	34.3	13.9	18.3	0.1
Arts, entertainment and recreation	42.9	-10.9	-20.2	-13.5	-0.2
Other service activities	77.9	-2.9	-3.6	-9.8	-0.1
Activities of households as employers	18.2	-7.7	-29.6	-3.2	-0.1
Activities of extraterritorial organizations and bodies	2.2	-1.4	-38.6	-2.0	-0.5

Source: Labour Force Survey, ELSTAT, KEPE processing.

corded a decline in employment; take *Wholesale and retail trade* (-28.9 thousand), for instance. *Accommodation and food service activities* (-70.1 thousand) is amongst the industries that recorded the biggest decreases in the number of the employed. However, it should be noted that any differences compared to the employment level in 2020 are relatively small (see the last column in Table 3.1.1). On the other hand, compared to the first semester of 2019, when some sort of normality is assumed, seven industries in 2021 have bigger numbers of employed individuals, while the remaining still fall short of the 2019 levels, sometimes considerably so. *Food and accommodation services* is such an example amongst big employers (-29.7%), while *Water supply, sewerage, waste management and remediation activities* is another one amongst small employers. Therefore, it would be reasonable to conclude that employment still falls short its pre-pandemic level, especially in those industries that suffered more because of it.<sup>6</sup> Moreover, a large part of the positive developments rely on the public sector.

The frequency of absence from work decreased in 2021 compared to 2020, especially in the second quarter. Compared to 2019, there are still frequent absences from work, but there is convergence to the pre-pandemic level. In particular, in the first quarter of 2021, the share of employed individuals who were absent from work is higher by 5.5 percentage points compared to 2019. However, this difference shrank in the second quarter to 1.5 percentage points (Table 3.1.2). The developments are similar in weekly hours worked. While the number of hours increased in both quarters compared to 2020, compensating for reductions due to the pandemic and suspension of work in many firms, people are still working fewer hours compared to 2019: specifically 2.6 hours per week in the first quarter and 0.6 hours per week in the second quarter (Table 3.1.2). Therefore, both absence from work and weekly hours worked suggest that the labour market is getting back to normal.

One last index that reflects changes in employment caused by the pandemic is the share of employed individuals aged 15-64 who work from home. According to the official Eurostat<sup>7</sup> data, the share of those working from home increased to 7% in 2020 from 2-3% in the previous years, i.e., more than doubled. However, given the benefit of increased flexibility for workers as-

sociated with working from home, it seems reasonable to conclude that the respective share in Greece falls short compared to the rest of the European Union, since the EU27 average increased to 12% in 2020 from approximately 5% in previous years. Potentially, the recent legislative acts presented in the previous issue of the *Greek Economic Outlook* will contribute to the increase in the share of the employed working from home, although getting back to normal may be associated with a return to the workplace in the following months.

An aspect of employment that should not be ignored is labour market slack, which is also known as unmet demand for labour. This aspect of employment is stud-

**TABLE 3.1.2 Indices measuring the impact of the pandemic on the labour market**

	Absence from work* (%)	Weekly hours worked
2019a	3.3	38.2
2019b	2.0	39.4
2019c	6.9	38.5
2019d	2.8	39.1
2020a	9.2	35.5
2020b	22.3	30.3
2020c	8.6	38.4
2020d	11.6	35.3
2021a	8.8	35.6
2021b	3.5	38.8
2019a-2021a	5,5	-2,6
2019b-2021b	1,5	-0,6
2020a-2021a	-0,4	0,1
2020b-2021b	-18,8	8,5

Source: ELSTAT, Labour Force Survey Press Releases, first and second quarter 2021, KEPE processing.

\* As a share of the employed.

6. Data from ELSTAT verify that the gross added value in constant prices of the previous year went down by -21.5% (2020 vs. 2019) in the wider industry *Wholesale and retail trade, etc., Transportation and storage, Accommodation and food service activities*, while in *Arts, entertainment and recreation, repair of household goods and other services*, it went down by -25.6%, which is the biggest recorded decrease.

7. At the time of writing, the most recent data referred to 2020. See <[https://ec.europa.eu/eurostat/web/products-datasets/-/lfsa\\_ehomp](https://ec.europa.eu/eurostat/web/products-datasets/-/lfsa_ehomp)>.

ied using an index. The numerator of this index equals the sum of the unemployed, the part-time workers who would prefer working longer hours,<sup>8</sup> those who are willing to work, but are not currently looking for a job and those who are looking for a job, but are not readily available to work. The first two groups are included in the labour force, but the last two are not. By including them, one gets the extended labour force, which is used as the denominator in the index of the labour market slack. According to the published Eurostat data,<sup>9</sup> Greece, along with Italy and Spain, is amongst the countries with the highest index of unmet demand for labour in the EU27. All three countries stood between 25% and 26% in the first quarter of 2021, when the EU27 average stood at 15.6%. Unsurprisingly, the number of the unemployed is the biggest contributor to this index. Especially in Greece, over 65% of the numerator consists of unemployed individuals, when in Spain the respective share does not exceed 60%, and in Italy it fluctuates over time around 40%. Moreover, the index is usually bigger for women, especially in Greece, where the gender difference exceeded 11 percentage points in 2021a. In conclusion, unmet demand for labour is another challenge that must be dealt with mostly because it represents the inadequate use of the human capital available in the country and the waste of a valuable factor of production.

### 3.1.3. Recent developments in paid employment

Using ERGANI's August report, this section attempts to analyse the evolution of paid employment in Greece in the first eight months of 2021. Note that, over time, most employed individuals are paid employees. For example, in 2021b paid employees constituted 67.8% of total employed individuals, while the average share in period 2011-2021 was 65.4%.

In August 2021, the number of paid jobs declined, ending an eight-month positive balance, i.e., more jobs hires than layoffs, which started in December 2020. Therefore, the number of paid employment jobs decreased by 9,875 compared to an increase of 4 thousand in August 2020. The performance of paid employment in a single month is probably not the safest

measure to assess its course. Interestingly, the performance of paid employment in the first eight months of the year (January-August) is more satisfactory, since 265 thousand more jobs have been created.<sup>10</sup> This means that 150 thousand more jobs were created in the first eight months in 2021 than the respective period in 2020, but 20 thousand jobs fewer than 2019. Therefore, it seems that paid employment has been recovering in 2021, even though it has not yet achieved the performance of 2019. The difference with the previous year can be decomposed to 147.7 thousand more hires and 1.7 thousand fewer layoffs, although quits increased in 2021 by approximately 68 thousand. This means that firms dismissed fewer paid employees in 2021. It could also be the outcome of fewer temporary job contracts expiring, since fewer were initially signed due to the uncertainty associated with the pandemic.<sup>11</sup>

One of the outcomes of the pandemic discussed in the previous issue of the *Greek Economic Outlook* is the increase in the share of new full-time job contracts due to the serious consequences on industries that more often employ people with flexible job contracts. The picture painted in Table 3.1.3 is that during the pandemic, the share of new flexible job contracts decreased. Overall, proportionally, more full-time job contracts were signed in the first eight months of 2021 (56.6% vs. 50.7%) than 2020. A closer look, though, reveals that for the past two years the gap has been narrowing over time. For instance, in July, the share of new full-time job contracts is almost equal to last year's, but in August, it dropped below last year's level.

The conversions of full-time job contracts to flexible types of contracts marginally exceeded 19.3 thousand in the first eight months of 2021 compared to almost 41 thousand in 2020 and approximately 30.6 thousand in 2019. The reduction in the number of conversions is a positive development so far, as the employed maintained the terms of work intact. Moreover, there has been a big decrease (-87.6%) in the number of job contract conversions without the consent of the employee, which had more than doubled in 2020 (-147.4%). There is also a difference in the composition of job contract conversions, which seems to resemble more the composition in 2019: conversion of

---

8. According to the Labour Force Survey, over half of the part-time employed would prefer to work full-time, but are unable to find such a job.

9. At the time of writing, the most recent data referred to 2021a. See <[https://ec.europa.eu/eurostat/databrowser/view/LFSI\\_SLA\\_Q\\_\\_custom\\_1311644/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/LFSI_SLA_Q__custom_1311644/default/table?lang=en)>.

10. When the jobs created (i.e., hires) are more than the jobs destroyed (i.e., the sum of layoffs, terminations of temporary contracts and quits), the balance of paid employment flows is positive. In the opposite case, the balance is negative.

11. Eurostat's data about the share of employees with a temporary job contract reveal a reduction from 14.1% in the third quarter of 2019 to 9.1% in the first quarter of 2021.

**TABLE 3.1.3 New jobs by type of contract**

	2020				2021			
	FT (%)	PT (%)	RT (%)	Total	FT (%)	PT (%)	RT (%)	Total
January	46.4	41.9	11.7	177,632	66.9	29.4	3.7	96,868
February	43.8	42.5	13.6	183,602	64.4	31.2	4.4	98,428
March	56.0	36.8	7.2	103,002	64.0	31.3	4.7	104,302
April	66.8	29.1	4.0	48,555	58.5	35.5	5.9	126,362
May	55.5	36.9	7.6	99,257	58.4	35.0	6.6	255,987
June	49.8	40.7	9.5	238,353	54.6	38.4	6.9	311,649
July	51.7	39.1	9.2	306,808	51.1	39.9	9.0	288,893
August	51.2	40.9	7.9	160,583	50.7	40.5	8.8	183,068
<b>Total</b>	<b>50.7</b>	<b>39.8</b>	<b>9.6</b>	<b>1,317,792</b>	<b>56.6</b>	<b>36.6</b>	<b>6.9</b>	<b>1,465,557</b>

Source: ERGANI reports, KEPE processing.

Note: FT: full-time job contract, PT: part-time job contract, RT: work in rotation contract.

full-time to part-time contracts represented 76.2% of the total number of conversions (compared to 72.1% in 2019 and 53.6% in 2020). This is another fact which seems to suggest that the labour market is returning to normal.

Focusing a bit more on part-time employment, the data from the Labour Force Survey show a decline in the share of part-time employees, which approached or even exceeded 20% at the end of 2020 and the beginning of 2021, showing how much stronger the impact of the pandemic was on part-time employment. As a consequence, the share of part-time employees dropped to 8.2% in 2021b vs. 8.7% in 2019b and 9.2% in 2020b. The fact that the share of part-time employees who would prefer working full-time fell in 2021 to lower than 55% is interesting and optimistic. Especially when one considers that in previous years it stood at more than 60%, even nearing 70% in 2016. However, it would be wise to wait and see how the market will develop in the following months in order to reach safer conclusions.

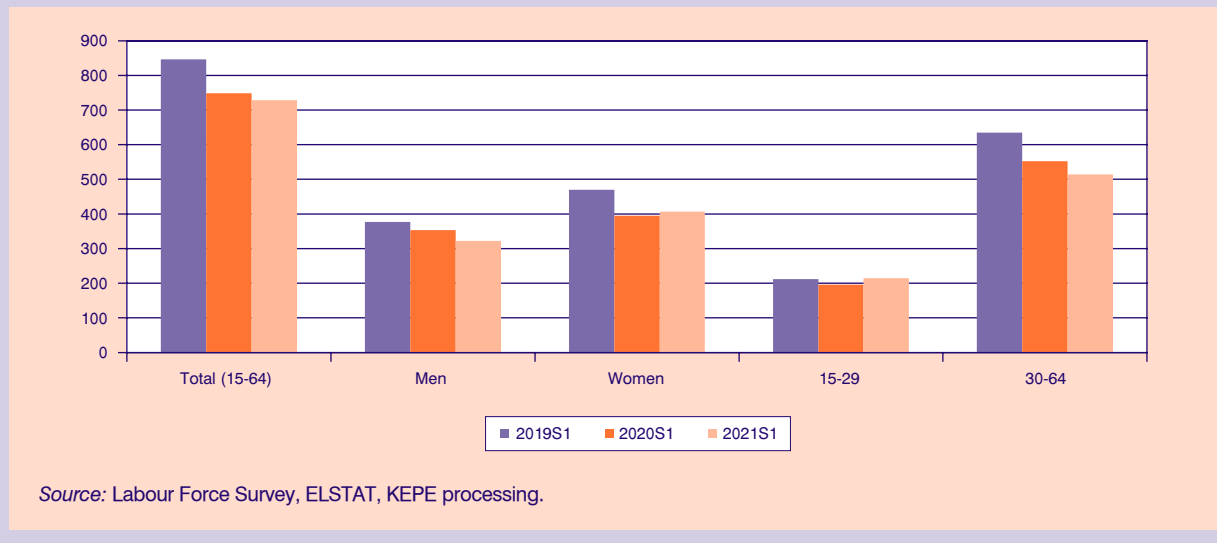
### 3.1.4. Unemployment

Contrary to employment, unemployment is steadily decreasing, which is a good thing. A possible explanation may involve the government measures implemented to protect employment; they may have prevented

layoffs, but they did nothing to encourage hires. Fewer layoffs have probably contributed to the reduction of the unemployment rate to 15.9% in the second quarter of 2021 for individuals aged 15-64. The unemployment rate is not only lower than the past two years, i.e., 2019b and 2020b, but it converges to levels seen back in 2010d and 2011a. Undoubtedly, this is encouraging. However, there are still issues that are alarming, like the increased unemployment risk facing certain population groups. For instance, the unemployment rate for women in 2021b (20.1%) is higher than for men by 7.5 percentage points. Similarly, the unemployment rate for youth aged 15-29 is more than double that of individuals aged 30-64 (30.3% vs. 13.4%). It is difficult to imagine how much worse the situation would be had there been fewer labour market policies targeting youth. It should be noted, though, that the gap has widened since 2019, which means that at least some part of it should be attributed to the pandemic and the stronger impact it had on youth.

A decrease in the unemployment rate is often accompanied by a decrease in the number of the unemployed, and this is the case lately (Graph 3.1.2). The reduction seems to have slowed down over the past year, but the most interesting finding has to do with the differences across population groups. The number of unemployed women decreased almost at the same pace with that of men in period 2019-2020 (-13.4% vs.

**FIGURE 3.1.2**  
**Number of unemployed (in thousand)**



-14.6%). But, over the past year, the number of unemployed women went up while the number of unemployed men continued to drop. This difference is probably characteristic of the greater challenges women are facing in their effort to get a job, even though it has become easier to do so than a few years back. The situation is similar as far as youth aged 15-29 are concerned. The number of unemployed young people

has been steadily increasing, despite the recovery of economic activity and the strengthening of tourism activities. Also note that in the first semester of 2021, the number of unemployed youth increased by 9.3% when the number of the unemployed aged 30-64 decreased by 6.9%. These findings are in accordance with the changes in the number of the employed discussed above.