

# 3. Human resources and social policies

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## 3.1. Recent developments in key labour market variables

**Ioannis Cholezas**

### 3.1.1. Introduction

This article focuses on labour market developments up to the second quarter of 2022 (2022Q2). The number of the employed continued to grow, overcoming setbacks caused by the pandemic. The employment rate reached the pre-crisis level, but mostly due to the reduction in the population size. There are differences in employment increases amongst different population groups defined by gender, age, citizenship, education, and industry. The reduction in the number of employed foreigners is alarming and, to some extent, is connected to a skills mismatch reported in the labour market concerning mainly low skilled individuals in tourism and construction. The number of the employed in hotels and restaurants exhibited a large increase over the past year without, however, managing to compensate fully for the losses suffered during the pandemic. On the other hand, the number of the employed in public administration decreased on an annual basis, putting an end to the upward movement, discussed in previous issues of the *Greek Economic Outlook*, associated with the efforts to manage the effects of the pandemic. As far as paid employment is concerned, the smaller than expected increase in the number of employees in June and July and the big reduction in August should be treated with caution. Overall, the rate of creating new paid jobs decreased, while at the same time, there were more conversions of full-time job contracts to flexible job contracts compared to 2021. Even though the unemployment rate went down to 12.4% in 2022Q2, women, youth aged 14-24, foreigners (mostly women) and individuals with low educational attainment continued to face more difficulties in getting a job.

### 3.1.2. Employment

The number of the employed aged 15-74 increased in 2022Q2 by 123.2 thousand (aged 15-64: +120 thousand), as expected, given the seasonal variation in economic activity. This is equal to a 3% increase and seems small compared to the respective quarters in 2017, 2018 and 2019 when increases ranged from 3.6% to 3.7%. On the other hand, compared to 2021Q2, the number of the employed went up by 251.9 thousand (aged 15-64: +246.7 thousand), representing an increase of 6.4%, which is far bigger than previous annual changes in the years preceding the pandemic. Coupled with the respective increase of 11.6% in 2022Q1 and the recovery of overall employment following the employment losses during the pandemic, one could conclude that recent developments in the labour market are positive as far as the number of the employed is concerned. The result of the above is an increase in the employment rate of people aged 25-64, i.e., the core of the employed, to 69.5%. The employment rate in 2022Q2 matches the respective figure in 2008Q2 and shows that employment is back to its pre-pandemic level. A more careful look reveals that this achievement is due to the faster decrease in the size of the population compared to the number of the employed,<sup>1</sup> but still, it is a point worth mentioning.

Looking for divergencies, the first one can be traced by gender. The number of employed men increased slower than the number of employed women on a quarterly basis (2.6% vs. 3.7%), that is, compared to the first quarter of 2022, but faster on an annual basis, i.e., compared to 2021Q2 (6.6% vs. 6.2%). This means that the seasonal variation favoured women, but men did slightly better in the four quarters that passed. The second divergence is associated with age. Comparing the number of employed youth aged 15-24 to the rest of the employed (25-74), it seems that the number of the former increased much faster both on a quarterly (13.6% vs. 2.6%) and on an annual basis (29.6% vs. 5.6%). Moreover, the number of employed youth has recovered from the losses during the pandemic. There

1. Had the size of the population remained the same as in 2008Q2, the employment rate of people 25-64 would be 63.6% in 2022Q2.

were 13.4 thousand more employed youth in 2022Q2 compared to 2019Q2. Even though the number of the employed aged 25-74 increased by 197.4 thousand, the percentage increase falls short compared to the one for youth (5.2% vs. 8.6%), because the number of the former, which goes to the denominator, is much larger.

The employment rate is considerably bigger for foreigners compared to natives: in 2022Q2, for the former, it was 53.9% and for the latter 45.8%; this represents an increase of 3% over the past year. Despite the high employment rate of foreigners and the increase on an annual basis, the number of employed foreigners went down by 12.4 thousand over the year. The increase in the employment rate was the result of a faster decrease in the size of their population, noted in the previous issue of the *Greek Economic Outlook*. The decrease was stronger among foreign women (-18.8% vs -4.3% for men). Similarly, the number of employed foreign men marginally increased (1%), while the respective number of women exhibited a strong decrease by 18.4%. It is likely that the respective reduction in the number of the foreign labour force, especially women, is already having adverse effects on firms' efforts to find suitable workers in certain industries, which could get worse in the future. One should not forget that foreigners have already migrated to a foreign country at least once. Thus, it is easier for them to leave if circumstances are not favourable either in terms of employment opportunities or in terms of working conditions.

The number of employed lower secondary education graduates exhibited the biggest increase (+14.1%) on a quarterly basis, followed by employed Master's or/and PhD holders (+3.7%). However, on an annual basis, the number of the latter increased by 15.1% and seems to continue the upward trend of period 2019-2021 discussed in the previous issue of the *Greek Economic Outlook* (a 31.6% increase during period 2019Q4-2021Q4). The number of the most educated employed individuals recorded the second biggest increase (+44.5 thousand), following upper secondary education graduates (+124.3 thousand) in the period 2021Q2-2022Q2. In any case, about half of the new jobs created over the past year were occupied by upper secondary education graduates. However, most new jobs were occupied by lower secondary education graduates on a quarterly basis. Moreover, employed individuals with a Master's or/and PhD exhibited the second biggest annual increase; one cannot be sure about the level of skills demanded in those jobs though. As a result of these developments, the

share of employed individuals with a Master's or/and PhD increased to 8.2% of total employed, up from 6% in 2019Q2, 4.3% in 2014Q2 and 2.2% in 2008Q2. It seems, then, that the composition of the employed has changed over time in favour of better educated individuals and against poorly educated ones, like, for example, primary school graduates, partly because of the general increase in educational attainment.

### Industry

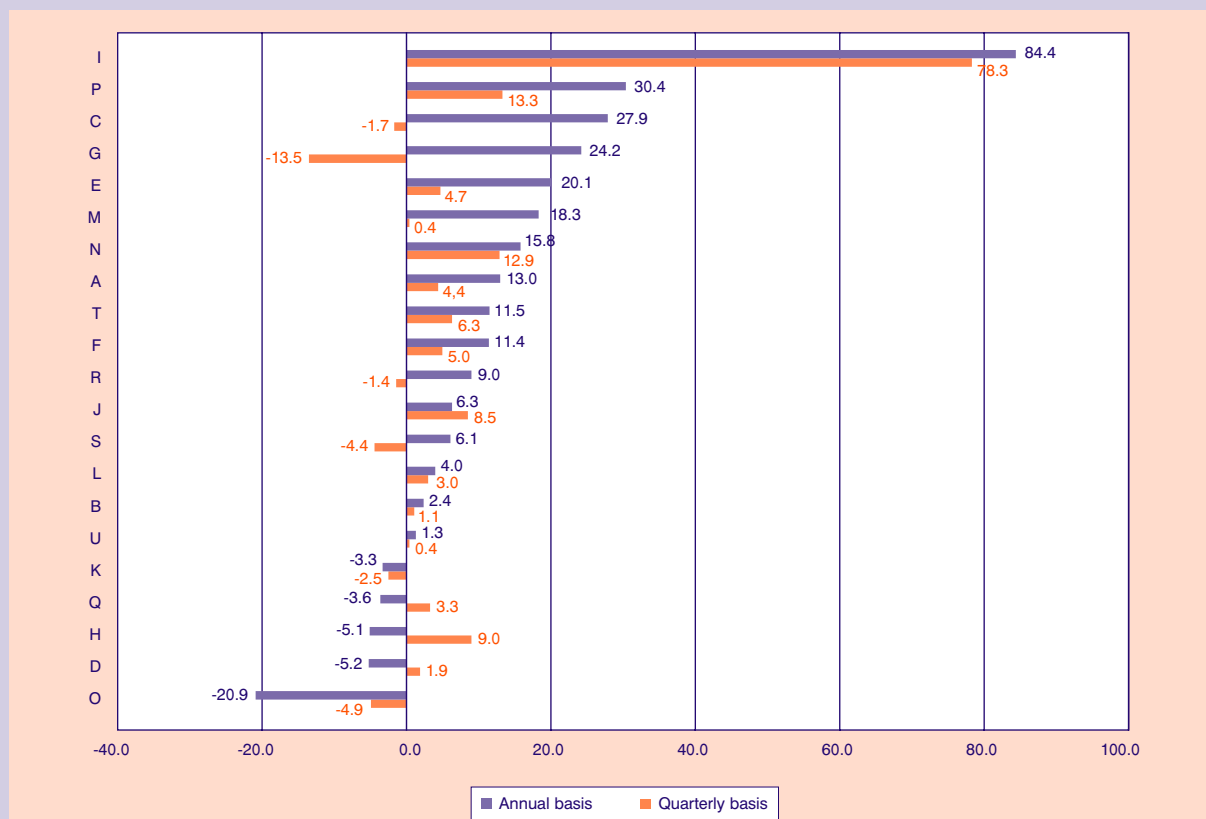
The number of employed individuals increased in 15 out of 21 industries on a quarterly basis (Graph 3.1.1). Most new jobs were created in *Accommodation and food service activities* (+78.3 thousand), followed by *Education* (+13.3 thousand) and *Administrative and support services* (+12.9 thousand). On the other hand, the number of the employed decreased the most in *Wholesale and retail trade, repair of motor vehicles and motorcycles* (-13.5 thousand). The number of the employed in *Accommodation and food service activities* also increased the most on an annual basis (+84.4 thousand), followed by *Education* (+30.4 thousand) and *Manufacturing* (+27.9 thousand). The increase in the number of employed in *Manufacturing* is a very positive outcome since it allows one to hope that the downward trend in employment in an industry that is associated with increased productivity and extroversion can be reversed. On the other end of the spectrum lies *Public administration and defense, compulsory social security* with 20.9 thousand fewer employed individuals compared to 2021Q2. Remember that in the previous issue of the *Greek Economic Outlook*, this industry exhibited the biggest increase in period 2019Q4-2020Q4 (+42.5 thousand). It seems, then, that the trend has been reversed following the weakening of the pandemic's effects.

As far as losses in the number of the employed during the pandemic are concerned, it seems that all industries have managed to recover, with three exceptions: *Accommodation and food service activities* (2.1 thousand fewer employed compared to 2019Q2), *Construction* (0.9 thousand fewer employed) and *Financial and insurance activities* (12.6 thousand fewer employed). The former two industries may have been affected to some extent by the lack of labour supply with the required skills, which was probably fueled by the reduction in the number of foreigners in the labour force, since demand was high.<sup>2</sup> The reduction of employment in the latter industry is likely the outcome of downsizing

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2. According to ELSTAT, the turnover in *Accommodation and food service activities* increased in 2022Q2 by 150.7% on an annual basis, while the turnover in *Construction* has been increasing from 2021Q2 to 2022Q2.

**GRAPH 3.1.1**  
**Change in the number of the employed on an annual and quarterly basis**



Source: Labour Force Survey, ELSTAT, KEPE processing.

Notes: A. Agriculture, forestry and fishing, B. Mining and quarrying, C. Manufacturing, D. Electricity, gas, steam and air conditioning supply, E. Water supply; sewerage, waste management and remediation activities, F. Construction, G. Wholesale and retail trade; repair of motor vehicles and motorcycles, H. Transportation and storage, I. Accommodation and food service activities, J. Information and communication, K. Financial and insurance activities, L. Real estate activities, M. Professional, scientific and technical activities, N. Administrative and support service activities, O. Public administration and defence; compulsory social security, P. Education, Q. Human health and social work activities, R. Arts, entertainment and recreation, S. Other service activities, T. Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use, U. Activities of extraterritorial organisations and bodies.

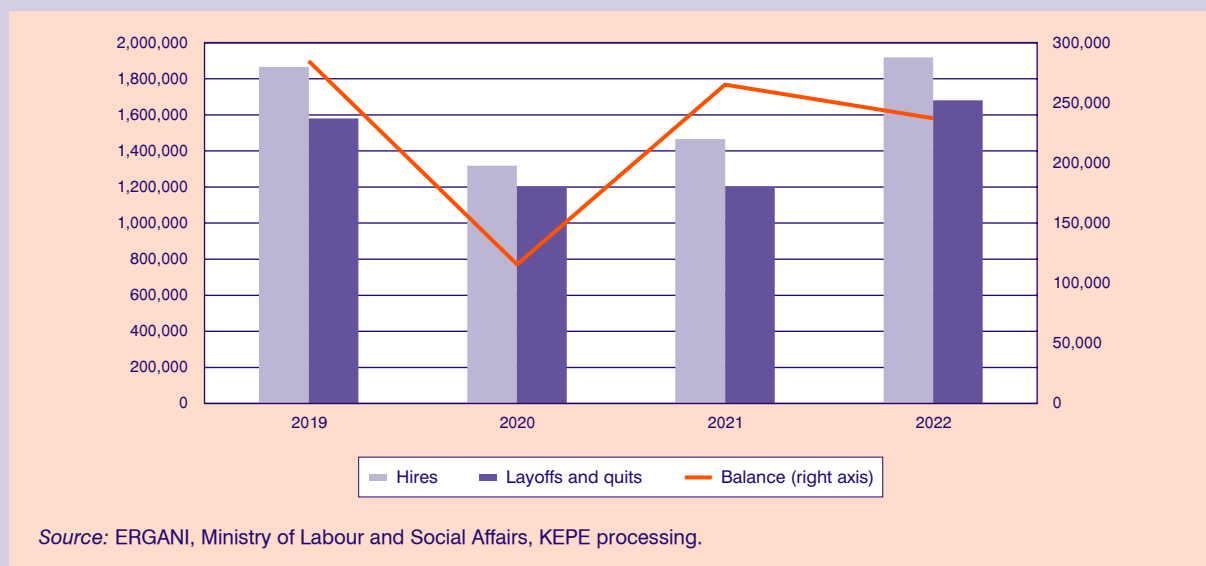
policies followed over the past few years to cut costs facilitated by technological advances. In any case, the number of the employed in the former two industries represented almost 99% of those employed in 2019Q2; the respective figure in the latter industry is 85%.

### 3.1.3. Paid employment

The reports from the information system ERGANI show that the balance of paid jobs remained positive from May until July 2022, which is typical for these months due to the seasonal reinforcement of economic activity, but it turned negative in August. In specific, despite positive net flows of paid jobs in June and July, these were significantly smaller than flows a year ago; there

were 54.4 thousand fewer jobs created in June and 21.4 thousand fewer jobs created in July compared to 2021. On the other hand, approximately 33.3 thousand paid jobs were lost in August, which is a record high. Overall, in the first eight months in 2022, some 237 thousand net jobs of paid employment were created, i.e., about 28 thousand fewer compared to the same period in 2021 (Graph 3.1.2). Similarly, hires until August went up by 30.9%, while quits and layoffs went down by 40%. Except for April, in the remaining months, the number of quits and layoffs (compared to the respective months in 2021) increased faster than the number of hires on an annual basis. There were 5% (or 14.5 thousand) fewer hires in July compared to 2021, while quits and layoffs in August were approximately 20% more compared to 2021.

**GRAPH 3.1.2**  
**Flows and balance of paid jobs from January to August of consecutive years**



These remarks could signal that the labour market is suffering from fatigue. This could be the outcome of difficulties in finding suitable employees or/and of reduced demand for labour. This seems to be in accordance with the fact that most people were hired in April, setting a record. If hires were realised sooner than usual, anticipating a good tourist season (there were 96.2 thousand hires in *Accommodation and food service activities* in April), then one should not think too much of the poor results in June and July. However, the negative net flow of paid jobs in August could mean a premature ending of the tourist season. In this context, it should be mentioned that some 29.2 thousand jobs were lost in August from the food service activities and another 5.4 thousand were lost from accommodation services. A more detailed analysis could provide more information regarding the geographical or some other distribution (e.g., based on the firm size) of early quits and layoffs from tourism and point to specific fields of intervention (e.g., to expand the tourist season, make changes to policies to attract tourists, etc.). However, macroeconomic circumstances cannot be ignored, such as the high inflation rate combined with the anticipated energy crisis and the war in Ukraine, because they cause uncertainty and negative expectations for the near future.

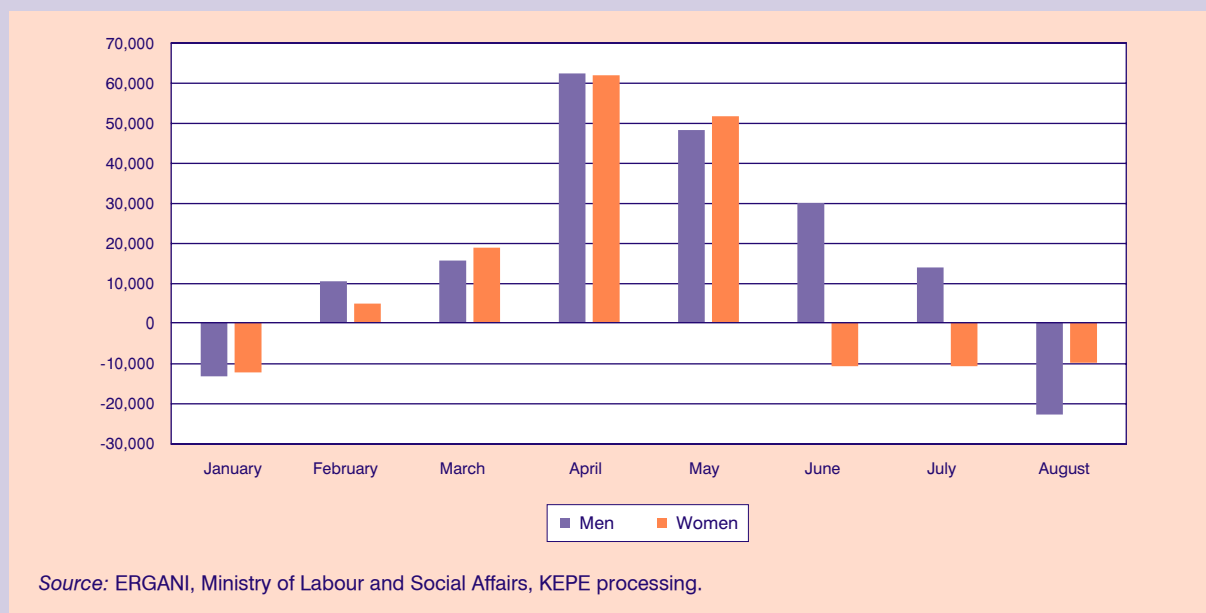
A more thorough look at the reduction of new paid jobs in the first eight months of 2022 reveals some degree of diversity amongst population groups. In particular, the reduction of new jobs comes mainly from women (Graph 3.1.3). The new jobs occupied by wom-

en in 2022 were fewer by 14.3% (or 15.5 thousand), while jobs occupied by men were fewer by 7.9% (or 152.4 thousand). The biggest losses for women compared to 2021 were reported in June (-33.9 thousand jobs). Variation in net new jobs was more pronounced amongst individuals aged 25-74. Paid job losses were the biggest in June (17.8 thousand), when in June 2021, approximately 37.5 thousand net jobs of paid employment were created. Young people aged 15-24 exhibited smaller variation in comparison, and in April, they occupied 2.3 thousand more paid jobs compared to the same month in 2021. On the other hand, the situation was reversed in August since more than 10 thousand jobs were lost in addition to those lost in August 2021. However, these losses were smaller than those suffered by individuals 25-74.

Hires under full-time job contracts represent the biggest share of new hires in the first eight months of 2022 (53.2%). The share of full-time hires is smaller than 2021 (57.4%), but bigger than previous years, approaching the 2014 level. An annual increase in hires under work-in-shifts contracts of 2.4 percentage points, to 9%, could signal increased uncertainty, but this figure is smaller than in previous years. It should be noted that the share of hires under work-in-shifts contracts reached 19% of the total in 2015 and has been dropping ever since.

The number of full-time job contracts that were converted to flexible job contracts until August 2022 went up by 55.6%, reaching 30,104. Approximately 73% of those involved conversions to part-time contracts.

**GRAPH 3.1.3**  
**Balance of paid employment flows by gender, 2022**



Most conversions of full-time to work-in-shift job contracts without the consent of the employee were reported in May (904). It could be that there is a stabilisation of the labour market following the disruption by the pandemic in the preceding two years. In this context, it should be noted that there was an increase in the number of conversions from full-time to flexible job contracts by 33.6% in the first eight months of 2020 and a decline of 52.7% in 2021. However, this finding causes concern.

### 3.1.4. Unemployment

The unemployment rate in the second quarter of 2022 went down to 12.4% for individuals aged 15-74. The decrease corresponds to a decline in the number of unemployed, by 55.6 thousand in the last quarter and by 140.9 thousand over the past year, despite the labour force increase recorded. Typically, women face more difficulties in getting a job than men, so their unemployment rate stood at 16.6% in 2022Q2, compared to 9.1% for men. The number of unemployed men decreased faster than the number of unemployed women on a quarterly and an annual basis. This is reflected in the increased share of unemployed women in total unemployed by 3 percentage points over the past year (reaching 59.1%). Moreover, young people aged 15-24 face higher unemployment rates (32.3%), especially when they are females (38.8%). Despite differences in the evolution of the unemployed, the gender unem-

ployment differential has remained almost stable and close to 7.5 percentage points since 2021Q2.

The number of unemployed youth aged 15-24 also remained relatively stable on an annual basis, while it increased marginally (1%) in the last quarter. However, due to the increase in the labour force, the youth unemployment rate has fallen by approximately 6 percentage points since last year (2021Q2), from 38.2% to 32.3%. On the other hand, the number of unemployed individuals aged 25-74 decreased by 141.2 thousand on an annual basis and by 56.4 thousand on a quarterly basis. The unemployment rate stood at 11.3%. This age-related experience with respect to employment opportunities should serve as a spark to further explore this issue. Given the increase in the number of employed youth, a possible explanation of this divergence could be that the addition of new members to the pool of unemployed youth compensated for the reduction in their number due to exits from the pool towards employment. In any case, the unemployment differential between youth 15-24 and individuals aged 25-74 narrowed by 2.5 percentage points and by 1.2 percentage points compared to 2021Q2 and 2022Q2, respectively, causing some convergence.

The unemployment probability also differs across nationality groups. In 2022Q2, the unemployment rate stood at 12.1% for Greek nationals and at 20% for foreigners, i.e., individuals with non-Greek nationality, even though over the past year the number of the unemployed foreigners decreased faster (-33.6% vs.



-18%). There was a big difference between Greek and foreign women, who faced an unemployment rate of 29.8%, 13.8 percentage points bigger than that for Greek women. Note that the respective difference for men was much smaller, since foreign men were faced with a 3.4 percentage points higher unemployment rate compared to Greek men (12.4% vs. 9%). Part of these differences is due to different skills, but another part cannot but be attributed to the problematic integration of immigrants to the Greek labour market, which is reflected in the limited knowledge of the Greek language, insufficient information, failure to acknowledge degrees awarded abroad and certify skills, limited access to information on available jobs, etc.

The level of education can be used to approximate the level of skills a person possesses. Typically, more educated individuals have better employment prospects. Therefore, it is far from surprising that Masters' and/or PhD holders had the lowest unemployment rate (4.7%) in 2022Q2, followed by university graduates (9.2%) and technical vocational education (12.3%). However, the performance of highly educated individuals in terms of employment could mask the substitution of less educated with more educated individuals, i.e., overeducation, and should be further explored. Last but not least, unemployed university graduates are the group with the biggest percentage reduction over the past year (-23%), followed by technical vocational education graduates (-22.8%) and lower secondary education graduates (-20.1%). As far as the second group is concerned, exits from unemployment almost balance entries to employment, while in the third group, exits from unemployment are almost five times bigger than entries to employment. Considering the old age of most lower secondary education graduates, one tends to presume that exits from unemployment, to a large extent, coincide with exits from the labour force.

### 3.1.5. Labour market challenges

It is widely accepted that the labour market does not operate in a vacuum; it is rather an integral part of the Greek economy, which impacts and is affected by it. Therefore, the challenges facing the labour market are closely linked to the prospects of the economy and are

associated with the high cost of fuel (mostly natural gas<sup>3</sup>), which pushes the prices of goods (e.g., food and electricity) and services (e.g., transport costs) up and reduces the disposable income of all, including the employed.

To protect and support consumers and business, the Greek government subsidised part of the energy bill for vulnerable groups and provided fuel coupons, i.e., in effect subsidizing the cost of fuel. Moreover, in May 2022, the minimum wage was raised for the second time within this year to €832 (12 payments per year) which equals 952 PPS and ranks Greece in the 11<sup>th</sup> place amongst 21 member states with a national minimum wage in place.

Even though these interventions seem to be in the right direction, the biggest problem is that the prices of goods and services have been increasing unexpectedly fast since the beginning of 2022, although there has been a small de-escalation starting in June (June: 12.1%, July: 11.6%, August: 11.4%<sup>4</sup>). This means that real incomes are decreasing, especially incomes that cannot be adjusted systematically and timely, like wages and pensions. The European Trade Union Confederation (ETUC) estimates that those who get paid with the minimum wage in Greece saw their real wages decrease by 1.9% this year because of inflation.<sup>5</sup>

There are three more points that complicate the situation in Greece even further. The first one is that inflation seems to harm low-income households even more (Kanellopoulos, 2022<sup>6</sup>) because of the biggest weight goods and services exhibiting the highest price changes have on their basket, like food, fuel, and housing expenses. Given that wages are already low in Greece, a further reduction of purchasing power could intensify problems of material deprivation. The second point is that a disproportionate share of employed individuals is paid with the minimum wage in Greece. In a recent report for the minimum wage,<sup>7</sup> KEPE estimates that the share of those paid with the minimum wage ranges from 20% to 33%, depending on the definition used. This means that a big part of the employed possibly cannot afford a further reduction in their purchasing power. The third point is that inflation has been higher in Greece compared to the Euro area average through-

3. Electricity is an input to production for firms and a consumer good for households.

4. See ELSTAT data in <<https://www.statistics.gr/el/statistics/-/publication/DKT87/->>.

5. <<https://www.etuc.org/en/pressrelease/record-fall-value-statutory-minimum-wages>>.

6. Kanellopoulos, N.K. (2022), The distributional impact of inflation, KEPE, *Greek Economic Outlook* 48, pp. 61-80.

7. KEPE (2022), Evaluating the current legislated legal minimum monthly and daily wage rate. KEPE. Report prepared for the Ministry of Labour and Social Affairs.

out 2022. This means that the cost competitiveness of the country is worsening as exports become more expensive.<sup>8</sup>

In any case, two questions must be answered to be able to predict developments in the labour market in the coming months. The first one is how big the effect of the restrictive monetary policy implemented by the ECB will be on the Greek economy. If interest rate increases lead, as expected, to a growth rate slowdown, then the demand for labour and the number of hires will likely decrease. Note that the European Commission<sup>9</sup> revised its annual growth projections for 2022 in July this year to 4% (although KEPE recently revised its projections upwards to 5.5%<sup>10</sup>). In general, poor expectations about future circumstances limit business activity and, consequently, employment. Therefore, it

is necessary for the Greek state, so long as it does not overburden future generations with debt, to continue to support the most vulnerable population groups. In this context, measures that will cost €5.5 billion were announced at the Thessaloniki National Fair. They seem to be on the right track since they intend to support real income and boost private consumption and GDP.<sup>11</sup> Part of this support could be funded collectively at the European level, while it is important for the Greek economy to maintain its good growth prospects with additional investments. The second question is how effective the contribution of the RRF will be in transforming the production structure of Greece and in accelerating the growth rate through the best possible management and distribution of funds aiming at, among many others, creating sustainable and well-paid jobs.

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8. The size of the decrease requires more in-depth analysis of the composition of exports and the relative change in their prices.

9. See <[https://economy-finance.ec.europa.eu/economic-surveillance-eu-economies/greece/economic-forecast-greece\\_en](https://economy-finance.ec.europa.eu/economic-surveillance-eu-economies/greece/economic-forecast-greece_en)>.

10. See <[https://www.kepe.gr/index.php/el/deltia-typoy/item/3198-30\\_9\\_2022.html](https://www.kepe.gr/index.php/el/deltia-typoy/item/3198-30_9_2022.html)>.

11. These measures include an emergency income support for 2.3 million citizens, like the emergency check to compensate for high prices, which is a subsidy of €250 to those receiving very low pensions (<€800), long-term unemployed, beneficiaries of AMEA benefits and uninsured senior citizens under OPEKA; an increase of the students' benefit; an increase in the heating benefit and an expansion of the number of beneficiaries; an expansion of beneficiaries for the programme "Tourism for all"; a 40% reduction in social security contributions until the end of 2023 offered to firms converting part-time job contracts to permanent job contracts; the consolidation of the 3% reduction in social security contributions; the abolishment of the Special Solidarity Contribution, etc.