European Commission

STRUCTURAL REFORMS IN GREECE

PILLAR I: RESTORING THE SUSTAINABILITY OF PUBLIC FINANCES

- **Fiscal framework:** improving fairness and efficiency in the taxation system
- **Social welfare:** comprehensive pension reform, universal primary health care, Social Solidarity Income, family benefits

Greece's debt crisis was largely driven by the fragility and lack of sustainability of its public finances. The deficit reached a peak of 15.1% of GDP in 2009 and the 10-year bond yield peaked at 36% in early 2012. While further steps are needed to reduce public debt, Greece now runs a budget surplus (0.8% in 2017) thanks to substantial efforts in fiscal consolidation. This is largely due to reforms that have restored the sound management of public finances, while enhancing fairness, efficiency and the sustainability of the welfare system.

TAXATION SYSTEM

- **Personal income tax has been revised to make the system more progressive and combat tax evasion.** The tax base has been broadened, ensuring that more people contribute to the public finances. The tax-free threshold has been reduced by up to 10%, while taking into account family composition and the fall in wages and pensions since 2012.
- **Real estate property tax (ENFIA) has become fairer.** The authorities have adjusted property band widths, widening the tax base to non-urban land and are now in the process of aligning property values with market prices.
- **Bands and rates have been streamlined in the VAT system.** This reduces the scope for VAT fraud and makes the system cheaper to administer..

PENSION SYSTEM

- **In the past, Greece had an unsustainable pensions system.** Pensions were excessively high, relative to contributions being paid in: retirement entitlements were fragmented, and there were too many routes to early retirement. Pension spending was 16.2% of GDP in 2013 compared to the EU average of 11.3%. This was coupled with one of the lowest retirement ages in the EU (60 years for women, 65 for men). The system now is on a much more sustainable footing, and is fairer as the same entitlements and benefits apply to all groups in society.
- **Since 1 January 2013, the retirement age has been raised to 67 years for both men and women, in line with European best practices.** Early retirement is now normally only feasible from 62 years. By reducing spending on pensions as a share of GDP, more resources are available for other social benefits targeting to those most at risk of poverty, particularly for the young, unemployed and families.
- **The authorities have merged the multiple pension funds** in order to unify the rules for the calculation of pension entitlements across different professions.

HEALTHCARE SYSTEM

- **A primary healthcare network has now been developed and all Greek citizens are entitled to universal healthcare coverage.** Previously, the coverage available to the unemployed for healthcare benefits offered by the social security funds – notably pharmaceuticals, diagnostic tests and inpatient care – was uneven and largely temporary in the case of some professions.
- **To improve the functioning and efficiency of the healthcare system, the authorities now perform regular revisions of prices for pharmaceuticals and the use of generic medicines. E-prescriptions have also been introduced** and the criteria for the disbursement of medicines better aligned with medical needs.
- **To better control expenditure in the healthcare system, including hospitals, an upper limit on spending on pharmaceuticals and diagnostics has been set up.** This limits any excess of spending above the legislated limit. The generalisation of e-prescriptions and use of generic medicines have reduced significantly public spending on pharmaceuticals that had exploded before the crisis.

SOCIAL WELFARE AND BENEFIT SYSTEM

- **To provide an effective safety net for households at risk of poverty, a new Social Solidarity Income has been rolled out nationwide as of February 2017.** This is the first time a basic universal social safety net has existed in Greece. The programme provides income support to the poorest households. The number of approved applications has stabilised at around 290,000, corresponding to about 600,000 individuals, for an annual projected expenditure of about €750 million. One year since its introduction, it has benefitted 5.8% of the Greek population. With respect to labour market reintegration, all adult beneficiaries able to work are now required to register as job-seekers. The public employment service treats beneficiaries as a priority group, and will gradually offer personalised services and targeted support.
- **The administration's capacity to manage the various welfare programmes has been strengthened with the cooperation of all stakeholders.** A new benefits agency (OPEKA) has been established, becoming the single authority responsible for payment of all welfare benefits. To create transparency and confidence, a network of Community Centres was set up throughout the country. Single registries of all social services and service providers have been created.
- **Child benefits have been revised to better target families in need and grant them better support.** Schemes for providing school meals and nursery/pre-school education have been designed to assist children from vulnerable households in their basic needs.
- **Other welfare benefits are under review** so as to ensure subsidies granted for disability, housing and transport reach those who are in real need.