



# STRUCTURAL REFORMS IN GREECE

## PILLAR III: STRUCTURAL POLICIES TO ENHANCE GROWTH, COMPETITIVENESS AND INVESTMENT

- ▶ **Labour market:** flexibility and fairness contributing to falling unemployment
- ▶ **Business environment:** encouraging job creation and investment and export-led growth
- ▶ **Privatisation:** enhancing the value and management of State assets
- ▶ **Energy market:** providing better and better priced services

### LABOUR MARKET REFORM

The aim of the ESM programme has been to improve the balance between flexibility and fairness, safeguarding the progress already made. Reforms in the area of collective bargaining include changes to the framework for setting minimum wages and to the employment protection legislation. These difficult reforms have introduced greater flexibility and contributed to improving the resilience of the Greek labour market, reducing employment deterioration and helping the country regain cost competitiveness. Important reforms include:

- **An improved system of collective bargaining by modernising relations between the social partners.** Minimum wages will henceforth be set by the government after consulting social partners and key stakeholders which is in line with best practices.
- **Actions taken to tackle undeclared work and precarious work,** with contributions from the ILO: strengthening of the Labour Inspectorate, automatic exchange of information within the labour administration, introduction of protective measures against unpaid work and correction of inadequacies which left space for delinquencies. Implementation of these actions is bearing fruit: undeclared work has fallen from 30% in 2013 to almost 12% in 2017.

### BUSINESS ENVIRONMENT: ENCOURAGING JOB CREATION AND INVESTMENT

The Greek economy has a relatively small tradable sector (as a share of GDP), and does very poorly in attracting foreign direct investment. This reduces the scope for an export-led recovery. Although increasing the size of the tradable sector and becoming a more attractive destination for investment will need reforms and time, these are essential for achieving a sustainable recovery.

**Key reforms of product markets and regulated professions include:**

- **Reducing unnecessary barriers and impediments**
  - ✓ Since August 2015, many barriers to competition have been removed in sectors including retail trade, food and processing, beverages and petroleum products. Additional measures are ongoing to open wholesale trade, construction, e-commerce, media, pharmaceuticals, chemicals and wholesale trade.
  - ✓ Ongoing modernisation since 2013 has already opened sectors accounting for around 45% of Greece's value added, which will help attract and retain investment, further developing these sectors and creating new jobs. This process has and will continue to a positive effect on the Greek economy by expanding business activity in key sectors, enabling new entries, and thus more choice and innovation and lower prices for consumers.
- **Investing licensing reform and removing unnecessary restrictions in regulated professions**
  - ✓ A 2015 comprehensive reform to simplify investment licensing procedures, moving from a system of uncertain

requirements with ex-ante approvals to a leaner system based on notification, followed by risk-based ex-post inspections.

- ✓ Various sectors were reformed in 2017, including all manufacturing, shops, cafés, restaurants, tourism, logistics, mining and quarrying. Remaining sectors with unjustified investment licensing restrictions are under review. These reforms reduce the administrative burden, make it easier to open and conduct businesses in these sectors, thus contributing to their expansion and job creation.
- **Lifting of restrictions in key regulated professions** such as health care providers, private schools and vocational training, and public works engineers. The legal framework for private clinics and one-day clinics is currently under modernisation. This will allow more citizens and businesses to access these professions, facilitating greater choice in providers, adjusting prices to real market conditions, and making it easier and less cumbersome for Greek citizens to access essential services.

## MAXIMISING RETURNS OF VALUABLE STATE ASSETS

**A new independent privatisation and investment fund (Hellenic Corporation of Assets and Participations S.A. - HCAP) has been established to manage valuable Greek assets and to maximise their value.** Another objective is to depoliticise state-owned companies, improve their management, and therefore enhance their value and contribution to the Greek economy.

**Privatisations are already attracting investment, boosting growth and helping the Greek economy to reduce its debt.** They include those of Pireaus port, 14 regional airports, State Lottery Tickets, the International Broadcasting Center, betting company OPA, train company TRAINOSE, telecommunications company OTE and real state properties. Privatisation proceeds since the beginning of the ESM programme have amounted to €2.9 billion and are expected to rise in the coming years. Privatisation linked investments in Greece constitute some of the largest in Europe and will generate thousands of jobs.

## OPENING UP ENERGY MARKET TO ATTRACT INVESTMENT AND LOWER PRICES

Greece's energy markets are undergoing wide-ranging reforms in order to become more modern, efficient and competitive, while allowing for the reduction of monopolies. The reforms have aimed at enabling greater competition, eliminating distortions and attracting investment, while ultimately benefiting all consumers.

- **Electricity market:** reducing the dominance of the Public Power Corporation (PPC) and implementing the target model together with regulatory reforms, should enable to fully integrate the electricity market, while providing efficient prices and strengthening energy security.
- **Gas market:** thanks to the ongoing liberalisation process, since January 2018, customers are for the first time fully able to choose among different providers. The gas release programme, the unbundling of distribution from supply, and the privatisation of 66% of the gas transmission operator (DESFA) are improving competition.