GlobalResearch
Center for Research on Globalization

Poverty and Social Exclusion Rising in Greece

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Global Research, December 13, 2012
ROARmag.org

Region: Europe
Theme: Global Economy, Poverty & Social Inequality

Poverty and exclusion have exploded in Greece, while the government continues to assault workers. The question that arises is very simple: who benefits?

A couple of years ago I participated in a research project on poverty and social exclusion in several EU member states. I was responsible for writing the part on Greece. Although I do not believe that poverty can be described only in economic terms, for reasons of measurability I used in that research — and also in this article — the definition of poverty as employed by the Eurobarometer: "living on an income below 60% of the median household income of a given country."

At the time, in 2008, I remember that I was surprised to find out that, at 20%, poverty in Greece was one of the highest in the European Union, putting Greece in a league with (guess whom?) Portugal, Ireland, and Spain. At a 21% poverty rate, only Latvia and Poland showed higher records. That meant that one in five Greek citizens were living on an income below 60% of that of the median household, which at the time was calculated at 6.480 euros per annum (540 per month) for a single person, and 13.608 per annum (1.134 per month) for a family with two dependent children. All this at a time when unemployment was between 10 and 11% — as high as it in Italy today — and Greece had not yet entered its "safe harbor", as Giorgos Papandreou metaphorically presented the arrival of the Troika.

What was also striking was the inequality of income distribution in the country, again one of the highest in the EU, at a rate of 5.9. That meant that the richest 20% of Greeks were earning 5.9 times what the poorest 20% did, while the EU-27 average was 5. At the same time, what was also particularly worrying and indicative of what would follow, was that the poverty risk for the people in employment was 14.1%, while the share of the employed amongst the poor was 31.7%. In other words, 14.1% of the people in employment were poor, and 31.7% of the poor actually still had jobs — precarious and underpaid, of course.

And I repeat: all of the above was already the case before the austerity measures were imposed.

A few days ago, I came across the latest research by the National Statistical Agency on the same topic. According to this data, two years later, in 2010, the figures were as follows: the poverty rate had reached 21.4% (2.3 million people!), while the poverty threshold remained roughly the same at 6.591 euros per annum (549.25 per month) for a single person, and 13.842 euros per annum (1.153 per month) for a family with two dependent children. Income inequality reached 6, meaning that the richest of the Greeks are earned 6 times more than the poorest Greeks do.

Note that these poverty rates are based on *official* data. A previous survey conducted by Kapa Research and the London School of Economics in 2007 found even higher poverty rates, noting that *one third* of Greeks lived in poverty even before the global recession of 2008-'09 struck. What is even more worrying, alarming actually, is the fact that even the latest formal statistics of the National Statistical Agency concern the year 2010, when unemployment stood at a "meagre" 14%. Today it has reached 25%, and even the thought of how many people may be living at risk of poverty today in Greece profoundly scares me.

At the same time, Finance Minister Yiannis Stournaras insists in his interviews that Greece has "the most costly welfare state in the Eurozone" and we need to cut down on around 11-13 billion euros from social services if we want to satisfy the Troika and stay in the Eurozone. A few points:

1. What Stournaras claims is simply not true. According to the OECD's Social Expenditure Statistics, Greece currently spends 23.1% of its GDP on social services, a percentage that has been rather stable throughout the 2000s. At the same, the EU21 average lies at 24% of GDP, while countries like Germany and France, for example, spend 26% and 32% of GDP accordingly. Therefore, Greece's social expenditure is below EU21 average, while its welfare state – belonging to what is called the "Southern model" — is one of the weakest in the EU, characterized by a very important family role in the provision of social services (elderly and child-care is considered to be a family duty, usually resting on the shoulders of the female members of the family) and a general ineffectiveness of state institutions. Yet, this country's Finance Minister dares to lie publicly in order to justify the cuts in social spending his government is trying to push through.

2. Even if Greece's welfare state was "the most costly in the Eurozone" as Mr. Stournaras claims, it certainly is inefficient. With 21.4% of the population (which means 2.3 million people!) living at the risk of poverty. Therefore, what the Greek government should be doing is to increase social expenditure in order to assist its suffering citizens, instead of – for instance — prioritizing the payment of the country's foreign debt at the expense of the well-being of the Greek people.

Yet, what the Greek government chose to do under the conditionalities imposed by the Troika and embedded in the memorandum that passed through parliament is, to give you an example, to cut from the 2013 budget a grand total of 82 million euros in social expenditure for disabled people. At the same time, and under the new memorandum, the government also announced that it will (finally) impose taxes on Greece's multi-billionaire ship-owners — taxes worth a grand total of 80 million euros.

So, for you to get it straight, I repeat: the disabled will "contribute to the salvation of the Greek economy" 82 million euros that they absolutely need for their decent and dignified survival, while the ship-owners, who constitute 0.7% of the Greek population while controlling 60% of the nation's total wealth, will "contribute" a grand total of 80 million. This gives you a clear idea of who is paying the price of austerity measures imposed by the Troika and executed by the Greek government.

In Greece, we know well who is paying for the crisis. A good question to ask would be: who gains? Apart from Greece's private creditors, could it be the multinational corporations, which are now swooping in to benefit from the country's dramatically reduced labor rights and privatization schemes? Again, I will give you an example that I recently read in the press. Kostis Hatzidakis, the Minister of Development, announced proudly that Unilever, an Anglo-Dutch multinational consumer goods company, will from now on produce 110 of its products that it used to produce abroad, in Greece. He also mentioned that this will boost employment and that his government wants to create a business-friendly environment in Greece in order to attract "investments" for "development".

What Hatzidakis did not mention are the conditions under which the future employees of Unilever — and whatever other multinational decides to "invest" in Greece bringing its production facilities or, maybe, buying its state owned enterprises — will have to work. Let me present them to you: Unilever's Greek employees will be paid slave salaries (586 euros is the minimum wage today, down from 751 euros before the crisis, while for young workers under the age of 25 it stands at 510 euros: below the poverty threshold!). They will only have minimum labor rights. They will have to work 6 and maybe 7 days a week. They will only have a minimum of 11 hours rest before getting back to work (from 13 that it was so far). And they will be extremely easy to fire without compensation — as the government effectively rid itself of pesky labor rights.

All the above is a direct result of the austerity measures and structural reforms the Greek government has taken so far to create a "business-friendly environment" and bring in "investments" and "development", as they like to say. And the question remains: for whom?