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Athens, 01 November 2000

PRESS RELEASE

Development and Unemployment: Prospects

The study of unemployment as a social problem contributes not only to the historical analysis of its causes but also to the direction of economic policy in order to address the issue in the long-term, unaffected by discriminations. Unfortunately, unemployment belongs to issues addressed in the short-term, which leads to waste of resources and time and to non viable options.

The analysis of general economic problems belongs to the purposes of RIT, which presents today the study on unemployment. The study depicts important aspects of the problem and raises creative concerns.

The study concludes to the most important historical findings of the micro-level and macro-level analysis:

- (a) During the period after 1960 the ratio of unemployment in Greece was always more than 10%. The ratio of unemployment in 1974, 1980 and 1990, was equal to 15%, 16% and 13% respectively.
- (b) During 1960-80, productivity growth explains the increase in production, which has been at the forefront internationally.
- (c) The large increase in the average productivity of the economy led to changes in the labor force that determines the size of unemployment.
- (d) Economic evolution of the last 15-20 years, and mainly the last 10 years, make it clear that it is unrealistic to connect the future of economic growth and employment to the experiences of the period 1960-1980.
 - i. During the period 1975-98 the workforce from abroad, returnees and non-returnees, exceeded 1,000,000 people.
 - ii. Development potential has been limited. The development environment no longer consists of a high rate of savings, a declining share of wages in national income, a set of measures to protect against external competition, labor discipline and productive vigilance.

- iii. The employment of hundreds of thousands of foreigners in conditions, also of hundreds of thousands of native unemployed, underscores the distance between the needs of the productive process in workforce and the suitability and availability of the unemployed workforce. The latter is a serious problem and is likely to cause high unemployment in the future when labor market opportunities will be limited.
- (e) The high percentage of self-employed and the relatively low percentage of the population in the labor force will continue in the future to cause unemployment even in conditions of stable labor force.
- (f) The general conclusion of the above findings is that the future scenario is pessimistic, if we assume that the workforce in the future will increase, even by half the rate at which it has been growing in recent years.

The comparison of the micro-features of unemployment between Greece and other EU-15 countries shows, among other things, that Greece

- (a) records higher unemployment ratio in the age group 15-24,
- (b) records the lowest unemployment ratio at the lower level of education (6,7% compared to 12,6% of EU),
- (c) has the higher ratio of self-employed (45,7% compared to 17,1% of EU),
- (d) is lagging behind in the effort to upgrade its workforce (1% vs. 7,3% of EU), especially in the tourism and public administration sectors,
- (e) has the lowest "labor force / population" ratio, which indicates the existence of further unemployment.

Regarding development perspective and the possible evolution of unemployment, the analysis showed the following:

- (a) The sizes of main growth parameters, the tendency to savings and the marginal capital factor, have been set at levels that do not allow an optimistic outlook. The average development rate of economy until 2010 is estimated to hardly exceed 3,5%.
- (b) The above development rate is likely to gradually reduce the unemployment rate by close to 5% of the workforce by 2010.
- (c) This development in view of a decrease in the labor force and the natural increase of the population indicates that the labor force may become from 2010 onwards, together with the savings, a limiting factor of growth.
- (d) However, to address the existing uncertainties an adoption of a growth strategy is required, in order to accelerate the growth rate and increase employment. Sectors that meet the relevant requirements for support are tourism and some other sectors, basically, services.

- (e) Although the capital factor includes the potential positive impact of a change in structures, organization and technology, a larger impact will positively affect growth (productivity) but not employment and unemployment.
- (f) The low rate of productivity growth due to decades of inactivity of the productive forces is a matter of great concern, and will require social awakening and active intervention to avoid unpleasant outcomes, ie increasing production with the help of foreign labor while unemployment remains unchanged.
- (g) The possibilities of adapting the production process to suit the knowledge and skills of the workforce are limited. It is the workforce and the education system that have to keep up with the demands of the market.
- (h) To bring productive forces into action for rapid development, interventions in many sectors are required:
 - immigration policy
 - labor policy
 - education policy and
 - fiscal policy

At this point, the following are highlighted:

- (i) Avoid the reduction in normal working hours in view of the long-term development of the workforce as such a movement is irreversible.
- (ii) Gradual liberalization and reduction of redundancy costs and determination of labor remuneration from the market.
- (iii) Issues regarding overtime and remuneration of overtime must be determined by the company.
- (iv) Reduction of taxation and government spending. Tax cuts increase private savings, while government spending cuts reduce indirect labor costs in low-productivity sectors, which are expected to generate growth and reduce unemployment.
- (i) Unemployment must be addressed by increasing sustainable employment. Allocating resources directly to unemployment is a waste of resources and leads to the opposite result. All interventions that relate employment to any growth regulation, whether it is subsidy, authorization, etc., finally oppose growth and long-term sustainable reduction of unemployment.