

**MINISTRY OF EMPLOYMENT AND SOCIAL PROTECTION
MINISTRY OF ECONOMY AND FINANCE**

The Greek National Strategy Report on Pensions

2005

TABLE OF CONTENTS

| | | |
|-----------|---|------------|
| 1. | FOREWORD..... | 3-4 |
| 2. | INTRODUCTION..... | 5 |
| 2.1 | GENERAL CHARACTERISTICS AND OBJECTIVES OF THE NATIONAL PENSION SCHEME..... | 5 |
| 2.2 | CHALLENGES OF THE SOCIAL SECURITY SYSTEM – FUTURE PERSPECTIVES..... | 7-10 |
| | 2.2.1 <i>Demographic challenge</i> | 7 |
| | 2.2.2 <i>Employment challenge</i> | 8 |
| | 2.2.3 <i>The problem of multiplicity</i> | 9 |
| 3. | COMMON OBJECTIVES’ FULFILMENT..... | 10 |
| 3.1 | PENSIONS ADEQUACY OBJECTIVES..... | 10 |
| | 3.1.1 <i>Risk of poverty in the third age</i> | 11 |
| | 3.1.2 <i>Policies and actions for decent living standards of elderly people</i> | 11. |
| | 3.1.3 <i>Intergenerational and intra-generational Solidarity</i> | 13. |
| 3.2 | ECONOMIC SUSTAINABILITY OBJECTIVES..... | 15 |
| | 3.2.1 <i>Employment and measures of support</i> | 16. |
| | 3.2.2 <i>Rebalancing the budget</i> | 19. |
| | 3.2.3 <i>Institutional and Organisational interventions</i> | 20 |
| 3.3 | OBJECTIVES FOR PENSIONS’ UP-DATING..... | 22 |
| | 3.3.1 <i>Mobility of workers</i> | 22 |
| | 3.3.2 <i>Equal treatment of genders</i> | 24 |
| | 3.3.3 <i>Promotion of dialogue and consensus</i> | 26 |
| | 3.3.4 <i>Operational improvements of the social security system</i> | 27 |
| 4. | CONCLUSIONS..... | 30 |
| 4.1 | ADDENDUM | 31 |

1. FOREWORD

The high levels of social security and social inclusion are both the outcome and the conditions to meet the targets of economic growth, employment and social justice. The Hellenic Government is a staunch supporter of development, employment, and social justice as being three parameters inextricably linked and supporting each other.

Social policy is a drive for development, not a passive factor, ensuring on the one hand decent social – economic living conditions, and on the other it does facilitate the adaptation to the socio-economic changes of today's globalisation. The unhindered operation of the social security system, being an important part of the social protection system, does significantly contribute to developing a safe framework within which every citizen could progress, produce, capitalise on the available opportunities, generate new ones and lead a decent way of living. A citizen stressed for the future is not a productive citizen.

Government policy and its actions aim at ensuring pensions' adequacy, sustainability of the social security system and at upgrading it.

The Government, fully cognizant of the importance of the challenges the social security system faces, took the initiative to raise the issues for discussion in the context of the National Dialogue for the Social Security System. The severity of challenges calls for a consensus and conciliation framework in order to tackle thoroughly the problems of social security system at the dawn of the 21st century. Today, with a feeling of responsibility, based on the principles of solidarity among generations and on social solidarity, we should agree on the necessary reforms that would safeguard the social security system and would make it sustainable in the following decades.

In the context of the Open Method of Coordination for the adequacy and sustainability of member states' pension schemes, the European Council fixed in Laeken in December 2001 eleven common social policy objectives. The National Report 2005 seeks to underscore that our country met these eleven objectives. Moreover, the National Report could become a springboard for raising awareness and for promoting national dialogue on the national insurance issue, already under way.

Measures to ease the dysfunctions of the existing social security system are envisaged through social dialogue. Similarly, our country endeavours to restore budgetary balance, a substantial prerequisite for the long-term sustainability of the system. To the extent that our efforts to remedy the economic irregularities of the past can afford it, long standing reforms shall be undertaken so as to guarantee the economic sustainability of the system.

The Government's political initiatives are set to make the social security system more effective and qualitative. The targets of quality, effectiveness, adequacy and sustainability are implemented via substantial interventions in the organisation, funding, the preconditions and the sum of pensions and of the pertinent social services by taking measures for administrative modernisation and via promoting the improvement of the system through consensus. In particular, since the Government took power:

1. **It implements** policies to secure the public and compulsory character of social security.
2. **It brings into effect** the provisions of L. 3029/02 on the gradual incorporation of main insurance funds into IKA-ETAM (Social Security Fund-Employed person's Single Insurance Fund) and of the occupation-based auxiliary funds into ETEAM (Employed person's Single Auxiliary Insurance Fund), starting with groupings in the bank employees sector under L. 3371/05.
3. **It ensures** that the Greek State has met the obligation to smoothly fund the system, pursuant to L. 3029/02 and to award pensions without obstruction.
4. **It implements** L.3232/04 for successive insurance as well as the simplification of procedures of granting pensions faster and already the insured persons see the first positive results.
5. **It plans** a longstanding national dialogue involving all social partners in order to further safeguard insurance entitlements, the adequacy and the sustainability of the system.
6. **It promotes** the optimal use of social security organisations' belongings and property.
7. **It increases** the resources directed to the Funds by curbing contribution invasion and undeclared labour. To this effect, the Government recruits the necessary staff and reinforces the audit mechanisms.
8. **It has proceeded** to a new initiative for the legalisation of immigrants. This initiative aims at their social inclusion, at the normalisation of the labour market conditions and at the same time it shall provide the necessary resources that would make the pension schemes more sustainable.
9. **It strengthens** employment in order to widen the contributions base for the long-term sustainability of the system.
10. **It increases** the living standards of pensioners by abolishing the amount deducted for LAFKA (Solidarity Account of Social Security Organisations) (L. 3245/04), increasing, hence, their income by 1-5% and shall return the retained amount to around 950.00 pensioners.
11. **It caters for** the elderly by reinforcing and multiplying the structures and the related programs, such as KAPH (Rehabilitation Centres for the Elderly), KHFH (Hospitality Centres for the Elderly), 'Aid at Home'; it modernises the operation framework of the Elderly Care Units in order to facilitate their access to social commodities and high quality social services.
12. **It promotes** measures to support vulnerable groups, i.e the recent regulations of L. 3385/2005 for the widows and the individuals who are close to retirement but fail to complete the adequate insurance time to build up their entitlement to a pension.
13. **It promotes** the modernisation of the social-security system by completing and introducing the Integrated Information Systems. Furthermore, the Government proceeds to the adaptation of Social Security Organisations to the new information and knowledge environment by implementing a new operation, organisation and informatics support model, according to the studies elaborated in the framework of the Operational Program 'Information Society'.
14. **It organises** specific training structures of the staff of the Social Security Organisations and of the central administration.
15. **It works on** creating a real interface and inter-operability between the Social Security Organisations and the implementation of e-communication and e-cooperation projects between the General Secretariat of Social Security and Social Security Organisations with other public national and international bodies.

2. INTRODUCTION

2.1 GENERAL CHARACTERISTICS AND OBJECTIVES OF THE NATIONAL PENSION SCHEME

Social protection in Greece is carried out via three systems: social security system, social welfare system and the national health system.

The social security system is structured in three levels (pillars): the first level (pillar) includes the system of main and auxiliary compulsory insurance, the second includes occupational supplementary systems and the third includes private insurance cover (group premiums concluded between enterprises and private insurance companies and individual premiums).

In particular, the Greek social security system is a system of **public law**, enshrined in the Greek Constitution (art. 22, par. 5) which operates with self-administrating social security organisations, set up by law for each occupational category of workers covering the totality of workers in the Greek territory.

Social security organisations provide social security services, social work based on the solidarity between generations and do not have any lucrative purpose. The basic attributes of the national system of main and auxiliary pension schemes is the public, universal, compulsory and re-distributive character, while the economic system of its operation is pay-as-you-go.

In Greece main insurance derives from the main insurance organisations which are public entities and governed by public law. Within the scope of their activity they exercise public power and their aim is to cover employees for insurance risks of ageing, disability, death, sickness and maternity, work accidents, occupational sickness etc in accordance with the International Labour Convention 103.

The auxiliary cover of employees is provided by a number of auxiliary insurance organisations, mainly public entities and to smaller extent private entities, supporting unions, which are private social security organisations for auxiliary insurance established by the employees' trade unions. The kind of protection offered by auxiliary insurance organisations is the awarding of pensions in case of ageing, disability and death.

Employees are obliged to fall under one of the social security organisations of main and auxiliary insurance.

The social security organisations of main and auxiliary insurance grant their insured and beneficiaries benefits in kind and money paid regularly (on a monthly basis) or as a lump sum.

Public insurance policy planning is undertaken by the central administration and more precisely by the Ministry of Employment and Social Security, which coordinates and monitors the social security system.

The organisations of main and auxiliary insurance are governed by a collective body, namely the Administrative Board, in which participate the representatives of pensioners and of the insured, employers' representatives, State representatives-an expert in insurance matters-, an elected employees' representative for each organisation and the Government Commissioner. The

administration of each organisation is defined by general and individual provisions in their Articles of Association. The organisations are independent from an accounting and economic point of view.

The main insurance organisations are financed by: employees' contributions, employers' contributions, regular state budget participation, extraordinary state grant and resources from the optimal use of the belongings and property of social security organisations.

The auxiliary insurance organisations are financed by: employees' contributions, employers' contributions and resources from the optimal use of the belongings and property of these organisations. The system of the main and auxiliary insurance operates on the basis of pay-as-you-go system.

Occupational insurance is first introduced in Greece with Law 3029/2002, according to the provisions of which occupational insurance funds can be set up as non lucrative, private entities under the supervision of the Ministry of Employment and Social Security and under the control of the National Actuary Authority.

The constitutional framework as a whole is driven and governed by the Directive 2003/41/EC on the activities and the monitoring of the occupational pension organisations.

Occupational Insurance Funds aim at providing supplementary insurance protection in addition to compulsory social security (main and auxiliary) for the insurance risks of ageing, disability, death, work accident, sickness and labour interruption. The benefits granted to the insured and to beneficiaries could be in kind or money paid regularly (on a monthly basis) or as a lump sum.

Occupational Insurance Funds are set up on a facultative basis per enterprise, branch, or employees' branches on the initiative of employees or employers, or by agreement between employers and employees, or on the initiative of the self-employed or freelance professionals, or farmers or their trade unions, on the condition that the number of insured exceeds 100.

The inclusion of employees in occupational insurance funds is facultative.

Occupational insurance funds funded by employers are governed by the Administrative Board in which the insured-pensioners and employers participate, as stipulated by the Articles of Association. The rest funds are run as defined in the Articles of Association.

The resources of occupational insurance funds are: regular and extraordinary contributions of the insured, regular and extraordinary contributions of employers, property revenues, return of capital and stocks and other revenues (e.g donations, legacies). Occupational insurance funds awarding pensions operate on the basis of the capitalisation system.

The targets of adequacy, sustainability and upgrading of the pension system are sought after through the following actions:

- Achievement of the highest possible replacement rate of the living standards the insured enjoyed prior to the advent of the social security risk.
- Ensure of a minimum income from pensions, which, combined with a whole raft of benefits, structures and goods would guarantee decent living standards.

- Enhancement of social cohesion facilitating the completion of retirement temporal pre-requisites by establishing periods of optional, fictitious or typical insurance for vulnerable social groups.
- Facilitate retirement in cases of geographical or occupational mobility through successive insurance.
- Ensure (through organisation and supervision) and reinforce (via tax incentives) initiatives by professional groups or enterprises in order to improve public pensions with additional supplementary benefits.
- Decrease pension discriminations and eliminate the burden of third parties with social resources.
- Grouping or merging pension awarding organisations and whenever this is not feasible to harmonise or establish single pension pre-requisites or even minimum social benefits.
- Simplify the system legally and administratively so as to make it more transparent and accessible to the insured.
- Priority to public and social dialogue on pensions with government interventions.

2.2 CHALLENGES OF THE SOCIAL SECURITY SYSTEM – FUTURE PERSPECTIVES

The problems the Greek social security system encounters are identical to the problems faced by the social security systems of member-states in the European area.

The policies planned and implemented aim at overcoming the demographic problem, the unemployment problem and the inherent problem of the big number of social security organisations or their fragmentation, i.e being numerous and governed by a complex legislation. Therefore, adequacy, sustainability and upgrading of the pension system become great challenges. Any intervention should rise to the level of seriousness of these challenges in order to tackle them with determination and planning.

There is a detailed reference below to the measures taken for that purpose.

2.2.1 The demographic challenge

In general the demographic problem is the population ageing, namely the transition procedure of a society from a demographic situation of high mortality rates-offset by high fertility levels- to a different situation with lower but almost equivalent mortality and fertility rates. In particular, the demographic problem is the impact of population ageing to the age composition of the population made up of individuals in productive ages, 15-64, and non productive, over 65 and 0-14.

The issue which arises is whether the resources inflow in the system from a generation in working age shall suffice for the outflow of distributed benefits to depended, non working population.

On the basis of demographic forecasts by the National Statistics Service from 2005 to 2050, we ascertain that, regarding *total population*, though in the middle of the time span it does register an increase from 11, 08 million to 11, 35 million, from 2019 onwards it starts dwindling ending up being 10, 79 million in 2050 and almost twice as older compared to today (ANNEX, Table 3, Part I). This is expected to happen because from this point in time onwards deaths shall outnumber births. In the long run, this phenomenon shall lead to a reversed pyramid in the age population distribution charts (ANNEX, Table 5, Part I).

According to the same forecasts, the population over 65 years (as a percentage of the population 15-64) is set to increase from 26,75% in 2005 to 55,76% in 2050 (see Table 3, Annex). Consequently, an increasing number of population groups will accumulate in the category of pensioners. In detail, whereas in 2005 individuals aged 15-64 years represent 67, 53% of the general population and individuals over 65 years are 18, 06% of the total population, these rates shift gradually so that in 2050 they end up being 56, 41% for individuals aged 15-64 years and 31, 46% of the population respectively for individuals over 65 years (ANNEX, table 4, Part I).

In Greece during the second half of the 20th century, the fertility index was reduced from 2, 57 children/woman to 1, 28 children/woman in 2003, i.e a 50% reduction. Since 1970 there has been a fall in fertility until 2002. Since 2002 there has been a slight increase in fertility which is estimated to continue. Though it is set to reach 1, 53 until 2050, it shall remain much below 2,1, i.e the replacement rate of the population. In time, this phenomenon entails the dwindling of the young population (0-14 years), the swelling of the elderly population (over 65 years) and the dwindling of the population in productive ages (15-64 years).

On the other hand, mortality is significantly reduced every year. Life expectancy at birth reached 76,61 years in 2005 for men and 81,42 years for women (National Statistics Service, ANNEX, Part I, Chart 3 & 4). It is worth highlighting that in 2005 a man in retirement at the age of 65 shall get a pension for the next 16 years of life expectancy, a woman for 18 years respectively, whereas in 2050 the same man is expected to get a pension for 19 years and the same woman for 22 years. The constant increase of the elderly dependence index¹, 55, 76 in 2050 against 26,75 in 2005 puts all the more greater pressure on the insurance scheme (ANNEX, Table 3, Part I).

The Government employs two sets of measures to tackle the problem.

- The first set of measures focuses on strengthening the family, which is a central point in all interventions for social protection issues. The actions to reconcile professional and family life shall give more women the opportunity to enter the labour market, while at the same time child upbringing will be easier because there will be more supporting structures. Similarly, a whole raft of measures aims at reinforcing families with many children.
- The second set of measures is destined for immigrants. Already the new immigration law makes provision for a new series of legalisations of immigrants already residing in Greece. The same law promotes actions for their smooth integration in the Greek society and economy.

2.2.2 *Employment challenge*

The participation in the labour market appears to be reduced particularly for women and young people (See ANNEX, Part II, Tables 10 & 11). Therefore, there has been created a 'stock' of labour force in productive age that could enter the labour market and underpin the base of the active insured individuals, increasing thus the resources pouring into the social security system. The same groups of people register high unemployment rates (ANNEX, Part II, Tables 6, 7, 8). The bolstering of employment constitutes a central government priority since it contributes long-term to the economic sustainability of the national pension

¹ the rate of individuals aged over 6 in relation to the population aged 15-64

scheme through increased inflows. The Government has set the following action axes:

- *Firstly*, the creation of new jobs by maintaining high growth rates and the strengthening of entrepreneurship and competitiveness. We also stress, inter alia, structural reforms such as the new investment law that directly affects the creation of new jobs, the simplification of the procedures for setting up new enterprises and the tax reform that reduces the tax burden of enterprises.
- *Secondly*, the intensification of labour supply giving emphasis on the active employment policies and on increasing the number of those who benefit from it. The number of those who will benefit from such programs will reach 65.000 individuals within 2005. Moreover, OAED (Labour Force Employment Service) will be modernised in depth focusing on individualised approach.
- *Thirdly*, the improvement of labour force employability through training and skills development of workers' and their connection to labour market needs.
- *Fourthly*, horizontal actions for all population groups presenting specific problems to enter the labour market.
- *Fifthly*, actions aiming at reconciling family and professional life and at multiplying the supporting structures and the improvement of their quality.

2.2.3 *The problem of multiplicity*

The multiplicity (fragmentation) of the social security system, the big number, of social security organisations awarding social security is an unfavourable determining factor for pensions to the extent that it brings about organisational, operational and in general social differentiations, not justified by the principle of proportional equality.

L. 2084/92 was an important step towards establishing uniform principles and rules of law. The law in question instituted common conditions for retirement and insurance organisations funding, so that the newly insured individuals from 1993 onwards be under uniform rules. Moreover, the Law made provision for a long transition period in order for the old insured (before 1993) to switch smoothly to the new situation. Therefore, even though there are many social security organisations in the form of private entities, the insured are governed by the same provisions vis-à-vis the retirement age, the retirement prerequisites and the funding of social security organisations.

Nevertheless, the big number of social security organisations does generate problems of administrative operation and system performance. The various pension schemes are characterised by unconnected, at times contradictory, or even uncoded provisions inhibiting, thus, the clear definition of rights and obligations between the insured and the insurance organisations. Side-effects of all the above are contribution evasion, court conflicts and clashes with the administrative mechanism.

This serious problem can be dealt with via policies and measures or actions of technocratic and social nature.

Some of these policies are:

- Inauguration of social dialogue in order to ensure social consensus for the re-structuring of social security system.
- Decreasing of the number of social security organisations in the form of independent legal entities and their unification and merging through social consensus.
- Standardisation of the suitability criteria to be eligible for insurance, funding, additional earnings (benefits), so as to justify any differences or different parameters in the form and function of the system.

Some of the measures and actions are:

- The restructuring of the social security of the staff of the funding institutions by Law 3371/05 is a part of the general reform of the social security system, as it was attempted with previous statutes², and it was carried out to meet the same target, namely to reduce the number of social security organisations.
- The general insurance organisations (e.g Salaried Fund (IKA-ETAM), Self Employed Fund (OAEE), Farmers' Fund (OGA) were turned into poles of attraction for specific insurance organisations (see, e.g the obligation of the specific funds to award at least the minimum IKA-ETAM, ETEAM pension. See also the mergers and unifications that were attempted by L. 2676/99, 3029/02 and 3371/05)
- The transparency and the rationalisation of the social security system through the codification procedure of its law. This action was one of the top priorities of this Government and it is now under way.
- The balancing of social partners' interests through the research and the advisory work by the Economic and Social Committee (L. 2232/94) and the promotion of occupational pensions through collective bargaining agreements in the framework of the Organisation for Mediation and Arbitration (L.1876/90).

3. COMMON OBJECTIVES' FULFILMENT

3.1 PENSIONS ADEQUACY OBJECTIVES

Member states should safeguard the ability of the pension scheme to serve its social targets. For this reason and in relation to its characteristics:

OBJECTIVE 1:

Member states should ensure that elderly people are not exposed to poverty risk, that they enjoy satisfactory living standards, that they participate in the economic prosperity of the country and that they can, as a result, participate in the public, social and cultural life.

OBJECTIVE 2:

Member states should provide all citizens the right to a decent (for them) pension, public or/and private that would enable them to get such pension so as to have a satisfactory way of life after retirement.

OBJECTIVE 3:

² L. 1902/90, 2084/92, 2676/99 and 3029/02

Member states should promote solidarity within and between generations.

3.1.1 Poverty risk in the third age

The Government takes special care to avert the social exclusion of the elderly and to constantly improve their socio-economic standard of living. The Government's actions aim at ensuring a decent living for the elderly, their full participation in social and cultural events and an easy access to services and goods, such as health, culture, housing etc.

Despite the progress that has been registered in the last years regarding the income support of the elderly (EKAS-pensioners' social solidarity allowance, Farmers' Insurance Fund pensions'), advanced age still remains the most important poverty risk factor in Greece (28,1% in 2003). This risk factor falling on the elderly does explain the difference of the total poverty rate between Greece and EU 15. The high poverty risk in Greece is to an extent due to the economic status of the elderly as a separate population group. There is, however, a slight improvement in the elderly poverty. Their poverty rate was reduced to - 28.1% in 2003 against 20.3% in 2002 but it is still far from the European average of 17% (EU 25) in 2002.

According to EU-SILC 2003, individuals aged over 60 years run the risk of poverty by 26% (27,5% affects women and 24,2 % affects men). Individuals over 65 years of age face an increased poverty risk by 28, 1% (out of which 30% affects women and 25, 8% affects men). Finally, this rate is 35, 7% for individuals over 75 years. It is interesting to underscore that in this category (+75) the rates between men and women are similar (35, 7 % for women and 35, 4 % for men) (ANNEX, Part IV, and Table 17).

However, the statistics do not correctly reflect some particular features of the Greek social fabric. The extended family and relatives' network, the high percentage of owner-occupiers, the important rate of consumption of own goods are factors that reduce the risk of poverty in our country. The above factors reduce the risk of poverty by 3, 6% out of the total population.

3.1.2 Policies and actions for decent living standards of the elderly

Generally, **pensions are calculated** on the basis of the number of years the insurance contributions are paid and on the basis of the earnings of the last five years of the professional career. Since 1-1-2005, it is calculated on the basis of the best five years of the last decade.

Pensions **are re-adjusted** according to the income policy and the economic potential of every organisation. In the last five years *different increase rates were applied in different pension sums* with lower pensions getting higher increase. The pensions awarded by OGA (Farmers' Insurance Fund) increased in 2005 by 6% in relation to the main pension (against 4% on average for the rest of pensions) (L. 4169/1961).

Moreover, the salaried individuals of the private sector receive when they retire a **lump sum (compensation)** from the last employer. This sum depends on the working years in the last employer and the maximum equals 9, 6 times the amount of the last regular earnings for over 28 years of work.

The provision for minimum pension threshold plays a crucial role in the Greek pension system. It is the minimum cover of pensioners for old age, disability and death. According to specific provisions of the system, a minimum income is provided for in case of retirement (minimum pension threshold). No pension can be below this sum. These minimum sums are awarded without prior checking of the income of the beneficiaries.

Other pertinent provisions account for the substantial cover of the insured who have entered the labour market (by paying contributions to a social security organisation for a period of time), but for whom the total insurance period presents lapses that do not qualify for sufficient earnings at an old age.

Another income support policy is achieved by **awarding pension to uninsured very old individuals** from OGA (art. 1, L.1296/82). According to this law, every uninsured citizen over 65 years, under specific conditions (income etc), is entitled to monthly revenue tantamount to the minimum farmers' old age pension. This pension is increased if there is a spouse or a minor under 18 years old. Besides, **the main pension of farmers from OGA** is awarded fully to those who retired until 31.12.02 and to the uninsured elderly individuals, being re-adjusted on a yearly basis according to the Government income policy.

A whole raft of measures for allowance and any actions to ensure social goods and services are destined to improve the quality of life of elderly people. A case in point is the allowances that increase the amount of pensions, including the Pensioners' Social Solidarity Allowance (EKAS) that was increased by about 8% on average in the last three years (2003-2005) and other specific interventions, such as KAPH (Rehabilitation Centres for the Elderly, KHFH (Hospitality Centres for the Elderly), 'Aid at Home'³

In the period 2003-2005 **measures for social cohesion, for abating the economic burden of citizens and low-pension individuals** were adopted. Some of them are the following:

- The amount deducted from the pensions of the main and auxiliary insurance organisations for LAFKA (Solidarity Account for Social Security Organisations & Public Sector bodies) (L. 3245/04) is abolished. It is estimated that this resulted in an increase in the income of pensioners by 1-5%.
- In the field of social security affairs favourable measures are adopted including pensions because of death, the trading of insurance time to build up the entitlement to a pension and the settlement of insurance contributions still pending (L. 3385/205, 'Provisions for the promotion of employment, the support of social cohesion and other provisions'). With these measures long-standing demands of the insured are resolved and injustices affecting important population groups are lifted, thus strengthening social cohesion. Moreover, in the field of pensions, social cohesion is reinforced through measures that facilitate establishing the right to a pension (by buying off the qualifying years), through a settlement or a set-off of the outstanding contributions, in order to give a way out to those who were not able to fulfil the time prerequisites to get a pension for old age, disability or death.

³ A detailed analysis of the allowance and social services policy to pensioners is given in the VIII part, ANNEX.

- The non taxable bracket for the income tax was increased to reach 11.000 €.
- Tax incentives for participating in occupational pension schemes of voluntary participation. The contributions of both employees and employers to Occupational Insurance Funds (TEA) are exempt from the taxable income of the insured and from employers' gross income respectively without a maximum limit.

Pensions still remain the main but not the exclusive source of income for the elderly. According to available data, (EU-SILC 2003) the income of individuals over 65 years comes from pensions by 65, 36%, from labour by 25, 8%, from other social benefits by 2, 97% and from other sources by 87%. For this reason **national dialogue is promoted** in order for social partners to investigate, apart from pensions, additional forms of protection, e.g social goods or services, health, transports, housing etc. The aforementioned policies on pensions in combination with other measures and actions could ensure a decent way of living for this particular population group.

As to the adequacy of pensions *structural reforms are carried out to support the second and the third level (second-third pillar) of pension earnings.*

The transparency and prestige of audits on these levels is guaranteed by instituting their supervision:

- 1) insurance enterprises are monitored by the Private Insurance Supervision Authority
- 2) Occupational Funds are supervised by the National Actuary Authority. A citizen is encouraged to invest his savings to secure in the future an additional pension.

3.1.3. Intergenerational and Intra-generational Solidarity

Social solidarity is accomplished through a pay-as-you-go pension scheme in the following way: The contributions of insured workers still in duty finance the pensions of workers who have already retired and hope that the future generation of working persons will be in a position to cover their own pensions. As pensions do not literally constitute a claim for the return of contributions already paid, they contribute to the redistribution of income among insured persons of the same generation. Consequently, the right to social security is defined by the so-called intergenerational and intra-generational solidarity, in other words, a correlation of the rights with the obligations of different groups of people, within the framework of a community of solidarity (community of risks) between generations and between people of the same generation.

Like all other redistributive state policies, social solidarity measures are an individual manifestation of the constitutional principle of the welfare state, which governs the relationship between the state, the market and the civil society. Social solidarity is present in Greece in the form of intergenerational and intra-generational solidarity.

Intergenerational solidarity measures mitigate the negative consequences of financial, technological and demographic developments and changes in the field of employment on the social security system. This solidarity is seen as a constituent part of our system, to the extent that i.e. the social security community undertakes to secure at least a minimum of goods, in order to ensure

a dignified standard of living for pensioners. The establishment of the redistributive system for the financing of public pensions of the first pillar strengthens the social fabric between the generation of insured workers and that of the pensioners, since the former pay for the pensions of the latter.

More specifically, the introduction of a minimum pensions and the enactment (and the programmed development) of EKAS reinforce intergenerational and intra-generational solidarity, not only at a professional, but also at a national level, given the fact that these measures are not specific to a profession, but constitute a form of interdisciplinary protection of pensioners from paid work.

Intra-generational solidarity is also realized through correlation of contributions with benefits (benefits without contributions or benefits that are not proportional to contributions), as the case may be, but it constitutes a special way of expressing social solidarity, which promotes the reduction of income inequalities within a broader group of insured persons of the same time. Whereas, when new rules are established governing the preconditions and the rate of pensions and one social group seems to come into conflict with the interests of another, the standardization of social security into a homogenized (after grouping or consolidation) social security community, in combination with the calculation of rate of contributions to the various earnings of its members, facilitates the genuine redistribution of incomes between the insured persons of the same generation to cover given pension expenditure.

The provisions of L. 2676/99, 3029/02 and 3371/05 moved to the right direction of protecting intra-generational solidarity, as they tried to reduce the consequences from the multiplicity of social security organisations by consolidating or merging social security organisations of main and auxiliary insurance (thus expanding the redistribution of incomes between persons belonging to bigger and more modern social security communities).

Among the measures that promote social solidarity within and across generations, one should indicatively mention:

- ➔ *The establishment of a maximum rate for contributions withheld from newly insured persons:* The contribution for the disability, old age and death sectors to the organizations for the main insurance of salaried persons is calculated on the monthly earnings of insured persons, which are not allowed to be more than eight times the average monthly GDP per capita of the year 1991 (ANNEX, Section VI, Table 20), adjusted to the relevant rate of increase of the pensions of civil servants.
- ➔ *The increase in the minimum rates of pensions for old age, disability and accident at work,* so as to harmonize them more or less with those of previously insured persons: the minimum rate of the monthly pensions for old age, disability and accident at work granted by IKA and the Special Funds of Main Insurance is set at 70% of the minimum salary of a married, fully-employed person, as it was specified by the Hellenic General Collective Bargaining Agreement of the year 2002. Starting from 01.01.03 and onwards, the above amount shall be readjusted according to the rate of increase of pensions specified by each income policy (ANNEX, Section VI, Table 20).
- ➔ *The reduction of inequalities between previously and newly insured persons:* Provision is made for an increase in the rate of replacement of pensionable earnings for 35 years of insurance at 70% (instead of 60% which was valid before). An incentive is, thus, given to insured persons to remain in service for the full period of 35 years, from 65

to 67 years of age, by an increase in the percentage of their old age pension by 3%, so that for 37 years of service the replacement rate reaches 76%.

- ▼ *The increase in the rate of pensions on the basis of the time a person was insured:* For those persons who obtain the right to an old age pension, having been insured for more than 4.500 days or 15 insurance years (and they, therefore, qualify for the minimum pension), a 1% increase in the rate of the pension is given for every 300 days or each year they continue to remain insured, which is calculated on their monthly pensionable earnings. This increase is also granted to those who retire because of old age and they qualify for a pension which is higher than the minimum, since the minimum pension and the rise they are entitled to get (according to the above provisions) exceed the rate of pension they are entitled to get on the basis of organisational provisions.
- ▼ *The recognition of fictitious years of insurance:* Women who are insured in IKA can complete the years of insurance required to found their right to pension, defined by the provisions applicable in each case, when they reach the retirement age limit corresponding to their years of insurance, with recognition of fictitious years of insurance for each child they have had from 01.01.03 and onwards, that is, one (1) year for the first child, one and a half ((1½) year for the second child and two (2) years for the third child. When the mother does not make use of this right, the latter can be used by the father, if he is insured at IKA, in order to meet the preconditions for retirement pension which apply to men.

The government believes that the redistributive effects of the existing pension schemes fulfill the common goal for solidarity across generations and has, therefore, shown its willingness to reinforce this solidarity by inviting social partners to bring forward some responsible proposals on the reform of the social security system through national dialogue (contrary to the practices of the past, which favoured regulations that were beneficial only to individual lobbying groups of professionals).

3.2. ECONOMIC SUSTAINABILITY OBJECTIVES

The member states must follow a multi-faceted strategy to create a solid financial basis for their pension schemes, by including a combination of policies, with a view to:

Objective 4:

Achieve a high level of employment by using, when needed, broad reforms in the labour market, as specified in the European Strategy for Employment in agreement with BEPG.

Objective 5:

Ensure that, together with the financial and the labour market policies, all related aspects of social protection, especially pension schemes, shall give older workers incentives for participation, that workers shall receive encouragement at an early stage and shall not be punished for remaining at their post although they are beyond the usual retirement age, and that pension schemes shall facilitate the choice of phased retirement.

Objective 6:

Reform pension schemes in such a way as to take into account the general objective of the sustainability of public finances. At the same time, the sustainability of pension schemes shall have to be accompanied by carefully chosen fiscal policies, which shall include a reduction in public debt when needed.

The strategies adopted in order to fulfil this goal can also be accompanied by the creation of pension reserve funds.

Objective 7:

Ensure that pension benefits and reformations maintain the balance between workers still in service and pensioners, without putting a big burden on the former and by ensuring appropriate pensions for the latter.

Objective 8:

Create the appropriate regulatory framework and have a sound management, in order to ensure that private and public funded pension schemes can provide pensions with the required efficiency, affordability, portability and security.

3.2.1. Employment and measures of support

The effort to maintain high rates of growth in combination with measures aiming at tackling long-lasting structural problems shall contribute to genuine job creation. In support of this comes the fact that, in the previous years, there has been a steady increase in the employment rates. According to the available data (Eurostat), the employment rate has reached 56,5% in 2000, slightly fell to 56,3% in 2001 and, since then, has been continuously rising to 57,5% in 2002, 58,7% in 2003 and 59,4% in 2004. It should be reminded that unemployment showed a substantial decrease, as it went from 11,2% in the first quarter of 2004 to 10,4% in the first quarter of 2005. Consequently, employment has shown to have positive perspectives as a factor that secures the sustainability of the social security system (ANNEX, Section II, Table 10, 11).

The rise in employment in Greece shall have to face three main challenges, which are closely related to poverty and social exclusion: a) long-term unemployment, which has remained steady and has taken the form of a structural element in the last few years, remaining at 5,6% (2004), b) high rates of unemployment in young people, which were 20,4% in the 4th quarter of 2004 for the age group 15-29 and 21,4% in the same quarter of 2003. Moreover, the high rates of unemployment among people who have never worked and c) the high rate of unemployment in women, as well as the low rate of employment among women (ANNEX, Section II, Table 6-11).

The answer to the structural problems and the negative tendencies observed in the field of unemployment will be a full political proposal, which was explained in National Action Plan for Employment (NAPE) 2004. The thread running through NAPE is that the main problem with unemployment in Greece is much more a problem of demand and less of offer. Therefore, the main axes of intervention shall be five: *Firstly*, the creation of new jobs by maintaining the high rates of growth and the promotion of entrepreneurship and competitiveness. *Secondly*, the intensification of the efforts to strengthen the offer of employment, by giving emphasis to active employment policies. *Thirdly*, the improvement of employability of human resources, with an emphasis on training and development of the workers' skills, which shall have a direct link with the needs of the labour market. In this respect, the educational reform is a crucial prerequisite. *Fourthly*, horizontal actions in favour of all those groups of population who have problems of integration in the labour market. Finally, actions aiming at reconciling family life with professional life.

The government has already implemented actions aiming at:

- Improving public finances in order to secure a stable macroeconomic framework.
- Maintaining high rates of growth, the increase in productivity, the promotion of competitiveness and the encouragement of innovation.
- Increasing the rate of employment.
- Giving emphasis to active employment policies.
- Improving employability of human resources, with an emphasis on training and development of the workers' skills and the promotion of life-long learning.
- Fighting undeclared work.
- Trying to understand and accept part-time employment.
- Enhancing subsidized employment and acquisition of working experience through new projects mainly in favour of women and long-term unemployed persons.
- Upgrading the quality of OAED.
- Organising structures for the certification and supervision of institutes for vocational education and training of unemployed persons.
- Enhancing subsidized employment and acquisition of working experience through new projects mainly in favour of young people and long-term unemployed persons
- Increasing employment for women, not only through programs of subsidised employment, but also by putting forward measures for the entrepreneurship of women.

In addition, under Law 3385/2005 "Measures for the promotion of employment, reinforcement of social cohesion and other provisions", which was recently adopted, the Government moved boldly and decisively towards institutional interventions, which aim at enhancing competitiveness and subsequently promote employment and reduce unemployment.

In particular, provisions were adopted, which reestablish the call back work and rationalize remuneration for it, as well as for overtime, in such a way as to serve competitiveness (especially of small and medium-sized enterprises) and maintain jobs that have suffered a severe blow. Furthermore, they contribute to the government's effort to drastically reduce undeclared work.

The new law also supports the institution of working time arrangement, which is a first at a European level, by helping to remove the barriers and difficulties raised by the previous regulations, which made this important institution practically useless. At the same time, this institution balances the seasonal character of many enterprises by making provision for a more rational distribution of the employment time and by adjusting it to the changing needs of production.

More specifically, two systems of working time arrangement are introduced, on the basis of which there is a possibility to increase the contractual working time and the working time specified by the law, under certain circumstances and for a given period of time, during which there are special reasons to do so, with the obligation to reduce the contractual working time respectively during some other periods of time. In this way, the rights of workers, as far as working times and terms are concerned, are secured. At the same time an institutional tool is given for the establishment of flexible forms of employment, a tool that is needed to

enhance the competitiveness of enterprises and secure the existing jobs, as well as to create new jobs and reduce unemployment.

In the last years, early retirement has significantly reduced in Greece, either with the stricter preconditions that have to be fulfilled, combining a certain retirement age limit with the completion of certain years of insurance, or with the establishment of disincentives, such as to make the low rates of pensions for early retirement unattractive. Moreover, other incentives to remain in service are the increase in the rates of pensions for more than 35 years of service or other years of insurance⁴.

⁴ For more details see ANNEX, Section VII.

3.2.2. Rebalancing the budget

One of the main priorities of the government for the following years is to restore the balance in the budget, because macroeconomic stability and the establishment of an environment of trust are necessary conditions for a sustainable and self-fuelled development. In the same way, it is very important to gradually create the conditions for an effective approach to budgetary challenges that are caused in the long term by the ageing of population. The budgetary weight of such challenges will start appearing in Greece after 2015, so there is still some time to achieve a social consensus and prepare the necessary interventions in the system. Against this background, a social dialogue has started on the social security system, so that social partners can get informed on the current situation and the prospects for development, in order to present their proposals.

In the case of challenges, such as the ageing of population, providing all the information to partners and reaching a social consensus on the necessary (organizational and operational) interventions are important parameters that prevent the loss of trust in the system. The certainty that pensions will continue to be paid in the future is an essential precondition for the participation in the official labour market and the prevention of undeclared work and contribution evasion. While conducting this dialogue, the government and the other political parties will undertake the responsibility to submit proposals on major institutional interventions, in order to secure the long-term viability of the social security system.

The current situation is difficult, but a plan is already in place, since last year, and the necessary determination exists to deal with it: The general government deficit in 2004 was more than 6%, thus exceeding the reference limit set by the Growth and Stability Pact, while the general government debt was 110,5% of GDP. The government, responding to the recommendations made according to article 104.9 of the E.U. Treaty, has made a commitment to bring the deficit below 3% of GDP until the end of 2006. This reduction shall have to be achieved within a general framework of growth at a rate of 3-4%. As for the general government debt there will be a reduction from 110,5% in 2004 to 99,9% in 2007. The gradual reduction of the ratio debt-GDP will be the combined result of increasing primary surpluses, decreasing adjustments of deficit-debt, the privatizations and a high nominal increase of the GDP. The reduction of debt will continue and even accelerate after 2007, with a view to reach the reference value set by the Treaty. The course of budgetary adjustment is described in the Revised Growth and Stability Pact, which was submitted in March 2005⁵, while it shall be further specified in the Preliminary Draft Budget of 2006 (in October 2005) and the next revision of the Growth and Stability Program (in December 2006).

Government interventions that aim at a more effective distribution of resources and an improvement of the quality of public finances indicatively include:

- ➔ *Planning a new system of control of public finances*, which shall include, among others, the creation of an independent body of fiscal inspectors and of services of internal audit at the ministries, the Local

⁵ According to the Revised Growth and Stability Program (2005), the budgetary adjustments are based both on the containment of expenditure, without affecting the basic services of the state and by reducing public waste, and on the increase of revenues by extending the tax base. In the next three years, the goal is to reduce total public expenditure from 50,4% of the GDP to 48,9%. This reduction will be mainly due to the containment of public waste, as foreseen in the budget for 2005. For operating expenses, which increased at a rate of 26,5% in 2004, a decrease of 6,5% in nominal terms is foreseen. As to the revenues, the current general government revenues gradually rise from 41,8% of the GDP in 2004 to 43,8% of GDP in 2007.

Administration Organisations and the public entities whose budget is higher than € 3 million.

- *Constructing a new operational framework for the SOEs*, which will have as a target their more effective operation.
- *Utilization of the technical assistance sent by the International Monetary Fund*, with the objective to improve the system of public expenses and fiscal management.
- *Establishing the Agency of Special Audits (Y.P.E.E.)* which shall replace the Force for the Prevention of Financial Crimes (Σ.D.O.E.). The creation of this new Agency satisfies the need for an effective, flexible and modern unit for the prevention of financial crimes and the fight against tax evasion and smuggling. The main operational principles of this new control mechanism are transparency, trustworthiness, the professionalism of the staff, respect of the citizens' rights, equality before the law and objectivity.
- *Exploiting the state's real estate property* with an active participation of the private sector.
- *The bill on the collaboration between the Public and the Private Sector (S.D.I.T.)*, for which public consultation has concluded and which has already been submitted to vote by the parliament, aspires to clearly define the rules of operation of this institution and incorporate the relevant community legislation into national legislation, taking account of the special needs of Greece. The bill lays the foundation for the implementation of low scale investment plans, with transparency and without placing a burden on the state budget.

3.2.3 Institutional and Organisational Interventions

Government interventions that aim at the reorganization and the improvement of the functionality of the social security system indicatively include:

- *The organisational restructuring of the social security system, by abolishing, regrouping, merging and incorporating social security organisations into more general or similar organisations* is considered to be necessary for the improvement of the specialised social security organisations, whose sustainability is doubtful and whose financial performance is limited (see article 57 of L. 3371/05). These interventions in the social security system and by extension in the pension schemes aspire, among others, to improve the sustainability of the system, as they are in favour of transparency in social security revenues and they shrink social security expenditure.
- *The development of a system of occupational insurance*. The occupational insurance funds will help to supplement the social security protection provided by the state, exploit the possibilities for investments abroad offered by the single European market, improve income replacement from the first pillar and set up confederations of professionals at a national and a community level.
- *The guarantee of state funding for IKA-ETAM*, under L. 3029/02, and *the easier collection of late contributions through procedures for the arrangement and settlement of debts*, i.e. under L. 3302/04 (article 9), in combination with L. 3232/04 (article 11) for IKA-ETAM and under L. 3250/04 (article 9) for OGA and other organisations.

- *The exploitation of the property of social security organisations, which constitutes a sustainability element of the social security system in general, and the regulation of investment behaviours as to the property of pension funds, under the watchful eye of the newly founded independent administrative authority.*
- *The enhancement of the operation of the National Actuary Authority, as an independent administrative authority, has as a target, among others, to effectively control all the critical fundamentals that ensure the sustainability and the social return of the social security system, so that it can be designed in the medium and the long term.*

Consequently, state supervision does not only include the control of the legitimacy of social security organisations, but goes even further to include the monitoring and audit of financial and other data of every kind on the social security organizations and on the pension system in general.

3.3. OBJECTIVES FOR UPDATING PENSIONS

Objective 9:

Ensure that the pension schemes meet the requirements for flexibility and security in the labour market, that, without prejudice to the cohesion of the member states' tax systems, mobility in the labour market within the member states and across borders, as well as informal forms of employment do not endanger the pension rights of people and that the pension systems do not encourage self-employment.

Objective 10:

Revise pension benefits, in order to safeguard the principle of equal treatment between men and women, taking into consideration the relevant obligations pursuant to community law.

Objective 11:

Create more transparent and more flexible pension schemes that can adapt to the changing circumstances, so that the citizens do not cease to have trust in them. Develop reliable and comprehensible information on the long-term perspectives of the pension schemes, especially as far as the possible development of the levels of benefits and the rates of contributions are concerned. Promote the broader consensus possible with regard to pension policies and reforms. Improve the methodological basis for an adequate supervision of pension reforms and policies.

3.3.1. Mobility of workers

In the last years, under the pressure of globalisation, intense financial competition and technological developments, many changes have taken place in the European labour market and new or informal forms of employment have appeared. The development of new forms of employment tends to make the existing social security systems ineffective and the social protection provided inadequate.

The social security system in Greece, with a number of regulations, fully covers the new types of employment, whatever form they may come under. More specifically, informal forms of employment are insured in an organization for independent or self-employed persons in O.A.E.E., whenever the features of the work provided do not make it a clear form of dependent employment. When this work has the characteristics of dependent employment, workers are insured in I.K.A.-E.T.A.M. under special clauses for short-time or part-time employment and special regulations for the way of calculating the rate of pension. Furthermore, a special clause, which entered into force as of 01-01-2005, now favours those who have chosen such forms of employment, because workers employed under these new variable regimes can improve their pension, compared to the previous regime, by selecting the five better-paid years in the last decade of their working life.

An important parameter for the promotion of mobility at work has proven to be the fact that the days of part-time work have been given the same status as the days of full-time work, as far as the right to pension is concerned. Employees who have entered into a contract with their employer that provides for short-time working hours are to be insured in IKA-ETAM, pursuant to L. 1892/90, exactly like employees working full time, irrespective of the hours of daily work. The only limitation is that their contractual working hours should be at least half of the working hours specified by the law. Actually, their IKA-ETAM insurance recognises all the days they have worked within each wage period, and, since the law entered into force, a special (1st) insurance class has been created for them (it should be noted that rotation work is governed by the same rules).

In addition, with successive insurance, the social security system meets the requirements for mobility of workers from one sector to another and from full-time to part-time employment and vice-versa, thus avoiding giving rise to disincentives as to getting a pension. This is achieved both directly, with successive insurance and the same treatment of periods of short-time or informal employment as to the right to pension, and indirectly, with measures for the support of insured workers who have very few years of insurance and/or cannot qualify for the minimum rate of pension.

With a view not to "lose" a single day of insurance, successive insurance applies to both main and auxiliary pensions, to the funds, sectors or accounts that grant one-off retirement benefits and health benefits, as well as to the occupational insurance funds. No possibility for allocation of costs to the different organisations exists, but for the case of the occurrence of health risk, when the insured person comes under the organization for the risk occurrence.

Moreover, L. 3050/02 set the time conditions based on which a right to pension from successive insurance can be founded and defined the way OGA shall pay to the organizations awarding the pension the sums due for granting the basic (non-contributory) benefits.

Provisions for the preservation of insurance rights were also included in the regulatory framework for the occupational funds. A Ministerial Decision (Occup.Ins.Sheet/43/13-11-03, O.J. 1703 B') stipulates that persons insured in TEA can exercise their right to deregistration under certain conditions or automatically in case of change of occupational employment, either preserving their rights to the fund until fulfilling the criteria for receiving retirement payment from this fund or transferring these rights to another TEA in their country of origin or in another E.U. member state.

In conclusion, the institutional framework is rather satisfying, not only with regard to the protection it offers to part-time employees, but also in relation to the principle of equal treatment of part-time and full-time employees, thus covering the content of European Directive (97/81 EC). Part-time employees enjoy equivalent rights to those of full-time employees (for instance, the right to a leave, vocational training, and social services), while their insurance coverage for working 4 hours a day gives them the right to insurance for full-day employment. Moreover, a 7,5% increase in the hourly rated wage for part-time workers discourages employers from hiring employees for less than 4 hours of work a day, so that the part-time employees can qualify for full insurance coverage.

Even in case the above measures of successive insurance and fictitious equal status (of short-time and full-time work) are not adequate, due to the requirements for flexibility and security in the labour market, provision is made for facilitating those who want to trade off the missing years of insurance in order to qualify for -at least- the minimum rate of pension. The following cases are indicative:

- *Trading off years of insurance to qualify for a pension.* Insured persons, who have completed 4.350 days of work in total, in one or more social security organizations for salaried employees, are older than 65 years (men) or 60 years (women) and do not receive or qualify for a pension, can trade off the insurance time missing to found a right to old-age pension, when this is up to 1.500 days. This provision is transitory for three years.
 - *Insuring the long-term unemployed.* Under L. 2874/00, long-term unemployed persons, who are at least 60 or 55 years old (men and women respectively) and have 3.000 – 4.499 days of insurance, were given the right to get insured in the old-age pension sector of IKA-ETAM.
- Fictitious years of insurance for mothers.* Mothers insured in IKA-ETAM are allowed to ask for recognition of fictitious years of insurance for each child they have had from 01.01.03 and onwards, that is, one (1) year for the first child, one and a half (1½) year for the second child and two (2) years for the third child, in order to receive a pension.

3.3.2. Equal treatment of genders

Equal treatment of men and women and the possibility for women at the age of retirement to obtain an adequate income, equivalent to that of men, are a priority for the Greek government and the social security system.

In the Greek social security system, there are no substantial differences between the two genders.

After many years of efforts, under the rule of Community Directives (79/7/EEC, 86/378/EC, 96/97/EC and 2004/113/EC), article 4 par.1 in combination with article 116 of the Greek Constitution and under the influence of jurisprudence, with interventions at different stages and individual measures, most of inequalities have been abolished⁶.

⁶ (a) *establishment of an independent right to pension for women farmers, (article 3, par.1, L. 1287/82).*
 (b) *recognition of the subsidized time of employment because of maternity (article 12, par.1, L. 1469/84).*
 (c) *extension of the measures to men, in order to grant them a right to medical treatment, as members of the family of their working wife (article only P.D.. 1362/81), award of pension to men by the Civil Servants' Pension Fund in case of death of their wife (article 8, par.8, L. 2335/95).*
 (d) *Husband's allowances of 10% to women pensioners from the Public Power Corporation D.E.H., without additional preconditions. (P.D. 96/1989).*
 (e) *disability pension to children whose father or mother, without discrimination of gender, are insured or receive a pension from O.G.A. (article 5, par.1 p.c, L. 1287/82).*
 (f) *age limit for retirement pension at 65 years for all persons insured after 1-1-93, either men or women (article 24, L. 2084/92).*
 (g) *abolition of the increase in the rate of basic old-age or disability pension for the husband or wife (article 30, par.1, L. 2084/92). This provision, which applies to newly insured persons, restores the principle by making the two genders equal downwards.*
 (h) *insurance for persons who are employed by a relative (L. 1759/88 and relevant regulation). Women are frequently employed as auxiliary non-remunerated members of the family (at their husband's business); therefore, the possibility for insurance restores the principle of equal treatment. The above provisions harmonised the Greek laws with article 6 of the Directive of 11 December 1986.*
 (i) *adoption of measures for the adjustment of social security protection to the demands of part-time employment (article 39 L. 1892/90).*
 (j) *Under article 16 par.5 of L. 2556/97 surviving spouses are entitled to receive a lump-sum, regardless of their gender.*

There is no doubt that our legal system provides for the equal treatment of men and women before the law, but it is true that mainly women are indirectly affected in their income, because of short-time employment or disruption of their professional life due to family reasons or unemployment (that affects mostly women) and not because of differentiation within the pension schemes.

The Greek pension system does not differentiate between men and women as to a) the right to insurance, b) contributions, c) calculation of the rate of pensions and the level of this rate, d) conditions for old-age or death pensions.

Under the measures foreseen in article 62 of L. 2676/99 (O.J. 1 A' /5.1.2000), the principle of equality also applies to the conditions for awarding a pension because of death of the spouse. Thus, pensions because of death (derived rights, *droits dérivés*) are paid from now on without discrimination.

Under the new L.3385/05 (O.J. 210/of the Decision/19.08.2005) the age limit of 40 years, stipulated by the previous law, is no longer valid for widowed persons, who ceased to receive a pension three years after the death of their spouse and started receiving it anew when they became 65 years old. This measure affected mainly young widows with young children, because, even nowadays, it is mainly women who do not work, while they are also affected by unemployment at a much greater degree than men.

Under this provision, their pension shall continue to be paid regularly, without any interruption, so that social cohesion is reinforced and widowed persons under this age are not deprived of basic retirement protection, in the times that unemployment affects mainly women.

Furthermore, for public sector pensioners the rate of pension of the surviving spouse that is suspended or cut down is allocated to the dependent children, who did not have that right up to now. Under the provisions of the law in question, the family income shall not be reduced when there are dependent children. More specifically, it was stipulated that when the pension of the surviving spouse is interrupted after three years (because s/he has not reached the age of 40 years on the date of death) or is reduced, because s/he works or already receives a pension, the relevant amount is allocated to the dependent children in equal parts.

Already under Law 2084/92, a single retirement age limit for men and women was stipulated for those persons who were insured starting from 1-1-1993, that is they can legally retire at 65 years of age.

One of the few differences that are still in force, which actually refer only to those persons who were insured before 1.1.1993, are the retirement age limits and the special clauses for mothers. As a rule, the age limit for women is 5 years lower than for men (65 years for men and 60 years for women), while there are still some differences concerning the retirement conditions for mothers with minor or disabled children, which are justified by the effort to support the pension income of those women, who chose to retire from active employment earlier, because of family obligations or problems.

The government's objective is to increase the employment of women, so that, when they reach the age of retirement, they can receive separate pension benefits from those of their spouses, whereas, at the same time, provision is made for the financial support of mothers and working mothers by recognising the fictitious years of insurance.

Among the recent measures taken, we should mention indicatively L. 3232/04, concerning the effects of a divorce in terms of the right to pension,

which stipulates that in case of death of the ex husband or wife, an individual right to pension exists for the surviving divorced spouse.

More specifically, under article 4 L. 3232/04, divorced spouses are entitled to receive a pension, in case of death of their ex husband or wife, if they are at least 65 years old or they are incapable of exercising a bread-winning trade - with a degree of disability of 67% or more - if the ex husband or wife had the obligation to maintain the surviving spouse at the time of his/her death, either by court order or by contract between the divorced spouses, if the marriage had lasted at least 15 years until it was dissolved by irrevocable court order, if the divorce was not based on severe marriage disruption due to a fault on conduct of the person claiming the pension, if the total personal taxable income of the claimant does not exceed the rate of the annual pensions paid by O.G.A. to uninsured elderly people and if no other marriage has been contracted.

Article 141 of the EU Treaty (previously article 119) establishes the principle of equality of remuneration for the same type of work between men and women. The term remuneration includes apart from wages or earnings, according to the jurisprudence of the Court of Justice of the European Communities⁷, all other benefits provided by the employer to the employee, such as a) pension benefits, b) contributions, c) insurance, d) survivor's pension, e) age and f) rate of pension. In other words, under the rule of the principle of equal remuneration of article 141, no discrimination between genders is justified in the occupational insurance funds.

Consequently, the principle of equality between men and women applies to occupational insurance schemes as well.

However, this principle has already been applied under P.D. 87/2002, for the implementation of the principle of equal treatment between men and women in the occupational insurance schemes, in accordance with directives 96/97/EC and 86/378/EEC.

Furthermore, the individual statutes of TEA, which have already been adopted in Greece, do not include any discrimination between men and women, not only with regard to the terms and the rates of contributions paid, but also as far as the preconditions and the rates of the benefits granted are concerned.

3.3.3 Promotion of dialogue and consensus.

Lately, much emphasis has been placed on having an essential dialogue before any social policymaking is decided or before any measures for social protection are taken. A dialogue aims at ensuring the most general consensus possible among the interested or affected parties and it is divided –according to its extent- into national, local and social dialogue and –according to the procedure followed- into institutional and public dialogue.

Promoting the dialogue at a national level through institutional structures was the reason of forming two National Committees for the continuous promotion of dialogue and policymaking (L 3144/03): the National Employment Committee and the National Social Protection Committee. Additionally, the need for parametric and institutional reforms of the social security system, and especially of pensions, leads to a public dialogue in the form of the pursuit of social and national consensus.

⁷ Pension benefits (Case Defrenne II, Bilka), b) contributions (Case Bilka, Neath, Worringham, Colorroll), c) entitlement to insurance (Case Beune, Bilka, Fisser, Vroege), d) survivor's pension (Case Ten Oever, Morroni, Evrenopulos), e) age (case. Barber, Morroni) and f) the rate of the pension (Case Beune).

A good example of a form of social dialogue for an immediate legislative intervention was the six-month pursuit of social consensus before the reform of pensions for the personnel of financial institutions (L 3371/ 05). This dialogue was triggered by the implications of the implementation of the International Accounting Standards (especially No 19) in the banking domain and helped the insured persons and the Greek society in general to appreciate the necessity of the measures.

A similar case was the social dialogue in the telecommunications sector. On the one hand, it involved the massive voluntary retirement of OTE's personnel, but it also had an important effect on the insurance balance of the relevant social security organisation (TAP-OTE), in view of its incorporation to the general social security organisation for employees (IKA-ETAM). Many thousands of employees were involved in the specific dialogue, which had a positive outcome also formally, since the reform was based on the agreement of both sides (the service and the employees).

As a top display of its effort to promote public dialogue and consensus, this government has made a commitment to accompany the necessity and the content of this major reform in social security with a nationwide dialogue, among all the social partners implicated, without a strictly decided timetable. The lack of a strict deadline is very important in this case, because there is a need to inform the interested parties and complete the legal, financial and actuarial studies, before submitting any proposals for the dialogue.

3.3.4 Operational improvements in the social security system.

In the last three years, some effort has been made in IKA -the biggest social security organization in the country- for the operational modernization and the computerization of the social security system, which shows that the fund is ready to adapt to the new circumstances. It is now possible to use the new information and communication technologies to improve the efficacy of the administration of the insurance funds (electronic administration), and especially that of IKA- ETAM, to secure the insured persons' and employers' rights -through standardization of the procedures, transparency and access to information- as well as to offer citizens upgraded quality services.

More specifically, after the repeal of stamps and their replacement with the Analytical Periodic Report (APD), according to L 2972/01, a single new and modern system was introduced for the collection of contributions and the updating of the background and history of insured persons, which can also be the base for similar applications in other funds in a standardized way. APDs are submitted by the employers mainly through the internet, they are processed by a computer system through a series of controls and, in this way, the employer's contribution is decided and the insurance history of the insured person is updated.

The new system was implemented on 01.01.02 and has had, among others, the following benefits: it decreased the trouble for the employers to buy and stamp the stamps, put an end to multiple insurance booklets, brought transparency to the way employers and insured persons do business with IKA-ETAM by resolving any doubts, introduced information procedures for the employers on their mistakes when completing the APD and allowed a regular electronic updating of the insured persons insurance history. In fact, with articles 9, 10 of L 3232/04 the system of the Analytical Periodic Report of IKA-ETAM is

simplified and several matters concerning the registration of the newly employed are settled.

Since the second half of 2004, with the development of the "information society" and the introduction of the Integrated Information System (OPS-IKA), IKA-ETAM's operation has improved and has been rationalized. After its pilot operation in three Branches, it is now at the stage of further application in 75 Branches, with the final aim of its application in all 163 Branches. This was one of the most complicated IT projects in the public sector, because of the wide, complex operations it covers and the huge amount of data it manages.

OPS-IKA covers the operations of almost every operational field that is managed by the Branches (insurance records, pensions, social contributions, cash and pecuniary benefits, health and financial management), as well as some specific central operations (auxiliary management accountancy, contract management, warehouse management etc.).

With the introduction and productive operation of OPS-IKA, it is estimated that, until 2008 the following things will have been achieved:

- i. *Improvement of the economic fundamentals* through control of expenses, income increase and overall improvement of resource management.
- ii. *Automation of long, time-consuming, repetitive procedures* carried out in the Branches that will result to an increase in productivity.
- iii. *Improvement of the quality of information* for the persons involved and speeding up of the services.
- iv. *Standardization and simplification of the operations and the interaction* with the citizens.
- v. *Creation of processed, multi-faceted information*, which is necessary for the financial planning of the Fund and the decision making for an efficient and friendly operation for the benefit of the citizens.
- vi. Finally, the *National General Record of all the Insured Persons and Pensioners of Greece* and the *National General Record of Employers*, enacted by L 2084/92, are in the process of implementation. The creation of the National General Record is supported by the Information System AMKA-EMAES, through which GSSS (General Secretariat of Social Security) is able to grant one single and permanent *Social Security Registration Number* (AMKA) to all insured persons and pensioners in the country, whether they are Greek citizens or not.

After the completion of these works, the foundations will have been already placed to:

- i. *Improve the quality of social security services* for all the citizens and accelerate services in all interactions with the other social security organisations (e.g. quicker issuance of decisions over pensions, elimination of double registration in the record of the same fund under a different registration number).
- ii. Secure the basis for the *interoperability of the information systems* of social security organisations.
- iii. *Provide valid and reliable statistical and demographic data* to the decision making centers (political leadership, GSSS, social security organisation managers).

- iv. *Provide information to the Community partners* on all employees moving across the E.U. member states.
- v. *Clear the records of the main insurance funds and keep from now on the Single Record.*

As for the information of insured persons on social security matters, GSSS and most of the social security organisations have already started using the internet, to serve the citizens, by disseminating information concerning their operations. Particularly, in their web pages, the citizens can:

- i. *Acquire information about the social security framework in force (institutional and regulatory) that applies to them, the benefits offered to the insured persons and the supporting documents needed in each case, the provisions that apply in order to qualify for a right to pension, the social security classes and the amount of social contributions to be paid.*
- ii. *Acquire more general information on the financial state of the social security organisations, the relevant demographic numbers (directly and indirectly insured persons, pensioners etc.). At the same time, addition of new data is already in process (e.g. data on the movable and immovable property of the social security organisations).*
- iii. *Print and complete the documents needed for their interaction with the social security authorities.*
- iv. *Calculate automatically the amount of the pension they are going to get, with the help of a software, very friendly to users (provided already by IKA-ETAM (Greek Fund for Craftsmen and Small Traders) by TEVE -OAEE (Social Security fund for the Self-Employed) and by TSMEDE (Engineers and Public Constructors Pension Fund)*
- v. *Acquire information on the issuance of a decision over their pension based on their Identity Card Number (provided already by IKA-ETAM, TEVE (OAEE) and TSMEDE).*

4. CONCLUSIONS

The harmonic operation of the social security system, the adequacy of its benefits and its long term viability decisively contribute to the creation of a framework of stability and security in which every citizen may progress, produce, take advantage of every opportunity offered, create new opportunities and live a dignified life. The system of social protection, and particularly the social security system, is not a non-productive expense, but rather a growth factor; it ensures dignified social and financial living standards for everybody and facilitates adjustment to the socio-economic changes in today's globalized reality. The effective accomplishment of the aims of the social security system contributes to the development and reinforcement of employment and social justice.

The complex socio- economic reality of the 21st century calls for a modernization of the social security system, so that it will continue to fulfill its aim, i.e. to create a framework of security and social solidarity for all the citizens. The government's intervention for the accomplishment of the system's aims is based on the guidelines for the reinforcement of social solidarity, the fight against poverty and social exclusion of elderly people, the guarantee of the right to a dignified, independent life for elderly people and the promotion of their complete, active participation in the social and cultural events.

The social security system has to confront a number of challenges coming from:

- 1) **Globalization**, internationalization of economies, the increase in competition, the fast technological changes, immigration and the new economy of knowledge.
- 2) **A series of social changes**, such as the ageing of population, with the dependency rate in elderly people increasing from 26,75 in 2005 to 55,76 in 2050 according to the National Statistical Service of Greece, and the change in family structures.
- 3) **The developments in the labor market**, with all the new forms of employment, the high unemployment rates - which, despite its decrease since 2004, is still at 10,4% - and unpaid employment.

In the case of Greece, there are additional, important challenges:

- The need to maintain the high growth rate and to reinforce competitiveness at the same time
- The elimination of the public debt that reached 6,6% in 2004 and the creation of an environment with macroeconomic stability
- The increase in employment, since the employment rate was 59,4% in 2004
- The need to modernize the structure and operation of the social security system and to overcome its segmentation
- The need to deal with the financial problems of the social security funds
- The use of their property
- The upgrading of the quality of services to the citizens

The government acknowledges the importance of these challenges and has already put forward all the necessary actions for the reinforcement of the social security system, by activating legislative initiatives from previous years and new measures, so that the adequacy of the pensions and the viability of the system are ensured. The measures for the modernization of the system were particularly emphasized, so that the system fulfills its role and serves the citizens.

- **The economic viability** of the social security system is pursued through the improvement of public finance, the achievement of high growth rates, the reinforcement of employment, the fight against unemployment among young people and women, the smooth integration of economic immigrants into the official labor market by fighting undeclared work, through the fight against contribution evasion, the use of the social security organizations' property and through state funding.
- **To the challenge of the multiplicity** of systems of compulsory insurance for different professional groups, the government took a very important step and answered with the reform of the social security scheme in the Banking sector and will continue with the implementation of the provisions of Law 3029/ 2002.
- **To the challenge of adequacy**, the government answers with a series of measures that activate different forms of social security, employment and private insurance. In addition, public aid is reinforced, minimum rates are set at an adequate, annual basis and the EKAS (Social Solidarity Benefit for Pensioners) is reinforced and extended. The second pillar of social security is promoted and monitoring of the third pillar is improved. Finally, services for the elderly and their structures are multiplied and access to social and cultural goods is facilitated.
- **The modernization of the social security system**, which is supplementary to the efficiency and viability aim, is reinforced through a series of actions. The quantitative and qualitative improvement of the services and of the benefits for pensioners is gradually progressing through the computerization and simplification of administrative procedures. The simplification of the procedures for a quicker awarding of pensions is promoted, and the implementation of successive social security, the formation of committees for the codification of social security legislation, the completion of the computerization of the social security funds and, generally, the use of Information and Communication Technologies for the effective rationalization of the system are reinforced.
- **The National dialogue on social security.** The government acknowledges the importance of creating a viable social security system and has, therefore, started a national dialogue on both general and more specific issues of concern in the social security sector, because it believes that a conciliation and consensus framework are essential if we consider the gravity of the issue. Given the need for consensus on the necessary reforms, aiming to ensure a minimum and dignified socio-economic standard of living for all the elderly people and without forgetting the serious challenges that the social security system is facing, the national dialogue should lead to such actions that will ensure a healthy macroeconomic environment, high growth rates and high levels of employment, so that the social security system remains viable in the long term.

4.1 ADDENDUM

Confronting the problems that the social security sector is facing in our country, demands action from all the interested parties. Today, all the parties - the government, the political parties, the employers' and workers' organizations, the citizens - should discuss all the parameters of the problem and all the necessary actions that will ensure solidarity across generations and will create a competitive, dynamic Greece.

The government totally acknowledges its responsibility, arising from the fact that the viability of the social security system will determine the high levels of protection that the social security system is expected to offer in the future. This is because, in our vision for growth – employment - social justice, a high level of social protection agrees with and reinforces the effort for economic growth and competitiveness. In their turn, all these are crucial elements for the adequacy and viability of the social security system.