

Impact case study (REF3)

Institution: Brunel University London		
Unit of Assessment: 17 Business and Management Studies		
Title of case study: Raising the Minimum Wage in Greece		
Period when the underpinning research was undertaken: 2018 - 2020		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
Dr Andreas Georgiadis	Reader	12/2016 - present
Period when the claimed impact occurred: October 2018 to 2020		
Is this case study continued from a case study submitted in 2014? N		

1. Summary of the impact (indicative maximum 100 words)

Dr Georgiadis's research has resulted in the increase of minimum wages in Greece – by 10.8% for those aged 25 and above and 27.5% for those under 25 on 1 February 2019 – following the decision by the Ministry of Labour. In 2018, the then Minister of Labour, Social Security, and Social Solidarity appointed Dr Georgiadis as an adviser on minimum wages, as the Government was looking for solutions to address low wages caused by the long-term recession. In Greece, minimum wages only apply to the private sector (which accounts for 44% of the total employment). The decision to increase minimum wages has affected approximately 50% of all employees in the private sector, benefiting 18% directly and 31% indirectly. This is equivalent to 1,000,000 individuals, as well as 300,000 individuals who receive social benefits that rise in line with the minimum wage. This addressed some of the major social problems in Greece, such as wage inequality and poverty by redistributing income particularly to individuals with the lowest earnings in the economy.

2. Underpinning research (indicative maximum 500 words)

Dr Georgiadis's research was conducted in collaboration with Dr Kaplanis of Athens University of Economics and Business and Dr Monastiriotis, Associate Professor at the London School of Economics (LSE) and was published as a Working Paper in 2018. It was subsequently published in *Economic Letters* in 2020.

The aim of the research was to produce new and robust evidence on the impact of minimum wages on the distribution of wages and employment. This was necessary, first because of the lack of up-to-date evidence on the impact of minimum wages on the Greek Labour market and second, to inform the recommendations of the experts' committee on minimum wages to the Minister of Labour, Social Security, and Social Solidarity at the time, regarding the magnitude of the rise in the minimum wage. As suggested by the Minister (E3), the ministry needed "new evidence on the potential impacts of the minimum wage, at a time when existing evidence was scarce, that could provide the ministry with a clear direction on how much the minimum wage should be raised".

Dr Georgiadis's research used the most relevant data on wages, including a large sample of employees drawn from administrative social security records that contain information on all wage and salaried employees in Greece, and state-of-the-art statistical/econometric methods to produce estimates of the impact of a range of the most recent changes in the minimum wage. In particular, the investigation looked at the impact of the most recent increases in the minimum

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wage, in 2009 and 2011, when the minimum wage increased by 5.5% and 1.6% respectively. It also examined the impact of the 2012 decreases in minimum wages, when the minimum wage decreased by 22% for those 25 years old or older and by 32% for those younger than 25 years, which effectively introduced, for the first time in the history of Greece, a lower minimum wage for youth employees. The latter decreases were agreed between the Greek Government, the European Union Institutions and the International Monetary Fund (IMF) in order to address the impact of the severe economic recession on the Greek labour market. The research also investigated the impact of increases in the minimum wage on young employees who become 25 years old in the period between 2012 and 2017 and thus eligible for an increase in their minimum wage from the youth to the adult level.

The key findings of Dr Georgiadis's research were as follows:

- a) Minimum wage increases lead to significant increases in the wages of directly affected employees, i.e., those paid below the new level of the minimum wage, but also of employees paid above this. The latter could be explained by the fact that employers may also increase wages of higher-wage workers in order to maintain wage differences between low- and high-wage employees.
- b) Minimum wages do not have a systematic and significant effect on the employment opportunities of low-wage employees as well as the employment of low-wage, most affected, businesses.

Overall, these findings imply that an increase in the minimum wage is expected to increase the wages of low-wage employees, as well as a share of higher-wage employees, and at the same time it is not expected to lead to a significant reduction in employment.

3. References to the research (indicative maximum of six references)

Ref 1: **Georgiadis A**, Kaplanis I, Monastiriotis V. (2018). The Impact of Minimum Wages on Wages and Employment: Evidence from Greece. LSE GreeSE Discussion Paper (Working Paper).

Ref 2: **Georgiadis A**, Kaplanis I, Monastiriotis V. (2020). Minimum Wages and Firm Employment: Evidence from a Minimum Wage Reduction in Greece, *Economics Letters*, vol.193, DOI: <https://doi.org/10.1016/j.econlet.2020.109255>

4. Details of the impact (indicative maximum 750 words)

In 2008, Greece was affected by an economic crisis that produced an unprecedented recession and led to the introduction to a structural adjustment programme agreed by the Greek Government, the European Commission, the European Central Bank, and the IMF in 2010. As part of the programme, the Greek Government enforced a minimum wage reduction across all employees in 2012, which was larger for employees younger than 25 years. These reduced minimum wages remained in force until September 2018 when the structural adjustment programme was completed.

After the completion of the structural adjustment programme, and given that since 2016 the Greek economy has exhibited signs of recovery from the severe recession, as evidenced by positive economic growth and a decrease in unemployment, the Greek Government initiated an institutional procedure to increase minimum wages. In particular, the Government established an

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Experts Committee, both to investigate the potential impacts of an increase in minimum wages and to recommend an appropriate level for that increase, and appointed Dr Georgiadis as a special advisor to the then Minister of Labour, Social Security, and Social Solidarity (E1).

As indicated by the Minister regarding Dr Georgiadis's appointment as a special advisor, the "decision to appoint you as a special advisor on Minimum wages...came as a result of your expertise on minimum wages and your extensive research on their effects on employment" (E3). Moreover, the Minister continues to add, "I strongly believed that your expertise would be an important asset that could help the Ministry at a time when we were looking for solutions to address low wages caused by the long-term recession as well as inform and support the Experts Committee" (E3).

Dr Georgiadis presented his research findings to the Experts Committee and to the Council of Economic Advisors of the Greek Ministry of Finance, and his study was also cited in the Experts Committee report. The Expert Committee considered the research findings of Dr Georgiadis and co-authors (Ref 1), on the impact of minimum wages on earnings and employment. These findings, suggesting that an increase in the minimum wage is expected to lead to significant wage increases among low-wage employees and no significant reduction in employment, were critical in influencing the decision of the Experts Committee about the next level of the minimum wage. Based on this evidence, the Experts Committee recommended to the then Minister of Labour, Social Security, and Social Solidarity an increase in the minimum wages between 5 and 10% for all employees.

Following this recommendation, the Minister announced an increase in the minimum wage of 10.8% for those 25 years old or older and of 27.5% for those younger than 25. In monetary terms, this is an increase from EUR586, equivalent to GBP528 (12-2020), to EUR650, equivalent to GBP586 (12-2020), per month. This was an effective abolition of the lower youth minimum wage introduced in 2012.

The Minister of Labour, Social Security, and Social Solidarity at the time corroborates this (E2; E3), stating that Dr Georgiadis's "findings that past minimum wage changes had limited effects on employment while affected sizeably the level of wages (and thus households incomes) at the bottom of the distribution were highly influential in informing the Experts Committee's recommendations on the new level of the minimum wage and the government's decision to raise the minimum wage in February 2019".

Given that the private sector accounts for approximately 44% of the economy, this has a significant impact: the increase has benefited approximately 15 to 20% of all private sector employees, which is equivalent to 400,000 to 600,000 individuals (E6).

The increase has also benefited indirectly an additional 31% of all private sector employees (equivalent to 600,000 individuals), who are expected to receive wage increases despite the fact that their wages exceed the new minimum wage, as employers seek to maintain wage differentials between low-wage and higher-wage employees.

Moreover, the increase in the minimum wage has benefited between 200,000 and 300,000 individuals who receive social benefits, such as unemployment and maternity benefit as these benefits are increased in line with the minimum wage (E4).

Related to the predictions of the research, the latest data from the Ministry of Labour on employment flows between January 2019, just before the minimum wage increase was enacted, and February 2020 suggest that employment grew by 125,000. Based on data from the Hellenic Statistical authorities, between January and December 2019, unemployment declined from 18.6% to 16.3% (E5). These patterns are in line with the predictions of the research that the

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minimum wage is not expected to either contribute to an increase in the unemployment rate or slow down the growth rate in employment. This is also confirmed by the former Minister of Labour, Social Security, and Social Solidarity (E3).

Further dissemination activities include a presentation of the findings of the research at the Council of Economic advisers of the Greek Ministry of Finance and at the policy think tank ENA Institute of Alternative Policies. The research was also cited in the 2019 IMF report for Greece (E5) and in the EUROFOUND 2019 report on Minimum Wages (and minimum wage earners) in Europe (E7).

Dr Georgiadis's research has enabled the Greek Government to address major social problems and, in turn, benefited some of the most disadvantaged people in the country by reducing the risk of poverty for approximately 1,300,000 individuals in the private sector who make up approximately 15% of the Greek population.

5. Sources to corroborate the impact (indicative maximum of 10 references)

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- E1** Letter from the former Minister of Labour, Social Security, and Social Solidarity, announcing Dr Georgiadis's appointment as expert advisor, 30 October 2018
 - E2** The former Minister of Labour, Social Security and Solidarity, referring to Dr Georgiadis's research informing the ministry's decision in an interview with Naftemporiki (a Greek business paper), 23 January 2019, <https://www.naftemporiki.gr/finance/story/1437115/efi-axtsioglou-kourema-eos-85-se-prosauksiseis-xreon-apo-to-2002-mexri-to-2016>
 - E3** Corroborating letter from the former Minister of Labour, Social Security and Solidarity, confirming Dr Georgiadis's influence on the policy change
 - E4** To Vima (a Greek daily newspaper), 28 January 2019, <https://www.tovima.gr/2019/01/28/politics/katotatos-misthos-poioi-ofelountai/>
 - E5** Hellenic Statistical Authorities Labour Force Survey 2019, 5 March 2020, <https://www.statistics.gr/el/statistics/-/publication/SJO02/2019-M12>
 - E6** IMF Country Report No. 19/73 (Greece), March 2019, <https://www.imf.org/en/Publications/CR/Issues/2019/03/08/Greece-First-Post-Program-Monitoring-Discussions-Press-Release-Staff-Report-and-Statement-by-46654>
 - E7** Eurofund Report, Industrial Relations, Minimum wages in 2019: Annual review, 2019, https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef19028en.pdf