

Impact case study (REF3)

Institution: London School of Economics and Political Science		
Unit of Assessment: 25 – Area Studies		
Title of case study: Raising the minimum wage in Greece		
Period when the underpinning research was undertaken: 2010-2020		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s): Vassilis Monastiriotis	Role(s) (e.g. job title): Associate Professor	Period(s) employed by submitting HEI: 2004 to present
Period when the claimed impact occurred: 2018-2020		
Is this case study continued from a case study submitted in 2014? No		
1. Summary of the impact (indicative maximum 100 words)		
<p>Dr Vassilis Monastiriotis' research on the adjustment of the Greek labour market to the Eurozone crisis led to his appointment to an Independent Experts Committee, convened by government to make a recommendation on minimum wage reform. Monastiriotis' published research and policy input on the impact of minimum wages in Greece played a key role in the recommendation by the Committee and directly informed the government's decision - against international policy advice at the time - to raise the minimum wage by 10.9% in February 2019, benefitting an estimated 600,000 individuals (approximately 30% of private sector employees) and another 250,000 individuals whose out-of-work benefits are indexed on the minimum wage. As predicted by Dr Monastiriotis' research, while improving individual outcomes for the low-paid and reducing the risk of poverty, the reform had no adverse effects on the economy, as unemployment continued to fall uninterrupted and economy-wide wage-costs increased only marginally.</p>		
2. Underpinning research (indicative maximum 500 words)		
<p>As the economic crisis in Greece unfolded between 2009 and 2016, Monastiriotis undertook an extensive programme of research on the adjustment of the Greek labour market to the crisis and to the subsequent policy reforms. Two of his papers - [1] and [2], in collaboration with Dr Rebekka Christopoulou, University of Macedonia, Greece - were instrumental in showing how public and private sector wages adjusted during the crisis, indicating in particular a significant compression of wages at the bottom of the distribution. A third paper - [3], with Dr Angelo Martelli, LSE - showed that unemployment adjustments were disproportionately concentrated on the low-skilled (employment sorting on the basis of education).</p> <p>Following his appointment to an Independent Experts Committee, convened by government to make a recommendation on minimum wage reform, Monastiriotis embarked upon new research - [4], in collaboration with Dr Andreas Georgiadis, Brunel University London (lead researcher) and Dr Ioannis Kaplanis, Athens University of Economics and Business - on the impact of past minimum wage changes in Greece on wages and employment. He also carried out research - [5], in collaboration with Dr Ioannis Laliotis, LSE - which fed directly into the work of the Committee, examining the distribution and characteristics of minimum wage earners and generating forecasts for the wage-cost effects of a minimum wage increase under different scenarios. Specifically:</p>		
<ul style="list-style-type: none"> • The aim of [4] was to produce new, robust evidence on the impact of minimum wages on wages and employment, with which to inform policy – filling a very large gap of empirical evidence for Greece and connecting the findings from the international literature to the Greek case. Using a large sample of administrative social security records and state-of-the art econometric methods (differential trend adjusted Diff-in-Diff), it examined two episodes of minimum wage increases in 2009 and 2011 (by 5.5% and 1.6% respectively) as well as the very sizeable 2012 decrease (by 22% for those aged 25 and above, and by 32% for the youth subminimum, introduced for under-25s). The key findings were as follows: <ul style="list-style-type: none"> a) minimum wage rises led to wage increases for larger groups of workers (i.e. not only those originally paid below the new level of the minimum wage), but the size of such wage “spillovers” dissipated around the median of the wage distribution. 		

- b) minimum wages do not have a systematic, significant effect on the employment opportunities of low-wage workers, or on the number of jobs offered by low-wage businesses.

In combination, these findings implied that a prospective minimum wage increase could raise the incomes of the low-paid without significant effects on employment and with only limited wage-cost spillovers to the rest of the wage distribution.

- **[5]** examined data from the Labour Force Survey to identify the characteristics of minimum-wage earners (e.g. married/single, age profile, education level, etc.) and the sectors/occupations where they work. It also included a simulation analysis of the impact of prospective minimum wage increases under different policy scenarios, including that of a 10% increase in the minimum wage with full compliance in its implementation and concurrent abolition of the youth subminimum. The results indicated that such an increase would:
 - a) raise the wages of between 17.8% (direct effect) and 31.2% of all private sector employees (depending on assumptions about the extent of wage spillovers: from zero to those found in **[4]**).
 - b) contribute significantly to reducing wage inequalities among individuals (including of the types observed in **[1]** and **[2]**).
 - c) do so with minimal total-economy cost implications (estimated economy-wide wage-cost increase of between 1.82% and 3.10%, depending on different spillover scenarios). It also identified the type of sectors and businesses that would be most affected by such an increase.

Overall, this body of work provided key insights on the state of the Greek labour market, offering a convincing conclusion that a carefully increased minimum wage could lead to increases in the wages of a large number of low-wage workers and a reduction in wage inequality, with only negligible effects on the demand for labour and total-economy wage costs. Monastiriotis' input was leading in papers **[3]** and **[5]**, complementary in paper **[4]** (leader: Georgiadis), and of equal weight in papers **[1]** and **[2]**.

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

- [1]** Christopoulou, R. and Monastiriotis, V. (2014). The Greek public sector wage premium before the crisis: size, selection and relative valuation of characteristics. *British Journal of Industrial Relations*, 52(3), pp. 579-602. DOI: 10.1111/bjir.12023.
- [2]** Christopoulou, R. and Monastiriotis, V. (2016). Public-private wage duality during the Greek crisis. *Oxford Economic Papers*, 68(1), pp. 174-196. DOI: 10.1093/oep/gpv054.
- [3]** Monastiriotis, V. and Martelli, A. (2021). Crisis, adjustment and resilience in the Greek labour market: an unemployment decomposition approach. *International Regional Science Review*, 44(1), pp. 85-112. DOI: 10.1177/0160017620964848. Article first published 6 October 2020. Originally published as Monastiriotis, V. and Martelli, A. (2013). *Beyond Rising Unemployment: Unemployment Risk Crisis and Regional Adjustments in Greece* (GreeSE Paper No. 80). LSE Hellenic Observatory Papers on Greece and Southeast Europe.
- [4]** Georgiadis, A., Kaplanis, I., and Monastiriotis, V. (2020). Minimum Wages and Firm Employment: Evidence from a Minimum Wage Reduction in Greece. *Economics Letters*, 193, DOI: 10.1016/j.econlet.2020.109255. Originally published as Georgiadis, A., Kaplanis, I., and Monastiriotis, V. (2018). *The Impact of Minimum Wages on Wages and Employment: Evidence from Greece* (GreeSE Paper No. 131). LSE Hellenic Observatory Papers on Greece and Southeast Europe.
- [5]** Monastiriotis, V. and Laliotis, I. (2018). The Greek Labour Market: from “before” to “after”. Paper presented at the Joint LSE-Tufts University workshop, “The Greek Economy and the Euro: from Crisis to Recovery”, London, December 2018. *This is not a published paper. The unpublished version can be made available upon request. The key results of the paper have been reproduced in the Report published by the Committee ([E], Section 6) and were scrutinised by the Troika institutions (see [F]).*

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

In 2008 Greece suffered an economic crisis, precipitating an unprecedented recession and leading to the introduction of a structural adjustment programme agreed by the Greek Government and a “Troika” of institutions (European Commission, European Central Bank, International Monetary Fund) in 2010. As part of the programme, in 2012 the Greek Government enforced a minimum wage reduction across all employees and introduced a lower subminimum for those under 25. The reduced minimum wage remained in force until completion of the structural adjustment programme in September 2018.

At this point, and given that the Greek economy had exhibited signs of recovery (positive economic growth and declining unemployment) since 2016, the Greek Government initiated a review of the minimum wage. This included the establishment of an Independent Experts Committee entrusted with the mandate of making a “corroborated recommendation” to the government on the level of the statutory minimum wage. Monastiriotis was appointed as member to this Committee by the then Minister of Labour, Social Security and Social Solidarity, Dr Efi Achtsioglou, on the basis of his expertise and academic research [1] [2] [3] on the Greek labour market [A] [B] [C] and his contribution to public debates on the issue [D].

Links between research and impact

Work by the Committee included both policy analysis and primary research. The latter, led by Monastiriotis [5], provided detailed evidence on the potential economic impacts of a minimum wage increase under different scenarios and was ultimately included as Section 6 of the Committee Report [E]. The results were discussed extensively with government officials as well as members of the Troika [F] and played a key role in informing the subsequent policy decision on the minimum wage, as attested to by the Ministers of Labour [B] and Finance [C] and the Resident Representative of the European Commission in Greece [G]. Moreover, the results fed directly into the Committee Report [E], guiding to a large extent its recommendation.

The independent research of Monastiriotis and his co-authors [4] also directly influenced policy discussions. As was publicly acknowledged by the then Minister of Labour: “*at a time when existing evidence was scarce, [4] provided the ministry with a clear direction on how much the minimum wage should be raised*” [H] [I]. Moreover, the evidence deriving from the underpinning research was critical in influencing the policy recommendations of the Experts Committee. Indeed, the Committee’s Final Report made direct reference to [4] in its justification of its reasoning concerning its recommendation to the government (Section 7) [E]. The Committee’s recommendations were further scrutinised by the Troika institutions. The evidence provided by [5] was an important point of discussion in support of these recommendations [F].

Combined, these two outputs ([4] and [5]) proved crucial to the subsequent policy change, as they provided a robust evidence base which countered the prevailing international policy advice of the time, including that of the IMF [J]. Media analysis was no more optimistic, with the chief economics commentator at the *Financial Times* warning of the “threat” of “backsliding on policy” [K].

Impact

Drawing on the aforementioned research links, the Committee’s recommendation concluded that an increase in the minimum wage by 10% would:

- a) impact significantly on the incidence of low pay (directly affecting the pay of an estimated 17.8% of all private sector employees and generating smaller pay increases for up to a further 13.4% of private sector employees); but
- b) have minimal adverse employment effects and broadly manageable effects on production costs (raising the total wage-bill in the economy by no more than 3.1%) (also outlined in Section 7 of the Report [E]).

Acting on this recommendation, in January 2018 the Greek government decided to raise the statutory minimum wage by 10.9%, effective from 1 February 2019, and to abolish the youth subminimum (a *de facto* overall increase of 27.2% for those younger than 25) [L].

The impact of this policy change on the economy and on individuals has been consistent with expectations outlined in the underpinning research. Estimates of the number of individuals whose pay has been directly influenced by the increase in the minimum wage are in the area of 600,000 [M], while, additionally, the increase in the minimum wage is estimated to have benefitted between 200,000 and 300,000 individuals who are in receipt of social benefits (unemployment, maternity, etc.) which are indexed on the minimum wage [N] [O] [P]. According to the then Minister of Labour, “the policy contributed to reducing the risk of poverty for a very sizeable number of households in the country as well as to decreasing wage inequality” [B].

Concerning the overall impacts on the economy, the data from the Ministry of Labour on employment flows between January 2019 (just before the minimum wage increase was enacted) and February 2020 (one year after the reform), suggest that employment grew by 157,000 [Q]. Moreover, data from the Hellenic Statistical Authority show that, between January and December 2019, unemployment declined from 18.6% to 16.3% [R]; while between the last quarter of 2018 (before the reform) and the last quarter of 2019 (latest data, year-on-year change) the Wage-costs Index rose by only 2.4% [S]; i.e. not too different from the rate predicted by Monastiriotis’ analysis in [5]. Importantly, the policy was maintained by the new government that came to power in 2019 [T]. More recently, the findings presented in [4] also featured in the latest report by the Group of Experts convened to consider options for reform of the French minimum wage ([U], pp. 113-114).

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

[A] Official issue of the Government Gazette (ΦΕΚ Β' 4497/11-10-2018) announcing Monastiriotis’ appointment as member of the Experts Committee. Also includes Ministerial Decree. In Greek.

[B] Letter from the Minister of Labour, Social Security, and Social Solidarity, Efi Achtsioglou, acknowledging Monastiriotis’ influence on the policy change through his research [1] [2] [4] and his work in the Committee.

[C] Letter from the Minister of Finance and coordinator of the Greek government’s team negotiating with the four institutions (Commission, ECB, IMF and ESM) that reported to the Eurogroup, Prof Euclid Tsakalotos, acknowledging Monastiriotis’ research that led to his appointment to the Committee [2] and how his subsequent work in the Committee and independently [4] influenced the policy change.

[D] Coverage of Monastiriotis research in *Kathimerini*: “[Two tales of wage adjustment](#)”, 27 April 2014 (co-written by Monastiriotis); “[The paths to development](#)”, 27 April 2014, (which references [2]); and “[A rise is warranted](#)”, 13 May 2018 (co-written by Monastiriotis). In Greek.

[E] Report on the Deliberations on the Minimum Wage by the Centre of Planning and Economic Research in Collaboration with the Independent Experts Panel, 2018 (Veliziotis et al, 2018). In Greek.

[F] Email exchange between the Greek Ministry of Labour and the Resident Representative of the European Commission in Greece, Dr Chris Allen, citing Monastiriotis’ research underpinning the simulation analysis included in the Committee’s Report, drawing on [5].

[G] Letter from the Resident Representative of the European Commission in Greece, Dr Chris Allen, acknowledging the role of Monastiriotis’ research on past minimum wages [4] and simulation analysis [5] in influencing the policy decision to raise the minimum wage by around 10%.

[H] The Minister of Labour, Social Security and Solidarity, Efi Achtsioglou, referring to Monastiriotis’ research [4] informing the ministry’s decision in an interview with Greek business paper [Naftemporiki](#). In Greek.

[I] The Minister of Labour, Social Security, and Social Solidarity, Efi Achtsioglou, referring to Monastiriotis’ research [4] informing the ministry’s decision in a [public lecture at the London School of Economics](#). Available at: shorturl.at/ioAQT.

[J] “IMF Unhappy Over Proposed Greek Minimum Wage Hike”, Global Payroll Association, 7 February 2019.

[K] “Greek economy shows promising signs of growth”, *Financial Times*, 20 May 2019.

[L] Ministerial Decree on the Minimum Wage increase of 2019. In Greek.

- [M] International Monetary Fund, First Post-Program Monitoring Discussions - Press Release; Staff Report; and Statement by the Executive Director for Greece. [IMF report on Greece](#) in 2019 citing [4].
- [N] Article in e-nomothesia.gr making reference to the list of beneficiaries from the minimum wage increase, provided by the Minister of Labour. In Greek.
- [O] Eurofound, Industrial relations: Minimum wages in 2019: Annual review, citing the paper by Georgiadis et al [4].
- [P] “Greece moves towards ending austerity with rise in minimum wage”, *The Guardian*, 28 January 2019.
- [Q] [Private sector salaried employment flows](#), February 2020, ERGANI – Ministry of Labour and Social Affairs (see Table III).
- [R] Labour Force Survey December 2019, Hellenic Statistical Authority press release, 5 March 2020.
- [S] Index of Wages Cost: 3rd quarter 2020, Hellenic Statistical Authority press release, 11 December 2020.
- [T] “The new minimum wage in January 2021”, *Ethnos*, 2 May 2020
- [U] [“Salaire Minimum Interprofessionnel de Croissance”](#), Report of the Group of Experts, 27 November 2020. [4] is cited on p.113.