

# CARNEGIE COUNCIL *for Ethics in International Affairs*

## Greece, the Greeks, and the Crisis: Reaching Beyond "That's how it Goes"

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Migrants' life jackets and inflatable tubes on Lesbos. CREDIT: Tyson Sadler. (See also Sadler's Carnegie Council Instagram Take-over.)

Since 2009, Greece has become synonymous with crises: the sovereign debt crisis, the economic crisis, the Eurozone crisis, and finally the migration crisis. While the sufferings of migrants and refugees have understandably attracted agonized international attention, the problems, challenges, and hardships that the Greeks have been enduring over the same period have been reduced to an implicit "that's how it goes"—a new normalcy. In fact, watching people walking in the sunbathed streets of Athens, contemplating the azure skyline stretching over the Aegean, listening to the murmur of groups of friends sipping apparently bottomless frappes, tourists get truly confused and ask: "So where's the crisis?" Appearances can be misleading: the crisis is there, devouring the very flesh of Greek society. Greece is swamped in a group depression, trying to cope with what has become a new social, economic, and political normalcy. The attempted July coup in Turkey has added to Greeks' feelings of being beset by uncertainties and changes from all sides, all in the space of less than a decade. To understand how Greeks are faring these days, we must look at a set of interrelated issues: the impact of the economic crisis, the flip side of the migration crisis, and the foreign-policy related hazards stemming from the losses in political leverage that Greece has endured over the past seven years. This essay addresses the first two of them.

### **Economic Recession: Behind the Numbers**

From 2008-2015, Greece's GDP (current prices) dropped 27.3 percent from EUR million 241,990.4 in 2008 to EUR million 176,022.7 in 2015.<sup>1</sup> Average annual unemployment rates rose from 7.8 percent in 2008 to 24.9 in

2015 (it peaked at 27.5 in 2013).<sup>2</sup> And unemployment figures do not record the full picture: self-employed are not included, as they are not entitled to unemployment benefits. The statistics also obscure the strikingly high unemployment levels among women and youth.

Real adjusted gross disposable income of households per capita dropped from EUR 19,519 in 2008 to 15,059 in 2014.<sup>3</sup> Gross fixed capital formation, i.e. investments, fell from 23.8 percent of GDP in 2008 to 11.7 percent of GDP in 2015.<sup>4</sup> As a result of a mix of economic policies hostile to business introduced in 2010, the private sector of the economy shrunk and thousands of businesses either collapsed or relocated to more business-friendly neighboring countries, such as Bulgaria. During the first seven months of 2016 alone, 19,056 companies closed down and only 16,478 new companies were set up.<sup>5</sup> Notably, the majority of businesses today are micro-enterprises operating mostly in fast food and other low-cost services sectors, including shoe repair and seamstress services. Interestingly, bakery franchises have mushroomed in Greece, suggesting that as consumers' disposable income dropped, and so their propensity to spend, the structure of their spending adjusted accordingly, i.e. away from durable goods to nondurables and services.

Poverty has reached an extraordinary level. In 2015 the percentage of population at risk of poverty or social exclusion reached 35.7 percent, up from 28.1 in 2008<sup>6</sup>. This impoverishment is the direct result of a policy-mix—frequently confused with austerity—implemented in Greece starting in 2010. It resulted in the collapse of the private sector of the economy, layoffs, recession, several consecutive increases in direct and indirect taxation, horizontal cuts in pensions, and reduced spending on health care and education.<sup>7</sup> The continuous sharp drop in savings levels (as percentage of household disposable income) over the past years, e.g. ca. 15 percent in 2013 and 17 percent in 2014,<sup>8</sup> suggest that Greeks have been surviving by using up their savings. It is in this context that one should view the cuts in pension levels. It turns out, that as many elderly are struggling to meet their basic needs, their ability to support their unemployed family members financially has been undermined as well. Malnourished children are frequently the first victims.

## Homelessness

According to a recent study, homelessness in Athens has increased dramatically by 69 percent over the last five years, with the majority of the homeless (62 percent) being Greek. Roughly 55 percent are between 30-50 years old.<sup>9</sup> According to other sources, the number of homeless in Greece overall has increased by 30 percent since 2009 to totally approximately 40,000 people across Greece in 2016. The majority of the new homeless are neither drug addicts nor illegal immigrants, but individuals who lost their jobs and apartments virtually overnight.<sup>10</sup> Stories abound of how many homeless, especially men, conceal that fact from their adult children, not wanting to become a burden and/or admit their helplessness. Reportedly, in Athens alone, 20,000 people survive thanks to soup kitchens and other organized voluntary community support networks. Among those who regularly eat at soup kitchens, 66 percent are Greeks, 51.5 percent of whom obtained tertiary level education.

## The Reverse Brain Drain

The Bank of Greece estimates that ca. 427,000 people have left Greece over the period 2008-2015. The majority of them, as recent reports by Endeavor<sup>11</sup> and by the Bank of Greece<sup>12</sup> suggest, were young and educated. Although, most probably due to different methodologies employed and different time-frames applied, the reports indicate different figures, i.e. 350,000 Greeks and 223,000 respectively, the scale of this reverse brain drain is daunting. Both reports make a case that it is driven by unemployment, adverse economic conditions, and lack of professional development opportunities. In fact, there are indications that when abroad young Greeks do very well and climb the promotion ladder quickly. Trained in coping with "user unfriendly" public administration and adverse economic circumstances in Greece, when abroad they are able to employ knowledge and skills gained at educational institutions at home and their typically Greek wit to advance their professional development.

The data collected from host countries suggests that the new Greek diaspora generates EUR 9.1 billion in taxes for the hosts annually.<sup>13</sup> As ever, diasporas play an important role in view of maintaining the standards of the families left at home. According to the World Bank,<sup>14</sup> in 2014 the value of remittances sent by the Greek diaspora to Greece reached 735 million USD. The top three remittance-sending countries were Germany, the United States, and Australia.<sup>15</sup> However, as the brain drain continues, Greece's future becomes even more uncertain.

## A Shattered Society

The sudden growth in unemployment, followed by sudden loss in disposable income level, and accompanied by a disintegrating state administration means that no social provision exists for those in need; and the numbers are growing. The private sector, swamped by excessive taxation, operating in an inflexible labor market framework, under conditions of a liquidity squeeze, cannot absorb the unemployed. Therefore, as the crisis continues, amidst political instability at home and abroad, the resources at the disposal of families dwindle. In this view, the degree of social deprivation is bound to increase. No specialized training in psychology is required to understand that the implications for individuals' well-being will be grave. Indeed, some studies have hinted at a suicide epidemic in Greece<sup>16</sup> and linked it to people's inability to deal with the pressures inflicted by these crises, and a lack of hope that anything will improve.

There is much discussion of unemployed Greek youth, looking at their damaged futures and current frustrations. Much less attention has been paid to those already in the labor market, young enough to have professional ambitions and not old enough to think of retirement. Even if they did not lose their jobs, they have seen their salaries shrink, and work load expand. Their promotion prospects have been crushed by a very common argument used by employers across the board: "You should be happy that you are still employed." Clearly, these factors have a direct negative impact on those peoples' health, productivity, and family life; there is deep hopelessness and frustration. Entangled in family obligations such as raising children, paying the mortgage, and the costs and responsibilities of caring for elderly parents, it is largely impossible for those people to move abroad. This is particularly true since, unlike in the United States, very specific constraints to labor mobility exist in the European Union (EU) and these have to be factored in, i.e. different languages, different labor markets' regulations and a lack of a pan-EU pensions' and specialized health insurance scheme.

At the company level, businesses are under immense pressure because of continuous increases in taxation (corporate, one-off, and presumptive taxation) and labor wedges, followed by huge delays in returns of VAT. In these circumstances managers frequently forget or feel forced to ignore the fact that happy employees are the most productive and that professional development prospects tend to serve as the best incentive to boost a company's productivity. As the micro- and macroeconomic prospects for Greece remain bleak, the migration crisis constitutes another challenge that Greek society has to endure in these trying times.

## The Migration Crisis

Over the past two years, over 1 million migrants have arrived by sea on the shores of Greece; a country of roughly 11 million people. International media have reported extensively on the migrants' sufferings and the many tragic deaths. Simultaneously, accounts of heroic, generous, and welcoming Greeks have won the hearts of the international audience. In spite of the EU emergency refugee relocation system enacted in fall 2015, as of August 2016 only 3,386 refugees have been relocated from Greece to other EU member-states.<sup>17</sup> Overall, about 58,580 migrants remain in Greece, as data from late August 2016 indicate. Notably, there has been an increase in arrivals by sea following the attempted July coup in Turkey and the resulting uncertainty regarding the implementation of the March 2016 agreement between the EU and Turkey on stopping irregular migration.<sup>18</sup> In fact, over the period January-July 2016, 176,743 arrivals to Greece were recorded. That traffickers adjust their trafficking routes to the political circumstances in the region has become evident when in the height of the tourist season in mid-August, 41 migrants landed on one of the beaches on Mykonos.

Although the majority of migrants originate from Syria (79, 471), migrants from Afghanistan (41,222), Iraq (25,781) and Pakistan (9,310) constitute a sizeable part of the current migration wave.<sup>19</sup> At present, again according to official statistics, 11,548 migrants are on the Greek islands. The migrants are stranded in reception centers the capacity of which was set at 7,540.<sup>20</sup> The Greek government's plan aimed at decongesting these centers by relocating ca. 2,000 people to four new centers in Crete has been harshly criticized by the local authorities. The latter see the government's plan as a way of absorbing the bulk share of the 3,000 immigrants that the German government, in line with the provisions of the Dublin III convention,<sup>21</sup> supposedly plans to deport from their territory in fall this year.<sup>22</sup>

The housing of migrants remains a challenge for the Greek authorities and the UNHCR, which is also involved in Greece. Apart from the reception centers, which host the lion's share of the immigrants, the latter also inhabit baseball and hockey fields. Very few of them live in apartments or hotels, well below the government target of 20,000.<sup>23</sup> In line with data released on August 27, 2016, Samos, Lesbos and Leros, the three islands where most migrants landed, are still coping with the influx of migrants. Several cruise lines no longer stop in Mytilene,

the capital of Lesbos, depriving the local economy of a significant regular source of income. As Lesbos records a 70 percent drop in bookings, for Samos the data might be higher as tourists avoid these islands. Certainly, the drama of the Greek tourism industry due to the migration crisis is not limited to the islands. Many mainland destinations accessible by car and popular limited to the islands. Many mainland destinations accessible by car and popular among visitors from Bulgaria and Romania have also been affected and the numbers of tourist arrivals have dropped.

Experience related to managing irregular migratory flows to Greece over the years 2008-2012 suggests that it is difficult to estimate the cost of managing irregular migration flows and to assess their effectiveness.<sup>24</sup> With regard to the current wave of migration, in March 2016, the Bank of Greece published data suggesting that 2016 alone, the cost of managing the migration crisis will exceed EUR 600 million.<sup>25</sup> Given the fact that the number of migrants increased, the cost will rise. Since the beginning of 2015, emergency assistance of EUR 181 million has been awarded by the European Commission to Greek authorities, international organizations and NGOs involved in managing the migration crisis in Greece. This emergency assistance comes on top of EUR 509 million already allocated to Greece under the national programs for 2014-2020.<sup>26</sup> It is unclear how much of the sums allocated will be actually disbursed.

In the frequently dramatic and emotion-filled media narrative on migration, very little attention has been paid to the trauma that the tiny local communities in Greece endured and still have to cope with. Hundreds of unnamed migrant graves, bodies washed ashore, mountains of safety jackets, human suffering: all these have left a mark on the local communities. Another rarely talked about issue is that of the negative implications of the migration wave for safety and security on the islands. There has also been very little discussion on how the migrants will interact with the local communities when their children will be given the opportunity to go to school this year. The point is that many of them are still hopeful that they will leave Greece; therefore, they are disinterested in integrating. Finally, as the Greek society belongs to the fastest aging populations in the EU, no one dares to open up Pandora's box and discuss how this wave of migration will influence the functioning of Greek society in the years to come.

## Conclusion

The multiple crises that Greek society has endured since 2009 have resulted in disturbed life-work balance, a wave of depression, and a suicide epidemic. They have affected work ethics and culture, children's performance at school, and health indicators. These observations are consistent with the findings presented in the March 2016 OECD Economic Survey of Greece report,<sup>27</sup> which demonstrates that the social costs of the prolonged economic depression, including the collapse in labor income and pensions, the increased risk of unemployment and uncertainty about the future, have significantly reduced life satisfaction.<sup>28</sup> The subjective well-being score for Greece is the lowest in the OECD.<sup>29</sup> All these factors have serious implications for Greece's future, especially since educated youth continue to go abroad and there has been little discussion on how to effectively keep them in Greece or how to make them return. The multifaceted implications of the migration crisis add to the equation, thus giving us a closer insight into the Greek reality today. And yet, from a broader perspective, what is particularly worrying is that people are adjusting and incorporating this bleak reality into their rational daily choices. Thus, this reality is not only turned into a new normalcy but also—and unfortunately so—is perpetuated. Given the already fragmented and unstable political scene in Greece, it would require tremendous courage to launch a discussion on the need to introduce deep structural reforms in the country's political and economic systems; and it would also require a receptive audience prepared to listen, an audience resistant to political manipulation. It seems that such a discussion is still a long way off for Greece.

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## NOTES

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<sup>3</sup> Eurostat. <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tec00113&plugin=1>

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