

## **Reforming the Greek Pension System in the Age of Crisis**

### **Stream 6.1: The crisis and social citizenship**

#### **ABSTRACT**

The global financial crisis has resulted in one of the most pronounced recessions of the world economy. In the Greek case the rapid economic expansion of the previous decade came to an end in 2008, while the economic contraction was more severe in 2009. Notwithstanding the favorable economic environment of the previous years, fiscal imbalances have been high and persistent for a number of years, resulting in Greece being the subject of an excessive deficit procedure since April 2009 (the government deficit reaching 12.7% in 2009 well above the 3% reference value put by the EU Treaty).

Against this background, pension reform figures high on the agenda of structural reforms as pension spending has been (repeatedly) documented to pose a significant threat to the future sustainability of public finances. The government initiated in November 2009 a public consultation process and established an Experts' Committee intended to lead to (yet another) comprehensive pension reform proposal by mid-April 2010. The main changes –as outlined thus far by the Minister of Employment and Social Affairs- entail the separation of contributory from non-contributory elements through the introduction of a basic pension (financed from general taxation) and the strengthening of the earnings-related character of contributory pensions, along with the introduction of incentives for postponing retirement. However, in the absence of further details concerning the eligibility criteria of the basic pension and its level, along with the absence of measures for those assuming caring responsibilities or those under flexible employment, the freedom of choice (portrayed as an important element of the new system's design) will not be realized, highlighting the centrality of cost-containment at the expense of adequacy goals, already constituting a significant challenge to the Greek system.

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