Resolution CM/ResCSS(2012)8
on the application of the European Code of Social Security and its Protocol
by Greece
(Period from 1 July 2010 to 30 June 2011)

(Adopted by the Committee of Ministers on 12 September 2012
at the 1149th meeting of the Ministers' Deputies)

The Committee of Ministers,

In the exercise of the functions conferred upon it by Article 75 of the European Code of Social Security (hereinafter referred to as the "Code"), and with a view to supervising the application of this instrument by the Contracting Parties;

Whereas the Code, opened for signature on 16 April 1964, entered into force on 17 March 1968 and since 10 June 1982 has been binding on Greece, which ratified it on 9 June 1981;

Whereas, when ratifying the Code, the Government of Greece stated that it accepted, in addition to the parts which must be applied by every Contracting Party (Parts I, XI, XII, XIII and XIV), the following parts of the Code:

– Part II on "medical care",
– Part III on "sickness benefit",
– Part V on "old-age benefit",
– Part VI on "employment injury benefit",
– Part VIII on "maternity benefit",
– Part IX on "invalidity benefit",
– Part X on "survivors' benefit";

Whereas, in pursuance of paragraph 1 of Article 74 of the Code, the Government of Greece submitted its 29th annual report on the application of the Code, for the period from 1 July 2010 to 30 June 2011;

Whereas, in accordance with paragraph 4 of Article 74, that report was examined by the ILO Committee of Experts on the Application of Conventions and Recommendations, at its 82nd meeting in November and December 2011,

Notes:

I. in reply to the Committee of Ministers' previous conclusions concerning the general responsibility of the Greek Government for the sustainable financing and management of the national social security system in the context of the grave economic and financial crisis, the government states that the distortions accumulated in the operation of the system have rendered it socially ineffective and economically unsustainable. As the population is rapidly ageing (4 workers for 1 pensioner in 1950 and, 1 worker for 1.7 pensioners today), the expenses of the system have run out of control and are projected to reach 13.2% of GDP in 2020 and 24% in 2050. This unsustainable situation has been amplified by the economic crisis, making it necessary to change the structure of the social security system in order to safeguard its long-term viability and public character. The adoption on 8 July 2010 of Act No. 3863/2010 on the "New social security system and relevant provisions" (FEK A'115) introduced a unified and consolidated architecture of the pension system, which was a precondition to raising its functional efficiency and effectiveness. Different funds were merged into three, covering workers, farmers and the self-employed. The supplementary pension scheme was reconstructed on consistent insurance principles by withdrawing State subsidies while introducing strict actuarial monitoring of the contributions-benefits ratio. This insurance pillar was complemented by a universal tax-financed scheme, which secured a minimum guaranteed pension for all citizens, including those who were not insured or did not fulfil the qualifying conditions. A transitional period was foreseen (2010-15) for gradually increasing the qualification requirements, pension rights acquired by 31 December 2010 were maintained in full and a number of adjustments were made to avoid hardship to certain categories of people during the transition phase. Under Act No. 3863, an actuarial evaluation was to be carried out one year after the introduction of the reforms, to assess their sustainability.

In planning substantial changes to the pension system, the government sought the advice and technical assistance of the International Labour Organisation (ILO), which insisted on the absolute necessity to adopt parametric and financing reforms to guarantee the overall sustainability of the Greek pension system. In May 2010, following the signature of the Memorandum of Understanding between the

Government of Greece and the International Monetary Fund (IMF), the European Commission, the Eurogroup, and the European Central Bank, an ILO mission visited Greece at the request of the National Actuarial Authority and the Ministry of Labour and Social Security to support the quantitative analysis of a set of consolidating reforms of the pension system under the provisions of draft Law No. 3863. The ILO projections delivered on 1 June 2010 showed that the reform would trigger substantial long-term savings for the pension system, to the extent that the deficit, even in view of mounting demographic pressures, would be more or less stabilised over the next five decades, provided that the assumptions of the costing held good. Noting that the new design and parameters of the Greek pension system, which should become fully operational in 2015, are in line, conceptually and technically, with the minimum standards laid down by the Code and the ILO Convention No. 102, the Committee of Ministers nevertheless considers that, in the context of the rapidly deteriorating economic situation of the country, the initial costing assumptions in the ILO projections might need to be reviewed, and that the ongoing actuarial evaluation of Act No. 3863 presents the best opportunity for this. The Committee of Ministers also considers that, in view of the international obligation of Greece under the Code, it would be prudent for the government to specifically include, among the basic parameters for the projected scenarios for the future development of the national pension system, the minimum standards of the Code. The Committee of Ministers wishes to underscore that an objective actuarial study, drawing a red line alerting the government to conditions which might lead to the possible violation of the minimum international social security standards, will equip the government with an invaluable tool enabling it to exercise effectively its general responsibility for the proper governance of the social security system and to seek an enlightened acceptance of the reforms by the social partners in full knowledge of the situation;

II. besides the concerns over the long-term viability of the pension system, in the immediate future the country is facing the risk of the social security system being unable to withstand the continuing contraction of the economy, employment and public finances, and compelled to reduce the level of protection, which may fall below the minimum guaranteed by the Code. The Committee of Ministers notes that the exceptional situation facing the country and the impact of the policies of international organisations with respect to the international labour standards accepted by Greece have been studied by the high-level mission of the ILO, which visited Greece in September 2011 and afterwards held follow-up meetings with the EU and the IMF. According to the information collected by the mission, which specifically covered social security, it was estimated that, should unemployment increase to 1 million from the current 800 000, social security funds would lose €5 billion annually, and the sustainability of the benefits provided by them would be called into question. Already, in addition to pension cuts operated by Act No. 3863, Act No. 4024/27-10-2011 on “Provisions concerning pensions, the common pay-scale and grading system [in the public sector], the labour reserve and other provisions for the implementation of the mid-term fiscal strategy 2012-15” introduced new cuts in pensions over €1 000 received by persons under the age of 55 and over the age of 55 of the order of 40% and 20%, respectively, as well as reductions in the supplementary pensions. The high-level mission noted that such drastic reductions in the level of benefits undermine people’s trust in the social security system and raise concerns for social justice in handling the crisis. The Committee of Ministers observes that the general responsibility of the government for the proper governance of the social security system obliges it to be an effective and just regulator and provider of services. To achieve this, the following principles of social solidarity and justice, on which the Code is based, become particularly important when times are bad:

– the cuts in benefits, like their costs, shall be borne collectively, shared equitably among the members of society in a manner which avoids hardship to persons of small means and takes into account the economic situation of the country and of the classes of persons protected (Article 70.1 of the Code);

– the cuts in benefits shall not result from the unilateral withdrawal of the State or of employers from the financing of benefits, thus leaving the employees protected to bear more than 50% of the total of the financial resources allocated to the protection of employees and their families (Article 70.2);

– the cuts in benefits and related austerity measures shall be decided and managed in consultation with the representatives of the persons protected, as well as of the employers and the public authorities through the established mechanisms of tripartite social dialogue (Article 71.2);

III. the need to strengthen the governance of the social security system would require the government to plan and assess past and future social austerity measures in relation to one of the main objectives of the Code, which consists in the prevention of poverty among the categories of the persons protected. The social security system would not fulfil its role if the benefits it provided were so low as to push the workers below the poverty line; in such cases, the State would be seen as failing to fulfil its general responsibilities under Articles 70.3 and 71.2 of the Code. In this context, the Committee of Ministers considers it the duty of the government to assess, together with all the parties involved in the implementation of the international support mechanism for Greece, the spread of poverty in the country, particularly among persons of small means, and the ability of the available social security benefits to withstand this trend and “maintain the family of the beneficiary in health and decency” (Article 67.*c* of the Code). In doing so, the government should establish a comprehensive system of statistical monitoring of poverty and consider social security policies in co-ordination with its tax, wage and employment policies in the context of the obligations undertaken under the international support mechanism. The Committee of Ministers would like to point out in this respect, as the ILO Committee of Experts did in its report to the Council of Europe at the beginning of the crisis in November 2008, that “social security and the overall economy were inseparable, particularly in periods of crisis, and needed to be governed and managed together, at both the national and global levels. It meant that bringing the economy out of the crisis required enhanced measures of social protection and, indeed, making social security part of the solution.” Exploring exclusively fiscal solutions at the expense of cutting non-wage labour costs and basic welfare could eventually lead to the collapse of the internal demand and the social functioning of the State, condemning the country to years of economic depression.

Taking into account the gravity of the situation, the Committee of Ministers, in assessing the application by Greece of the European Code of Social Security, draws the attention of all the parties implementing the support mechanism for Greece to the need to maintain social security benefits at the minimum levels prescribed by the Code, prevent the impoverishment of the population and preserve social peace;

Finds that the social austerity measures taken in law and practice culminating from the adverse fiscal and economic situation of Greece are affecting the sustainability of the national social security system, while the reduction of many social security benefits risks to undermine the application of all accepted parts of the Code;

Decides to invite the Government of Greece:

I. to explain in detail in its next report the basic assumptions and the resulting conclusions of the actuarial evaluation of the reforms carried out in November 2011;

II. to explain to what extent it abides by the above principles of social solidarity and justice in introducing the social austerity measures in the context of the implementation of the support mechanism for Greece.

Related Documents

Meetings

1149th meeting of the Ministers' Deputies (CM Room) / 12 September 2012