

Economic Crisis and Labour Market Turbulence: Greek economy and its Trading Partners (2008-2013)

Topic: Input-output analysis for policy making II

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In January 2014, the European Parliament announced that, during the last four years, the Memorandum countries (Greece, Portugal, Ireland and Cyprus) lost 15% of their existing employment positions. During the period 2009-2013, in Greece, unemployment rate increased from 7.3% to 27.1%, the cumulative decline of GDP is around 25% and the decline in average nominal wages amounted to 23.8%. In this context, the aim of this paper is to investigate the structural effects of unemployment in: i) the households' consumption, ii) the domestic production and iii) the production among Greece's trading partners. To this end, we propose a methodology to combine and evaluate an aggregated set of data involving different aspects of the economic crisis effects, such as: Labour market turbulence and significant changes in consumption patterns. More analytical, firstly, we estimate the lost income of the former employees, secondly, the resulting reduction of their expenditure and the economy's final demand (demand for domestically produced products and demand for imports), and, finally, in the last step, the impact on the domestic production and on the production of the Greece's trading partners. The specific methodology suggests the estimation of "invisible" impact multiplier, which depends on the structure of the examined economy and is considered as a factor that intensifies the crisis.

For the first step we use data from the Greek Labour Force Survey (Hellenic Statistical Authority), for the second step we use a combination of data from the Greek Household Budget Survey (Hellenic Statistical Authority) and the Greek Input-Output Tables (WIOD) and for the third step, the database of WIOD.

The preliminary results suggest that, in 2013, the estimated final demand decline reaches 4.05% of GDP, while the reduction of domestic production is 5.77% of GDP. On the other hand, we found that the intensity of the indirect impacts is lower in Greece compared with the other countries. This finding is the result of i) the difference in the sectoral mixture of demand between domestic production and imports and ii) the relatively weak intersectoral linkages of the Greek economy.

Keywords: Greek economic crisis, labour market turbulence, input-output analysis