

## The impact of unemployment: Crisis escalation in the Greek Economy

Topic: (5.2) Input-output analysis for policy making (2)

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The purpose of our research is to investigate the relation between unemployment and economic crisis both in an economy and with regard its trade partners. We investigate how the unemployment of former employees<sup>TM</sup> in Greece during the period 2008-2014 conduced to the deepening of this crisis and the effects of this unemployment to Greece<sup>TM</sup>s EU trade partners. In other words, we estimate how the decreased demand for final products, that occurred due to the former employees<sup>TM</sup> unemployment caused firstly the country<sup>TM</sup>s direct and indirect production decrease and secondly, to the economy<sup>TM</sup>s commercial partners.

The application of Input-Output Analysis allows us to estimate the total multiplier effects in production, due to a shift in the final demand (in our research we locate three distinct shift in final demand: decrease of domestic final demand, decrease of imports for household consumption, decrease of imports for intermediate use). For our analysis we use the input-output table of the Greek economy and the input-output table of its main trade partners, data for unemployment and income by sector of economic activity and the distribution of the households<sup>TM</sup> final demand for domestic and imported goods and services.

The main results of the study per unemployed person indicates that:

• The yearly demand reduction for domestically produced goods and services is estimated at 7,612  $\hat{a},\neg$  and the production decrease of the Greek economy at 10,837  $\hat{a},\neg$ , respectively.

• The yearly demand reduction for imports, aiming to cover households<sup>TM</sup> consuming needs, is estimated at 1,240  $\hat{a},\neg$  and the production decrease to third countries at 2,263  $\hat{a},\neg$ , respectively.

• The yearly demand reduction for intermediate goods and services is estimated at 750  $\hat{a},\neg$  and the production decrease to third countries at 896  $\hat{a},\neg$ , respectively.

The results shows that a significant part of the production loss and, hence, the crisis escalation, starts from the size of unemployment but, also, the structural defects of the Greek economy. This significant production loss not only constitutes a strong disorder to the economic loop (product  $\hat{a}$ “ income  $\hat{a}$ “ expenditure) but, also, highlights the need for the public policies<sup>TM</sup> revision.