Greece: The economic crisis and the brain drain

Vlasios Sarantinos - Centre for Employment Studies Research (CESR), University of the West of England, Bristol

Vlasios.sarantinos@uwe.ac.uk

Without a doubt, a main focus of the headlines in global media over the past two years has been the economic crisis in Greece, and the 'bail-outs' supported by EU, IMF and ECB. In exchange for financial support, the population has been subjected to unprecedented austerity measures and paradigm changes in many areas of economic and business life. In spite of these drastic and abrupt measures, however, there has been little success in tackling the escalating sovereign debt, whilst the quality of life and social welfare have plummeted, and unemployment skyrocketed. Within this climate a growing propensity has emerged, particularly amongst young and talented Greeks, to seek employment and a new life abroad, effectively, inaugurating what is becoming known as the 'Greek Brain Drain' (Hadjimatheou 2012).

Economic crisis: Causes and unemployment

Although a narrative of the causes behind the Greek crisis goes beyond the scope of this article, a concise background portrait is important to understand some of the key challenges that are afflicting policymakers and the majority of Greek citizens alike. According to Nelson *et al.* (2011), as the country joined the European Monetary Union and adopted the Euro, abandoning the drachma as its national currency, vast amounts of capital became readily available to the Greek government, stemming from the capacity to borrow at extremely low interest rates. Paradoxically, the country failed to take the necessary steps to enhance its competitiveness and boost its economic and fiscal position. The tapping of capital was used, primarily, to fund the public sector, thereby, perpetuating a long history of a large public sector, with notable inefficiencies and structural rigidities (Featherstone 2011).

> The Greek parliament agreed to an overarching programme of enforced dramatic cutbacks in public spending, massive reforms in critical areas such as public healthcare, privatization of key market areas and a complete restructuring of the labour market

When the global economic downturn of 2008 eventually reached the Greek shores, the nation already had high sovereign debt, high unemployment and little room for manoeuvre. Due to fears of contagion (to the other members of the Eurozone), the Greek government reached an agreement in 2010 with the EU, IMF and ECB (`Troika´) for a financial bailout of €52.9 billion in exchange for a draconian set of austerity measures to curb the escalating debt and bring the country's fiscal problem under control (EC, 2012). In February 2012, a second bailout was agreed between the Troika and the Greek government because, in spite of the first programme, the financial turmoil had further exacerbated. An additional package of €130 billion was pledged to give succour to the Greek economy, on the understanding that the government would introduce even more acute austerity policies, in new areas (EC 2012).

Some of the key measures agreed in the second memorandum, and sanctioned by the Greek parliament consecutively in 2010 and 2012, entailed a overarching programme of enforced dramatic cutbacks in public spending, massive reforms in critical areas such as public healthcare, privatisation of key market areas and a complete restructuring of the labour market (EC 2012; GMF 2012).

It is worthwhile to note that, between the two bailout packages, successive governments seriously attempted to implement the terms of the agreements but with mixed results. The economy continued to plummet into deeper depression, public unrest soared and the structural rigidities of the Greek Public sector proved to be a tough nut to crack (EC 2012). With particular emphasis on the restructuring of the labour market, the Greek governments enacted a series of legislation to pursue a greater degree of labour market flexibility, reduce labour costs and, thus, enhance competitiveness (GMF 2012). The latest spate of reforms included targeted measures such as (GMF 2012: 6):

- The introduction of sub-minimum wages for the young employees
- The increase in the probation period
- The facilitation of part time and rotation work
- The reduction in the severance payments
- The increase in the threshold for collective dismissals.
- The reduction in the overtime cost.

As noted above, a great deal of economic re-structuring has been specifically targeted on the labour market. Among the measures, most notable is the decrease in the national minimum wage by 22 per cent in general, and by 25 per cent for people under the age of 25. Both reductions were considered indispensable to reduce labour costs and drive growth and development (EC 2012). Nevertheless, the statistics from the Greek Ministry of Finance (2012) spell a different picture.

Table 1: Unemployment rate aged 15-24

	1Q2011	2Q2011	3Q2011	4Q2011	2011	2010
Total	39.6%	43.0%	45.0%	49.9%	**44.4%**	32.9%
Males	33.0%	36.7%	39.5%	44.0%	**38.5%**	26.7%
Females	46.6%	50.7%	51.8%	56.8%	**51.5%**	40.6%

Source: GMF 2012:45

Table 2: Unemployment rate aged 20-29

	1Q2011	2Q2011	3Q2011	4Q2011	2011	2010
Total	29.9%	32.0%	34.4%	38.5%	**33.7%**	23.6%
Males	25.7%	27.8%	30.1%	34.1%	**29.4%**	19.2%
Females	34.9%	37.0%	39.7%	43.7%	**38.8%**	29.0%

Source: GMF 2012:45

Table 3: Employment rate aged 20-64

	1Q2011	2Q2011	3Q2011	4Q2011	2011	2010	2010-2011 change (in pps)	2020 National target
Total	61.3%	60.9%	59.7%	57.6%	**59.9%**	64%	-4.1	**70%**
Males	72.8%	72.3%	70.9%	68.1%	**71.1%**	76.2%	-5.1	
Females	49.7%	49.4%	48.4%	47.0%	**48.6%**	51.7%	-3.1	

Source: GMF 2012:45.

The data clearly shows a growing trend towards reduced employment for all age bands, and extremely adverse repercussions for youths aged up to 30. The view of the Troika is that these are likely to be only short-terms effects and, eventually, the medicine will work. The alternative view is, of course, that the medicine will kill the patient (Steinbock 2012). Nevertheless, the view of the majority of the Greek people is that of utter disappointment and fear for what is being portrayed as a completely bleak future (Bollier 2012).

The view of the Troika is that these are likely to be only short-terms effects and, eventually, the medicine will work. The alternative view is, of course, that the medicine will kill the patient

With the economy sliding further into the depths of the abyss, with little to no room for manoeuvre , and with the state in complete disarray, political, social and economic life have changed beyond recognition. Within the domain of the labour market, the ideas and actions of young Greeks can be coined in one word – *emigration*. In 2011 alone, 23.800 Greeks emigrated to Germany in search of a better future, a 90 per cent increase from 2010 (Papachristou and Elgood 2012). In 2011 over 35,000 Greeks registered their CV under the Europass regime which is intended to increase mobility within the EU (Malkoutzis 2011).

Brain drain

A crucial and yet intriguing issue with the current propensity amongst young Greek to emigrate is that opposed to earlier migrant movements in the 1960s and 70s, this generation is proportionately extremely well-educated and highly-skilled. Among the Greeks aged 20 and 24, the percentage of upper secondary school education is 83.4 per cent when the EU average is 79 per cent. Furthermore, within the 25-34 group the percentage of people speaking at least one foreign language is 53.85 with the EU average at 39 per cent (Malkoutzis 2011). Another noteworthy factor is the exportation of Greek students for undergraduate and postgraduate studies abroad. According to Ivo (2011), approximately 30,000 students from Greece study abroad each year, a trend that has peaked due to the crisis. Traditional destinations of Greek students include predominantly UK, USA, Netherlands and Germany (Doatap 2006).

This raises an important question: What is the likely outcome of this emerging pattern of emigration? The straightforward interpretation is relatively simple: talented and skilled young Greeks are seeking a better future abroad and those who are already there will shy away from repatriation. Whilst the longer-run effects are considerably harder to calculate, one thing seems certain: Greece is losing one of the key factors for economic growth and development, namely, its young, educated and skilled workforce just at the point when they are about to be most needed. It is impossible to imagine how an economic upturn can be introduced in the absence of a suitably young, educated and skilled workforce.

Some general observations

Although it is impossible to sketch a comprehensive map of all the outcomes, it is possible to make some concise yet noteworthy observations pertinent both directly and indirectly to the issue of the Brain Drain and the Greek crisis.

1. *Failure of austerity measures*. Greece has been subjected for the past three years to unprecedented austerity measures, violent slashing of salaries and wages, reductions in social welfare and sharp increases in taxation – especially for poor and middle income Greeks. Nevertheless, economic activity continues to decline, unemployment still escalates, and sovereign debt still grows. This has, unsurprisingly, given rise to voices observing the

failure of austerity measures, and arguing for the need to boost the economy and spur development (Arestis and Pelagiadis 2010; Boyer 2012; Mann2012)

2. It remains a well entrenched fact that Greece is in expedient need *for cornerstone reforms* to restructure the labour market, eliminating many rigidities and cumbersome practices. Whether this is best tackled by what are, effectively, `slash and burn´ labour market policies is, however, highly debatable.
3. *A Southern European Phenomenon*. Spain, Portugal and Italy are currently undergoing similar financial and fiscal difficulties as Greece, with Spain particularly succumbing to levels of unemployment reaching 25 per cent (BBC 2012). Henceforth, it is highly probable that a contagion phenomenon might arise encompassing the entire European South if things further worsen.
4. Brain drain as a phenomenon *per se* is *highly volatile and difficult to monitor* (Commander *et al*. 2004; Adams 2003), particularly within the EU given free movement of labour. Even more, it might be the first time that such an event has taken place so massively and at such breadth with the outflow coming from a so-called developed country.

Conclusions

Despite the importance of the Brain Drain for Greece, and perhaps the other struggling economies of the European South, at present it is virtually unrecognised as media attention is focussed upon current `fire-fighting´ policies. Nonetheless, if the problem is as serious as I suspect, it will be even more important to use extant research as a springboard to inform public policy and national institutions on how to remedy this situation. Particularly as the crisis still rages on with little to no signs of control, the need for empirical work in the field becomes even more pronounced.

Important directions for further research should be pegged against a number of key policy themes including how to creatively curtail the outflow of young, highly educated and skilled labour, perhaps by offering incentives to stay in Greece so that they can assist a future economic recovery. Equally important is to monitor the tendency and register important themes including economic and social aspects, demographics as well as reception and absorption in destination countries. This will require a collective effort to investigate the issue further.

References

Adams, R. (2003) International migration, remittances and brain drain: A study of 24-labour exporting countries, World Bank, Policy Research Working Paper 3069.

Arestis P and Pelagidis T (2010) Absurd austerity policies in Europe *Challenge* 53(6): 54-61.

BBC News (2012) Spanish unemployment hits record 5.64 million, BBC News, Online, accessed 30/5/2012 via www.bbc.co.uk/news/business-17866382

Bollier, S. (2012) Economy Top Concern for Greek Students, Chicago Tribune News, Online, accessed 30/5/2012 via www.chicagotribune.com/news/sns-mct-economy-top-concern-for-greek-students-20120504,0,2025892,full.story

Boyer, R. (2012) The four fallacies of contemporary austerity policies: The lost Keynesian Legacy *Cambridge Journal of Economics* 36:1:283-312.

Commander, S., Kangasienmi, M. and Winters, A. (2004) The brain drain: Curse or boon? A review of the literature in Baldwin and Winters (eds.) *Challenges to globalisation: Analysing the economics* pp 235-278 Chigaco: University of Chicago Press

Doatap (2006) Recognition of foreign degrees for 2006, Hellenic National Academic Information Recognition Centre (NARIC), Online, accessed 30/5/2012 via www.doatap.gr/gr/2006.php

European Commission (2012) The second economic adjustment programme for Greece, European Commission Occasional Paper 94 accessed 30/5/2012 via http://ec.europa.eu/economy_finance/publications/occasional_paper/2012/pdf/ocp94_en.pdf

Featherstone, K. (2011) The Greek sovereign debt crisis and EMU: A failing state in a Skewed Regime *Journal of Common Market Studies* 49(2): 193-217

Greek Ministry of Finance (2012) Hellenic National Reform Programme 2012-2015, Greek Ministry of Finance Online, accessed via http://ec.europa.eu/europe2020/pdf/nd/nrp2012_greece_en.pdf 30/5/2012

Hadjimatheou C (2012) Wasted talent: Greece's young unemployed majority, BBC news, accessed 30/5/2012 via www.bbc.co.uk/news/world-europe-17464528

Ivo, A. (2011) Students: A Greek expo success story Euromonitor, Economonitor accessed 30/5/2012 via www.economonitor.com/blog/2011/06/students-a-greek-export-success-story/

Malkoutzis N (2011) Young Greeks and the crisis : The danger of losing a generation, International Policy Analysis, Friedrich-Ebert Stiftung, accessed 30/5/2012 via http://library.fes.de/pdf-files/id/ipa/08465.pdf

Mann, K. (2012) Resistance to neo-liberalism: France, Greece, Spain and the US *Perspectives on Global Development and Technology* 11(11): 82-191.

Nelson, R., Belkin, P. and Mix, D. (201) Greece's debt crisis: Overview, policy, responses and implications, congressional Research Service, R41167, accessed 30/5/12 via www.cfr.org/greece/crs-greeces-debt-crisis-overview-policy-responses-implications/p22175

Papachristou, H. and Elgood, G. (2012) Nightmare foretold if Greece heads for the Euro-exit, Reuters, accessed 30/5/2012 via www.reuters.com/article/2012/05/18/us-greece-grexit-idUSBRE84H0HW20120518

Steinbock, D (2012) The Eurozone debt crisis: Prospects for Europe, China and The United States *American Foreign Policy Interests: The Journal of the National Committee on American Policy* 34(1): 34-42.