Greece faces losing a whole generation of workers

Friday, December 30 2016

One of the most prominent features of the Greek economic crisis has been the dramatic rise in the unemployment rate -- 23.1% in September 2016 (seasonally adjusted) -- having reached a peak of 27.9% in July 2013. Because of this, Greece has experienced a large wave of outward migration in search of better job prospects. Many of these emigrants are young, educated and dynamic, a trend which has significant repercussions for the country's economic recovery and longer-term development.

The Australian flag flies outside the embassy in Athens, which is offering tips for would-be emigrants (Reuters/John Kolesidis)

What next

The real winners of emigration are the host countries, which benefit through the import of skilled labour and the overall contributions to their GDP. In the long run, if the Greek economy does not recover in a sustainable way and does not become competitive, it risks losing irrevocably one or even two generations of its future workforce.

Impact

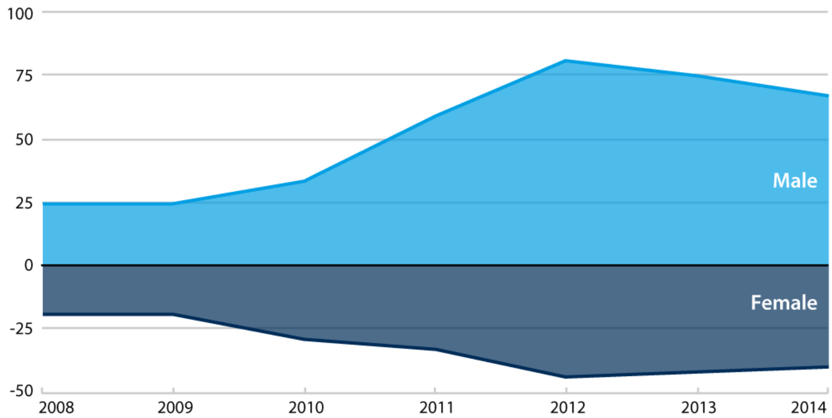
- The brain drain is having a negative impact on Greece's entrepreneurial activity and especially on the number of start-ups in the country.
- Greece will continue to lose immensely from emigration in tax revenues and contributions.
- Most of the new migrants would return to Greece if conditions become more favourable.

Analysis

The human capital that has fled Greece since January 2008 totals somewhere between 350,000, according to Endeavor Greece, and 427,000, according to the Bank of Greece.

Anatomy of emigration

Migration outflows have risen by 300% on pre-crisis levels, the youth unemployment rate soaring to more than 50% in 2012-14 (see GREECE: Young people to benefit least from 'recovery' - December 20, 2012):



Greece: Estimated emigrants (thousands of people)
Source: Hellenic Statistical Authority

Recession has been hardest on the young

- It is estimated that around 55% of those affected by record rates of unemployment are under 35.
- More than two out of three post-2009 emigrants are university graduates.
- One-quarter of the total outflow comprise holders of post-graduate degrees and/or graduates of medicine or professionals from Greek polytechnic schools.

Previous waves of emigration into Northern Europe, the United States and Australia were dominated by low-skilled male manual workers, mostly from rural areas, who sent remittances back to the homeland and often relied on state-led programmes of employment and integration.

The current wave of emigration is largely skilled or semi-skilled labour, and is based on individual decision-making and a free-movement mentality. Instead of boosting the export industries much needed to bring back economic recovery, Greece has ended up as an exporter of brains, while benefiting very little from emigrants' remittances.

Push factors -- problems at home

The current wave of emigration is the outcome of the prolonged economic recession and includes such push factors as the lack of job opportunities for young professionals, the dramatic rise in unemployment, the shrinking of the private sector and the relocation of private businesses to more attractive tax environments abroad, the steep reduction of incomes and salaries, the deterioration of the welfare sector, the lack of public sector jobs and the inflexible and immobile nature of the Greek labour market.

There are also structural push factors such as corruption, barriers to talent, inability to find work in graduates' field of studies and unsatisfactory working conditions. These have always been reasons for leaving, and will discourage people from returning to Greece in the near future.

During the recent economic recession, the country also experienced a high degree of emigration of non-Greek nationals living in Greece, from developed economies such as Canada, the United States and Sweden, who returned to their home countries, as well as citizens from former communist countries such as Albania, Poland or Bulgaria, who also had to return to their own countries or were forced to move on to more attractive destinations.

In addition, Greece lost members of its own historical diaspora who had returned to Greece as a result of rising prosperity but chose to leave the country once again as a result of the crisis, among them many Greek-Australians.

Pull factors -- opportunities abroad

Of those who have left, more than half have gone to European destinations, primarily Germany and the United Kingdom, followed by other EU member states, but also to the United States, Australia and Canada -- historical destinations for previous immigration waves -- as well as new places with job opportunities in the Middle East, such as the United Arab Emirates, and the Far East.

The pull factors in the destination countries include better salaries and welfare systems, better standards of living, social networking, older Greek diaspora links and, at times, the organised job campaigns mounted by Germany or Australia.

Free movement within the EU makes emigration easier for most Greeks as it allows them to move easily and speculatively for potential job opportunities in Europe. The better skilled and educated find jobs through personal search, the United Kingdom being a popular destination, while the middle-to-lower skilled use social networking and prefer former emigration destinations in Germany or the Netherlands.

The brain drain is most visible in the IT sector, education and research, medical and paramedical professions, hotel services and catering and engineering.

Free movement within EU has helped current wave of emigration

Impact of emigration

The exodus of the younger and more dynamic part of the Greek populations has significant impacts for the economy, society and demography.

Greece

The economic value of remittances is very limited, with some emigrants even receiving extra income support from families in Greece. In addition, emigration puts further strain on a shattered pension system, reducing much-needed contributions to pension funds and an over-indebted state sector.

The human capital leaving Greece has been trained in the very expensive Greek higher education system which is exclusively state-oriented and funded almost entirely by taxes; it is also expensive for families who have to pay for education in Greece or abroad, producing skilled labour which either leaves Greece or remains abroad. As a result, Greek- and Greek-family-sponsored education ends up contributing to host countries' economies.

Host countries

Recent estimates show that the emigrants, who are mostly holders of higher education degrees, contribute 12.9 billion euros (13.4 billion dollars) annually to the host countries' GDP and 9.1 billion euros in tax revenue (7.9 billion in income taxes and contributions, and 1.2 billion in value-added tax). In addition, it is estimated that the contributions of Greeks who have emigrated since 2008 have raised the GDP of the countries that they moved to by more than 50 billion euros.

Potential of Greek diaspora

This new wave of outward migration adds to an already large diaspora around the world, which is seen to have great potential for Greece's future.

However, in the current economic climate, the most that Greece can hope for is to encourage diaspora involvement through economic development from overseas. To date the Greek governments have done little to engage with Greeks abroad, apart from calls for investment in Greece and appeals to their patriotism and sense of nationhood, and have not come up with alternative ways to benefit from Greek economic and intellectual successes abroad.

In the long term, most desirable, from a Greek perspective, is for some form of brain return, but for this to take place, the country needs to come out of its chronic slump in a sustainable way, and to adopt reforms that will facilitate labour return and entrepreneurship (see GREECE: Draft budget will increase taxpayers' burden - October 10, 2016).