Area-based policies in urban areas – how to promote good living conditions for children and youth

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Introduction

Greece is going through a major economic and social crisis. GDP has been falling continuously since the beginning of the crisis in 2008 up to 2011 (the rate of growth was -6.9% in 2011, -3.5% in 2010 and -3.2% in 2009). It is strongly expected that the recession of the Greek economy in 2012 will be deeper than projected, given that recent data (October 2012) estimate a recession of more than 7.2% of GDP.

The social impact of the crisis has also been extremely severe so far. The employment rate declined from 66.5% in 2008 to 59.9% in 2011. It declined in almost all economic sectors, although recession particularly affected cyclical sectors, such as construction, manufacturing and trade. Unemployment has increased dramatically (17.7% in 2011 from 7.6% in 2008 – annual average). It is likely that it will increase further in 2012, given that during the first semester has reached 23.1%. Long-term unemployment has reached 9.1% of the labour force and youth unemployment was 53.8% in October 2012, which is almost twice as high as it was 2 years ago.

Prior to the crisis, Greece had one of the highest at-risk-of poverty and/or social exclusion rate in the EU. Nevertheless, the factors increasing poverty have been exacerbated, disposable income has been hit (down 9.3% in 2010, cuts in average wages of almost 30% between 2009 and 2011), homelessness is increasing rapidly and in-work poverty remains at a high level (13.8% in 2010). Rising unemployment leads more and more people to non-contributory social programmes, the cost of protection keeps increasing and there is a growing fear, particularly among international donors, that unemployment / welfare benefits operate either as popularist redistribution of public funds or as major disincentives to seek or retain a job1.

1 This risk is expressed through the terms of “unemployment trap” (welfare recipients who are discouraged from seeking work) and “poverty trap” (welfare recipients who undertake low paid jobs find that their situation worsens by the combination of reduction of benefits and taxation).
1. The national policy context

Since 2010, Greece has taken a wide range of measures in order to bring public finances back on a sustainable track, with the support of international donors, known as the mighty Troika (International Monetary Fund, European Commission, European Central Bank)\(^2\). These measures led to a reduction in the budget deficit to GDP ratio from 15% in 2009 to 9% in 2011, in a highly unfavourable economic context.

The First Economic Adjustment Programme was launched in May 2010 and committed a loan package of €110 billion, of which €73 billion was disbursed. In June 2011, the Socialist Government adopted a Medium Term Fiscal Strategy (MTFS), which comprehends new measures amounting to 12% of GDP and provides a roadmap for the adjustment effort up to 2015.

In early 2012, the Coalition Government adopted a supplementary budget with additional fiscal measures to realign with the targets of the MTFS. It also adopted a new Memorandum of Economic and Financial Policies with the Troika on 9\(^{th}\) February 2012 aimed at securing the continued disbursement of financial assistance by the European Financial Stability Facility. This Memorandum sets targets on Greece for fiscal consolidation as a condition of drawing down further Troika financial support\(^3\). The Second Economic Adjustment Programme was agreed in March 2012 with a loan package of €130 billion in addition to the amounts not disbursed from the First Programme.

As a small catalyst within a rather complex global background\(^4\), the Coalition Government (in power from December 2011 – till May 2012) introduced severe austerity measures in the social protection field, such as the reduction in the rate of ordinary unemployment benefit, pension cuts, stricter rules for the provision of the rather popular among elderly ‘Social Solidarity Allowance for Pensioners’ (EKAS)\(^5\), wage and labour income reduction, increase in VAT on domestic fuel, increase of 4% in standard VAT and the suspension of the rent subsidy programme for low income employees. A new solidarity contribution was introduced because of the increased expenditure for unemployment benefits (due to the rapidly increasing number of the recipients). Some benefits have become means-tested (e.g. the large family benefit), some others have been reduced (e.g. family benefits for public sector employees).

The austerity measures have pushed more people into poverty. In 2009, 19.6% of the Greek population was poor\(^6\). The rate would increase only marginally after the economic recession and the introduction of the austerity measures in 2010 and 2011. This modest increase is not surprising as the median income fell. However, measuring poverty taking as a base the 2009 median income, i.e. the pre-crisis income, suggests a significant increase in poverty. With the

\(^2\) The total package of assistance to Greece, including loans from EU and financial institutions, write-downs on private sector debt holdings, and grants from the EU structural and other funds, adds up to about €380 billion. This is equivalent to 177% of Greek GDP.


\(^5\) EKAS was introduced in 1996 as a non-contributory means tested benefit paid to poor persons receiving an old age, survivor or invalidity pension under a social insurance scheme supervised by the Ministry of Labour, Social Insurance and Welfare (except farmer pensioners).

\(^6\) This figure is based on the Eurostat calculation of poverty rates, which uses the percentage of the population that has an annual income of less than 60% of the median income, including old age and survivor pensions.
combined effects of austerity and recession, the poor would account for 25.83% in 2010 and 30.49% in 2011.

1.1. The Greek approach to Social Security

The Greek social security system is a rather complex model that supplements the traditional role of families and community networks as the main providers of care against risks, needs and ills. It is promoted through the application of three different techniques: social insurance for persons active in the labor market, social assistance for needy uninsured persons and a national health scheme for all persons living in the Greek territory. As far as administrative issues are concerned, the social insurance system is regulated and supervised by the Ministry of Labour and Social Insurance, while health care and welfare policies were monitored till mid 2012 by the Ministry of Health and Social Assistance (the term “Assistance” is replaced by “Solidarity” since 2004, after the general elections of March 2004). Since July 2012 the Ministry of Labour and Social Insurance took responsibilities over the welfare sector and is now on called Ministry of Labour, Social Insurance and Welfare.

Ministries involved in the field of social protection (in particular the Ministry of Labour, Social Insurance and Welfare and the Ministry of Health, but also the Ministries of Interior, of Competitiveness & Development, and others) enjoy a high degree of freedom in determining policies and proposing expenditures. Coordination is a particularly weak feature of the Greek social administration, which prevents a comprehensive overview and favours fragmented measures with no mechanism to ensure coherence and financial sustainability.

The Parliament also has a limited role in the social security process and review. In past years, the so-called social budget was not a real budget but a simple working document retracing budgeted expenditures and resources ex post. Recent reforms are changing this: the 2012 budget process proposes a presentation of expected expenditures and resources ex ante. Related reforms will also be needed to give Parliament the means to carry out an effective scrutiny of budget proposals, for example a streamlining of the budget presentation, strengthening of Parliamentary structures and capacities for review as well as a longer period for examination of texts.

The Social Insurance System (Systima Koinonikis Asphalisseos) is the basic cornerstone of the domestic social security model. Its function, as has been developed since the 1950s, aims at covering traditional social risks of workers, employees and self-employed through the provision of cash benefits and services, which address problems related to the reduction or loss of income gained through employment. The system is based on three insurance pillars: (a) the first pillar corresponds to the public schemes of compulsory main and supplementary insurance, which function through legal entities supervised by different ministries, (b) the second pillar is promoted by occupational funds at the level of enterprises and (c) the third pillar is developed through individual and collective insurance plans.

The Social Welfare / Assistance System (Systima Koinonikis Pronoias) forms the final safety net for needy persons without sufficient means. It is based on categorical minimum income schemes, which cover specific welfare target groups, as the elderly, the handicapped, single

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parent families and children in need. These schemes were introduced in the 1960s and developed during the 1980s.

Social welfare schemes are administered at the local level under the supervision of the Ministry of Labour, Social Insurance and Welfare, given that the welfare sector passed in July 2012 under the competence of the central employment administration. Each municipality runs a social services department, which bears responsibility for the implementation of welfare programmes in the area concerned; this department administers cash benefits financed by the Ministry and promotes personal social services financed both by the Ministry and the prefecture concerned.

The current welfare system provides cash benefits, benefits in kind and personal social services through municipalities and decentralised legal bodies supervised by the Ministry of Labour, Social Insurance and Welfare. Social services are also provided through local communities and a network of voluntary bodies and NGOs actively involved in the framework of policies for children, refugees and persons with special needs.

1.2. Policies to combat Poverty and Social Exclusion

Social welfare practice in Greece is characterised by the limited application of the subsidiarity principle in comparison with the implementation of the insurance principle for the coverage of the working population. There is not any single social assistance scheme covering the whole population but distinct programmes directed to specific target groups. As a rule, only people who are not eligible for any social insurance benefit are entitled to assistance, with the exception of certain categories of disabled persons who may receive both insurance type pensions and welfare allowances. The levels of assistance benefits vary considerably from scheme to scheme, but are generally very low, unable to guarantee sufficient means and adequate living standards. Usually the benefits are subject to a means test, with the exception of cash benefits for disabled (universal benefits).

The absence of a general welfare scheme is partly covered through the introduction of assistance elements within the social insurance schemes (such as the minimum pensions or the social solidarity allowance for pensioners). There were legislative attempts to introduce a general assistance scheme and to improve existing categorical programmes, which led to the establishment of the National Social Care System in 1998. Nevertheless, the development of a national minimum income scheme is still a hot issue in the political agenda.

Personal social services are developed with the scope to address particular complex needs, which cannot be covered through cash benefits or benefits in kind. Therefore, they constitute the third pillar of the welfare system, which functions almost independently from the first pillar (income supplement schemes through cash benefits) and the second pillar (schemes covering basic needs through the provision of benefits in kind).


Unemployed persons who have exhausted entitlements to insurance benefits are not entitled to any support from existing categorical welfare schemes; they are only entitled to discretionary lump sum payments in case of emergency, equal to 580€ per year, paid by the Social Services Departments of Municipalities. This is the main reason why unemployment stands as the main poverty risk factor in contemporary Greece.

On the other hand, welfare beneficiaries are not subject to any activation condition and they may receive benefits irrespective of their efforts to follow active employment programmes and re-integrate effectively into the labour market.

In this context, Greece has set up three national targets in the National Reform Programme 2011-2014 aiming at monitoring and evaluating the efficiency of social protection policies, namely:

- Reducing, by 2020, the number of people at risk of poverty and/or social exclusion (AROPE) by 450,000, which means a reduction of AROPE rate from 28% in 2008 to 24% in 2020;
- Reducing the number of children (0-17 years) at risk of poverty by 100,000 by 2020, which is translated into a reduction of at-risk-of-poverty rate for children from 23% in 2008 to 18% in 2020; a slight decrease can be observed between 2010 and 2009 but it is based on the 2009 and 2008 income respectively;
- Building an efficient ‘social safety net’, which includes access to basic services, such as medical care, housing and education.

These targets are supplemented by two other national targets:

a) The number of early school leavers should fall below 10% by 2020. This is especially important in order to fight poverty in the long run due to the fact that the majority of the poor and excluded in Greece have got low educational attainment;

b) The employment rate should rise to the target level of 70%. A variety of social programmes aiming at improving the access of vulnerable social groups to the labour market has been designed by the National Employment Agency.

Although these targets will be subjected to review and, potentially, revision in 2014, in order to reflect the social impact of the crisis and the fiscal consolidation, the current trends regarding the main parameters directly co-related to child poverty indicate that the bar might have been set high; children (0-17 years) living in jobless households have increased from 3.6% in 2008 to 9.2% in 2011, or by roughly 110,000 individuals within 3 years. In the same period, material deprivation appears to have exacerbated affecting 25.3% of children in Greece and 23.3% of adult population in 2010, compared to 18.7% and 20.4% respectively.

In order to reach these poverty targets, removing barriers to labour market access becomes the most fundamental challenge. Furthermore, Greece faces an important in-work poverty issue (most of the poor children live in “in-work poor households”), while the number of the unemployed poor (below the EU poverty line) has also sharply increased since 2008. Last but not least, the efficiency of active employment policy towards vulnerable groups by increasing targeting and activation is also a main challenge.
In this context, efforts have been made to facilitate a smoother and more progressive distribution of the consolidation burden among the population, while the horizontal benefits policy has also changed. Additional measures to limit the social consequences of the crisis include:

- introduction of a new institutional framework on the development of social innovation and entrepreneurship through social enterprises;
- development of employment programmes for vulnerable groups implemented by the Greek Manpower Organisation, regional programmes to advance employment (TOPSA), local social integration projects (TOPEKO);
- development of integrated care services for poor families with children;
- establishment of a new scheme to support homeless in urban areas.

As far as children poverty is concerned, poor children are entitled to marginal welfare cash benefits only whether they satisfy severe eligibility conditions to enter the so called scheme for unprotected children. This is a rudimentary scheme introduced in the early 60’s, monitored by the Ministry of Labour, Social Insurance and Welfare and administered by the Social Directorates of Municipalities. **It provides a monthly allowance equal to 44 euros** to single parent families or persons who take care of children without families, under the condition that their annual income does not exceed 3.000 euros!

Municipalities are also competent to provide discretionary welfare benefits to poor children not eligible to other benefits, but this option is rarely applied so far due to the severe crisis.

2. **Addressing poverty through area-based policies in urban areas**

Despite the current highly unfavourable economic context, the Ministry of Labour, Social Insurance and Welfare has designed a set of innovative measures to combat regional aspects of poverty and social exclusion, taking advantage of resources from the Community Structural Funds (particularly the European Social Fund) and the European Economic Space. These measures are financed by the Operational Programmes “Human Resources Development” 2007-2013 (TOP EKO Initiative) and the EEC Financial Grants Mechanism (Integrated local support services for poor families with children in urban areas), aiming at developing active local networks in urban areas facing extremely high rates of unemployment, poverty and/or social exclusion, through the participation of a wide range of stakeholders, such as social partners associations, municipalities, local businesses, local branches of the Hellenic Manpower Organisation (responsible for the development of active employment policies and the management of insurance unemployment compensation schemes), religious organisations and welfare NGOs.

A. "Local Actions on social inclusion of vulnerable groups" (TOPEKO Projects)

The TOPEKO Initiative (more details available in the Appendix) focuses on the mobilisation of local stakeholders with a view to promote the creation of jobs for unemployed vulnerable social groups, through specific local needs diagnosis and development of social local programmes. It follows a bottom-up philosophy at all stages of planning, design and implementation and involve different levels of government, local institutions and
stakeholders, as well as the target groups, through processes of social dialogue and collaborative approach.

In this respect, local partnerships, known as “Development Partnerships”, are responsible for the implementation of all projects undertaken in this framework. Development Partnerships consist of members of local community, businesses, professional organisations, non-governmental organisations and institutions of civil society who decide to join forces, skills and experience to jointly implement a comprehensive intervention in local level.

The beneficiaries of the intervention are unemployed belonging to vulnerable target groups, including long-term unemployed aged over 45 with low qualifications, people with disabilities, women victims of domestic violence, women / Men victims of trafficking, single-parent families, immigrants, refugees, homeless, and people in state of poverty / at risk of poverty.

TOPEKOs are result-oriented, as the payment of the grant is directly linked to the employment of all the beneficiaries, either by setting up their own business, or by assisting the further development of existing businesses. To this end, TOPEKOs have placed emphasis on the potential of social economy, through the establishment of sustainable social co-operatives. These projects receive 100% of the grant by providing jobs and retaining them for at least three (3) months, otherwise the amount of repayment is proportional to the percentage of job creation. So far, within the TOPEKO framework 132 Action Plans, involving 12,000 beneficiaries and total budget of 60.000.000 € have been approved and are underway.

**B. Integrated local support services for poor families with children in urban areas**

This Initiative is monitored by the Special Coordination and Monitoring ESF Unit and is co-financed 50% by the Financial Mechanism EEA and 50% from national resources. Following the end of the co-funding period (30.04.2012), the Ministry is committed to the continuation of the programme for a decade. The Project is implemented in four urban areas faced by high rates of child poverty and social exclusion (Municipalities of Fylis, Keratsini – Drapetsona, Xanthi and Penaeus) with the aim to guarantee a basic range of services for children and their parents through Local Support Centers. Relevant services include:

- advice, information and guidance;
- personal care services with emphasis on empowering children;
- advice and support to parents, along with active measures to promote employment of parents, especially women;
- vocational training of volunteers to provide home support and practical help.

Local Support Centers provide this range of services to children up to 16 years old and their parents or guardians who reside within the regional framework of the municipalities, under the following conditions:

- live in a situation of absolute poverty and are unable to meet basic subsistence needs or live in poor housing conditions or in extreme deprivation with deficiencies in basic infrastructure or lack access to health, nursing care and social insurance services or
experience particularly difficult situations, such as entanglement in an environment characterised by the use of toxic substances and alcohol, or juvenile imprisonment, chronic diseases, or disabilities, etc.;

- belong to vulnerable groups with particular cultural characteristics and religious differences or are children who are outsiders in preschool and school education or are at risk to drop-out or have poor attendance or have already left school or are children with learning, developmental or other difficulties and do not have access to care systems for diagnosis, treatment or rehabilitation;

- are children who are forced into child labour and beggary or are children who experience abuse, neglect and violence within their family.

3. **Lessons from the Groruddalen Initiative**

Greece and Norway constitute an interesting case for comparative institutional and policy analysis about the impact of the *sharp financial crisis* on national social security / welfare regimes. Greece is a typical example of the Mediterranean / Southern model of welfare\(^{10}\), given that the state supplements the traditional role of families and community networks as the main providers of care against risks and has developed rudimentary institutional trajectories for the guarantee of social rights. On the other hand, Norway is a typical example of the Nordic model of welfare, given that the state has developed a universal approach for the guarantee of social rights and receives high scores in decommodification and anti-poverty objectives.

The Norwegian policy shows that the engagement of local authorities and the development of local partnerships are crucial in order to implement holistic approaches and improve innovative measures that respond to the particular needs of local communities. The experience in Norway regarding children poverty makes clear that strong policy commitment at the local level is necessary to alleviate poverty and social exclusion of vulnerable groups.

As the Groruddalen Action Plan demonstrates, there are certain advantages to promote cooperation techniques between local stakeholders in the delivery of social inclusion services. Similar initiatives, though more moderate and mainstream in their scope, have been initiated in Greece. To this end, it is expected that the recent establishment of the legal framework on Social Economy and Social Co-operative enterprises will act as a catalyst in further promoting the activation of civil society organisations.

3.1. **Similarities and differences between countries**

In comparison to Greece, Norway has adopted a rather different approach on the development of national central level employment, social insurance and welfare initiatives, while local communities apply a broader set of responsibilities in the social policy domain.

The development of sound innovative measures to combat regional aspects of poverty and social exclusion is not a key priority for Greek social policy makers during the implementation of the Financial Stabilisation Mechanism of the Greek Economy since May 2010; the sustainable delivery of social security benefits/services through public schemes is no longer possible without financing from external Troika resources (EU, ECB, IMF), while a strong distinction between insured and non–insured persons has changed dramatically the policy agenda on pensions, unemployment and social care.

In this rather complex context, the Groruddalen Initiative provides an interesting case to combat regional disadvantages within a short term reform agenda in Greece, while the fundamental challenge remains clear: to introduce a concerted national strategy that guarantees minimum income benefits, access to social services and labour activation for every person in need through targeted initiatives.

Moreover, fighting unemployment is the key objective of the initiatives against child poverty and exclusion in Greece, whereas the services provided under the pilot projects mostly respond to basic social needs of children, youth and their families, such as school education, training and social care services. Norway, on the other hand, has more innovative actions to display, including core hours in kindergartens, culture workshops, etc. The approach adopted in the Groruddalen Projects embraces the concept of local autonomy and adapting to the specific local needs and features.

3.2. Learning value of the Groruddalen Initiative

The Groruddalen Initiative raises a set of key challenges for Greek national and local policy makers, which should be classified as follows:

- Should we consider children and youth poverty as a life risk without quality guarantees?
- How can we strengthen commitment among local stakeholders to tackle social exclusion through urban development initiatives?
- How should we engage both voluntary organisations and the market in local partnerships?
- What are the main institutional and policy challenges to activate young unemployment beneficiaries in an era of fiscal constraints?
- What should be done to further strengthen EU action against youth unemployment, poverty and social exclusion, in particular regarding Member States where the situation is the worst due to the economic crisis?
References


### Appendix

**TOPEKO - “Local Actions on social inclusion of vulnerable groups”**

<table>
<thead>
<tr>
<th>Region</th>
<th>TOP EKO Budget in Euros</th>
<th>Approved TOP EKO Action Plans</th>
<th>Submitted TOP EKO Action Plans</th>
<th>TOP EKO Beneficiaries</th>
<th>Average Cost/Beneficiaries</th>
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