

Inequality and Poverty in Greece: Myths, Realities and the Crisis

Panos Tsakloglou
Athens University of Economics and Business

Theodore Mitrakos
Bank of Greece

Distributional issues are almost always in the centre of Greek public discourse while, in recent years, empirical investigations of several aspects of inequality, poverty and social exclusion have been carried out. However, many assertions made in the public discourse are not substantiated, sometimes are contradictory and in several instances are not supported by the findings of empirical studies. The paper provides a detailed picture of the structure and the inter-temporal trends in inequality, poverty and aggregate welfare in Greece during the period 1974-2008 using the information of all available Household Budget Surveys (1974, 1982, 1988, 1994, 1999, 2004 and 2008). Further, it provides some insights into the likely distributional changes after the eruption of the crisis. The empirical results of the paper demonstrate very clearly that inequality and relative poverty declined – although not monotonically – throughout the period under investigation. Nevertheless, their estimates are still higher than those of most EU and OECD countries. Using inequality decomposition techniques it is shown that inequality emanates primarily from differences between socioeconomic groups even when these groups are very narrowly defined, while the results of inequality trend decomposition analysis suggest that, in most cases population changes contributed to declines in inequality. The socio-economic groups at high risk of poverty did not change substantially during the period under examination although, due to substantial changes in their population shares, their contributions to aggregate poverty did change dramatically. In general, in earlier periods poverty was associated primarily with employment in the agricultural sector while in more recent periods with old age (and, during the recent crisis with unemployment). Aggregate welfare rose unambiguously and poverty was almost eliminated in absolute terms during the period under consideration. Finally, unlike what is commonly accepted in the public discourse, the distributional effects of the austerity measures adopted during the first year after the crisis seem to be, to a considerable extent, distributionally neutral or even progressive, although this is not necessarily the case of the effects of the ensuing increase in unemployment.