

# The COVID-19 pandemic and new poverty

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## Greek policy measures

(and brief comparisons with measures introduced in Germany)

- ▶ Preservation of minimum guaranteed income
- ▶ Suspension of employee contracts and special allowances
- ▶ Leave of absence for high-risk groups (mainly patients and working parents)
- ▶ Assistance for the unemployed
- ▶ Business support measures

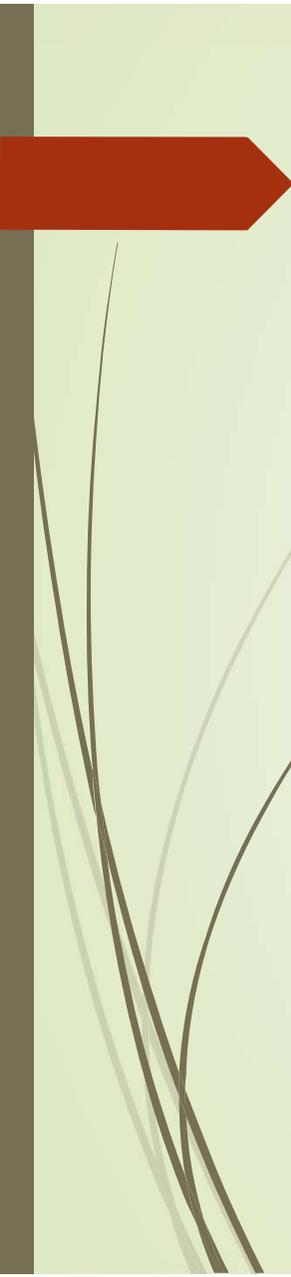


# Quality of life during the coronavirus pandemic

- ▶ The COVID-19 pandemic has had a major impact on the way people live and work, profoundly affecting their physical and mental well-being.
- ▶ According to a recent survey by Eurofound on prosperity and quality of life during the coronavirus pandemic, respondents from the EU rated their life satisfaction at 6.3, on average, and their level of happiness at 6.4 on a scale from 1 to 10
- ▶ 38% of respondents stated that their financial situation would further deteriorate in three months' time.

# Minimum guaranteed income

- ▶ In Greece, the minimum guaranteed income is provided by the social security programme. Approximately 273,000 households are entitled to this benefit.
- ▶ Criteria for eligibility are based on a) income, b) assets, and c) residence.
- ▶ **Income criteria:** For the purpose of inclusion in the programme, the household income during the six months prior to submission of the application may not have exceeded a household's guaranteed income amount by six-fold. The guaranteed income amount is as follows: EUR 200 euros per month for a single person household, EUR 100 for any additional adult, and EUR 50 for any minor living in the same household. A household's total income after payment of the social solidarity income cannot be lower than the aforementioned amounts.
- ▶ **Assets:** The total value of the household's taxable real estate may not exceed EUR 90,000 for the first household member, and increases by EUR 15,000 for any additional household member, while the max. upper limit is EUR 150,000.
- ▶ **Bank deposit limit:** EUR 4,800 for a single person household, increased accordingly for any additional household member.

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- During the COVID-19 pandemic, no change was made to the requirements for payment of this benefit **in Greece**, nor was any other measure introduced to secure minimum income.
  - Employees whose work contract was suspended were offered rent relief for their permanent residence, as well as for the residence of their children studying in another city.
  - In **Germany**, access to basic income support was temporarily eased and the amount partly increased. The benefits are approved provisionally and paid out very quickly.
  - Low-income families received additional support through increases in child support allowances and easier access to minimum social support schemes (e.g. by linking these to income in previous months and expanding eligibility).
  - Payments from the emerging and bridging programmes are not considered a functionally equivalent benefit and are therefore, in principle, not considered income when applying for social assistance.
  - Social assistance is paid for six to nine months without applying a means test, with a retroactive review under certain conditions only.



# Suspension of employee contracts and special allowances

- ▶ **Businesses whose operations were fully suspended as a result of government COVID-19 measures** were required to suspend employment contracts. These businesses were prohibited from reducing staff for the entire duration of the suspension period by terminating their employment contract. In case of termination, it would be deemed null and void.
- ▶ **Businesses that suffered a decline in revenue without having fully suspended their operations** are entitled but not required to suspend or extend the suspension of employment contracts. Once the contract suspension period ends, the employer is bound by law to retain the same number of jobs and the same types of employment contracts for a duration that is equal to that of the suspension of employment contracts of their employees.

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- ▶ Employees whose employment contracts were suspended were entitled to special purpose compensation (EUR 534 per month). This special purpose allowance is non-taxable, non-assignable and may not be offset by any debt.
  - ▶ For private sector employees whose employment contracts were suspended, the fraction of their Easter and Christmas bonus that corresponds to the period of suspension was covered by the state budget.
  - ▶ **In Germany**, the short-time working benefit ('Kurzarbeitergeld' - Kug) was re-introduced and became more flexible (by lowering the requirements for eligibility and increasing the amount of the short-time working scheme).
  - ▶ Kug intends to preserve jobs, prevent and reduce lay-offs, and to provide compensation for employees affected by short-time work.



# High-risk groups and special purpose leave of absence

- ▶ In Greece, two types of special leave were enacted during the COVID-19 pandemic:
- ▶ 1. Special purpose leave for working parents
- ▶ 2. Special leave for high-risk employees

# 1. Special purpose leave for working parents

- ▶ Such leave is provided for the entire duration of the school closure or in case the child is ordered to quarantine following exposure to COVID-19 at school.
- ▶ The leave consisted of three days, followed by an additional day drawn from the employee's annual leave balance. This follows a repeating circular pattern every four days.
- ▶ The employee is remunerated by the employer for the first two days of special leave, while the third day is paid from the state budget, and the fourth is deducted from the employee's annual leave balance. If no regular leave days are available, then the fourth day is drawn from any other legal leave of absence, even when this does not serve the given circumstances, with the exception of sick leave.
- ▶ **In Germany**, job support measures also included a new regulation according to which working parents who have to care for their children due to the closure of childcare facilities or schools and who consequently experienced a loss of income, received compensation in the amount of 67% of their average monthly income for a maximum of six weeks.



## 2. Special leave for high-risk employees

- ▶ According to Article 657 Civil Code, *'The employee retains the right to claim wages if, following a minimum of ten days of performing work, they are prevented from continuing to work for a good reason through no fault of their own.'*
- ▶ The most common reason for incapacity for work with no fault of the employee him- or herself according to Article 657 Civil Code, is sickness. The absence from work of an employee, who belongs to a high-risk group, for precautionary health reasons undoubtedly constitutes an incapacity for work through no fault of his or her own and for a serious reason, according to the revision of Article 657.
- ▶ Performing work during the pandemic could jeopardise such employees' health due to increased exposure and their physical condition. The employee must notify his or her employer of any incapacity for work, and if requested, to provide proof of his or her specific condition, which classifies him/her as a high-risk individual.

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- ▶ During his or her absence, according to Article 658 Civil Code, for a duration of 15 days during the first year of employment (or 13 wages in case of wage payment), and for 1 month for any remaining years (or 26 wages), the employee retains the right to claim wages. Under the current legal framework, after the aforementioned days have elapsed, the said employees are not legally guaranteed compensation of income. In this case, there is a social security gap.
  - ▶ For public sector employees and legal persons governed by public law who are in any type of employment relationship, Article 25 of 14-03-2020 Act of Legislative Content stipulates that they are entitled to a special leave of absence, which ceases 'following a decision of the relevant authority when the reasons for granting such leave cease to exist'. According to specific provisions, high-risk groups include, among others, individuals with serious heart disease. Special paid leave of absence must be mandatorily provided to applicants who belong to a high-risk group.



# Assistance for the unemployed

- ▶ **Firstly**, the duration of the regular unemployment subsidy, the long-term unemployment benefit, as well as other benefits of self-employed persons were extended until December 2021.
- ▶ **Secondly**, a special unemployment benefit (EUR 400) was granted to long-term unemployed persons. The benefit was provided in two stages, from April-May and December, to long-term unemployed persons who do not receive long-term unemployment benefits.
- ▶ **Thirdly**, for seasonal workers employed in the tourism industry and in food services (restaurants), a reduction in the number of required insured working days from 100 to 50 days was introduced for eligibility to unemployment benefits.



# Measures to support (small and micro) businesses

- 1. Rent reduction
- 2. Non-repayable subsidy as financial support and repayable advances
- 3. Deferral of tax liabilities



# 1. Rent relief

- ▶ The Greek government introduced a rent reduction of 40% for companies adversely affected by the pandemic.
- ▶ Businesses that remained closed in January 2021 in accordance with government orders were exempt from paying rent.
- ▶ 42,5% of businesses made use of this measure compared to 24,8%, which did not apply for rent relief. It is worth noting that 31% of businesses stated that they do not pay rent.
- ▶ The widespread use of rent relief is not surprising as rent is one of the main operating expenses for businesses.



## 2. Programmes of non-repayable subsidy as financial support

- ▶ In **Germany**, a programme of direct grants to the approximately 3 million small business owners was introduced. Employers with up to 10 employees are eligible, and one-off payments ranging from EUR 9,000 to EUR 15,000 were provided, depending on business size, to cover recurring expenses such as rent. Applicants must submit evidence demonstrating that their economic survival is at risk, and that they were not in financial trouble before the outbreak of the pandemic.
- ▶ **Greek** regions also announced programmes to assist small and micro enterprises. A public and non-repayable grant was provided based on criteria of sustainability, employment and reduction in revenues. It covers working capital equivalent to 50% of business expenses, with each region autonomously determining the range of subsidy (indicative for businesses in the greater Athens area, the minimum subsidy amount is EUR 5,000 and the maximum is EUR 40,000).

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- Special attention had to be given to sole proprietorship and micro enterprises, which make up the majority of Greek businesses. A special allowance of EUR 800 was provided to self-employed, freelancers, sole proprietors and employers (with up to 20 employees), whose businesses were closed as a result of government restrictions, and for as long as they remained closed.
  - The amount of EUR 800 was provided for the period of March-April, while EUR 534, which covers 30 days based on the applicable calculation, was granted proportionally in May, June and July to all businesses that remained closed.
  - Furthermore, an economic support of EUR 600 was provided for six professions (economists/accountants, engineers, lawyers, doctors, teachers and researchers).



## 3. Deferral of tax liabilities

- ▶ Another major relief measure for businesses introduced by the Greek government was a suspension of tax liabilities and social security contributions.
- ▶ Nearly one in three businesses (27,8%) deferred their tax duties and social security contributions.
- ▶ The percentage is clearly higher (36,2%) for businesses whose operation was fully suspended during the lockdown.
- ▶ The majority of businesses preferred to pay their public law liabilities, most likely due to the 25% discount incentive provided in the event of timely payment of tax liabilities and social security contributions.



Thank you for your attention!