A RECOVERY FOR WHOM? THE CASE OF THE GREEK TOURISM SECTOR

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The COVID-19 pandemic has not only had a significant impact on public health in Greece, it has also severely affected one of the linchpins of the Greek economy—the tourism sector. It has revealed the multiple risks faced by an economy whose production structure largely depends on the volatility of international conditions. In what follows, the pandemic’s impact on tourism is documented, while the significance of tourism revenues for the 2021 GDP recovery is stressed. In addition, it is argued that the distributional effect of the tourism sector plays a significant role in overall income inequality, widening the profit–wage gap. Lastly, a number of policy recommendations of immediate importance are made, aiming to correct for at least some of the multiple problematic aspects of Greece’s tourism sector.

The COVID-19 Shock
In 2020, the Greek economy experienced a strong blow due to the international spread of COVID-19. The 9 percent fall in GDP was the result of the overall annual deterioration of the balance of goods and services by more than €10 billion, as well as the sharp decline in private consumption of more than €6 billion. In particular, the exports of goods and services decreased by 22 percent, while the 7 percent decrease in imports was not sufficient to offset the trade balance’s deterioration.
In turn, the contraction in exports was caused exclusively by the decline in exports of services of about 44 percent, while goods exports recorded a mild increase of 4 percent. The fall in exports of services resulted from the significant cutback in travel receipts, on which the Greek economy relies heavily: incoming passenger traffic fell by about 78 percent and amounted to 7.41 million visitors versus 34 million visitors in 2019. Consequently, travel receipts in 2020 amounted to €4,319 million, i.e., 76 percent less when compared to 2019.1

**Economic Recovery through Tourism**

Based on the 2019 data (which is taken as a reference year), the Greek government expects tourism revenues to achieve a relatively high performance, reaching €12 billion for 2021. For this to be realized between August and December 2021, tourism revenues should reach more than 85 percent of their 2019 level, which seems rather difficult but not impossible given the following:

1. According to the Bank of Greece (BoG), from January to July 2021, the average expenditure per tourist increased by approximately 23 percent. More specifically, each traveler visiting Greece during that period spent an average of €744, while the average expenditure during the corresponding period for the record year (2019) was €604. The per-tourist level of expenditure was even higher for July 2021 at €808 per traveler, while in the corresponding month of 2019 it was €652.

2. Moreover, the BoG reports that within the first seven months of 2021, the number of tourists visiting Greece increased by 51.4 percent compared to the corresponding period in 2020. Specifically, from January to July 2021, tourist arrivals amounted to 4,540,000, or 30 percent of the arrivals in the corresponding months of 2019, when the number of incoming foreign visitors exceeded 15,080,000. In July 2021, however, tourist arrivals showed an increase of 240 percent compared to July 2020, so that the overall number of tourists who visited Greece reached 2,815,000, corresponding to approximately 50 percent of July 2019 numbers. The revenues for July, according to BoG data, amounted to 61.4 percent of those of July 2019.

3. The prospects for September 2021 are quite positive and market agents estimate that they probably exceed the corresponding revenues of 2019. Regarding October, it is still too early to make any projections, although the first indications from the number of bookings and the general interest in visiting are particularly optimistic.

The projections generated by the Centre of Planning and Economic Research’s (KEPE 2021) dynamic multisectoral model show that the 60 percent increase in travel receipts is expected to lead to a 6.1 percent increase in real GDP in 2021. In the case of a €12 billion increase in travel receipts, i.e., 70 percent of the 2019 levels, real GDP is expected to increase by 7.1 percent in 2021. Furthermore, another analysis from KEPE demonstrates that: (1) the positive effects of the National Recovery and Resilience Plan (RRP) on GDP will begin to emerge from 2022 onward; and (2) the autonomous demand components (other than exports) do not appear able to sufficiently support enough of the GDP growth for 2021 (Rodousakis and Soklis 2021a). Hence, the Greek economy’s short-term growth relies more heavily on the performance of tourism revenues.

**Income Distribution in the Greek Tourism Sector**

The dynamics are quite complex. The increased arrivals of foreign visitors are translated into much more intense work for the remaining employees in the tourism sector. Since expectations regarding the number of arrivals were low, employers in the tourism sector could not easily find the extra staff needed at the last minute, while at the same time (and with the same reasoning) many workers from the nontourist areas of Greece made an earlier decision to not come to work in the tourist areas.2 As a result, fewer employees carried a much heavier burden on their shoulders, while their increasing productivity had not been appropriately compensated. Most of this work was not translated into more labor income and the employees had to meet greater work needs than their initial duties. This situation, which is detrimental to employees, has also been exacerbated by the shrinking of governmental regulations in the labor market after 2010.

In contrast, the Greek government has fully covered employers’ social security contributions for the first half of 2021 in the tourist accommodation sector and other tourism businesses operating in a nonseasonal manner. This emerges from the Ministries of Finance and Labor’s joint ministerial decision, which emphasizes that the cost of these contributions amounts to €3.4 million. Furthermore, according to a Panhellenic Federation of Food and Tourism Workers’ (POEET) estimate,
the number of seasonal workers in tourism who will not be able to receive unemployment benefits or any form of financial support this year is expected to reach 80,000–100,000.\(^3\)

Moreover, it has been shown that the net product produced in the Greek economy as a result of the increase in tourist demand involves a profit–wage ratio that is approximately 50 percent higher than the overall economy’s average profit–wage ratio (Rodousakis and Soklis 2021b); therefore, an abrupt increase in the tourism sector’s share implies a strong redistribution of income at the expense of wages.\(^4\)

### Recommendations

Considering the analysis discussed here and with an aim to increase GDP and reduce economic inequalities in the Greek economy, the following public policies are suggested:

- A tourism-oriented policy can indeed bring short-term growth results but not long-term ones (see Rodousakis and Soklis 2020, 2021b). In fact, it can be argued that growth in the Greek economy’s other sectors can drive the growth in the tourism sector, but not vice versa (Rodousakis and Soklis, forthcoming).\(^5\) Additionally, tourism activities contribute to increasing inequalities by widening the income gap. Therefore, it is crucial that policies should focus on strengthening the other export sectors as well. Unfortunately, this view was not taken into consideration by the Greek Recovery and Resilience planners.\(^6\)

- The employees being compelled to work beyond their original duties, due to understaffing in tourism businesses, without any additional increase in wages is the result of the extensive liberal labor-market reforms that occurred after 2010. Once again, the need to strengthen the institutional framework in favor of labor is coming to the surface.\(^7\)

- Government measures for subsidizing the employers’ social security contributions can result in adding to the profit–wage gap. Behind this paradox lies the immediate need for policies to stimulate demand. Especially in a country like Greece, with ten years of extreme austerity and, of course, in a period when the prices of basic commodities are increasing rapidly, the adoption of these policies is what one should have in mind.\(^8\)

- An updated employment of last resort (ELR) program would help reduce the number of unemployed workers and would have an immediate corrective impact on inequality dynamics. The implementation of an ELR program would prove beneficial for those struggling to make ends meet, but also for the economy as a whole, by boosting disposable income and private consumption (Antonopoulos et al. 2014). The ELR program is a tried-and-tested way of avoiding mismanagement of government spending, increasing GDP, and reducing unemployment and inequities.

To sum up, the enthusiasm regarding the GDP recovery is not for everyone. The difficult puzzle of income distribution and reducing inequality remains unsolved. As we have seen, there are solutions that can solve this puzzle; however, they remain to be tried.

### Notes

1. For a complete picture of the developments in the Greek economy, see Papadimitriou et al. (2020, 2021).
2. Published monthly reports from the Ministry of Labor and Social Affairs reveal that in June 2021, the number of restaurant employees was at the same level as in June 2020, when the repercussions of the previous lockdown were still in place. In addition, in June 2021, the level of employment in the accommodation sector was found to be 2.5 times greater than in June of 2020, but still 50 percent lower than the number of employees that were documented in June 2019. This suggests that in the beginning of the summer season, many workers were either reluctant or unable to secure a job in the tourism sector. See https://ypergasias.gov.gr/apascholisi/ekthesesi-p-s-ergani/
3. Taking into account the Manpower Employment Organization (OAED) data, in August 2021, the unemployed persons documented were 977,000 and, from those, only 128,000 were covered by the requirements for unemployment benefits.
4. For the conditions of inequality and poverty in Greece, see Missos (2021).
5. Using an extended version of the hypothetical extraction method, which allows the intersectoral effects of the labor force reproduction process to be taken into account, the analysis shows that the role of tourism in the Greek economy is more as a seller of inputs in other sectors than as a buyer of inputs, a finding that can be reduced to the high participation of the tourism product in the labor force reproduction process.

6. For an analytical description of the RRP, see Greek Government (2021).

7. See Law 4808/2021, articles, 58-63.

8. It should be noted that the implementation of internal devaluation has hindered the economy’s export capacity through the negative effect of lackluster demand on productivity, see, e.g., Pierros (2021). Furthermore, for the recent experience of the Greek economy and its prospects in the post-COVID-19 era, see Nikiforos (2021).

**References**


**Data Sources**


Bank of Greece: https://bankofgreece.gr/

OAED: https://www.oaed.gr