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Does the Greek labour market work? Crisis and adjustment across the Greek regions

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ABSTRACT:

The remarkable rise in unemployment in Greece has in a way overshadowed the substantial differentiation, across regions, in terms of regional unemployment and labour market adjustment. This paper/presentation examines the geography of these dynamics using probit regressions of unemployment risk and decomposing the observed regional unemployment differentials into three components corresponding to differences in labour quality, matching efficiency and effective demand. We find that, underlying the general increase in unemployment is a wealth of unemployment dynamics and adjustment trajectories. The fall in effective demand has been largest in

the main metropolitan regions and the north and north-western periphery. Adjustment has been strong in some areas (e.g., Athens) but, overall, adjustment processes (such as bumping-down and changes in the mix of workforce characteristics) have been weak. The crisis has nullified the improvements in labour market performance registered since the country's entry into the Eurozone, hitting especially those regions that benefitted most from the latter. The spatial differentiation of adjustment intensities and demand pressures suggests a heightened role for regional policy in the post-crisis period, especially in relation to addressing problems of over-education.

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Cañada Blanch Room - COW 1.11

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