



Study:

COMPARATIVE ASSESSMENT OF PURCHASING POWER OF CIVIL SERVANTS IN GREECE AND IN THE EU COUNTRIES

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Summary

Purchasing power, as defined by the Economy and estimated using simple indicators for EU member countries by Eurostat, refers to the consumption of products and services and does not take into account disposable income. The purpose of this paper is to examine purchasing power from the perspective of Civil Servants, to associate the necessary consumption expenditure with their income and to compare it with the other EU countries. Especially for Greece, recent surveys show that as a result of the recent economic crisis, unlike the other EU countries, consumer spending and purchasing power have been constantly decreasing during the last years. Particularly for the civil servants' sector, which has suffered large pay cutbacks, it is estimated that its purchasing power is currently fairly limited.

The bibliography review shows, in principle, that studies have not been carried out on the category of civil servants but only for the general population. Even in this case simple indicators are suggested that are mainly related to the cost of living, but their correlation with income is limited. This study attempts to contribute to this issue. It develops and presents for the first time in the international literature, a methodology that relates consumption and living costs to the income of civil servants and at the same time makes it possible to compare the corresponding conditions prevailing in other countries, for example, of the EU.

The main characteristic of this approach is that the assessment is performed by a composite indicator called Income - Living Cost Indicator (ILCI) according to which the income is expressed by the average while the cost of living is composed of different categories of expenditure. The reference year for the calculation of the indicator is 2016. The methodology of the study and the calculation of the indicator for each EU country is based on the Data Envelopment Analysis (DEA). DEA is a widely used linear programming based method for the assessment of the efficiency of units in terms of inputs and outputs. This indicator evaluates the remuneration policy for civil servants in each EU country and assesses the level which this remuneration corresponds to the overall living cost as compared to the rest of EU countries. For countries with low indicator values, the methodology used is able to answer the question of what could be the increase in civil servants' salaries so to offset the cost of living or, equivalently, what is the reduction of the living expenses to offset the current remuneration.

In this study, the index was examined using different models that correspond in particular aspects. In the basic model, the cost of living is measured by three factors, namely the level of prices in the main consumer goods and services, the family expenses for accommodation and utilities and the average rate of tax on personal income. Alternatively, in a complementary model an additional input, the GDP per capita, was set to further indicate the extent to which the salaries of civil servants are also determined by the economic output and wealth of each country. In addition, different model variations that included expenditure factors such as the household expenses for health and education services, the index indices of individual consumption costs etc. were examined.

The supporting data were exclusively retrieved from Eurostat to ensure both the reliability and consistency of the results and the repetition of the study in future time periods.

Especially for Greece, the conclusions of the study are summarized as follows:

- Based on the values of the composite Income - Living Cost Indicator, Greece is at the bottom of the ranking list compared to other EU countries. It is significant that this low performance is observed in all model variations examined. This means that in Greece, the level of salaries of civil servants, correlated with the cost of living and compared to that of other European countries, falls far short of being considered adequate.
- Other countries with lower economic outcomes (e.g. GDP) and nominal salary levels of civil servants than those of Greece, due to their low cost of living, appear to have the highest score of the index.
- Greece, in order to reach the top of the ranking list of EU countries, must either increase salaries more than double of the current salaries, or drastically reduce the cost of living costs, i.e. personal income tax, prices of products, etc. Since these objectives may not be realistic, alternative scenarios of parallel increase in salaries and reduction of the cost of living costs, following the example of other EU countries, were considered and proposed,.
- A more feasible prospect of improvement would be to move up the summit in two steps: first, Greece to reach the middle of the Eurozone and in a second effort the top of the ranking. Assuming that the living cost remains unchanged, to achieve the first step, the salaries should be doubled or, in a different case, should be increased by a small amount and the personal income tax reduced by approximately 10%.