

# Low Earnings For High Education – Greek Students Face Weak Performance Incentives

Researchers of Universities Thessaloniki and Erfurt Compare Expectations About Economic Development in Greece and Germany

**Thessaloniki and Erfurt.** The ongoing economic crisis in Greece influences expectations of young people regarding their own long-term opportunities. While German students expect a long-run income advantage of about 25% compared to persons with average education, the expected income differential of Greek students is practically nil. Over the course of several years the income of persons with tertiary educational degree is expected to fall from 200% to about 150% of the national poverty level of the year 2010. Thus, students expect not only low absolute income but also low relative income which implies decreasing incentives for education in the first place. Asked for their plans after completion of studies about half of the students intend to look for a job abroad.

## **Greek-German research team**

These are some of the results of a scientific investigation of a group of Greek and German economists. Professor Konstantinos Papadopoulos of Aristotle University of Thessaloniki together with Professor Manfred Königstein and his assistants Wasilios Hariskos and Fabian Kleine of the University of Erfurt collected measures of students' expectations regarding economic development. The data were collected simultaneously in Greece and Germany. "The crisis has obvious and severe consequences for the Greek society in the short term", says Manfred Königstein. "But, in addition the crisis influences formation of long term expectations. Students' expectations are important for their decisions whether or not to study, which program to choose, whether to continue or break off and whether to look for a job in Greece or abroad afterwards. These issues are important for the long-run economic development."

## **Questionnaire study**

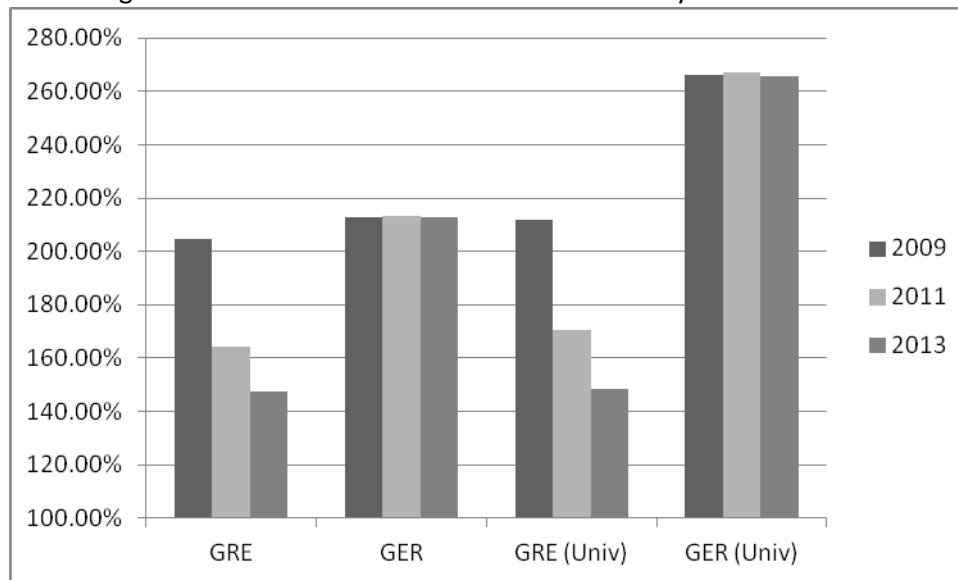
The study collected questionnaire responses of students in their first year of studies most of them being students of economics. They had to answer questions on expected development of income for several educational groups as well as taxes (including social security). Furthermore, the study identifies expected difficulties in finding a job that fits education and students' willingness to look for a job abroad. While the researchers were mainly interested in responses by Greek student, they simultaneously collected these data for a German cohort of first year students. This allows for benchmark comparisons with students who face a relatively stable economic situation. The data were collected in November 2011 just after the resignation of the former Prime Minister Papandreou. The data analysis has now lead to a detailed research report that is available at <http://www.uni-erfurt.de/angewandte-mikrooekonomie>. The research group intends to repeat this study with new students in the future in order to see how things change over time.

## **Decline of absolute and relative income**

Greek students expected average yearly income (single household) to fall from about 14,700 EUR (as reported by EUROSTAT for 2009) to 10,600 EUR in 2013. For persons with university degree the expected decline is from 15,200 EUR to 10,640 EUR. The loss is relatively larger for the latter group than the former. This is furthermore illustrated in Figure 1 which depicts net income relative to the

national poverty level of the year 2010. Income of persons with average education level (bars labeled GRE) is expected to fall from more than 200% of the poverty level in 2009 to about 150% in 2013. The decline is somewhat stronger for persons with university degree (bars labeled GRE (Univ)). Thus, relative income compared to the 2010 poverty level is expected to fall by more than 50 percentage points! This is a dramatic change.

Figure 1: Net Income Relative to National Poverty Threshold 2010



In Germany average net income in 2009 as reported by the statistical office of the European Commission (EUROSTAT) was about 24,000 EUR for a single household with average education. For a single household with university degree the students expect a net income of 30,000 EUR. Relative to the German poverty level income is stable at about 210% (average education), respectively 265% (university degree) of the poverty level (100%).

Income levels are expressed relative to national poverty thresholds in Greece and Germany for the year 2010 in order to allow for a better cross-country comparison. The poverty threshold is defined as 60 % of median equivalized income after social transfers (see EUROSTAT). Households with incomes below this cut-off are regarded as poor. The poverty threshold 2010 for singles was 7,178 EUR for Greece and 11,278 EUR for Germany.

### Two years of expected job search

In addition to expectations on income development the students were asked for their expectations on job search after completion of studies. Greek students expect an average searching time of two years to find a job in Greece that fits their education. In contrast German students think they will need only 6 months to find an adequate job. This difference is another issue that makes studying in Greece comparably less attractive. Finally, Greek students expect 49.2% of their cohort to look for a job abroad. If expectations come true, this means a major brain drain.

The Greek-German research team will continue their study with another round of data collection in fall this year to see how the ongoing changes in Greece effect expectations and planning of students further on.