Unlocking the Work Force Potential: Empowering Women to Boost Economic Growth and Greek Prosperity

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ABSTRACT: The strong recent economic recovery has improved Greece's near-term outlook. However, unfavorable demographics require raising the labor force participation, particularly for women, to boost medium-term growth. Using household survey, cross-country comparison, and model simulations, we identify three main constraints: (i) care responsibilities; (ii) skill mismatches; and (iii) tax-benefit work incentives. Estimates suggest that addressing care responsibilities alone could boost employment by 3 percent. Policy recommendations include expanding access to childcare facilities, improving parental leave policies, strengthening tax-benefit incentives, and addressing skill mismatches. These measures, combined with complementary reforms could significantly empower women to boost economic growth and prosperity in Greece.

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Prepared by Júlia Cots Capell, Larry Qiang Cui, Diego Gomes, Duncan MacDonald, Céline Thévenot, and Katherine Dai[1]

UNLOCKING THE WORK FORCE POTENTIAL: EMPOWERING WOMEN TO BOOST ECONOMIC GROWTH AND GREEK PROSPERITY[1]

The recent economic recovery has notably improved the near-term outlook in Greece. However, given the unfavorable demographic trend, it is crucial to raise the labor force participation, particularly for women, to boost medium-term growth prospects for higher prosperity. This paper analyzes key barriers to women's participation in Greece and proposes targeted policy solutions. Using household survey data and cross-country comparisons, we identify three main constraints: (i) care responsibilities; (ii) skill mismatches; and (iii) weaknesses in the tax-benefit system that reduce work incentives for second earners. Estimates suggest that addressing care responsibilities alone could boost employment by 3 percent. Policy recommendations include expanding access to childcare facilities, improving parental leave policies, strengthening targeted tax-benefit incentives, and reforms to address skill mismatches through enhanced private sector participation in education and training. These measures, combined with complementary reforms to boost business dynamism and workplace flexibility, could significantly empower women to boost economic growth and prosperity in Greece.

A. Introduction

1.   Greece's post-pandemic economic recovery has been remarkable, but more is needed to regain the lost ground and reach higher growth and thus prosperity. Supported by sound economic policies and strong reforms, Greece's real GDP growth averaged at about 4.8 percent per year in 2021-24, well above those of the euro area in the same period. Measured in constant 2020 euros, per capita real GDP has also exceeded its pre-pandemic level but is still below the level reached in 2007-08 before the Greek sovereign debt crisis and the Global Financial Crisis (Figure 1). As such, further gains are needed to reach income convergence to higher levels, underscoring the importance of achieving strong and sustainable growth supported by continued reforms. In particular, the Next Generational EU funds, at about 16 percent of 2023 GDP available in 2022–26, provides a golden opportunity to support the much-needed investments that can be further enhanced by complementary reforms on human capital to boost medium-term growth.

2.   Unfavorable demographic trend constrains Greece's medium-term growth, highlighting the urgency to boost its low labor force participation (LFP), particularly for women. Similar to other euro area countries, Greece's working-age population is expected to decline steadily over the coming decades, with the working-age labor force shrinking from about

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6.6 million in 2023 to around 4.3 million by 2050—a 35 percent reduction (Figure 2). This decline would reduce working human capital and make it increasingly difficult to sustain the current growth momentum. In addition, Greece's average actual working hours per worker, at 39.8 hours, are already the highest in the EU (European Commission, 2024a). The focus for raising human capital contribution to growth, therefore, should be placed on increasing the labor force in addition to other reforms that increase labor productivity.[2] Meanwhile, Greece's LFP has been low relative to euro area peers even after recent improvements, and this is mainly driven by the large gap in women's participation. In 2023, compared to euro area averages, Greek women's LFP rate is lower by about 8 percentage points while that for Greek men is lower by only 0.4 percentage point (Figure 3). Therefore, achieving higher income levels through sustained growth requires strong efforts to boost LFP, particularly for women. In contrast, the gender wage gap in Greece, while not insignificant, is on par with euro area average, although the lack of data on the unexplained gap constrained further analysis to ascertain its potential role as a participation barrier (Figure 4). Finally, there are also significant LFP gaps for the youth and elderly groups compared to the euro area averages. But given women's larger share in working-age population, their LFP gap has the largest contribution to the total LFP gap (Figure 3).

Figure 1. Greece: Real GDP per Capita
(Constant 2020 euro in thousands)
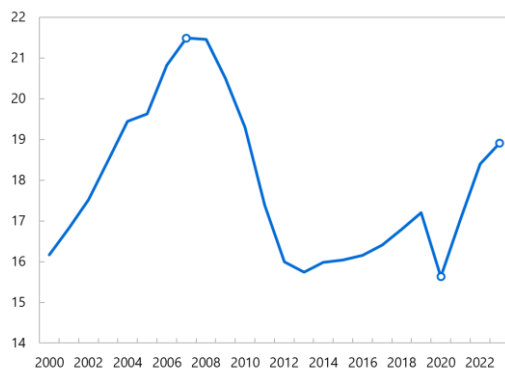
Figure 2. Greece: Declining Working Population
(Thousands)
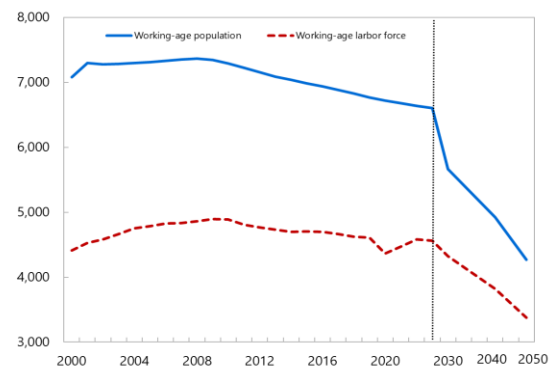
Sources: ELSTAT, Haver Analytics, European Commission, and IMF staff calculations.

3.   In this paper, we analyze key barriers to LFP in Greece using household and cross-country data and draw on the literature and simulations to discuss policy options, particularly for women for whom the LFP gap is the largest.

4.   Recognizing the key challenges from unfavorable demographic trend and LFP gender gap, the authorities have embarked on ambitious reforms in recent years.[3] First, Recent

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[2] Reforms to increase productivity are discussed more in IMF (2025a) and IMF (2024a).

[3] See Greece Ministry of Economy and Finance (2024) on reforms in the 2025-28 Medium-Term Fiscal Structural Plan. Due to data and implementation lags, effects of many recent reforms may not have been fully captured by the analysis in this paper.

legislations have supported raising women's under-representation. Notably, gender parity in senior civil service positions increased significantly, now well above the EU-27 average (European Commission, 2024b). Significant progress has also been made in the judiciary sector, in which Greek women make up about 60 percent of all serving judges (UN, 2024). Second, recent reforms have introduced various measures aimed at supporting families and women, including child benefits and related tax allowances and deductions. More generous parental leaves have been introduced, including provisions for more symmetric sharing with fathers. Similar leaves are being extended to the self-employed. Third, more facilities are being build and converted for early childhood education units including with RRF support. There are also community-based care programs that aims to formalize care work, which would also support higher women and elderly's LFP. While the earlier analyses may not have reflected all effects of recent reforms, the recommendations are in line with the directions of these reforms.

Figure 3. Greece and Euro Area: Labor Force Participation Rates
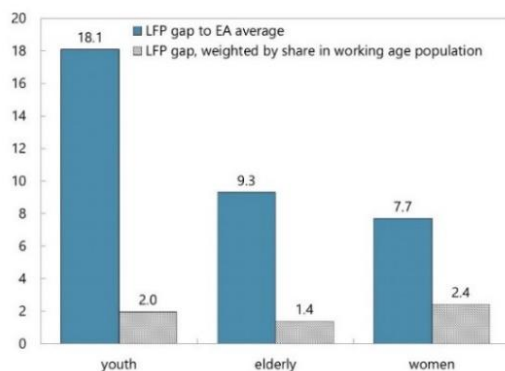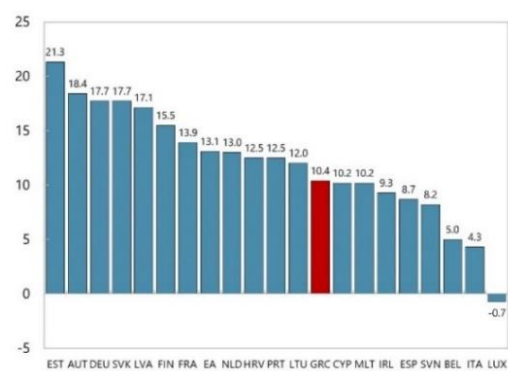(Percent)

Figure 4. Greece and Peers 1/: Unadjusted Gender Wage Gaps
(Percent)

Sources: Greece authorities, Eurostat, Haver Analytics, and IMF staff calculations.
1/ Data refer to differences in average gross hourly earnings of male and female employees in percent of male gross earnings. For Greece, the available unadjusted gender wage gap is for 2018.

B. Labor Market Analysis on Key Barriers

5.   Labor force survey (LFS) data suggest that LFP gender gaps in Greece occur mainly during the working age.[4] Women's LFP in Greece trails men over the entire life cycle, with a sizable gender gap surging at the beginning of the working-age period—when couples typically start having children (Figure 5a). During prime working ages (25-54), Greek women's LFP rate is about 10-20 percentage points lower than that of men, a sizable gap that not only constrains Greece's labor supply but also hampers overall growth. Also, compared to other European countries, women's LFP remains lower in Greece, underscoring that there is a realistic pathway to bring more women into the workforce and bolster economic momentum (Figure 5b).

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[4] For simplicity, "working age" used in analyzing LFS data refers to the age range of 25-54.

6.   Low education levels and young children are key drivers of Greece's gender gap in LFP, as both substantially lower women's participation. For college graduates, the gap narrows sharply thanks to higher female participation—reflecting the powerful effect of education on LFP—whereas among non-college individuals, a wider gap emerges, fueled by lower participation of women (Figures 6 and 7). Meanwhile, having young children in the household—especially those under age six—drastically reduces women's LFP, in turn widening the overall gender gap (Figures 8 and 9). These findings underscore the need for policies that both expand educational opportunities and support families with children at the pre-primary level, ensuring women can fully engage in the labor force.

Figure 5a. Greece: Labor Force Participation by Gender and Age Groups
(Percent)
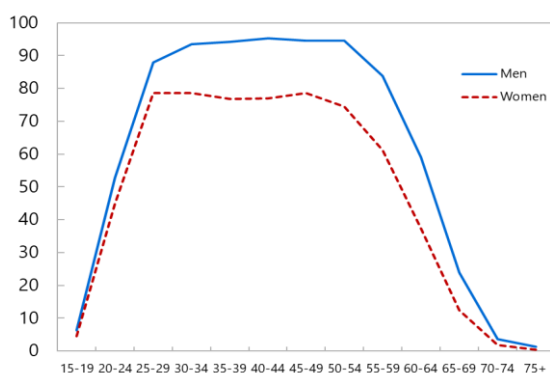
Figure 5b. Greece and Peer Countries: Female Labor Force Participation Rate
(Percent)
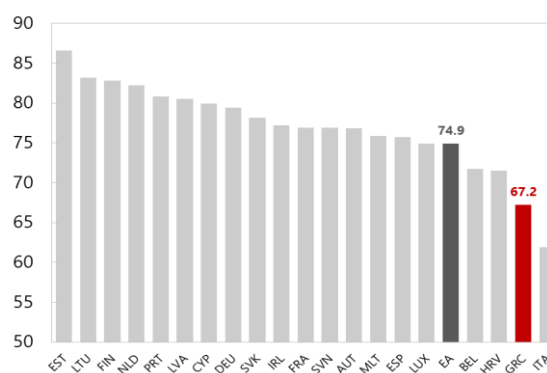
Sources: Haver Analytics, European Commission, and IMF staff calculations.

Figure 6. Greece: LFP Rate in Greece, No College Degree
(Percent, 2024Q1)
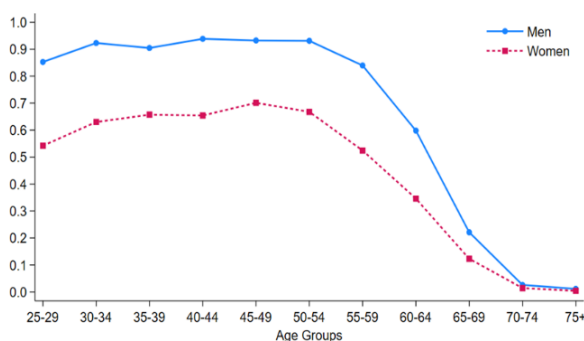
Figure 7. Greece: LFP Rate in Greece, Has College Degree
(Percent, 2024Q1)
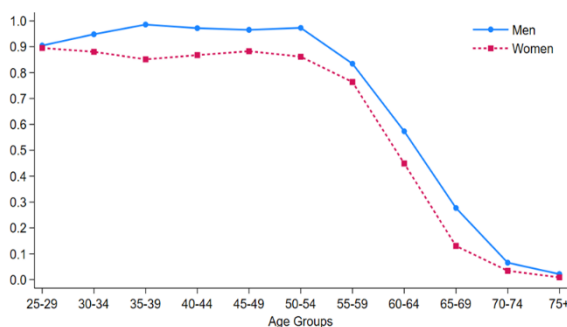
Sources: Labor Force Survey, and IMF staff calculation.

7.   Survey data also indicate that working-age Greek women find care responsibilities as the top barrier for LFP, compounded by other structural participation barriers. The LFS explicitly asks individuals why they do not want work, revealing that nearly 28 percent of working-age women cite care responsibilities as their main reason for staying out of the labor force,

well above that for men at merely 1 percent (Figure 10a).[5] Another 25 percent point to "any other reasons," likely stemming from weak work incentives, skill mismatches, or other structural hurdles.[6] This direct feedback provides a clean identification of the multifaceted hurdles faced by Greek women. In particular, the education/training barrier is cited by about 5 percent as a barrier. In contrast, this is cited by over 95 percent of youth as a participation barrier and 21 percent by working-aged men, underscoring the important benefits for improving education and training to boost LFP (Figure 10b).

Figure 8. Greece: Gender Gaps in LFP Rate in Greece: Effect of Having Children (Percentage points, 2024Q1)	Figure 9. Greece: LFP Rate in Greece by Children Status (Percent, ages 25-54, 2024Q1)
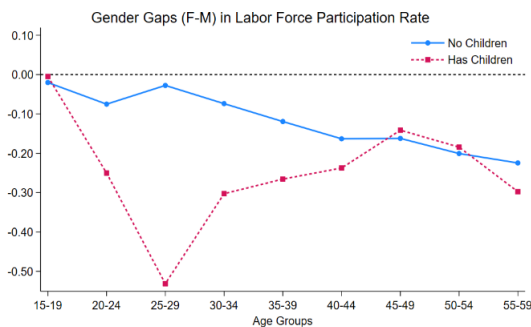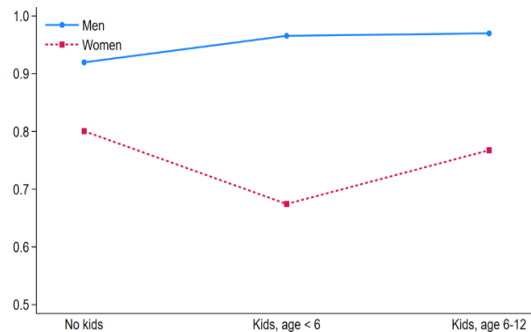
Sources: Labor Force Survey, Eurostat, and IMF staff calculations.

Figure 10a. Greece: Main Participation Barriers for Working-Age Population (Percent ages 25-54, 2024Q1)	Figure 10b. Greece: Main Participation Barriers for Youth (Percent ages 14-24, 2024Q1)
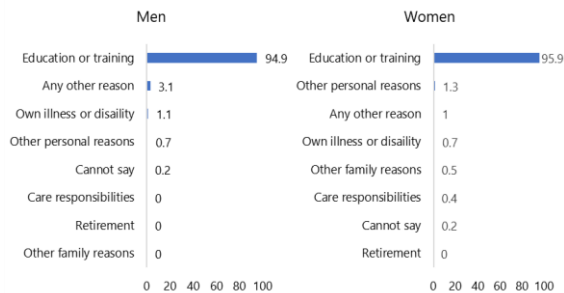
Sources: Labor Force Survey, and IMF staff calculations.

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[5] According to Gu and others (2024), Greek women report spending, on average, 164 more minutes per day on unpaid work compared to men. This gap places Greece among the 30 percent of OECD countries with the highest disparities. This imbalance not only limits women's availability for paid employment but also reinforces existing labor market inequalities, as reflected in Figure 10a.

[6] After examining response alternatives, it can be concluded that the referred "any other reasons" are not related to (i) care responsibilities, (ii) family reasons, (iii) personal reasons, (iv) illness or disability, (v) education or training, or (vi) retirement.

Figure 11. Greece: Child Penalty: Change in Employment Relative to Two Years Before the Birth of First Child
(Percent)
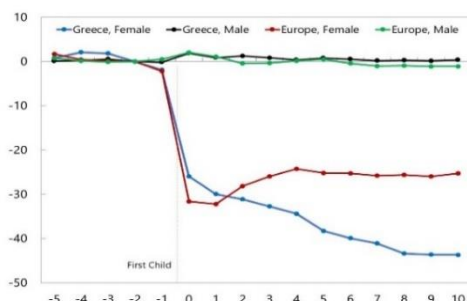
Figure 12. Greece: Children Less than Three Years Old Out of Childcare
(Percent over the age group population, formal childcare, 2023)

Source: Child Penalty Atlas (Kleven and others, 2024), Eurostat, and IMF staff calculations.

8.   Childbirth inflicts a steep and persistent employment penalty on Greek women, reinforcing the labor market challenges identified earlier. Estimates from the Child Penalty Atlas (Kleven and others, 2024) reveals a sharp decline in Greek women's employment immediately after the first child's birth, while men's employment remains largely unaffected (Figure 11). Over time, the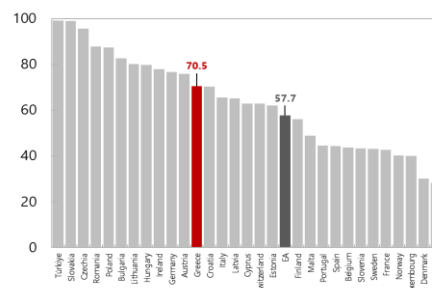se women continue to lag behind in employment, illustrating a persistent penalty that is more severe than in many other European countries and has long-lasting scars on their work prospects. These results corroborate earlier labor market findings, emphasizing the need for targeted policies to support mothers in sustaining their workforce attachment or re-enter the labor market.

C. Access to Childcare Facilities

9.   Over 70 percent of Greek children under three are outside of formal programs, well above the euro area average, pointing to challenges in accessing childcare facilities. The share of young children not enrolled in formal childcare is around 70 percent in Greece, compared with about 58 percent across the euro area (Figure 12). Recent data also confirm that demand outstrips supply for early childhood education and care (ECEC) services, highlighting the country's struggle to meet families' needs (Eurydice, 2025). This gap can be even larger in some Greek regions. For example, places in day care centers in Northern Greece cover less than 7 percent of the total number of infants in the region (Megalonidou, 2019). Such shortfalls exacerbate the employment penalty faced by parents—particularly women—and underscores the importance of expanding childcare facilities, including by building new ones, incentivizing conversions and private sector provision, and supporting the use of childcare. Furthermore, conditional cash transfer design could also help incentivize using childcare facilities, which will be discussed later.

D. Work Incentives in the Tax-Benefit System

10.   Working couples with children in Greece face a relatively high average tax wedge, and low-income households with two earners face an additional tax burden, further weakening work incentives for women. Greece's average tax wedge for a two-earner married couple with two

children at average earnings is relatively high in Europe (Figure 13a). Meanwhile, the micro data-based TaxFit tool find that for some low-income households (with wages below or at the average wage), shifting from one-earner to two-earners increases the marginal effective tax rate (METR) on this household by about 1 percentage point (Figure 13b).[7] For example, in a one-earner household with 100 percent of the average wage, if a second earner decides to work at 60 percent of the average wage, they are estimated to face higher METR than before: each 100 euro earned now will be taxed by 1 euro more. This would likely reduce labor supply—especially for women, who typically serve as the second earners with lower income and may decide not to work to avoid the higher marginal tax rate. In contrast, for a higher-income household with two-earners with average earning above the average wage, this marginal rate is estimated to decrease by about 1 percentage point. This suggests that support measures can be more targeted to low-income households to be effective with lower fiscal cost.

11.   There is also scope to sharpen the work incentives in Greece's unemployment benefit system. The benefit could be re-profiled to be higher at the beginning but have a steeper decline over time to better incentivize job search without compromising the same level of financial support. In addition, more incentives could be considered to require using employment services, skill training, and some appropriate rules on accepting job offers (European Commission, 2023; OECD, 2024b). Such reforms can also be coordinated with strengthening the labor market integration function of the means-test Guaranteed Minimum Income program, which is discussed later.

E. Parental Leave Including for Fathers and the Self-Employed

12.   Global experiences indicate that paid employment-protected parental leaves play a critical role in supporting women's LFP, including leaves for fathers. Such leaves enhance women's financial independence (World Bank, 2024). In addition, paternity leaves not only complement maternity leaves but also underscores the value of both parents' involvement in child-rearing and a commitment to gender equality, which also helps tackle the cultural barriers (Kaufman, 2018). Moreover, recent evidence suggests that increased parental leaves in Germany did not harm their long-term earnings and increased use of parental leave by fathers could have contributed to the result (Frodermann and others, 2023).

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[7] TaxFit is a microsimulation model developed at the IMF. It uses household microdata and data on the tax benefit system of specific countries and can conduct quantitative analysis of the effects from tax and benefit policy changes on different types of households. See Appendix I and Cots-Capell and others (2024) for details.

Figure 13a. Greece: Average Tax Wedge: Two-Earner Married Couple at Average Earnings, Two Children 1/
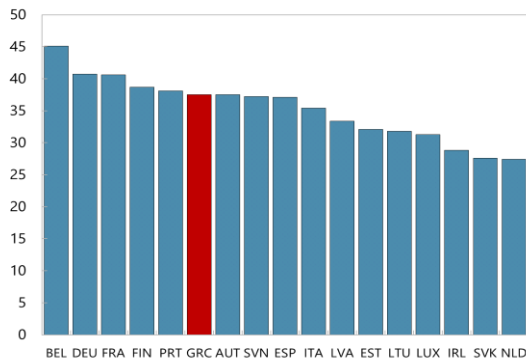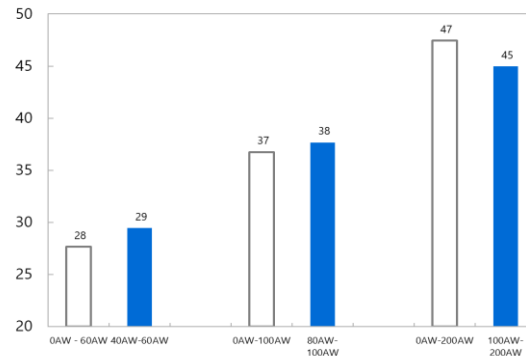(Percent, married couple with two children aged 4 and 6)

Figure 13b. Greece: Simulated Tax Wedge Changes from One-Earner to Two-Earners 2/
(Percent, married couple with two children aged 4 and 6)

Sources: Greece authorities, OECD (2023), and IMF staff calculation.
1/ EA Average refers to 17 EA countries, excluding Croatia, Malta and Cyprus. Two-earner married couple, one earning 100 percent and the other earning 67 percent of the average income.
2/ (i) Simulations used IMF's TaxFit tool and 2024 data on the tax-benefit system of Greece. (ii) On the horizontal axis, the labels refer to an earners' wage in percent of the average wage (AW): e.g., 0AW-60AW refers to one-earner with no wage and another with 60 percent of the average wage; 40AW-60AW refers to two-earners at 40 percent of the average wage and 60 percent of the average wage.

13.   There is scope to improve Greece's parental leave policies, including for fathers and the self-employed. With 56 weeks of paid maternity leave, Greece provides one of the longest leaves in the EU and OECD countries (17 weeks of basic leave and an additional special leave of 9 months). While generous, this duration exceeds the threshold of around 30 weeks identified by Del Rey and others (2021), beyond which female LFP tends to decline. Fathers are granted 14 working days of paid leave, during which they receive 100 percent of their earnings, paid by the employer. In addition, each parent is granted four months of leave per child, of which the first two months are paid at minimum wage (Hatzivarnava-Kazassi and Karamessini, 2023). Nevertheless, there is scope to further improve the design of paternity leave, including by making paternity leave non-transferrable or imposing a take-or-lose requirement to increase its use, in line with practices in Scandinavian countries that lead in the take-up of paternity leaves (e.g., Iceland, Norway, and Sweden).

14.   In addition, self-employed workers that account for a high share of Greek employment face weaker coverage in parental leaves. Self-employed women are entitled to four monthly maternity payments of between €150 and €200 (less than 25 percent of the national minimum wage). No other parental leave rights are available for self-employed parents. This is a particular concern because Greece has the highest share of self-employed in total employment among OECD countries, with nearly one out of three women self-employed (OECD, 2022). Furthermore, Greece has a relatively high share of self-employed individuals at risk of poverty (Eurostat, 2024b), also

suggesting merits for targeted support. However, recent reforms have extended more leaves to the self-employed.

F. Skill Mismatch and Education Quality Issues

15.   High unemployment among Greek college graduates underscores a skill mismatch that constrains their job prospects, fosters weak work incentives, and affects women the hardest. Greece's tertiary-educated unemployment rate stands at 8.5 percent—more than double the euro area average of 3.8 percent (Figure 14, left panel). Meanwhile, college-educated women in Greece face a 10 percent unemployment rate, compared to 6.4 percent for men, whereas the euro area averages 4.1 percent for women and 3.5 percent for men (Figure 14, right panel). This contrast highlights the country's pronounced gender disparities in work incentives for high-skilled individuals, driven by skill mismatches. This also highlights that targeted measures for women can achieve more efficient results.

Figure 14. Greece: Unemployment Rate Among College Graduates: Comparisons by Country and Gender
(Percent, 2022)
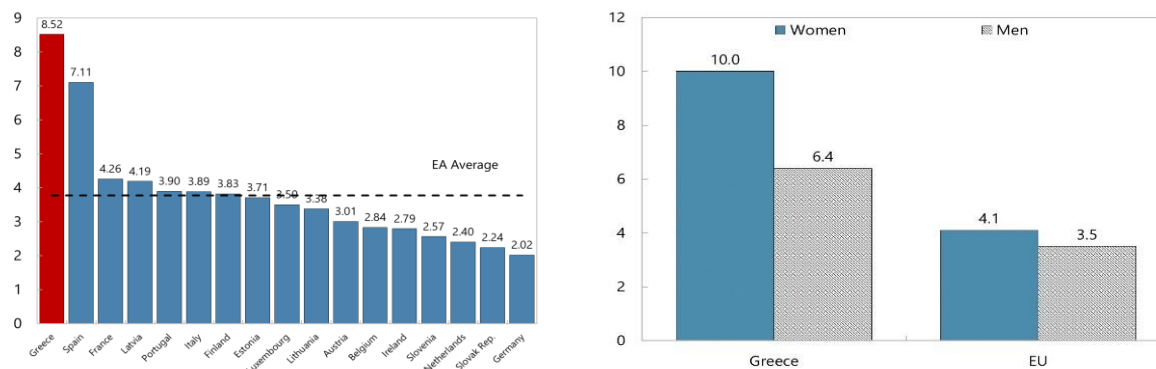
Sources: Greece authorities, Eurostat, OECD, and IMF staff calculation.
Note: EA Average refers to 17 EA countries with no data for Croatia, Malta, and Cyprus.

16.   More reforms are also needed to coordinate current education systems to provide quality education on demanded skills, particularly on technology and healthcare. At the secondary level, recent data on test scores show significant recent declines in Greece (Figure 15). Meanwhile, cross-country data suggest a high mismatch in fields of study from current job demand, although this indicator only partially reflects skill mismatch because prior qualifications do not necessarily fully represent a person's skill set (Figure 16). These weaknesses suggest that additional reforms are needed to rationalize public education allocations and policy incentives to better align education services with the evolving needs of new demographics, such as strengthening high-return pre-primary and vocational education on highly-demand skills (e.g., AI, engineering, and nursing). These efforts can build on the recent introduction of private universities to further leverage private sector participation, particularly by industries, to respond to the economy's skill demand more quickly and increase trainings on technology and healthcare. Employment service and active labor

market policy measures can also be coordinated with training provision to better anticipate skill demand from employers. Finally, robust monitoring and evaluation of the ongoing reforms efforts would further boost the efficiency of support measures over time.

Figure 15. Greece: Trends in Mathematics, Reading and Science Performance
(2022 score points, 15-year-olds)
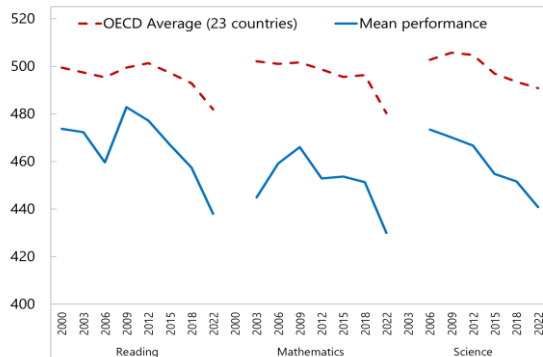
Sources: OECD PISA 2022 Database and IMF staff calculation.

Figure 16. Greece: Field-of-Study Mismatch, 2019
(Percent, higher values indicate higher reported mismatch)
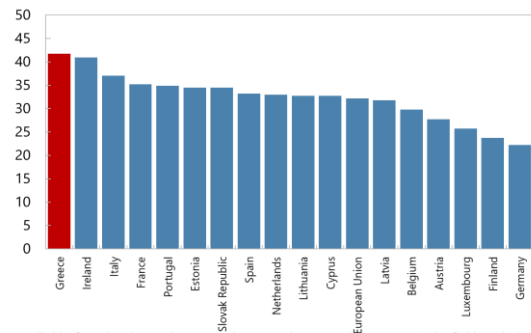
Note: Field-of-study mismatch occurs when a worker trained in one particular field works in another field, even when the worker might be matched in terms of skills or qualifications. Data refer to 2019 with the database last updated in 2022.

Sources: OECD Skills for Jobs Database and IMF staff calculation.

G. Additional Options to Increase Targeted Support

17.   Micro-based policy simulations we conducted using TaxFit suggest targeted transfers and tax credits could be considered to strengthen work incentives for LFP, particularly for women, at moderate fiscal cost. The simulations were aimed to quantify the effects from two measures that can address the LFP barriers identified earlier: (i) reduce childcare burden by providing targeted transfer; and (ii) mitigate weak incentives for the second earner by a targeted and nonrefundable tax credit. The simulation design also drew on successful cases from other countries. For example, lower taxes on the second earner in Norway and the United Kingdom, and increased spending on childcare in the Czech Republic, Poland, and Norway have helped support women's employment (Christiansen and others, 2016). Using Greece's household and tax-benefit system data, these simulations indicated that with good targeting to the lowest two income quintiles, the estimated total fiscal cost for both measures—(i) childcare-linked cash transfer and (ii) tax credits to smooth the METR—is less than 0.1 percent of GDP (Figure 17). Notably, the fiscal cost is offset by some positive revenue gains from the increased work incentives, particularly related to the tax credits for the second earners in low-income households.

Figure 17. Greece: Estimated Fiscal Cost from Simulation on Two Targeted Support Measures
(Euro million)
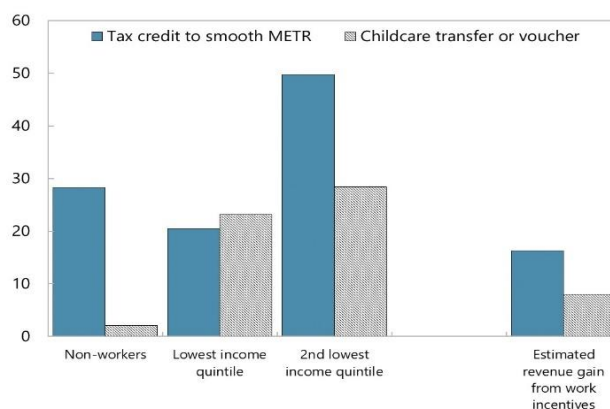
Sources: Greece authorities and IMF calculation.
(i) Childcare transfer or voucher is provided at €100/month per child;
(ii) a nonrefundable tax credit/allowance is provided at €100/taxpayer per year aimed to mitigate the estimated increase in METR for low-income households discussed earlier;
(iii) model-estimated revenue gain is due to incentives to work more, particularly for those not working before the incentives. Households are divided into quintiles (equally sized groups of 20 percent of the households). The lowest and second lowest quintiles refer to the bottom two groups with low income.

18.   In addition, Greece's Guaranteed Minimum Income (GMI, Ελάχιστο Εγγυημένο Εισόδημα) is a strong platform that can be leveraged to provide targeted support for raising LFP. It is a means-tested program for social protection. Leveraging recent digitalization efforts with RRF support, the authorities have integrated information management into a common platform that has been connected also to employment registration. The integrated platform facilitates quick and efficient information sharing and eligibility screening for the support to reach intended recipients. GMI has three key components: minimum income support, essential social service provision, and labor market integration. The GMI is characterized as a targeted scheme but with low coverage, potentially limiting its impact on poverty alleviation (Coady and others, 2021). Its cost is estimated at about 1 percent of GDP in 2024. The social service and labor component can be integrated with skill training and childcare support to increase labor participation with good targeting and efficiency.

19.   Moreover, conditional cash transfers (CCT) could be considered more to sharpen targeted support and strengthen the recipients' incentives to jointly achieve the LFP objectives. CCTs are programs in which cash benefits are provided to qualified individuals or households on the condition that they take actions to meet agreed requirements, such as sending child to childcare facilities or school, completing education and job training programs, and taking regular health check-ups. Global experiences as well as Greek's own experiences in supporting Roma minorities suggest well-designed CCTs can help achieve social objectives by efficient targeting and increasing joint accountability to results. For example, CCTs and quasi-CCTs have been used in social and employment programs in Denmark, France, Germany, Italy, Portugal, and Spain. Positive results

were reported in improving childcare use, women's employment, and vocational training results (European Commission, 2014; Grisolia, 2024).

H. Other Complementary Reforms

20.   Complementary reforms are also needed to increase women's LFP and raise Greece's labor productivity more broadly. Greece's low business dynamism has likely constrained women's LPF from the labor demand side.[8] The lack of new job creation through dynamic businesses makes it harder to integrate those outside the labor force into employment—a significant challenge for women particularly after breaks for having children. The vacancies-to-unemployment ratio in Greece stands at just 0.2—equal to five jobseekers per vacancy—indicating severe labor market slack near the bottom of the euro area (Figure 18). In addition, Greece has the highest service-sector barriers-to-entry in the Eurozone, constraining job creation and limiting women's job prospects as their employment is concentrated in services (Figure 19). Furthermore, recent studies show that more flexible work arrangements can allow women to better adapt to family needs and facilitate their participation and contribute to reduce informality (Kinoshita and Guo, 2015; Christiansen and others, 2016; Samaniego de la Parra and others, 2024). Finally, other complementary reforms that can raise labor productivity more broadly include enhancing competition, fostering innovation and technology diffusion, reducing red tapes, increasing judicial system efficiency, as well as regional efforts to strengthen a more integrated European single market (IMF 2024a,b and 2025a,b).

Figure 18. Greece: Labor Market Tightness (Vacancy to unemployment ratio, 2024Q3)	Figure 19. Greece: Barriers to Entry in Service Sectors (Index, higher values for higher barriers, 2023)
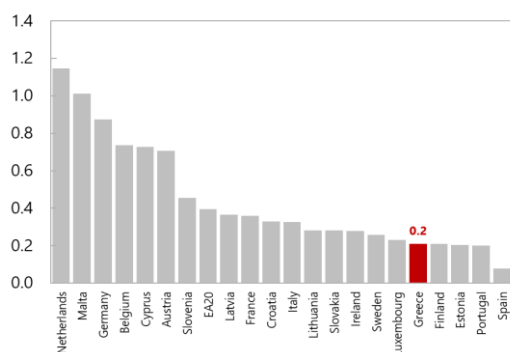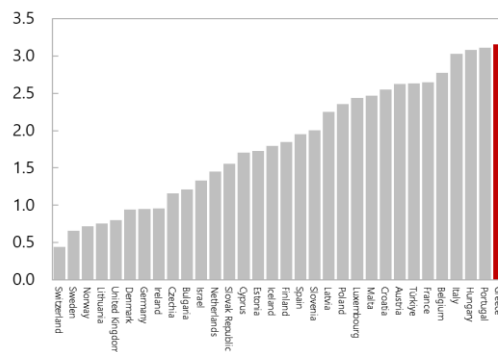
Sources: Haver Analytics, Eurostat, OECD PMR, and IMF staff calculations.

21.   Cultural and social norms have likely contributed to Greek women's low LFP. Survey data suggest that a relatively high share of the Greek population believe that men should have more right to a job than women (World Values Survey, 2022). This could undermine women's economic independence and their access to employment opportunities. For example, when asked whether men should have more right to a job than women (when jobs are scarce), over 37 percent of the

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[8] For details on Greece's business dynamism, see IMF (2025a).

Greek respondents agreed or strongly agreed. This is much higher than in peer EU countries, such as Italy (25.4 percent), Portugal (17.8 percent), France (11.5 percent), or Spain (10.8 percent). In addition, the representation of women in democratic institutions, particularly in parliament, also suggests further gender inequality in Greece. Only 23 percent of seats in the national parliament were held by women in 2023, well below the EU-average of 33 percent. The underrepresentation in political decision-making processes could affect the formulation and implementation of policies and, in turn, women's labor force participation. Similar challenges exist in the private sector. Greek women represented 24 percent of senior management positions in 2022, also below the EU average (European Commission, 2023). Notwithstanding the existing cultural limitations, cross-country experiences suggest that policy reforms can help change incentives and increase women's labor force participation over time in diverse countries.

I. Substantial Reform Benefits

Figure 20. Greece: Estimated Employment Impact from Addressing Care Impediments
(Number of individuals)

Sources: Greece Labor Force Survey and IMF staff calculations.
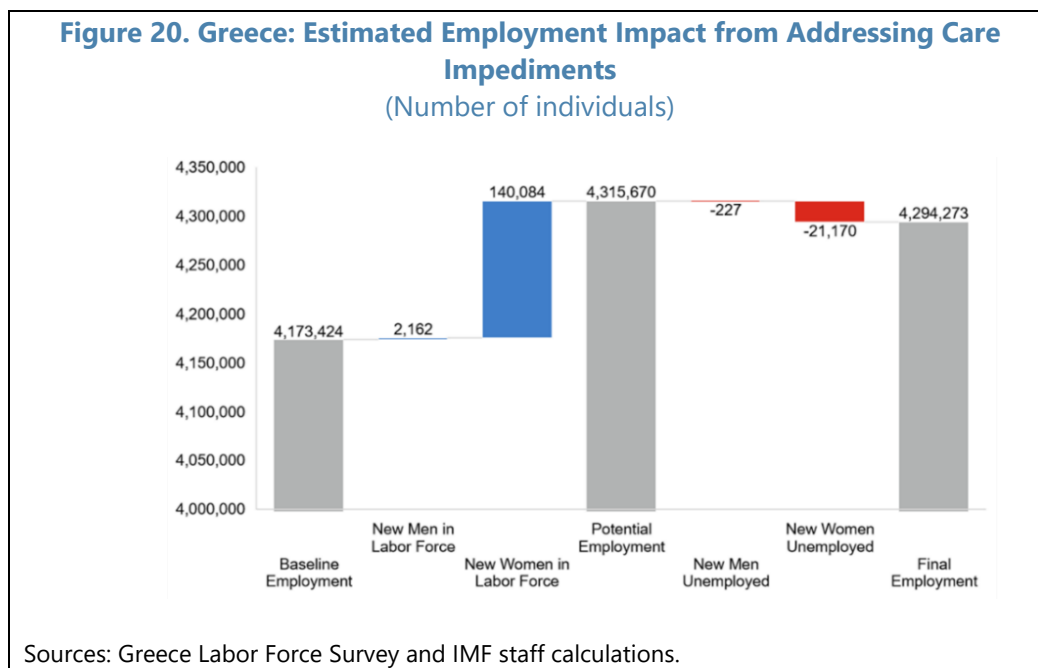
22.   Addressing care impediments alone could boost Greek employment by an estimated 3 percent, with higher benefits possible with more reforms. Figure 20 presents a straightforward arithmetic to estimate the potential employment growth from fixing care responsibilities issues. The first gray bar reflects baseline employment levels estimated from the LFS. The two blue bars depict how many men and women—specifically those who cite care responsibilities as their primary reason for not working—would enter the labor force if these burdens were fully alleviated. The second gray bar measures the potential employment from fixing care issues—calculated by adding the baseline employment (first gray bar) and the additional labor force (two blue bars)—thereby raising total potential employment to that level. Next, the red bars discount new labor force entrants who are likely to become unemployed, calculated by applying age- and gender-specific unemployment rates estimated from the LFS. The final gray bar thus represents the net increase in employment once

these adjustments are made, resulting in about a 3 percent overall gain. Drawing on other countries' experience, higher benefits could be achieved with more comprehensive reforms to support women's LFP. For example, Steinberg and Nakane (2016) estimated that for Japan, raising women's LFP rate by 7 percentage points could raise per capita income by about 4 percent.

J. Conclusion

23.   A balanced mix of policies targeting both labor supply and demand issues is vital to increasing LFP, including women, and help boost medium growth. By tackling both dimensions in tandem, Greece can maximize results from the labor-supporting and productivity-enhancing reforms. The analyses suggest that targeted measures to reduce care burdens, improving parental leaves, and raising the work incentives in the tax-benefit system are top priorities for raising LFP, particularly for women.

24.   In addition, addressing skill mismatches remains crucial to support a productive and competitive Greece labor force fit for achieving higher prosperity. More needs to be done to modernize the current secondary and tertiary education system with labor market needs, further expand life-long learning, and scaling up vocational and technical training on technology and healthcare to meeting the emerging demand of the economy. Going forward, ensuring the sustained implementation of these policies, establishing monitoring mechanisms to evaluate their effectiveness, and effectively coordinating education and labor programs across overlapping ministries will be essential to deliver efficient results.

25.   Other complementary reforms including those on enhancing business dynamism and maintaining labor market flexibility that can better accommodate women. Addressing demand-side constraints requires streamlining regulations to remove barriers for new and growing firms, broadening regulatory impact assessments to enhance efficiency, innovation, and competition, and prioritizing reforms in sectors with the largest distortions, such as non-tradable services with a high share of women workers. Additionally, supporting small and young firms to grow and further improving the judiciary system to facilitate efficient resource allocation can further stimulate business and job creation that also supports a productive labor force.[9]

[9] For detailed discussions, see IMF (2025a,b).

Appendix I. The IMF's TaxFit Model

1. The IMF's TaxFit model is a cross-country tax and benefit simulator that combines country-specific household survey microdata, and country-specific information on tax codes and benefit regulations to determine household net income once these rules are applied (Cots-Capel, Davis, MacDonald, 2024). The model computes taxes and benefits for hypothetical households—defined by user-provided inputs on gross income levels and family structures.

2. Cross-country comparisons are possible across a wide range of indicators that comprehensively capture the structure of the personal income tax regime—the tax rate schedule, allowances, deductions, credits, etc.—as well as features of the social protection systems that are likely to influence labor supply decisions—including contributions, unemployment insurance, family benefits, social assistance, and care benefits. For example, TaxFit generates indicators of the effective tax rate (ETR)—the average tax rate paid by an individual or household—and the marginal effective tax rate (METR), which represents changes in ETRs due to changes in income and/or labor supply decisions.
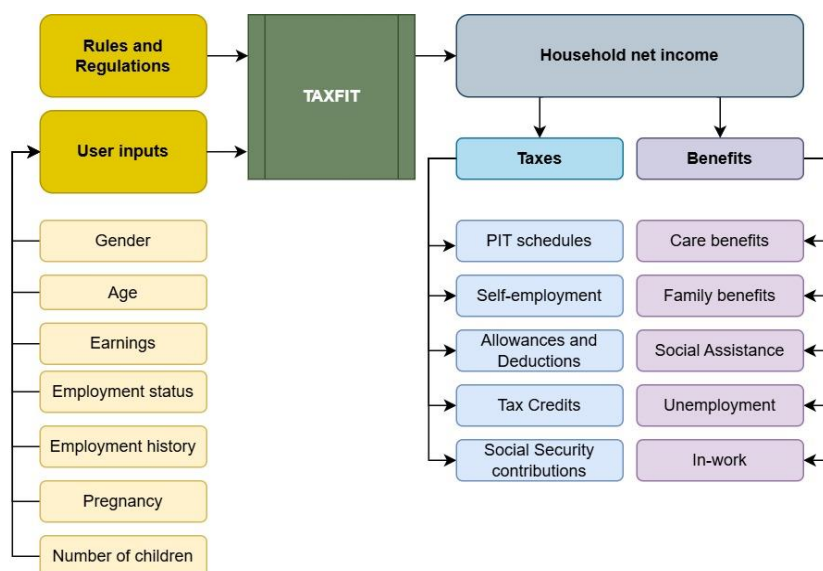
3. Where microdata is available, it can be uploaded to the model to produce additional diagnostic indicators that better reflect the population, such as the Kakwani index of the progressivity of the tax and transfer system (Kakwani, 1977). It can also model reform scenarios that estimate the welfare and fiscal impacts of past or proposed reforms. Additionally, the data used to build the model can also be used to perform gender and fiscal policy analyses.

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