

JOINT MEMORANDUM ON SOCIAL INCLUSION OF CYPRUS

In accordance with the provisions of the Accession Partnership, the Government of Cyprus has prepared, together with the European Commission, Directorate-General for Employment and Social Affairs, a Joint Memorandum on Social Inclusion, with the purpose of preparing the country for full participation in the open method of coordination on social inclusion upon accession. The Memorandum outlines the principal challenges in relation to tackling poverty and social exclusion, presents the major policy measures taken by Cyprus in the light of the agreement to start translating the EU's common objectives into national policies and identifies the key policy issues for future monitoring and policy review. Progress in implementing such policies will be assessed in the context of the EU social inclusion process, whose goal is to make a significant impact on the eradication of poverty in Europe by 2010. A potential solution to the political problem of Cyprus is expected to raise new challenges in the field of poverty and social exclusion and would necessitate a review of the whole report. There will be a need for coordinated efforts in order to identify specific areas for action to promote social inclusion. At the same time a political solution is expected to open up new opportunities for socio-economic development.

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Social Affairs

Brussels, 18 December 2003



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1. ECONOMIC AND LABOUR MARKET BACKGROUND

1.1. Economic developments

Cyprus has achieved robust economic growth, despite the challenges posed by the prolonged international recession and the radical structural changes that had to be adopted in order to come into line with the *acquis communautaire*. Although the changes affected most sectors of the economy, Cyprus has managed to face them successfully. Consequently, **recent trends** in the economy of Cyprus have been characterised by rapid economic growth, accompanied by almost full employment and conditions of relative macroeconomic stability. **Real GDP** increased at an annual average rate of 4.3% over the five-year period 1998 to 2002 (higher than that of the European Union of 2.4%), contributing to real convergence with the European Union. In Cyprus, the GDP per head in current prices was 15 200 euro in 2002, amounting to 63.4% of the average (23 970 euro) in the European Union (Table 1, Annex I).¹

In 2002, GDP growth slowed down to 2.2% in real terms, compared to a **rate of growth** of 4.1% in 2001, owing to the unfavourable external environment that followed the 11 September 2001 crisis. Consequently, the external demand for tourist services decreased in 2002. On the **demand side**, the main generators of growth were further expansion of domestic demand, particularly public consumption and gross fixed capital formation.

From the medium-term perspective, **economic growth** in recent years has been driven by services activities, with the most dynamic sectors being telecommunications, financial intermediation, other business activities, including software development and related activities and international business, restaurants and hotels. While tourist-oriented services activities remain significant, the economy is slowly trying to diversify towards the provision of financial, communications and other business services, which are marginally increasing their shares in GDP. The share of the financial intermediation sector rose from 5.7% in 1997 to 6.6% in 2002. Similarly, an increase in their share of GDP was observed in the sectors of communications (2.7% in 1997 and 3.6% in 2002), business services (3.3% in 1997 and 3.6% in 2002), education (5.2% in 1997 and 5.4% in 2002) and other community, social and personal services (4.0% in 1997 and 4.2% in 2002). The above-average growth of the other services sectors, apart from tourism, is contributing positively, although not to the desired extent, towards a further diversification of the production structure of the Cypriot economy.

In the wake of the smooth interest rate liberalisation, the setting for **monetary policy** was further strengthened by the full statutory independence given to the Central Bank (CB) with effect from July 2002, following the approval of the relevant legislation by Parliament. The prime objective of monetary policy is price stability over the medium term, which is interpreted to be a targeted range of core inflation around 2%. Monetary policy was somewhat relaxed in 2002, as interest rates were cut by 50 base points in December, mirroring a rate cut by the European Central Bank. The increase in **inflation** recorded in 2002 was not considered a matter of concern, as it reflected the temporary effects of tax changes, while imported inflation remained low. Broad money supply growth (M3) decelerated slightly in 2002 and is expected to stay around 11%, despite relatively high credit growth to the public sector. The economic slowdown and stricter credit risk assessment applied by banks seem to have led to a deceleration in domestic credit to the private sector. Despite the higher exchange rate risk

1 In 2002, the per capita GDP in Cyprus expressed in PPS (Purchasing Power Standard) constituted 74% of the average in the European Union, based on Eurostat data (Statistics in Focus, Theme 2- 20/2003).

following the widening of the fluctuation bands against the euro in 2001, the Cyprus pound remained very stable against the euro in the course of 2002, while it appreciated visibly against the pound sterling and the dollar, in line with the appreciation of the euro.

In the year 2002, there was a sharp widening of the **fiscal deficit** from 2.8% of GDP in 2001 to 5.3%, deviating from the target (1.9%) set in the revised Pre-Accession Economic Programme of Cyprus submitted to the EU in August 2002. The widening of the fiscal deficit is attributed primarily to the following factors:

- the significant slowdown of economic activity, which adversely affected public revenue;
- the fall in public revenue resulting from direct taxation due to the broader tax reform, which, inter alia, provided for a retroactive increase, as from 1.1.2002, in non-taxable income from C£6 000 to C£9 000 and an abolition of the defence levy, as from 1.7.2002, paid by employees and self-employed;
- lowering, as compared to the initial estimates, of the additional VAT revenue resulting from the increase in the VAT rate, which is not simply to be attributed to the slowdown of the economy but also reflects increased tax evasion;
- higher than anticipated expenditure for social measures and grants through the broader tax reform, as well as for defence.

In reaction, the Government prepared a new fiscal consolidation programme aimed at containing the fiscal deficit and putting the debt on a distinct downward path in line with the medium-term targets set in the revised Pre-Accession Economic Programme. The new fiscal consolidation programme was submitted to the EU in September 2003.

Concerning the **external stability of the economy**, the current account deficit of the balance of payments widened to 5.3% of GDP in 2002, compared to 2.8% in 2001 and 3.4% in 2000. The widening of the current account deficit in 2002 reflects the significant slowdown of external demand for goods and services, particularly tourism services, but also the acceleration in domestic demand. More specifically, revenues from tourism declined by 10%, reflecting an equal decline of 10% in tourism arrivals, in 2002.

1.2. Labour market

Employment² increased by 1.1% in 2002, following an increase of 2.0% in 2001, with employment in the primary sector declining³. The more buoyant private services sector absorbed the greater part of the employment growth. Labour productivity increased at a rate of 1.1% in 2002, following a rate of improvement of 2.1% in 2001. The deceleration in labour productivity was due to the relative deceleration in the rate of growth of the economy (cyclical factors). Real unit labour costs showed an increase of 1.3% in 2002, as compared to 0.6% in 2001.

With regard to the **structure of employment**, a basic characteristic is the growing importance of the tertiary sector (services), at the expense of both the primary and the secondary sectors (Figure 1, Annex I). The tertiary sector of services accounts for the bulk of employment,

2 Full-time equivalent.
3 Statistical Service.

around 70.7% of the total gainfully employed population in 2002, showing an impressive increase of 24.9 percentage points from 1980 (45.8%). Particularly significant are both the sectors of trade and hotels/restaurants with a share of 17.9%, and 10.5% respectively. The share of the primary sector decreased from almost 20% in 1980 to 8% in 2002. The secondary sector (industry) accounted for the remaining 21.3% of the total gainfully employed population in 2002. The contribution of the manufacturing sector to employment exhibited a downward trend, from around 21% at the beginning of the eighties to 12% in 2002⁴.

In 2002, **employment rates**⁵ rose for both men and women, reaching a level of 68.6%, close to the Lisbon target (70%). Although the female employment rate (59.2%) is still lower than the male employment rate (78.8%), it is improving every year (Table 2, Annex I). In 2002, there was an increase of 1.9 percentage points. This rate has almost reached the Lisbon target of 60% by 2010. Female employment in 2002, however, continued to remain concentrated in a few economic sectors. The representation of women in higher-skilled occupations, such as managers, professionals and technicians, improved by 0.9% in 2002. Female employment⁶ accounted for 44.3% of all those working in these jobs in 2002. Furthermore, the proportion of employed women with tertiary education continued to rise, reaching a level of 34.9% in 2002 (Table 3, Annex I).

Despite improvements in the area of equal pay, women still tend on average to earn less than men (on average, 73% of male earnings in 2001). This is expected to be minimised with the recent introduction of relevant legislation on equal pay for men and women (came into force on 1.1.2003), as well as other measures planned by the Government.

Part-time employment today accounts for 7.2%⁷ of total employment. Women have the biggest share in part-time employment at 69%⁸. Part-time employment of women accounts for 11.3% of total female employment, compared to 4% for men (Table 4, Annex I). Less than one fifth of women in part-time employment (18.6%) would like to work in a full-time job. According to the relevant law on part-time employment, a part-time employee must receive the same benefits, proportionately, as full-time employees when working for the same employer.

Temporary work decreased in 2002, bringing its share in total employment to 7.0% from 8.2% in 2001. The proportion of women in temporary work to total employment of women decreased to 10.8% in 2002, from 12.5% in 2001. Women's share in temporary work, however, increased to 67.4% from 65.4% in 2001. The higher share of women than men in temporary employment partly explains the lower average earnings of women than men.

Only old data exists for Cyprus for disability. According to the 1992 census, about 25.2% of **persons with disabilities**⁹ are in employment. Seventy-six percent (76%) of them are males and twenty-four percent (24%) females. This low percentage is expected to improve as a result of specific measures planned for 2003 (e.g. drafting of Regulations and Schemes promoting employment for this particular group, as mentioned under section 4.1.1.2).

4 Statistical Service.

5 Measured here as employment of people aged 15-64 as a proportion of the population aged 15-64, according to the Labour Force Survey, 2002.

6 Labour Force Survey, 2002.

7 The share of part-time employment in total employment among persons aged 15-64 years in 2002.

8 Labour Force Survey, 2002.

9 Statistical Service, Census of Population 1992. In the Census of Population 2001, no data were collected for persons with disabilities.

Statistical data on persons with disabilities are not comparable to the respective indicator in the European Union concerning persons with disabilities, of whom 50% are employed.

In 2002, the employment rate of **older workers** (persons aged 55-64) increased to 49.2%, which is close to the Stockholm target of 50% by 2010 (EU rate: 38.6% in 2001). At the same time, there has been an increase in the employment of **foreign workers** who come to Cyprus on a temporary contract basis. These workers come from third countries, mainly Sri Lanka, the Philippines, the Russian Federation and India. Some of them come from EU countries, mostly from Greece and the United Kingdom, and EU candidate countries, especially Bulgaria and Romania. Foreign workers make up 10.1% of the active labour market. They work in response to a continuing demand mainly for low-skilled jobs. One third of them (33.0%) are employed by private households as home helpers, 18.7% are employed in hotels and restaurants, 9.2% in agriculture, 8.8% in manufacturing, 8.6% in wholesale and retail trade and 7.9% in construction.

The role of foreign workers has expanded substantially in recent years, contributing to the alleviation of potential labour market constraints. At the same time, foreign workers remain concentrated in a limited range of sectors and occupations. Work permits may be issued, upon approval of the Migration Officer, only for specific job placements for which no Cypriots are available. A work permit is valid only for the job for which the permit was issued and any change of employment or employer is treated as a new application. Employment contracts of foreign workers are usually annual and renewable. The maximum duration of stay of a foreign worker in Cyprus may be extended to six years.

Legal immigration is not considered an issue in Cyprus because it is regulated by specified criteria and procedures for the granting of work permits. Illegal immigration is an issue of concern, especially in cases where it affects the labour market situation. Some types of illegal immigration and/or illegal work may cause more concern than others. For example, work by people who have never registered with the authorities (due to illegal entry in the country) causes more concern than work by foreign students on an occasional and/or part-time basis. The actual number of illegal workers in Cyprus is unknown but it is estimated to be around 15 000¹⁰

A study on foreign workers in Cyprus was recently completed and is now before the relevant Ministerial Committee. The results of this study are expected to form the basis for the formulation of a strategy on the employment of foreign workers in Cyprus.

Over the period 1998-2002, robust economic growth and a relatively flexible labour market kept registered **unemployment** relatively low, on average at 3.3%¹¹ of the economically active population. According to the Labour Force Survey, unemployment in Cyprus was 4.0%, in 2001, while it decreased to 3.3%, in 2002, compared to 7.7% in the European Union. The fall in the unemployment rate was evident in almost all age groups except for young males (15-24 years), who showed a considerable increase from 6.3% in 2001 to 8.0% in 2002. The corresponding rate for women decreased considerably from 10.2% in 2001 to 7.5% in 2002. The age group 55-64 (men and women) showed a positive improvement, as the unemployment rate decreased by 2.0 percentage units, thus reaching 3.5% in 2002 (Table 5, Annex I).

10 Department of Civil Registry and Migration, 2002.

11 Department of Labour, 2002 and 2001.

From a sectoral perspective, above-average unemployment rates were observed in 2002 in the sectors of hotels and restaurants (4.4%), wholesale and retail trade (3.7%), manufacturing (4.5%), transport, storage and communications (4.1%) and other community, social and personal services (3.6%). The **long-term unemployment rate**¹² in 2001 was about 0.9% of the labour force, compared to 3.2% in the EU. In 2002, it decreased to 0.7%.

1.3. Public social expenditure

The Government is firmly committed to promoting social cohesion, as reflected in the steady increase of social expenditure, which rose from 12.9% of GDP in 1992 to 17.4% in 2001. Out of that amount, 13.7% is the total government social expenditure and about 3.7% is the private expenditure on health. In monetary terms, public expenditure rose from C£296.3 million in 1992 to C£805.0 million in 2001, resulting in an increase of 171.9% during the decade. The main sectors of **public spending** are health (2.4% of GDP), social security (8.2%), public assistance (1.4%) and housing (1.7%) (Table 6, Annex I).

Social expenditure in the Member States ranges from 30% in the northern European countries to around 20% in the Mediterranean countries and Ireland. The average social expenditure in the European Union is 28.5% of GDP.

Several factors may explain why Cyprus seems to spend less than most EU countries in the social domain:

- unemployment in Cyprus has remained at much lower rates, around 3.3%, compared to the EU level of 7.6%;
- Cyprus lacks a national health scheme, resulting in under-recording of private expenditure on health;
- the wage-related system of the social insurance scheme was introduced relatively recently (in 1980) and many pensioners still receive low pensions, i.e. close to the basic rate. With time, pensions will be higher, because of the rising individual contributions and expenditure on pensions will therefore be higher too;
- a number of enterprises offer additional benefits to their staff, such as supplementary pension schemes (provident funds) and other benefits which are not yet included in social expenditure;
- NGOs and local authorities offer social services at subsidised prices which are not yet included in national social expenditure (Table 7, Annex I);
- the private sector offers insurance schemes for social services, i.e. health care, housing schemes, education loans, etc., for which no data are available, and
- intergeneration solidarity is still strong in Cyprus, offering extensive unpaid social services for childcare, care for the elderly, the disabled and other dependent family members.

12 Unemployed for more than 12 months as a percentage of the labour force.

The Statistical Service is aware of the need to collect social statistics in cooperation with Eurostat. The compilation of data on social protection will start by the end of this year, on the basis of ESSPROS.

2. SOCIAL SITUATION

Demographics

The population in the government-controlled area of Cyprus stands at 705 500¹³ (Table 8, Annex I). Owing to continuous urbanisation, the urban population now makes up 69% and the rural population 31%.

The percentage of elderly people (65+ years) shows a rising trend, although it is still as low as 11.7% (2001) compared to 16.3% in the European Union (2000). This trend combined with low fertility (1.6) and low infant mortality (4.9) rates and an increase in life expectancy (76.1 years for men and 81.0 for women) are clear indications of an ageing society, as observed in the countries of the European Union¹⁴.

Families in Cyprus are changing in size and structure. One- to two-person households have increased from 30% in 1982 to 37% in 1992 and 43% in 2001. The total divorce rate has increased sharply in the last decade from 7.3 (1990) to 20.9¹⁵ (2001). The percentage of children born out of wedlock increased from 7.3 in 1990 to 23.3 in 2000 for every 1 000 births. The percentage of lone parents, however, shows only a slight increase from 4.2% in 1992 (3.7% lone mothers - 0.5% lone fathers) to 5.7% in 2001 (5.0% lone mothers - 0.7% lone fathers).

Data from the Social Welfare Services confirm that social problems have increased in number and complexity. For example, there is an increase in reports of family violence (45 in 1991, 436 in 2001, 598 in 2002) and in recipients of public assistance (13 095 in 1991, 20 696 in 2001, 22 165 in 2002). Although there are no official statistics to indicate the prevalence of **drug use** in Cyprus, some independent research carried out in the 1990s¹⁶, as well as current clinical and other data, indicate an increasing trend in drug use in the general population, an increase in the use of opiate drugs (especially heroin) and synthetic drugs (ecstasy), a decrease in the age of initial drug use and an increase in the use of illegal substances within suburban areas.

Although intergeneration solidarity is still strong in Cyprus, the above social developments have led to the loosening of family and social networks. As a response to a weakening informal care and an increasing participation of women in the labour market, new forms of formal care and other family support services have been developed in recent years. The current social trends suggest that there is a need for continuous development and adjustment of measures at all levels of prevention, including measures reconciling work and family life.

13 Statistical Service, 2001.

14 Ibidem.

15 For every 100 weddings, 20.9 are expected to end in divorce.

16 A list of study references is available from the Anti-drugs Council. Pompidou Group (Council of Europe) (1995 and 1999). European Schools Survey on Alcohol and Other Drugs. Ministry of Education and Culture (2000). Self-reporting national survey on juvenile delinquency amongst Cypriot high-school students.

The Government, the social partners and civil society are involved in the development of these measures.

Education

Educational attainment¹⁷ of Cypriots aged 20 years and above is as follows:

- 2% have not attended any school (men: 1% - women: 4%), the vast majority of which (85%) are over 60 years old;
- 30% have had elementary school education (men: 27% - women: 32%);
- 43% have had secondary school education (men: 47% - women: 40%) and
- 25% have had a tertiary-level education (men: 25% - women: 24%).

According to the LFS 2002 (Table 9, Annex I), 84.2%¹⁸ of persons aged 25-29 had completed upper secondary education, as compared to the average of 62.5% of all age groups (15-64). Comparison between young male and female rates shows that, whereas young women (25-29 years) have a lower rate of educational attainment¹⁹ than men at upper secondary level, at post-secondary education level they exceed by far the level of men. The difference observed between men's and women's educational attainment can be explained partly by the fact that men delay completing their studies by two years, as they have to complete compulsory military service immediately after graduating from upper secondary education level. These age groups are therefore, to a certain extent, not comparable, as some men had not yet had the chance to complete their post-secondary studies.

The gross rate of enrolment by educational level is as follows²⁰:

- Primary 96%
- Secondary 93%
- Tertiary in Cyprus 23%
- Tertiary abroad 26%.

Based on the Labour Force Survey 2002, **early school-leavers**²¹ make up 14% (males: 18.8%, females: 10.2%) of the 18-24 age group, which compares rather favourably to the EU-15 figure of 18.9% (males: 21.5%, females: 16.4%). Research in this area would be useful to indicate potential risks for this group of the population. Almost half of the public elementary and secondary schools in Cyprus include **children** (a total of 3 289²²) who come from different countries (mostly from the former Soviet Union) and thus their linguistic and ethnic

17 Statistical Service (2002). Statistics of Education 2000/2001. Nicosia: Printing Office of the Republic.

18 45.9% of the total population aged 25-29 have completed post-secondary education.

19 Educational attainment is measured as the highest level of education completed according to the levels of ISCED97.

20 Ibidem.

21 The percentage of the population aged 18-24 with at most lower education and not in further education or training (definition by Eurostat).

22 Statistical Service (2002). Statistics of Education 2000/2001.

background is highly diversified. As a result, there is an increasing number of children at risk of exclusion unless special educational services are provided in order to help them adjust to the school system. Such services (e.g. special language courses) are already in operation in most schools concerned. Further expansion of these services is expected every year.

As regards lifelong learning (LLL), the Labour Force Survey 2002 indicates that the percentage of the population aged 25-64 years participating in education and training is 3.7% (males: 3.6%, females: 3.8%), as compared to 8.5% (males: 7.9%, females: 9.2%) in EU-15.

Health

Cyprus ranks 24th among the 191 member countries of the World Health Organisation in terms of effectiveness of **health services**. In 2001, the indicators for basic health services (Table 10, Annex I) were as follows:

- Number of persons per doctor 381 (EU countries: 176-402)
- Number of persons per nurse 237 (EU countries: 46-269)
- Number of persons per hospital bed 227 (EU countries: 109-250)
- Number of persons per dentist 1 106 (EU countries: 657-2 650)
- Total expenditure on health as a % of GDP 6.1²³ (EU countries: 6.0-10.6%)
- of which 2.4% represents public expenditure (EU countries: 4.6 - 8%).

Cyprus has not introduced a national health scheme yet, but intends to do so by 2008. . Currently, health care is provided by the government health services and the private health sector. It is estimated that about 70% of the population is entitled to free care and about 20% to reduced-fee health care from the government health services²⁴. Tables 11 and 12 in Annex I show the number of patients discharged from government hospitals in 2001, by disease category, and Table 13 the number of outpatient attendances at government medical institutions, again by disease category. Changes in life expectancy at birth can be seen in Table 14.

Free health care is provided:

- irrespective of income, to active and retired members of the civil service, the education service, the police and armed forces and their dependants, members of families with four or more children, war pensioners, students of the University of Cyprus and other State educational institutions, recipients of public assistance and persons suffering from certain chronic diseases;
- to individuals earning up to C£9 000 per year and
- to members of families whose income does not exceed C£18 000 per year, increased by C£1 000 per year for each dependent child.

23 Statistical Service (2001). Statistics on Health and Hospitals, 2000, Nicosia: Printing Office of the Republic of Cyprus.

24 Statistics of the Ministry of Health.

Care at 50% of the fees is provided:

- to individuals earning between C£9 001 – 12 000 per year and
- to members of families whose annual income is between C£18 001 – 22 000, increased by £1 000 for each dependent child.

Reduction of fees for in-patient care is provided to persons not belonging to the above categories, depending on the amount of fees and the annual income of the individual or the family concerned.

Employees of semi-government organisations and certain privileged employees of the private sector are covered by medical funds financing primary and secondary health care services for themselves and their families. The main trade unions in the private sector also operate medical funds providing cover (mostly outpatient care) financed by both employers and employees. About 30% of the population is covered by occupational medical schemes, while they may concurrently be covered by government health services on account of their income level.

The standard of health of the population of Cyprus, as reflected in the health indicators, is comparable to that of developed European and other countries (Table 15, Annex I). This achievement is the combined effect of the high level of social and economic development and the availability and accessibility of health services, both public and private, for the whole population. The current system of provision ensures access to health care for the low- to middle-income groups and for the chronically ill, free of charge or at reduced fees. Access to public health services by the rural population is facilitated through a network of rural health centres. All rural centres are staffed with medical and nursing personnel as well as pharmacists and support staff. In addition to the basic medical equipment, they have the necessary equipment for providing emergency care (e.g. emergency trolleys, defibrillator, trauma trolley, monitor).

Despite the good standard of health, health care services display weaknesses that have a negative impact on the rational and efficient utilisation of available health care resources. Services are fragmented between the government and the private sector without coordination, little continuity of care and poor communication between the two sectors. Criteria for free medical care also create inequalities in the financing of health care. The imminent introduction of the National Health Scheme is expected to help remedy many of these weaknesses.

Housing

The percentage of households in Cyprus that **own their home** has risen from 64% in 1992 to 68.4% in 2001²⁵ and it is significantly higher than the EU average (59% in 1998). **Housing facilities** are of good standard. Almost all households have water supply (99.7%), while most have a kitchen (99.6%), a bath (99.0%), a toilet (99.8%) and supply of hot water (97.5%).

Homelessness has not been a social feature of Cyprus, either in the recent past or at present. According to the Censuses of Population for 2001, 1991 and 1981, no person or family was found without a permanent roof over their head. This seems to have been a result of strong

25 Statistical Service, Census of population 2001.

social ties as well as effective housing policies. For example, the Public Assistance and Services Law ensures that persons who cannot meet their basic and special needs (including housing) are eligible for public assistance. A recipient of public assistance is then eligible for a rent allowance or an allowance for mortgage payments deriving from a loan for housing purposes. There are also housing schemes for low-income households. Public housing is available only for individuals and families who became refugees in 1974.

The areas in the vicinity of the buffer zone²⁶, in the government-controlled area, are more disadvantaged and less populated. Furthermore, the increasing urbanisation of the island in recent years has exacerbated some regional differences.

The Government operates a variety of housing schemes for vulnerable people (e.g. refugees of 1974 and low-income households) and for the revival of disadvantaged areas. Nevertheless, there has been a lack of a comprehensive housing policy and little coordination between different housing schemes. As a result, the Government set up the Housing Policy Agency in 2001, with a mandate to evaluate existing housing policies and to formulate a national housing policy.

Poverty

The risk of poverty in Cyprus for individuals living in households where the **equivalised total net household income** is below 60% of the national median equivalised total net household income is 16% (1997), the same as in the EU²⁷. Despite this, the poverty rate is considered high, in relative terms, in view of the high employment rates and the very low unemployment rate enjoyed by the Cypriot economy. Unlike the situation in the EU, however, where the poverty rate is mainly related to employment and unemployment rates, in Cyprus the poverty rate is associated with income security measures, mainly pensions, as described below. The percentage of individuals living in households where the equivalised total net household income is below 40%, 50%, 60% and 70% of the national median equivalised total net household income is shown in Table 16 of Annex I.

The risk of poverty before **social transfers** is 24% in Cyprus (1997), compared to 40% in the EU (1999). The same risk falls to 18% (24% in the EU) after retirement pensions are included and 16% (15% in the EU) after all transfers are included. This indicator shows that social transfers in Cyprus make a smaller difference to the risk of poverty than they do in the EU (Table 17, Annex I).

The inequality of income distribution **S80/S20 quintile ratio**²⁸ is 4.4 (1997), which compares favourably with the 5.3 observed in the EU (4.6, 1999). The inequality of income distribution **Gini coefficient** is 28.7 (1997), which is also close to the EU figure of 29 (1999).

Poverty in Cyprus seems to be associated with **old age, retirement, single parenthood and one-person households**. The percentage of individuals living in households where the equivalised total net household income is below 60% of the national median equivalised total net income is significantly higher (58%) among the age group 65+ years (1997). The risk of

26 The buffer zone is an operational concept used since 1974 to describe the area between the ceasefire line of the Turkish military forces and the forward defence line of the national guard.

27 The risk of poverty in the EU fell to 15% in 1999, as shown by the Laeken indicators (Table 17, Annex I).

28 The ratio between the sum of equivalised total net household income of the top 20% of the income distribution to the bottom 20%.

poverty for the same age group in the EU is as low as 17% (1999). Persons in **retirement** run a very high risk of poverty in Cyprus (62% compared to 15% in the EU). Older women in Cyprus, as in the EU, are at a higher risk of poverty than older men, reaching 60% and 56% respectively (Table 17, Annex I).

These findings may be partly explained by the fact that the earnings-related system of the social insurance scheme was introduced only in 1980. As a result, approximately 37% of old-age pensioners in Cyprus receive low pensions, i.e. close to the basic rate. The findings may also be attributed to the low levels of the basic rates of the pensions under the social insurance scheme and the social pension, as compared to 60% of the national median equivalised total net income. It should be mentioned, however, that the minimum pension rates in 1997 (C£ 94.11 for both social insurance and social pensions), the year to which the above findings refer, have increased significantly (see current rates in Annex II). With time, pensions are expected to be higher, since they will increasingly rely on individual contributions as well. The findings may point to a need to review the current pension and social pension systems with a view to improving the financial situation of older persons in Cyprus. The role of family solidarity should be examined to better assess the actual standard of living of older persons.

Living in a **one-person household** (including persons in retirement) is the highest risk of poverty in Cyprus (64%), which is much higher than in the EU (22%). The risk increases substantially to 83% if the person living in the one-person household is **65+ years of age** (EU: 24%). A **single parent** with one or more dependent children also runs a higher risk of poverty (41%), as is the case in the EU (38%). **Tenure status** (owning or renting the place one lives in) does not seem to be an indicator of poverty in Cyprus (16% and 18% respectively). This does not seem to be the case in the EU, where persons renting a house run a higher risk of poverty than those owning the home they live in (12% and 24% respectively).

Finally, **unemployment** is a lower risk of poverty in Cyprus than it is in the EU (23% and 39% respectively), which may be explained by the strong informal network still in place in Cyprus.

3. KEY CHALLENGES

In the context of generally favourable economic and social conditions, Cyprus faces a series of challenges in the area of social inclusion:

1. The social protection system should ensure adequate income and resources for all persons in need, particularly older pensioners and single parents. In Cyprus, retired older persons (65+ years), living alone, seem to be particularly vulnerable to poverty. This may be the result of the former social insurance scheme, which used to provide only for the basic rate of pension. As a result of the introduction of the wage-related social insurance scheme in 1980, future generations of pensioners are expected to be in a better financial position than their counterparts today. There should be further understanding and monitoring of the factors that contribute to poverty and social exclusion in Cyprus. In view of the current findings on high-risk groups for poverty and social exclusion (see Laeken indicators), there is a need to strengthen the statistical capacity in this area, to encourage further research and to evaluate relevant policies and programmes.
2. Employment should be further promoted as a right for all. Active measures should continue to be developed for labour market integration and, in particular, the

integration of women and vulnerable persons (e.g. older persons, persons with disabilities) into the labour market with the involvement of all relevant players. There is a need to modernise the Public Employment Services, which should expand quantitatively and qualitatively to include special counselling and support services to vulnerable groups. There is also a need to initiate research in order to identify obstacles to the implementation of active labour market measures for vulnerable groups of the population.

3. Further development of preventive educational programmes is required to eliminate educational disadvantage, particularly among vulnerable groups such as early school-leavers, children with special needs and children who come from different countries with a highly diversified linguistic and ethnic background.
4. Changes in family size and structures - such as the increase in smaller households, higher divorce rate and higher risk of poverty in older, retired persons, especially women - necessitate a better balance between formal and informal care services for children, older persons and other persons in need. In cooperation with all players concerned, further promotion of a continuum of family services (both preventive and remedial), according to family needs, would better preserve family solidarity, protect children's rights and further promote reconciliation of work and family life.
5. In an effort to ensure good accommodation for all and to revive disadvantaged and less populated regions of Cyprus, the Government needs to coordinate and evaluate the various national housing policies and schemes in the light of current social needs. The Housing Policy Agency (established in 2001 by the Council of Ministers) recently appointed an Ad Hoc Committee for Criteria, which is expected to contribute towards a comprehensive housing policy in Cyprus.
6. Better access to, better quality and delivery of services requires programme evaluation studies, together with systematic qualitative and quantitative research to further identify and analyse groups vulnerable to social exclusion (e.g. drug addicts). It also requires capacity building in terms of monitoring and recording results and policy impact. In the area of health care, there is a need for rationalisation and coordination of available health resources, both public and private. There is also a need to address the issue of inequalities in the financing of and access to comprehensive health care, the issue of efficiency and quality in the delivery of care and the issue of geriatric care. The introduction of a national health scheme is expected to achieve higher efficiency and ensure high standards of quality in the delivery of care.
7. Appropriate strategies and policies need to be developed through social solidarity, partnership and coordination between the Government, the social partners and civil society. These are central components of an effective social dialogue in the planning of strategies and policies to combat poverty and social exclusion. NGOs are closer to vulnerable people and they are major service providers in the social field. Through their participation in advisory councils, as mentioned in section 4.1.4.2, they also contribute to policy-making in an increasing number of areas, such as ageing, special needs, disability, family violence and drug abuse. Concerning the latter, cooperation with NGOs should be further enhanced in setting up psychological, social and occupational rehabilitation structures for drug users. NGOs could therefore be supported in their effort to provide valuable input in policy planning, implementation and monitoring as well as in research initiatives and evaluation studies. The

participation of Cyprus in the open method of coordination for social inclusion seems to make an important contribution towards the enhancement of coordination and cooperation with all relevant players in the fight against poverty and social exclusion

8. Qualitative and analytical information relevant to trends and developments in the economy needs to be compiled in such a way as to ensure compatibility with EU data. To this end, the adaptation of the methodology of the national accounts of Cyprus, based on ESA 95 concepts and definitions, is considered a priority and is expected to be completed by accession.

4. POLICY ISSUES

4.1. Facilitating participation in employment

4.1.1. *Promoting access to stable and quality employment, active employment policies and training*

4.1.1.1. The most relevant aspects of the current situation

The recent trends in Cyprus have been a satisfactory rate of growth in the economy, full employment conditions and macroeconomic stability. Whereas unemployment rates are very low and employment rates are high for both men and women – and close to the Lisbon and older workers targets – labour shortages and skill mismatches could materialise in the future. Further, the employment rate of persons with disabilities is still quite low.

4.1.1.2. The main policies and institutions

As concluded in the Joint Assessment Paper of Employment Priorities (JAP) and subsequent progress reports, in Cyprus (2001), with nearly-full employment having prevailed for many years, there has been limited development of active labour market programmes.

The major activity in the area of active employment measures has therefore been the development of human resources. Additional measures, aiming to improve the employability of certain categories of the labour force, include the **Self-employment Scheme for Tertiary Education Graduates**, the **Self-employment Scheme for Older Persons** (63 years and over) and a number of other programmes enhancing the employment opportunities of **persons with disabilities** (the Self-employment Scheme, the Scheme for Reimbursement of Training Costs, the Scheme for Reimbursement of Costs for Adjusting the Work Environment and the Supported Employment Scheme, which targets persons with severe disabilities). The total expenditure on the above four Schemes for the employment rehabilitation of persons with disabilities rose from C£44 783 (76 131 euro²⁹) in 1996 to C£106 506 in 2002 (Table 18, Annex I).

The Law Providing for Persons with Disabilities (Law 127(I)/2000) provides, inter alia, for equal treatment of persons with disabilities in the field of employment, the operation of employment schemes for persons with disabilities, the creation of employment opportunities in the public sector exclusively for persons with disabilities and the provision of incentives to private employers for the employment of persons with disabilities.

29 1C£ = 1.7 euro.

Furthermore, the Law provides for the establishment of the Pancyprian Council for People with Disabilities (PCPD), which is a central coordinating and consultative body with the aim of contributing towards policy issues relating to people with disabilities. The PCPD is chaired by the Minister of Labour and Social Insurance and consists of representatives of governmental services, NGOs and the social partners.

4.1.1.3. Brief assessment of the key priorities for future policy review

The new National Development Plan 2004-2006 and the Single Programming Document for Objective 3, “Human Resources” (which will be financed through the European Social Fund), include active measures to increase the participation of women and to facilitate the access of vulnerable groups (e.g. persons with disabilities, older workers) to the labour market.

The Government's main priorities in the area of active employment measures for persons with disabilities are:

- the improvement of the existing vocational rehabilitation schemes with respect to the level of assistance provided and the scope of the groups entitled to such assistance, and
- the operation of new schemes that aim to promote the employment of disabled persons in both the public and private sectors, according to the Law Providing for Persons with Disabilities (Law 127(I)/2000). Relevant schemes are under consideration by the Department of Labour in order to both strengthen employment incentives for persons with disabilities and encourage employers to take on persons with disabilities.

4.1.2. *Training/Lifelong learning*

4.1.2.1. The most relevant aspects of the current situation

As mentioned earlier, women have a lower employment rate than men, whereas persons with disabilities have an overall low employment rate (especially women with disabilities). The Government recognises that training and lifelong learning constitute, among other things, major tools for the improvement of the employment opportunities of the above categories of the population as well as vulnerable groups in general (e.g. older persons).

4.1.2.2. The main policies and institutions

Adult initial and continuing education in Cyprus is provided through public education institutions. Adult education includes classes on a range of subjects, evening secondary schools, evening technical classes, evening classes in technical schools and training courses (Table 19, Annex I).

The Human Resource Development Authority (HRDA) is the main promoter for initial out-of-school training and continuing vocational training in Cyprus. It is a semi-governmental organisation which reports to the Government through the Minister of Labour and Social Insurance. The task of the HRDA is to create the necessary prerequisites for the planned and systematic training and development of human resources in Cyprus, at all levels and in all sectors³⁰ in order to meet the economy's needs within the overall national socio-economic policies.

30 With the exception of the self-employed and civil servants.

The HRDA's activities encompass the formulation of an integrated training and human resource development policy (e.g. through the approval and financing of a variety of training activities), the continuous assessment of the economy's needs (e.g. through research studies and surveys), the modernisation of the training system (e.g. Training Infrastructure Support Scheme-de minimis), the dissemination of information to enterprises and the public in general and the analysis of the *acquis communautaire* in the training field. The HRDA's activities are divided into two main clusters: initial training and continuing training. In addition, the HRDA operates two schemes: the consultancy services scheme and the training infrastructure support scheme.

4.1.2.3. Brief assessment of the key priorities for future policy review

According to the Joint Assessment Paper of Employment Priorities (2001), under recent and current labour market conditions there has been significant progress in the field of training concerning the awareness of enterprises and their employees about the importance of training and lifelong learning. Moreover, the existing range of active programmes appears to be quite appropriate for the needs in Cyprus.

The current training system, however, is more geared towards the needs of enterprises and people already in employment. As a result, there are individuals presently not eligible for participation in training programmes, such as women outside the labour market, persons who have lost their jobs, persons who are between jobs, persons who are self-employed in small family businesses or who have not managed to find employment after completing their education and have never been part of the labour market. Furthermore, training programmes are not especially designed for vulnerable groups such as persons with disabilities, persons with reduced capacity for work or older persons.

There is a need to further promote the employability of the unemployed and persons outside the labour market (particularly women, persons with disabilities and other vulnerable groups) through their participation in training activities in occupations where there are identified labour shortages.

4.1.3. *Reconciliation of work and family life*

4.1.3.1. The most relevant aspects of the current situation

In Cyprus, women have traditionally been - and still are - the main care providers in the family. New family structures, the weakening of family ties and the increasing participation of women in the labour market, however, have created a need for new types of formal care.

Recent statistical data show that 40% of all pre-school children in the government-controlled area of Cyprus (i.e. 26 455 children) attended 642 child day-care centres³¹ during the school year 2000/2001. There are currently 40 adult day centres catering for about 900 persons and 150 residential homes for old persons and persons with disabilities, catering for 2 235 persons³².

31 Statistical Service.

32 The Social Welfare Services, 2001.

4.1.3.2. The main policies and institutions

Measures on reconciliation of work and family life are already incorporated in legislation, policies and programmes of the Social Welfare Services. Emphasis is laid on women who are still the main carers of dependent family members (e.g. children, older persons and persons with disabilities). In order to encourage women's participation in the workforce, the Social Welfare Services promote the development of a wide range of family services by the non-governmental sector, which may deliver services more efficiently and effectively on a local level. The Social Welfare Services provide technical and financial assistance to Community Welfare Councils and other non-governmental organisations within the framework of the Grants-in-Aid Scheme. Tables 20 and 21 in Annex I show the steady increase in government grants, the number and the type of programmes that have benefited in recent years.

The Social Welfare Services are responsible by law for setting and monitoring the implementation of standards on child care, adult day care and residential care for older persons and persons with disabilities.

Although there are no studies to substantiate the quantity and quality of day-care in Cyprus, in terms of needs, it is believed that both are at satisfactory levels. Through the Grants-in-Aid Scheme, the Government aims to continue its efforts for more and better day-care centres, on a local level, for parents who need them, especially in disadvantaged or remote communities.

Provisions in favour of primary family carers, who still tend to be **women**, are incorporated in the Public Assistance and Services Law of 1991 as follows:

- All things being equal, the monthly amount of public assistance allowance is higher for working single parents.
- It is possible for informal carers to receive monthly fees towards care services for a dependent family member (e.g. an older person or a person with disabilities) who is a public assistance beneficiary.
- A public assistance recipient may be provided with governmental, non-governmental or private home care and/or day care. This provision may take away some of the burden on informal carers in order to encourage their participation in the labour market.

Finally, the introduction of a new law on parental leave as from 1.1.2003 has contributed to the support measures available for working parents. The new legislation provides for a 13-week period of unpaid leave for the care of a biological or an adopted child. The parent may use this right until the child reaches the age of six, or 12 in the case of an adopted child. A parent may also take seven days per year on account of a child's illness, an accident or other serious family reasons.

4.1.3.3. Brief assessment of the key priorities for future policy review

The development of measures reconciling work and family life needs to continue within the wider objective of supporting the family and encouraging women's participation in the labour market. The Grants-in-Aid scheme will continue to subsidise programmes supporting the family, such as day-care centres for children, older persons and persons with disabilities.

4.1.4. *Social economy*

4.1.4.1. The most relevant aspects of the current situation

The social partners (since the 1960s) and civil society (since 1968) have a long history of successful cooperation with the Government in the field of social policy. Social solidarity is valued highly in Cyprus and is expected to continue growing.

4.1.4.2. The main policies and institutions

The role of the social partners is institutionalised at all levels of policy-making and implementation. The tripartite cooperation has a successful history, which is expected to continue and further develop in the future.

Social voluntary organisations play an important role in almost every field of social welfare in Cyprus. Through the establishment of a variety of advisory councils, by legislation or by decisions of the Council of Ministers, the Government consults with NGOs in an increasing number of policy areas such as ageing, special needs, disability, family violence and drug abuse.

Governmental services, social partners and NGOs are all represented in advisory councils. For example, according to legislation, non-governmental organisations for persons with disabilities are organised under the Pancyprian Council for People with Disabilities (PCPD), which was established in 2000 as a central coordinating and consultative body with the aim of contributing towards policy issues relating to people with disabilities.

The social voluntary sector is organised under the Pancyprian Welfare Council (PWC), which is the highest coordinating body of voluntary social welfare organisations in Cyprus. In addition to the PWC, almost all NGOs for persons with disabilities (a total of 7 NGOs) are organised under the Pancyprian Council for People with Disabilities (PCPD).

The PWC membership records illustrate the organised structure of voluntary social welfare in Cyprus. There are 6 district welfare councils, 37 Pancyprian and 234 district/local social welfare voluntary organisations. The PWC members represent a wide range of interests of civil society; older people, people with disabilities, young people, children, families, persons with chronic illnesses, drug addicts, etc. Social programmes are implemented in various fields such as: health, rehabilitation, recreation, day care, residential care, home care, preventive and support services. Programmes and services aim to promote social cohesion and address social needs at both local and national levels.

In general, NGOs command a growing number of assets and mobilise vast human resources, both paid and voluntary. Very few NGOs, however, can be characterised as financially self-sufficient. As a result, an increasing number of NGOs depend to a large extent on national funding. In some cases, national funding determines the voluntary organisations' existence. This has major implications for the way NGOs are funded, the quality of programmes and services and the planning and continuity of management.

4.1.4.3. Brief assessment of the key priorities for future policy review

Although NGOs play an important role in social policy implementation, they are still not represented in all policy-making procedures. Furthermore, there is a growing number of NGOs which share the same objectives and represent the same vulnerable groups, resulting in

service duplication and inefficiency in the allocation of resources. Finally, most NGOs lack statistical data and research findings to illustrate their clients' needs or the need to introduce specific services/programmes in their respective field of competence.

The Pancyprrian Welfare Council, in cooperation with the Government, is considering ways of improving coordination between NGOs. The law which establishes the PWC is under revision with a view to strengthening the PWC's role in social policy-making and its working methods and coordination capacities, as well as improving the representation of NGOs in the development, implementation and monitoring of social policies.

The Government is strongly committed to further developing its cooperation with the social partners and NGOs, as shown in the National Development Plan 2004-2006. The participation of the PWC and the PCPD in the JIM exercise is expected to further contribute towards more involvement of civil society in social policy-making. It is also expected to pave the way for the preparation of the Cypriot NAP inclusion in 2004.

4.2. Promoting access to resources, rights, goods and services

4.2.1. Social protection

4.2.1.1. The most relevant aspects of the current situation

All persons legally residing in Cyprus enjoy **equal rights** regardless of race, ethnic origin, religion or gender. Access to resources, rights, goods and services is relatively easy owing to the small size of the island and its strong informal network of information and support. European Community legislation prohibits racial discrimination in employment, education, social security, health care, housing and access to goods and services. Discrimination on grounds of religion or belief, age, disability and sexual orientation are also covered in the areas of employment and training³³. The transposition and effective implementation of these Directives are included in the Cyprus Action Plan for the implementation of the Conclusions of the European and World Conferences against Racism and are seen as a high priority for the promotion of social inclusion.

Social policies in Cyprus have traditionally been considered as an inseparable part of the wider socio-economic development of the country. A distinction is made between policies providing for universal rights (e.g. the social insurance scheme combined with the social pension, education, employment) and those providing for special rights for vulnerable groups of the population such as low-income households, older persons and persons with disabilities (e.g. health care, housing schemes, public assistance).

4.2.1.2. The main policies and institutions

Social Insurance (contributory scheme)

The current Social Insurance Scheme has been in operation since October 1980. It consists of a basic part and the supplementary earnings-related part.

The Scheme is based on the following principles:

33 Directives 2000/43/EC and 2000/78/EC.

- coverage of all persons gainfully employed in Cyprus, which ensures the greatest possible solidarity among the insured persons;
- linking of contributions and benefits to income from work;
- preserving of the purchasing power of pensions through annual reviews of their rates in line with the increase in the general level of earnings and the cost of living;
- providing an adequate level of benefits in cases of invalidity and death, irrespective of the actual period of insurance, and
- financing of the Scheme on a tripartite basis (employer, insured person and the State), using the State contribution mainly for subsidising low-paid insured persons.

The Social Insurance legislation provides equality of treatment for nationals and non-nationals as regards their rights and obligations.

The Scheme aims to maintain the standard of living of the insured population by providing adequate benefits when the income from work is interrupted temporarily or permanently as a result of any contingency covered by it. The structure of contributions and benefits is such that it ensures solidarity not only between the young and the old, the employed and the unemployed, the healthy and the sick, but also between high- and low-paid employees.

The Scheme provides the following **benefits**: maternity allowance, sickness benefit, unemployment benefit, old-age pension, invalidity pension, widow's pension, orphan's benefit, missing person's allowance, marriage grant, maternity grant, funeral grant and employment injury benefits, which includes temporary incapacity (injury benefit), disablement benefit and death benefit.

The amount of unemployment benefit, maternity allowance and sickness benefit is assessed on the earnings on which contributions were paid for both basic and supplementary benefits. The amount of old-age pension, widow's pension and missing person's allowance is determined by the amount of earnings and the number of insured years. The invalidity pension is determined by the amount of earnings, the number of insured years and the degree of invalidity (see Annex II for the method of calculation and the actual rates).

For persons with deficient insurance, a minimum pension is payable, which is 85% of the full basic pension. Furthermore, the payment of old-age pension is not conditional on retirement from employment. Table 22 in Annex I shows the percentages of the various benefits of the social insurance fund in relation to the wage of a skilled manual worker.

Social insurance benefits are adjusted every year as follows:

- basic pensions are adjusted at the beginning of each year in accordance with the increase in general level of earnings. Supplementary pensions are adjusted the same day, in accordance with the increase in the cost of living index and
- pensions (basic and supplementary) are also adjusted every July by the increase in the cost of living index, if the latter is at least 1%. This increase is taken into account when determining the pension increase at the beginning of the year.

In addition to the national Social Insurance Scheme, there are other schemes and programmes of social protection, such as the Social Pension Scheme and the Social Card programme, administered by the Social Insurance Services, the Child Benefit and the Mother's Benefit, administered by the Ministry of Finance, and the Public Assistance programme, administered by the Social Welfare Services (Annex II).

Social Pension (non-contributory scheme)

Social Pension is payable at a monthly rate of C£186.21 (including the special subsidy granted by the Ministry of Finance) to 15 400 persons residing in Cyprus who have attained the age of 65 and are not entitled to a pension from any other source. It is indexed to changes in wages and is subject to the fulfilment of certain residence conditions. The cost of Social Pension is paid out of the General Revenue of the Republic.

Social Card (non-contributory scheme)

The Social Card is granted to all persons aged 63 years of age and above regardless of whether they are entitled to an old-age pension from any source. The Social Card entitles the holder to pay lower fees for cultural or other events and to free public transport, both urban and rural.

Child Benefit (non-contributory scheme)

Every family residing in Cyprus with one or more children is entitled to a basic benefit. The rate depends on the number of children in the family. It is paid to the parent or guardian with whom the child lives. A supplementary benefit is paid to families with a lower income (Annex II). Child Benefit is financed out of general taxation. In 2002, there were 12 500 families with 44 000 children receiving a child benefit³⁴.

Mother's Allowance (non-contributory scheme)

Mothers who have at least four children and have ceased to be eligible for child benefit because their children have reached the age of 18 are entitled to a mother's allowance. The allowance is not payable to mothers who are entitled to social pension or to mothers receiving any other pension from any other source, provided that the rate of that pension is equal to or higher than the maximum monthly rate of the basic old-age pension payable through the social insurance scheme (without the rate for dependants). In 2002, there were 10 000 mothers who received a mother's allowance³⁵.

Supplementary Occupational Schemes (non-contributory)

There are occupational schemes supplementary to the Social Insurance Scheme which generally offer protection against the risks of retirement, invalidity and death. They may broadly be classified in two types: **the provident funds**, which provide lump-sum benefits, and the **pension schemes**, which provide periodic benefits.

34 Social Insurance Services, 2002. As of 1.1.2003, the Child Benefit Scheme falls under the competence of the Ministry of Finance. The new Child Benefit depends on the number of children and family income.

35 Social Insurance Services, 2002. As of 1.1.2003, the Mother's Benefit falls under the responsibility of the Ministry of Finance.

Schemes operating in the private sector have been established voluntarily (non-statutory) within the system of free collective bargaining, while those applicable to employees of the public and semi-public sectors have generally been established by law (statutory).

It is estimated that 50% of employed persons in Cyprus enjoy supplementary protection.

Public Assistance (non-contributory scheme)

The Public Assistance and Services Law 8/91 and its subsequent amendment Law No 97(I)/94 secure a minimum standard of living for all persons legally residing in Cyprus (Table 23, Annex I). Public assistance may be provided in the form of financial assistance and/or services to persons whose resources do not meet their basic and special needs as determined by law.

Basic needs include food, essential clothing and footwear, electricity, water supply and items for hygienic living. Special needs may include a rent allowance, a medically prescribed diet allowance, a disability allowance, pocket money and allowances for home-care, day-care and residential care. They may also include grants for home repairs, coverage of mortgage interest, heating and occupational training or the purchase of tools and equipment with a view to making the recipient independent or reducing his/her dependency on public funds.

Rates for public assistance are reviewed annually to keep pace with the rising cost of living. They are based on a study on indicators of a minimum dignified standard of living³⁶ (see Annex II for the method of calculation and the actual rates). The study took into account the Family Budget Survey of 1996/1997 (Statistical Service, 1999).

The Public Assistance and Services Law makes special provisions for people who are more vulnerable to social exclusion: persons with disabilities, lone parents, parents with four or more children and families at high risk of splitting up. Persons who fall into these categories may be eligible for supplementary public assistance even if they work full-time.

Employment incentives are provided to recipients of public assistance by discounting part of their salary when estimating their monthly public assistance allowance. A greater amount is discounted for persons with disabilities, older persons, lone parents and persons with mental illness. Furthermore, the Law provides for a subsidy scheme promoting self-employment initiatives for older persons.

The philosophy of the Public Assistance and Services Law is in line with Recommendation 92/441/EEC of 24 June 1992 on Common Criteria Concerning Sufficient Resources and Social Assistance in Social Protection Systems. The law aims to safeguard human dignity while promoting people's social inclusion and long-term independence from public funds. In order to achieve those goals, the legislation incorporates employment incentives together with social support services.

The number of public assistance cases has been increasing steadily in recent years (Table 23, Annex I). In 2002 it stood at a total of 16 417, i.e. a 71.8% increase from 1991 (9 554). Illness and disability is the biggest category of distress which leads to dependence on public assistance.

36 The study was conducted in 2000 by the Social Welfare Services in cooperation with the Statistical Service of Cyprus.

4.2.1.3. Brief assessment of the key priorities for future policy review

According to the Social Insurance Law, an actuarial valuation of the scheme is carried out every three years with a view to ensuring the long-term viability of the Scheme in the light of socio-economic and demographic trends. The most recent actuarial valuation, which reflects the financial situation of the scheme as at 31.12.2000, highlights that despite the soundness of the Social Insurance Scheme, the ageing of the population is one of the main concerns regarding the long-term viability of the Scheme. The main proposals put forward by the Actuary in order to enhance the viability of the Scheme are the following:

- gradual abolition of the right to receive an old-age pension at the age of 63 and receipt of such pension at age 65;
- diversification of the investment opportunities available to the Social Insurance Fund so as to obtain the maximum return on its reserves, and
- adjustment of the basic pensions in accordance with the annual cost-of-living index instead of the increase in the level of wages, which is considerably higher than that of the cost-of-living index.

In order to promote independence of public assistance beneficiaries, the Government is planning a series of actions:

- A study on “Dependency of Welfare Clients on Benefits and Services” was carried out under the Community Action Programme on Combating Social Exclusion and was finalised in July 2003³⁷. Future work in the area of social inclusion will take into consideration the findings of the study, which identified three major policy issues for the modernisation of welfare policies: the establishment of an effective framework for consultation and policy appraisal in the social inclusion field, the involvement of the social partners in the fight against exclusion and the development of capacity building within the Ministry of Labour and Social Insurance.
- An amendment of the Public Assistance and Services Law has been promoted in order to adjust legal provisions to current social needs (e.g. increase of rent allowance) and to enrich the current law with active employment measures. For example, with the suggested provisions, the monthly public assistance allowance will not cease a month after the beneficiary enters full-time employment (as laid down in the current legislation) but will be reduced gradually during the following 12 months.
- In the National Development Plan 2004-2006, a new programme is included which aims to activate public assistance beneficiaries in order to participate in the labour market. Both the Social Welfare Services and the Department of Labour will be involved in this project. About 400 beneficiaries are expected to participate in the programme during the three-year period.

As shown above, with the variety of schemes and programmes the system of social protection in Cyprus targets a wide range of vulnerable groups and social risks. Older persons seem to need more attention in future policies to ensure that they receive adequate resources for a

37 G. Amitsis / F. Marini, *Dependency of Welfare Clients on Benefits and Services – The case of Cyprus*, Institute of Social Innovation, Athens, July 2003.

decent standard of living. There is a need for systematic programme and service evaluation studies to determine the financial viability of existing schemes or whether they reach the persons who are mostly in need. The current discussion on the recommendations of the actuarial valuation and the amendment of the public assistance legislation are expected to contribute towards the modernisation of social protection policies.

4.2.2. *Statutory minimum wage*

4.2.2.1. The most relevant aspects of the current situation

The minimum wage is currently fixed at C£294 (511 euro) on recruitment and C£318 (553 euro) for workers with six months' service for the same employer.

Collective agreements and the statutory national minimum wage cover 70-75% of employed persons. The national minimum wage is around 44% of the national median wage, which is in line with the European Union practice of minimum wages ranging between 40-50% of median wages.

4.2.2.2. The main policies and institutions

Terms and conditions of employment, including the level and the rate of increase of wages and salaries, are mainly determined through collective bargaining. Most collective bargaining is at the industrial or branch level and the enterprise level. Occasionally, there are also national-level negotiations. Owing to the existence of the economy-wide automatic indexation system, known as COLA³⁸, the wage-setting part of collective bargaining is essentially restricted to agreeing on the rate of increase in wages and salaries, over and above that covered by the indexation system.

Although there is no national minimum wage, legislation fixes minimum wages for employees in a very limited number of non-unionised occupations, i.e. clerical workers, retail shop assistants, childcare and nursing assistants. The statutory minimum wage is not intended to substitute for collective bargaining, and is thus set at levels that do not exceed the wages set in collective agreements. The minimum wage is usually set at two levels, a lower level for new recruits and an upper level applicable to workers who have completed six months with the same employer.

4.2.2.3. Brief assessment of the key priorities for future policy review

So far, policies and rates for minimum wages seem to compare well with those of social protection benefits in encouraging employment. In view of the active employment measures promoted within the European Employment Strategy, there is an emerging need to systematically address the issue of coordination between the minimum wage policy and the social protection policies (social insurance and public assistance benefits).

38 Cost of Living Allowance. This mechanism provides compensation to employees for increases in inflation on a half-yearly basis.

4.2.3. Education

4.2.3.1. The most relevant aspects of the current situation

The main challenges for Cypriot education arise from an increasing cultural diversity in schools, the increasing complexity of individual, family and social problems which require intervention at the earliest possible stage, the mainstreaming of children with special needs and the need for lifelong learning.

4.2.3.2. The main policies and institutions

The Government is strongly committed to **universal education** as a means of acquiring a better quality of life and basic skills for economic production.

In connection with securing the right to education for all in a changing social environment, various preventive and remedial measures are taken:

- **Education is free** at all primary and secondary levels and it is compulsory up to the age of 15.
 - Education in public higher and tertiary education institutions is free for Cypriot citizens. Entry is based on competitive examinations. A number of places are reserved for students of certain categories, such as those with health problems or socio-economic difficulties and ethnic minorities.
 - An allowance is given to families with members studying in Cyprus or abroad in institutions of higher or tertiary education. A scholarship system providing scholarships or low-interest, long-term loans also helps with the expense of studying in higher or tertiary education.
- **Multi-cultural education** has been introduced in almost half of the primary and secondary schools on account of the presence of a culturally diverse group of students. Multi-cultural education is a philosophy that permeates the entire school curriculum, according to the students' background. At the same time, students whose mother tongue is not Greek receive special language courses.
- Owing to an increasing need for child care after school, the whole-day school was introduced in 14 urban and rural schools in 1999-2000. Today, there are 84 such schools in operation, offering activities in the afternoon and helping students with their homework.
- Technical schools are currently being upgraded to connect with tertiary education. The expenditure for technical/vocational schools and the apprenticeship system has risen by 8.37% from 2000 to 2001.
- Health education has been introduced and is still being developed, to provide students with a holistic view of health. The "mentor project" provides life education skills to about 2 500 students each year through mobile teaching classroom units. The "anti-drug student seminars" aim at developing peer groups for resistance against drugs. The "I rely on my feet" project aims to develop students' self-esteem and to cultivate the skills necessary for adult life.

- The Service of Educational Psychology (under the Ministry of Education and Culture) aims to promote mental health, to support students with learning difficulties, to prevent failure, dropping out of school and anti-social behaviour for all levels of education. The Service is staffed by psychologists who offer counselling to students and consultation to teachers and parents.
- The mainstreaming of students with special needs in elementary and secondary schools is a high priority for education in Cyprus. The vast majority of children with special needs are placed in mainstream schools, receiving support according to need. Only 0.3% of all students are placed in special schools.

The Law on Special Education of 1999 [113(I)/1999] has officially instituted the integration of children with special needs into ordinary schools with the help of support systems of various degrees, ranging from full integration in the ordinary classes to withdrawal from class for individual support or special education, to attendance at a special unit in the school with partial participation in the ordinary classes. The Law has been in place for more than a year and aims to offer a very systematic programme to students with special needs.

- Despite the relatively low rate of drop-outs³⁹ (2.5% in 1999/2000) and early school-leavers⁴⁰, the Ministry of Education aims to lower it further by implementing a programme for high-risk students under the age of 15. A multidisciplinary committee of teachers, parents and other professionals provides support services in order to prevent high-risk students from potential dropping out of school. In addition, there are various programmes aimed at keeping students in school:
- The literacy programme in secondary education occupies students in a partial withdrawal system for 9 periods per week, offering emotional, social and educational (basic skills) support.
- For areas with more educational and social problems (Educational Priority Zones), a programme has been devised which offers more and better services, e.g. more professional support and smaller classes. Five such areas have been pinpointed for this programme during the last two years.

4.2.3.3. Brief assessment of the key priorities for future policy review

The education system in Cyprus incorporates an ongoing effort to introduce new preventive and remedial programmes, according to emerging social and educational needs. In the area of health education, it seems that more coordination and consistency is needed in the planning and delivery of those programmes so that they can effectively form an integral part of the school curriculum, especially concerning school-based drug prevention programmes. The

39 The rate of drop-outs is calculated for a specific school year as a total for all grades of lower and upper secondary education. It is part of an analysis performed on the status of the pupils (graduated from upper secondary, promoted, failed, left school, etc.) at the end of school year (x) and at the beginning of school year (x+1). Pupils who have left school during the school year, pupils who failed a class and are not repeating a class the next year and pupils who are promoted but do not continue in the next grade are considered drop-outs. Dividing these drop-outs by the total enrolments at the beginning of the year gives the drop-out rate.

40 See footnote 21.

Cyprus Anti-drugs Council, established by the Government in 2001, is expected to contribute towards a more integrated strategy against drugs.

In the area of special needs, further preparation of the schools is needed to better accommodate students with special needs, i.e. improvements in physical access, training of teachers and more school psychologists. Finally, current measures will continue with the aim of reducing the number of early school-leavers. Full implementation of the Special Education Law of 1999 is planned by 2006.

4.2.4. *Health*

4.2.4.1. The most relevant aspects of the current situation

Health care in Cyprus is provided by the government health services and the private sector. Although people in Cyprus enjoy a good standard of health service, there are weaknesses generated by this dichotomy in service provision.

4.2.4.2. The main policies and institutions

The Government is committed to a high standard of health care for all persons living in Cyprus. In addition to in-patient and out-patient services, prevention services are a high priority in current health policy. Health promotion activities include programmes for healthy nutrition, anti-smoking campaigns, environmental protection, preventive examination of women for breast and cervical cancer, etc. Emphasis is also placed on combating communicable diseases. A network for Surveillance and Control of Communicable Diseases is being developed in the light of the world-wide emergence of new diseases (e.g. HIV) and re-emergence of existing diseases (e.g. TB and diphtheria).

Cyprus has accepted the EU strategy for the Environment and Health as adopted in Brussels in May 2002. Health impact assessment studies will have to be carried out before the commencement of any project that is likely to have negative effects on health.

Services aimed at helping the most vulnerable include:

- the development of community-based mental health services aimed at the de-institutionalisation of patients and their integration into society;
- the programme for the care of persons with HIV/AIDS, which includes specialised health care, financial, social and psychological support;
- maternity and childcare services providing preventive services for mothers and children (including the Expanded Programme of Immunisation), and
- special services for paraplegics, thalasseemics, patients with cancer and other persons suffering from serious chronic diseases.

To prevent the risk of exclusion, the existing health care system discriminates positively in favour of the chronically ill, the disabled and large families by providing free health care to these groups without application of the income criteria, which apply for the rest of the population. A network of rural health centres and sub-centres ensures access of the rural population (which tends to be older) to primary health care services.

Regarding foreign workers, employers are obliged to have health insurance cover for every worker for whom they are granted an employment permit. Furthermore, asylum seekers and foreigners recognised as refugees are entitled to free medical care.

4.2.4.3. Brief assessment of the key priorities for future review

The dichotomy of public and private health care leads to weaknesses in the provision of services. Health services are fragmented between the two sectors with no coordination, little continuity of care and poor communication between the two sectors.

Inequalities in the financing of public health care are inherent in the system of determining eligibility for free care. A large section of the population, including groups in the relatively high income brackets, have a right to free health care in the public sector on the basis of occupational or social status, irrespective of income, while such a right for the rest of the population is conditional on income level.

Health care services continue to operate on the basis of structures originating in the late 1940s. The management of public hospitals and other health care facilities is outdated, characterised by centralisation, inflexibility and lack of managerial authority at the hospital level.

A study on the cost of health care, which was finalised in July 2003, has provided more accurate information on the total expenditure (public and private), the volume of services provided by each sector, as well as out-of-pocket payments by patients. The same study also provided information about the perceptions of the public as regards quality of care for both the public and the private medical sectors. The main findings of the study are as follows:

- In 2002, health costs for **permanent** residents were estimated at 5.8% of GDP. Public expenditure on health was estimated at 2.85% and private health expenditure at 2.95% of GDP.
- In 2002, 33% of all out-patient visits were made to public hospitals and health centres and 67% to private hospitals and doctors in the private sector. Public hospitals provided 79% of all in-patient treatment days, as compared to 21% provided by the private health sector.
- The financial burden of health care on households was estimated at 4% of household income for those with median income (C£9 000-11 000). Those with lower than the median income spent between 4.6% and 6.4% of their income and those with income above the median spent between 2.5% and 3% of their income.
- As regards perceptions of quality of care, patients gave a higher rating to the private health sector than to the public health sector. For out-patient care the corresponding ratings on a scale of 1 to 10 were 9.40 for the private sector and 8.50 for the public sector and for in-patient care 9.30 and 8.40, respectively.

Universal access to health care resources is to be promoted through the introduction of the National Health Scheme (NHS) under the General Health Scheme Law, 89(I)/2001. The basic characteristics of the NHS are as follows:

- universal coverage of the population for health care, free at the point of delivery, on the basis of citizenship and residence;

- financing from earnings-related contributions by employees, the self-employed, employers, pensioners, those having non-employment incomes and the State;
- freedom of choice of physician and medical institution between the public and the private health care providers;
- administration by a public law agency (The Health Insurance Organisation) managed by a tripartite body composed of representatives of the Government and social partners' organisations, and
- ensuring a high standard of health care by setting standards of performance for all providers.

The Health Insurance Organisation has already been established and its management board has been appointed. It is estimated that preparatory work for the introduction of the National Health Scheme will take about 3-4 years from now. The Scheme is expected to come into operation by the year 2008.

In addition to the National Health Scheme, the Ministry of Health is considering the development of geriatric services and community-based nursing care for the elderly. Measures are also being promoted for the social integration of drug users. These measures include the establishment of one detoxification unit for users under the age of 18 years and two centres for detoxification and social integration of adults.

4.2.5. *Housing*

4.2.5.1. The most relevant aspects of the current situation

A high percentage of people in Cyprus own their homes, while homelessness is not a social feature of Cyprus. Refugees from 1974, low-income families and persons living in disadvantaged areas are the main target groups of current housing policies. Housing schemes are numerous but tend to be fragmented, with little coordination between them.

4.2.5.2. The main policies and institutions

Public housing programmes were introduced by the Government after 1974, when about 1/3 of the population became refugees. Even today, the emphasis of government housing policy remains, to a great extent, on displaced families. New housing programmes have been introduced for a wider range of target groups such as: married couples living in disadvantaged areas, large families, low-income families including recipients of public assistance, persons with disabilities, etc. Social and geographical criteria have been determined, although the majority of housing schemes consider family income as a basic criterion⁴¹.

All housing schemes enable the beneficiary to acquire a housing unit or to repair or to make extensions on an existing housing unit. The assistance provided may be in the form of a long-term low-interest loan or a grant or a rent subsidy (Annex III).

To supplement the above Schemes, the Government of Cyprus established the semi-governmental Housing Finance Corporation (HFC). HFC loans are provided to persons with

41 The criterion of family income ranges from under C£5 000 to C£16 000, depending on family structure.

moderate to low income. Furthermore, the semi-governmental Cyprus Land Development Corporation (CLDC) was established in 1983, in order to assist low- and middle-income households to acquire a housing unit and to influence prices in the housing and land market. The CLDC achieves its objectives through the acquisition of land and the construction of either building plots or housing units, which are sold to eligible households.

4.2.5.3. Brief assessment of the key priorities for future review

Owing to the fragmentation of the numerous housing schemes, the Council of Ministers approved, in 2001, the establishment of a Housing Policy Agency. This is an interministerial body whose mandate has been to coordinate and improve the criteria of existing schemes (e.g. income criteria, levels and repayment periods of loans, uniformity of documentation required) with the aim of targeting the most vulnerable families (i.e. low-income families), to formulate new schemes and to improve the management of all housing schemes, in order to ultimately achieve a comprehensive housing policy on the basis of two main axes: social policy and regional development.

The Housing Policy Agency has recently appointed an ad hoc Committee for Criteria, which at present examines all governmental housing schemes in an attempt to achieve uniformity and improvement of criteria and provisions of housing schemes. The same Committee is also examining the introduction of a new housing programme for people with disabilities.

4.3. Preventing the risks of exclusion

4.3.1. E-inclusion

4.3.1.1. The most relevant aspects of the current situation

The Government recognises the need to expand the opportunities for students and the labour force in information technology. Targets are set for the proportion of students to computers, while an increasing number of training courses include information technology.

4.3.1.2. The main policies and institutions

As information technology may form another source of exclusion among vulnerable groups, the Ministry of Education is increasingly introducing IT in all secondary schools (Table 24, Annex I). Technology has been introduced in special schools as well, ensuring at least one computer for every class, in order to combat technology illiteracy, to connect with new ways of work and to have better access to lifelong education systems. Finally, since 2002, the Cyprus Telecommunications Authority has provided free access to the Internet in all elementary and secondary schools in Cyprus.

The Human Resource Development Authority (HRDA) has recently introduced a special provision in its policy for funding Information and Communication Technologies (ICT)-based learning. The HRDA promotes and supports financially a variety of ICT training programmes, primarily for employed persons. At the same time, all initial training programmes for new entrants into the labour market and the unemployed include a component in basic ICT skills. The HRDA also organises initial training for the speciality of Computer Assistant Technician. Finally, in order to enhance the training infrastructure of both companies and training institutions, the HRDA promotes the Training Infrastructure Support Scheme.

4.3.1.3. Brief assessment of the key priorities for future review

Information technology is being gradually introduced in all secondary schools in Cyprus. By 2006, the Ministry of Education aims to achieve the ratio of four students per computer in all secondary education. The HRDA aims to continue and intensify the promotion of ICT in the entire spectrum of its activities.

4.3.2. *Family services*

4.3.2.1. The most relevant aspects of the current situation

Family structures are changing in Cyprus. Although family ties are still strong, they are weakening as a result of urbanisation, new technology, higher divorce rates and increasing participation of women in the labour market. Among other things, there is an increasing demand for social support and new forms of formal care for dependent family members.

4.3.2.2. The main policies and institutions

Prevention at all levels is at the core of all governmental and non-governmental policies aiming to combat social exclusion. The Social Welfare Services are the official authority for policy-making, promotion, control of standards and coordination as regards family support services (e.g. counselling, public assistance and other social support), child protection services, foster care and residential care services for children in need of care, support services for victims of family violence, adoption services, custody services, probation services for delinquents (both juveniles and adults), day care and home care for children, older persons and persons with disabilities, etc.

The Social Welfare Services finance social services in many ways, such as through:

- direct service provision to persons in need;
- subsidisation of non-governmental services (Grants-in-Aid Scheme), and
- purchase of services (The Public Assistance and Services Law).

4.3.2.3. Brief assessment of the key priorities for future review

Despite the increasing resources allocated in the area of social welfare, the demands of highly complex social issues hardly allow enough resources for the delivery of public primary prevention services. As a result, the Social Welfare Services have developed a close partnership with the third sector in order to achieve flexible and timely preventive actions at the closest possible level to the person at risk. The Grants-in-Aid Scheme mentioned earlier is currently regarded as the strongest tool for the development, implementation and delivery of preventive actions. The budget for this Scheme increases every year.

A major drawback in the area of prevention is the lack of systematic and scientific research. Furthermore, there is a need for more programmes in primary prevention, such as life skills programmes for children and other vulnerable persons, after-school recreational and creative activities for children and young persons, etc.

The Cyprus Sport Organisation sets a good example in the promotion of social inclusion through a variety of primary prevention programmes. “Sports for All” has been operating

since 1986 for children, men, women and older persons for 11 months a year (Table 25, Annex I).

4.4. Helping the most vulnerable

4.4.1. Persons with disabilities

4.4.1.1. The most relevant aspects of the current situation

The low percentage of persons with disabilities (25.2%) in employment seems to be a result of the following factors:

- lack of awareness among employers as to the capabilities and assets of persons with disabilities;
- physical and other barriers in the general and working environment (e.g. transport, access to buildings);
- limited educational and training facilities for persons with disabilities;
- lack of support services within the Public Employment Services, and
- lack of incentive schemes (e.g. quota system) for the employment of persons with disabilities, particularly in the private sector.

4.4.1.2. The main policies and institutions

The Law concerning the Rights of Persons with a Mental Handicap of 1989, the Law Providing for Persons with Disabilities of 2000 and the Special Education Law of 1999 provide the legal framework for the promotion of disabled persons' social rights. A range of measures are systematically promoted in education in order to comply fully with the provisions of the law. At the same time, a number of schemes are promoted by the Department of Labour in order to encourage the employment of persons with disabilities.

4.4.1.3. Brief assessment of the key priorities for future policy review

The 1989 Law concerning the Rights of Persons with a Mental Handicap provides, inter alia, for State responsibility as regards the legal protection and the fulfilment of the rights of persons with a mental handicap to care and treatment, the safeguarding of human dignity, a healthy lifestyle and development through the provision of adequate means and services for special education and training, residential care and treatment in the absence of family care, protection in the social environment, social integration, etc.

The enforcement of the Law is entrusted to a Committee consisting of governmental officials and parents of persons with a mental handicap.

Although legislation⁴² for persons with disabilities secures access to resources, rights, goods and services, its implementation remains partly unrealised.

42 The Disabled Persons Law of 2000, the Special Education Law of 1999, the Streets and Buildings Law of 1992 and Regulations of 1999.

As mentioned earlier, for example, the Special Education Law 113(I)/1999 states that all children (from the age of three until the completion of tertiary education) with special needs are integrated into the mainstream education system, except for an extremely small number of children who should be studying in special units of ordinary schools or special schools. Many schools, however, do not meet the requirements specified by the Regulations 186(I)/2001 deriving from the above law as regards easy access, safety or quality education for children with special needs. According to the Regulations of 2001, the State is obliged to meet all specified requirements within five years after the entry into force of the Regulations, i.e. by 2006.

Lastly, as regards children with special needs aged 0-3, more specialised services are needed in the area of diagnosis, early intervention and social support, both for the children and for their carers.

In the area of employment incentives and opportunities for persons with disabilities, the National Development Plan includes the following policy considerations:

- Further expansion of incentive schemes for the employment of people with severe disabilities in the private sector, either through partial coverage of costs for ergonomic and other adjustments to the workplace or through the subsidisation of their labour cost.
- The subsidisation of contributions to the Social Insurance Fund for disabled persons who will be employed in the private sector.
- The enhancement of structures for social integration and vocational rehabilitation of adults with visual disabilities (e.g. a vocational centre will be built by 2006).
- Improvement of the Rehabilitation Centre for the Disabled, which is already in operation, in order to offer a wider range of vocational training in a modern environment. To this end, the development funds allocated for the financing of these measures will be increased from 0.2 million euro in 2002 to 0.567 million euro on average per year for the period 2004-2006 (1.7 million euro in total, part of which will come from the ESF).
- Improvement of the Public Employment Services (PES) to provide individualised placement services to all, including the disabled. For this measure alone, a total of 10 million euro is planned to be spent in the period 2004-2006 and part of it will be absorbed by services to the disabled. Part of the financing will come through the ESF.

4.4.2. *Other disadvantaged groups*

4.4.2.1. The most relevant aspects of the current situation

Legal migration is not considered an issue in Cyprus because it is regulated by specified criteria and procedures for the granting of work permits. Illegal migration is not considered a major issue either, although no relevant data are available yet. In addition to migrants, drug users are also considered a high-risk group for social exclusion. Despite the fact that there are no official statistics to indicate the prevalence of drug use in Cyprus, it is believed that there is an increasing trend, especially at a younger age.

4.4.2.2. The main policies and institutions

Immigration (e.g. asylum seeking) is a relatively recent phenomenon in Cyprus. Although all persons residing in Cyprus, including immigrants, enjoy the same rights as permanent citizens, special services had to be developed by the Government (e.g. special accommodation arrangements and school attendance for children) and the non-governmental sector (e.g. a resource centre) in order to meet their needs.

Another group of the population at risk of exclusion are **persons who use drugs**. Both the governmental and the non-governmental sectors operate assistance programmes for addicted persons, but the increasing trend towards drug use suggests that there is a need for a more integrated strategy against drugs. The Government responded to that need with the establishment of the Cyprus Anti-drugs Council in 2001. The Council operates as a national body with overall responsibility for drug issues in the country and its mandate is to coordinate, plan and evaluate all actions and measures against drugs. The Cyprus Anti-drugs Council is also responsible for the design, development and implementation of the National Drugs Strategy and the Action Plan on Drugs, both currently in the drafting process.

4.4.2.3. Brief assessment of the key priorities for future policy review

In cooperation with the social partners and civil society, the Government should further promote the development of and access to special centres to provide free information on legal issues, accommodation and support services for vulnerable groups such as foreign workers and immigrants. Access to basic language courses could also be improved. Through the Grants-in-Aid Scheme, further subsidisation of current efforts is planned.

The increasing trend towards drug use suggests that there is a need for the implementation of measures at all levels of prevention, including drug demand reduction strategies addressed to the general population, early intervention programmes addressed to high-risk groups and individuals and those in the early stages of addiction, as well as psychological, social and occupational rehabilitation programmes, support programmes for the family and harm reduction measures.

Both the Ministry of Health (e.g. one detoxification unit) and the non-governmental sector (subsidised by the Government) plan to continue the implementation of measures against drug use.

4.4.3. *Disadvantaged areas*

4.4.3.1. The most relevant aspects of the current situation

Access to information is generally quite effective in Cyprus not only on a formal but also on an informal level owing to the small size of the island and because family and community bonds are still strong. Nevertheless, there are certain disadvantaged areas created by the increasing urbanisation and the dividing buffer zone.

4.4.3.2. The main policies and institutions

The Grants-in-Aid Scheme makes certain provisions in favour of disadvantaged and less populated communities. As a result, the distribution of State grants has been shared almost equally between the urban and rural areas in recent years (Table 26, Annex I).

Some housing schemes of the Ministry of Interior also provide incentives for the revival of remote or less advantaged areas (Annex III).

4.4.3.3. Brief assessment of the key priorities for future policy review

The recently introduced Housing Policy Scheme is expected, among other things, to coordinate and improve the existing housing schemes for the revival of disadvantaged areas and to formulate a comprehensive housing policy.

4.5. Mobilising all relevant bodies

4.5.1. Mobilisation and coordination of public authorities at all levels

4.5.1.1. The most relevant aspects of the current situation

The Government, the social partners and NGOs are the major players involved in the area of social inclusion. In the case of local authorities, the extent to which they may be involved in the planning and delivery of social services varies considerably. In general, they play a minor role in direct service provision. Only a small number of municipalities secure funds for social services, with quite successful results in the communities concerned. Most of the time, a local authority initiates the establishment of a foundation, which is responsible for service provision, in order to be eligible for subsidies from the Social Welfare Services (Grants-in-Aid Scheme).

4.5.1.2. The main policies and institutions

The Government of Cyprus has a long history of tripartite cooperation with the social partners and non-governmental organisations in the development and delivery of social inclusion policies and programmes. Through the establishment of a variety of advisory councils, by legislation or by decisions of the Council of Ministers, the Government consults with the social partners and NGOs in an increasing number of policy areas, such as ageing, special needs, disability, family violence and drug abuse.

For example, in order to achieve a coherent approach towards persons with disabilities, the Government established the Pancyprian Council for People with Disabilities (PCPD) in 2000 through the Law Providing for Persons with Disabilities. The PCPD is a central coordinating and consultative body for discussing all issues relating to persons with disabilities. It is chaired by the Minister of Labour and Social Insurance and consists of representatives of governmental services, social partners and non-governmental organisations of persons with disabilities. The PCPD is expected to have a number of permanent or ad-hoc committees (chaired by the Department of Labour), which will deal with specific issues on disability. The ultimate goal is to give persons with disabilities every opportunity to exercise their basic rights and to participate in social, economic and cultural life.

Since 1968, the Government has been operating a scheme encouraging NGOs (i.e. Community Welfare Councils and voluntary organisations) to develop family support programmes and services on a local level. The result of this partnership has been a more decentralised, efficient and effective response to local needs and the development of local communities through both the actual services delivered and the employment opportunities developed. The major weakness observed has been the inadequate financial resources of NGOs, which need an annual government grant.

4.5.1.3. Brief assessment of the key priorities for future policy review

NGOs have valuable knowledge and expertise as major service providers and advocates for the socially excluded. Cooperation between NGOs and public authorities needs further improvement, particularly as regards policy-making and monitoring. The Pancyprian Welfare Council (PWC) promotes a legal basis for civil dialogue, which is expected to be achieved to a large extent with the imminent amendment of the legislation concerning the role and mandate of the PWC.

The JIM process has provided a valuable opportunity for the mobilisation of all relevant players, which is expected to continue on a systematic basis both for the progress of the JIM and for the future participation of Cyprus in the NAP inclusion (2005). The JIM exercise has also created an opportunity for Cyprus to review and coordinate its current and future objectives in social inclusion policies.

4.5.2. *Corporate social responsibility*

The Cyprus Employers Federation, the Cyprus Chamber of Commerce and Industry and the Government are the partners involved in the promotion of corporate social responsibility.

Employers are one of the three contributors to the Social Insurance Fund (the other two being employees and the Government), which is the main source of social benefits for employed persons in Cyprus. However, there is considerable room for improvement, especially with regard to persons with disabilities. Particular emphasis should be laid on the provision of a working environment adapted to the needs of persons with disabilities.

5. PROMOTING GENDER EQUALITY IN ALL ACTION TAKEN TO FIGHT POVERTY AND SOCIAL EXCLUSION

The Cyprus Government attaches particular importance to promoting the principle of gender equality. Attention is focused on a further increase of female participation in the labour market, a more balanced representation of women and men in all sectors and occupations, including access of women to higher occupations, and a further narrowing of the gap between the earnings of men and women. Ongoing implementation of gender-equality measures is expected in the coming years.

A firm commitment to the promotion of equal opportunities and equal treatment of men and women has been explicitly declared and promoted in all National Development Plans since 1979. This policy has been manifested mainly through:

- the promotion of policy measures aiming at improving the status and position of women in economic activity and society (e.g. Programme for the Promotion of Women's Entrepreneurship);
- the expansion and modernisation of the legislative framework to combat discrimination and safeguard equal treatment (e.g. recent introduction of new legislation on equal pay, maternity issues, parental leave, etc.);
- the promotion of programmes and measures aiming at reconciling work and family life (e.g. day care facilities), and

- the reinforcement of the relevant institutional mechanisms, the most important of which was the setting up of the National Machinery for Women's Rights.

This policy has contributed to the improvement of women's status and position in the last two decades. During the period 1992-2002, the female employment rate increased by almost 10 percentage points, reaching a level of 59% in 2002 from 49.4% in 1992. Nevertheless, women's labour force participation (61.6% in 2002) continues to be much lower than men's (81.0% in 2002) and to be concentrated in a narrow range of activity sectors and occupations, resulting in segregation problems such as low representation in managerial positions. As in other European countries, women in Cyprus receive lower earnings, on average, than men (in 2001 female earnings were 73% of male earnings).

Despite the increasing numbers of **women actively involved in politics**, women are still under-represented in high-level positions in the Government (Tables 27 and 28, Annex I).

Currently, the National Development Plan 1999-2003 postulates as major objectives the need for further increase of female participation levels, a more balanced representation of women and men in all sectors and occupations, and further narrowing of the gap between men's and women's earnings.

Ongoing measures implemented for the promotion of the above objectives include the following:

- the ongoing improvement and upgrading of the facilities offered to employed parents in order to reconcile work and family life (since 1968). Priorities include the expansion and improvement of child-care facilities (through the government Grants-in-Aid Scheme for NGOs providing such facilities). In order to secure informal carers, a care allowance is provided to persons who care for their dependent family members based on the degree of dependency and the carer's socio-economic conditions (since 2001);
- the encouragement of women to participate in initial and continuing training programmes and to enter new areas of employment, since 1979. The HRDA allows no discrimination on the grounds of sex or other characteristics in access to training;
- raising awareness on equality issues through appropriate training of staff in the education system, the promotion of special campaigns and the encouragement of the media to contribute to this effort, since 1988;
- subsidisation of NGOs through the National Machinery for Women Rights to promote and implement gender equality programmes, since 1988;
- the introduction of a Gender Mainstreaming Strategy, as from 2003, which will be the tool for the integration of women's issues into all government policies, and
- improvement of the equality legal framework through the legislative transposition of the *acquis* and its effective implementation in the areas of protection of maternity, equal treatment of women and men in employment, vocational training and equal pay, parental leave, part-time work, social insurance, etc. Most of the above legislation has come into force since 1.1.2003.

6. STATISTICAL INDICATORS

The majority of the statistical data used in the Joint Inclusion Memorandum are provided by the Statistical Service of Cyprus. The remainder are derived from governmental services, i.e. the primary sources of data in their respective field of competence.

The Laeken indicators on poverty were compiled by the Statistical Service, in collaboration with Eurostat. Data required for the compilation of some of the Laeken indicators were taken from the most recent Family Budget Survey of 1996/97. This Survey was harmonised with the relevant definitions, recommendations and classifications of Eurostat. In the case of Cyprus, all the Laeken indicators are therefore consistent with the EU requirements. It has not been possible, however, to compile the indicator on the “persistence of poverty”, because the Household Panel Survey (necessary for the compilation of this particular indicator) has not been conducted in Cyprus yet. The Statistical Service of Cyprus is expected to conduct the Household Panel Survey, namely the EU-SILC (Statistics on Income and Living Conditions), in 2005. A pilot survey will precede it in 2004.

The Labour Force Survey in Cyprus, conducted by the Statistical Service since 1999, has also been harmonised with Eurostat's regulations.

It has not been possible to produce information on the trends in certain poverty indicators over time, because the data used to be compiled on a different basis in the past as regards the classification of items. Comparability of data is therefore not possible at this time. Statistics on persons with disabilities are also needed in the areas of employment, living conditions, education, etc. Furthermore, there is a need to compile social expenditure on a systematic basis. The compilation of data on social protection will start by the end of this year, on the basis of ESSPROS.

7. SUPPORT TO SOCIAL INCLUSION POLICIES THROUGH THE STRUCTURAL FUNDS

Cyprus did not qualify for financing under Objective 1 of the Structural Funds, on account of its relatively high per capita income. It will receive funding for the period 2004-2006 from the Structural Funds under Objectives 2 (28.018 million euro) and 3 (21.94 million euro), the Fisheries Instrument (3.41 million euro), the Community Initiatives INTERREG (4.29 million euro) and EQUAL (1.8 million euro), as well as from the Cohesion Fund (54.47 million euro). Furthermore, Cyprus will receive funding from the EAGGF Guarantee Fund within the Rural Development Plan (66.4 million euro).

Financing for the development of human resources and social policies will be mainly provided under Objective 3 of the European Social Fund (ESF). The main priority pillars included in the draft Objective 3 Single Programming Document (SPD) submitted to the Commission are briefly analysed below. (Details of the breakdown of each measure included in the draft Objective 3 SPD are shown in Table 29, Annex I).

Priority Pillar 1: Development and Promotion of Active Labour Market Policies:

Indicative actions included under this priority pillar are:

- Enhancement and modernisation of Public Employment Services to increase their effectiveness and to improve active labour market policies.

- Strengthening of activities to adapt the skills of new entrants, especially secondary education graduates, the unemployed and the employed, to labour market needs.
- Promotion of equal opportunities for access of vulnerable groups to the labour market, e.g. very poor people living on public assistance, persons with disabilities, etc.
- Promotion of access of women to the labour market.
- Improvement of care services for children, older people and other dependent persons through staff training for non-governmental organisations that operate such programmes.

Priority Pillar 2: Promotion and Improvement of the Education and Training Systems as well as Lifelong Learning.

Indicative actions included are:

- Utilisation of new technologies within the framework of lifelong learning in order to respond to the rapidly changing needs of the labour market.
- Improvement and reinforcement of technical/vocational education and training which aim to introduce modern technology as well as information technology at all levels of education in order to produce a technology-friendly labour force.

Priority Pillar 3: Technical Assistance

One action is included under this pillar:

- Support for the implementation of the SPD.

The remaining social policies required to meet the challenges listed in the JIM, which are not included for financing under Objective 3, have been incorporated in the National Development Plan for the years 2004-2006 and will be financed through national funds. Such policies fall in the domain of health, housing, public assistance, other social benefits, grants to NGOs and advisory services.

8. CONCLUSIONS

The Cypriot Government is strongly committed to a smooth integration into the European Union upon accession and to reducing the risk of poverty and social exclusion. Meaningful participation in the **open method of coordination on social inclusion is therefore a high priority** for the Government of Cyprus.

Following the common strategic goals and objectives of the European Union, set out in Lisbon, Nice and Stockholm, and regarding the most relevant aspects of the current situation in Cyprus, the general long-term strategic approach is based on economic development and the effective and mutually reinforcing links between economic, employment and social policies. This Joint Inclusion Memorandum **has identified the sources of social exclusion, the groups most vulnerable** to poverty and exclusion, the **political challenges** and the **main policies and measures** that may contribute towards social inclusion in Cyprus. Policy actions emerging from the JIM confirm the interconnection between the economic, employment and social inclusion policies.

The analysis undertaken in the JIM has demonstrated that **the main challenge of social inclusion in Cyprus** is to deal effectively with emerging problems resulting from dynamic social and economic developments and to focus on those groups of people who become vulnerable to such developments: **older people, retired persons living in one-person households are groups which have very high poverty levels** suggesting that the present pension benefits may be inadequate to secure sufficient income in old-age. Other groups, like disabled people (regardless of their socio-economic background), single parents and immigrants (particularly those who are illegal and work mainly in the ‘informal’ sector of the economy) are also likely to suffer from poverty and social exclusion. Therefore, it is crucial to adapt the social protection system to address in a preventive way the consequences of social and economic developments and pay special attention to older persons and the above-mentioned vulnerable groups, which should become a high political challenge for poverty eradication. **The Cypriot Government and the European Commission have identified the following most urgent challenges in relation to tackling poverty and social exclusion:**

- ensuring appropriate financial support to older persons and retired persons by modernising the social protection policies;
- addressing the emerging skills mismatches and introducing schemes in order to strengthen employment incentives for persons with disabilities; and
- ensuring access to good accommodation and health for all, especially for the most vulnerable groups (i.e., persons with disabilities, older people, low income families, immigrants etc.).

In the light of the analysis undertaken in this report, the Cypriot Government and the European Commission have agreed that the most immediate policy priorities in relation to tackling poverty and social exclusion are:

- to modernise social protection policies focusing on older persons by following the recommendations on the actuarial valuation of the social insurance scheme and favouring the amendment of the public assistance legislation. Further, it is necessary to continue improving the access to services and the quality and delivery of services. It is important to focus on healthcare policy as a basic tool in the promotion of social inclusion. In this respect, the introduction of a National Health Scheme by 2008 is expected to ensure a more equitable and effective system of quality health care, especially for the most vulnerable (e.g. low-income families, the chronically ill, older persons, etc.);
- to implement measures for promoting employability and higher participation rates of women and vulnerable persons, such as persons with disabilities. The envisaged modernisation of the Public Employment Services (PES) includes the strengthening of staff capacity, quantitatively and qualitatively, the expansion of the PES network through additional local offices, the provision of self-service facilities through the Internet, active partnership with other service providers and customer-oriented services. In partnership with civil society, the Grants-in-Aid Scheme will continue to be the Government's major tool for the promotion of preventive actions in the social field. Through this Scheme, family support services including measures reconciling work and family life (e.g., day care, home care) will continue to develop as close as possible to the people who need them. These measures are already included in the new Strategic Development Plan 2004-2006;
- to combat educational disadvantage by improving every year (until full compliance with the Special Education Law is achieved by 2006) the educational settings and services (e.g.,

training of teachers, increase in the number of school psychologists, etc.). It is important to intensify remedial and preventive programmes such as special language courses for children whose mother tongue is not Greek, programmes for students under the age of 15 who are at high risk of dropping out of school (i.e., the literacy programme in secondary education, educational priority zones) and school-based drug prevention programmes;

- to reinforce the statistical capacity of Cyprus in order to reverse the current lack of culture of evaluation and the lack of up to date data which prevents a proper evaluation of the efficiency of policies and measures implemented. The improvement of the current situation includes the participation of the Statistical Service in the EU-SILC (Statistics on Income and Living Conditions) study in 2005 and the relevant pilot study in 2004, but requires additional efforts in other areas; and
- to ensure good accommodation for all, by evaluating the current housing policy to ultimately achieve a comprehensive national housing policy which effectively meets the needs of vulnerable persons (e.g. low-income households, large families, persons with disabilities) and the revival of deprived areas. It will be important to follow the recommendations made (by end 2003) by the ad hoc Committee on Criteria on the improvement of criteria of current housing schemes.

Some of the priorities identified in the JIM and the corresponding policy actions will benefit from the financial support provided by the EU structural funds, namely by the **European Social Fund**. Further, in implementing the above measures it is important to establish appropriate institutional mechanisms ensuring a closer co-operation between government, social partners, local authorities and NGOs, and to decrease regional differences. In this respect, the Government's commitment to continue developing a strong **partnership with the social partners and civil society** in the fight against poverty and social exclusion has been instrumental, whereas the revision of the law establishing the Pancyprian Welfare Council is expected to contribute to provide a stronger role of civil society in social policy-making and service provision.

The Cypriot Government is aware that **promoting social inclusion** in an adequate way **is a continuous process**, which can only provide effective and lasting results in the long-term and on the basis of a series of consistent measures and of a continuous checking and updating of those which have already been adopted. To monitor the implementation of policies and measures, assess its effectiveness and allow for comparisons between EU Member States it is extremely important that clearly defined indicators and up to date data exist.

The Government considers that its participation in the **open method of co-ordination**, which Cyprus will follow after the EU accession, **will contribute to the continued updating and improvement of measures**. In particular, the Cypriot Government is committed to following up on the work begun in the JIM with the preparation of its first National Action Plan on Poverty and Social Exclusion to be presented to the Commission in 2004.

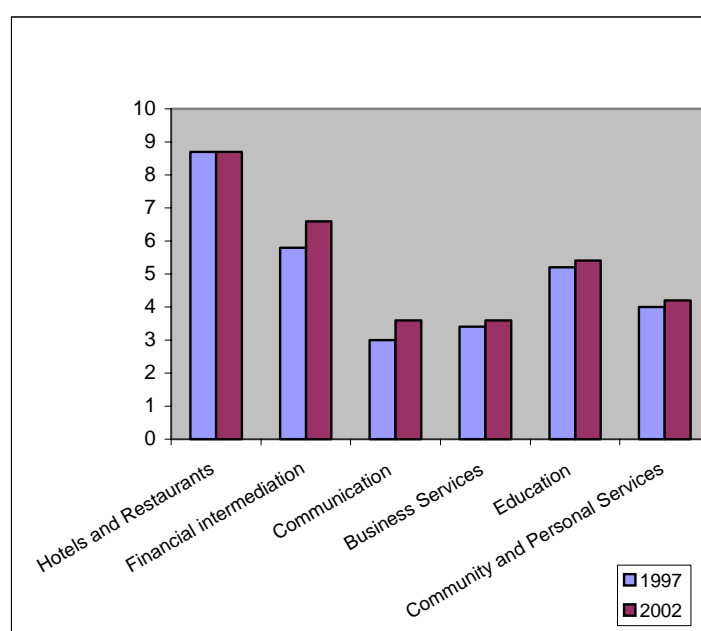
ANNEX I – TABLES AND FIGURES

Table 1: Per capita GDP in the European Union and Cyprus (euro)

Year	1975	1978	1997	2001	2002
European Union	4 115	5 725	18 911	23 295	23 970
Cyprus (% of the EU)	1 120 (27.2)	2 132 (37.2)	11 209 (59.2)	14 517 (62.3)	15 200 (63.4)

Source: Planning Bureau, Eurostat.

Figure 1: Percentage distribution of services in relation to GDP in 2002 and 1997



Source: Statistical Service.

Table 2: Employment rate by age group and gender

Year	2002			2001		
	Total	Males	Females	Total	Males	Females
Total employment rate						
15-64	68.5	78.8	59.0	67.9	79.4	57.1
15-24	36.7	37.7	35.8	39.0	40.4	37.7
25-54	82.2	93.2	72.0	80.7	93.5	68.6
55-64	49.2	67.0	32.1	49.1	66.8	32.2
65+	10.9	19.4	3.9	10.6	17.9	4.5

Source: Labour Force Survey 2001, 2002.

Note: (1) Data for the year 2001 have been revised after the 2001 Census of Population. This explains why some data differ from the ones presented in the Progress report of the Joint Assessment Paper; (2) 2002 employment rates produced by Eurostat for the structural indicators were 68.6% (males and females) and 59.2% (females). These figures differ slightly from those in the above table because they are based on estimates of average quarterly data produced by Eurostat.

Table 3: Employment by educational level and gender (15+)

Year	2002			2001		
	Total	Males	Females	Total	Males	Females
Total employment 15+	100.0	100.0	100.0	100.0	100.0	100.0
Less than upper secondary	30.5	32.7	27.7	32.0	34.3	29.1
Upper secondary	37.5	37.5	34.9	37.8	36.9	38.9
Tertiary	32.0	29.8	34.9	30.2	28.8	32.0

Source: Labour Force Survey 2001, 2002.

Table 4: Share of part-time employment in total employment (all ages)

Year	2002	2001
Total	7.2	8.4
Males	4.0	5.0
Females	11.3	12.9

Source: Labour Force Survey 2001, 2002.

Note: Data for the year 2001 have been revised after the 2001 Census of Population.

This explains why some data differ from the ones presented in the Progress report of the Joint Assessment Paper.

Table 5: Unemployment rates by age group and gender

Year	2002			2001		
	Total	Males	Females	Total	Males	Females
Total unemployment rate	3.3	2.6	4.2	4.0	2.7	5.7
Youth unemployment rate						
15-19	13.3	9.8	15.9	13.9	6.5	19.0
20-24	7.0	7.7	6.2	7.3	6.3	8.2
15-24	7.7	8.0	7.5	8.4	6.3	10.2
Unemployment rate 55-64	3.5	2.7	5.0	5.5	4.1	8.0
Long-term unemployment rate as a % of total unemployed	22.1	18.3	25.0	23.2	26.4	21.3
Long-term unemployment rate as a % of the labour force	0.7	0.5	1.04	0.9	0.7	1.2

Source: Labour Force Survey 2001, 2002.

Note: Data for the year 2001 have been revised after the 2001 Census of Population. This explains why some data differ from the ones presented in the Progress report of the Joint Assessment Paper.

Table 6: Trends in public social expenditure in C£ (million) and as a % of GDP per social domain for the years 2001, 2000 and 1992

Year	2001		2000		1992		% Increase 2001/1992
	C£ (mio)	% GDP	C£ (mio)	% GDP	C£ (mio)	% GDP	
Health	143.8	2.4	130	2.4	60.1	1.9	139.3
Social security⁽¹⁾	483.8	8.2	464.8	8.4	189.5	6.1	155.4
Public assistance	80.0	1.4	65.7	1.2	12.4	0.4	545.2
Housing	97.4	1.7	78.9	1.4	34.3	1.1	184.0
TOTAL public social expenditure	805.0	13.7	738.9	13.4	296.3	9.5	171.9
GDP	5 880	100	5 511.8	100	3 105	100	89.4

Source: Planning Bureau.

Notes: The figures include direct payments only and do not include salaries of civil servants in the respective sectors or interest charges on public loans for infrastructure or equipment. (1) Social security includes (a) social insurance (maternity allowances, sickness benefits, unemployment benefits, old-age pensions, invalidity pensions, widow's pensions, orphan's benefits, missing person's allowances, marriage grants, maternity grants, funeral grants, employment injury benefits and (b) social pension.

**Table 7: Expenditure on non-governmental programmes
C£ (million) for the years 2001, 2000, 1992**

Year	2001 C£ (mio)	2000 C£ (mio)	1992 C£ (mio)	% Increase 2001/1992
Government subsidies (Grants-in-Aid Scheme)	3.5	3.25	0.6	82
NGOs	13.0	11.5	4.0	54

Source: Social Welfare Services (Ministry of Labour and Social Insurance).

**Table 8: % of population by ethnic group for 2001
(total population: 705 500)**

Ethnic group	Percentage of population %
Greek Cypriots	89.4
Armenians	0.4
Maronites	0.8
Latins	0.1
Foreign residents⁽¹⁾	9.3

Source: Statistical Service.

Notes: Total population refers to the population in the government-controlled area of Cyprus;

(1) Permanent residents of foreign origin and temporary foreign workers who have lived in Cyprus for over a year etc.

Table 9: Population by educational level, age group and gender

	2002			2001		
	Total	Males	Females	Total	Males	Females
Total population (15-64)	100.0	100.0	100.0	100.0	100.0	100.0
Basic	37.5	36.9	38.1	39.6	38.4	40.7
Upper secondary	36.8	36.8	36.8	36.8	36.5	37.1
Post-secondary	25.7	26.3	25.1	23.6	25.1	22.2
Total population (15-24)	100.0	100.0	100.0	100.0	100.0	100.0
Basic	48.6	57.6	40.7	50.0	57.2	43.7
Upper secondary	40.0	36.2	43.2	39.3	37.1	41.2
Post-secondary	11.4	6.2	16.1	10.7	5.7	15.0
Total population (25-29)	100.0	100.0	100.0	100.0	100.0	100.0
Basic	15.8	19.4	12.4	19.2	22.2	16.5
Upper secondary	38.3	39.0	37.8	41.0	41.9	40.2
Post-secondary	45.9	41.6	49.8	39.8	35.9	43.3

Source: Labour Force Survey, 2001, 2002.

Note: Data for the year 2001 have been revised after the 2001 Census of Population.

This explains why some data differ from the ones presented in the Progress report of the Joint Assessment Paper.

Table 10: Basic health indicators of Cyprus in 2001, 2000, 1997 and 1994

Year	Number of persons per doctor	Number of persons per nurse	Number of persons per hospital bed	Number of persons per dentist	Infant mortality per 1000 births	Gross death rate per 1000 population	Total health expenditure as % of GDP	Public health expenditure as % of total health expenditure
2001	381	237	227	1 106	4.9	7.7	6.1	32.8
2000	385	237	220	1 121	5.6	7.7	5.9	34.2
1997	398	231	215	1 170	8.0	7.7	6.1	33.1
1994	418	234	197	1 213	8.6	7.7	4.9	36.2

Source: Statistical Service of Cyprus.

Table 11: Patients discharged from general hospitals by disease category, 2001

DISEASE CATEGORY	ALL PATIENTS	
	No	%
Certain infectious and parasitic diseases	809	1.6
Neoplasms	3 121	6.2
Diseases of the blood and blood-forming organs and certain disorders involving the immune mechanism	634	1.3
Endocrine, nutritional and metabolic diseases	1 175	2.3
Mental and behavioural disorders	660	1.3
Diseases of the nervous system	638	1.3
Diseases of the eye and adnexa	1 689	3.3
Diseases of the ear and mastoid process	162	0.3
Diseases of the circulatory system	5 919	11.7
Diseases of the respiratory system	4 913	9.7
Diseases of the digestive system	5 348	10.6
Diseases of the skin and subcutaneous tissue	569	1.1
Diseases of the musculoskeletal system and connective tissue	1 509	3.0
Diseases of the genitourinary system	3 255	6.4
Pregnancy, childbirth and puerperium	3 579	7.1
Certain conditions originating in the perinatal period	1 286	2.5
Congenital malformations, deformations and chromosomal abnormalities	308	0.6
Symptoms, signs and abnormal clinical and laboratory findings, not elsewhere classified	4 702	9.3
Injury, poisoning and certain other consequences of external causes	8 101	16.0
Factors influencing health status and contact with health services	2 247	4.4
All DISEASE CATEGORIES	50 624	100.0

Source: Ministry of Health.

Table 12: Patients discharged from rural hospitals by disease category, 2001

DISEASE CATEGORY	ALL PATIENTS	
	No	%
Certain infectious and parasitic diseases	46	2.7
Neoplasms	69	4.1
Diseases of the blood and blood-forming organs and certain disorders involving the immune mechanism	43	2.6
Endocrine, nutritional and metabolic diseases	107	6.4
Mental and behavioural disorders	8	0.5
Diseases of the nervous system	19	1.1
Diseases of the eye and adnexa	0	0.0
Diseases of the ear and mastoid process	0	0.0
Diseases of the circulatory system	583	34.9
Diseases of the respiratory system	296	17.7
Diseases of the digestive system	155	9.3
Diseases of the skin and subcutaneous tissue	19	1.1
Diseases of the musculoskeletal system and connective tissue	18	1.1
Diseases of the genitourinary system	99	5.9
Pregnancy, childbirth and puerperium	0	0.0
Certain conditions originating in the perinatal period	0	0.0
Congenital malformations, deformations and chromosomal abnormalities	1	0.1
Symptoms, signs and abnormal clinical and laboratory findings, not elsewhere classified	133	7.9
Injury, poisoning and certain other consequences of external causes	65	3.9
Factors influencing health status and contact with health services	11	0.7
ALL DISEASE CATEGORIES	1 672	100.0

Source: Ministry of Health.

Table 13: Out-patient attendances at government medical institutions by disease category, 2001

DISEASE CATEGORY	ALL PATIENTS	
	No	%
Certain infectious and parasitic diseases	35 932	2.9
Neoplasms	30 562	2.5
Diseases of the blood and blood-forming organs and certain disorders involving the immune mechanism	12 534	1.0
Endocrine, nutritional and metabolic diseases	124 999	10.1
Mental and behavioural disorders	58 227	4.7
Diseases of the nervous system	17 223	1.4
Diseases of the eye and adnexa	41 187	3.3
Diseases of the ear and mastoid process	15 886	1.3
Diseases of the circulatory system	377 841	30.5
Diseases of the respiratory system	149 375	12.1
Diseases of the digestive system	37 929	3.1
Diseases of the skin and subcutaneous tissue	42 298	3.4
Diseases of the musculoskeletal system and connective tissue	116 772	9.4
Diseases of the genitourinary system	58 799	4.7
Pregnancy, childbirth and puerperium	360	0.0
Certain conditions originating in the perinatal period	461	0.0
Congenital malformations, deformations and chromosomal abnormalities	67	0.0
Symptoms, signs and abnormal clinical and laboratory findings, not elsewhere classified	25 927	2.1
Injury, poisoning and certain other consequences of external causes	20 127	1.6
Factors influencing health status and contact with health services	72 700	5.9
All DISEASE CATEGORIES	1 239 206	100.0

Source: Ministry of Health.

Table 14: Changes in life expectancy in Cyprus

Period	Males	Females
1973	70.0	72.9
1976/77	71.9	74.9
1983/87	73.9	77.8
1992/93	74.6	79.1
1994/95	75.3	79.8
1996/97	75.0	80.0
1998/99	75.3	80.4
2000/01	76.1	81.1

Source: Ministry of Health.

Table 15: Basic health indicators of EU countries and Cyprus in 2000

Country	Number of persons per doctor	Number of persons per nurse	Number of persons per hospital bed	Number of persons per dentist	Infant mortality per 1000 births	Gross death rate per 1000 population	Total health expenditure as % of GDP	Public health expenditure as % of total health expenditure
Austria	324	171	115	2 096	4.83	9.47	8.2 ^a	72.1 ^a
Belgium	242	-	139 ^b	1 465 ^b	-		8.8 ^a	71.3 ^a
Denmark	353 ^a	107 ^a	230 ^a	1 168 ^a	4.43 ^b	10.96 ^b	8.2	81.9
Finland	325	46	133	1 080	3.61	9.53	6.8 ^a	75.7 ^a
France	305	149	121 ^a	1 457	4.32 ^a	9.17 ^a	9.4 ^a	78.1 ^a
Germany	279	107	109 ^a	1 302	4.54 ^a	10.31 ^a	10.5 ^a	75.3 ^a
Greece	228 ^a	-	205 ^a	867 ^a	6.15 ^a	9.8 ^a	8.7	52.5 ^a
Ireland	401	59	278 ^a	1 881	5.86 ^b	8.52 ^b	6.1 ^a	77.1 ^a
Italy	176 ^a	-	200 ^b	1 743	5.26 ^b	9.97 ^b	7.9 ^a	72.3 ^a
Luxembourg	402	132	-	1 555	2.97	8.46	6.1 ^a	92.9 ^a
Netherlands	310	76 ^a	205	2 107	5.23 ^a	8.88 ^a	8.1	73.2
Portugal	315 ^a	264 ^b	250 ^b	2 650 ^a	5.54	10.36	7.7 ^b	66.9 ^b
Spain	304	269	244 ^a	2 440 ^b	4.86 ^b	9.16 ^b	7.0 ^b	76.4 ^b
Sweden	322 ^c	120 ^b	192 ^c	657 ^c	3.4 ^a	10.73 ^a	7.9 ^b	83.8 ^b
United Kingdom	-	-	240 ^c	-	5.58	10.18	6.9 ^a	83.3 ^a
Cyprus	381	237	227	1 106	4.9	7	6.1	32.8

Sources: WHO Europe, European Health for All Database - Statistical Service of Cyprus.

Note: Data for EU countries refer to 2000, unless otherwise indicated. For Cyprus the data refer to 2001; a=1999, b=1998, c=1997.

Table 16: Risk of poverty

Threshold	Cyprus (1997) %	EU-15 (1999) %
40%	6	5
50%	10	9
60%	16	15
70%	23	23

Source: Statistical Service.

Note: % of individuals living in households where the equivalised total net household income is below 40%, 50%, 60% and 70% of the national median equivalised total net household income.

Table 17: Laeken indicators referring to poverty in Cyprus and EU-15

			CY	EU-15
			1997	1999
S80/S20 quintile share ratio			4.4	4.6
Gini coefficient			28.7	29
Risk-of-poverty threshold	1 person hh	NAT	3 095	:
(illustrative values)		EUR	5 229	7 342
		PPS	7 085	7 272
2 adults 2 dep. children			6 500	:
		EUR	10 981	15 418
		PPS	14 879	15 272
Risk-of-poverty rate by age by gender	Total	Total	16	15
		M	15	15
		F	18	160
	0-15	Total	12	19
		M	13	19
		F	12	19
	16-24	Total	9	21
		M	9	20
		F	8	21
	25-49	Total	9	13
		M	8	12
		F	11	14
	50-64	Total	15	12
		M	10	12
		F	20	13
	65+	Total	58	17
	M	56	15	
	F	60	19	
Risk-of-poverty rate by most frequent activity by gender	Employed	Total	5	6
		M	7	6
		F	4	6
	Self-employed	Total	9	14
		M	10	14
		F	7	13
	Unemployed	Total	23	39
		M	18	45
		F	27	33
	Retired	Total	62	15
		M	60	14
		F	64	16
Inactive/other	Total	20	24	
	M	13	24	
	F	22	24	
Risk-of-poverty rate by household type	Total		16	15
	1 person hh	Total	64	22
	1 person hh	M	54	19
	1 person hh	F	67	24
	1 person hh <30yrs		25	32
	1 person hh 30-64		34	16
	1 person hh 65+		83	24
	2 adults no children	(at least one 65+)	58	13
	2 adults no children	(both < 65)	11	9

			CY	EU-15
			1997	1999
	Other HH no Children		10	9
	Single parent	(at least 1 child)	41	38
	2 adults 1 dep. child		6	11
	2 adults 2 dep. children		9	13
	2 adults 3+ dep. children		16	26
	Other hh with dep. children		6	18
Risk-of-poverty rate by tenure status	Total		16	15
	Owner-occupier		16	12
	Tenant		18	24
	Other		:	:
Dispersion around the risk-of-poverty threshold	40% of median		6	5
	50% of median		10	9
	60% of median		16	15
	70% of median		23	23
Risk-of-poverty rate anchored 1996				
Risk-of-poverty rate	before all transfers	Total	24	40
		M	22	
		F	26	
	including pensions	Total	18	24
		M	17	
		F	20	
	including all transfers	Total	16	15
		M	15	
		F	18	
Relative risk-of-poverty gap by gender	Total		24	22
		M	23	:
		F	26	:

Source: Statistical Service of Cyprus and ECHP UDB, Eurostat, version December 2002

Note: The methodology of calculation of the indicators for the Candidate Countries is the same as the one used for Member States. Every effort has been made to ensure that the definition of income used is as comparable as possible to the ECHP definition. Nevertheless, the indicators for the Candidate Countries cannot be considered to be fully comparable with the EU ones, or between candidate countries, owing to the differences of underlying data sources. No time series available due to the timing of the survey which is carried out every 5 years.

**Table 18: Schemes for the vocational rehabilitation of persons with disabilities
Operating under the Department of Labour
(Service for the Care and Rehabilitation of Disabled Persons)**

Year	Beneficiaries/ Expenditure (C£)	Self- Employment Scheme	Scheme for the vocational rehabilitation of persons with disabilities	Supported Employment Scheme	Scheme for reimbursement of costs to employers	Total Amount
1993	Beneficiaries	8	15	-	1	24
	Expenditure (C£)	7 540	3 850	-	167	11 557
1994	Beneficiaries	6	19	-	1	26
	Expenditure (C£)	5 489	3 450	-	500	9 439
1995	Beneficiaries	5	29	-	0	34
	Expenditure (C£)	8 205	6 580	-	0	14 785
1996	Beneficiaries	11	8	18	0	37
	Expenditure (C£)	22 000	2 783	20 000	0	44 783
1997	Beneficiaries	6	8	40	0	54
	Expenditure (C£)	11 831	3 411	40 000	0	55 242
1998	Beneficiaries	9	5	70	0	84
	Expenditure (C£)	14 469	2 150	50 000	0	66 619
1999	Beneficiaries	3	2	70	0	75
	Expenditure (C£)	3 560	424	50 000	0	53 984
2000	Beneficiaries	3	4	92	0	99
	Expenditure (C£)	8 000	2.894	55 000	0	65 894
2001	Beneficiaries	8	4	103	0	115
	Expenditure (C£)	17 204	1 200	63 800	0	82 204
2002	Beneficiaries	9	21	125	0	155
	Expenditure (C£)	15 796	7 710	83 000	0	106 506

Source: Department of Labour.

**Table 19: Adult initial and continuing education/training per year
per type of education/training**

School year	Evening schools	Evening technical schools	Adult education centres	Evening classes in technical schools	Human Resource Development Authority ¹	Cyprus Productivity Centre ¹	Cyprus Academy of Public Administration ¹	Total
1997/98	468	0	18 143	1 110	28 006	1 902	884	50 513
1998/99	588	0	17 200	804	33 566	1 361	840	54 359
1999/2000	600	0	16 168	1 029	41 992	1 183	833	61 805
2000/01	630	16	16 150	1 067	30 921	1 399	1 412	51 595
2001/02	635	39	17 220	1 139	30 430	939	2 167	53 539

Source: Ministry of Education.
Note: Statistical Service.

**Table 20: Number of non-governmental organisations and programmes
which received State grants in 2002, 2000, 1998 and 1996**

Number/Year	2002	2000	1998	1996
Non-governmental organisations	231	194	216	182
Programmes	334	289	251	220
% increase in programmes	16	15	14	

Source: Social Welfare Services (Ministry of Labour and Social Insurance).

**Table 21: Distribution of government grants (C£) per type of programme
for the years 2002, 2000, 1998 and 1996**

Year	2002 C£	2000 C£	1998 C£	1996 C£
Programmes for pre-school children	881 285	833 810	479 500	402 700
Programmes for school-age children	480 500	403 700	286 516	215 000
Programmes for persons with disabilities	1 045 256	869 500	492 500	334 500
Programmes for the elderly	1 051 159	742 784	500 284	348 000
Other programmes	371 800	400 206	291 200	249 800
Total amount	3 830 000	3 250 000	2 050 000	1 550 000
% increase	18	58	32	

Source: Social Welfare Services (Ministry of Labour and Social Insurance).

Table 22: Various benefits of the Social Insurance Fund in relation to the wage of the standard beneficiary

Risk covered	Standard beneficiary	Amount of benefit (weekly amount)	Percentage of Reference Wage ³
		£	%
Sickness	Beneficiary with wife and 2 children	123.29	69.3
Unemployment	Beneficiary with wife and 2 children	123.29	69.3
Maternity	Beneficiary	133.38	75.0
Old-age	Beneficiary with wife (40 years of insurance) (25 years of insurance)	120.45	67.7
		95.90	53.9
Invalidity	Beneficiary with wife and 2 children	134.20	75.5
Death	Widow with 2 children	101.15	56.9
Employment accidents	Beneficiary with wife and 2 children	123.29	69.3
(a) Temporary incapacity for work (Injury benefit)			
(b) Permanent incapacity for work (Disablement pension)			
(c) Death	Widow with 2 children	101.15	56.9

Source: Social Insurance Services (Ministry of Labour and Social Insurance).

Notes: (1) The Social Security (Minimum Standards) Convention; (2) Invalidity, Old-Age and Survivors' Benefits Convention; (3) The reference wage is the wage of the skilled manual worker during year 2001 (£177.84 per week); (4) Comparison with I.L.O. Conventions and European Code Y01(English).

Table 23: Cases of public assistance by nature of distress for the years 1990-2001

Nature of distress/ Year	Old age	Illness/Disability	Unemployment	Social problem	Parents in occupied areas	Other	Total
1990	3 129	4 312	5	318	47	209	8 020
1991	3 943	4 874	25	396	39	277	9 554
1992	4 684	5 297	19	436	31	273	10 740
1993	5 526	5 683	36	483	27	268	12 023
1994	6 109	5 972	46	491	23	277	12 918
1995	5 754	6 213	49	534	27	304	12 881
1996	5 353	6 469	64	531	24	335	12 776
1997	5 452	6 856	68	627	27	350	13 380
1998	5 549	7 256	101	668	24	389	13 987
1999	5 591	7 695	158	657	19	496	14 616
2000	5 409	7 973	197	744	22	539	14 884
2001 ⁽¹⁾	5 590	8 754	204	325	19	494	15 386

Source: Social Welfare Services.

Notes: (1) Number of dependants: 6642; Total number of recipients is the Total (15386) + number of dependants (6642) = 22028.

Table 24: Number of students per computer in secondary education

No of students per computer in secondary	School year	
	2001-02	2002-03
Lower schools	66	18
Higher schools	9	6
Technical schools	7	5

Source: Statistical Service.

Table 25: Number of participants in the programme “Sports for All” in 2002

Children (7-11 years)	Adults		Older persons	Total
	Men	Women		
10 000	293	826	50	11 169

Source: Cyprus Sports Organisation.

Table 26: Percentage of State grants per urban/rural area for the years 2002, 2000, 1998 and 1996

AREA	2002 %	2000 %	1998 %	1996 %
Urban	51	55	55	54
Rural	49	45	45	46

Source: Social Welfare Services (Ministry of Labour and Social Insurance).

Table 27: Representation of women in parliamentary elections

Year	Women candidates	Elected women candidates
1991	3	1
1996	56	3
2001	85	6

Source: Ministry of Justice and Social Order.

Table 28: Representation of women in local elections

Year	Women cand. for Mayor	Women elected for Mayor	Women cand. for Mun. Council.	Women elected for Mun. Councillor
1996	N/A	4	N/A	65
2001	2	1	323	79

Source: Ministry of Justice and Social Order.

Table 29: Financial tables for the Single Programming Document for Objective 3

Priority Pillars	HUMAN RESOURCES DEVELOPMENT – PROMOTION OF EQUAL OPPORTUNITIES AND SOCIAL INCLUSION	Total cost (euro)	National resources (euro)	From ESF ² (euro)
Pillar 1	Development and promotion of active labour market policies	22.8	11.4	11.4
Measure 1.1	Enhancement and modernisation of Public Employment Services			
Measure 1.2	Strengthening of activities to adapt the skills of the new entrants, the unemployed and the employed to labour market needs			
Measure 1.3	Promotion of equal opportunities for access to the labour market for all, and especially for those threatened with social exclusion			
Measure 1.4	Promotion of access of women to the labour market			
Pillar 2	Promotion and improvement of education and training systems and lifelong learning	20.0	10.0	10.0
Measure 2.1	Utilisation of new technologies within the framework of lifelong learning			
Measure 2.2	Improvement and reinforcement of technical and vocational education and training			
Pillar 3	Technical assistance	1.08	0.54	0.54
Measure 3.1	Support for the implementation of the SPD			
	Total – SPD for Objective 3	43.88	21.94	21.94

Source: Planning Bureau.

Notes: (1) Financing from the European Social Fund (ESF) amounts to 21.94 million euro; (2) The Single Programming Document for Objective 3 includes 3 Priority Pillars composed of 7 Measures.

ANNEX II – METHOD OF CALCULATION OF BENEFITS, RATES FOR BENEFITS, GRANTS

1. METHOD OF CALCULATION OF BENEFITS (CONTRIBUTORY AND NON-CONTRIBUTORY SCHEMES)

1.1. Contributory scheme: Social Insurance Scheme

All periodic benefits are composed of the basic benefit and the supplementary benefit.

1.1.1. Definitions:

- Basic Insurable Earnings for 2003: C£70.83 per week
- Lower part of insurable earnings: Insurable earnings up to Basic Insurable Earnings
- Upper part of insurable earnings: Insurable earnings over Basic Insurable Earnings

1.1.2. Minimum pension (old-age pension, widow's pension, missing person's allowance and invalidity pension)

- 85% of the full Basic Pension (based on the maximum Basic Insurable Earnings)

1.1.3. Maximum pension (old-age pension, widow's pension, missing person's allowance and invalidity pension)

- Basic Pension: 100% of lower part of insurable earnings (including supplements for a maximum of three dependants).
- Supplementary Pension: No fixed maximum pension, earnings ceiling applied in calculation formula.

1.1.4. Adjustment of pensions (old-age pension, widow's pension, missing person's allowance and invalidity pension)

- Basic Insurable Earnings increase every year in line with an annual survey of wages and salaries.
- Basic Pensions are adjusted at the beginning of each year in accordance with the percentage of revision of the Basic Insurable Earnings. Supplementary Pensions are adjusted the same day, in accordance with the increase in the cost-of-living index.
- Pensions (Basic and Supplementary Pensions) are also adjusted every July in accordance with the increase in the cost-of-living index, if the latter is at least 1%. This increase is taken into account when determining the increase in the pensions at the beginning of the year.

1.1.5. Determining factors of amounts of old-age pension, widow's pension and missing person's allowance:

- amount of earnings and
- number of years of insurance

1.1.6. Benefits provided

1.1.6.1. Old-age pension

- Basic Pension: 60% of the average lower part of insurable earnings, increased by 1/3, 1/6 and 1/6 for the first, second or third dependant respectively. In the case of a married female beneficiary, the increase for her dependent children in any event is equal to 1/6th of the basic pension for each child (maximum of two dependent children).
- Supplementary Pension: 1.5% of the total amount of paid and credited insurable earnings in the upper part of insurable earnings over claimant's whole career, which is converted into a weekly amount by dividing by 52.

1.1.6.2. Widow's/widower's pension:

- Basic Pension: 60% of the weekly amount of the basic insurable earnings (C£70.83) increased by 1/3, 1/6 and 1/6 for the first, second or third dependant respectively.
- Supplementary Pension: equal to 60% of the amount of the supplementary old-age pension which was payable or would have been payable to the deceased spouse.

1.1.6.3. Missing person's allowance

- Basic pension: 60% of the average lower part of insurable earnings of the missing spouse, increased by 1/3, 1/6 and another 1/6 for the first, second and third dependant respectively.
- Supplementary pension: 60% of the supplementary old-age pension which was payable or would have been payable to the missing spouse.

1.1.6.4. Orphan's benefit

a) Orphan children having lost one parent

Spouse's benefit is increased according to the number of dependent children (maximum of three).

In the case of:

- a surviving parent who is remarried or not entitled to pension: 20% of basic insurable earnings (C£14.53) per week for one child, 30% of basic insurable earnings (C£21.79) for two children and 40% of basic insurable earnings (C£29.05) for three or more children.
- a surviving parent who does not care for a child: Rate of benefit is the same as for children having lost both parents (see below).

b) Orphan children having lost both parents

The following benefits are payable to each orphan:

- Basic Pension: 40% of deceased person's basic insurable earnings (C£29.05) per week.
- Supplementary Pension: 50% of the supplementary widow's pension which was payable or would have been payable.

1.1.6.5. Invalidity pension

Determining factors:

- Amount of earnings,
- Number of years of insurance, and
- Degree of invalidity

a) Total invalidity

Calculated according to the general pension formula (see above).

b) Partial invalidity:

- 50% to 66.65% reduced capacity: 60% total invalidity pension
- 66.66% to 75% reduced capacity: 75% total invalidity pension
- 76% to 99% reduced capacity: 85% total invalidity pension

1.1.6.6. Maternity allowance

Assessed on the earnings on which contributions have been paid:

- Basic benefit: 75% of the lower part of weekly average insurable earnings over the previous year, increased to 80%, 90% and 100% for one, two or three dependants respectively.
- Supplementary benefit: 75% of the upper part of weekly average insurable earnings over the previous year (No fixed maximum amount, earnings ceiling up to C£425 per week or C£ 1 842 per month).

1.1.6.7. Sickness benefit and

1.1.6.8. Unemployment benefit

Assessed on the earnings on which contributions have been paid:

- Basic benefit: 60% of the lower part of weekly average insurable earnings over the previous year, increased by 1/3 for a dependent spouse and by 1/6 for a dependent child (maximum of two dependent children).
- Supplementary benefit: 50% of the upper part of weekly average insurable earnings over the previous year. Maximum weekly amount of supplementary benefit cannot exceed Basic Insurable Earnings (C£70.83 per week).

Employment injuries and occupational diseases

1.1.6.9. Injury benefit (temporary incapacity):

- Basic benefit: 60% of the weekly amount of basic insurable earnings (C£70.83) over the previous year, increased by 1/3 for a dependent spouse and by 1/6 for a dependent child (maximum of two dependent children). The basic benefit (C£70.83) is provided even if the amount of earnings is less than the basic insurable earnings.
- Supplementary benefit: 50% of the upper part of weekly average insurable earnings over the previous year. Maximum weekly amount of supplementary benefit cannot exceed Basic Insurable Earnings.

1.1.6.10. Disability Pension (permanent incapacity)

a) Total disability

- Basic pension: 60% of the weekly amount of basic insurable earnings, increased by 1/3, 1/6 and 1/6 for first, second and third dependant respectively. In the case of a married female beneficiary the increase for her dependent children in any event is equal to 1/6th of the basic pension for each child (maximum of two dependent children).
- Supplementary pension: 60% of the weekly average of paid and credited upper part of insurable earnings for the previous two years.

b) Partial disability

Entitled to a percentage of the total disability pension. This percentage represents each individual's degree of reduced working capacity.

1.1.6.11. Widow's/Widower's pension

- Basic pension: 60% of the weekly amount of basic insurable earnings (C£70.83), increased by 1/3, 1/6 and 1/6 for first, second and third dependant respectively.
- Supplementary pension: 60% of the amount of the supplementary disablement pension for 100% reduction in capacity.

1.1.6.12. Parent's pension

Paid only if the person who died as a result of an employment injury is not survived by a widow or a child:

- Basic pension: 40% of basic insurable earnings (C£29.05) per week.
- Supplementary pension: 30% of the supplementary pension for 100% disability

(See 'Permanent Incapacity' above).

1.2. Non-contributory scheme

1.2.1. Social pension

It is estimated at 81% of the full basic pension. It is adjusted twice a year (every January and July) according to the annual survey of wages and salaries and the price index.

1.2.2. Child benefit

It is adjusted every year on 1 January, according to the price index.

1.2.3. Mother's allowance

It is adjusted every year on 1 January, according to the price index.

1.2.4. Public assistance

It is based on a number of goods and services specified in the Family Budget Survey 1996/1997 of the Statistical Service. It is adjusted annually according to the price index⁴³.

2. RATES FOR BENEFITS (CONTRIBUTORY AND NON-CONTRIBUTORY SCHEMES)

2.1. Contributory schemes

Minimum monthly amount of pensions:

	1/7/2003 ⁴⁴ - £
Without dependants	148.18
With one dependant	197.58
With two dependants	222.28
With three dependants	246.97

Full monthly amount of basic pensions:

	1/7/2003 - £
Without dependants	174.34
With one dependant	232.45
With two dependants	261.50
With three dependants	290.55

43 As part of the latest tax reform, in July 2002, annual adjustment was made at a higher rate.

44 These amounts do not include the special subsidy granted by the Ministry of Finance as part of the counterbalancing measures of the tax reform in July 2002. The subsidy, amounting to C£325, is paid every six months.

Maximum monthly amount of pensions (2003)

	£
Old age	731.00
Widows	741.00
Invalidity	856.00
Disablement	771.00

Monthly amount of old-age pension for 2003 for an insured person with insurable earnings of 3 units per year from 1980 to 2002 (each unit has the value of the annual amount of basic insurable earnings):

	£
Without dependants	356.98
With one dependant	413.65
With two dependants	441.98
With three dependants	470.31

Maximum weekly amount of short-term benefits for insured persons who earn more than £212 per week or £921 per month (3 insurable units):

	Since July 2003 - £
Unemployment benefit (beneficiary with 3 dep.) (£70.83 basic and £70.83 suppl.)	141.66
Sickness benefit	141.66
Injury benefit	141.66
Maternity allowance (beneficiary without dep.)	309.00

2.2. Non-contributory schemes

2003 - £

1. Social pension (monthly):

141.21⁴⁵

2. Child benefit:

Number of children in the family	Basic annual benefit C£	Supplementary annual benefit for families with income up to C£ 6.000 per year ⁴⁶ C£	Supplementary annual benefit for families with income between C£ 6.000 and C£ 12.000 per year ⁴⁷ C£
Families with 1 child ¹	200	50	25
Families with 2 children ¹	400	200	150
Families with 3 children ²	1.200	450	375
Families with 4 or more children ²	600 per child	200 per child	125 per child

Notes: (1) Families with one or two children are paid annually at the end of the year; (2) Families with three or more children are paid in 12 equal monthly payments.

3. Mother's benefit (monthly):

C£ 32.23

4. Public assistance (as from 1/7/2003):

Basic needs (monthly):

- applicant	C£ 175
- dependant 14 > years	C£ 87.50
- dependant 14 < years	C£ 52.50

45 This amount does not include the special subsidy granted by the Ministry of Finance as part of the counterbalancing measures of the tax reform in July 2002. The subsidy for persons receiving the social pension amounts to C£270 and is paid every 6 months.

46 The level of family income that is taken into account is the level of the non-taxable income three years prior to a child benefit entitlement.

47 The level of family income taken into account is twice the level of non-taxable income three years prior to a child benefit entitlement.

Special needs (monthly):

- Rent allowance: 50% of the basic needs allowance
(up to the whole amount, in special cases).
- Medically prescribed diet: C£10 for one illness or C£15 for two or more illnesses.
- Disability allowance: 50% of the basic needs allowance.
- Pocket money: C£6-12 for the recipient and C£6 for each dependant.
- Home care: It may range from C£ 25 to C£ 200, depending on need.
- Day care: C£40 or more in special circumstances.

3. SOCIAL INSURANCE GRANTS (CONTRIBUTORY) AS FROM 1/1/2003

1. Disability grant

A lump sum of between C£1 547 and C£2 939 according to the degree of disability.

Degree of disability: %	C£
10	1 547
11	1 702
12	1 856
13	2 011
14	2 166
15	2 321
16	2 475
17	2 630
18	2 785
19	2 939

2. Funeral grant

A lump sum of C£292 upon the death of an insured person or a pensioner.

A lump sum of C£146 is paid upon the death of an insured person's or pensioner's dependant spouse or child.

3. Maternity grant: C£215 per birth

4. Marriage grant: a lump sum of C£292

ANNEX III – GOVERNMENT HOUSING PROGRAMMES

- (a) **Low-Cost Housing Programme** operating mainly in urban areas. It provides for the construction of terraced houses, semi-detached houses and flats in comprehensively designed housing estates, suitable for the temporary accommodation of displaced families.
- (b) **Self-Help Housing Programme on Government Land**, mainly in urban fringes and rural areas. The Government provides building plots, as well as a grant-in-aid to displaced families for the purchase of building materials for the construction of their own house, in accordance with the architectural plans provided by the Government.
- (c) **Self-Help Housing Scheme on Private Land**, mainly in urban areas, for displaced households that own a building plot. The Government provides grants for the purchase of building materials only.
- (d) **Purchase of a House or an Apartment Scheme**, mainly in urban areas. It provides for grants-in-aid and loans (from the Central Agency for Equal Distribution of Burdens) to displaced families who wish to buy a house or an apartment from the private sector, provided that they meet established criteria.
- (e) **Rebuilding and Rehabilitation Programme** in the historic centre of towns. The Government provides incentives for the renovation and rehabilitation of traditional buildings which are usually in an unsatisfactory condition. The Programme also provides for the building of new houses in empty plots.
- (f) **Division of Building Plots for Low-Income Families in Communities**. Land in communities is divided into building plots, which are then sold at very low prices to very low-income families.
- (g) **Scheme for Large Families**. Low interest rate and long repayment period loans are offered to large families for the purchase, construction, extension or repair of housing units.
- (h) **Scheme for Rural Areas**. Low interest rate and long repayment period loans are offered to low-income families who intend to settle permanently in specific villages.
- (i) **Scheme for Communities along the Buffer Zone Areas**⁴⁸. Low interest rate and long repayment period loans and grants are offered to households for settling in specific communities along the buffer zone, irrespective of their financial status.
- (j) **Housing Scheme for Low-Income Households**. Generous grants and low interest, long repayment period loans are offered to low-income families for the purchase of flats built by the Cyprus Development Land Corporation.

48 The buffer zone is an operational concept used since 1974 to describe the area between the ceasefire line of the Turkish military forces and the forward defence line of the national guard.

- (k) **Lefkosia (Nicosia) Greenline⁴⁹ Programme**. Low interest rate and long repayment period loans, as well as supplementary grants, are awarded to couples willing to reside in areas in the vicinity of the buffer zone in Nicosia.
- (l) **Housing Plan for Communities with a Population of less than 200 Inhabitants**. Low interest rate and long repayment period loans, as well as supplementary grants, are offered to people, irrespective of income, in order to reside permanently in communities with a population of less than 200 inhabitants.
- (m) **Housing Scheme for the Repair of Houses for Public Assistance Recipients**. A grant is provided to public assistance recipients for the repair or extension of their house.
- (n) **Rental Subsidisation Scheme**. Rent subsidies are provided to displaced people, based on income level.

49 Lefkosia (Nicosia) green line is the line dividing the capital of Cyprus in the northern occupied part and the southern part controlled by the legal government of Cyprus.