



REPUBLIC

OF CYPRUS

CYPRUS NATIONAL SOCIAL REPORT 2012

Nicosia

May 2012



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1. Evaluation of the Social Situation in Cyprus

1.1 Economy

The global economic crisis has negatively impacted on the Cyprus economy with some delay with regards to the labour market and public finances. Furthermore, the recent Eurozone crisis is expected to affect the growth rate over the next years, resulting in greater challenges in the labour market and public finances in particular¹. According to a flash estimate of the Statistical Service, the economic growth rate in 2011 is estimated at -0,5% compared to that of 2010.

1.2 Employment

As mentioned above, in 2011 the economic crisis had a negative effect on the growth rate and at the same time prevented the increase of employment, thereby creating further consequences on the Cyprus economy.

The unemployment rate increased from 5,3% in 2009 to 6,2% in 2010 (yearly average) whereas in 2011 it rose to 7,7%. Based on EUROSTAT's latest monthly seasonally adjusted forecasts, in February 2012 the Cyprus unemployment rate stood at 9,7%. In parallel, a decrease of the employment rate from 75.4% in 2010 to 73.8% in 2011 was also noted..

1.3 Risk of Poverty and Social Exclusion

In 2010, the share of the population living at risk of poverty and/or social exclusion was 23,6%² (2009: 22,2%). With regard to the sub-indicators comprising the at-risk-of poverty rate, an increase in the poverty rate is observed, from 15,3% in 2009 to 15,8% in 2010 (EU: 16,4%). That is, 16% of the population resided in households with income below €10.189 per equivalent adult, which corresponds to 60% of the median income per equivalent adult.

According to data from 2010, there has been an improvement in the at-risk-of poverty rate for single parent households, households with two adults of whom at least one is over the age of 65 and households with two adults with three or more children. However, an increase in the at-risk of poverty rate is noted in households with two adults and two children as well as households with two adults under 65 years old.

As regards social exclusion, an increase in the share of people living in severe material deprivation has been noted (9,8% in 2010 compared to 9,5% in 2009), especially in the two items concerning their financial ability to keep the house adequately warm and their financial ability to go on a week's holiday. The highest figures are noted in single parent households, with an increasing rate of more than 6 percentage points. The share of people living in households with low work intensity increased from 4,1% in 2009 to 5% in 2010.

¹[http://www.mof.gov.cy/mof/mof.nsf/All/E9DC5479761477A8C2257973003C85BB/\\$file/Economic%20Developments%20in%202011%20and%20Prospects%20for%202012.pdf?OpenElement](http://www.mof.gov.cy/mof/mof.nsf/All/E9DC5479761477A8C2257973003C85BB/$file/Economic%20Developments%20in%202011%20and%20Prospects%20for%202012.pdf?OpenElement)

² This rate refers to the union of the 3 indicators: at-risk-of-poverty (which increased from 15.3% in 2009 to 15.8% in 2010) or/and, people living in conditions of severe material deprivation (which increased from 9,5% in 2009 to to 9.8% in 2010) and /or people living in low work intensity households (increased from 4,1% in 2009 to 5% in 2010). This data was revised in May 2012.

It is especially interesting to note how social transfers³, as well as pensions, impact on the average total household income and, hence, the at-risk-of poverty rate. In 2010, before any social transfers including pensions, the at-risk-of poverty rate stood at 32,1%. After including retirement and widows' pensions, the rate decreased to 23,3% and, after including other social transfers, the rate decreased further to 15,8%. Overall, it can be said that social transfers have a positive impact on the at-risk-of poverty rate, reducing it by 16,3 percentage points.

2. Overall Strategic Approach

The Cyprus Social Report is structured in three Chapters.

Chapter 1 mentions the political priorities and measures for fighting poverty and social exclusion. More specifically, the structure of the Cyprus national strategy for fighting poverty and social exclusion, aims at the rationalisation of benefit policies in order to remove any distortions created, the introduction of targeted measures for vulnerable groups of the population especially those facing a greater risk of poverty and the promotion of individualised services for their active inclusion in the labour market. Emphasis is also given to the development of measures for the coordination of all involved bodies, services, groups and individuals, including persons directly affected .

Chapter 2 refers to measures relating to “Adequate and Sustainable Pensions”.

Chapter 3 mentions the political priorities and measures on health care provision.

3. Consultation With The Social Partners

Cyprus exhibits a culture of social dialogue, which is also present in the implementation of measures for fighting poverty and social exclusion. For example, beyond the tripartite consultations and the framework of the Labour Advisory Board where social partners participate, several bodies have been set up (either through legislation or informal), where policy drafts, such as legislation, are put forward for consultation. For example the Law 143(I)/2006 provides for the consultation process between public and other services on matters relevant to people with disabilities. Furthermore, for matters relating to social policy, such as the provision of public assistance, an Advisory Body has been established, with which measures/policies promoting the improvement of public assistance are discussed.

Moreover, in preparing for the Social Report, a questionnaire was circulated, which asked the views of the social partners on issues, such as the effect of the economic crisis, the measures they propose and implement for fighting poverty and social exclusion, as well as their views on the consultation process in policy making. The answers to the questionnaire have been taken into account in preparing the Report and proved to be useful for the purpose of improving the existing procedures and practices. Furthermore, in preparing the National Reform Programme, a consultation took place, attended by Members of Parliament, trade unions and employers' organisations and other social partners and stakeholders.

³ *Social Transfers: public assistance, disability benefit, child benefit, mother's allowance, maternity benefit, benefit for the care of the elderly, etc.*

It is worth noting that through this process, we recognize the need for further enhancement of participation, especially of the civil society, since the response rate was very limited (either we had no response at all, or the response was that there was no time for them to consult the members they represent). At this stage, Cyprus is committed to investing more time in this attempt, so that their contribution in formulating and implementing social policy is enhanced.

4. Progress Of The Overarching Objectives Of The Open Method Of Coordination

4.1 Priorities of the Overarching Objectives of the OMC

In view of the situation described above, the priorities for achieving the objectives of the Open Method of Coordination are the reduction of the risk of poverty and social exclusion and the promotion of active inclusion.

4.2 Policy Changes

The policy changes decided for 2012 are presented in Chapter 10 of the Cyprus National Reform Programme.

5. Chapter 1: Fighting Poverty And Social Exclusion

5.1 Progress Evaluation

Within the framework of the “Europe 2020” Strategy and in accordance with the National Reform Programme that was submitted in 2011, Cyprus has committed to reducing the share of people at risk of poverty and / or social exclusion from 22,2% (2009) to 19,3% by 2020.

5.2 Main Challenges, Priorities and Targets

As mentioned above, the main challenge for the Republic of Cyprus is combating the negative effects of the economic crisis on the most vulnerable groups as well as on the wider population.

Our main priority is to secure an adequate standard of living, through actions for their integration in the labour market, in parallel with the provision of financial support, in order to ensure a decent standard of living for the people.

The objective is to implement a holistic approach by providing measures for the labour market integration of all people who are capable of working, in combination with income support measures to ensure adequate income, as well as essential services for the promotion of labour market integration (care services, education, healthcare, etc.).

5.3 Priority Policy Measures – Reduction of the Risk of Poverty and Social Exclusion

In view of the fact that the main measures have been included in the Cyprus National Reform Programme (Chapter 5 on “Education”, Chapter 9 on “Employment and Skills” and Chapter 10 on “Fighting Poverty and Social Exclusion”), this Chapter will describe only additional future measures, which relate to the reform of the Public Assistance Law and actions taken in order to strengthen and motivate voluntary organisations as well as enhance the greater involvement of local authorities in the promotion of social care programmes. The Report also

describes measures taken concerning the coordination of all services/organisations with regards to fighting poverty and social exclusion.

5.3.1 Public Assistance Reform

The proposed reform of the Law aims at meeting the financial needs of vulnerable groups in a rational and specialised manner and the implementation of additional activation measures.

After assessing the implementation of the existing Public Assistance Law, it was found that the Law had become dysfunctional and, hence, ineffective, since it was not fulfilling the purpose for which it was enacted. The fragmented amendments to the legislation over time to cover the needs of vulnerable groups (single parent families, disabled people, the elderly, immigrants, asylum seekers etc) has resulted in the Law's deviation from its target, creating distortions and inequalities and, consequently, the dependency of recipients on public assistance benefits and their entrapment, as well as their unequal treatment and / or in on some occasions their insufficient or ineffective support..

The ultimate aim is for the new legislation to cover the needs of disadvantaged citizens who do not have adequate resources for a decent standard of living, through a modern and more effective welfare system, which will promote activation and allow for the financial support of vulnerable groups according to the specificities and particular problems of each group.

During 2011, a first round of consultations took place for the formulation of new legislation, which will provide for a social safety net for citizens and will include provisions aiming at preventing the recipients' dependency on benefits and their entrapment in minimum benefit schemes. The new law provides for strong activation incentives and the amount of benefits is such that it acts as an incentive for people who are able to work to enter the labour market.

In reforming the law, separate legislation/Schemes for certain categories of vulnerable groups of the population will be formed, i.e.:

- i. Elderly / Social Care: preparation of a separate Scheme for Long-term Care of People aged 65 and over, people with disabilities or lchronic illnesses.*
- ii. Asylum Seekers: several scenarios are being examined to cover material reception conditions and to introduce procedures encouraging their active social participation.*
- iii. People with disabilities: a financial support Scheme/Law is being examined, which will be addressed to all people with disabilities, regardless of age and disability based on a system assessing disability.*
- iv. Workers with incomes below the poverty threshold: ways of providing help and support are being examined for this new vulnerable group of the population.*

5.3.2 Strengthening and Motivating Voluntary Organisations and Enhancing Local Authorities

In 2012 two Schemes were promoted which provide for (a) the support and activation of volunteerism in the social sphere and in the coverage of social care needs that are not covered by the State and (b) the further involvement of local authorities in the social welfare field (i.e. social care programmes). The objectives of both of these Schemes for 2012 are to promote high quality care services for dependent family members (with special emphasis on

infant care), to develop services aiming at the prevention of social problems and the support to the Cypriot family, including programmes for the prevention and combating of early school leaving and juvenile delinquency. Furthermore, the Schemes aim at enhancing activation policies aiming at combating poverty and social exclusion and the active integration of citizens, especially vulnerable groups of the population.

5.3.3 Better Coordination of Stakeholders

The main priority is to align the social inclusion policies with other public policies (economic policy, employment policy, social policy, healthcare policy, cultural and environmental policy), which is enhanced by the following actions that, inter alia, ensure the complementarity and synergy between policies.

The Social Policy Advisory Body, which was established in 2007 and comprises the Ministers of Labour and Social Insurance, Health, Finance, and Interior, is working on a plan for better coordination and communication between the various services in the social policy and benefits sector.

Furthermore, in 2009 the Demography and Family Policy Body (DFPB), was established, It is composed of the Minister of Labour and Social Insurance, representatives of the Ministries of Justice, Interior, Finance, the Planning Bureau, and representatives of the social partners (employers' and employees' organisations), including civil society (Union of Cyprus Municipalities and Communities, Pancyprian Organisation of Large Families, Pancyprian Association of Single Parent Families and Friends, Pancyprian Coordinating Committee for the Protection and Welfare of the Child, Confederations of Unions of Parents of children of different ages, etc). The scope of the DFPB is the formulation of a holistic and comprehensive policy for demographic and family issues. Within 2012, a five year Action Plan is expected to be adopted.

Moreover, in 2010, a National Action Plan was drawn up for the integration of migrants who legally reside in Cyprus, which constitutes a strategic paper with planned actions for the period 2010-2012.

Another very important initiative is the modernisation of the Social Welfare Services, which is being attempted by conducting an appropriate study and promoting subsequent measures. This is expected to improve the quality of services provided through the better management of operations and operational tools, without any cost increase.

6. Chapter 2: Adequate and Sustainable Pensions

Cyprus continues with its efforts to achieve the double goal of ensuring the long term financial sustainability and the adequacy of pensions

In March 2009, the amendment of the Social Insurance legislation came into force, providing for the progressive implementation of measures to ensure the long-term sustainability of the General Social Insurance Scheme until 2048. The measures adopted are covered in Chapter 3 of the National Reform Programme of Cyprus for 2012. The gradual adoption of stricter qualifying conditions for entitlement to pension from 3 to 10 years of basic insurance from 2009 to 2012 served as an incentive, mostly for women, to stay longer in the labour force thus

improving the level of their pensions. Participation of women aged 55-64 in the labour force increased from 41% in 2008⁴ to 42.6% in 2009⁵ and to 44.9% in 2010⁶.

At the same time, the following targeted measures were implemented in respect of low pensions in an effort to gradually reduce the number of pensioners living below the poverty threshold: (a) The Income Support Scheme for Low Income Pensioners, which has been implemented since 2009 and (b) The Easter Grant provided since 2008. As a result of these measures the rate of poverty among pensioners aged 65 + continues to decline from 48.3% in 2008 to 45.2% in 2010⁷.

In addition to the aforementioned reform of the General Social Insurance Scheme, reforms of the Government Employees Pension Scheme came into force in the second half of 2011 and are expected to significantly reduce the public spending on pensions. The measures adopted and their economic impact are described in Chapter 3 of the National Reform Programme of Cyprus in 2012. These measures will result in: a) the reduction of inequalities in pension entitlements between existing public sector employees and those in the private sector and b) the elimination of inequalities in pension entitlements between public sector newcomers and those in the private sector.

At the same time, a series of initiatives are in progress in an effort to address more effectively the effects of demographic ageing on the pension system and to contribute towards its modernisation:

1. An actuarial study is being conducted in order to reform the pension system aiming at ensuring an adequate balance between the sustainability and adequacy of pensions and preventing the rise of poverty among elderly persons. The study will focus mainly on the fragmentation of the minimum income from pensions and on the minimisation of disincentives to work.
2. New legislation is being drafted with a view to upgrading the investment framework policy of the General Social Insurance Fund, aiming at reducing the impact of demographic ageing on public finances, covering part of the Fund's future obligations. Within this framework, a gradual increase of the proportion of assets invested in non-government securities will be promoted in order to achieve higher rates of return – thus contributing to the long-term sustainability of the General Social Insurance Scheme.
3. Legislation is being promoted for the consolidation and Replacement of the Provident Funds Laws of 1981 to 2005 and the Activities and the Supervision of Institutions for Occupational Retirement Provision Laws of 2006 and 2007. The new legislation will regulate all Provident Funds and not just those with over 100 members and will establish a single supervisory and investment framework, in order to further safeguard the rights of the members.

⁴ Labour Force Survey 2009

⁵ Labour Force Survey 2010

⁶ Labour Force Survey 2011

⁷ EU-SILC Survey 2009, 2010

7. Chapter 3: Health Care Provision

Health care provision to citizens is considered to be both essential and a given, despite the economic crisis and economic recovery measures. Attempts are being made in order to maintain existing provision of healthcare services and, at the same time, to expand health care services, where feasible, with existing resources.

In Cyprus, there was an increase in 2009 of healthy life expectancy at age 65 in both men and women, as compared to the results of 2008.

Based on current statistics, during the past year, an increase has been noted in the number of visits of entitled persons to outpatients departments of public hospitals, both for general and mental healthcare.

According to current legislation, the State provides healthcare services free of charge to entitled Cypriots and EU citizens who are permanent residents of Cyprus.

The creation of Health Centres in urban and rural areas has contributed to the expansion and strengthening of primary healthcare, to the decongestion of public hospitals and the improvement of service provision to citizens, by providing easier access to healthcare services.

With regard to healthcare provision to elderly persons, the Ministry of Health is in the process of examining the implementation of alternative healthcare structures for this age group. The gradual expansion of community nursing is being promoted. Nurses carrying out home visits focus not only on providing health care but also on training and utilising the family and social environment of patients, as well as increasing awareness in the community.

Finally, regarding the progress made in the implementation of the National Health Insurance Scheme and the autonomisation/ reorganisation of public hospitals, this is analyzed in the National Reform Programme.