

DIRECTORATE-GENERAL FOR INTERNAL POLICIES

POLICY DEPARTMENT
ECONOMIC AND SCIENTIFIC POLICY **A**



Social and Employment Situation in Cyprus

NOTE



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Abstract

This Report provides a general overview of the employment and social situation in Cyprus, especially during the crisis, as well as relevant social policies in place, taking into account the national reform programme to implement the Employment Guidelines in the form of measures to reach the EU 2020 goals.

It then provides an overview of presidency priorities of relevance to the EMPL committee by indicating which dossiers will probably move forward during the Cyprus presidency and which ones are less likely to do so.

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LIST OF ABBREVIATIONS

CCCI	The Cyprus Chamber of Commerce and Industry
CNRP	Cyprus National Reform Program
COLA	Cost of living allowance
CPI	Consumer Price Index
CSRs	Country Specific Recommendations
DEOK	Democratic Labour Federation of Cyprus
ETUC	European Trade Union Confederation
ETYK	Union of Cyprus Banking Employees
GDP	Gross Domestic Product
GSIS	General Social Insurance Scheme
ICFTU	International Confederation of Free Trade Unions
MFF	Multiannual Financial Framework
NSPSI	National Strategy Report on Social Protection and Social Inclusion
OELMEK	Organisation of Greek Secondary Education Teachers
OEV	The Employers' and Industrialists' Federation
OLTEK	Organisation of Greek Technical Education Teachers
PVCC	Pancyprian Volunteerism Coordinative Council
PASYDY	Pancyprian Union of Public Servants
PASYXE	Pancyprian Association of Hoteliers
PEO	Pancyprian Federation of Labour
POED	Pancyprian Organisation of Greek Teachers
RoC	Republic of Cyprus
SEK	Cyprus Employees Confederation
SP	Cyprus Stability Program 2012-2015
TCN	Third Country National
WFTU	World Federation of Trade Unions

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EXECUTIVE SUMMARY

The Republic of Cyprus (RoC) has a **strong tripartite tradition which has, up until presently, ensured smooth labour relations**. However, with austerity measures being introduced in order to address the current economic crisis, there is a trend towards freezing wages and cutting public expenditure. In July 2012 a delegation of the Troika visited Cyprus on a fact-finding mission in a bid to assess the capital requirements of the country's public and banking sector: the conditionalities will almost certainly lead to further austerity measures.

The economic transformation following the 1974 war has led to changes in the labour structure, to improvements in the living standards and to increasing labour participation. A service-based economy based on tourism, financial services, banking and education, Cyprus is exposed to global volatility. By the 1990s the economic growth that followed the 1974 war led to labour shortages, which were met by migrant workers, performing low skill and low paid jobs unattractive to Cypriots. With EU accession, Union citizens now form the vast majority of the non-Cypriot workforce. **Currently, migrants make up around 20% of the country's working force**. Studies conducted prior to the sharp rise in the number of EU citizens migrating to Cyprus found that the assumption of migrants displacing Cypriots is unfounded. However, with the economic crisis there are new concerns about competition between EU workers and Cypriots.

Cyprus enjoys **high levels of union density**, although this significantly dropped in the private sector between 1990 and 2006. Sectoral collective agreements apply in the unionised industries, whilst few professions are covered by regulations on minimum wage.

In June 2012, **the unemployment rate reached 10.5%; youth unemployment climbed to 25.5%, the highest rate recorded since the 1974 war**. Cyprus has one of the widest gender pay gaps in the EU, although prior to the crisis, the gender pay gap was narrowed down. Over the last decade there has been growth in 'atypical employment' and there is evidence of segmentation of the labour market. The crisis has brought more insecurity, particularly affecting EU workers. The country has adopted various measures to address the rising unemployment, marginalisation, social exclusion and poverty. Workers in vulnerable position include:

- Women, who are affected by the largest pay gap in the EU;
- Third country migrant workers;
- Migrant women, a particularly vulnerable group in the migrant workforce;
- Workers from minority groups;
- Younger workers;
- Older workers;
- Persons with disability, either employed or excluded from the labour market.

Labour legislation ensures minimum protection for employees, enforceable mainly through the Industrial Disputes Court. In unionised industries, additional protection is offered by collective agreements. A compulsory state social insurance scheme provides for contributions from the employer, the employee and the state and for cash benefits to specified beneficiaries. A health and safety inspectorate system is operating, currently undergoing development under an action plan for 2007-2012.

A number of **recently introduced measures** co-funded by the ESF are intended to address issues such as gender, age and disability inequalities in the labour market, integration of immigrants, poverty, social exclusion and unemployment.

Issues currently discussed in the public domain are mainly focused on the impact of the economic crisis and particularly the employment and social policy implications of the 'rescue packages' for Greece, Spain, Italy, Portugal, Ireland and Cyprus, the potential accentuation of social polarisations resulting from the crisis and measures to address them, the rise in poverty, unemployment, marginalisation and exclusion of vulnerable groups, particularly the elderly, the women and the youth, issues relating to migration and mobility of EU workers, labour exploitation of migrants and EU nationals, and the rise in insecurity, racism and discrimination.

The NRP 2012 foresees a number of measures, mostly co funded by ESF, intended to:

- address the **economic recession** through a three-year plan for the promotion of job retention, job creation, training of the unemployed, job training and modernisation of the Public Employment Service;
- address **youth unemployment** through training and schemes for apprenticeships and youth entrepreneurship;
- meet the **National EU 2020 headline target for employment** through *inter alia* the creation of new jobs and training to enhance employability;
- implement the **Country Specific Recommendations** through the promotion of technical vocational education and training, the prevention of mismatch of skills, the modernisation of school curricula, the pre-service and in-service training of teachers;
- integrate into the school system **students at risk** of dropout and delinquency and offer induction programs for **migrants**;
- offer career counselling and guidance services to promote technical training and matching of skills;
- implement the second phase of the establishment of the **vocational qualifications system**, aiming to assess and certify training providers and promote training and research innovation;
- reduce the **gender pay gap** through *inter alia* the training of inspectors, the setting up of a certification system, awareness raising campaigns, the training of social partners and the publication of guidelines and codes of practice;
- implement the **immigration** strategy through regulating immigration on the basis of labour market needs, integrating legal migrants and combating illegal immigration.

1. GENERAL OVERVIEW OF THE EMPLOYMENT AND SOCIAL SITUATION IN CYPRUS

KEY FINDINGS

- Despite being an EU member state, the operation of the *acquis* is suspended in the northern occupied part of the country, creating a challenging and anomalous situation. Nonetheless, the RoC has enjoyed 35 years of significant economic growth, low unemployment and low inflation.
- The country has a strong tripartite tradition and labour relations are generally good. It has a highly educated labour force and reduced poverty; however, it has not been able to avoid pensioner poverty. The RoC is currently facing the strains of the economic crisis and the austerity measures adopted to address it. The banking sector's exposure to the Greek debt is causing major instabilities, producing a negative impact on the employment and social situation.
- The RoC is heavily dependent on services: financial, banking, tourism and education.
- Faced with rising unemployment reaching 10.5% (25.3% amongst the youth), the country is also confronted with marginalisation, social exclusion, xenophobia and poverty. Workers in a vulnerable position include: (a) women, as Cyprus has largest pay gap among the EU Member States; (b) third country migrant workers, a significant section of the working population, at the lower echelons of the labour hierarchy; (c) migrant women, who are in an especially vulnerable situation vis-à-vis the third country migrant workers, and workers from minority groups; (d) younger workers; (e) older workers; (f) persons with disability.

1.1. Introduction

The RoC¹ has a Gross Domestic Product (GDP) of EUR 17,761.4 million and an estimated GDP of EUR 24,000 per capita. Principal export destinations are Greece, Germany and the UK, while the main import sources are Greece, Italy and Germany. In the aftermath to the 1974 war, there was massive economic growth which lasted up to the 1990s. Since EU accession in 2004 and up to the beginning of the economic crisis in 2008, the average annual growth rate was 3.7%. Following a period of economic growth between 2002-2007, from 2009 onwards the economy has been in recession. The RoC joined the Euro zone on January 1, 2008.²

The current economic, employment and social situation is conditioned by the crisis in the Eurozone and by the repercussions of the global economic crisis. According to Eurostat,³ since 2009 the RoC is facing the results of the economic crisis: in 2009 there was negative growth (-1.9%); in 2010 there was a turnaround at 1.1%. However, there was reduced growth in 2011 at 0.5%, whilst the forecast for 2012 is -0.8%. For 2013 a weak turnaround of 0.3% is forecast.

¹ This Report only covers the area under the control of the RoC.

² For different schools of thought as regards monetary policy, public finance and its contribution to the current economic crisis, see Orphanides and Syrighas 2012, pp. 83-110 and 303-350 (the former being the ex-Governor of the Cypriot Central Bank); and Ioakimoglou et al 2012.

³ Real GDP growth rate – volume, Percentage change on previous year:

<http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tsieb020&plugin=1>

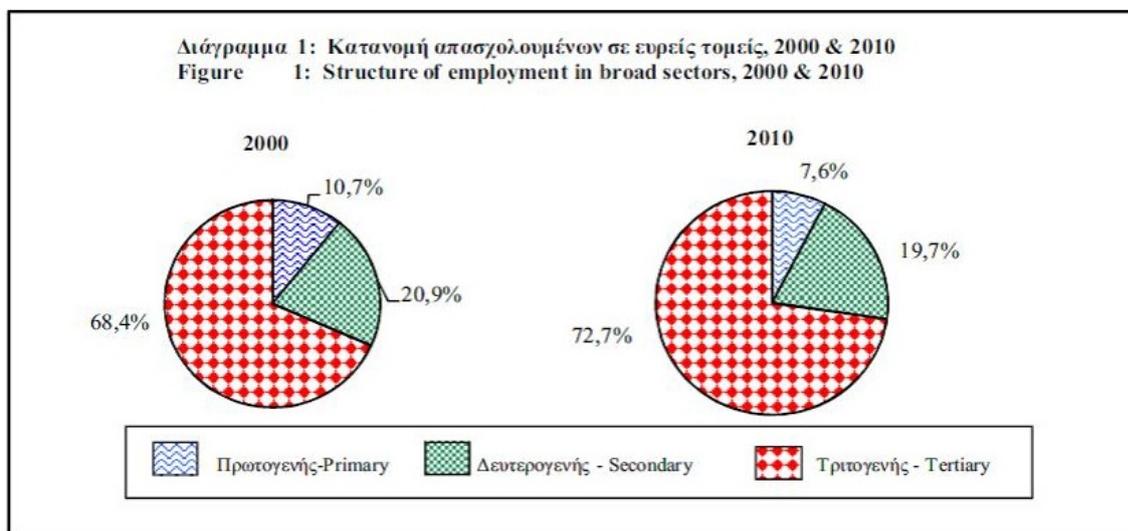
In July 2012 the Government applied for financial assistance to the EU bailout mechanism (EFSF/ESM). The Troika delegation⁴ visited Cyprus on a fact-finding mission in a bid to assess the capital requirements of the country's public and banking sector: further austerity measures are expected as conditionalities for the bailout.

The post-1974 economic development was described as the "Cypriot economic miracle".⁵ Beyond the effect of the crisis of the Eurozone, accentuated by the exposure of the banking sector to Greece and the close ties with the Greek economy,⁶ economists have argued that Cyprus has approached the exhaustion of its economic model.⁷ In 2011, the Government introduced economic austerity measures and public deficit cuts to avoid an EU bailout; however, as the revenues from tourism and property sales drop and unemployment is rising, such measures are further deflating the economy. Given the current budget deficit and the provisions in the SP, further austerity measures are currently debated. To meet the targeted deficit of 2.5% of the GDP in 2012 (as compared to 6.3% in 2011), the Minister of Finance is preparing a package of measures that will entail a combination of public spending cuts, taxation and combating tax evasion.⁸

1.2. Employment Structure and Social Issues

The latest Labour Statistics⁹ show that in 2010 the **gainfully employed population** increased reaching 376,100, compared to 375,400 in 2009. The largest increase in the number of employed persons was recorded in private households with +2,200 employed persons while the largest decreases were recorded in the construction sector (-2,300 persons) and in manufacturing (-1,100 persons). Figure 1 illustrates the change in the structure of employment:

Figure 1: Structure of employment in broad sectors, 2000 and 2010



Source: Cyprus Labour Statistics 2010, Cyprus Statistical Service, p. 12.

⁴ This consists of the European Commission, the IMF and the European Central Bank.

⁵ See: Christodoulou (1992).

⁶ The situation deteriorated with the loss of the country's main power station following an explosion of confiscated ammunitions at a nearby military base in July 2011. Since then, rating agencies have been downgrading the credit capacity of the Cypriot economy. With the Greek 'haircut', Cyprus' two largest banks announced major losses of 7.6 billion Euros, accounting to 23% of the country's GDP. The Commission evaluation recognises the exposure to the Greek debt as the most serious threat to the economy.

⁷ Ioakimoglou 2005; 2011; 2012. For a contrasting approach, see Orphanides and Syrichas 2012, pp. 83-110 and 303-350.

⁸ See: *Stockwatch*, http://www.stockwatch.com.cy/nqcontent.cfm?a_name=news_view&ann_id=153382

⁹ Cyprus Labour Force Survey 2010.

Employment in the public sector (Central Government, local authorities and publicly owned enterprises): In 2010 employment increased by 1.9%, compared to 2.8% in 2009.¹⁰ The Ministry of Education and Culture employed the largest number of employees, which includes teachers in primary and secondary schools (13,877, recording an increase of 2.2%), followed by the Ministry of Health, and the Ministry of Justice and Public Order with a total of 6,856 recording an increase of 1.3% compared to 2009. The public sector employs 71,530 persons out of the 410,500 economically active population.¹¹ The Government does not consider this number to be excessive; nevertheless it is implementing a plan to reduce the employees of the public sector by 5,000 persons over the next five years.¹² Moreover, under the ESF priority axis, projects aimed at improving public administration and at evaluating the effectiveness of various Government departments have been assigned to professionals for the purpose of restructuring and simplifying laws aiming at eventually reducing administrative costs by 20%. During 2004-2008, the **services sector** expanded by 40,000 jobs and proved once again to be the most dynamic sector for employment creation with a rate of annual growth of around 3.6%. Real estate and business activities, public administration and defence, manufacturing and education experienced the greatest increase in employment. By contrast, the sectors of hotels, restaurants and manufacturing demonstrated a negative employment growth. A serious contraction of the construction sector took place since 2008.

Table 1: Occupational structure of employed population 2008 (prior to the crisis)

Occupations	Percentage of total employment
Non manual occupations (legislators, managers, professionals and professional assistants)	31%
Middle and low skilled – non manual occupations (clerks, service and sales workers)	30%
Skilled and unskilled manual occupations (skilled agricultural workers, craft & related workers, plant & machinery operators, elementary occupations)	38%

Source: Cyprus Statistical Service

The latest Eurostat figures show that **unemployment** jumped from 7.6% in June 2011 to 10.5% by 2012; the highest rate recorded since the 1974 war. Cyprus now ranks number 16 in the EU, under the euro area i.e. EA17 (11.2%) and just over the EU27 (10.4%), from its third position before the economic crisis.¹³ The respective figure for youth unemployment under 25's was 20.8% (June 2011) and 25.3% (June 2012), which lies over the EU averages: 22.4% in the EA17 and 22.6% in the EU27.

¹⁰ Public servants increased by 1,189 persons and reached 57,494. Employment in publicly owned enterprises and companies increased to 9,359 from 9,266 persons in 2009. Employment in local authorities reached 4,677 recording an increase of 1.4%.

¹¹ Cyprus Labour Statistics 2010, p.55.

¹² The Government decision is already implemented in the Budget of 2011.

¹³ See: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-31072012-BP/EN/3-31072012-BP-EN.PDF

Table 2: Unemployment figures June 2011, May 2012 and June 2012

Date	June 2011	May 2012	June 2012
CY Average	7.6%	10.6%	10.5%
CY Men	6.8%	10.5%	10.5%
CY Women	6.9%	8.8%	9.1%
CY Youth (Age 15-24)	20.8%	25.3%	25.3%
EU27 (all)	9.5%	10.4%	10.4%
EA17 (all)	10.0%	11.2%	11.2%
EU27 (youth)	21.5%	22.7%	22.6%
EA17 (youth)	20.5%	22.5%	22.4%

Source: Eurostat

The current crisis is consolidating a long-held but unsubstantiated view that migrants, since the 1990s, have been displacing local workers and are thus responsible for the rapidly rising unemployment. Research prior to the crisis had shown that the employment of migrant labour enhanced growth and generated further employment opportunities for Cypriots. A 2009 study found **no negative impact of immigration on unemployment**, labour force participation or part-time employment in Cyprus.¹⁴ Other studies established that migrant workers do not actually *displace* Cypriot workers in the particular sectors and in the jobs which Cypriot workers perform.¹⁵ According to the criteria of the tripartite agreement, aimed at avoiding the substitution of locals by migrant workers, employers seeking to hire third country nationals (TCNs) must first exhaust the search for local and EU workers. Migrant workers take up low skill jobs at the lower echelons of the labour market hierarchy, generating economic growth and jobs at the higher echelons of the economy, which are taken up by Cypriots. There is an overall positive effect of migrant workers' labour on the total gross domestic product of the Cypriot economy and of each sector separately;¹⁶ migrant workers are estimated to have contributed 54.2% to the growth rate of total gross value added in 2004 compared to 1995.

Table 3: Non-Cypriots employed in Cyprus

Year	2005	2006	2007	2008	2009	2010
EU Citizens	23,558	16,838	30,482	42,630	48,793	53,875
Third Country	46,225	45,868	49,560	53,693	58,243	60,550
Total	58,784	60,917	81,042	96,436	107,036	114,425

Source: Trimikliniotis et al 2012¹⁷

¹⁴ Using data from the EU Labour Force Surveys for the period 1999-2005 it examined the impact on the economy from the increase in the numbers of migrant workers in Cyprus.

¹⁵ See: Christofides et al. (2009); Pashiardes et al (2001); Trimikliniotis 2011a; 2011b.

¹⁶ Their estimations are based on econometric analysis to estimate parametrically, see Michael et al (2005).

¹⁷ These figures exclude irregular immigration for which there is no yearly estimate. Immigration / Emigration as defined by the statistical service is made up of "Cypriots and foreigners arriving/leaving for settlement or for temporary employment for 1 year or more."

The above studies are based on figures before the **sharp rise in the number of EU citizens**. The economic crisis has brought about significant changes in this respect, particularly as regards EU citizens seeking employment in Cyprus. The CNRP, Chapter 9, argues that there is clear evidence of displacement of Cypriots since 2009.¹⁸ The CNRP conclusion is that “Cypriots and EU nationals who have been working in Cyprus for some time are being replaced by new EU nationals” and that “possibly EU nationals also started to replace third country nationals”. Nonetheless, caution is advised as the subject warrants further research: migrant workers, particularly TCNs who perform crucial low skill, pay and status jobs, unattractive to Cypriots and Europeans (e.g. domestic work), are often marginalised and fall victims to racial discrimination. From a policy perspective, effective measures are required to ensure protection of employment conditions, support unionisation of workers irrespective of ethnic or national background, and ensure labour inspection and monitoring so as to combat discrimination.¹⁹

When examining comparative **income inequality and poverty**, the GINI coefficient of the RoC in 2009 was 0.30 (absolute equality = 0, absolute inequality 1= 1), which is according to a 2009 study²⁰ the EU-25 average. The study, estimating the GINI-coefficient of members of the EU-25 between 2005-2007, illustrates that the RoC is on the average,²¹ in contrast with countries with a wider inequality gap. In 2009, the picture was similar:²²

Table 4: The Inequality Indicator – GINI Coefficient 2005-2009

Country / Year	2005	2006	2007	2008	2009
EU-27	30.6	30.2	30.6	30.7	30.4
Cyprus	28.7	28.8	29.8	28.0	28.4

Source: Peristianis 2012 citing Eurostat

The percentage of people at **risk of poverty and social exclusion** has increased from 22.2% in 2009 to 24% in 2010.²³ The CNRP rightly recognises that there was a deterioration particularly as regards children aged 6-15 and adults aged 25-49; however, the number of elderly persons at risk has been somewhat reduced. Yet, some 19.6% of GSIS pensioners receive the minimum pension, which is less than half the poverty threshold (EUR 4,000).²⁴

¹⁸ The CNRP notes: “The displacement of Cypriot workers is even more evident in 2010, as while the total number of employed persons increased by 3,892 persons, the number of Cypriots decreased by 9,147 persons, while the number of foreign workers (EU and others) increased by 12,977 persons (8,140 and 4,837 persons respectively). Again, at the same time, the total number of unemployed in Cyprus increased by 4,047 persons, out of which 2,372 were Cypriots.”

¹⁹ For a report on discrimination in Cyprus, see Demetriou 2011; Trimikliniotis and Demetriou 2008.

²⁰ Andreou and Pashardes, 2009.

²¹ With Germany, Luxemburg, France, Hungary, Malta, Finland, Austria, Czech Republic, Denmark, Slovenia and Sweden.

²² In 2007 the EU-25 mean after tax was EUR 16,778, whilst in the RoC it was EUR 18,500, i.e. 10.3% over EU average.

²³ “The percentage of people at risk of poverty or social exclusion increased from 16,2% in 2009 to 17% in 2010. The percentage of people living in severe material deprivation has increased from 7.9% in 2009 to 9.1% in 2010. The percentage of people living in zero or low work intensity households remained the same” (Ch.9, CNRP, p. 96).

²⁴ This entitles special allowance bringing their annual income to EUR5538 (Spaneas and Cochliou 2011).

Also, a social pension, based on a non-contributory system, is provided to those who have no contributions and no source of income (EUR 4,735); 98% of beneficiaries are women.²⁵ The income of workers in low work intensity households has not improved and the working people's disposable income has not moved up at the same pace as that of the elderly (65+). Given that the data for groups at risk of poverty refers to 2009 and the crisis has been more prominent in Cyprus during 2010 and 2011, the CNRP correctly assumes that "the increase in social insurance contributions (a measure introduced in 2009 for the sustainability of the pension system), has contributed to the reduction of the rate of increase of working people's incomes. However, material deprivation results are based on 2010 data and we can assume that they are showing a clearer picture of people's fear for the consequences of the crisis."²⁶ Research shows that up to 2011, the overall level of poverty and social exclusion has not changed since accession to the EU, but one can observe changes within the various excluded groups: there has been an increase in the number of the working poor, whilst irregular, undeclared and unprotected work have been on the rise.²⁷

The economic crisis has brought more precarity, insecurity, use and abuse of undeclared work, particularly affecting EU, third country workers and other workers at risk.²⁸ In the first half of 2012 the Department of Industrial Relations carried out 4,397 inspections and by the end of July 2012, 378 cases were filed in court for violations of various laws.²⁹

1.3. Social Dialogue Structures in Place and Current Challenges

1.3.1. Social dialogue structures in place

Cyprus has a **rich tripartite tradition** with powerful trade unionism with political and ideological links between trade unions and political parties. There is also a strong presence of organised employers via their own unions. The tripartite tradition and social policy framework was set in motion with the labour struggles during British colonialism (1878-1959);³⁰ however the basic features were established with independence in 1960, when the RoC was established. It is a system based on the British model, where voluntarism and institutionalised tripartite cooperation are central and collective bargaining plays an important role. Legislation provides the general framework for facilitating and regulating matters beyond the scope of the terms and conditions agreed by the negotiating sides. During the negotiations the Mediation Service of the Ministry of Labour mediates if there is a dispute between the employers' organisations and the trade unions, as provided by the Industrial Relations Code 1977.³¹ Collective agreements are essentially of a contractual nature rather than of a statutory nature: they provide the terms and conditions for individual employees to enforce rights in labour courts, however they give no rights to trade unions or employers' organisations to take legal action against each other in case of

²⁵ See: Spaneas and Cochliou 2011.

²⁶ Ch.9, CNRP.

²⁷ See Andreou and Pashardes 2009; Christou et al 2010; Christodoulou 2011; Pashardes and Polycarpou 2011.

²⁸ There are also numerous types of personal contracts, containing inferior terms as regards basic conditions; there is also evidence of non-compliance with collective agreements.

²⁹ During the same period, the Courts awarded penalties of a total of EUR 104.000.

³⁰ The key moments for the establishment of labour rights, the social security system and COLA were: (a) the 30s-40s mobilisations demanding basic labour rights, the COLA principles (1944) and the social insurance system. (b) The post-independence institutional reforms (1960s), which shaped the legal and policy framework following the historic labour struggles; (c) the immediate post-1974 war exceptional situation and the consolidation of the tripartite system up to the late 1980s; (d) the EU accession reforms; and finally (e) the post-accession and crisis era up to the present (see Varnava 2004; Ioannou 2012; Neocleous forthcoming).

³¹ See: Sparsis 1998; Soumeli 2009; Yiannakourou and Soumeli 2005.

violations of contractual terms. The system of collective bargaining covers 17 sectoral agreements and about 400 company-level agreements.³²

The unionisation rates in the public and in the banking sectors is virtually 100%; however, in the private sector (excluding banking) it is estimated to be at 30-35%. The **rate of trade union density** remains at relatively high levels compared to European average. However, since 1990 there has been a gradual decline of over 18 percentage points: it fell, from 76.16% in 1990, to 58.06% in 2006.³³ Whilst the total number of union members substantially increased by 35%, the respective increase in non-union members was around 350%.

Sectoral collective agreements cover wages, overtime pay, working hours, holidays etc. and usually have a duration of 2-3 years. Wage increases agreed in this process are mainly based on productivity growth and are normally compensated additionally with the **cost of living allowance (COLA)**, which is the **automatic wage indexation mechanism**.³⁴ The COLA is linked directly to the percentage change in the consumer price index (CPI) excluding excise tax increases and is granted automatically as a percentage increase of the basic salary. The COLA system is expected to be revised in the frame of a new austerity package that is currently under consideration.

The **main trade unions** are divided along ideological lines and on the basis of the type of occupation.³⁵ There are currently five **employers' organisations**.³⁶

The right to unionise workers has been recently strengthened with the enactment of two laws, which modernise labour/industrial relations.³⁷ Tripartite consultations on the subject that eventually led to the enactment of these laws had begun in 2006.³⁸

³² Soumeli 2009.

³³ Soumeli 2009.

³⁴ The Central Bank of Cyprus estimates that the share of total employees receiving a COLA is about 60-65%. The frequency of adjustment is every six months (1st January; 1st of July) and the calculation is based on the average percentage change in the CPI of the last six months over the preceding six-month period (Eliofotou 2008a).

³⁵ The main unions are: Left-wing Pancyprian Federation of Labour (PEO), member of the World Federation of Trade Unions (WFTU); Right-wing Cyprus Employees Confederation (SEK), member of the European Trade Union Confederation (ETUC); the Union of Cyprus Banking Employees (ETYK); Pancyprian Union of Public Servants (PASYDY); Pancyprian Organisation of Greek Teachers (POED) i.e. elementary school teachers, Greek Secondary Education Teachers (OELMEK) i.e. high school teachers, and the Organisation of Greek Technical Education Teachers (OLTEK)

³⁶ The Employers' and Industrialists' Federation (OEB); The Cyprus Federation of the Associations of Building Contractors; The Cyprus Association of Bank Employers; The Pancyprian Association of Hoteliers (PASYXE); The Cyprus Chamber of Commerce and Industry (CCCI) (see Yiannakourou and Soumeli 2005).

³⁷ Law on Recognition of Trade Union Organization and the Right to Provide Trade Union Facilities in Recognition Thereof (2012) and the amendment to the Law ratifying the Convention on Workers' Representatives (2012).

³⁸ See: Soumeli 2006; see also *Stockwatch* 28.3.2012

http://www.stockwatch.com.cy/nqcontent.cfm?a_name=news_view&ann_id=150483&lang=en

1.3.2. Minimum protection for workers without trade union protection

In specific occupations, such as clerks, shop assistants and security guards, where there is **little trade union protection**, there is **legislation regulating basic terms and conditions of employment**, such as minimum wage, working time and minimum standards. The Ministry of Labour issues at regular intervals a Decree revising the minimum wage.³⁹ In 2012, the employers' organisations expressed their opposition to the increase of the minimum wage which, they allege, will worsen the problem of unemployment. The Federation of Employers and Industrialists, the largest of the two employers' organisations, claimed that the circumstances not only do not justify raising the minimum wage but the feasibility of a reduction in the minimum wage should be considered, because labour market conditions are such that will discourage many businesses from employing staff falling in the categories covered by the decree.⁴⁰

1.3.3. Labour relations under pressure

Labour relations are facing pressure as a result of the current economic crisis. The reduction or slowdown in economic growth, the rising unemployment and the increasing migration from the EU, particularly from Greece, are making employers less interested in following the established norms, pushing for more flexible arrangements. Under the pressure of the economic crisis, the government has introduced **measures departing from the established norms of compliance with monetary rules so as to reduce the budget deficit**. New legislation introduced at the end of 2011 froze public service salaries – including pay scale rises and cost of living allowance payments for two years.⁴¹

A number of additional austerity measures were introduced,⁴² mostly aimed at public sector employees, such as a special one-off salary contribution for two years,⁴³ freezing COLA for two years and yearly salary increments on the basis of the combined salary scale, abolition of certain public posts; social insurance contribution of 3.15% for public sector employees, 10% reduction of pay of newcomers; various budget cuts in allowances and benefits. Other measures include:

³⁹ For 2011, the Decree provided for an increase in the minimum wage which reached EUR 855 upon recruitment and EUR 909 after six months of employment, compared to EUR 835 and EUR 887 respectively for 2010. For 2012 the minimum wage increased by EUR 15, from EUR 855 monthly to EUR 870. The Decree also provides for an increase to the minimum wage after six months in service from EUR 909 to EUR 924.

⁴⁰ Whilst SEK and PEO agreed with the increase, DEOK disagreed because it did not cover the entire inflation. The Minister stated that the increase (EUR 15 monthly or EUR 0.50 per day) amounts to the payment of the price index without any additional increases, which is not an unreasonable burden on businesses. She added that the effort is to maintain the purchasing power of these salaries as it is done with the salaries of other workers through COLA.

⁴¹ Law 192(I)/2011, Section 8. The law came into force on 1.1.2012 for 24 months. On 14.1.2014, the salaries of the 70,000 government and broader state sector workers will continue to rise from the point they left off on 31.12.2011. It is expected that the payroll freeze will save EUR 230 million annually.

⁴² Austerity measures include raising a sales tax, a scale-based levy on private sector salaries above EUR 2,500, reducing social benefits and reducing public sector positions.

⁴³ The special contribution from 1.1.2012 and two years onwards will be as follows:

Salary EUR	Reduction %
0- 2.500	0%
2.501-3.500	2,5%
3.501-4.500	3,0 %
Over 4.501	3,5%

In case that the public official or employee is at the higher tier of his position an additional 0, 5% will be deducted.

- A two-point hike in value added tax (VAT) from 15% to 17%.
- A special contribution of 20% will be imposed on income from dividends from January 1 2012, as opposed to the 17% tax rate.
- Implement savings from a more targeted approach to social welfare benefits.
- The special contribution rates that apply for public employees will apply for the private sector as well, for two years as from January 1 2012. The contribution will be shared equally by the employer and the employee. The contribution rates will also apply to self-employed individuals.

The austerity measures had implications throughout the economy, as employers sought to extend the pay freeze in the private sector. A compromise was reached with trade unions, which will essentially leave matters intact and negotiate the issues on a piece-meal basis depending on the economic situation in each sector.

The policy measures in the public sector significantly impact on labour relations: it is the **first time that legislation regulating labour pay and labour relations in the public sector was passed without prior agreement by the social partners**. Particularly since the adoption of the Industrial Relations Code in 1977, social partners and the government have respected the principles of collective bargaining contained therein. Trade unions organised a three-hour strike over the salary freeze with thousands of Cypriot civil servants, claiming that they were not adequately consulted during negotiations between the government and the opposition⁴⁴. The government stated that this should not be considered to be the rule but the exception as it was intended to reach a swift deal, and regretted the fact that the unions were not a party to the talks. Cyprus was to face sanctions under EU rules had it failed to agree on deficit-cutting measures by mid-December.

The strain of the economy is undermining the well-developed system of labour relations, which had up until recently ensured steady growth, job security and innovation and good labour relations. The freezing pay in the public sector is **threatening to disrupt labour relations** and the general system of collective bargaining in the country. There is an upheaval in the private sector as basic features in collective agreements are questioned by employers. Employers in the private sector perceive the freeze as an opportunity to push for the abolition of the long established COLA system, which covers 17 sectoral agreements and about 400 company-level agreements.

The EU Commission has also urged the Government to reform the COLA system and the Minister of Finance has announced the beginning of a structured social dialogue regarding the reform of the system. Employers are demanding that COLA is eventually abolished, but are now content with a reform to trim it down. Trade unions have agreed to discuss making the system fairer but are vehemently opposed to any efforts to undermine or dilute the system. As COLA enjoys wide support, discussions are centred on reforming it rather than abolishing it:

- Annual increment rather than one based on 6 months;
- Introduction of a ceiling on incomes that can benefit from it;
- Adoption of a scale system, whereby those on lower incomes can benefit more and this would reduce as the income is increasing.

⁴⁴ The strike closed schools early but did not affect airports, seaports and hospitals.

1.3.4. The role of NGOs and social partners in policy design and implementation

Consultation between the governmental and the non-governmental sector over **employment matters basically take place within the tripartite system in the framework of the Labour Advisory Board**. In the Labour Advisory Board, social partners discuss with the Ministry of Labour in a structured dialogue over issues concerning policy, legislation, collective agreements, labour relations and others. The tripartite tradition has historically ensured smooth relations amongst social partners and the government. A deviation from the tradition of social dialogue took place in December 2011 when, as stated under 1.3.3 above, various measures were introduced without prior consultation with the social partners. Further labour unrest may be expected in the forthcoming months, as a number of austerity measures are currently being shaped. The country's major workers' unions have declared that they are in consultation in order to form a common front against the austerity measures required by the Troika.⁴⁵ More specifically, issues such as privatisation, wage deductions, abolition of thirteenth salaries and of the automatic cost of living increase, working hours and the status of workers form the areas in which the unions are formulating their "red lines" and boundaries.

In 2006, the confederation of disability organisations KYSOA was granted the status of a social partner and was given rights of consultation on all matters concerning persons with disability.⁴⁶ However, KYSOA reports problems of implementation, as it is not consulted on many policy decisions affecting persons with disability.⁴⁷

For matters pertaining to social policy in general, an Advisory Body is in place, which is consulted on measures and policies aimed at developing the public assistance scheme. For the purposes of drafting reports, questionnaire are circulated to establish the views of the social partners on various issues, such as the impact of the economic crisis, the measures for combating poverty and social exclusion and the consultation process in general.

In the field of welfare of the children and the elderly, combating of violence, criminality and human trafficking, social inclusion and employment, health and equality polices, an umbrella organisation was set up in 1973 under the name Pan-Cyprian Volunteerism Coordinative Council to coordinate the activities of voluntary organisations in policy development and consultation of the voluntary sector vis-à-vis the various governmental departments. In 1989 a law was enacted to regulate its activities.⁴⁸

The legal framework was further developed in 2006 in order to reflect the upgraded and enhanced role of the Council, now renamed the Pancyprian Volunteerism Coordinative Council (PVCC), which is mandated with promoting the common positions of many volunteer organisations within the policy development centres of the Government.⁴⁹ In its capacity as representative of volunteer organisations, the Council participates in several state and non-state committees designing implementing and monitoring social policy.⁵⁰

⁴⁵ See: statement to the press on 5th August 2012. In particular, the union of civil servants PASYDY, the unions of teachers POED and OELMEK, the Cyprus Police Association, PEO and SEK are forging a common front against the measures which are likely to result from the negotiations with the Troika.

⁴⁶ Law on Consultation Process of State and Other Services on Issues concerning Persons with Disability N. 143(I)/2006, dated 3.11.2006.

⁴⁷ Report on measures to combat discrimination Directives 2000/43/EC and 2000/78/EC, Cyprus Country Report 2011, European Network of Legal Experts in the Non-discrimination Field, available at http://www.non-discrimination.net/content/media/2011-CY-Country%20Report%20LN_final_0.pdf

⁴⁸ The Pancyprian Welfare Council Law N.152/89.

⁴⁹ The Pan Cyprian Volunteerism Coordinative Council 61(I)/2006.

⁵⁰ See: the Council's website at http://www.volunteerism-cc.org.cy/index.php?option=com_content&task=view&id=18&Itemid=36&lang=en

The Cyprus National Social Report (2012, p. 7) claims that “Cyprus exhibits a culture of social dialogue, which is also present in the implementation of measures for fighting poverty and social exclusion”. Since accession to the EU, the National Strategies for Social Protection and Social Inclusion (2006-2008 and 2008-2010) have been designed and implemented based on the open method of consultation, under the coordination of the Social Welfare Services of the Ministry of Labour and Social Insurance. However, as noted in one study: “In Cyprus there are **no established minimum standards, strategies or concepts on how stakeholders should be involved** either in the process of social inclusion or in any other related activities . The only noteworthy activity, so far, with regard to stakeholders’ involvement is their participation in the **preparation phase** of the National Strategy on Social Protection/Inclusion.”⁵¹

Beyond the domain of employment and volunteerism, there is no consultation tradition and thus only a very limited role for activist-based NGOs which are often viewed with suspicion. An exception was the consultation process with stakeholders leading to the adoption of the national action plan for the integration of third country nationals.⁵² Few activism-based NGOs operate in the field of employment and social affairs, an area largely dominated by the social partners and the PVCC respectively. Beyond the volunteerism and charity-based NGOs forming the membership base of the PVCC, there are challenges for civil society such as lack of funding, dealing with shortcomings in victim support, organisational problems, weak campaigns, lack of coordination and solidarity between NGOs and weak advocacy skills/lobbying.

1.4. Vulnerable workers

1.4.1. Women

The latest Labour Statistics provide us with telling indications of **gender earnings** (i.e. the difference in the mean earnings between men and women as a percentage of the mean earnings of men). The gender pay gap narrowed from 19.8% in 2009 to 19.0% in 2010. Table 5 below shows average monthly earnings for these two years.

Table 5: Average monthly earnings 2009-2010

Type of average	2009	2012
Mean	1,886	1,931
- Men	2,069	2,111
- Women	1,659	1,710
Median	1,526	1,566
- Men	1,701	1,723
- Women	1,333	1,967

Source: Cyprus Labour Statistics 2010, Cyprus Statistical Service, p. 18.

⁵¹ Theocharous, and Nathanail, 2009, p. 1. See also Amitsis 2009 ; 2012.

⁵² See: 2.2 of this Report ; also see Trimikliniotis 2011a; 2011b ; Trimikliniotis and Demetriou 2011.

The **Global Gender Gap Report** for 2010, which aims at capturing gender-based disparities and tracking their progress, estimates that the gender gap places the country in the 86th place worldwide. The ranking of Cyprus in 2009 at the 79th position was the highest gender pay gap in the EU27. Women receive significantly less remuneration for the same type of work undertaken by men and are marginalised both in the political and in the economic sphere, which remains dominated by men (see Table 6 below):

Table 6: Cyprus in the Global Gender Gap Report for 2010

Indicator	Percentage
Women in parliament	12%
Women in ministerial positions	9%
Years with female head of state	0
Legislators, senior officials, and managers	8%

Source: World Economic Forum Global Gender Gap Report for 2010

As one commentator underscored in 2010, “although the gender pay gap currently stands at 24% in Cyprus, which is the largest pay gap among the EU Member States, until recently the social partners and government were not particularly active in addressing the problem.”⁵³ The matter is now being addressed by the CNRP.

1.4.2. Migrant workers and minorities

Studies show that despite the improvements to the institutional framework, **third country migrant workers** remain in ‘a vulnerable position’.⁵⁴ Moreover, it is now recognised that the categories of ‘vulnerable groups’ in employment include EU workers, Turkish-Cypriots and the Roma: the working conditions in the agriculture sector, almost entirely made up by migrants, are significantly worse than in other sectors as wages are well below the minimum fixed for sectors where collective agreements are in force or for sectors where the minimum wage rule applies.⁵⁵

Discrimination in the labour market is located in jobs performed typically by migrants from third countries, EU citizens from poorer countries and some other numerically smaller ethnic groups. Third country migrants are concentrated in the lower echelons of the labour hierarchy: it is a condition for granting them work permits and entry permits that they take up jobs that Cypriots do not wish to do which are typically low skill, low pay and low status.⁵⁶ The Cypriot Equality Body has found that there is indirect discrimination against migrant female domestic workers, seen when comparing their low salaries⁵⁷ with those earned by Cypriots performing the same work. The majority of migrants to Cyprus are women, who take up household care jobs to children and elderly.⁵⁸ Cypriot women are

⁵³ See: Soumeli (2010); also see Ioakimoglou and Soumeli 2008.

⁵⁴ First noted by ECRI (2001).

⁵⁵ See: ECRI 2005; 2011; Trimikliniotis 2011a; 2011b.

⁵⁶ Migrant workers have little opportunity for training and betterment; their stay is dependent on the particular job and the particular employer. See: Trimikliniotis 2011a; 2011b; relevant section of *Voice for all*, authored by Trimikliniotis, available at http://www.voiceforall.gov.mt/downloads/research_report.pdf

⁵⁷ Calculated at CYP0.82 per hour, contrasted with CYP4-Cyp5 per hour for Cypriots carrying out the same work: Cyprus Equality Body Report File No. A.K.I 2/2005, dated 4.11.2005, page 4.

⁵⁸ See: Trimikliniotis and Souroulla 2011; Trimikliniotis 2012; Gregoriou and Christou 2012.

increasingly entering the labour market and moving beyond the traditional confines of home-based work.

1.4.3. Labour Insecurity and Flexibilisation: Younger workers, older workers and others

The current climate is causing **insecurity in the labour market**, which is already characterised by **flexibilisation and deregulation**.⁵⁹ There is extensive use and abuse of undeclared work, particularly affecting EU workers.⁶⁰ The rising unemployment is forcing an increasing numbers of younger Cypriots into insecure and “flexiwork”.⁶¹ Older workers are more likely to be long-term unemployed. The vulnerability of workers, particularly migrant workers, widespread discrimination and unequal treatment are factors eroding labour relations.⁶² Trade unions claim that **employers exert pressure on permanent workers to accept inferior conditions** in various forms of flexible contracts (fixed-term, part-time, undeclared work).⁶³

Various forms of ‘atypical employment’ are increasingly used, undermining collective agreements and creating a two-tier system of workers: those covered by collective agreements and those who are not. There are numerous types of personal contracts, such as fixed-term, containing substantially inferior terms as regards basic terms.⁶⁴ Recent research shows widespread non-compliance with collective agreements and violation of basic rights and benefits.⁶⁵

⁵⁹ E.g. homeworking; temporal work; informalisation of employment, see Trimikliniotis 2005; Ioannou 2012.

⁶⁰ See: The relevant section of the NRP, page 84.

⁶¹ See: Trimikliniotis 2005; Ioannou 2012.

⁶² See: Ioannou 2012; Trimikliniotis and Demetriou 2008; 2011.

⁶³ Interview with Lefteris Georgiades, General Secretary of Hotel Employees SYXKA PEO, 26.5.2012.

⁶⁴ Such as pay, holiday, sick leave, leave, benefits, over-time pay, even removal of the right to arbitration under the Code of Industrial Disputes.

⁶⁵ See: INEK 2012. Field work carried out between October 2011 and February 2012 in the districts of Paphos and Famagusta based on questionnaires translated in English, Bulgarian, Romanian and Polish: sample of 338, men=45.3%, women= 54.4%, no reply=0.3%. There were 51.2% Cypriots, 48.8% non- Cypriots.

2. OVERVIEW OF SOCIAL AND EMPLOYMENT LEGISLATION AND POLICY

KEY FINDINGS

- Labour legislation developed over the years provides for minimum standards of protection of employees, enforceable mainly through the Industrial Disputes Court. Collective agreements provide additional protection in industries, which are unionised.
- A compulsory state social insurance scheme provides for contributions by the employer, the employee and the state as well as for cash benefits payable to certain categories of persons under specified circumstances. A health and safety inspectorate system is in place, set to be improved under an action plan for 2007-2012.
- A number of recently introduced measures, drawing on ESF funding, are intended to address gender, age and disability inequalities in the labour market, the integration of immigrants, poverty and social exclusion, and unemployment. It is however not possible to distinguish between measures intended to address the economic crisis and those intended to generally improve the situation of vulnerable groups.

2.1. Overview of social and employment legislation

2.1.1. Labour legislation

Labour law regulates matters relating to social insurance, social protection, health and safety and all matters relating to incorporation of the rights and obligations derived from the EU acquis, including the body of laws, which harmonised the Cypriot labour law with the acquis. Cypriot labour law consists of **common law (i.e. Court decisions) and statutes**; however the Courts have only the power to interpret the law and not rule contrary to any existing statute or create new legislation. The employment relationship is governed by contracts, private or collective, and thus contract law principles apply, which are however supplemented by statutory rights and obligations, primarily to be found in the Termination of Employment Law.⁶⁶ This law covers redundancy and arbitrary dismissal of all employees including public employees and was enacted in an effort to transpose Recommendation 119 of June 1963 of the ILO.

In unionised industries **collective agreements** are the norm. Where the employer seeks to terminate a collective agreement then all three actors of the tripartite system will inevitably be involved, as explained in section 1.3.1. In the case of **private contracts**, where an employer seeks to terminate an employee's contract, there is no involvement from any governmental authority. In such a case, the employee is ordinarily left alone to pursue his/her rights. If the employee is a member of a union, then s/he may request the union's assistance, however there is little that the union can do under these circumstances beyond basic advice to the employee and lobbying the employer.

⁶⁶ Law N. 24 of 1967, as amended.

The competent court to try unfair dismissals is the **Industrial Disputes Court**.⁶⁷ This Court is not bound by rules of evidence and its decisions may be appealed against at the Supreme Court on a point of law, whilst the Industrial Disputes Court remains the sole arbiter of fact on all cases before it.

The Termination of Employment defines an employee as any person who works for another under a contract of service or of apprenticeship or under circumstances from which an employment relationship may be inferred. The Court may find that a person falls within the Law's definition of an employee even in the absence of such a contract, if it believes that a relation of employer and employee exists. In fact it is not uncommon for contracts for services, the nature of which is such that point towards an employment relationship, to be deemed by the Court to be '**disguised employment**'; in such cases, all rights accruing to an employee under labour law (including the protection from unfair dismissal) apply to the contractor. In order for an employee to qualify for unfair dismissal compensation, s/he must be less than 65 years of age⁶⁸ and must have been continuously employed by the employer for not less than 26 weeks, unless there is a written agreement extending the qualifying period of continuous employment to 104 weeks.

The basic rule of **unfair dismissal** is that a dismissal is unfair and therefore gives rise to compensation if the employer terminates the employment for any reason other than the employee failing to carry out his/her work in a reasonably efficient manner (unless owing to illness, injury or pregnancy), redundancy, act of God, war rebellion, tempest, destruction of installations by fire, expiry of a fixed term contract or if the employee has reached retirement age, when the employee is guilty of gross misconduct etc. The **burden of proof** is on the employer to prove that the dismissal falls within the above provisions and thus does not give rise to compensation.⁶⁹

2.1.2. The Social Insurance Scheme

The state Social Insurance Scheme covers compulsorily every person gainfully occupied in Cyprus either as an employee or as self-employed. All Cypriot citizens and anyone legally employed in Cyprus are eligible for social insurance. EU citizens who are pensioners/retirees are also eligible. Those who want to continue coverage after a period of mandatory contributions (Voluntary Contributors) may opt to do so; all others must obtain private pensions and insurance. Persons working abroad in the service of Cypriot employers and persons who interrupt their compulsory insurance are allowed, under certain conditions, to be insured voluntarily.

The Scheme is financed by **contributions** payable by the employers, the insured persons and the State. Employers are liable to pay contributions to the following Funds:

Social Insurance, Annual Holidays with Pay (unless an exemption is secured), Redundancy, Human Resource Development and Social Cohesion.⁷⁰

⁶⁷ It consists of a President, appointed by the Supreme Court from a list of lawyers with at least five years' experience, and two lay members drawn from the employers' associations and the trade unions respectively, both appointed by the President of the Court from a list of names submitted to the Minister of Labour.

⁶⁸ An equality body decision has criticised this legislative provision as contrary to Council Directive 2000/78/EC and has asked for its revision but no action was taken for its revision by the Attorney General's office yet.

⁶⁹ Section 6(1), Law on Termination of Employment: the following circumstances are not deemed as falling within the above reasons for dismissal: membership of a trade union or in a committee for safety at work; acting as a workers' representative or seeking to acquire such an office; bona fide submission of a complaint against the employer alleging violation of civil or criminal legislation; race, colour, gender, family status, religion, political belief, ethnic origin, social descent; pregnancy or motherhood; taking parental leave or leave for reasons of force majeure.

⁷⁰ Contributions are payable for each employee whose remuneration is not less than EUR 1.71 per week, or not less than EUR 6.83 per month.

For apprentices, the employer is liable to pay contributions to the Social Insurance Fund, even if the apprentice does not receive any remuneration. The liability of the employer for paying contributions to the Social Insurance Fund ceases on the day the employee reaches pensionable age, i.e. 65.

The law on Social Insurance provides benefits for all those who have contributed for at least 26 weeks and covers the benefits for the unemployed, maternity, sickness, marriage, birth, and funeral.⁷¹ The Scheme provides for cash benefits in the form of invalidity pension, old age pension, widow's pension, orphan's benefit, benefits for industrial accidents and occupational diseases, free medical care for certain categories of persons and missing person's allowance.

2.1.3. Health and safety at work

Health and safety legislation applies to every workplace and to any other case where an enterprise is in operation or an activity is carried out, including places in which administrative, educational, cultural activities (municipalities, conference rooms, schools, etc.) take place, as well as in recreation and leisure venues, e.g. golf, cinemas, water parks, playgrounds etc. The responsibility of the employer is to ensure the safety, health and welfare of his/her employees or himself/herself (for the self-employed) and to protect third parties that may be affected by the activities of the undertaking. Employers or self-employed persons must implement a safety system or risk management system and consult with their employees or their representatives when planning to proceed to changes that would substantially affect safety and health at work.

The **Strategy of Cyprus on Safety and Health at Work (2007-2012)**⁷² aims at reducing the frequency of industrial accidents by 25% and at controlling and reducing occupational diseases. The strategy is premised upon the existence of a suitable institutional framework (Labour Advisory Board, Safety and Health Council) and of a legislative framework fully harmonised with the EU *acquis* as well as consultation with stakeholders and other measures.⁷³

⁷¹ See: Third Table of law 59(I)/2010. Art. 31(4)(b) provides that the applicant for such benefit must be unemployed, capable and available for work or that he/she is undertaking a vocational training program approved by the Minister of Labour.

⁷² The full text of the strategy is available in English at:
[http://www.mlsi.gov.cy/mlsi/dli/dli.nsf/All/B5867AFE5104B399C2257486001DF99A/\\$file/Strategy%20of%20Cyprus-SANDH-2007-2012-EN.pdf](http://www.mlsi.gov.cy/mlsi/dli/dli.nsf/All/B5867AFE5104B399C2257486001DF99A/$file/Strategy%20of%20Cyprus-SANDH-2007-2012-EN.pdf)

⁷³ These include: The operation of a suitable and adequate Labour Inspection System comparable with the corresponding systems of the rest of the member states and especially those of EU15 (through inspection programmes, training, exchange visits, etc) supporting institutions (e.g. support to the Safety Officers), health surveillance system of the workers; promotion of accidents prevention through awareness raising, information and training; incorporation of safety and health at work issues into other Policy Areas such as Education, Employment, Agriculture, Environment, Transportation, etc.; encouragement of the scientific progress and research; close cooperation with the Social Partners and other stakeholders; active participation at the Bodies and activities of the European Union; and implementation of targeted Awareness Campaigns.

2.2. Social Policy and Measures

A number of social policy and employment measures have been taken in response to the economic recession.⁷⁴ The **Cyprus National Reform Program (CNRP)** sets out the parameters of the economic, social and employment situation in Cyprus and the policies adopted to meet the EU 2020 goals; **see a summary of key measures and progress in the Annex.**

It is not always possible to distinguish between measures intended to be a specific policy response to the economic crisis and measures intended to generally improve the social and economic situation of workers. The measures selected below are indicative of the policy goals, instruments and approach.⁷⁵

The social policy model is best seen as part of a Mediterranean and south European welfare regime (i.e. typically patriarchal family relations, clientelistic-corporatist states, rather underdeveloped state welfare regimes, health and benefit systems etc.).⁷⁶ The system and social policy reflects the labour movement struggles.⁷⁷

Various supply-side **measures emphasising training** drawing on ESF funding have been introduced. They are important in the context of the crisis but are not necessarily direct responses to the crisis, as they have a longer-term span. It is doubtful how measures affecting the supply of labour can address a crisis resulting from the lack of demand without measures to stimulate demand. The measures have the following aims:

- Promoting job retention, job creation and employability improvement of the unemployed, focusing on youth employment via job placement and training of young unemployed tertiary education graduates.
- Measures implementing the **Gender Equality Action Plan 2007-2013** intend to reduce the gender pay gap from 23% (in 2009) to 18% (in 2015).⁷⁸
- The **Immigration Strategy** is again a longer-term policy but has become more important with the crisis. It aims at regulating legal immigration to integrate immigrants into society under conditions of increased social cohesion, to combat irregular immigration and illegal and undeclared employment, to provide international protection to people in need and at the same time combat the abuse of the national asylum system, to combat trafficking and to guarantee human rights and dignity for all members of society and fight racism and xenophobia. Connected to this is the implementation of the **national action plan for the integration of third country nationals**, adopted for 2010 -2012, which includes actions in a number of sectors of everyday life, such as education, vocational training, learning of the Greek language, health, information.⁷⁹ However, some of these are contradictory: anti-immigrant sentiments and ideologies are fostered when the emphasis is on repressive measures primarily using the penal system to 'combat illegal immigration' and 'illegal employment' rather than on measures enhancing integration.⁸⁰

⁷⁴ These are expanded in Chapter 9 and 10 of the CNRP.

⁷⁵ For details, please see CNRP, Chapter 10.

⁷⁶ See: Esping-Andersen 1990; Ferrera 1996; Peristianis 2012.

⁷⁷ See: Peristianis 2012; Gregoriou and Ioakimidis 2012.

⁷⁸ Via specialised training programmes for equal pay inspectors, the establishment of a Gender Equality Certification Body, policies to eliminate occupational and sectoral segregation

⁷⁹ Currently there are 6.078 beneficiaries, 432 groups and 196 trainers. The scheme is co-funded by the ESF.

⁸⁰ Irregular migrants (vast majority overstayers) are estimated at 25,000-30,000. They are made more vulnerable in this context despite the declared goal of aiming to penalise the employers: in practice the irregular migrants are deported. See: Trimikliniotis 2011a; 2012.

A crucial aspect in social policy is to address **poverty**. This is another longer-term policy, which becomes more important in the context of the crisis. Emphasis is placed on the following vulnerable groups, and specific measures are proposed. In the immediate post accession period up to the crisis (i.e. 2004-2008), the RoC overall ranked lower than the EU average for the poverty rates for both genders and all age groups, except those 65 and over: almost half the pensioners (49%) were at risk.⁸¹

The National Strategy Report on Social Protection and Social Inclusion (NSPSI) 2008–2010⁸² had outlined the main targets based on four priorities:

- Reducing the risk of poverty and social exclusion
- Promoting active integration of vulnerable groups into the labour market
- Preventing the social exclusion of children
- Modernising institutions strengthening procedures and policies for social cohesion.

The NSPSI report underscores these impressive results as regards the reduction of school-leavers: “Early school leaving for persons aged 18-24 years was reduced from 20.6% in 2004 to 12.6% in 2007(EU-27: 14.8%)”. A serious problem however is public assistance: “80% of public assistance recipients live in households with incomes below the poverty line” and “the risk of poverty increases with the number and age of public assistance recipients and their dependents, bad health condition and living without a spouse.”⁸³

The success in meeting the targets of the measures adopted depends on economic growth and reform of the pension system, under conditions of economic crisis and austerity measures intended to cut public expenditure.⁸⁴ Other scholars are optimistic about the measures targeting vulnerable groups, but consider the poverty targets of CNRP as over-ambitious.⁸⁵

2.2.1. Persons aged 65+

- **Income support for pensioners** whose income is below the poverty line⁸⁶ and Easter Grant to pensioners with low income:⁸⁷ this goal cannot be addressed with one off payments. The government has resisted calls from the opposition to cut pensions or to refrain from paying the Easter allowance. However, pensioner poverty remains unresolved.
- **Health and long-term care services reforms:** The reform aims at addressing service provision and financial support of its users and at revising the existing framework of quality standards for social care, given the needs generated by an increasingly ageing population and longevity.⁸⁸

A recent study underlines that “80% of public assistance recipients live in households with incomes below the poverty line”, arguing that “the pension reform is adequately targeted and leads to socially desirable results”.⁸⁹ However, more drastic interventions are required to address pensioner poverty and to improve the quality of services – a rather difficult task without further significant expenditure.

⁸¹ See: Andreou and Pashardes 2009; Christou et al 2010.

⁸² See: Social Welfare Services (2008), p. 6.

⁸³ Andreou and Pashardes 2011, p.41. The authors also point to “several cases recipients live in families with average equivalised income well above the poverty line, reflecting the failure of the public assistance benefit system to target those in need”.

⁸⁴ Christou et al 2010.

⁸⁵ Spaneas and Cochliou 2011.

⁸⁶ The number of beneficiaries increased from 53,000 in 2010 to 60,000 during 2011.

⁸⁷ One off payment addressed to pensioners’ household whose total annual income is below EUR 13,000.

⁸⁸ It commenced in 2011 and continues during 2012.

⁸⁹ Andreou and Pashardes 2011, p.41.

2.2.2. Working poor

The targets set for the working poor are clearly inadequate in covering all the categories of persons, as they are essentially attempting to alleviate some of the symptoms. Current measures include:

- Revision of **minimum wage** (referred to in 1.3.2), which covers only certain professions. There is no target to extend the minimum wage to cover wider categories of the working poor.
- **Compensatory measures to the 5% VAT imposition** on foods and medicine adopted in 2011 for working households with low incomes and long-term unemployed persons and Public Assistance Recipients.
- Measures for the long term **elimination of occupational and sectoral segregation**, which include interventions in education issues.⁹⁰

2.2.3. Unemployed and inactive population (employable people)

Measures are again on the supply side, which are useful in increasing the chances of employment of these categories of the population. However, they are not addressing the issues of depressed demand that would generate jobs. The measures include:

- A scheme for providing **incentives for hiring disadvantaged individuals** in the private sector and at local authorities.⁹¹
- A scheme for providing **incentives for employment of the unemployed** in the private sector, a measure in response to the crisis.⁹²
- An **incentive scheme for attracting people in the labour market through flexible forms of employment**, which is subsidising the employment of additional employees.⁹³
- **Work and Social Activation of People in Vulnerable Groups**⁹⁴ through the development of social skills and other actions: It involves training people belonging to vulnerable groups in social skills and assisting them with activation measures to seek employment.

Establishing Post-Secondary Institutes for Technical and Vocational Education and Training to offer learners programmes at an intermediate level at an affordable cost, between upper secondary and tertiary education, complementary to the programs offered by private colleges. The aim of the measure is to match education outcomes to labour market needs and enhancing youth employability (co-funded by the ESF).⁹⁵

⁹⁰ E.g. specialised training programmes for careers advice professionals and education teachers.

⁹¹ The scheme encourages employers to recruit disadvantaged individuals by providing financial aid of 65% of the annual wage cost with a maximum amount of EUR 13,000 per person per year for the first 12 months of employment. So far, 1,419 unemployed found jobs with the assistance of the scheme; 864 were subsidised.

⁹² The scheme had greater success than planned, as 1,984 unemployed persons found jobs with the assistance of the scheme in comparison to the initial quantitative target which was 1,200 persons.

⁹³ Applications from companies reached 398 while applications from individuals seeking work reached 1,295. Job placements through the scheme reached 350.

⁹⁴ The Project is co-funded by the ESF and commenced at the beginning of 2012. For people who are further away from the labour market facing a higher risk of exclusion, "street work" programmes will be provided, which will be run by 12 local authorities in cooperation with non-governmental organisations.

⁹⁵ These include education issues, campaigns for raising awareness on equal pay, training programmes for social partners and development of manuals, guides and codes of practice for managers and human resource professionals.

2.2.4. Other vulnerable groups of the population experiencing poverty and social exclusion

- Changes have been made to the **Comprehensive Housing Scheme (CHS)**, by increasing the loans and aid provided to the beneficiaries of the Scheme. In early 2012, income criteria were introduced for the regional policy of the CHS.
- **Reform of Public Assistance** aiming to act as an “ultimate safety net” to protect the fundamental human right to a decent standard of living as a barrier against poverty and social exclusion. The amount paid is based on household income, age of the applicant, and other criteria. It also aims at encouraging and (re)activating people who are able to work to (re)join the labour market.⁹⁶
- **Labour market integration of Persons with Disabilities** include the following:
 - A System for the Assessment of Disability and Functioning;
 - Financial aid is provided to employers who employ persons with disabilities to cover partial cost of wages or of adapting premises or of acquiring assistive equipment.⁹⁷
 - The setting up of an Organisation for the Vocational Training and Employment of Persons with Disabilities and the promotion of equal opportunities in employment.⁹⁸
 - Vocational rehabilitation program for people with mental health problems aimed at setting up a national network of vocational and psychosocial services.
- Keep the house warm - **Grant scheme for thermal insulation** for houses.
- The Electricity Authority provides **lower tariff electricity** to large families and consumers with disadvantages.
- In times of financial hardship, the government decided to insert **means-tested criteria to the child benefit provision** (based on income and assets).⁹⁹

⁹⁶ The final text of the law was not available at the time of writing but it is expected that it will be enacted within 2012. However, anti-racist NGOs complain that some politicians driven by racially motivated incentives aim to cut the benefits offered to non-Cypriot recipients of benefits: Cutting benefits from migrants and asylum-seekers is likely to lead to further increase in social exclusion, marginalisation and racial discrimination.

⁹⁷ So far, 90 unemployed persons with disabilities have found jobs through this Scheme.

⁹⁸ During 2010, 287 people with disabilities were recruited in the field of Educational Services. During 2011, the Multidisciplinary Committee evaluated 157 applications, resulting to 46 people being recruited in the public sector.

⁹⁹ This constitutes a change in social policy since the 2011 CNRP and a key measure for 2012. With the reform of the Child Benefit provision, the amount of benefit to families with low to medium gross income, which is up to EUR 49,000, has remained intact in relation to 2011. Above that threshold, the benefit decreases gradually according to the level of family income. The benefit is distributed to around 100,000 families and the budget for 2012 is almost EUR 120M. As from January 1, 2012, an additional benefit is paid to single parents living on their own with a dependent child or children.

3. OVERVIEW OF PRESIDENCY PRIORITIES

KEY FINDINGS

The priorities of the Cypriot Presidency will be:

- Child well-being, active participation of older persons, the strengthening of inter-generational solidarity;
- Youth employment;
- Involving social partners, NGOs and local authorities in the implementation of Europe 2020;
- Safety and health at work;
- Moving forward with discussions on the Programme for Social Change and Innovation and European Globalisation Adjustment Fund. In the case of the former, there is hope that progress will be made; in the case of the latter, there is hope that an agreement will be reached;
- Directives on the Posting of Workers and Electromagnetic Fields; the right to take collective action; pensions, social dialogue and the open method of coordination; sustainable development and employment, particularly youth employment; and information and consultation of workers;
- Social Security agreements with Turkey, Albania, Montenegro and San Marino.

3.1. General Presidency Priorities

This section provides an overview of the presidency programme, providing an evaluation based on the indications provided as to which dossiers are likely to move forward during the presidency and which are less likely to do so. There is considerable difficulty in the task as the dossiers are currently in progress and subject to the process of consultation.

3.1.1. First priority: Children, older people and solidarity between generations

The furthering of the **work on child well-being** will be attempted through Council Conclusions relating to all aspects of the well-being of children. A Presidency Conference will be organised on the subject.

The promotion of **active participation of older people in all aspects of the society**, and the strengthening of **solidarity between generations** in the context of the European Year for Active Ageing and Intergenerational Solidarity will be discussed with the aim of reaching Council conclusions. There will be Closing Event of the Year to this end.

3.1.2. Second priority: Youth employment

Capitalising on the Youth Opportunities Initiative and the Employment Package recently announced by the Commission, the Presidency intends to launch discussions on how youth activation, adaptation and the upgrading of young peoples' skills can be facilitated through apprenticeships and traineeships.

The question is also how to improve working conditions for attracting youth to the labour market and how to better match their qualifications and expectations to the needs of employers and of the economy in general.¹⁰⁰

3.1.3. Third priority: involvement of civil society in EU 2020

The Presidency will focus on involving **social partners and NGOs and local authorities in the implementation of Europe 2020**, concentrating on the targets of employment, poverty and social exclusion and their involvement in the European Semester processes. This priority will be the subject of the informal EPSCO Council to be held in Cyprus.

3.1.4. Further priorities

- **Safety and health issues at work** are also high on the agenda of the Presidency, which intends to organise a Conference in Nicosia with the European Agency on Safety and Health at Work titled 'Working together for the Future of Occupational Safety and Health in Europe'.
- The Presidency will endeavour to conclude discussions on the **Programme for Social Change and Innovation** and will also try to move discussions forward on the **European Globalisation Adjustment Fund (2014-2020)** as these are linked to the Multiannual Financial Framework.
- The following dossiers are also within the priorities of the Cypriot Presidency:
 - The Directive on Posting of Workers and Regulation on the right to Collective Action.
 - The Electromagnetic Fields Directive.
 - The Social Security Association Agreements with Turkey, Albania, Montenegro and San Marino.

¹⁰⁰ Also, a Presidency Conference will be organised on the subject. The Presidency will also draw Council Conclusions related to combating violence against women (Beijing platform), and will hold a conference in Cyprus on the subject as well as a tripartite conference on the gender pay gap.

3.2. The Position of the Cypriot Presidency on the Specific Dossiers

3.2.1. Programme for Social Change and Innovation

The Cypriot Presidency will continue the consultations and negotiations between the Commission and the European Parliament on the subject in the context of the co-decision procedure. It is possible that an agreement will be reached or at least significant progress can be made by the end of the Cypriot Presidency as there are numerous comments made by many member states.¹⁰¹ There is disagreement on combining the three existing programmes (Progress, EURES and the microfinance facility) into one new programme and the allocation of the budget between them.

Position of the Republic of Cyprus: The RoC has expressed concerns because of the unconditional promotion through EURES of the filling of all other vacancies. The unconditional registration of vacancies in the EURES portal and the inadequate justification of the need for the development of targeted mobility programmes, might give rise to unfair competition between national and other EU workers and may undermine the efforts for successful implementation of national policies and priorities. The RoC retains its reservation on the matter, but has no issues with the other axes of the Programme.

3.2.2. European Globalisation Adjustment Fund

Despite the differences and disagreements on the various aspects of the regulation of the fund,¹⁰² there is optimism that an agreement will be reached by the end of the Presidency. The key issues dividing member-states are the following:

- Should farmers/agriculture be included in the scope of the Fund?
- Who should be included beyond the employee category, such as self-employed and micro-companies? There is difficulty in selecting and verifying the target groups.
- There are also some procedural points about deadlines, but these are of secondary importance.
- There are also questions regarding the criteria used to qualify for support from the Fund. Some have expressed misgivings about the large percentages devoted to agricultural funds, whilst others consider that many of these matters can be dealt with the ESF.

In the first meeting under the Cypriot Presidency the discussion on reaching a compromise proposal was tabled. The discussion on a compromise proposal will continue at the next meeting scheduled for the beginning of September.

Position of the Republic of Cyprus: The RoC favours the continuation of the Fund although it maintains concerns over the inclusion of farmers. It considers the amount allocated to farmers excessive and is concerned over the reasons why farmers are specifically mentioned whilst other categories of workers are not.

¹⁰¹ Information provided by Mr. Andreas Christou, Officer at the Department of Labour of the Ministry of Labour. See Draft Report on the proposal for a regulation of the European Parliament and of the Council on a European Union Programme for Social Change and Innovation (COM(2011)0609 – C7-0318/2011 – 2011/0270(COD)) <http://www.europarl.europa.eu/sides/getDoc.do?type=COMPARL&mode=XML&language=EN&reference=PE483.795>

¹⁰² Information provided by Mr. Alexandros Alexandrou, Head of ESF at the Department of Labour and Dora Papavarnava, officer at the Department of Labour of the Ministry of Labour.

3.2.3. European Social Fund (ESF)

The Cyprus Presidency considers that there is no issue to be resolved concerning the ESF, as no objections have been raised. However, given that the regulations governing the ESF are part of the Common Provision Regulations in the context of the Multiannual Financial Framework, the ESF dossier needs to be placed in the context of the Common provision regulations.¹⁰³ The dispute over the use of ex ante conditionalities has been resolved. However, the ESF is connected to the Multiannual Financial Framework: the Cypriot Presidency aims to reach an agreement on the MFF.

Position of the Republic of Cyprus: The RoC has no issues to raise.

3.2.4. Directive on the Posting of Workers

The Cypriot Presidency originally expected substantive progress on the subject of establishing a general common framework of provisions for better enforcement of Directive 96/71/EC, including measures to prevent and sanction any abuse and circumvention of the applicable rules.¹⁰⁴ The Working Party on Social Questions has scheduled five meetings on the subject of posting and, depending on the progress made, will either submit a report on the general approach reached or report progress at the December Employment Council.¹⁰⁵ However, matters related to Council Regulation on the exercise of the right to take collective action within the context of the freedom of establishment and the freedom to provide services, the so-called Monti II,¹⁰⁶ seemed to have been halted after the yellow card received by the Commission.¹⁰⁷ The first meeting under the Cypriot Presidency discussed various articles but there is substantive disagreement over two issues: (a) the issue of joint and several liability (art. 12), with those countries with such traditions favouring it, whilst others without such traditions opposing; (b) the issue of open or closed list of information (art. 9). The next meeting is scheduled for 21 September 2012.¹⁰⁸

Position of the Republic of Cyprus: Overall, the RoC has expressed that it favours the enforcement directive.

3.2.5. Electromagnetic Fields Directive

The Cypriot Presidency is confident that an agreement will be reached.¹⁰⁹ The aim of the proposal is to amend the current Directive (2004/40/EC), whose implementation has recently been re-postponed until 31st of October 2013 through Directive 2012/11/EU.

The discussions in the Working Party on Social Questions on this dossier started during the Polish Presidency and continued during the Danish Presidency. Best endeavours will be made to reach a consensus at the Council over the compromise proposal. The Presidency is confident that agreement will be made reached to meet the strict deadline provided after

¹⁰³ Information provided by Mr. Alexandros Alexandrou, Head of ESF at the Department of Labour and Dora Papavarnava, officer at the Department of Labour of the Ministry of Labour.

¹⁰⁴ See: <http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?lang=en&procnum=COD/2012/0061>

¹⁰⁵ There are difficulties in reconciling the freedom to provide cross-border services under Article 56 TFEU with appropriate protection of the rights of workers temporarily posted abroad for that purpose, as envisaged in this proposed Directive.

¹⁰⁶ EMPL APP/2012/0064 CHRISTENSEN Ole (S&D) COM (2012) 130

¹⁰⁷ See (accessed 7 August 2012):

<http://extranet.cor.europa.eu/subsidiarity/news/Pages/SMN-Consultation-on-the-Monti-II-Regulation.aspx>

¹⁰⁸ Information provided by the officer of the Department of Labour, Marina Ioannou.

¹⁰⁹ Information provided by Mr. Leandros Nicolaidis, Panikos Demetriadis and Michalis Tziortzis, Ministry of Labour.

the moratorium extension until 31 October 2013. The Cypriot Presidency considers that the technical aspects were closed by the Danish Presidency; it is possible to proceed with proposals for a general approach in the discussion of the text to be agreed. The Cypriot Presidency aims at bringing forward a proposal to the EPSCO meeting scheduled for 4 October 2012.

The RoC favours the Directive proposed by the Commission.¹¹⁰

3.2.6. Right to take collective action in the context of freedom of establishment and the freedom to provide services

The Cypriot Presidency expects that progress will be made. A progress report will be submitted by the Cypriot Presidency at the December Employment/EPSCO Council.

Position of the Republic of Cyprus: Regarding the proposed Regulation on the exercise of the right to take collective action, the RoC has concerns as to the adequacy of the proposed Regulation and its compatibility with international norms - such as those of the ILO - and constitutional traditions, including the Cypriot Constitution and the domestic system of labour relations. The government is currently deliberating with the national social partners whose views will also be taken into account during the forthcoming discussions on the matter. At the time of writing, the concerns of the RoC were yet to be finalised.¹¹¹

3.2.7. Pensions

The pension challenge is a crucial subject considering the ageing population and consequently a reduced economic growth potential resulting in pressure on public finances, further aggravated by the current financial and economic crisis. The Cypriot Presidency would like to see progress on the debate on pensions, particularly in the area of portability of pensions. However, there are difficulties as to the legal basis of pursuing the agenda on the subject. The Cypriot Presidency aims to open the subject of pensions and thus facilitate a coordinated debate that would pursue the philosophy of the White Paper on pensions as an "Agenda for Adequate, Safe and Sustainable Pensions".

Position of the Republic of Cyprus: The RoC considers that it abides by the principle that the design of pension systems is a member state's competence and at EU level there should only be coordination. The socioeconomic conditions and social security systems of each country are different; there can be no universal recipes. Cyprus has a long tradition of tripartite cooperation especially in the field of pensions and believes that any initiatives for reforms must follow the practice of national social dialogue.

The RoC considers that the open method of coordination on pensions plays a vital role in coordinating efforts at the EU level especially amidst the financial crisis.

Currently, the method is successful at identifying best practices among the member states, thus fostering mutual learning, but more concrete goals and indicators must be developed within that framework. The RoC acknowledges the need to take a holistic approach in defining the adequacy of pensions. Based on this approach, indicators should be developed to measure the adequacy taking into consideration not only retirement income but also income from return on savings/investment. Furthermore non-monetary factors must also be taken into consideration such as homeownership.

¹¹⁰ The Commission issued its new proposal on 14 June 2011, which is currently discussed within the Employment and Social Affairs committee. Directive of 2004/40/CE has not been transposed into national law after some sectors expressed their concerns about the impact of the Directive on their activities.

¹¹¹ No further relevant information was made available to the author.

3.2.8. Measures towards sustainable development and employment including youth employment

The “Employment package” is an important field for the Cypriot Presidency, which will spearhead the agenda and further the debate on the Communication paper, to progress to a more elaborate and specific policy frame. Given that the Commission is planning a High Level Conference on 6-7 September in Brussels, it is expected that there will be substantive progress in the elaboration of the issues that make up the employment package. The Cypriot Presidency aims at promoting the debate on the type of policy measures and clarifications as to possible priorities that may be adopted depending on the specific national and regional context. As youth employment is connected to education and training, coordinated action is required to match skills, qualifications, expectations and labour market needs. The Cypriot Presidency is promoting the adoption of conclusions on job creation, increasing employability with an emphasis on youth. It aims to reach an agreement on specific policy measures of the employment package and a new job pact to be discussed at the meeting scheduled for 3 September 2012. A special conference will also be organised by the Cypriot Presidency on 22-23 October.¹¹²

Position of the Republic of Cyprus: Considering the limited availability of resources and aiming to maximise the return on investment, each Member State could focus on national practices and specificities and more specifically on measures contributing to growth and expected to yield the maximum number of jobs in the immediate or medium short run. The combating of undeclared work as a measure to enhance mobility of workers must be improved in compliance with the free movement principles without unfair competition, poor working conditions or imbalances in national labour markets.

3.2.9. Information and consultation of workers

The Cypriot presidency is unable to state with certainty as to how far this dossier will proceed in concluding the discussion. It considers that given the important gaps and the extensive discussion as regards the technical aspects, it is possible to narrow the differences. Setting this issue as a priority matter, the Presidency has scheduled four meetings before the 5th October meeting. The range of outputs for this dossier will depend on the progress of the discussion with the partners, through general consultation. Thus it may take the form of a Trio Declaration, if there is consensus with the Danish and Polish Presidencies, or the form of a Presidency Declaration, and/or Conclusions and/or a Best Practices Manual.

¹¹² Information provided by Mr. Andreas Christou, Officer of the Ministry of Labour and Social Insurance.

4. LIST OF CURRENT IMPORTANT ISSUES IN EMPLOYMENT AND SOCIAL AFFAIRS

The issues currently discussed in the public domain are essentially related to the effects of the economic crisis on employment. In particular the following issues are at the centre:

- The **employment and social policy implications of the package to deal with the crisis in Greece, Spain, Italy, Portugal, Ireland and Cyprus** are at the core of discussions and concerns. The next months will be crucial for the future of the monetary union and this is likely to impact on employment and social aspects for the whole of the EU, particularly for the countries in the Eurozone and southern European countries. Cyprus, which is more economically connected to Greece than other Eurozone countries, will be affected even more.
- Linked to the above is the **possible accentuation of social polarisations** as a result of the economic crisis, combined with the austerity packages imposed in different countries. Social polarisations would require specific social policy instruments, something extremely difficult in the age of economic crisis and public finance austerity. Repressive measures may further accentuate such polarisation. The upcoming presidential elections in 2013 have added tensions to the debate, as government and opposition cross swords over the measures that need to be adopted to address the crisis.
- An **increase in poverty, marginalisation and exclusion of vulnerable groups** has already been recorded. There are difficulties as to how social policy would address these challenges without targeted measures, which are often dependent on necessary support infrastructures. In the context of an ageing population, older persons are suffering from the strains on the social security system.
- The economic crisis and welfare and social policy shake-up **adversely affect the policies on gender equality** and other gender-related plans. It is possible that incidents of gender discrimination will rise during the times of crisis and the targets for the narrowing of the gender pay gap may not be met.
- The **rising unemployment, and in particular youth unemployment**, and the wider implications are already impacting on employment conditions and labour/industrial relations, social policy and society at large. This is likely to become more acute in the days to come, as unemployment is rising. Social welfare systems are under pressure.
- **Migration and mobility within the EU** by persons seeking jobs abroad is becoming an important issue in public debate: first, there are management, administrative and social benefit issues in handling the free movement of workers across the EU but it also takes up country-based resources and instruments. Secondly, there are issues as regards supporting labour relations and standards, whilst employers aim at benefiting from the availability of new and cheap labour to lower wages. Thirdly, there is rising xenophobia and racism.
- The **rise of insecurity, discrimination and racism against migrants, vulnerable and minority groups** is a serious matter connected to the current social and economic reality in Europe and the world. The quality of life and social welfare of people is adversely affected. The policy responses to these problems require an informed debate on the subject.

5. SUMMARY OF MAIN POINTS

The priorities of the Cypriot presidency are mainly in the domain of strengthening the social and labour position of vulnerable groups, such as children and the elderly, through the strengthening of inter-generational solidarity, measures to foster youth employment, promoting dialogue with social partners and activation of NGOs and local authorities. The Presidency further hopes to promote progress in discussions over the PSCI, the EGAF, the Directives on the Posting of Workers and on Electromagnetic fields and possibly facilitate the reaching of an agreement in some of these areas.

At the national level, debates over measures to address the economic crisis are dividing government and opposition, against the backdrop of the forthcoming presidential elections in 2013. The uncertainty of the implications and effectiveness of the measures adopted in other EU countries in crisis, particularly Greece and Spain, is reflected in the national debates, with particular concern over the political and economic developments in Greece, which is Cyprus' closest commercial partner and whose national debt crisis is directly affecting the viability of the Cypriot banking sector.

Meanwhile, unemployment is rising and inequalities in the labour market are further deepened as Cyprus sinks further into the economic crisis. Migration from third countries and mobility within the EU are the source of tension in the debates, as xenophobia and racism are on the rise, accentuated, on the one hand, by the adoption of further repression measures by the government and, on the other hand, by trends amongst employers to benefit from the availability of new labour in order to lower wages.

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ANNEX: NRP 2012: EXECUTIVE SUMMARY OF THE KEY MEASURES INTRODUCED AND THEIR PROGRESS

The fundamental developments occurred over the past year are included in five strands, namely: measures in response to the economic recession, measures for the promotion of youth employment, measures for the attainment of the national EU 2020 headline target for employment, measures in response to the CSRs and measures for tackling the rest of the identified Bottlenecks in the NRP.

In order to tackle the consequences of the economic recession, new measures or adaptation of existing ones were introduced with a three year time frame of implementation (2009-2011) aiming at: job retention, job creation and employability improvement of the unemployed through training. The overall budget for these schemes is 34 million (co funded by ESF) including company incentive schemes, job placements, training of the unemployed, training programmes for upgrading the skills of the unemployed, on the job training programmes for the prevention of layoffs, and enhancement and modernisation of Public Employment Services (PES).

As regards the measures for the promotion of youth employment, a total budget of 32.6 million has been allocated (mostly co funded by ESF) for job placements and training of young unemployed tertiary education graduates, training of newcomers (targeting the young), a New Modern Apprenticeship has been developed and will be launched in September 2012, in company training of Apprenticeship System Students and scheme for the enhancement of Youth Entrepreneurship. In addition to the above measures which are in line with the priorities set in the AGS of 2012 and the guidelines of the Youth Opportunities Initiative, a new subsidised employment scheme, targeting the young and the long term unemployed will be launched in May 2012 with a budget of 8.0 million.

Furthermore, the measures for the attainment of the National EU 2020 headline target for employment have a time frame implementation of five years (2010-2014) and are expected to have a direct effect on the effort to reach the national employment target. They are listed in two key policy areas, namely «Increase Market Participation» and «Exploitation of Job Creation» and include training measures for enhancing the employability of the targeted population and measures for directly or indirectly creating new jobs. The total budget for these measures reaches 33.3 million co-funded by ESF.

Regarding the measures in response to the Country Specific Recommendations, Post Secondary Institutes of Vocational Education and Training (PSIVET) are envisaged to be established by 2012 to increase the number of people attending technical **vocational education** and decrease skills mismatch with a budget of 4.4 million (ESF co funded). Further, restructuring and **modernising the education system** by modernising and upgrading the curriculum for all public schools (pre-primary to upper secondary education) with a budget of 1.5 million per year (2011-2016), as well as pre-service training of candidates for low and upper secondary education (15.1 million co-funded by ESF) as well as in-service training (5.7 million co-funded by ESF) is planned.

For **reducing the rate of school dropouts** to 10% by 2020, measures facilitating the integration of students at risk in the school system have been introduced with a total budget of 21.6 million co-funded by ESF, including programs for targeting early school leaving, young delinquency and antisocial behaviour as well as special induction programs for migrants.

For the policy objective regarding the increase of technical and vocational education and the attractiveness and matching of specialisations, an upgrade of vocational education and training measures has been foreseen (implementation period 2012-2015, no estimated budget at present). The national target is the establishment of an interdisciplinary Career Counselling Service as regards to vocational guidance for the wider public as well as the establishment of a National Forum for Career Guidance.

The implementation of the second phase of the establishment and **operation of a Vocational Qualifications System** (2007-2015), a «Scheme for the support of Infrastructure and Systems for the Development of Human Resources» aiming to develop centres providing services to the enterprises and cooperation amongst them, introduction of a system for the assessment and certification of training providers including trainers and a scheme for the promotion of innovation in training and development of the human resources which aims to encourage enterprises and organisations to prepare and implement proposals that will include research and development of innovative ideas.

Last but not least, measures for tackling the rest of the identified Bottlenecks in the NRP have been introduced. Knowledge of the anticipated needs of the economy in terms of employment and training needs through a series of annual and *ad hoc* studies and surveys, such as the surveys for the identification of technical and vocational training needs of enterprises, the attractiveness of VET in Cyprus, the study for the identification of the skill needs of the economy, the long term employment forecast and the study on the anticipation of green skills needs.

Reducing gender pay gap through the promotion of a broad mix of measures which include specialised training programmes for equal pay inspectors, the establishment of a Gender Equality Certification Body, as well as measures for eliminating occupational and sectoral segregation, such as interventions in education issues, campaigns for raising awareness on equal pay, training programmes for trade unions and employers associations, and development of manuals, guides and codes of practice for managers and human resource professionals.

Implementation of the Immigration Strategy which has been formulated aiming to regulate legal immigration on the basis of the National Employment Strategy and the labour market needs in general, to integrate legal immigrants into the society under conditions of increased social cohesion, to combat irregular immigration and illegal and undeclared employment, to provide international protection to people in need and combat the abuse of the national asylum system, to combat trafficking and to guarantee human rights and dignity for all members of society, fight racism and xenophobia.

Implementation of the action plan for the **integration of third country nationals**, adopted in 2010 -2012 on the basis of the abovementioned strategy, include actions in a number of sectors of everyday life, such as education, vocational training, learning of the Greek language, health and more.

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