



# **ESPN Thematic Report on Social Investment Cyprus 2015**

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*January – 2015*



**EUROPEAN COMMISSION**

Directorate-General for Employment, Social Affairs and Inclusion  
Directorate D — Europe 2020: Social Policies  
Unit D.3 — Social Protection and Activation Systems

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**EUROPEAN SOCIAL POLICY NETWORK (ESPN)**

**ESPN Thematic Report on  
Social Investment**

**Cyprus**

**2015**

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## Summary

Social policy in Cyprus is constrained by the realities of the ongoing economic recession and the requirements of the Economic Adjustment Programme. In this context, full adherence to the aims and scope of the social investment (SI) approach is not feasible. On the other hand, the crisis has provided a stimulus for a wide array of reforms, which can upgrade the structure of the economy and thereby lay the foundation for the implementation of a wide range of investments in the near future – including social investments. Most importantly, the government has undertaken an earnest effort to improve the operational and targeting efficiency of welfare policies, without compromising their anti-poverty impact. This policy orientation cannot be directly considered as SI. Nevertheless, building a more efficient welfare state can indirectly contribute to SI by increasing the resources devoted to social economy in the future. One of the constituent elements of the SI package is social services, and their upgrade should enhance people’s capabilities. In this respect, the state has made some efforts, but admittedly not enough to meet SI objectives and achieve the Europe 2020 social targets.

In this report we assess the overall government approach with respect to these objectives, mostly focusing on the areas of childcare, long-term care, labour market policies and health.

- The area of childcare has been improved through several targeted actions over the past few years; nevertheless, more efforts are needed as the demand for these services exceeds supply and the negative impact of economic recession on the income of families with children is likely to increase unmet childcare needs.
- Long-term care is provided by the state, communities, voluntary organisations or the private sector in a variety of settings, including geriatric clinics, homes for older people, hospices, state homes and day-care clinics. Overall, there is a need for more integrated long-term care, directed towards providing greater flexibility for women who want to enter the labour market.
- Policymakers have prioritised people’s participation in the labour market, and during the last few years several programmes have been launched. However, they mostly target young people (e.g. graduates without work experience) and only a few target parents.
- As regards healthcare, we are sceptical about embracing with enthusiasm the recently announced government plans for the introduction of a National Health System in the near future. Yet the existing healthcare system is marred by several inefficiencies (duplication, bureaucratic procedures, etc.) and lack of personnel. Changes are urgently needed that go beyond the current concern of financing the deficits of the existing system.

An important recent development in the field of social policy is the introduction of the Guaranteed Minimum Income (GMI) scheme in 2014, which replaced the Public Assistance scheme. The GMI offers more comprehensive income protection to deprived households than did the Public Assistance scheme. Our view is that, in principle, the new scheme is aligned with the rationale of the SI approach.

Finally, we have identified good practices and commendable initiatives in social policy during recent years. That said, these efforts appear scattered and uncoordinated, rather than part of a comprehensive plan to reform the social economy according to EU principles. One has to recognise, however, that Cyprus is too heavily constrained by the Economic Adjustment Programme to be able also to embrace the newly introduced theme of SI in the EU agenda. Therefore, realistically, one cannot expect social policy in Cyprus to begin to be aligned with the aims and scope of the SI package before the end of 2015, when it is predicted that the economy will start to emerge from the recession.

## 1 Assessment of overall approach to social investment

The Commission has defined social investment (SI) as policies tuned to “strengthening people’s current and future capacities”.<sup>1</sup> We understand this new approach as a shift in emphasis from redistribution of current income to redistribution of income at different stages of the life cycle; this, in turn, might be interpreted as pursuit of equality of opportunity. It can also be seen as a subtler form of egalitarianism, insofar as it attempts to take on board efficiency considerations. In application, this (re)orientation implies replacing passive social policies (e.g. universal income transfers)<sup>2</sup> with active ones. Thus, the reformed welfare state should enhance the scope of its policies to include not only insuring some population groups against certain risks, but also investing in citizens’ capabilities at all stages of their lives. Our brief assessment of recent and planned policies in Cyprus is striving along these lines.

As regards the retrenchment of passive policies, Cyprus made some progress recently – though one might say that it was motivated by financial constraints rather than by a desire to achieve SI targets. Some benefits have been abolished, a characteristic example being the so-called “mother’s allowance” (a cash benefit paid to mothers of four or more adult children). Other benefits have become more targeted. For instance, eligibility for the single parent benefit was changed in 2014 to exclude those with gross income above €49,000 per annum (Table A.2 in the Appendix). Efforts to target social protection on those who need it have also affected other benefits (e.g. child benefit) and culminated in the introduction of the Guaranteed Minimum Income (GMI) scheme in 2014. The GMI acts as a social safety net of last resort, but with coverage wide enough to include individuals at risk of poverty who were previously unprotected. In this sense, one can claim that the introduction of the GMI scheme is a reform aligned with the spirit of SI.

In the area of promoting active social policies, we have identified some good examples and commendable practices that can also be considered to be in the spirit of SI. For example, the prenatal and neonatal screening programmes, which are managed by the Center for Preventive Paediatrics: (a) promote efficiency (preventive healthcare helps to curb rising health expenditure); (b) promote equality of opportunity (the programme is offered free of charge to the whole population); and (c) help parents to be timely and properly informed about the healthcare problems of their children.<sup>3</sup>

The noteworthy initiatives and reform efforts described above do not, however, constitute a comprehensive and clear goal-setting SI plan, as is probably understood in EU social policy quarters. Indeed, the concept of SI is new to policymakers and other stakeholders in Cyprus. Therefore, before asking the government to adopt the SI approach, it is important to enlighten policymakers and the public about the content and objectives of this approach; and to try to build a wide consensus in favour of SI among all major stakeholders.

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<sup>1</sup> Commission Communication on “Towards Social Investment for Growth and Cohesion – including implementing the European Social Fund 2014–2020. <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2013:0083:FIN:EN:PDF>

<sup>2</sup> According to “Citizens’ Summary: Social Investment Package for Growth and Cohesion”: “Spending more effectively and efficiently to ensure adequate and sustainable social protection. This can be achieved through simplifying the administration of benefits and services, targeting them better and making them conditional (on participating in training, for example).”

<sup>3</sup> For further details see: <http://www.cpp.org.cy/centre-en.asp>

## 2 Assessment of specific policy areas and measures/instruments

### 2.1 Support for early childhood development

#### 2.1.1 Early childhood education and care

In 2013, in an effort to increase the emphasis placed on expanding access to affordable childcare, the government modified the existing procedure for subsidising non-governmental organisations (NGOs) and local authorities so as to harmonise current practices with EU regulations. In this framework, the state continues to provide financial support to NGOs and local authorities for the operation of childcare programmes, including day-care centres for pre-school children. In addition, a new scheme is planned with the objective of subsidising the kindergarten/nursery school cost of the children of unemployed and low-paid parents.<sup>4</sup>

The available statistical evidence suggests that formal early childhood education and care (ECEC) in Cyprus is not developed as well as it could be; that said, it is not lagging too far behind. As seen in Annex 3 to the Social Investment in Europe report (Tables A3.1 and A3.2)<sup>5</sup>:

- 26% of children less than three years old and 74% between three years old and compulsory school age<sup>6</sup> received formal ECEC in 2012;
- 19% of children in the younger group (less than three years old) received above 30 hours of care per week, and 7% received between one and 29 hours; and
- 32% of children aged three to compulsory school age received below 29 hours of care per week, and 42% received above 30 hours.

Overall, participation in formal ECEC in Cyprus is below the corresponding EU averages, which stand at (i) 28% for children less than three years old, and (ii) 83% for children three years old to mandatory school age.

Besides average participation rates, in Table 1 we explore the existence of a social gradient in participation in ECEC. To do this we calculate participation rates by income quintile, using the 2012 EU-SILC dataset.

The first column of the table shows the proportion of children aged below three years who receive formal care.<sup>7</sup> According to our calculations, 21.1% of children in the sample are offered at least one hour of care during a usual week.<sup>8</sup> However, when we decompose this rate by income quintile (from the poorest 20% to the richest 20%), we observe that children in families belonging to the lowest income quintile appear to have the lowest access to childcare (7.5%); while parents in the highest income quintile make the most of formal childcare arrangements.

<sup>4</sup> This information is taken from *Cyprus National Reform Programme 2014: Europe 2020 Strategy for Smart, Sustainable and Inclusive Growth*, April 2014.

[http://ec.europa.eu/europe2020/pdf/csr2014/nrp2014\\_cyprus\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2014/nrp2014_cyprus_en.pdf)

<sup>5</sup> Bouget, D., Frazer, H., Marlier, E., Sabato, S. and Vanhercke, B. (2015), *Social Investment in Europe: A study of national policies*, Annex 3 – Selection of indicators. European Social Policy Network (ESPN). Brussels: European Commission.

<sup>6</sup> Pre-primary education is compulsory for all children aged between 4 years 8 months and 5 years 8 months.

<sup>7</sup> Formal care, in general, includes pre-school (or equivalent) education and childcare services outside school hours at centres organised/controlled by public or private institutions (centre-based day care, organised family day care, crèche). The definition of formal care used for our calculations are the SILC variables r1010, r1020, r1030 and r1040.

<sup>8</sup> Discrepancies with the figures provided in Bouget et al. (2015), Annex 3 (in particular Tables A3.1 and A3.2) are most likely caused by differences in statistical definitions.



The second column of Table 1 shows the proportion of children receiving informal care,<sup>9</sup> namely care by a professional child minder, such as a baby sitter (who is directly paid by the parents without any organised structure controlling the care delivery) or relatives of the family. A very large proportion of children appear to receive informal care, especially in the higher income quintiles. In most cases these services are offered by grandparents. The strong family ties and the way these function as a pillar for the provision of childcare services in Cyprus, also demonstrated in other contexts,<sup>10</sup> constitute a distinct feature of Mediterranean societies.

The last column of Table 1 confirms the fact that the large majority of children in low-income families are looked after by their parents.

**Table 1: Proportion of children less than three years old receiving childcare**

Quintile	Formal Care	Informal Care	Only from parents
1	7.5	19.1	75.8
2	22.3	32.3	51.4
3	19.8	53.8	35.6
4	22.7	70.9	21.3
5	30.4	63.8	17.0
All	21.1	49.3	38.7

Source: EU-SILC 2012, authors' calculations.

In Table 2, we report the proportion of children aged between three years and compulsory school age receiving childcare. As one would expect, the proportion of children participating in formal care is higher in this age category compared to younger children. However, we still observe that families in the lowest income quintile have relatively low access to formal childcare. It is also interesting that, in general, families in low income quintiles appear to depend less on informal care. In contrast, children in families belonging to the upper income quintiles appear to receive ample formal and informal care; while no child in a family belonging to the top income quintile is found to receive only parental care.

**Table 2: Proportion of children between three years old and compulsory school age receiving childcare**

Quintile	Formal Care	Informal Care	from Parents
1	56.7	8.0	41.1
2	84.9	31.3	12.9
3	83.5	43.5	7.6
4	95.3	54.5	1.9
5	87.0	55.6	0.0
All	81.7	39.2	12.2

Source: EU-SILC 2012, authors' calculations.

Overall, the results of Tables 1 and 2 demonstrate the existence of a social gradient in the provision of childcare,<sup>11</sup> insofar as the use of childcare arrangements is positively associated with family income and, thereby, with occupational status and educational qualifications. This association, of course, does not necessarily imply direct causation, i.e. poor families cannot afford childcare. It could be a more complex phenomenon, as

<sup>9</sup> For defining informal care we used SILC variables rI050 and rI060.

<sup>10</sup> For example, Minas, C., Jacobson, D. and McMullan, C. (2013), Welfare regime and inter-household food provision: the case of Cyprus. *Journal of European Social Policy*, 23(3), pp. 300–314.

<sup>11</sup> That said, our calculations are simplistic and cannot be considered to constitute conclusive statistical evidence. A more thoroughly detailed analysis is needed that would also control for other socioeconomic and demographic characteristics of families with children.

parents participating in the labour market can afford more/better childcare services and this, in turn, enables them to find/keep more rewarding jobs.

As emphasised in previous reports, weaknesses in the provision of formal childcare in Cyprus relate to the affordability of private services and the adequacy/quality of public services. Private ECEC is costly; whereas, communal ECEC is more affordable but access to it is restricted by income-related criteria. Fees for public ECEC are also income related, but the supply falls short of demand. Consequently, informal care (especially in the form of intra-family produced services) is a reasonable alternative for many households.

The affordability of private childcare services will decrease as the economic crisis in Cyprus takes its toll, because incomes are falling faster than prices. Furthermore, the austerity measures will probably have a negative effect on the quantity and/or quality of all publicly provided services, including ECEC.<sup>12</sup> In fact, the negative impact of the recession is not yet reflected in the data because the most recent EU-SILC database available refers to 2011 incomes, whereas the biggest contraction of the economy occurred in 2013 and 2014. Therefore, participation in and affordability of formal ECEC are both likely to decline, and urgent action is needed to alleviate negative developments not yet seen in the EU-SILC statistics.

Finally, there are no serious problems in access to health services for children of Cypriots and other EU citizens living in Cyprus. The same is not true, however, for the children of migrants from third countries, since they are covered only by private insurance. Problems for these children arise mainly due to limitations in the insurance contracts (too many exemptions and low coverage) and the bureaucracy associated with compensation procedures. It is expected that the forthcoming implementation of the new National Health System will improve the situation.

### **2.1.2 Family benefits (in cash and in kind<sup>13</sup>)**

Families are entitled to a number of cash benefits. Among the most important are the child benefit and the single parent benefit. There are also maternity benefits, birth grants and benefits that target special categories of recipients (e.g. special birth grant for unmarried mothers).

The Social Insurance Fund (Ministry of Labour, Welfare and Social Insurance) is responsible for the administration of contributory benefits (e.g. birth grant); while the Grants and Benefits Services (Ministry of Finance) are responsible for non-contributory benefits, e.g. child benefit and single parent benefit. Furthermore, the Department for Social Inclusion of Persons with Disabilities (Ministry of Labour, Welfare and Social Insurance) offers a wide range of disability benefits targeting, among others, families with disabled children. These benefits include the mobility allowance, the special allowance for blind persons (including blind persons below 18 years of age), the allowance for the provision of a disability car, and allowances for the care of paraplegic and quadriplegic persons.

The child and single parent benefits have been modified several times in the last few years.

- In 2011, the government reformed the child benefit scheme by changing its eligibility rules. In particular, income and asset criteria were introduced and the age for defining dependent children was reduced. In 2014, families with gross income over €59,000 lost their child benefit eligibility.
- The single parent benefit was introduced in 2012 – its level and income criteria are presented in the Appendix. Its introduction was combined with changes in

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<sup>12</sup> Unfortunately Bouget et al. (2015), Annex 3 did not include information on the quality of childcare in Cyprus, nor were we able to find any up-to-date statistics on the issue from other sources.

<sup>13</sup> In-kind benefits are also covered in other parts of the report.

the Public Assistance scheme: specifically, single parenthood was excluded from the conditions determining eligibility for public assistance.

The child benefit kept its quasi-universal character, in spite of the aforementioned eligibility changes intended to improve targeting. Microsimulation analysis has shown that family benefits help towards fending off the effects of economic crisis on families with children, especially those most vulnerable (in particular, single-parent families and multi-child families);<sup>14</sup> this reinforces previous evidence that family-related cash transfers play a major role in keeping child poverty at low levels in Cyprus.<sup>15</sup> As regards retrenchment policies, studies show that they adhere to progressivity principles.<sup>16</sup> The level of child benefit can be deemed adequate for multi-child families. However, basic and supplementary amounts for families with one or two children can be considered relatively low. The current child benefit levels and income thresholds are described in the Appendix.

### 2.1.3 Parenting services<sup>17</sup>

Some schemes providing valuable services to parents in Cyprus are managed by the state, and others are organised by NGOs that are usually state subsidised. Also, some of these programmes focus on specific groups, while others are of universal orientation.

Among the schemes targeting special groups are:

- support and consultation for families with problems, offered by the Family Guidance Centre, which is directed by the Social Welfare Services; and
- services to persons with disabilities (including parents with disabled children), e.g. information about their rights, vocational/rehabilitation programmes and awareness campaigns by the Department for Social Inclusion of Persons with Disabilities.

Universal schemes offering services to all parents free of charge include:

- seminars organised by the Cyprus Association of Breastfeeding inform new parents about the benefits of breastfeeding and support mothers who breastfeed or want to breastfeed; and
- programmes offered by the Center for Preventive Paediatrics, including:
  - informing/supporting parents about the early detection of metabolic diseases, chromosomal defects and neonatal hearing impairment;
  - organising parent education seminars on child cognitive development for new parents and child carers; and
  - providing services to parents in the form of universal prenatal and neonatal screening programmes.

Overall, parenting services of various forms and structures have increased during the last few years due to the diffusion of good practices from other European countries and rising awareness that support for parents should not be only in cash and organised solely by public authorities. Depressingly, however, the current situation in the economy is hindering progress.

<sup>14</sup> Pashardes, P. (2007), Why Child Poverty in Cyprus is so Low. *Cyprus Economic Policy Review*, 1(2), pp. 3–16.

<sup>15</sup> Koutsampelas, C., Polycarpou, P. and Pashardes, P. (2013), Child Poverty, Family Policies and the Effect of Economic Crisis. Economic Policy Papers No. 10/13. Economics Research Centre, University of Cyprus.

<sup>16</sup> Koutsampelas, C. and Polycarpou, P. (2013), Austerity and the Income Distribution: The case of Cyprus. EUROMOD Working Papers EM 4/13, Institute for Social and Economic Research.

<sup>17</sup> At the time of writing, information about the total number of people covered is not available.

## 2.2 Supporting parents' labour market participation

### 2.2.1 Childcare

The issue of childcare was discussed thoroughly in section 2.1.1. Here we note that the reconciliation of family life and work is an issue of major concern in Cyprus, often appearing in public debate. The government has responded to this concern through strictly targeted programmes that aim to subsidise part of the cost of childcare for selected groups, such as single mothers, economically inactive women, unemployed and others. These programmes offer important services, but as we have noted elsewhere do not constitute a comprehensive approach to the reconciliation of family life and work. There is also an information gap, as no reports/studies exist about the effects of childcare on the participation of parents (especially mothers) in the labour market in Cyprus. Unless this information gap is filled, no evidence-based policy solutions can be provided.

At the moment, on the basis of simple logic and evidence from other countries, one can argue that the best way to make progress in the direction of helping parents to reconcile family life and work is the introduction of measures boosting the availability and affordability of quality childcare services.

### 2.2.2 Long-term care

Long-term care in Cyprus is provided either by the state, local communities, voluntary organisations or the private sector in a variety of settings, including geriatric clinics, homes for older people, hospice centres, state homes and day-care clinics.<sup>18</sup> For elderly and disabled people who choose to stay at home, the role of caregiver is usually undertaken by relatives, spouses and children. Additionally, in many cases elderly and disabled people choose to employ a third-country national as a domestic helper. The regulation and supervision of long-term care is the responsibility of Social Welfare Services. This responsibility includes the coordination of initiatives taken by local communities, and inspecting and evaluating the quality of services provided by home carers and professionals.

In January 2013, the number of third-country nationals legally residing and working as domestic helpers in Cyprus was 23,749. This figure represents nearly half of the island's population of legal workers from non-EU member countries. It is generally considered that employing third-country immigrants as domestic helpers is a cost-effective way of providing care services to elderly and disabled persons, even given the ongoing economic crisis.<sup>19</sup> The practice of employing immigrants as caregivers is also encouraged by the fact that elderly and disabled people with insufficient income to purchase care services are entitled to public assistance for this purpose.

The variety of settings in which long-term care is now provided in Cyprus has the advantage of giving elderly and disabled people more choice. However, to the extent that the aim is to increase labour market participation, particularly among women, the current long-term care services need to be reformed. Most importantly, there must be enough flexibility in the system so that responsibility for looking after old and disabled persons does not lie with close relatives, especially those of working age.

A large number of influential international reports underline the importance of setting up an efficient and sustainable system of providing long-term care services, in view of upcoming adverse demographic changes and, in particular, the fact that the very old –

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<sup>18</sup> Theodorou M., Charalambous, C., Petrou, C. and Cylus, J. (2012), *Cyprus: Health System Review*, Health Systems in Transition, Volume 14, No. 6.

<sup>19</sup> Kantaris, M., Theodorou, M., Galanis, P. and Kaitelidou, D. (2014), Access and utilisation of health services by domestic helpers in Cyprus. *International Journal of Health Planning and Management*, DOI:10.1002/hpm.2272

those aged above 80 – is currently the fastest-growing population group.<sup>20</sup> Despite these warnings, few changes geared towards setting up an adequate system of long-term care have taken place in Cyprus over the last few years. According to EU data, public spending on long-term care services in the country amounts to only 0.2 per cent of GDP,<sup>21</sup> a figure among the lowest in Europe.

The points made above suggest that the design and implementation of policies to transform the current patchy arrangements into an adequate system of long-term care are likely to be major social policy challenges in Cyprus during the next few years.

### 2.2.3 Maternal/paternal/parental leave schemes<sup>22</sup>

Maternity leave schemes cover all pregnant women (as well as adoptive mothers) regardless of their employment time and whether their employment is on a trial period or not. The main features of the Cypriot maternity leave scheme are as follows:

- Pregnant women are entitled to maternal leave of 18 weeks, 11 of which are compulsory. This period is regarded as working time for purposes of determining seniority, and working conditions and remuneration cannot be unfavourably altered.
- Working women who adopt children under the age of 12 are also entitled to maternal leave.
- In special cases (e.g. health problems), the maternal leave can be extended.
- Working mothers who participate can interrupt their employment for one hour or arrive at work one hour late or leave work one hour early every day for the first nine months after giving birth. These hours are treated as working time.
- The dismissal of a pregnant woman is prohibited, provided the worker has informed her employer of her pregnancy in writing.<sup>23</sup>

Furthermore, employees of both sexes who have completed at least six months of continuous employment with the same employer are allowed to take unpaid parental leave of up to 18 weeks for each child. The duration of parental leave can be between one week (minimum) and four weeks (maximum) in each calendar year, until the child turns eight. The period of parental leave is credited as insurance period and is not counted against annual leave.<sup>24</sup>

In our opinion, the maternity/parental leave scheme in Cyprus is adequate in terms of giving working parents enough paid and unpaid leave to attend to the needs of their newborn children.

<sup>20</sup> Among many documents, see The 2012 Ageing Report: Economic and Budgetary projections for the 27 EU Member States (2010–2060).

[http://ec.europa.eu/economy\\_finance/publications/european\\_economy/2012/pdf/ee-2012-2\\_en.pdf](http://ec.europa.eu/economy_finance/publications/european_economy/2012/pdf/ee-2012-2_en.pdf)

<sup>21</sup> *Social Investment Package: Key facts and figures.*

<http://ec.europa.eu/social/BlobServlet?docId=9759&langId=en>

<sup>22</sup> The information was drawn from Department of Labour, Ministry of Labour and Social Insurance. See “The Protection of Maternity” at

[http://www.mlsi.gov.cy/mlsi/dl/dl.nsf/dmlinformatioal\\_en/dmlinformatioal\\_en?OpenDocument](http://www.mlsi.gov.cy/mlsi/dl/dl.nsf/dmlinformatioal_en/dmlinformatioal_en?OpenDocument)

<sup>23</sup> The pregnant woman should present in written form a medical certificate stating her condition. The prohibition on dismissal lasts for three months after the end of maternity leave.

<sup>24</sup> Information is drawn from respective legislation:

[http://www.mlsi.gov.cy/mlsi/dlr/dlr.nsf/All/3340CD7963D5C486C2257A0C003BE318/\\$file/%CE%93%CE%B F%CE%BD%CE%B9%CE%BA%CE%AE%20%CE%AC%CE%B4%CE%B5%CE%B9%CE%B1%202012.pdf?OpenElement](http://www.mlsi.gov.cy/mlsi/dlr/dlr.nsf/All/3340CD7963D5C486C2257A0C003BE318/$file/%CE%93%CE%B F%CE%BD%CE%B9%CE%BA%CE%AE%20%CE%AC%CE%B4%CE%B5%CE%B9%CE%B1%202012.pdf?OpenElement) (in Greek).

## 2.3 Policy measures to address social and labour market exclusion

### 2.3.1 Unemployment benefits<sup>25</sup>

The unemployment benefit is paid to unemployed persons who are capable of, and available for, work and who fulfil the relevant social contribution conditions.<sup>26</sup> Persons without a job are initially registered with the District Labour Offices; if no suitable employment is available for them, they are registered with the District Social Insurance Office as unemployed. The period for which unemployment benefit is payable cannot exceed 156 days for each period of interruption of employment. Self-employed persons are not eligible for unemployment benefit.

The unemployment benefit is calculated on a weekly basis and consists of a basic and a supplementary part.

- The weekly basic benefit is a percentage of the person's basic earnings and increases with dependants.
- The supplementary benefit is a percentage of earnings exceeding basic earnings (up to a maximum).

The unemployed may also be eligible for redundancy payment, which is given by the Redundancy Fund after submission of the relevant application, along with a letter from the employer explaining the reasons for dismissal and sent within three months of the date of termination of employment.

Although the policy rules of the unemployment benefit have remained the same, during the period 2009–2013 the number of recipients and public spending on the benefits increased considerably due to the constantly deteriorating conditions in the labour market.

### 2.3.2 Minimum income support

Minimum income support in Cyprus is provided by the GMI which, as stated earlier in this report, replaced the Public Assistance scheme in 2014. GMI is a means-tested benefit that targets individuals or families with income not enough to cover their basic needs. Basic needs are defined on the basis of a reference budget methodology.

The GMI amount is defined as the difference between the (estimated) basic income and the (actual) family income.

- The basic income is calculated as the minimum monetary income necessary to ensure recipients' access to a complete consumption basket of goods and services that correspond to the minimum standard of living accepted by society. The current value of the basket is equal to €480 for a single individual and increases with the size of the recipient unit, in accordance with the OECD equivalence scales (adopted by Eurostat). The value of the basket is adjusted to account for changes in consumer prices.
- The family income is the sum of the monetary incomes of all the members of the family (recipient) unit, which is defined as a family consisting of couples (or single persons) living with unmarried children up to the age of 28 or children in full-time education or doing military service. In order to safeguard work incentives, income from employment is partly exempted. Furthermore, a

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<sup>25</sup> For an exhaustive description of unemployment schemes, see Soumeli, E. (2012), Cyprus: Social Partner's involvement in unemployment benefit regimes. <http://eurofound.europa.eu/observatories/eurwork/comparative-information/national-contributions/cyprus/cyprus-social-partners-involvement-in-unemployment-benefit-regimes>

<sup>26</sup> Claimants should have been insured for at least 26 consecutive weeks up to the date of unemployment, have paid social insurance contributions during their employment of not less than 26 times the weekly amount of basic insurable earnings, and have paid social insurance contributions of at least 20 times the weekly amount of basic insurable earnings in the previous contribution year.

number of other benefits are not taken into account in the calculation of the GMI.<sup>27</sup>

- The benefit is supplemented by a housing allowance aimed at helping tenants as well as home owners burdened with housing debt. The level of the housing allowance is related to the size and structure of the recipient unit.

It might be remarked that, in terms of the definition of the recipient unit on the basis of which the GMI is defined, the age threshold of 28 for dependent children is high compared to international practice. However, intergenerational patterns of obligation and exchange in Cypriot culture differ from those in most other EU countries. Therefore, adopting a stricter definition of dependent children (e.g. up to 18 years old) would almost surely dramatically increase the cost of the scheme, because many persons aged 18–28 would be eligible for GMI, even when their co-habitant parents also receive this benefit.

Finally, in defining eligibility criteria, movable and immovable property is taken into account.<sup>28</sup> Since the GMI scheme was launched very recently, no official statistics are available on the number of recipients, their socioeconomic status and total expenditure. However, according to the findings of the microsimulation exercise of the Economics Research Centre of the University of Cyprus, the GMI appears to contribute towards a significant reduction in the depth (intensity) of poverty; while the incidence of poverty appears to be mostly unaffected. Furthermore, the GMI scheme has widened coverage in comparison with the Public Assistance scheme, which it replaced.

### 2.3.3 Active labour market policies

The government has increased the emphasis placed on the activation of state benefit recipients. For example, it has announced that GMI recipients will be encouraged to participate in the labour market, and efforts will be taken to avoid incidences of welfare dependency.<sup>29</sup> At the same time, several employment programmes have been announced that target population groups that are more vulnerable to labour market exclusion (e.g. long-term unemployed, disabled, lone mothers and young persons without work experience). These active labour market policies take various forms, such as training, job-search assistance, hiring incentives for firms and direct job placements. The hiring incentives and training programmes appear to attract most of the resources earmarked for these policies.

In spite of the above measures and initiatives, long-term unemployment is constantly increasing and has reached unprecedented levels for Cyprus. More precisely, the percentage of long-term unemployed in total unemployed persons increased from 13.6% in 2008 to 38.3% in 2013.

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<sup>27</sup> The following income components are not taken into account: funeral grant, birth grant, student grant, military grant, financial aid to low-income pensioners, donations to philanthropic institutions, alimonies (when the entitled person can prove that the alimony is not duly paid to her/him by his/her former spouse), benefits to disabled persons, the first €512 from participation in employment or training schemes, and assistance through the welfare lottery fund.

<sup>28</sup> Specifically, single persons are eligible if their cash deposits do not exceed €5,000. For multi-person families, this threshold is increased by €1,000 for each additional dependant. Furthermore, movable assets other than deposits (e.g. bonds, shares) cannot exceed €5,000. As concerns immovable property, home ownership is not taken into account when the size of the house does not exceed 300 square metres. Non-occupied owned property is also disregarded if its value does not exceed €100,000.

<sup>29</sup> In a press statement unveiling the government plans to implement the GMI scheme, President Anastasiades said emphatically that "The single but absolutely necessary precondition is that they don't refuse to accept offers for employment and to participate in the policies of continuous employment that are determined by the state." <http://cyprus-mail.com/2013/07/26/president-announces-guaranteed-minimum-income-for-all-citizens/>

## Appendix

### Child benefit: Amounts and income thresholds

**Table A.1: Child benefit: Annual amounts per child**

Number of children	Basic part		Supplementary part	
	Annual income €49,000–€59,000	Annual income up to €49,000	Annual income up to €19,500	Annual income €19,500–€39,000
1 child	0	€379.92	€95.04	€45.00
2 children	€345.00	€379.92	€189.96	€140.04
3 children	€690.00	€759.96	€285.00	€234.96
4+ children	€1134.96	€1260.00	€414.96	€264.96

Source: Grant and Benefits Services, Ministry of Finance.

### Single parent benefit

**Table A.2: Single parent benefit levels, monthly amounts per child**

Income threshold	2012	2013	2014
0–39,000	€200	€180	€180
39,000–49,000	€180	€160	€160
49,000–59,000	€160	€140	0
59,000–69,000	€140	€120	0
69,000–79,000	€120	€100	0
79,000–89,000	€100	€90	0
Above 99,000	0	0	0

Source: Grant and Benefits Service, Ministry of Finance.

### Early childhood education and care

Childcare in Cyprus can be separated into educational and non-educational; and formal and informal. Educational childcare is provided by the public sector, local communities and the private sector. Pre-primary education is mandatory for children aged from 4 years 8 months to 5 years 8 months. Children of this age attend public, private or communal kindergartens, registered and approved by the Ministry of Education and Culture. Attendance in public kindergartens is free for children of mandatory age, while community kindergartens are subsidised. Children aged from 3 years to 4 years 8 months fill vacant places in public kindergartens, according to selection criteria defined by the law and directives issued by the director of primary education. Irrespective of age, priority is given to children with special education needs; other criteria concern (and prioritise) children at risk of socioeconomic deprivation. Non-educational childcare includes infant care centres, day-care and afternoon kindergartens. The organisation of the system is the responsibility of the Ministry of Labour and Social Insurance. Table A.3 provides some statistics<sup>30</sup> on the number of children, schools and the child/teacher ratio in kindergartens and day nursery schools, as well as their allocation in public, private or communal institutions.

**Table A.3: Pre-school education in Cyprus, 2011/12**

	Schools	Children	Children/teacher ratio
<b>Kindergartens</b>	478	22,105	14
Public	257	11,305	15.4
Communal	63	1,817	18.4
Private	158	8,983	12
<b>Day nursery schools</b>	194	6,582	9.9
Public	11	363	6.7
Communal	51	2,181	10.3
Private	132	4,038	10.1

Source: Statistics of Education 2011/12, Statistical Service of Cyprus.

<sup>30</sup> Official statistics about participation rates in pre-school education per socioeconomic group are not available.



