

Collective bargaining developments and the momentum towards a national minimum wage in Cyprus

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In the unionised sector, collective bargaining produces non-binding minimum salaries for 180 occupations. In the non-unionised sector, legally binding minimum wages exist. An agreement in the unionised hotel industry introduced legally binding wage minima which have applied in the sector since January 2020. The time seemed ripe to set up a national minimum wage framework, but because of COVID-19 and the recession it will trigger, the process is likely to be delayed.



Description

Before the 2019H2 collective bargaining agreement in the unionised sector, where unions bargain on behalf of their members, the “indicative” starting minima in hotels ranged from €695 per month (pm) for an Assistant Waiter to €1,991 pm for a Head Cook. The former was near the bottom of the occupational “indicative” starting minima, while the latter was at the top. In the non-unionised sector, the minimum starting salary (set by the Ministry of Labour, Welfare and Social Insurance (MLWSI 2012)) for shop assistants, clerks, child-care workers (assistant baby and child minders), and personal care workers (nursing assistants) is still €870 pm, rising to €924 pm after six months with the same employer. Hourly minima also exist for cleaners (€4.55 rising to €4.84 after six months) and security guards (€4.90 rising to €5.20 after six months).

The 2019H2 agreement in the hotel industry required a Ministerial Decree (issued on 8 January 2020) spelling out what would now be new legally binding wage minima. The lowest minimum (€870 pm) is specified for Porters, Assistant Waiters will earn €900 pm, but no minima are specified for high-paid occupations such as Head Cooks. It should be noted that, based on a pre-existing formula, the new wage minima in the low-paid hotel occupations are intended to distribute the share of gratuities received by a hotel for each of these occupations. The previous “indicative” salaries did not include gratuities and so the jump from the “indicative” minima to the new legally

binding ones is not as large as the raw difference between them would suggest.

All Member States except Austria, Cyprus, Denmark, Finland, Italy and Sweden have some form of national minimum wage (NMW) and a national framework, rather than the fragmented one described above, should be considered. The current president’s 2018 election programme included the statement that “Once conditions of full employment are achieved, a dialogue will begin for the adoption of the national minimum wage in all occupations” (author’s translation from Greek). Eurofound (2019, p. 19) notes that the Employment Committee of the House of Representatives received proposals from three small political parties for changes to the current set-up, and that a public hearing occurred in 2018. In September 2019, a Peer Review was organised by the MLWSI under the EU Mutual Learning Programme, to consider how a NMW might be implemented in Cyprus (for the material discussed at this event, see Christofides (2019)).

Notwithstanding the changes implemented through the 2019H2 agreement for the hotel sector, data-intensive work continues at the MLWSI, with support from the International Labour Organisation (ILO), towards the implementation of a NMW. There is no report as yet summarising the findings of this collaboration between the MLWSI and the ILO. A planned consultation with the social partners and subsequent presentation at the Council of Ministers have been postponed due to COVID-19.

This pandemic will not only absorb all the available energy for quite a while. The

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recession that it will cause will also raise the unemployment rate well above its full employment level, the time signal for implementing a NMW. Thus, the introduction of a NMW is likely to be delayed.

Outlook and commentary

The question of how a NMW would be structured raises a number of issues that need to be addressed. First, the definition of “full employment” was not made clear in the presidential manifesto; subsequent statements, however, suggest that it should mean that the unemployment rate (based on the Labour Force Survey rather than the number of registered unemployed) should not exceed 5%, as was the case before the 2008 crisis. Second, decisions need to be made as to whether the NMW will be a single figure, such as the current minima of €870 pm and €924 pm in the non-unionised sector, or a list of figures applicable to different occupations. Third, the process that sets and modifies the NMW as economic conditions change needs to be clearly defined.

Fourth, the level of financial support in the social safety network must be taken into account when setting the NMW in order to provide incentives to work. Finally, the implications of a legally binding NMW must be considered, as well as the resources needed to introduce and enforce it.

The Peer Review considered these questions in the light of the experience in Peer countries, and several tentative messages emerged. A cautious approach appeared to be favoured. This would involve: i) introducing a NMW at a time of low unemployment, while also avoiding adverse employment effects by setting it close to existing norms; ii) selecting a simple structure which avoids occupational complexity; iii) appointing a committee of experts to advise the government on setting and revising the NMW; iv) taking into account the level of financial support in the social safety network so as to make work pay; and v) ensuring that the NMW architecture is such that its legal enforcement will be effective.

Further reading

Brown, C.C. and D.S. Hamermesh (2019), *Wages and hours Laws: What do we know? What can be done?* IZA DP No. 12410, June. Available at <http://ftp.iza.org/dp12410.pdf>

Christofides, L. N. (2019), *Towards a National Minimum Wage?* Host Country Discussion Paper – Cyprus, Mutual Learning Programme, DG Employment, Social Affairs and Inclusion. Prepared for the Peer Review “Minimum wages- extending coverage in an effective manner”, Limassol, Cyprus, 19-20 September 2019. All presentations and papers are available at:

<https://ec.europa.eu/social/main.jsp?langId=en&catId=1070&furtherNews=yes&newsId=9366>

Eurofound (2019), *Minimum wages in 2019: Annual Review*. At:

<https://www.aranagenzia.it/attachments/article/9768/Minimum%20wages%202019%20-%20Eurofound.pdf>

Freeman, R (1996), *The Minimum Wage as a Redistributive Tool*. Economic Journal, 106(436), 639-649.

Harasztsi, P. and A. Lindner (2019), *Who Pays for the Minimum Wage?* American Economic Review, Vol. 109, No 8, August, 2693-2727.

Ministry of Labour, Welfare and Social Insurance (2012), *New minimum wage order valid April 1, 2012*. Available at:

<http://www.mlsi.gov.cy/mlsi/dlr/dlr.nsf/All/F039CE17CA09933AC2257A9300246936?OpenDocument>

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