



EUROPEAN SOCIAL POLICY NETWORK (ESPN)

# Social protection and inclusion policy responses to the COVID-19 crisis

## Cyprus

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**EUROPEAN COMMISSION**

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Social protection and inclusion  
policy responses to the  
COVID-19 crisis**

**Cyprus**

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## SUMMARY

Between Monday 3 February 2020 and Sunday 18 April 2021, the total number of confirmed COVID-19 cases per 100,000 people was 6,740 for the EU-27 as a whole; in Cyprus, it was 7,118. The total number of deaths per 100,000 people was 151 for the EU-27, versus 34 in Cyprus.

Immediately after the onset of the pandemic, Cyprus achieved good results in containing the spread of the virus by imposing strict restrictive measures, such as travel restrictions, school closures and suspension of many economic and social activities. The good epidemiological outcomes were reversed in December 2020, when COVID-19 cases reached alarming levels, thereby forcing the government to adopt new rounds of restrictive measures. During the first half of February 2021 the situation began to improve day by day, with a relatively small number of daily cases (100-130), coming from a very large number of tests (25,000-35,000 per day) and a positivity rate of less than 0.5%.

Inescapably, the continuous disruption of economic activity led to a recession; GDP in the fourth quarter (Q4-2020) of 2020 fell by 4.5 percentage points compared with the fourth quarter of 2019 (Q4-2019). To counteract the adverse effects of the recession on people and businesses, the government has exerted large efforts to protect employment, firms and all affected individuals, while a third wave of the virus is currently looming over the country.

To support employees, self-employed and unemployed people, as well as several vulnerable groups, the government has implemented a series of special measures that include: schemes for the support of unemployed people who lost eligibility of regular unemployment benefits; a band of measures specifically designed to protect employment through subsidising labour costs; special sickness benefits; special (paid) leave to parents for the care of children during school closures; special benefits for self-employed people; schemes for avoiding households' over-indebtedness; legislation for postponing evictions; and many other small-scale targeted schemes to cater for an increasingly diversified mix of social and economic needs. The majority of these schemes are administered by the Ministry of Labour, Welfare and Social Insurance (MLWSI) while some schemes are also organised and administered by the Ministry of Finance. Furthermore, a pivotal role in the protection of the public has been played by the newly implemented national health system which, now, provides a comprehensive healthcare package to all people residing in Cyprus.

These measures have been introduced across various points in time during 2020 and the beginning of 2021 and are still in effect, albeit with several modifications reflecting a continuously changing and uncertain environment. Almost all of these measures are new, implying that policies already in place were not adequate to cope with this unprecedented crisis. Moreover, it is also reasonable to argue that in the absence of these extraordinary policies, it would have been rather difficult to suspend so many economic, educational and social activities without causing either socio-political turmoil or devastating effects in terms of unemployment, poverty and social exclusion.

Almost all the COVID-19 measures taken can be understood as temporary and, in general, it is not expected that the pandemic will leave permanent changes in the design of social protection policies. Nevertheless, all these measures comprise a very important set of tools, which can be used as such or modified with relative safety in the future in the case of similarly difficult situations. The pandemic also bequeathed to us interesting and innovative ideas such as distance work, which can, under certain conditions, also contribute to the improvement of social protection. Furthermore, it is positive that the majority of the population is covered by the measures although we detected population groups at high risk of not receiving adequate support, such as the undeclared workers.

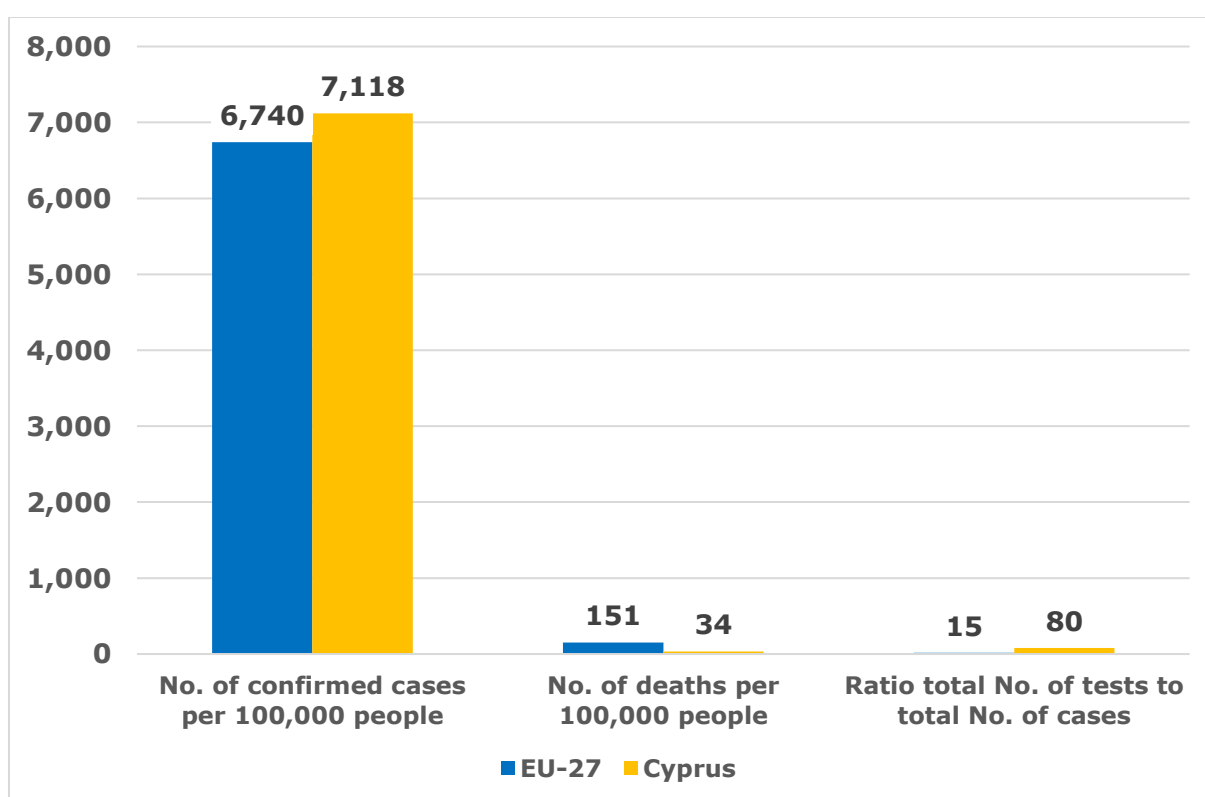
The overarching conclusion is that the social protection system has proved more than invaluable in tackling the socio-economic impact of the pandemic, with the only negative aspect being the potential long-term fiscal consequences as the total cost of new measures, and the increasing expenditure on already existing ones, is going to be formidable.

# 1 TRENDS OF THE PANDEMIC AND SOCIAL AND ECONOMIC IMPACT<sup>1</sup>

## 1.1 Epidemiological situation

During the 63 weeks considered for these three indicators (from Monday 3 February 2020 to Sunday 18 April 2021), the total number of confirmed COVID-19 cases per 100,000 people was 6,740 for the EU-27 as a whole; in Cyprus, it was 7,118. The total number of deaths per 100,000 people was 151 for the EU-27 versus 34 in Cyprus. The ratio of the total number of COVID-19 tests conducted to the total number of confirmed cases was 15.3 for the EU-27 and 80.2 for Cyprus.

**Figure 1: Total number of COVID-19 cases and deaths per 100,000 people & ratio of total number of COVID-19 tests to total number of cases, 3 February 2020 to 18 April 2021 (EU-27 and Cyprus)**



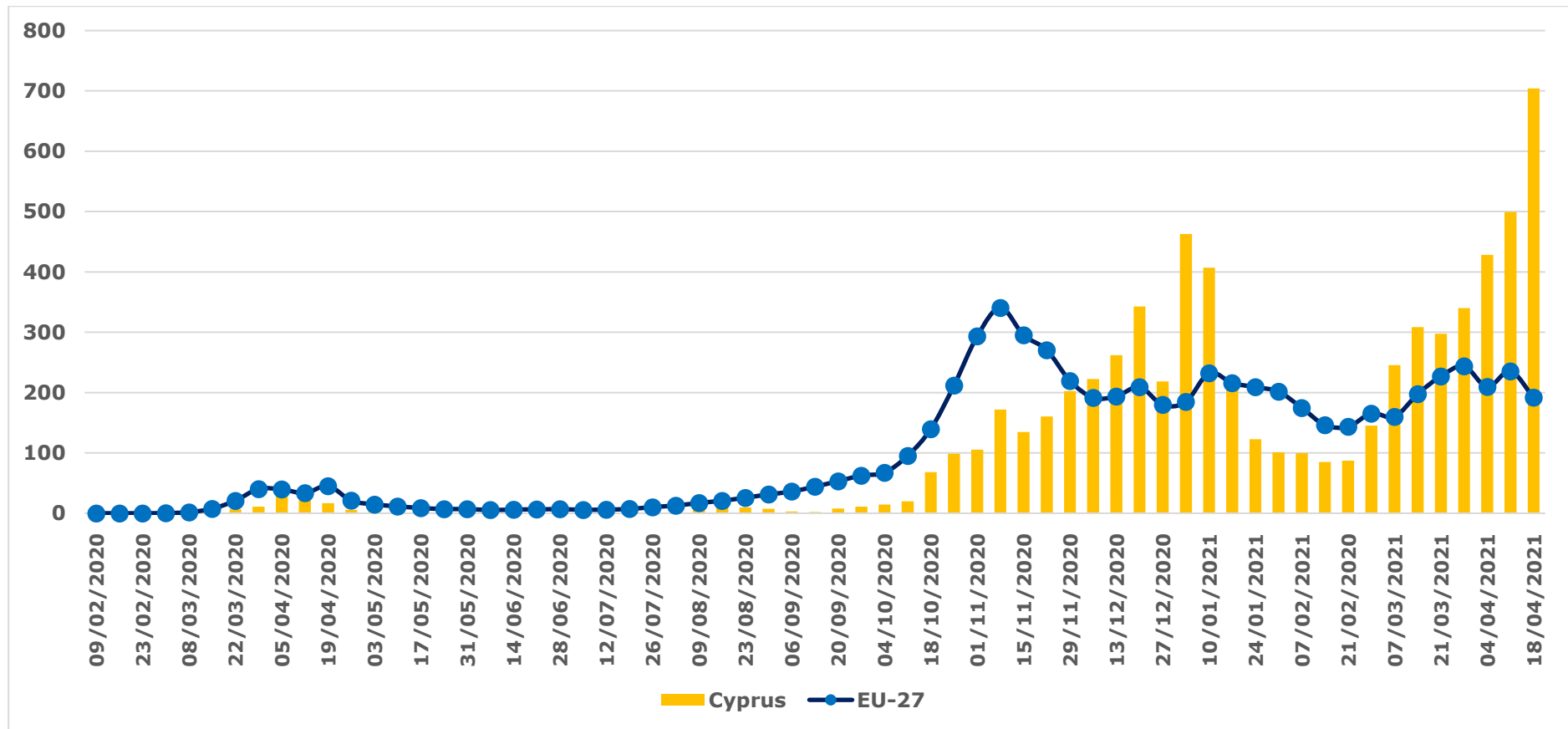
Source: Our World in Data (OWID) online database on COVID-19 - downloaded 26 April 2021

<sup>1</sup> Except if otherwise specified, the indicators presented in Sections 1.1 and 1.2 were calculated by the ESPN Network Core Team on the basis of data coming from two data sources: Our World in Data (OWID: <https://ourworldindata.org/coronavirus-source-data>) and the statistical office of the European Union (Eurostat: <https://ec.europa.eu/eurostat>). These indicators were calculated for all the 35 ESPN countries for which data were available. All of them are presented in Annex B of the following report: Isabel Baptista, Eric Marlier, Slavina Spasova, Ramón Peña-Casas, Boris Fronteddu, Dalila Ghailani, Sebastiano Sabato and Pietro Regazzoni (2021), *Social protection and inclusion policy responses to the COVID-19 crisis. An analysis of policies in 35 countries*, European Social Policy Network (ESPN), Luxembourg: Publications Office of the European Union. This report also provides additional explanations on the data sources used and the calculation of the indicators. In addition, Annex B of the report provides the country results related to all ESPN countries included in the two international data sources used (see Tables B1.1, B2.1 and B3.1 for Figure 1, Table B1.2 for Figure 2, Table B2.2 for Figure 3, Table B3.2 for Figure 4, Tables B4.1, B4.2 and B4.3 for Figure 5, Table B5 for Figure 6, Tables B6.1-3 for Figures 7a-c, and Tables B7.1-3 for Figures 8a-c). The full report and its various annexes can be downloaded [here](#).



In the last week of observations (from Monday 12 April 2021 to Sunday 18 April 2021), the number of confirmed COVID-19 cases per 100,000 people reached 191.8 for the EU-27. In Cyprus, it was 704.3.

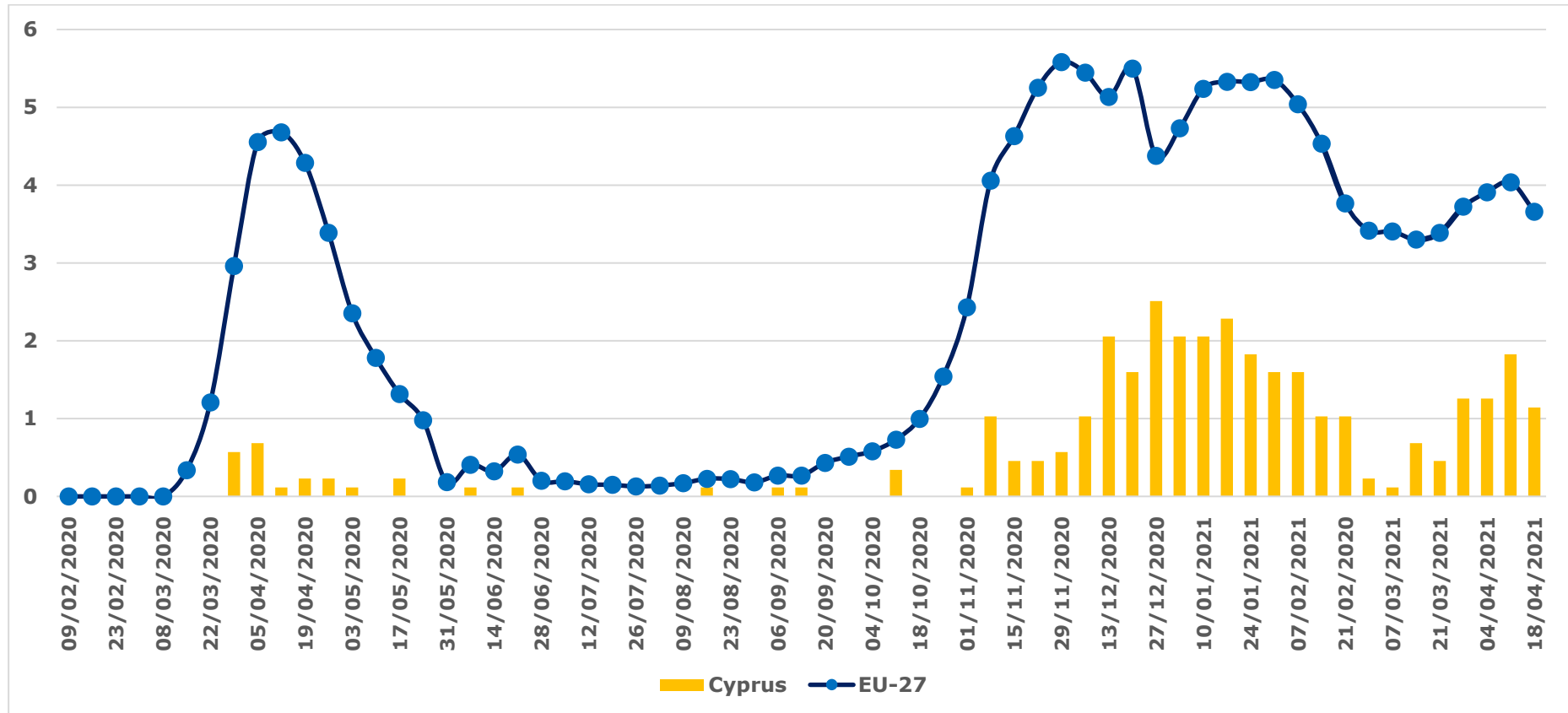
**Figure 2: Weekly evolution - Number of confirmed COVID-19 cases per 100,000 people from 3 February 2020 to 18 April 2021 (EU-27 and Cyprus)**



Source: Our World in Data (OWID) online database on COVID-19 - downloaded 26 April 2021.

In the last week of observations (from Monday 12 April 2021 to Sunday 18 April 2021), the number of COVID-19 deaths per 100,000 people reached 3.66 for the EU-27 as a whole. In Cyprus, it was 1.14.

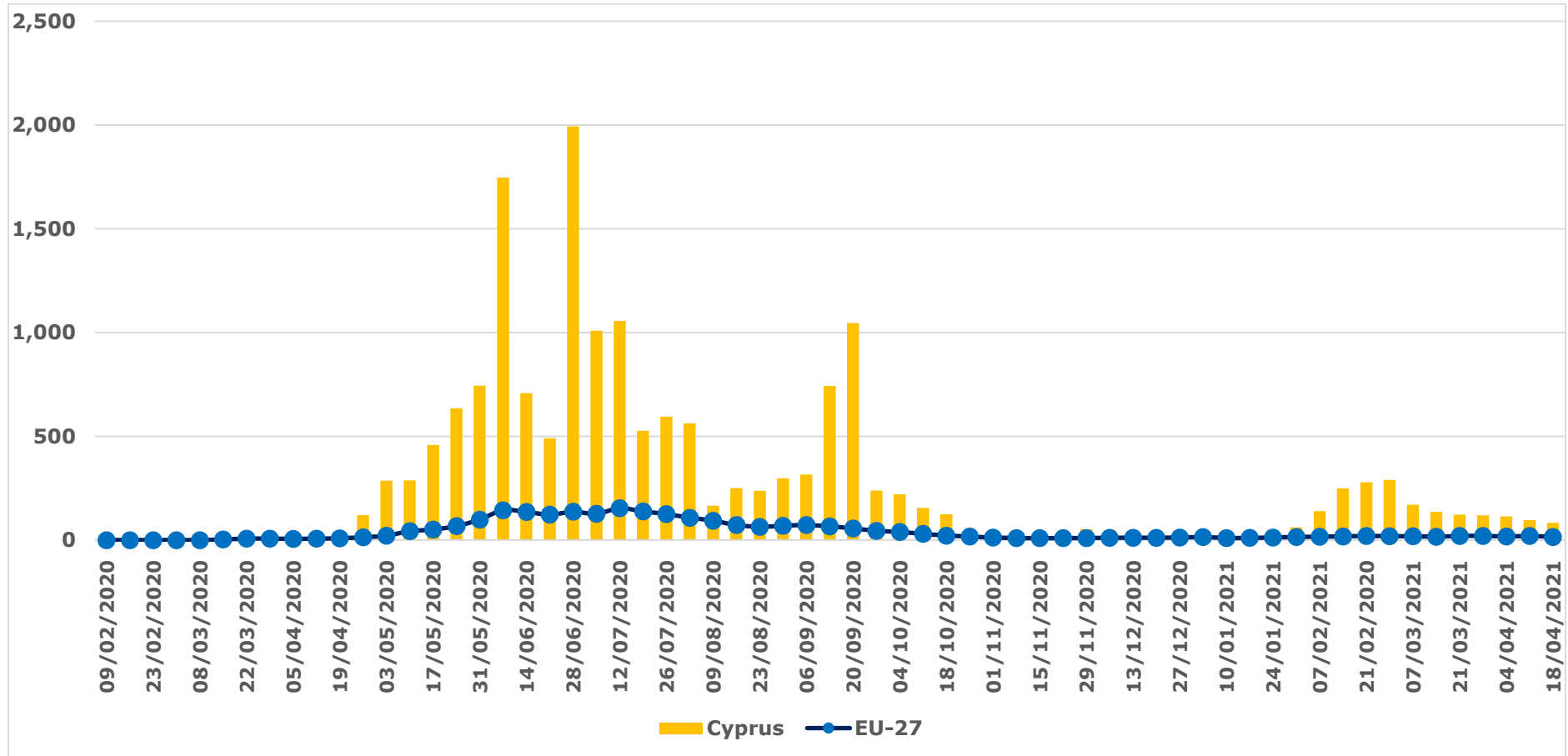
**Figure 3: Weekly evolution - Number of COVID-19 deaths per 100,000 people, 3 February 2020 to 18 April 2021 (EU-27 and Cyprus)**



Source: Our World in Data (OWID) online database on COVID-19 - downloaded 26 April 2021.

In the last week of observations (from Monday 12 April 2021 to Sunday 18 April 2021), the number of COVID-19 tests per new confirmed COVID-19 cases was 15.2 for the EU-27. In Cyprus, it was 83.3.

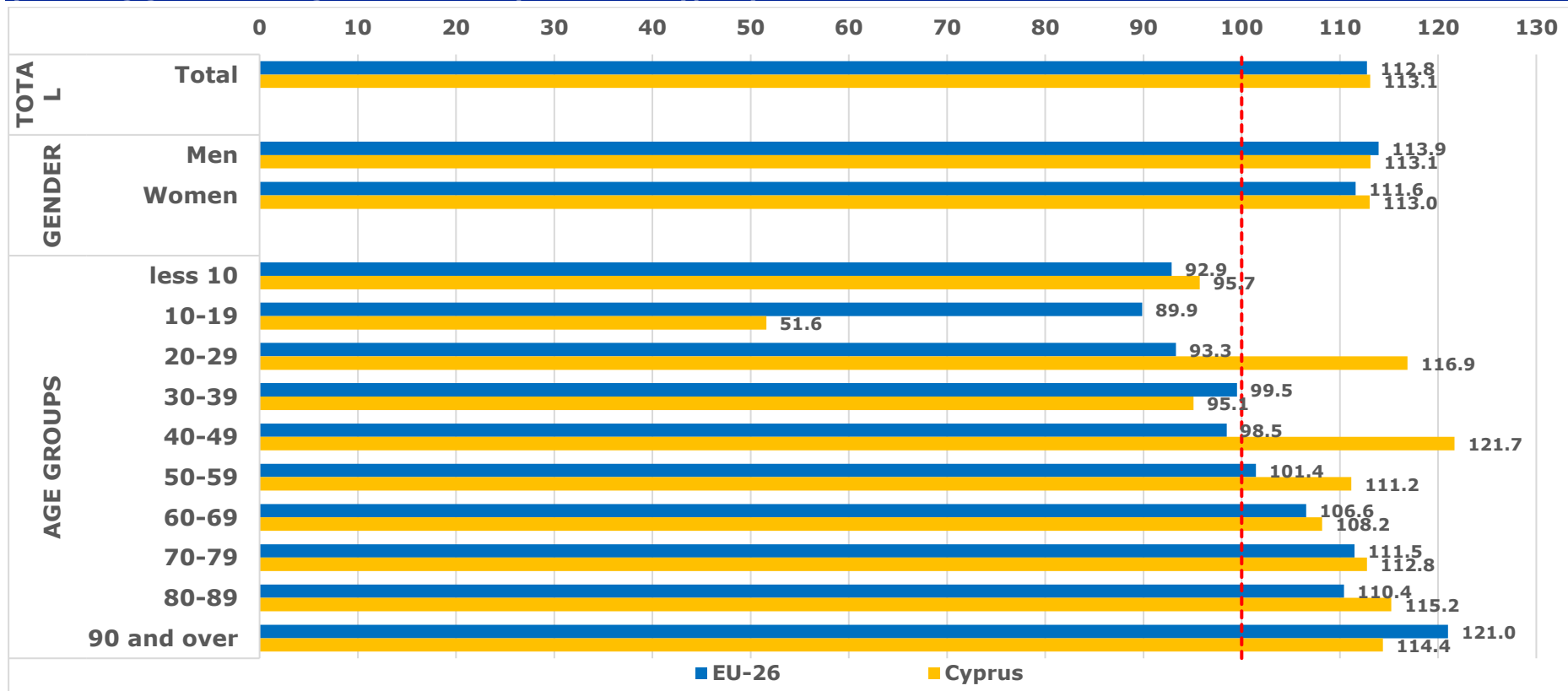
**Figure 4: Weekly evolution - Number of COVID-19 tests per new confirmed COVID-19 case, 3 February 2020 to 18 April 2021 (EU-27 and Cyprus)**



Source: Our World in Data (OWID) online database on COVID-19 - downloaded 26 April 2021. Full quote for these testing data: Hasell, J., Mathieu, E., Beltekian, D. et al. (2020). "A cross-country database of COVID-19 testing". *Sci Data* 7, 345 (2020) (<https://www.nature.com/articles/s41597-020-00688-8>).

The excess mortality ratio for 2020 is the total number of deaths (without distinction of causes) in the year 2020 expressed as a percentage of the previous 4-year (2016-2019) annual average of the total number of deaths. For the EU-26 average (no data for Ireland), the ratio of the total population is 112.8% while it is 113.1% in Cyprus. For the EU-26, it is 113.9% for men and 111.6% for women. In Cyprus, these gendered ratios are 113.1% and 113.0% respectively. Excess mortality is higher among older age groups. For those aged 90 years and more it reaches 121.0% for EU-26 and 114.4% for Cyprus.

**Figure 5: Excess mortality - Total number of all deaths in 2020 as percentage of the 2016-2019 annual average (including gender and age breakdowns (EU-26 and Cyprus))**

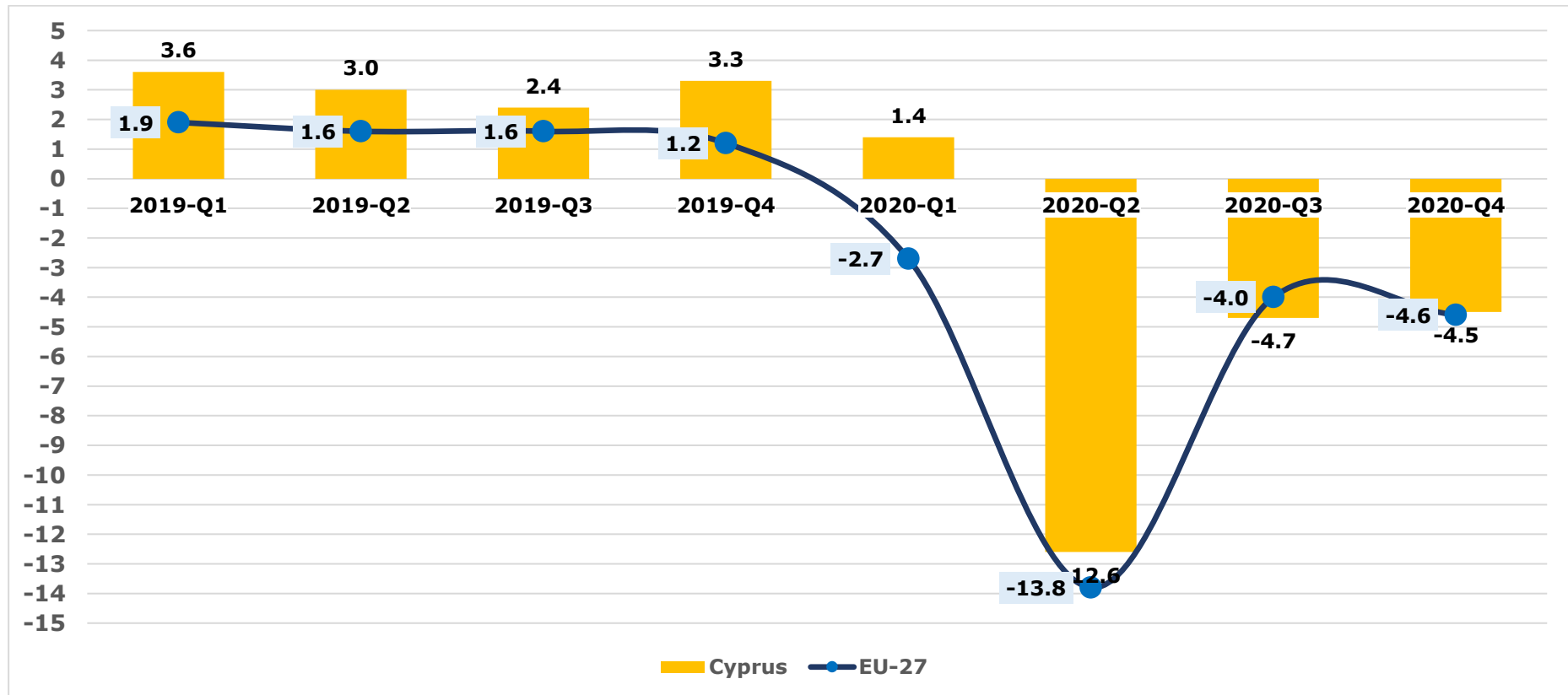


Source: Eurostat - indicator [DEMO\_R\_MWK\_10\_\_custom\_560457] Deaths by week, sex and 10-year age groups - downloaded 26 April 2021. For Bosnia and Herzegovina: Agency for statistics of Bosnia and Herzegovina (data received upon request on 19 April 2021).

## 1.2 Economic and (un)employment situation

In the EU-27, GDP in the fourth quarter (2020-Q4) of 2020 fell by 4.6% compared to the fourth quarter of 2019 (2019-Q4). In Cyprus, the decrease was 4.5% for the same period.

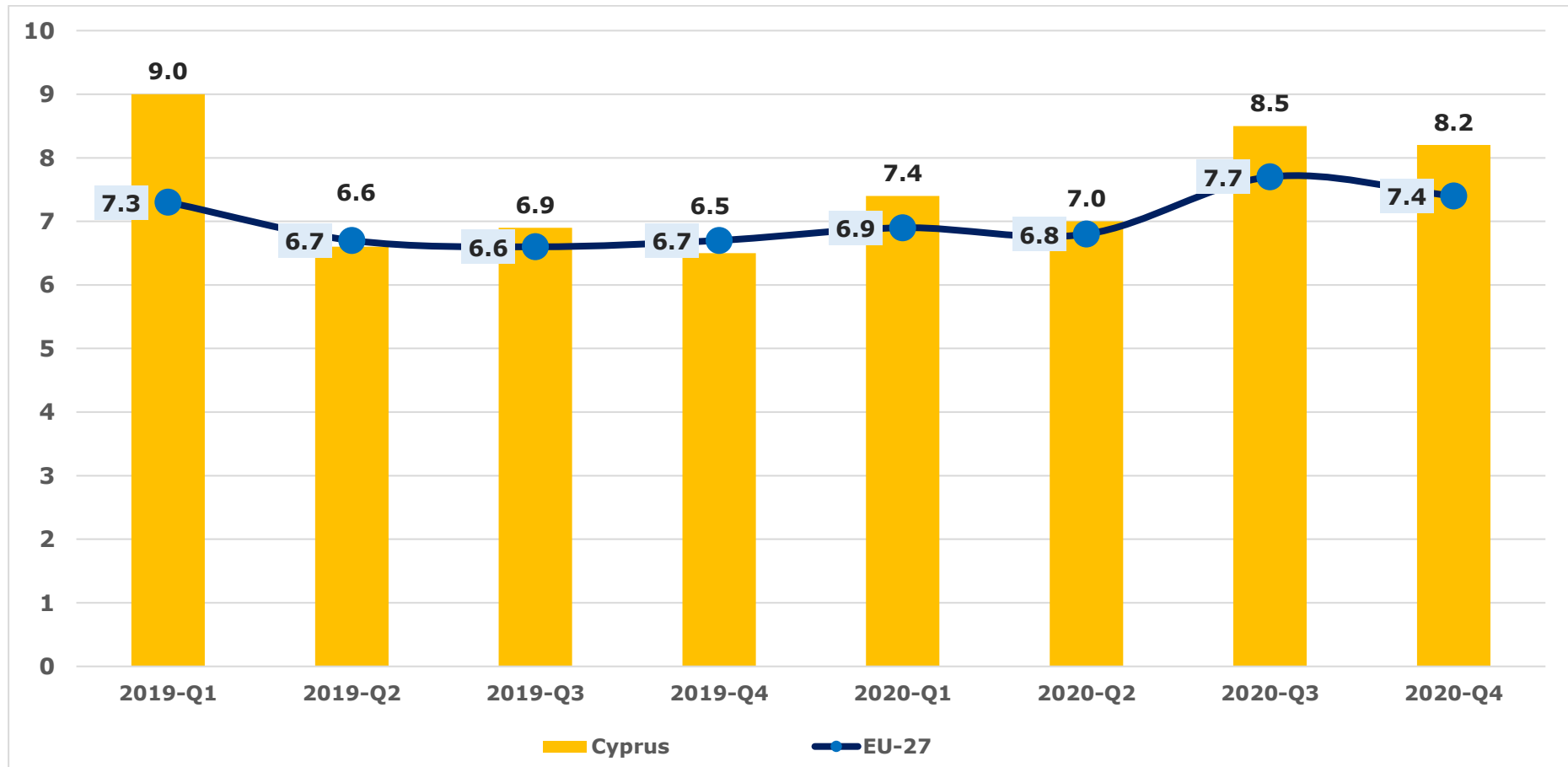
**Figure 6: Gross domestic product at market prices, chain-linked volumes prices adjusted, percentage changes in quarter compared with same quarter in previous year (2019-2020, EU-27 and Cyprus, %)**



Source: Eurostat -GDP and main components (output, expenditure and income) - indicator [NAMQ\_10\_GDP\_\_custom\_507806] - downloaded 26 April 2021.

In the fourth quarter of 2020 (2020-Q4), the unemployment rate in the EU-27 for people aged 15-64 years is 7.4%. In Cyprus, it is 8.2%.

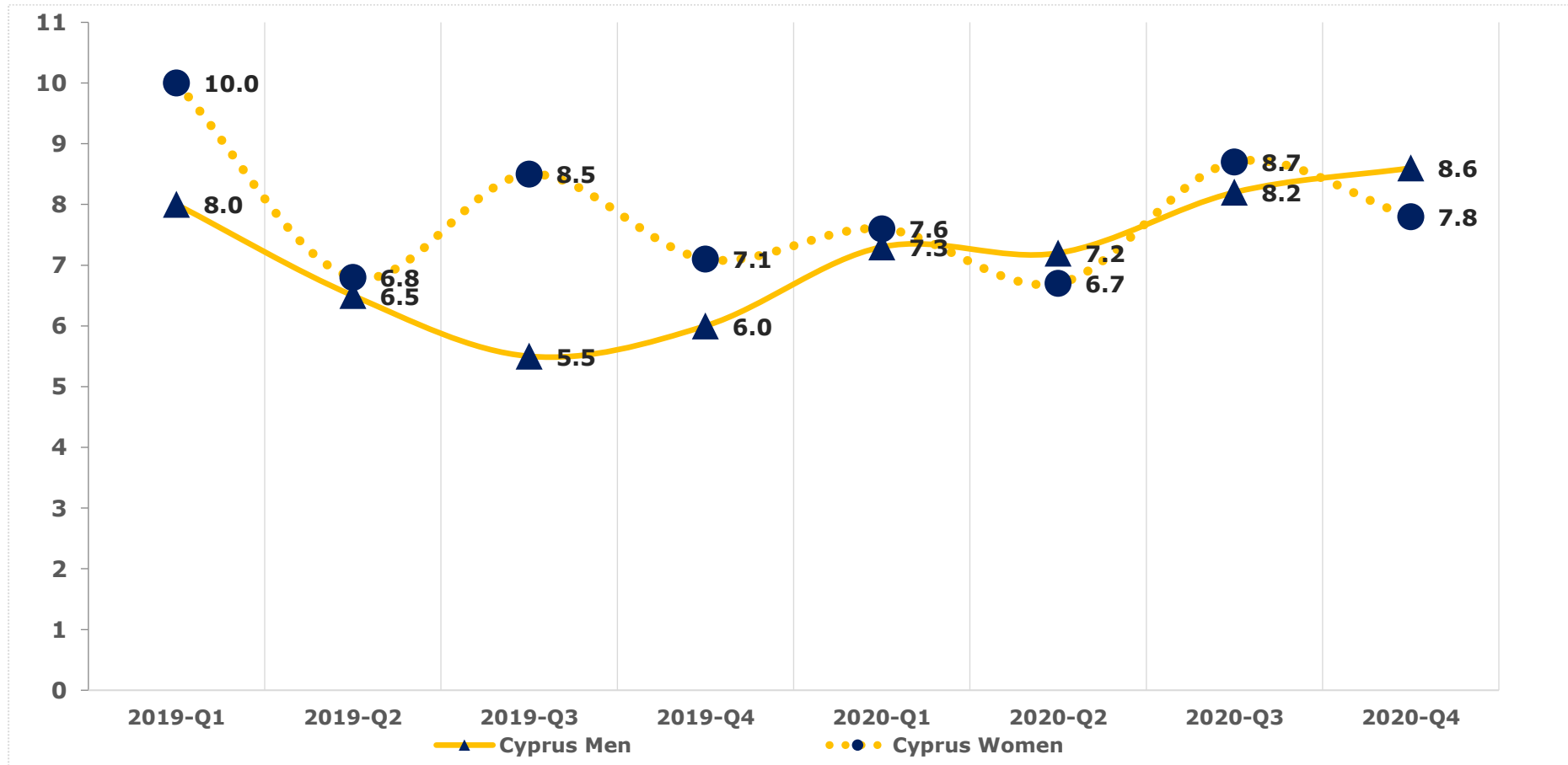
**Figure 7a: Seasonally-adjusted unemployment rate, quarterly data, total population aged 15-64 (2019-2020, EU-27 and Cyprus, %)**



Source: Eurostat LFS - indicator [lfsq\_urgan] - downloaded 26 April 2021.

In the fourth quarter of 2020 (2020-Q4), the unemployment rate in the EU-27 for people aged 15-64 years is 7.1% for men and 7.7% for women. In Cyprus, these figures are 8.6% and 7.8% respectively.

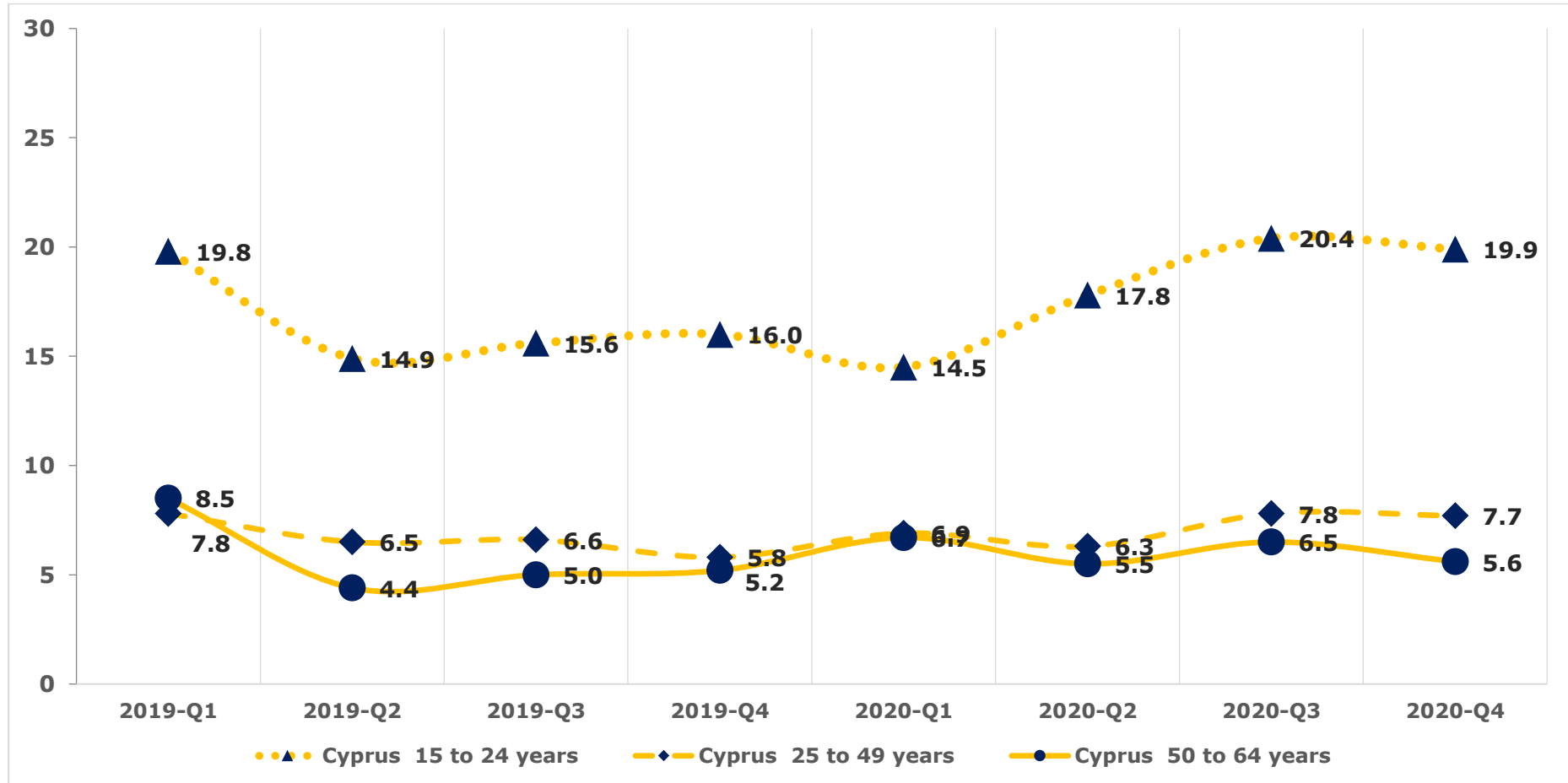
**Figure 7b: Seasonally-adjusted unemployment rate, quarterly data, total population aged 15-64 – by gender (2019-2020, Cyprus, %)**



Source: Eurostat LFS - indicator [lfsq\_urgan] - downloaded 26 April 2021.

In the fourth quarter of 2020 (2020-Q4), the unemployment rate in the EU-27 is 16.9% for the 15-24 age group. In Cyprus, it is 19.9%.

**Figure 7c: Seasonally-adjusted unemployment rate, quarterly data, total population aged 15-64 – by age group (2019-2020, Cyprus, %)**

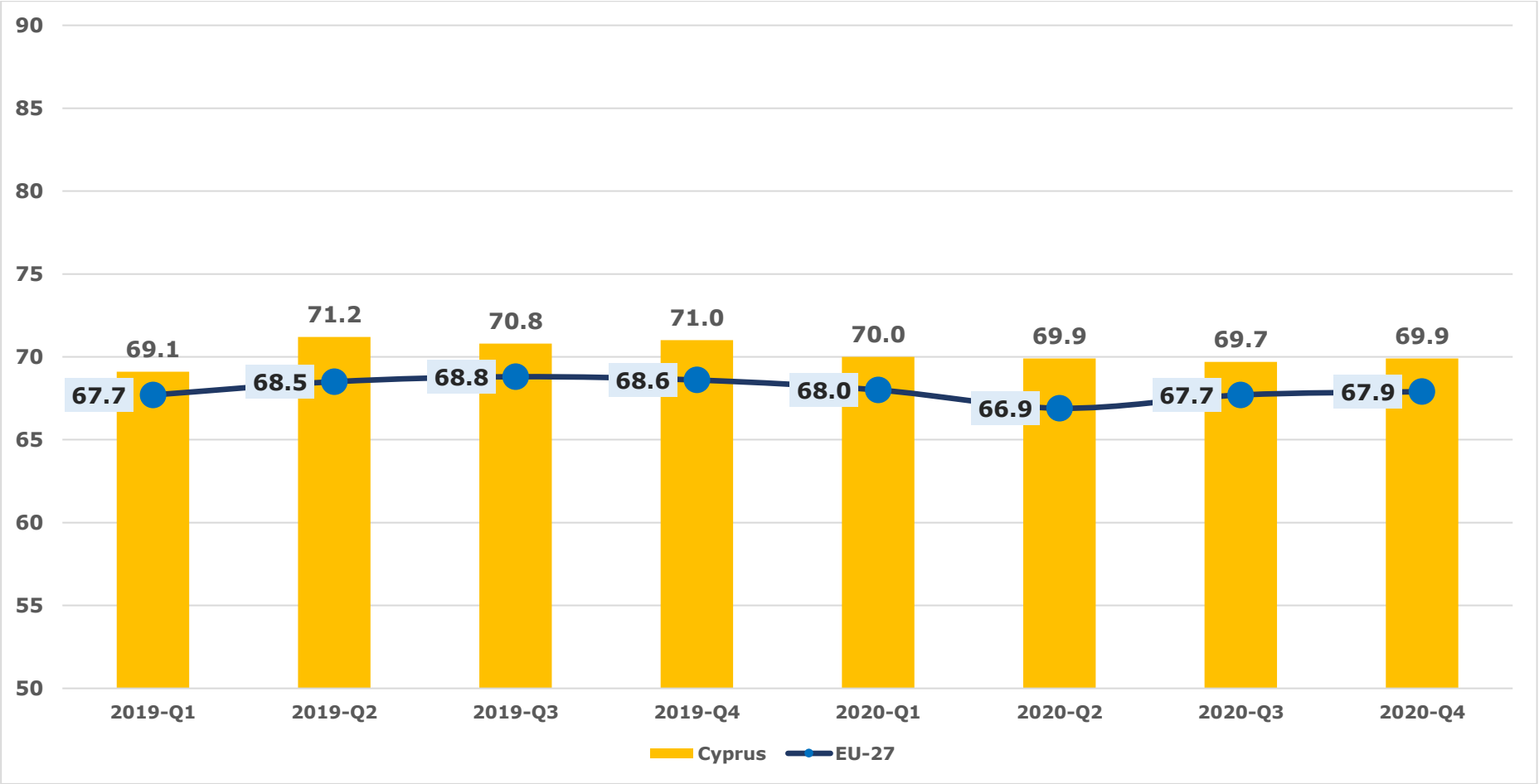


Source: Eurostat LFS - indicator [lfsq\_urgan] - downloaded 26 April 2021.



In the fourth quarter of 2020 (2020-Q4), the employment rate for people aged 15-64 in the EU-27 is 67.9%. In Cyprus, it is 69.9%.

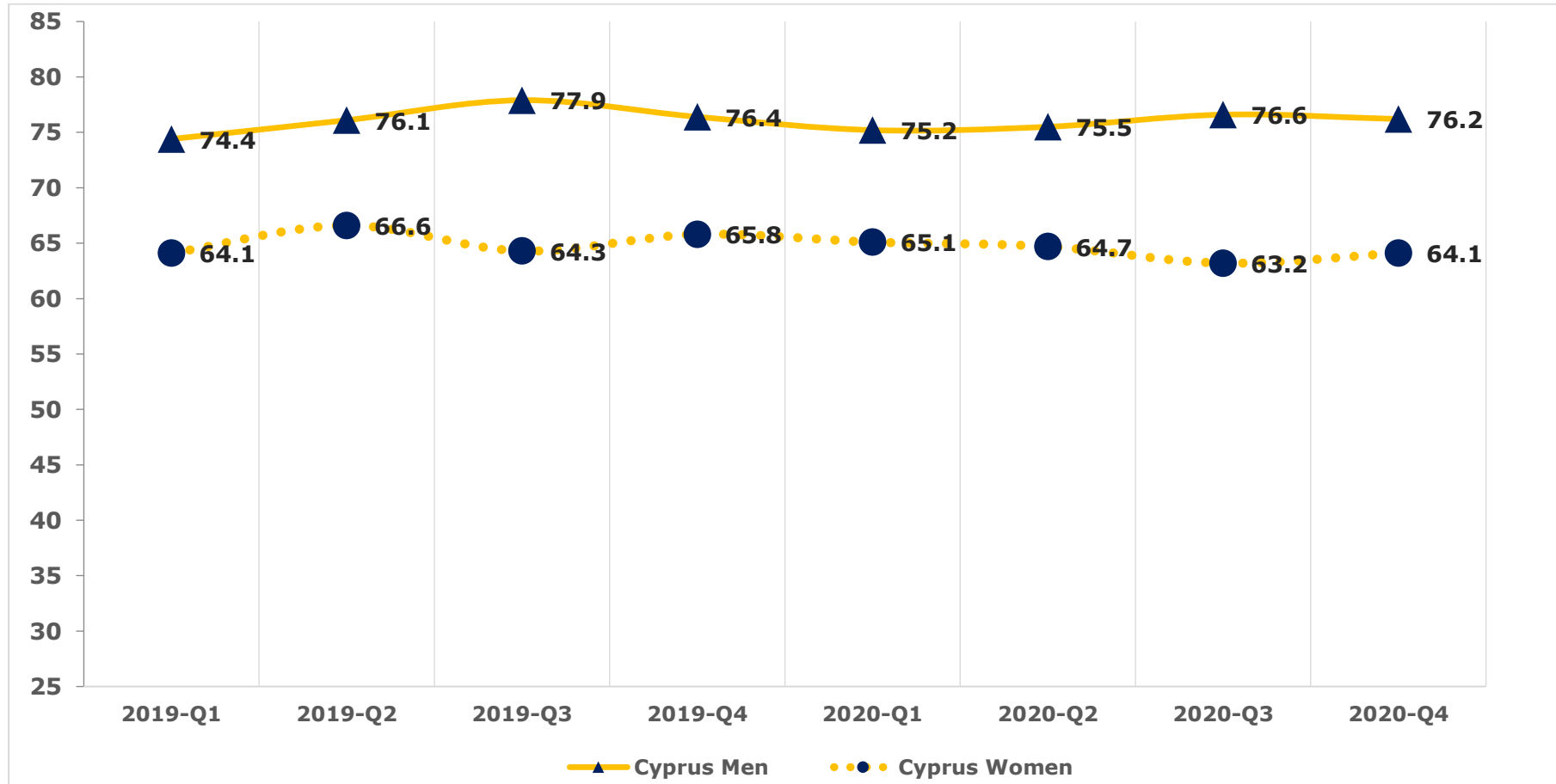
**Figure 8a: Seasonally-adjusted employment rate, quarterly data, total population aged 15-64 (2019-2020, EU-27 and Cyprus, %)**



Source: Eurostat LFS - indicator [lfsq\_ergan] - downloaded 26 April 2021.

In the fourth quarter of 2020 (2020-Q4), the employment rate in the EU-27 is 73.0% for men and 62.8% for women. In Cyprus, these figures are 76.2% and 64.1% respectively.

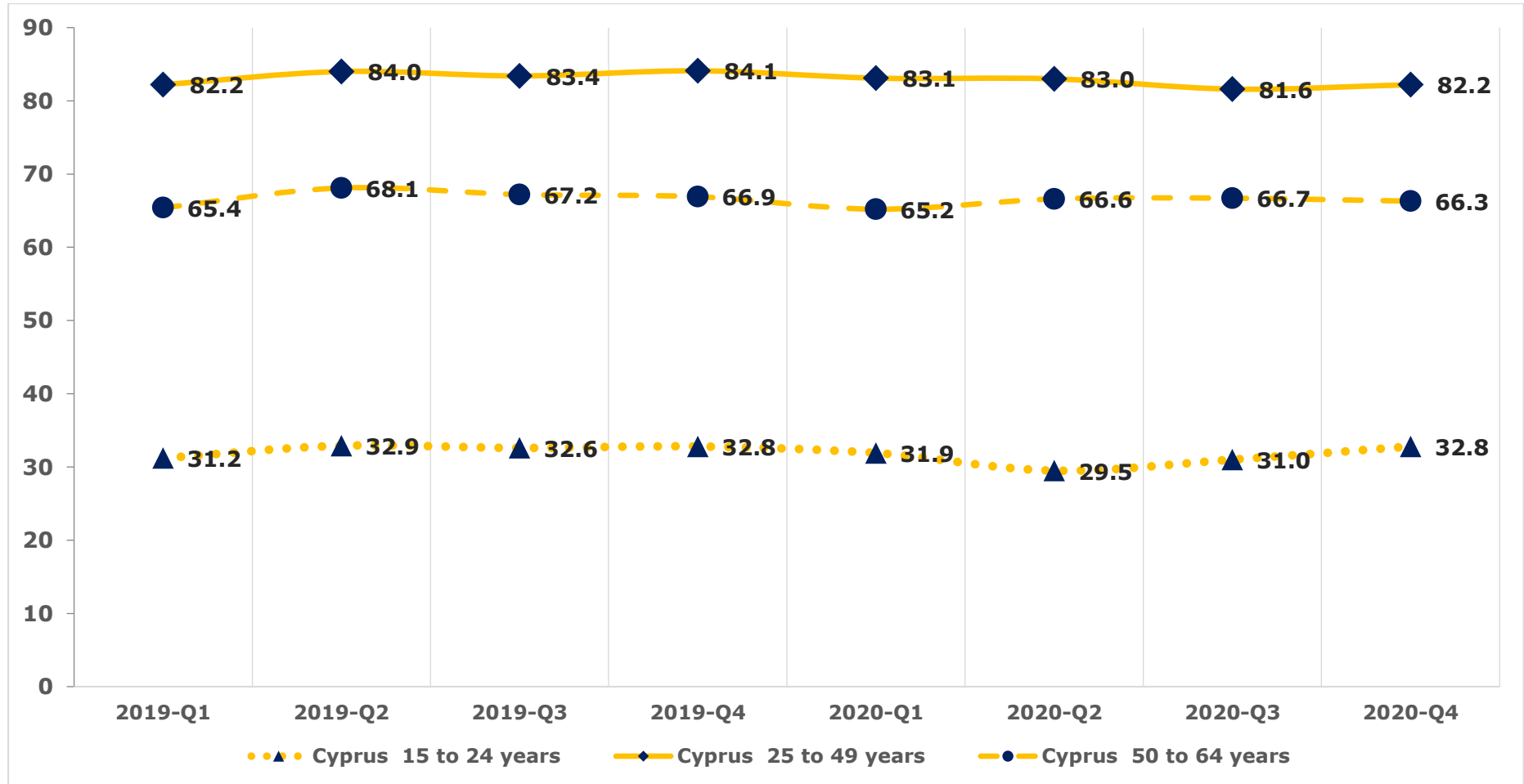
**Figure 8b: Seasonally-adjusted employment rate, quarterly data, total population aged 15-64 – by gender (2019-2020, Cyprus, %)**



Source: Eurostat LFS - indicator [lfsq\_ergan] - downloaded 26 April 2021.

In the fourth quarter of 2020 (2020-Q4), the employment rate in the EU-27 is 31.1% for the 15-24 age group. In Cyprus, it is 32.8%.

**Figure 8c: Seasonally-adjusted employment rate, quarterly data, total population aged 15-64 – by age group (2019-2020, Cyprus, %)**



Source: Eurostat LFS - indicator [lfsq\_ergan] - downloaded 26 April 2021.

### 1.3 Poverty, inequality and social exclusion situation

There are no data on poverty, inequality and social exclusion for Cyprus for 2020. However, a potential useful source of evidence is the simulations provided by the Euromod model. Euromod is a static tax-benefit microsimulation model for the European Union that is managed by the Joint Research Centre (JRC) of the European Commission in collaboration with Eurostat. According to the model (Nearchou & Stavrakis, 2020), the at-risk-of-poverty rate in Cyprus in 2020 is simulated at 15.5%, slightly below its 2019 level (16.1%). Inequality, as measured by the Gini index, is simulated at almost the same levels as in 2019 (i.e. 29.33 points in 2020) and the S80/S20 ratio is predicted to increase very slightly (from 4.23 in 2019 to 4.29 in 2020). As regards social exclusion, taking as a measure the number of beneficiaries of the guaranteed minimum income (GMI), the model simulates that the number of recipient units increased from 34,000 in 2019 to 36,000 in 2020.

Nevertheless, it is important to note that these simulations do not take into account the impact of the pandemic on the real economy (which literally changes month by month) and should only be understood as a basis for more updated simulations<sup>2</sup>. Finally, an interesting feature of the model is the simulation of certain COVID-19-related measures, which enables the accurate measurement of the distributional effects of these policies<sup>3</sup>.

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<sup>2</sup> Indeed, according to some other estimates of the model, the decline in employment income between 2019 and 2020 in Cyprus is expected to be among the highest in EU, reaching 7.4% (see [experimental statistics produced by Eurostat in the frame of advanced estimates on income inequality and poverty indicators](#)).

<sup>3</sup> In relation to this version of the model, its developers underline that the simulations of these policies are at an experimental stage and should be used with caution (Nearchou & Stavrakis, 2020).

## 2 SOCIAL PROTECTION AND INCLUSION MEASURES IN RESPONSE TO THE PANDEMIC<sup>4</sup>

This section provides a brief description of the main measures related to social protection and social inclusion that have been put in place to help mitigate the financial and social distress produced by the economic downturn caused by the pandemic. It is based on readily available data and evidence. For each measure, it provides the following information.

- a) Short description of the measure.
- b) Category: Is it a flat benefit, a conditional benefit, both a flat and a conditional benefit, or neither a flat nor a conditional benefit?
- c) Timing: When did the measure start/end? Has it been extended?
- d) Depending on the category:
  - amount and duration (for flat measures); and
  - range (minimum-maximum), duration and conditionality (thresholds) (for conditional measures).

If the measure is neither flat nor conditional, this is indicated by “Not applicable”.

- e) Targeted population: what is/are the target(s) of the measure? – that is to say, which parts of the population or of the labour force. Where data and evidence are readily available, estimated number of people targeted and/or applicants.
- f) Beneficiaries: What is the number of recipients of the measure (if relevant and available)?
- g) Novelty: Was the measure new or an already existing one that was adjusted?

### 2.1 Measures related to unemployment benefits

The government has implemented new special schemes aiming at covering jobless people who have exhausted their right to regular unemployment benefits and cannot find a job due to the pandemic or are not eligible for it. In accordance with guidelines for this report, these schemes are described in Section 2.5, although conceptually they could also have been included in Section 2.1, and include the following: the special allowance for support of the unemployed (Section 2.5.1), the special allowance for self-employed people (Section 2.5.2) and the special allowance for certain categories of self-employed people (Section 2.5.3).

### 2.2 Measures of job protection provided through support to employers, employees and the self-employed

#### 2.2.1 *Ειδικό σχέδιο πλήρους αναστολής των εργασιών των επιχειρήσεων (Special plan for complete suspension of business activities)*

- a) Short description of the measure: A basic condition for participation in the plan is the non-dismissal of employees. The main purpose of this emergency measure is to contain unemployment by supporting companies affected by the pandemic through providing a special allowance in the form of salary subsidy to their employees to curb the number of potential redundancies. The most important change in the scheme took place on 8 October 2020 with an increase to the employee coverage from 90% to 97% for eligible businesses employing more than nine employees (i.e. excluding only a mere 3% of senior and high-ranking staff).

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<sup>4</sup> The temporary measures mentioned in this report refer to the situation as of 15 April 2021. Their duration may have been extended since then.

- b) Category: Conditional benefit.
- c) Timing: Since its inception (16 March 2020), the plan has been constantly renewed by the MLWSI.
- d) Range, duration and conditionality: For businesses with more than nine employees, the allowance is paid initially to 90% of the employees<sup>5</sup>. The remaining 10%<sup>6</sup> who are excluded should be made up of general managers, shareholders holding more than 20% of the shares and other executives. In cases where the above people exceed 10% of the employees of the company, they can be included provided that certain conditions are met. For companies that employ up to nine employees, this special allowance can be paid to all employees of the company regardless of their status and position. For the period for which the special allowance is paid, the employer is not obliged to pay a salary to their employees benefiting from it.

The allowance for each employee will be 60% (paid entirely by the state) of their salary with a minimum of €360 and a maximum of €1,214 for a one-month period. Upon expiration, the beneficiaries are required to reapply for this allowance; this provision was still in effect at the time this report was updated (15 April 2021).

- e) Targeted population: Private, for-profit businesses (legal or physical entities) that have completely suspended their activities in accordance with the decrees of the Minister of Health and the relevant decisions of the Council of Ministers and have not changed their core line of businesses and operations. Moreover, businesses experiencing or forecasting a reduction in their turnover of more than 80% compared with the corresponding months of the previous years, and where the reduction in their turnover is attributed solely to the COVID-19 pandemic, are also included as potential beneficiaries in this special plan. Note that the final recipients are the employees of these businesses regardless of their employment status; however, the payment of these allowances is made to the eligible businesses. Although there are no available estimates of the number of people targeted, during a press conference held in May 2020<sup>7</sup>, the Minister of Finance announced that approximately 40,000 businesses<sup>8</sup> could benefit from the plans of complete and partial suspension of businesses.
- f) Beneficiaries: The average monthly number of recipients (i.e. people benefiting from the scheme) was 26,459 (March-September 2020), while the monthly number of recipients peaked at 71,699 in April 2020 (this is about 19% of total employed people in the economy)<sup>9</sup>.
- g) Novelty: This is a new and extraordinary support measure aimed at private, for-profit businesses.

### **2.2.2 Ειδικό σχέδιο μερικής αναστολής των εργασιών της επιχείρησης (Special plan for partial suspension of business activities)**

- a) Short description of the measure: This is an additional emergency support plan in the form of wage subsidy, where there are no requirements for reducing working hours, to contain unemployment and curb the number of potential redundancies. This measure is designed for businesses operating partially and experiencing significant reductions in their turnover. There are four distinct categories related to the magnitude of the turnover reduction, and the percentage of employee coverage. More specifically, in cases of a turnover reduction: (i) from 30% to 40%, the employee coverage is 45%; (ii) over 40% up to 65%, coverage is 65%; (iii) over 65% up to 80%, coverage is 75%;

<sup>5</sup> Increased to 97% on 1 October 2020.

<sup>6</sup> Reduced to 3% on 1 October 2020.

<sup>7</sup> Statement of the Ministry of Finance for the new support package to deal with COVID-19 (in Greek).

<sup>8</sup> Roughly speaking, this figure amounts to about 40% of the total number of enterprises in the economy.

<sup>9</sup> Data extracted and processed from the Employment and Social Protection Committee (2021).

and iv) over 80%, coverage is 97%. A basic condition for participation in the plan is the non-dismissal of employees.

- b) Category: Conditional benefit.
- c) Timing: This special plan started on 16 March 2020 and had been available until 12 June 2020 when a new similar plan was introduced (see Section 2.2.3). The plan was reinstated following a ministerial decision on 20 January 2021.
- d) Range, duration and conditionality: The allowance for each employee is 60% (paid by the state) of their salary with a minimum of €360 and maximum of €1,214 for one month. For the period for which the special allowance is paid, the employer is not obliged to pay salaries to those of their employees benefiting from it. The plan excludes executives and shareholders who own more than 20% of the shares.
- e) Targeted population: Private, for-profit businesses that have partially suspended their operations, and experiencing a reduction in their turnover of more than 25% compared with the corresponding months of the previous years (the reduction in their turnover attributed solely to the COVID-19 pandemic), are included as potential beneficiaries in this special plan. The end-recipients are the employees of these businesses regardless of their employment status; however, the payment of these allowances is made to the eligible businesses. Businesses employing up to 50 employees can join this plan so that 75% of their employees become eligible for this special allowance, while the percentage is reduced to 60% for businesses with more than 50 employees. Upon expiration of the allowance period, the beneficiaries are required to reapply. Although there are no available estimates of the number of people targeted, during a press conference held in May 2020<sup>10</sup>, the Minister of Finance announced that approximately 40,000 businesses<sup>11</sup> could benefit from the plans in the cases of complete and partial suspension of businesses.
- f) Beneficiaries: 69,638 (average monthly number of people, March-May 2020)<sup>12</sup>. This corresponds to approximately 17% of the average number of people employed in Cyprus in 2020<sup>13</sup>.
- g) Novelty: Although not a novelty, there were important adjustments made at the time of reinstatement of this plan (20 January 2021) defining different rates of employee coverage (see point a) above).

### **2.2.3 Σχέδιο για επιχειρήσεις ορισμένων οικονομικών δραστηριοτήτων (Plan for businesses of certain economic activities)**

- a) Short description of the measure: A continuation of the previous plan, aimed at certain businesses operating in specific areas or sectors. Similarly with the schemes described above, this is a wage subsidy where there are no requirements for reducing working hours. A basic condition for participation in the plan is the non-dismissal of employees. Businesses employing up to three employees can join this plan so that 100% of their employees become eligible to receive the special allowance. Similarly, businesses employing more than three employees can also join this plan so that 45% of their employees become eligible for this special allowance. Upon expiration of the allowance period, the beneficiaries are required to reapply.
- b) Category: Conditional benefit.
- c) Timing: This scheme was introduced on 13 June 2020.

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<sup>10</sup> Statement of the Ministry of Finance for the new support package to deal with COVID-19 (in Greek).

<sup>11</sup> Roughly speaking, this figure amounts to about 40% of the total number of enterprises in the economy.

<sup>12</sup> Data extracted and processed from the Employment and Social Protection Committee (2021).

<sup>13</sup> [Statistical Service of the Republic of Cyprus, Employment 2020 \(in Greek\)](#)

- d) Range, duration and conditionality: For the period for which the special allowance is paid, the employer is not obliged to pay salaries to those of their employees benefiting from it. The allowance for each employee is 60% of the salary with a minimum of €360 and a maximum of €1,214 for a period of one month. The business should not carry out any of the financial activities described in the regulations, while at the same time there should be a reduction of at least 40%<sup>14</sup> in their turnover solely attributed to the pandemic<sup>15</sup>.
- e) Targeted population: In a similar manner to the special plan for partial suspension of business activities in Section 2.2.2, this scheme addresses certain businesses in specific areas or sectors that have been significantly hit by the negative effects of the pandemic. The types of businesses<sup>16</sup> excluded are explicitly described in the regulations of the MLWSI. The recipients are the employees of these businesses regardless of their employment status. Although there are no available estimates of the number of people targeted, during a press conference held in May 2020<sup>17</sup>, the Minister of Finance announced that approximately 40,000 businesses<sup>18</sup> could benefit from the plans of complete and partial suspension of businesses.
- f) Beneficiaries: 15,487 (average monthly number of recipients, June-September 2020). This corresponds to approximately 4% of the average number of employed people in Cyprus in 2020<sup>19</sup>.
- g) Novelty: The plan can be considered as a fine-tuning adjustment to the special plan for partial suspension of business activities presented in Section 2.2.2. Subsequent revisions of this plan on 1 August 2020 and 1 September 2020 changed the employee coverage and the turnover reduction threshold.

**2.2.4 Ειδικό σχέδιο οικονομικών δραστηριοτήτων συνδεδεμένων με την τουριστική βιομηχανία ή οικονομικών δραστηριοτήτων οι οποίες επηρεάζονται άμεσα από τον τουρισμό ή οικονομικών δραστηριοτήτων που συνδέονται με επιχειρήσεις που τελούν υπό υποχρεωτική πλήρη αναστολή (Special plan for economic activities related to the tourism industry, directly affected by tourism, or related to businesses under complete mandatory suspension)**

- a) Short description of the measure: This is a wage subsidy scheme where there are no requirements for reducing working hours. A basic condition for participation in the plan is the non-dismissal of employees. This scheme addresses businesses whose economic activity is linked to the tourism industry or is directly affected by tourism. It provides a wage subsidy to support their employees. Active and inactive businesses<sup>20</sup> employing up to three employees can join this plan so that 100% and 97%<sup>21</sup> of their employees respectively become eligible to receive this special allowance. Similarly, only active businesses employing more than three employees can also join this plan so that 65% of their employees become eligible to receive this special allowance. Upon expiration of the allowance period, the beneficiaries are required to reapply.
- b) Category: Conditional benefit.

<sup>14</sup> The threshold percentage was revised twice.

<sup>15</sup>

[https://www.mof.gov.cy/mof/gpo/gpo.nsf/All/B63280F8EFD40981C22585AD00457527/\\$file/5321%2022%207.2020%20PARARTHMA%203o%20MEROS%20I.pdf](https://www.mof.gov.cy/mof/gpo/gpo.nsf/All/B63280F8EFD40981C22585AD00457527/$file/5321%2022%207.2020%20PARARTHMA%203o%20MEROS%20I.pdf)

<sup>16</sup> 35 in total from a wide range activity such as service providers, the primary sector, the construction industry and sports.

<sup>17</sup> Statement of the Ministry of Finance for the new support package to deal with COVID-19 (in Greek)

<sup>18</sup> Roughly speaking, this figure amounts to about 40% of the total number of enterprises in the economy.

<sup>19</sup> [Statistical Service of the Republic of Cyprus, Employment 2020 \(in Greek\)](#)

<sup>20</sup> 40% and more turnover reduction (see Section 2.2.4(e)).

<sup>21</sup> The remaining 3% includes senior executives and shareholders holding more than 20% of the shares, who are excluded.



- c) Timing: The scheme was introduced on 13 June 2020 and is still available at the time of updating this report (15 April 2021).
- d) Range, duration and conditionality: For the period for which the allowance is paid, the employer is not obliged to pay salaries to those of their employees benefiting from it. The allowance for each employee will be 60% of the salary with a minimum of €360 and €1,214 for a period of one month.
- e) Targeted population: This plan covers businesses linked to the tourism sector that are either inactive or active during the period of implementation of the plan provided they experience or anticipate a reduction in turnover of more than 40%<sup>22</sup> compared with the corresponding period of the previous years, attributed solely to the negative impact of COVID-19 pandemic. Note that the end-recipients are the employees of these businesses regardless of their employment status; however, the payment of these allowances is made to the eligible businesses.
- f) Beneficiaries: 1,578 (average monthly number of recipients, June–September 2020). This corresponds to approximately 0.4% of the average number of people employed in Cyprus in 2020<sup>23</sup>.
- g) Novelty: This is a new special plan introduced in view of the dominant position that the tourism industry has in the Cypriot economy. The aim is to contain unemployment in this sector resulting from the pandemic, by supporting the companies operating in it.

#### **2.2.5 Ειδικό σχέδιο ξενοδοχειακών μονάδων και τουριστικών καταλυμάτων (Special plan for hotels and tourist accommodation units)**

- a) Short description of the measure: This plan provides a wage subsidy to the people employed at tourist accommodation facilities. A basic condition for participation in the plan is the non-dismissal of employees. Active and inactive businesses employing up to three employees can join this plan so that 100% and 97%<sup>24</sup> of their employees respectively become eligible to receive this special allowance. Upon expiration of the allowance period, the beneficiaries are required to reapply. There have been several changes with respect to employment threshold coverage for both active<sup>25</sup> and inactive businesses.
- b) Category: Conditional benefit.
- c) Timing: It was first introduced on 13 June 2020 and is still in effect at the time of updating this report (15 April 2021).
- d) Range, duration and conditionality: For the period for which the special allowance is paid, the employer is not obliged to pay salaries to those of their employees benefiting from it. For those businesses that remained inactive during the peak season period, only 80% of the employees were covered by this special plan. From 1 September 2020 the employee coverage became the same for both active and inactive businesses, at 80%. The allowance for each employee is 60% of their salary with a minimum of €360 and a maximum of €1,214 for a period of one month.
- e) Targeted population: Businesses that are either inactive or active during the period of implementation of the plan provided they experience or anticipate a reduction in turnover of more than 40% compared with the corresponding period of the previous years attributed solely to the negative impact of the pandemic. Note that the end-

<sup>22</sup> Initially (March 2020) it was set at 55% and reduced to 40% in August 2020.

<sup>23</sup> [Statistical Service of the Republic of Cyprus, Employment 2020 \(in Greek\)](#)

<sup>24</sup> The remaining 3% includes senior executives and shareholders holding more than 20% of the shares, who are excluded.

<sup>25</sup> Linked also to hotel/accommodation occupancy rates.

recipients are the employees of these businesses regardless of their employment status; however, the payment is made to the eligible businesses.

- f) Beneficiaries: 3,243 (average monthly number of recipients, July-September 2020). This corresponds to approximately 0.8% of the average number of people employed in Cyprus in 2020<sup>26</sup>.
- g) Novelty: Similar to the previous plan (i.e. for economic activities related to the tourism industry, directly affected by tourism, or related to businesses under complete mandatory suspension), this measure was introduced in view of the dominant position of the tourism industry in the Cypriot economy. On 13 June 2020 a distinction for the employee support coverage for businesses that remained inactive was made.

## 2.3 Measures related to sickness benefits and sick pay

### 2.3.1 *Ειδικό επίδομα ασθενείας* (Special sickness allowance)

- a) Short description of measure: This is an emergency special allowance to all people belonging to vulnerable groups as defined by the Ministry of Health (MoH). This allowance is unrelated to the regular sickness benefits and is only paid with the proviso that the beneficiaries do not simultaneously receive any other allowances or benefits.
- b) Category: Conditional benefit.
- c) Timing: It was first introduced on 16 March 2020 and is still in effect at the time of updating this report (15 April 2021).
- d) Range, duration and conditionality: Only for employed people registered with the social insurance fund (SIF). The allowance amounts to 60% of the value of the beneficiaries' social insurance units with a minimum of €360 and a maximum of €1,214 for a period of four weeks. Employees receiving allowances from any other special support plans or regular benefits are excluded.
- e) Targeted population: Employed and self-employed people who belong to vulnerable groups and are: (i) at risk of being infected in their workplace; (ii) in quarantine or self-isolation, provided that their nature of work does allow remote working; (iii) infected by COVID-19; and (iv) people over 63 or people with disabilities who do not receive a statutory pension and belong to the aforementioned categories.
- f) Beneficiaries: Not available.
- g) Novelty: This is an extraordinary measure to support employed and self-employed people who had to stay away from work for health reasons related to COVID-19.

## 2.4 Measures related to health insurance

No emergency or special measures have been taken to meet the health needs associated with COVID-19, so the structure of our response here does not follow the relevant template instructions.

For reasons of public health protection, the coverage of health needs for infectious diseases has always been provided in Cyprus free of charge, even to non-beneficiaries of the old health system<sup>27</sup>. This has continued within the new system, and since the beginning of the pandemic all COVID-19-related services have been provided to all people regardless of residency status, contribution record, user charges or any other criterion. Therefore, no coverage extension has had to be introduced to any group to give them access to COVID-

<sup>26</sup> [Statistical Service of the Republic of Cyprus, Employment 2020 \(in Greek\)](#)

<sup>27</sup> Cyprus has recently reformed its national health system by introducing a modern and integrated service. The reform was completed in 2020. For further details about the new system see Theodorou (2020).

19-related healthcare services. With the advent of the pandemic, the health services related to COVID-19 (i.e. testing, screening, quarantine, hospitalisation and vaccination) were added to the existing benefit package and are provided to all beneficiaries of the new system free of charge. The only exception is for those who want to have a COVID-19 diagnostic test without a referral and outside of the NHS protocols. In such cases they can visit a private accredited laboratory and perform the test, paying out-of-pocket. Even in these cases the MoH, aiming at their financial protection, has by decree regulated the maximum charge rates (€55 for the PCR test and €25 for the antigen rapid test)<sup>28</sup>. There is no other financial burden associated with COVID-19.

Although there are no available data for assessment in this area, no complaints or protests have been raised related to health insurance coverage. On the contrary, the general feeling is that the government in this area has responded fully and generously<sup>29</sup>.

## 2.5 Measures related to minimum-income schemes and other forms of social assistance

### 2.5.1 *Ειδικό επίδομα στήριξης ανέργων (Special allowance for support of the unemployed)*

- a) Short description of the measure: This is an extraordinary measure introduced by the MLWSI in March 2020 on an ad hoc basis and has been continually renewed since then. It was introduced to support the unemployed and is subject to the fulfilment of specific terms and conditions.
- b) Category: Flat benefit.
- c) Timing: The measure was first introduced for the period from 16 March 2020 to 12 April 2020 and, since then, it has been continually renewed on a monthly basis.
- d) Amount and duration of the flat element: Initially (that is between 16 March and 1 July 2020) the amount of the benefit was €360 per month. As of 1 July 2020, this amount was increased to €500 per month. The duration of the allowance is for one month and covers only people who have been recipients of the regular unemployment benefit (registered with the public service employment registry) and who have exhausted their right to a regular unemployment benefit. This allowance is not provided if the unemployed person receives a regular unemployment or sickness benefit or a maternity/paternity allowance or receives a statutory pension.
- e) Targeted population: People who are registered as regular unemployed whose right to a regular unemployment benefit has been exhausted. On 13 June 2020 the MLWSI through the Regulatory Administrative Act (Decision No 31, 273/2020) declared that from then on, beneficiaries of the GMI could also benefit from this special support plan. This allowance targets unemployment benefit recipients who exhausted their six months of unemployment benefit in 2020 and could not find a job due to the pandemic. The number of registered unemployed in March 2020 was 26,353.
- f) Beneficiaries: 4,060 (average monthly number of recipients, April-September 2020)<sup>30</sup> or 13.1% of the average number of registered unemployed people over the same period.
- g) Novelty: This is a new and extraordinary support measure.

<sup>28</sup> <https://www.covid19healthsystem.org/countries/cyprus/countrypage.aspx>

<sup>29</sup> According to a very recent beneficiary satisfaction survey (January 2021), 81% of the participants stated that they were satisfied with the primary care services provided by the new system. Available at (only in Greek): <https://www.philenews.com/koinonia/eidiseis/article/1100054>.

<sup>30</sup> Data extracted and processed from the Employment and Social Protection Committee (2021).

### **2.5.2 Ειδικό επίδομα αυτοτελών εργαζόμενων (Special allowance for self-employed people)**

- a) Short description of the measure: This is one of the first measures implemented after the onset of the pandemic to support self-employed people. It is a form of income subsidy by providing an emergency allowance; it was introduced by the MLWSI and is subject to the fulfilment of specific terms and conditions.
- b) Category: Conditional benefit.
- c) Timing: It was an emergency measure which was implemented between 13 March 2020 and 12 June 2020, and was then replaced by the "special plan for certain categories of self-employed people" which commenced on 1 July 2020.
- d) Range, duration and conditionality: This special allowance is equal to 60% of the weekly amount of insurable earnings, based on the contributions to the SIF for the fourth quarter of 2019. The minimum amount of the allowance is €300 with a ceiling of €900 and covers a period of one month. Upon expiration of the allowance period, the beneficiaries are required to reapply for this allowance provided it is still in effect.

It applies to those cases where there is a reduction in turnover of more than 25% or a corresponding forecasted reduction for the following month compared with the same months of previous years. The decrease in turnover must be attributed solely to COVID-19. During the first revision of the measure in period 2 (13 April to 12 May 2020), an additional criterion was added, including in the plan those whose activities were directly linked to the activities of companies on full suspension of work and saw their turnover reduced by more than 80%.

- e) Targeted population: Self-employed people who have completely or partially suspended their work due to the pandemic, provided that the nature or the manner of their activity has not changed. The measure excludes specific categories<sup>31</sup> whose economic activity has not been particularly affected. The total number of self-employed people is estimated at around 32,000 (2019 data)<sup>32</sup>. However, the exact size of the targeted population cannot be estimated as the scheme excludes specific categories of self-employed people whose population is not reported.
- f) Beneficiaries: According to a press release<sup>33</sup> from the Public Information Office of the Republic of Cyprus in June 2020, around 22,000 self-employed people (around 69% of the total) have been supported.
- g) Novelty: This is a new and extraordinary support measure addressing self-employed people.

### **2.5.3 Ειδικό σχέδιο ορισμένων κατηγοριών αυτοτελών εργαζόμενων (Special plan for certain categories of self-employed people)**

- a) Short description of the measure: This is the adjusted version of the initial special allowance for self-employed people which ceased on 30 June 2020. The aim was to support certain categories of the self-employed by providing an income subsidy in the form of a special allowance.
- b) Category: Conditional benefit.

<sup>31</sup> These are pharmacologists, microbiologists, and related professionals (excluding dentists), veterinarians, pharmacists, operators of medical devices and equipment, insurance agents and representatives, kiosk- grocer- and mini-shop owners and vendors, producers of dairy products and teachers at the state institutes.

<sup>32</sup> This is the number of insured self-employed people in 2019 according to the social insurance services, MLWSI.

<sup>33</sup> [Minister of Finance presents the third phase of the economic support programme to deal with the effects of the pandemic](#) (in Greek).

- c) **Timing:** The measure was introduced on 1 July 2020 and, since then, it has undergone several revisions and adjustments. The measure was still in effect as of updating this report (15 April 2021). During the first revision of this measure (1 August 2020) three more occupations were added: tourist bus drivers, food and non-food street vendors (excluding lottery ticket vendors). In subsequent revisions self-employed people working in hotels were added to the list of occupations (1 October 2020), and thereafter (November 2020): self-employed people whose businesses are subject to mandatory, complete suspension; self-employed people who operate in the districts of Limassol and Paphos<sup>34</sup> whose businesses were under mandatory suspension but have remained partially active; and self-employed people experiencing or forecasting a reduction in their turnover attributed solely to the COVID-19 pandemic of more than 80% compared with the corresponding months of the previous year (2019)<sup>35</sup>. During the same period, the measure was widened to include self-employed people who employ a maximum of two employees provided they were registered on the register of the social insurance services.
- d) **Range, duration and conditionality:** This special allowance equals 60% of the weekly amount of insurable earnings, based on social insurance contributions for the fourth quarter of 2019. The minimum amount of the allowance is €300 with a ceiling of €900 and covers a period of one month. Upon expiration of the allowance period, the beneficiaries are required to reapply for this allowance provided it is still in effect.
- It applies to specific occupational categories. During the subsequent monthly revisions by the MLWSI the included categories have been expanded to increase coverage (for example, in October 2020, to street vendors and tour bus drivers).
- Potential applicants should: (i) not be employers<sup>36</sup>; (ii) be registered on the social insurance register; and (iii) have had, or expect to have, a reduction in turnover of more than 40% for the period in which they apply compared with the corresponding period of the previous years and the decrease is solely due to the pandemic.
- e) **Targeted population:** Specific categories of self-employed people. Initially (1 July 2020) it only included photographers, tourist guides and taxi drivers. It excluded self-employed people aged above 65, regardless of whether they did not receive a statutory pension or were not required to pay any contributions under the social insurance legislation. This scheme targets a number of specific occupational categories whose population is not reported.
- f) **Beneficiaries:** Not available.
- g) **Novelty:** This measure is a follow-up of a previous measure.

## 2.6 Measures related to housing support

### 2.6.1 Σχέδιο επιδότησης επιτοκίων για νέα στεγαστικά δάνεια (Interest rate subsidy plan for new mortgages)

- a) **Short description of the scheme:** The purpose of the scheme is to provide financial support to households with new home mortgages which have been taken out for buying or building a prime residence (not loans for renovating or buying a secondary residence). This is achieved through subsidising their interest rate payments up to a certain level and for a period that cannot exceed four years.

<sup>34</sup> This measure is aimed at supporting the self-employed in these two districts following a district lockdown because of local outbursts of the pandemic.

<sup>35</sup> Following the most recent revision announced on 9 January 2021, this category has expanded to include all self-employed people across the island following the national lockdown.

<sup>36</sup> A new addition has been included offering eligibility to self-employed people who employ a maximum of two employees, provided they are registered with the social insurance services.

- b) Category: Conditional benefit.
- c) Timing: The scheme was approved by the cabinet on 27 May 2020, while its extension was approved by a subsequent cabinet decision on 25 November 2020. The scheme covers new housing loans for which loan agreements have been signed from 1 March 2020 onwards and will be approved by the financial institutions by 30 June 2021.
- d) Range, duration and conditionality: This is an interest rate subsidy. In particular, the interest is subsidised by the government by up to 1.5 percentage points for a maximum period of four years.
- e) Targeted population: The scheme targets people with home loans, whose value cannot exceed €300,000. 2,300-7,300 households<sup>37</sup>.
- f) Beneficiaries: Not available.
- g) Novelty: This is a new measure.

### **2.6.2 Μέτρα Στήριξης των Ενοικιαστών και Φοροελαφρύνσεις για Ιδιοκτήτες Ακινήτων (Tenant support measures and tax breaks for property-owners)**

- a) Short description of the scheme: The purpose of this scheme is to financially protect tenants by incentivising landlords to reduce rents. Specifically, in cases of a rent reduction, a tax credit is granted to the landowner equal to 50% of the rent reduction provided that the rent reduction is between 30% and 50% for a specific period of months.
- b) Category: Neither flat nor conditional benefit.
- c) Timing: This plan was introduced in May 2020 and was reinstated in January 2021 (it was extended until March 2021). The only difference between the two periods is that initially the landowner should have made a rent reduction for a period of up to three months within 2020 to gain the tax break, while, for 2021, the period of rent reduction extends to up to six months. The measures target, in principle, all tenants (15.6% of the total population)<sup>38</sup>.
- d) Amount and duration/range, duration and conditionality: Not applicable.
- e) Targeted population: Households living in rented apartments<sup>39</sup>.
- f) Beneficiaries: The number of people benefiting from this measure depends on the number of landlords responding to tax incentives, a figure which is not known.
- g) Novelty: This is a new and temporary measure.

### **2.6.3 Νομοθετική Ρύθμιση για την αναβολή εξώσεων (Legislation for the postponement of evictions)**

- a) Short description of the measure: The purpose of this measure was to protect families and people paying rents and facing financial difficulties from the risk of an eviction.
- b) Category: Neither flat nor conditional benefit.

<sup>37</sup> Own rough approximations on the basis of the total budget of the scheme and plausible ranges of home loan values.

<sup>38</sup> The percentage of tenants is larger (32% in 2019) but we include here only the percentage of tenants who pay rent at market prices. Source: Eurostat, online code: ILC\_LVHO02, data accessed on 11 February 2021.

<sup>39</sup> Along with this measure, the government also included provisions for businesses and self-employed people renting dwellings for commercial purposes (e.g. a two-month suspension of the obligation to pay 70% of the rents paid by companies and self-employed people whose business are under full suspension). In accordance with the guidelines, we have not included such measures in the report.



- c) Timing: This legislation came into force in March 2020 and was amended in May 2020 so as to further extend the protection of renters from any procedure for the recovery of property-ownership until 30 September 2020.
- d) Amount and duration/range, duration and conditionality: Not applicable.
- e) Targeted population: This measure targeted any person or household living in a rented house or apartment who faced financial difficulty in paying the rent, and who was therefore at risk of receiving a notice of eviction. 0.18% of the total population or about 1,500 people<sup>40</sup>.
- f) Beneficiaries: The concept of “recipient” does not apply to this kind of policy. Financially distressed tenants may have benefited by this temporary measure in the sense that they potentially avoided an eviction during the timing of the measure.
- g) Novelty: This policy was a temporary modification of the existing legislative framework regulating evictions, essentially prohibiting evictions during the aforementioned period.

## **2.7 Leave for parents whose children are unable to attend school or a pre-school service by reason of COVID-19**

### **2.7.1 Ειδική Άδεια για την Φροντίδα Παιδιών (Special paid leave for childcare)**

- a) Short description of the measure: This scheme enabled parents to care for their children after the forced closure of schools. The special paid leave for childcare was provided to employed parents for the care of children up to age 15, due to the suspension of school attendance in public and private schools, nursery and kindergartens. It should be noted that parents of children with disabilities were entitled to special paid leave regardless of the age of their children. Applications for the special leave could only be made if the nature of the work did not allow for teleworking or working from home or working with a flexible schedule. The special paid leave was granted to one of the parents, while self-employed parents were not eligible for this scheme.
- b) Category: Conditional benefit.
- c) Timing: The scheme was implemented during the forced closure of schools (i.e. 16 March to 12 June 2020<sup>41</sup> and 7 January to 31 March 2021).
- d) Range, duration and conditionality: The special paid leave for childcare was calculated on the basis of past earnings. The leave was granted to a parent with a monthly gross salary of up to €2,500. The allowance was calculated as follows: for the first €1,000 of the monthly salary, the beneficiary received an allowance of 60% for this part of the salary and for the part of the salary from €1,000 to €2,000 the beneficiary received an allowance of 40%. The maximum amount of allowance was €1,000 per month. For single-parent families the above percentages increased to 70% and 50% respectively and the maximum amount of allowance for a period of one month could not exceed €1,200. Cases of single-parent families where the last monthly salary exceeded €2,500 were examined based on the particular characteristics of each case.
- e) Targeted population: Employed parents in the private sector (including part-time and temporary workers) with children up to age 15 attending public or private schools. The number of potential beneficiaries was 50,000 people (March-May 2020).
- f) Beneficiaries: Not available.
- g) Novelty: This is a new measure.

<sup>40</sup> FEANTSA (2017, Table 1).

<sup>41</sup> For the period starting from 16 March 2020 to 12 April 2020, the scheme included all employees both in private and public sector.

## **2.8 Other important temporary social protection/inclusion measures adopted in the context of the pandemic, which do not fall in any of the categories listed in the previous sections**

### **2.8.1 Καθολική μείωση της τιμής χρέωσης της κατανάλωσης ηλεκτρικού ρεύματος κατά 10% (Universal reduction of the electricity consumption billing price by 10%)**

- a) Short description of the measure: Following a proposal from the government, the Cyprus Energy Regulatory Authority (CERA) decided on a universal reduction of 10% of the final electricity price, excluding VAT and the renewable energy sources (RES) and energy saving fee (FDI).
- b) Category: Neither flat nor conditional benefit.
- c) Timing: This measure was initially implemented in the first phase of the pandemic, in March 2020, for a period of four months.
- d) Amount and duration/range, duration and conditionality: Not applicable.
- e) Targeted population: All electricity consumers in Cyprus. According to the latest available data (2019) of the Electricity Authority of Cyprus, the total number of consumers was 581,798 (this figure includes home, commercial, industrial, agricultural and public users).
- f) Beneficiaries: All electricity consumers.
- g) Novelty: This was a new measure.

### **2.8.2 Εφάπαξ επίδομα παραμονής φοιτητών στο εξωτερικό (Lump-sum allowance for students staying abroad)**

- a) Short description of the measure: Provision of a lump-sum allowance for students studying abroad during the first wave of the COVID-19 pandemic.
- b) Category: Flat benefit.
- c) Timing: This measure was implemented in the first wave of the pandemic (i.e. between March and April 2020).
- d) Amount and duration: €750 per student.
- e) Targeted population: Beneficiaries were all students with a permanent residence in Cyprus who were studying abroad during the first wave of the pandemic and could not return to the country during the Easter period due to the suspension of flights. The benefit targeted students who could not return to the country during the Easter period due to the suspension of flights. Their exact number is not known.
- f) Beneficiaries: On 8 April 2020, the Ministry of Education announced that 3,000 students had received the benefit up to that day<sup>42</sup> (or 15% of the total number of students abroad).
- g) Novelty: This was a new measure.

## **3 SOCIAL PROTECTION AND INCLUSION RESPONSES TO THE CRISIS: OVERALL ASSESSMENT AND POSSIBLE GAPS**

This third section briefly considers three aspects: the expected cost of the social protection and inclusion measures put in place by the country (Section 3.1), the impact of these

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<sup>42</sup> Announcement of the Ministry of Education. Available at (only in Greek): <http://enimerosi.moec.gov.cy/archeia/1/ypp10607a>.



measures on the social protection system and on social inclusion policies (Section 3.2), and the possible remaining gaps in the social protection system and in social inclusion policies (Section 3.3). It concludes with a Section 3.4 on debates and recommendations.

### 3.1 Expected cost of social protection and inclusion measures

In this section we provide some first estimates of the expected cost of the measures. These estimates should be considered as temporary and subject to changes and revisions as both the pandemic and the corresponding governmental initiatives are still under way.

Table A1 in the Appendix reports the changes in the government budget balance between 2019 and 2020. Note that the aggregate figures in Table A.1 include both the cost of new measures and the cost of covering the increased expenditure related to existing measures. However, they are useful in showing the size of the fiscal effort to curb the socio-economic effects of the pandemic.

Total government expenditure increased by 16.7% (€1,282 million) between 2019 and 2020. This amount corresponds to about 5.8% of 2019 GDP. When examining its composition, we can easily observe that this substantial increase is attributed mostly to social security payments, which increased by 25.9% (€488 million or about 2.2% of GDP), and current transfers, which increased by 44.6% (€697 million or about 3.2% of GDP). Changes to other expenditure items were relatively small. Furthermore, it is worth mentioning that total revenues fell by 6.6% (€549 million); a fall which was overwhelmingly due to the halting of economic activity (e.g. reduction in consumption and income tax revenues), but a certain part of which can be attributed to COVID-19-related measures (e.g. tax breaks, suspension of contribution payments).

Although there are no publicly available detailed cost data on the new measures, certain figures and conclusions can be derived from presidential and ministerial announcements as well as some other sources. According to a recent presentation<sup>43</sup> in “The Annual Economy Panel” of the Cyprus Economic Society, the cost of business suspension schemes (that is, mostly schemes presented in Section 2.2 under the heading of job protection) reached €546 million (or 2.5% of GDP) up to December 2020, making this group of measures by far the most costly in the budget. To put this figure into perspective, the cost of special absence leave has been reported at €20 million, the self-employed suspension schemes at €20 million, the special sickness allowance at €20 million and the scheme for the support of new housing loans at €45 million. Overall, the lack of more detailed data on the various schemes does not allow us to provide accurate estimates of the total cost of the new measures. However, a fairly reliable approximation for the measures covered by this report should be around 4% of GDP. Obviously, as the pandemic is still unfolding, the cost is going to raise further.

### 3.2 Impact on the social protection system and on social inclusion policies

Although the measures were initially announced as being (very) temporary, aimed at reducing the immediate effects of the pandemic on employment and, in general, on the economy, they now seem to have acquired more of a medium- or even long-term character due to the prolonged duration of the pandemic. However, with the pandemic still in progress, it is difficult to assess whether any of them will receive permanent status, and even harder to predict to what extent they may reshape the social protection system in Cyprus. What can be said with some degree of confidence is that these measures are an important legacy for the post-COVID-19 era, providing innovative ideas and testing in practice financial tools in the field of social policy in the case of future pandemics or any other systemic contingency of similar magnitude and characteristics. The measures have

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<sup>43</sup> Data extracted from Assiotis (2021) after receiving permission from the author.

also helped to test the waters in relation to the idea of closing the gap in formal access with respect to certain groups such as the self-employed. Given that the self-employed in Cyprus are not eligible for regular unemployment benefits, the special allowances for self-employed people (see Sections 2.5.2 and 2.5.3) have acted as such during the pandemic (although they can also be construed as a generic form of income support).

Distance working, which has been utilised in many sectors of the economy, could now be institutionalised for certain professional activities, adding value in the field of social policy and supporting households' finances without burdening the state budget. This might be a useful tool, for example, for people who would otherwise be excluded from the labour market due to caring responsibilities such as caring for chronic patients and people with disabilities. It is possible that similar innovative ideas might be adopted in the future, thereby increasing the positive impact of social and employment policies on people.

### **3.3 Remaining gaps in the social protection system and social inclusion policies**

Most of the social stakeholders, such as trade unions and employer organisations, consider that the new measures go in the right direction. Furthermore, from the very beginning of the pandemic, the Cyprus Workers' Confederation proposed the signing of a "social contract" between all partners for a single approach and common code of management for the protection of workers and employment, support of entrepreneurship and labour market surveillance<sup>44</sup>.

The European post-programme surveillance report for Cyprus in autumn 2020, pointed out that although unemployment had risen in Cyprus, particularly in the tourism sector, the extraordinary support measures seem to have contained this trend and its negative impact on people. The curb in unemployment from job-protection schemes in Cyprus may also be reflected in Eurostat data showing that Cyprus had a lower proportion of workers who lost their jobs in the second quarter of 2020 compared with other EU Member States. Nevertheless, there is a concern that if the much anticipated economic recovery does not come to fruition soon enough, unemployment may rise at alarming levels (European Commission, 2020). There are also concerns that the current policy responses do not adequately address the full range of needs emerging from today's harsh reality, as the Pancyprian Federation of Labour emphasised in a relevant announcement, while also highlighting the need for further support such as rent subsidies, suspension of mortgage payments for employed people and other initiatives<sup>45</sup>.

Regarding the gaps that may exist in the coverage of some population groups, the Cyprus Workers' Confederation, the largest trade union in Cyprus, in a memorandum to the Ministry of Finance, highlights the problem of protecting and supporting people in precarious and informal forms of employment, as the measures taken by the government are linked to declared work and the corresponding contributions paid to the SIF. In regard to non-standard employment, as we have argued in past research reports (Koutsampelas, 2018; Pashardes and Koutsampelas, 2017), there is evidence that precarious employees in Cyprus are discriminated against in terms of pay compared with observationally similar standard employees. These inequalities in the labour market are translated into a higher risk of in-work poverty as well as disparities in social provisions, mostly in regard to the adequacy of earnings-related benefits. In addition, some problems in the administration and the management of the measures have been reported. More specifically, initially there were delays in the payments of the benefits, which led to complaints from recipients. Delays were also observed in the payments during the period between May and June 2020,

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<sup>44</sup> Announcement of Cyprus Workers Confederation. Available at (only in Greek): the <https://www.sek.org.cy/index.php/blog/item/1183-sek-gia-tin-epanadrastiriopoiisi-tis-kypriakis-oikonomias>.

<sup>45</sup> Announcement of the Pancyprian Federation of Labour (PEO). Available at (only in Greek): <https://www.peo.org.cy/el/anakoinoseis/edo-kai-tora-metra-gia-dikaioteri-katanomi-ton-epiptoseon-tis-krisis-kai-enisxysis-tis-koinonikis-synoxis>.

due to the larger volume of applications submitted, as additional categories of beneficiaries were gradually included in the measures<sup>46</sup>. Also, during the first period of payments of special allowances, it was found that many employees had received lower allowances than they expected to receive, due to the methodology adopted by the MLWSI for calculating the amount of compensation. The difference that arose was paid to the beneficiaries during the second period of payment of these allowances. In general, the authorities have acknowledged such problems and proper solutions have been provided.

### 3.4 Debates and recommendations

In general, labour relations in Cyprus are characterised by an institutionalised and established process of labour dialogue and consultation between the government and the social partners, and this has facilitated the consultation on the new measures at a relatively quick pace with all interested parties being given the opportunity to express their views and become informed.

In particular, regarding the special plans for complete and partial suspension of businesses, it is reported that the consultation with social partners and political parties was done at high or executive level following an invitation by the Minister of Labour. Overall, their reaction was positive, and these measures seem to have gained the acceptance of the social partners without any notable reactions or disagreements recorded. Relevant references to the involvement and participation of the social partners in the dialogue, as well as their views and reactions on the measures, are also reported on the Eurofound website<sup>47</sup>.

There was, of course, criticism of the measures (mainly in the media and internet social networks) but these could not in any way be described as particularly intense. Furthermore, as is recorded in various parts of this report, since the first period of implementation, several adaptations have been made to the measures as a result of the effort to take on board suggestions and criticism.

Finally, in a very recent poll carried out by a major national television network (1-6 February 2021) of a sample of 1,100 people, 30% reported being satisfied with the overall support package of the government, while the remaining 27% and 28% of the sample reported being dissatisfied, and neither satisfied nor dissatisfied, respectively<sup>48</sup>.

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<sup>46</sup> According to media reports: Available at (only in Greek):

<https://simerini.sigmalive.com/article/2020/5/17/meta-tis-20-maiou-e-katabole-epidomaton>.

<sup>47</sup> [https://static.eurofound.europa.eu/covid19db/cases/CY-2020-11\\_327.html](https://static.eurofound.europa.eu/covid19db/cases/CY-2020-11_327.html)

<sup>48</sup> According to the following media report: available at (only in Greek)

<https://www.sigmalive.com/news/politics/738794/deite-ti-megali-dimoskopisi-tou-sigma-gia-tis-vouleftikes-ekloges-tou-maiou>.

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**APPENDIX****Table A1: General government budget balance (including SIF) on cash basis (€m)**

	2019	2020	Difference
<b>Total revenue</b>	8,307.4	7,758.8	-549
Current revenue	8,137.1	7,662.6	-475
Direct taxes	2,328.7	2,354.2	25
Indirect taxes	3,173.7	2,752.0	-422
of which VAT	2,143.1	1,831.3	-312
Social sec. contributions	1,658.0	1,752.7	95
of which related to NHS	287.5	437.5	150
Non-tax revenue	976.7	803.7	-173
Capital revenue	0.0	0.0	0
Grants	170.3	96.2	-74
<b>Total expenditure</b>	7,690.7	8,972.5	1,282
Current expenditure	7,408.6	8,626.1	1,218
Wages and salaries	1,945.4	2,024.4	79
Goods and services	560.2	511.1	-49
Subsidies	106.5	100.5	-6
Social security payments	1,881.8	2,369.7	488
of which related to NHS	125.3	531.2	406
Pensions	645.3	686.0	41
Social pensions	71.8	73.0	1
Current transfers	1,562.4	2,259.8	697
Non-allocated	116.3	118.7	2
Interest payments	518.9	482.9	-36
Capital expenditure	282.1	346.4	64
<b>Balance</b>	616.7	-1,213.7	-1,830

Source: Statistical Service of Cyprus: Economy, Public Finance, Cyprus Fiscal Development (Post-programme Surveillance), January 2014 to November 2020. Data accessed on 11 February 2021.

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