



## **CYPRUS**

### **Contribution to the 2015 United Nations Economic and Social Council (ECOSOC) Integration Segment**

## Integration Segment of the Economic and Social Council

On “Achieving sustainable development through employment creation and decent work for all”

### MINISTRY OF LABOUR AND SOCIAL INSURANCE CONTRIBUTION

- ***How has your Government used labour market policies, including wage policies, to help reduce economic and social inequalities?***

Among the foremost concerns of the Cyprus Government, especially now that the country is experiencing the severe impacts of the economic and financial crisis is the reduction of unemployment especially of youth and the enhancement of social equality and cohesion. To this end specific labour market policies have been designed and implemented aiming to:

- creating new jobs, mainly through subsidized employment schemes
  - retaining people at their works mainly through training schemes
  - Improving the employability of the unemployed mainly through training/work experience schemes so as to facilitate their entry/return to employment
  - Expanding and improving access to the services provided by the Public Employment Services through the creation of additional services points
  - Upgrading the services provided to jobseekers and job changers mainly through the introduction of customized counseling services
  - Enhancing the equality legislation in employment and monitoring its implementation
- ***How has your Government used monetary, fiscal and trade policies to create employment and promote decent work for all, while ensuring social inclusion and environmental protection? In particular, is the pursuing of full employment considered as a primary monetary policy objective by the Central Bank? Has your country experienced fiscal consolidation process in the recent years? If so, what has been the impact on employment and social protection in your country?***

As of 2013, Cyprus is meeting rather successfully the requirements of an MOU (Memorandum of Understanding) with Troika. An integral provision of the agreed MOU is the implementation of a fiscal consolidation process in order to reduce the underlying fiscal deficit. As a result of this consolidation, government spending is undergoing a very detailed analysis that involves budget reduction or redirection of funds to other actions/projects and a massive reorganization of the Public Service Administration.

Despite the fact of cutting in public spending, measures or/and actions to combat the increased unemployment and the provision of public assistance to many people in need (unemployed, disabled, welfare recipients e.t.c) have been reinforced. The Ministry developed the Guaranteed Minimum Income (GMI) as a fundamental measure to provide adequate financial and other benefit assistance to the groups most affected by the crisis.

It must be mentioned though that the fiscal consolidation process and the limited ability of the Government to invest money in growth projects along with the failure of the banking sector (especially after the bank haircut) are affecting negatively the employment spectrum in Cyprus. Also austerity financial measures imposed through the MOU, do not allow the opening of new posts in the wider public sector.

- ***What kind of Trade-offs has your Government encountered in the promotion of full employment and decent work for all? What can be done to enhance synergies between respect to international labour standards and to environmental safeguards, productivity, competitiveness and economic growth?***

Cyprus since the end of 2008 has been experiencing a severe recession which has resulted in substantial increase in unemployment and job insecurity. The economic crisis triggered sharp output contractions, job losses as well as the deterioration of the quality of employment. Many workers who do not lose their jobs are forced to accept increased working hours as well as lower wages and benefits while the limited number of new created jobs is characterized by uncertainty, low wages and flexible working hours. The aim of getting as many people as possible back into employment has a high priority for the Government. But it is equally important that jobs provide decent work. Within this context, the role of the Government in promoting decent work is to strengthen the social protection system and provide labour market regulation as well as training and upskilling opportunities.

- ***Is youth employment a major issue in your country? What is the proportion of youth labour force [aged between 15-24] that is unemployed in your country? Does your Government have specific programmes targeted at youth employment?***

The youth unemployment rate in 2008 was approximately around 9% and one of the lowest in the E.U. Since the commencement of economic recession, that percentage experienced an increase of more than 4 times approaching the 40% boundary. (one of the highest with Greece, Spain, Italy and Portugal). This enormous increase among the unemployment of Youth became one of the main issues for discussion in the country and

therefore the Government has it a very pressing (priority) issue that needs to be addressed urgently and effectively. The completion and approval of the National Action Plan (NAP) for Youth Employment has been finalized by the Department of Labour and approved by the Council of Ministers on the 23/12/2014. The NAP for Youth Employment calls for the deployment of a strategy that combines measures targeting young individuals aged 15-29 that face multiple barriers to labour market integration and are exposed to longer unemployment spells, with an early intervention approach in the form of a Youth Guarantee to prevent Early School Leavers and newly unemployed individuals in the younger cohort (15-24) from falling into long term unemployment and inactivity traps.

The National Action Plan for Youth Employment was drafted based on a preliminary study done by the ILO on the Cyprus labour market.

Apart from the above NAP for Youth Employment whose strategic interventions should be materialized in the period 2015-2017, the Department of Labour supports and promotes youth employment by co-financing (under the Intermediate Body for Subsidies II) through employers incentive schemes the placement among other groups of the Youth. In a similar vein, The Department (through the network of PES offices) cooperates with the HRDA and the CPC in referring unemployed candidates for employment trainee programs, job experience employment programs as well as for referring candidates to several skill acquisition or enrichment programs (Computer Skills, Communication/language Skills, Job related practical skills e.t.c) in order to improve their employability.

- ***How is your Government addressing the challenge of education/skills and jobs mismatch in your country, especially in the context of the transition to a sustainable development? Does your Country have successful initiatives that link education and training to the world of work?***

The Cyprus National Reform Program (NRP), emphasizes the need for restructuring of the system of education to better address the needs of a constantly changing work environment. Apart from Skill Assessment Surveys and Job Forecasting that is carried out by the National Body for HR Development (HRDA), PES provides useful insight as to what skills or competencies are needed by employers (who post vacancies via PES Network) in the labour market. With the emerging of new forms of renewable energy sources, the green employment prospects and especially in the case of Cyprus the recent gas and oil exploitation operation, there is an ongoing collaboration between the PES and other stakeholder operating in education and training, ensuring systematic discussion and two way exchange of knowledge on what training is available and/or required and feedback on training outcomes.

Moreover, the need of improving the technical and vocational education is also highlighted in the NRP. Lastly but equally important the NRP summarizes Partnerships with employers to promote traineeships or apprenticeships and entrepreneurship through for example the enhancement of cooperation between universities and enterprises.

- ***What kind of policy initiatives and approaches your Government have to facilitate the transition from informal to formal employment and to formalize and increase sustainability of small and micro enterprises, taking into account the economics, social and environmental dimensions of sustainable development?***

During the last five years, the rapid growth of the phenomenon of undeclared and illegal employment, mainly in the tourism and construction industries, has been at the epicentre of the public debate, and restriction of the phenomenon has been among the immediate priorities of the Ministry of Labour, Welfare and Social Insurance. In April 2009, four Joint Labour Inspection Units were formed to conduct inspections to ensure companies comply with all labour laws and regulations.

Since April of 2012 the Ministry of Labour, Welfare and Social Insurance has introduced an additional measure to prevent undeclared work, through the notification form that both the employer and the employee have to sign prior to the commencement of employment of each employee. This notification form is issued in accordance with the provisions of the Social Insurance Law and a copy is given to the employee. A second copy is delivered to the Social Insurance District Office within a month of employment and a third copy is kept by the employer. It should be stressed that a fine of €200 is set in case of violation of the above.

Furthermore, in order to control any exploitation of employees, the government has proceeded with changes in the Public Works Contracts, so as to safeguard that all employees (of both contractor and subcontractors) receive wages and benefits according to their sectoral collective agreement. Particularly, the administrative penalty for illegal employment in the General Terms of the Contract has been increased from €100 to €500 for each person found to be illegally employed, which is multiplied by the days of employment. The fine for undeclared employment is 10% of the amount owed to the Social Security Fund of each employee. In addition, amendments to the terms of the tender offers have been added, stating that contractors who have committed professional misconduct (illegal/undeclared employment) are excluded from government competitions.

- ***How do the civil society, trade unions and the private sector engage in promoting an integrated approach to employment creation and decent work for all***

With work being the main reason for migration to Cyprus, Cypriot trade unions and employers' organizations have an important role to play and they have extended their scope of work to include migrant workers. Social partners are both collaborating with the government and expanding their networks by cooperating with civil society organizations working with migrants, in order to ensure the protection and promotion of migrant workers' rights.

The Industrial Relations system in Cyprus is based on the democratic principles of free speech and tripartite cooperation through the use of social dialogue. The term "tripartite cooperation" essentially refers to the constructive cooperation between the employers' and employees' organizations and the government.

As a result of that, the Ministry of Labour, Welfare and Social Insurance has a large number of tripartite social dialogue bodies functioning under its auspices, dealing with a variety of subjects. Tripartite social dialogue bodies have real responsibilities and authorities even though their role is advisory. It should be noted that any issue or subject pertaining to work, labour law, employment policy, and any other programs dealing with the labour market are discussed by the tripartite social dialogue bodies. Furthermore, in the case of examining special issues, then these are dealt with in Tripartite Technical Committees of the interested social dialogue body.

The Government's policy in the area of industrial relations has been to foster and develop strong employers' and workers' organizations. This policy has been instrumental to the success of the voluntary nature of the industrial relations system, whilst at the same time employers and workers through their representatives have gained a high level of respect and flexibility for dealing with arising problems or crises. Both employers' organizations as well as the trade unions are well established with strong and effective organizational structures, with decades of experience in their respective fields.