



Cyprus

Trends, Recent Developments, “Feeding in” and “Feeding out”

A Study of National Policies

Panos Pashardes assisted by Maria Andreou
University of Cyprus

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or the Member States.*

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Summary

The progress achieved by Cyprus towards meeting the three challenges (macroeconomic, microeconomic and employment) mentioned in the Implementation Report of the National Reform Program (IRNRP) can be described as satisfactory - in the sense that changes are taking place in the right direction - but slow. The economy has been growing at a relatively high rate (around 4% per annum) with low unemployment, inflation and fiscal deficit.

The IRNRP mentions the implementation of schemes for inactive women and young people and schemes offering consultancy and training to micro-enterprises. It also describes measures promoting reconciliation of work and family life, activation of older and younger persons, gender equality; and targeted measures for vulnerable groups. An important development reported in the IRNRP is the setting up of an interdepartmental committee (within the Ministry of Labour and Social Insurance) for the preparation of a policy paper on how to promote flexicurity.

My main criticisms of the IRNRP concern delays in the implementation of reforms. Health and pension reforms are two examples of such delays. In the case of the pension reform, there has been a decision to increase the pensionable age from 60 to 63 and later to 65. So far this decision has been implemented only for some civil servants and local government employees; and given the pace at which progress is made it is not likely that other sectors will follow soon. In the case of health reform, the planned introduction of the new National Health Insurance Scheme (NHIS) is postponed year after year since 2004. Delays in taking decisions are also observed in other fields of government policy such as energy and transport.

Decentralisation and immigration/asylum seekers policy are also areas where gross delays in implementation of reforms are observed

- As regards decentralisation, still there is no delegation of responsibilities to local authorities and this is obvious from the answers to our questionnaire as we explain in this report. Recently, the President of the Republic of Cyprus said that there will be no increase in the budget allocated to municipalities. Notably the government budget allocated to municipalities is only 1,5% since 2003.
- Immigrants and asylum seekers suffer from the slow pace in which new legislation is implemented for matters of their concern, In her 2006 report the Ombudsman states that there is no willingness and readiness by the Cyprus government to adopt the new philosophy and practices in immigration and describes the environment for immigrants in Cyprus as hostile. She also finds operational weaknesses in many services, lack of transparency and by-passing of authorities that protect human rights.

In conclusion, it is clear that policies for social protection/inclusion have now established a strong foothold in Cyprus. The objective now is to rectify weaknesses in implementation of such policies (pension, health, energy and transport) and fill gaps in some areas (immigration and asylum seekers).

Furthermore, ways have to be found to translate social policies into effective action by keeping timetables, producing concrete deliverables, implementing monitoring and assessment mechanisms and delegating responsibility through an effective geographical/administrative decentralisation. Some of these gaps manifest themselves in discrimination against vulnerable groups (disable, immigrants, foreign workers, women), as we describe in Part 2 of this report.

Part 1: FEEDING OUT, FEEDING IN AND GOVERNANCE

1.1 Main Points of the Implementation Report

The IRNRP outlines the procedures set up for monitoring and promoting the implementation of the NRP, noting that many measures are still in their initial phases and there will be a time lag in measuring and assessing their overall impact.

According to the IRNRP, the progress that has been achieved in the implementation of the NRP is satisfactory: 84 measures have been fully completed, for 129 measures there has been satisfactory progress, (roughly in line with the timetables set) and for 38 measures there was some progress. Only for 3 measures there was no progress at all. The process in the implementation of the NRP is facilitated by the favourable macroeconomic environment.

The progress described in the IRNRP is briefly outlined as follows:

Macroeconomic Challenges

- Fiscal consolidation and introduction of a medium-term fiscal framework, as from 2007.
- Intensification of the dialogue with the social partners.
- The implementation strategy of the National Health Insurance System.

Microeconomic Challenges

- Promotion of diversification and strengthening the competitiveness of the economy.
- Promotion of R&D, innovation and facilitation of ICT diffusion, of reforms enhancing competition and improving the overall business climate; and expansion/upgrading of basic infrastructures.
- Promotion of security of energy supply, the utilisation of renewable energy sources and energy conservation; promotion of environmental sustainability.

Employment Challenges

- Development of schemes to increase employability.
- Drafting a national lifelong learning strategy; expansion of tertiary education; improvements in secondary technical/vocational education and apprenticeship schemes; progress in upgrading of human resource development programs; improvements in ICT use in education; and preparation of a strategic plan on educational reform.
- Progress in measures on care services, balancing family with occupation and activation of older and younger persons.
- Adoption of a national action plan on gender equality.
- The strategy on foreign workers was agreed with the Social Partners.
- Modernisation/enhancement of the public employment services and progress in measures targeting vulnerable groups.

The IRNRP also mentions that (a) measures are taken to increase the effectiveness of the contribution of the Structural Funds to the achievement of the Lisbon objectives and enhance the efficiency of implementation and (b) the necessary budgetary provisions for the actions

included in the microeconomic and employment section have been made (around 2% of GDP in 2007, rising to around 2.7% of GDP in 2008 and 2009)

The extent to which the recommendations and points to watch for Cyprus have been taken into account in the IRNRP are summarised in Table 1.1. As shown in this table the recommendations and points to watch have been taken into account, albeit not all of them at a satisfactory level.

Table 1.1: Recommendations in the NRP, the extent to which they were taken into account in the IRNRP and measures taken

Recommendations and points to watch	How far taken into account	Measures taken
Implement reforms of the pension system	Fully	- intensified dialogue with the social partners in order to introduce reforms in the social insurance system - propose reform alternatives to the social partners - various changes (see Annex 1 of the IRNRP section 4)
Implement reforms of the health care system	Fully	- restructuring public hospitals to autonomous establishments - implementation of the NHIS - regulated competition - contain costs
Set timetable for NHIS implementation with a view to improving long-term sustainability	Partially (average)	- no implementation date for the restructuring of public hospitals to autonomous establishments - timetables for the implementation of the NHIS exist (end of 2008) - some progress achieved in the implementation of the NHIS (see Annex 1 of the IRNRP section 4)
Set timetable for pension system implementation with a view to improving long-term sustainability	Partially (average)	- social dialogue will be completed by the end of 2007 - measures under consideration to be implemented from 01/01/2008
Enhance life long learning	Partially (low)	- paper for comprehensive lifelong learning strategy, expected to be approved by the Council of Ministers, which is based on access for all, enhancing infrastructures and systems, promoting supporting R&D and effective governance
Accelerating the reforms of the vocational, education, training and apprenticeship system	Fully	- improvements in ICT use in education - development of a new modern apprenticeship - upgrading of the existing apprenticeship - for more see Employment Challenges of the IRNRP
Encourage venture capital investments	Partially (average)	- establishment of a Loan Guarantee Facility - results expected from the study analysing financing and proposing proper financing of instruments for SMEs
Improve competition in the area of professional services	Partially (low)	- recruitment of consultant to make suggestions for improving the regulatory framework in the professional services sector - see Annex 7 of the IRNRP
Addressing ageing-related expenditure	Partially (average)	- increase of the retirement age in the public sector from 60 to 63 - scheme promoting the self employment of elderly persons - completion of study suggesting new actions for promoting active ageing
Increasing labour market opportunities for young people	Partially (low)	- scheme encouraging youth entrepreneurship - scheme for the promotion of training and employability of young secondary school graduates

1.2 Feeding Out

1.2.1. Social Cohesion and Economic Growth

In the IRNRP we can find several examples of measures combining growth with social cohesion objectives and spanning several policy areas such as education, gender inequality, reconciliation of work and family life, active ageing, active inclusion, health status improvements, more quality jobs etc. The most important, perhaps, example is the announcement by the Ministry of Finance of two sets of social policy measures, called 'social cohesion packages', the first in November 2006 and the second in July 2007.

The first social cohesion package is aimed at aiding vulnerable groups and decreasing income inequality. These measures amount to 0,2% of the 2006 GDP and - according to the Ministry of Finance - their implementation will not impact on the country's public debt and fiscal deficit targets. This package has two categories of benefits: those targeting specifically vulnerable groups and those not so targeted, such as income support to students and residents of mountainous communities. Table 1.2 reports these benefits, shows the groups affected and classifies them according to their duration (permanent or one off).

Table 1.2: First social cohesion package

Groups affected	Permanent	One off
<i>Economic benefits to vulnerable groups of the population:</i>		
Increased social pension to pensioners ¹ with low income		√
Increased benefit to large families (2601 families)		√
Increased benefit to old persons receiving public assistance (6337 persons)		√
Increased benefit to single parents receiving public assistance (330 families)		√
Extension of transportation benefit to tetraplegic persons (218 persons)	√	
Economic aid to children placed in foster families	√	
Increased transportation benefit for working disable war victims (25 persons)	√	
<i>Other social benefits:</i>		
Benefit for residents of mountainous communities (based on altitude)		√
Additional funds for student loans through the Council for the Equalisation of Burdens		√
Subsidy for the transportation of students living in rural areas	√	
Payment of student grant to all students (incl. those earning >CYP5000)	√	

¹ Pensioners that are recipients of social, retirement, infirmity, widowhood and disability pension.

The measures of the second social cohesion package were all permanent and according to the Minister of Finance, aim at improving the quality of life of every citizen without affecting the stability of the government budget.¹ This package has five objectives, as shown in Table 1.3. The same table also shows the groups affected (including the number of persons or families)

¹ Mr Michalis Sarris, the current Minister of Finance in Cyprus, has repeatedly stated that social policy and economic growth should not be treated as conflicting objectives, in the sense that an effective social policy needs economic growth to be sustainable.

by the measures in the package and indicates which of these measures have been legislated by the House of Parliament. Again, according to the Ministry of Finance, the implementation of the second social cohesion package will amount to 0.4% of GDP in 2007 and 1.2% of GDP in 2008 and will not cause any adverse fiscal effects.

Table 1.3: Second social cohesion package

Objectives	Legi- slated	Persons/Families affected
<i>(a) Support to old age pensioners</i>		
Increase of low pensions	√	56223 retirees (about 50%)
Increased economic aid for solitary old persons		6400 old persons
<i>(b) Support of vulnerable groups</i>		
Benefits to persons with special needs	√	11700 persons
Single parent families		1500 families, 4500 children
More loans to students and young couples through increased funds allocated to the Council for the Equal Distribution of Burdens		
Economic support for persons in drug rehabilitation programs		
Benefits families living in areas occupied by Turkey		25 families
<i>(c) Encourage fertility</i>		
Benefit to families with 3 children paid until all are independent	√	17038 families
Increased benefit to retired women who gave birth to ≥4 children	√	2000 women
Extra support for students from families with 3 children	√	5000 students
Extension of student grant to 4-year first degree programs	√	2000 students
Increase in maternity leave from 16 to 18 weeks		
Increase economic assistance for car purchase to large families		
Increased benefit paid to the National Guard conscripts		7715 conscripts
Subsidisation of fertility treatments		
<i>(d) Reduction of the tax burden of low income households</i>		
Increase in the tax free income from CYP10000 to CYP11750	√	
Low (5%) VAT rate on selected products		
Reduction of consumption taxes on refreshment drinks	√	
<i>(e) Improve the environment/institutions</i>		
Subsidisation for the withdrawal of old cars		
Exemption of bio-fuels from consumption tax		
Set up of an advisory body for the conduct of social policy		

As seen from Table 1.3, the most important parts of the second cohesion package, the measures that concern pensioners and persons with special needs, are still not legislated. As is well known from previous reports, poverty in Cyprus mostly affects pensioners. Furthermore, the disabled complain that the benefits concerning them will be available mostly for recipients of public assistance and not much will be added to their income because they will have to choose between the two benefits.

The extent to which the measures in the second social cohesion package meet their target is examined in a Commentary published by the Centre of Economic Research of the University of Cyprus (Pashardes, 2007). According to the results reported in this Commentary, single

parents and families with a retired head will be the main beneficiaries of these measures, with 5,7% and 4,6% increase in their after tax income, respectively. At the same time, however, the increase in tax free income appears to counteract the package's aim of targeting those in need because this particular measure benefits those with income above the average. This is shown in Table 1.4 (copied from the Commentary) where the increase in income for those in the lowest deciles comes mainly from the increase in benefits, whereas the increase in income for those at high income deciles come from the increase in tax free income.

Table 1.4: Effects on the distribution of after tax income per person

Income decile	Percentage change in income			Change in income in CY pounds (per annum)		
	From benefits	From tax free income	Total	From benefits	From tax free income	Total
Poorest 10%	8,2	-0,4	7,7	220	-12	209
10%-20%	7,5	0,6	8,2	292	25	318
20%-30%	4,4	0,7	5,1	216	34	249
30%-40%	2,9	1,3	4,2	170	78	248
40%-50%	2,4	0,8	3,2	159	53	212
50%-60%	1,0	1,3	2,3	78	97	174
60%-70%	0,8	1,8	2,7	71	156	227
70%-80%	0,7	1,5	2,2	69	154	223
80%-90%	0,8	1,9	2,7	96	236	332
Richest 10%	0,3	1,7	2,0	46	314	360

Furthermore, the results reported in Table 1.4 demonstrate that, on average, the total amount in Cyprus Pounds added to the income of the poor is not higher than that added to the income of the rich (last column of the table). Again, this is because the higher tax free income adds to the net income of persons at higher income deciles by roughly as much as do the higher benefits to the income of persons at lower income deciles. The conclusion emerging from these results is that while the second social cohesion package is a step in the right direction (according to the aforementioned Commentary it is expected to reduce poverty by more than one percentage point) the goal of combating poverty would have been more furthered if the loss of government revenue from increasing the tax free income had instead been used for making the increase in benefits more generous.

Another major development concerning social cohesion and growth objectives of the NRP is the approval of the National Action Plan for the Equality of Men and Women by the Council of Ministers on the 29th of August 2007. Cyprus has one of the worst gender discrimination records in the EU as regards pay, with a recorded 25% gap between men and women in 2006. Also, as we shall see later, substantially more women than men are economically inactive or long-term unemployment. The basic objective of the approved plan is to fully exploit the economic potential of human capital in Cyprus and eradicate all forms of gender discrimination by:

- encouraging the participation of women in employment and self employment by removing obstacles women face when entering the labour market,
- development of social infrastructure and other measures that support the reconciliation of work and family life for men and women;

- change stereotyped perceptions about the social roles of men and women with education and information/media campaigns, and
- improve the gender balance in decision-making within public and private institutions.

As regards the last point, it is worth mentioning here that women represent only 14% of the Members of Parliament and 6,6% of mayors in Cyprus, whereas very rarely a woman is appointed to the post of Minister. Furthermore, the president of the Committee for Equality Between Men and Women complains about obstacles in operation that render the committee ineffective and unable to implement measures promoting equal opportunities for men and women in employment.

1.2.2. Employment Challenges and Policy Priorities

As we can see from the figures reported in Table 1.5, several aspects covered in the IRNRP have a positive impact on achieving social inclusion objectives by supporting vulnerable groups. The same table also demonstrates the link between the employment challenges in the IRNRP and the fact that vulnerable groups are positively affected by these challenges. Notably, three policies target only one vulnerable group while the rest affect all six vulnerable groups included in the table. This suggests that most measures in the NRP (and referred to in the IRNRP) follow a multidimensional approach. Overall, the picture emerging from the evidence in Table 1.5 is a positive one as regards progress towards meeting the Employment Challenges and Policy Priorities in the Cyprus NRP.

Table 1.5: Groups benefiting due to the promotion of employment challenges

Employment Challenges and Policy Priorities	Vulnerable Groups					
	Older persons	Women	Young people	Single parents	Disabled	Un-employed
1. Maintain high rates of increase of labour supply						
a. Increase of female participation	√	√		√	√	√
b. Promotion of gender equality	√	√		√	√	√
c. Promotion of active ageing	√	√				
d. Build employment pathways for young people			√			
e. Build employment pathways for the unemployed	√	√	√	√	√	√
2. Increase labour market flexibility						
a. Modernisation of the Public Employment Service	√	√	√	√	√	√
b. Promotion of flexible forms of employment	√	√	√	√		√
c. On-going assessment of the labour market needs			√			√
d. Promotion of the adaptability of workers and enterprises	√	√	√	√		
3. Orderly management of foreign workers issues	√	√		√		
4. Further development of human capital						
a. Improvement of quality/flexibility of the educational system			√			
b. Increase of opportunities for university studies			√			
c. Continuous upgrading of skills to labour market needs		√	√	√		√
d. Development of a comprehensive lifelong learning strategy	√	√	√	√	√	√

5. Enhance the conditions of social cohesion						
a. Adequate standard of living for vulnerable groups	√	√	√	√	√	√
b. Affordable access to education and health services	√	√	√	√	√	√

The Ministry of Labour and Social Insurance (MLSI) on the 2nd of February 2007 announced the operation of a subsidy plan for the creation of new working places under flexible conditions. This plan is implemented with co-funding from the European Social Fund (ESF) and its objective is to promote jobs offering the flexibility required to encourage economically inactive people to participate in the labour market. The low flexibility observed in the Cyprus labour market is thought to be an obstacle to the labour market participation of women and the plan in question aims at addressing this problem by facilitate the hiring of women, thereby, furthering social inclusion objectives while adding to the economic growth potential of the county. More specifically, the plan provides a 50% subsidy towards the cost of enterprises and organisations hiring economically inactive women, while these women are entitled to a benefit covering their transportation cost to and from work. It also includes measures for the promotion of special training and programs for family support, such as child care and care for old and disable persons.

An interesting question is whether the progress in achieving policy challenges reported in Table 1.5 has also been reflected in improvements in the well being of immigrants in Cyprus. According to the Action for Equality Support and Antiracism in Cyprus (AESA), Cyprus has bridged the EU Directive by deciding to decrease the maximum period of legal stay of immigrants from six to four years and refusing to renew the stay of immigrants living more than five years in Cyprus. Moreover, immigrants are said to face pay discrimination and those applying for extension of their stay often find themselves trapped between the law requiring them to submit employment contracts of at least 18 months duration and the refusal of employers to offer such contracts. The AESA claims that often employers do not pay social insurance contributions for their immigrant employees and the health insurance covering these employees is grossly inadequate. It also argues for an immigration policy aiming at the inclusion of immigrants not only in the labour market but also in the society at large.

Although some of the AESA claims are thought to be exaggerated, the fact is that immigrants in Cyprus are low paid, live in poorly equipped accommodation and face discrimination and uncertainties created by the lack of a comprehensive immigration policy. There, for example, are cases of immigrants held in prison for months and, sometimes, years without trial. It is therefore no surprise to me that Cyprus is last in the list of EU countries as far as the management of immigration is concerned. At the same time, however, in considering the problems faced by immigrants in Cyprus one has to take into consideration the pressures generated by the very large number of illegal immigrants and asylum seekers entering the island, mostly from the occupied areas.

In conclusion, the measures taken in order to promote the various policy priorities of the employment challenges mentioned in the IRNRP are expected to help vulnerable groups. However, the potential for more targeted employment policies has not been fully explored so that not enough policies and measures address poverty and social exclusion. Instead the emphasis has been on increasing, in general, the labour force participation and promoting employment. Furthermore, the employment policies do not address the issue of inadequate income from work, particularly for immigrants, e.g. housemaids are paid CYP150 (around 255

Euro) per month, and this has been so since 1991.² In fact, making work pay is not mentioned at all in the challenges faced by Cyprus (as identified in the NRP) or in the national targets in relation to the European Employment Strategy. The IRNRP stresses the need to reduce the gender pay gap and refers to public assistance supplementing low incomes; but does not mention measures that will increase the income from work. It also mentions that enhanced employment incentives were given in order to encourage the integration of public assistance recipients into the labour market and their gradual independence from public funds but these incentives were not enumerated.

1.2.3. Fiscal and Institutional Reform

Fiscal policies are now recognised in Cyprus as a fundamental mechanism for income redistribution and the financing of social policy. As mentioned in the NRP, the continuous reduction of fiscal deficit and public debt helps towards the redistribution of income and the financing of benefits targeting vulnerable groups. Table 1.6 shows the fiscal provisions for social policy in 2007 and 2008. As we can see the provisions for education, culture, health, benefits and other social provisions have increased in nominal terms by 14,6%, 51,1%, 10,4%, 12,5%, and 8,2%, respectively. On average, the funds allocated to social policy have increased by 12,2% between the 2007 and 2008 government budgets.

Table 1.6: Social provisions in the 2007 and 2008 government budgets (in million CYP)

Provisions for:	2007	2008	Change between 2007-2008	
			Amount	%
Education	91,4	105,8	15,8	14,6
Culture	3,6	6,0	66,7	51,1
Health	24,6	27,3	11,1	10,4
Housing	34,4	34,4	0,0	0,0
Social benefits	273,0	309,5	13,4	12,5
Other social provisions	15,2	16,5	8,1	8,2
Total	442,2	499,5	13,0	12,2

Source: Cyprus Planning Bureau

Behind the improvements in social policy spending outlined in Table 1.6 is the favourable current economic climate in Cyprus: in 2008 GDP is expected to increase by 4% while unemployment will remain around 4% and inflation around 2.5%. The fiscal deficit is expected to fall to 0.5% and public debt to 53.2% of GDP. Nevertheless, there have also been voices of concern and dissatisfaction with current social policy. The left accuses the government of not been generous enough with the announced increases in social benefits in the second social cohesion package discussed in the previous section, while the right complains about the increasing share of indirect taxes in government revenue. Indirect taxes are expected to be 53.9% of total government revenue in 2008 (53.3% in 2007) while direct taxes will be 35.1% (compared to 35.4% in 2007). The large share of indirect taxation is considered to be a

² Last October the Ministry of Interior (MOI) agreed to an increase of this to CYP165, saying that this is an adequate amount for housemaids because their employer is also obligated to provide accommodation, food and social insurance.

negative development from the social policy point of view, because indirect taxes are less progressive than direct ones.

The complaints from the rather sharp increase in indirect taxes together with the rapidly increasing prices of food and other necessities during 2007 have generated widespread discontent in the Cypriot society. The government's response to these complaints (prompted, perhaps, by the forthcoming elections) has been the reduction in the VAT rate on food and other basic items of consumption seen in the previous section and a recently announced further (4 pence per litre) deduction in the excise duty levied on heating fuel. At the same time, politicians supporting the current government coalition, urge the public not to blame the government for increase in the price of food items because these are not local but international phenomena.

A promising rural reform is expected to take place as a result of the recent approval by the European Commission of the programme for rural development, which was submitted by the Cyprus government. The cost of this program will be partly (50%) covered by the Agricultural Community Fund and promises:

- modernisation of agricultural plantations and farms, improved marketing and the promotion of high quality and high value added of agricultural and forest products;
- improvement of the agricultural environment, compensatory pay to those living disadvantage areas and the protection/expansion of forest areas; and
- improvement of economic activities in high altitude areas through the encouragement of entrepreneurship, the promotion of training and acquisition of dexterities, the maintenance and upgrade of rural and cultural heritage and improved dissemination of information.

A reform in transport has been designed by the Road Transport Department (RTD) and includes the introduction of bus routes for public transport vehicles and bus transport for teenagers when they go out for entertainment. The RTD also considers improvements in public transport targeting employees, housewives, older persons, disabled persons and students. In this context old buses will be replaced with modern vehicles in the next two years. Furthermore, the public will be encouraged to switch from private to public transportation via a series of measures, including improvements in the public transport infrastructure, ticket subsidisation and other benefits to people using the bus for transport and rewards to drivers for maintaining high quality (e.g. adhering to timetables) of bus service. At the same time measures will be taken to discourage the use of private cars for transport by introducing parking restrictions together with and severe penalties for offenders and limiting the entrance of private vehicles in city centres and other congested areas.

The RTD plans for the reform of the public transport in Cyprus are, of course, welcome. However, as with other government reform plans one has to be cautious about the speed in which this reform will take place. After all, Cyprus continues to be the only country in the EU where no public transport connects its airports with the capital and other cities!

1.3 Feeding In

In relation to *feeding in*, the IRNRP states that more attention is paid to reducing the risk of poverty and integrating vulnerable groups (first two priorities) rather than preventing social exclusion of children (third priority), since the latter is not a severe problem in Cyprus. In my opinion, this is a correct approach. Furthermore, although not emphasised in the Progress Report, the promotion of the Educational Priority Zones program can be seen as a measure combating child poverty.

1.3.1. Links with the EU Social Protection and Social Inclusion Process

It is expected that by the end of the 2008, Cyprus will absorb 100% of the available European Structural Funds (i.e. Structural Fund, Cohesion Fund and "INTERREG" programmes).

- Funds for Target 2 are invested in the improvement of downgraded areas where 34 programs have already been approved, six of which are completed. The approved plans concern government reinforcements of private initiatives for the setting up of small-medium enterprises in the agricultural and manufacturing sectors, the implementation of plans to improve public places and other basic public infrastructure and the infrastructure for the development of agro-tourism (cycling, thematic routes etc).
- Funds for Target 3 cover the development of human capital. Eighteen programs have been approved aiming, among other, at promoting active labour market policies and improving the education and life long learning system. There is also a 'Fishery' program targeting the competitiveness of the fishery industry and an 'Equal' program intended for fighting discriminations in the work place.

It is thought that success in the absorption of available ESF helps the promotion of economic growth through increased and better jobs. It also helps reduce the burden of funding economic growth and social reform on the economy. At the moment Cyprus, allegedly, uses the highest possible proportion of cohesion policy funds contributing to the achievement of the Lisbon strategy objectives (see Annex 8 of the NRP).

Among programmes aiming at improving the coordination and joining up of economic, employment and social policies are the National Strategic Reference Framework and the Operational Programme for Employment, Human Capital and Social Cohesion. The importance attached to the link between economic, employment and social policies and the need to affect reforms to face the Lisbon challenges has been regularly stressed by the Minister of Finance, Mr. Michalis Sarris, in speeches delivered at various forums (i.e. trade unions, employers' organisations, etc). Mr. Sarris argued for early action to promote reforms for effective tackling of the Lisbon challenges, stressing that the cost of inaction will be very high as delay in the implementation of reforms will impact on economic and social policies. To some extent, the urgency placed on the need for early reforms by the Ministry of Finance reflects the lack of willingness among the stakeholders to proceed with such reforms. The lack of early action is also aided by the absence of mechanisms to effect appropriate monitoring and receive feedback concerning the interaction between the Lisbon objectives.

In my opinion the social inclusion measures in Objective 2 promote greater social and economic cohesion through the regeneration of urban and rural areas; and those included in Objective 3 do likewise through the promotion of employment and qualitative upgrading of human capital. In this sense I think the social inclusion measures funded under the Structural Funds are directly or indirectly connected to the objectives laid out in the 2006-2008 NRSSPSI.

1.3.2. Links to 2007 Joint Report Challenges

In the IRNRP there are not explicit references to the challenges identified for Cyprus in the 2007 Joint Report on Social Protection and Social Inclusion, although measures were taken to improve those challenges. According to the 2007 Joint Report, the most important challenges that Cyprus had to face are the poverty of older people and the low healthcare expenditure as a % of the GDP. Cyprus had the lowest relative income of the elderly (57% in 2004) when compared with the other 24 EU countries (the average of the 25 EU countries was 85%).

The government of Cyprus has taken the following measures with a view to improving the well being of the elderly:

- extension of the retirement age in the wider public sector from 60 to 63,
- set up a national target to increase the employment rate of older workers to 53% by 2010,
- introduction of schemes for the self-employment of elderly persons, and
- increase in low pensions by around 20% in the last two years or so.

Moreover, the government is considering to gradually increase even further the pensionable age from 63 to 65 years, adopt stricter eligibility criteria for old-age pension and grant the lump sum pension at 68 years. I myself cannot see how the latter measure can improve the standard of living of older people in Cyprus (although I can see how it can help the long term viability of the Cyprus pension system).

As regards to the second challenge in the 2007 Joint Report, the Health Insurance Organisation (HIO) continued its efforts for the introduction of the new Health Insurance System (HIS). At the moment the planned HIS is expected to begin its operation at the end of 2008. At the same time the government has proceeded with the restructuring of public hospitals into autonomous establishments under the wider public sector.

1.4 Governance

1.4.1. Impact of Policies

The NRP policies can further OMC objectives insofar as they contribute towards: (a) social cohesion, gender equality and equality of opportunities; (b) effective and mutual interaction between the Lisbon objectives (greater economic growth, more and better jobs and greater social cohesion) and the EU Sustainable Development Strategy; and (c) good governance, transparency and involvement of stakeholders in the design, implementation and monitoring of policy. Of course, the effects can also run in the opposite direction, i.e. OMC objectives

contribute towards greater growth and more jobs. Following the above line of thinking, in Table 1.7 we attempted to give a measure of success of the NRP policies by outlining their links with the OMC objectives.³

Notably, the success of the measures listed in Table 1.7 cannot be assessed unless specific (quantitative) targets are set so that one can compare the degree to which the measures in question have succeeded in achieving the set target. At moment specific/quantitative targets are not available in Cyprus; however, such targets will be available in the future following the recent appointment of a technical committee to develop indicators for the assessment of the progress achieved in the implementation of the NRP.

It should also be noted here that the development of quantitative indicators can be used as a measure of the jointly achieved success of the various policies of the NRP. However, the impact of different measures cannot be assessed separately because more than one measure is often used for achieving a given policy objective. For example, the increase of female participation in the labour force is pursued by schemes for training and employability of inactive women, reconciling family and professional life etc. To assess the impact of each of these measures separately one needs to have data reflecting the strength of the measures taken and apply econometric analysis to these data.

In conclusion, while the OMC objectives are not explicitly linked with IRNRP policies in official documents many policies and measures included in the IRNRP meet these objectives.

Table1.7: Linking OMC objectives and NRP policies

OMC objectives	IRNRP policies	IRNRP measures
<ul style="list-style-type: none"> - Social Inclusion of women - Economic growth and sustainable development (by increasing employment rate we also increase potential output) 	Increasing female participation in the labour market	<ul style="list-style-type: none"> - Schemes for women’s entrepreneurship - Schemes for training/employability of inactive women - Providing grants in aid of NGOs and local communities - Expansion/improvement of care services for dependents - Reconciling family and professional life - Subsidisation of care for children, elderly and disable
<ul style="list-style-type: none"> - Gender equality - Greater economic growth and sustainable development 	Promoting gender equality	<ul style="list-style-type: none"> - NAP for promoting gender equality - Public funds to NGOs (by the National Machinery) - Measures to reduce the pay gap were suggested
<ul style="list-style-type: none"> - Social inclusion of young people - Greater economic growth and sustainable development 	Increase employability of young people	<ul style="list-style-type: none"> - Scheme for encouraging young entrepreneurship - Scheme for promoting training/employability of secondary school graduates

³ It should be stressed here that the OMC objectives are not explicitly linked with IRNRP policies and measures and no reference can be found in any official document indicating that there is an effort to join up OMC objectives and IRNRP measures in policy making. So, Table 1.7 simply reflects the link between the OMC objectives and IRNRP policies as I understand it.

OMC objectives	IRNRP policies	IRNRP measures
<ul style="list-style-type: none"> - Social inclusion of unemployed, social cohesion/equal opportunities - Greater economic growth and sustainable development 	<p>Helping unemployed enter the labour market</p>	<ul style="list-style-type: none"> - Scheme for training/employability of unemployed persons - Scheme on computer literacy of the unemployed
<ul style="list-style-type: none"> - Social inclusion of unemployed and women - More/better jobs, greater social cohesion, sustainable development 	<p>Increase the flexibility of the labour market</p>	<ul style="list-style-type: none"> - Scheme to encourage the creation/seeking of flexible jobs for previously unemployed/economically inactive women - Measures to attract/keep more persons in the labour market and encourage enterprises to create flexible/secure jobs

1.4.2. Involvement of Stakeholders

According to the IRNRP, Cyprus consults the various stakeholders (i.e. national parliament, social partners, local authorities, political parties, NGOs etc) and engages them in the design and pursuit of social policy objectives. Views about the NRP are exchanged among stakeholders through their participation in the National Advisory Committee. Moreover, social partners, NGOs, and organised groups of the private sectors participate in the technical committees set up for each challenge. Furthermore, the views of the political parties on the NRP are discussed in the Parliamentary Committee on Economic and Budgetary Affairs. In Table 1.8 we can see how the responsibilities arising from the NRP are allocated to various committees.

According to government officials the implementation mechanisms of the NRP ensures the active participation and involvement of all stakeholders. This, however, is not the picture emerging from the replies to a questionnaire sent out by myself to twelve organisations, supposedly, involved in the NRP process (see Annex). The participants were asked to express opinion about the extent to which the objectives of the NRP have been achieved and were asked to evaluate the success, resources, uniformity and problems vis-avis the implementation of the NRP measures. Seven organisations replied and their answers are summarised as follows:

Table 1.8: Issues covered in the IRNRP and their responsible committees

Responsible committee	Issues of NRP
National Advisory Committee	- Review of the implementation progress - Opinion about additional measures and improvements
Coordinating Committee	- Monitoring the work of committees and setting priorities - Co-operation/co-ordination between Ministries/Services - Consistency/coherence between NRP and NSR/SP/SI - Informing and exchanging views with political parties - Monitoring progress and submission of reports/recommendations/proposals
Technical Committee for Employment Issues	- Employment Issues
Technical Committee for the Development of Indicators Assessing Progress in the Implementation of the NRP	- Recommendations for further measures - Monitoring progress in the implementation of measures - Submission of progress report to Coordinating Committee
Unit for the Lisbon Strategy under the Directorate of Sectoral Economic Policy, Studies and Evaluation of Development Projects - Planning Bureau	- Coordination of the work of the Technical Committees - Monitoring and promoting the implementation process for the actions included in the NRP - Contacting and consulting with the competent authorities of the European Union - Overall coordination in the preparation and final drafting of progress reports
Council of Ministers	- Ultimate body for NRP decision making

- The representative of the Union of Cypriot Municipalities said he could not answer our questions because 'there are things that cannot be said'.
- The Union of Cypriot Communities representative told us that he could not answer our questions.
- The Human Resource Development Authority of Cyprus representative did not answer the questionnaire but told us that they are satisfied from the NRP and that their suggestions were included in it.
- The representative of the Cyprus Worker's Confederation told us that she was not aware of the NRP. She asked two of her colleagues but they also were not aware of the NRP so they did not answer our questionnaire.
- The PanCyprian Federation of Labour representative told us that they did not participated in any stage of the preparation of the NRP and that they were not informed from the government about the NRP so they could not answer our questionnaire.
- The Planning Bureau did answer our questionnaire in great detail and their replies reflected an enthusiastically positive view about progress achieved in the implementation of NRP measures. The implementation mechanisms were judged to be satisfactory, the economic resources available for this very sufficient and implementation uniform across all sectors. As regards implementation problems the

Planning Bureau stated that these varied depending on the 'achievement of social consensus' and on 'the change of the mentality'.

- One respondent, who asked to remain anonymous, said that there was no information or consultation about the IRNRP. The last information received (by email) by her/his organisation was in January 2007. Commenting further she/he accused the government of mishandling the allocation of funds to NGOs and local communities in the context of the Grants in Aid scheme.⁴ According to Social Welfare Services (SWS) these comments are inaccurate in the sense that important improvements have been introduced based on the results of a relevant study and on the Decision of the Council of Ministers (No. 65.090) for improving the efficiency and effectiveness of the Scheme in question. The SWS claims that the allocation of funds to NGOs was based on the eligibility criteria set in the new Grants in Aid Scheme which is available in the SWS website and argues that in 2007, 4.657.000 CY pounds were allocated for the implementation of 312 social care programmes, increased from 4.640.000 CY pounds in 2006 and 4.240.000 CY pounds in 2005. The respondent points out that this increase is 'not enough' and maintains that the new criteria caused agitation in the correct operation of the organisational sector.

Although the sample participating in this 'survey' is too small to reach robust conclusions, the pattern in the response is worrying, in the sense that only governments organisations (the Human Resource Development Authority and the Cyprus Planning Bureau) appear to be both aware of and satisfied with progress in the implementation of NRP. Non-governmental organisations in the wider public sector (the Union of Cypriot Communities and the Union of Cypriot Municipalities) appear to be aware of but, apparently, not satisfied with progress in the implementation of NRP, whereas private sector organisations (the Cyprus Worker's Confederation, the Pancyprian Federation of Labour and the anonymous respondent) were not either aware of or aware of but not involved in the IRNRP process.

In my opinion, the above pattern has its roots in the highly centralised manner in which social policy decisions are taken and implemented in Cyprus.

- Government organisations directly involved in the decision making have no reason to express discontent with this process.
- Non-governmental public sector organisations participating in policy execution but not in the decision of social policy measures are not satisfied with the process.
- Private stakeholders are either ignorant about what is happening or know very little to understand and claim their role in the process.

⁴ Some other comments made by the representative of this organisation concerned problems in the provision of care services for children, the elderly, the disable and other dependants: the grant applications had many requirements and very few volunteerism organisations were able to receive funding, the government did not assist them with the necessary technical know-how, the paperwork was very demanding and complicated so that most volunteerism organisations were unable to respond etc.

I know from personal experience (e.g. speaker in seminars) that all the relevant stakeholders are regularly invited to express opinion and made suggestions about social policy in seminars and meetings; and I believe this was also the case in the preparation of the IRNRP. However, stakeholders in the private sector have a more passive role in this process, in the sense that they listen to presentations and participate in discussions about social policy but have no way to affect decisions. This is due to a 'viscous circle' starting with weaknesses in these NGOs arising from preoccupation with internal power struggles and lack of expertise and/or funding etc; and completed with government using these weaknesses as excuse to keep them distanced from the decision making process.

PART 2: TRENDS AND DEVELOPMENTS IN POVERTY AND SOCIAL EXCLUSION

2.1 Economic Trends

In Table 2.1 we can see an overview of the Cyprus economy for the last five years. We can say that the Cypriot economy overall shows a positive picture. The growth rate is around 4% over this period and with the exception of 2003, inflation is kept low. The fiscal deficit and public debt are both decreasing over time to reach 1% and 61% in 2007, respectively. The strength and stability of the Cyprus economy have played a key role in the country's successful application for entry to Eurozone on 1st January 2008, while enabling the government to confront social and structural changes.

Table 2.1: Overview of the Cyprus economy (2003-2007)

Basic Indices	2003	2004	2005	2006	2007
Growth rate (%)	1,8	4,2	3,9	3,8	3,9
Inflation rate (%)	4,0	1,9	2,0	2,2	1,4
Fiscal Deficit (%)	6,3	4,1	2,3	1,5	1,0
Public Debt (%)	69,1	70,4	70,4	65,3	61,0

As seen from Table 2.2 the overall unemployment rate is kept relatively low, however, new entrants in the labour market take time to find jobs, a fact reflected in high unemployment among those in the 15-24 age group. Furthermore, the unemployment rate is higher for female than male workers. As regards recent changes (as seen from comparing the 2006 figures with those for the 1st quarter of 2007) the female unemployment rate appears to be falling for the 15-24 and rising for the 25-64 age group. Overall, the female unemployment has increased between 2006 and the 1st quarter of 2007. The same is also true for male unemployment.

Table 2.2: Unemployment rate by age (%)

Age group	2006 Average			1 st Quarter of 2007		
	Female	Male	Total	Female	Male	Total
15-24	11,1	8,9	10,0	10,6	11,3	10,9
25-64	4,7	3,4	4,0	5,1	3,6	4,3
Total (15 – 64)	5,4	3,9	4,5	5,7	4,2	4,8

Source: Labour Force Survey, Statistical Service of Cyprus.

A more detail breakdown of unemployment by age (Table 2.3) shows that while the unemployment rate is high among new entrants in the labour market, the number of those affected is very small because most people in the 15-24 age group are still in education. Thus, most of the unemployed persons in Cyprus are 30 to 60 years old and, in general, their number increases with age. Notably, the number of women unemployed in the 50 to 60 age group is lower than that of women in the 30 to 60 age group, reflecting the low labour market participation of older women. The same is also true for both men and women over the age of 60. These figure suggests that policies for the reduction in unemployment should include measures targeting not only new entrants in the labour market, as one would conclude from looking only at unemployment rates, but also persons in the 30 to 60 age group, with particular emphasis placed on older members of this group.

Table 2.3: Registered unemployed by age

Age group	Year average (January to August 2007)		
	Female	Male	Total
Under 20	65	41	106
20-24	685	468	1153
25-29	1099	672	1771
30-39	1673	926	2599
40-49	1690	1008	2698
50-59	1300	1287	2587
60-64	573	963	1536
65 & over	7	15	22
Total	7091	5380	12471

Source: Labour Force Survey, Statistical Service of Cyprus.

Regarding the length of unemployment spells, the figures reported in Table 2.4 suggest that unemployment in Cyprus is largely short term, with most persons remaining unemployed for 15 days to 3 months. Those remaining without a job for a period longer than a year, represent only the 10.21% of the unemployed. This suggests that unemployment in Cyprus is mostly 'frictional', i.e. it reflects workers moving between rather than staying out of jobs.

Table 2.4: Duration of unemployment

Duration of unemployment	Year average (January to August 2007)	% unemployed
Less than 15 days	1486	11,91%
15 days - 3 months	4985	39,97%
3 months - 6 months	2660	21,34%
6 months – 12 months	2067	16,57%
12 months and over	1273	10,21%

Source: Labour Force Survey, Statistical Service of Cyprus.

Table 2.5 shows recent development in the labour for participation rates. As already noted in the discussion above, the lowest labour for participation is observed among young people (still in full time education), women in the 55 to 64 age group and men and women over 65. As the low participation of women aged 55-64 reflects old tradition preventing women from working outside the home, the participation rate among women in this age group will be rising over time, a fact reflected in the figures reported in the table. Overall, the population participation rate increased slightly (from 73% to 73.5%) between 2006 and the 1st quarter of 2007.

Table 2.5: Labour force participation rates

Labour Force Participation Rates (%)	2006 Average			1 st Quarter of 2007		
	Female	Male	Total	Female	Male	Total
15-24	38,3	45,0	41,5	38,2	42,8	40,4
25-54	77,4	95,3	86,2	79,0	94,7	86,7
55-64	37,8	74,1	55,5	39,5	74,7	56,6
65+	4,4	17,0	10,1	4,2	16,0	9,7
Total (15 – 64)	63,8	82,7	73,0	65,0	82,4	73,5

Source: Labour Force Survey, Statistical Service of Cyprus.

2.1 Poverty and Social Exclusion

Given the short period of time this report is meant to cover, no major changes in poverty and social exclusion can be documented using survey data. Therefore, the discussion will focus on circumstantial evidence drawn from articles in the media and, whenever available, studies published by various research institutions in Cyprus.

2.1.1. Discrimination against vulnerable groups

Disable persons

In a meeting of the 'Children's Parliament' (an annual gathering of children in the House of Parliament to discuss issues of interest to them) a 14 year old mentally disabled girl made an emotional plea to end discrimination against disable persons.

- 'Why', she asked, 'should I have to ask my teacher to write bigger letters for me be able to read her handwriting on the blackboard?'

- 'Why did the headmistress of the primary school made discriminations against me?'
- 'Why children without special problems block access to facilities meant to be available for disable children?'
- 'Why are schools not investigated to see these problems?'

Also, hearing impaired girl said 'I did not choose to be born with this problem. I feel angry and I am hurt. I am asking for equal rights and equal chances'. The President of the House of Parliament in an emotional reply to these girl promised that from now on we shall wait for them to tell their problems but we look for them ourselves and stress the importance of showing love and affection for the disable. But as a journalist said, disable persons are not asking love from politicians but ways to make their life easier.

According to research at the Cyprus College (on behalf of the Office of the Commissioner for Administration), while discrimination against disable persons is still prevalent in Cyprus, the attitude of Cypriot people is changing with 95% of the population being in favour of positive discrimination for the disable such as the introduction of a quota system forcing employers to appoint a percentage of disable persons in their organisation. The Minister of Labour proposed this percentage to be 3-5% in the government sector and asked employers in the private sector to appoint one disable person per 50 employees.

The above conclusions are reinforced by a study carried out at Cyprus College (now University of Nicosia) commissioned by the Office of the Commissioner for Administration. According to the findings of this study, pupils sympathise with their disable peers but avoid being friends with them, inside and outside school. This is typical of the attitude towards disable people in the society at large and is inherited from the not so distant past when disable people were segregated in 'special' (often meaning neglected) schools and other institutions. In my opinion it will take a large effort over many years for this attitude to change and, surely, encouragement from the EU towards this goal will help.

Gender

The Mediterranean Institute of Gender Studies (MIGS) has recently published results of its research program on trafficking and sexual exploitation of women in Cyprus. These results show that the trafficking of women in Cyprus has increased dramatically in recent years, supporting the accusation that Cyprus serves as a transit country for the trafficking of women from countries of Eastern and Central Europe to EU countries. About 2000 women enter Cyprus every year with 'special' visas and a residence status described as 'artists'.

The government does not include this group of women in the labour force since those working in positions of high risk amusement places are excluded from the official statistics. The MIGS believes that the decision taken by the Council of Ministers in 2005, prohibiting the employment of Cypriot women in the high risk night clubs encourages women trafficking because it facilitates the flow of women from third countries into Cyprus with the pretext that they will work in these clubs. Women entering Cyprus as artists are often isolated and become victims of exploitation, with their human rights grossly violated. The state is unable to take effective action because the victims are not sufficiently covered by law.

The measures proposed by MIGS include abolition of discrimination between local and foreign women as regards employment in night clubs and proceed with the implementation of the convention against the white slavery of women of the European Council. The MIGS also urges the implementation of the actions and activities of government services and NGOs included in the NAP, adhering to the timetables and to a systematic and detailed follow-up and evaluation of the measures and strategies in the NAP. Furthermore, it stresses the need for cooperation between governmental departments with NGOs in Cyprus and authorities and NGOs in the women's countries of origin.

It is interesting to note that the strong plea made by MIGS for the government to measures for the prevention of women trafficking supports my repeatedly stated criticism about weaknesses in implementing, monitoring and evaluating social policy in Cyprus.

Immigrants

According to an Ombudsman investigation in June and July of 2007 more than half of the Greek-Cypriots have very negative or negative opinion about Pontian-Greeks and seven out of ten believe that Pontian-Greeks are responsible for criminal phenomena.; in contrast, over 90% of Pontian-Greeks have a positive opinion about Greek-Cypriots and over 83% are satisfied with their stay in the island and believe that they contribute to the economic growth of the island.

Moreover, the vast majority of Pontian-Greeks mentioned that Greek-Cypriots did not made discriminations against them and they characterise Greek-Cypriots as hospitable, tolerable and willing to help them. Greek-Cypriots have no problem to work with Pontian-Greeks or for their children to go to the same school but 50% react negatively to a possible marriage of their children with Pontian-Greeks. Strangely, older Greek-Cypriots appear to be less annoyed by the above issues when compared to younger people. This can be due to the fact that younger people see Pontian-Greeks, who are themselves young on average, as competitors in the job market and in other activities.

Further findings of the study in question include the following: 67% of Greek-Cypriots would like Pontian-Greeks to be refused permission to stay in Cyprus, 55% do not wish them to be granted Cypriot citizenship and 44% would like them to leave the country.

2.3 Policy and Other Developments

Cyprus along with other 22 states has signed the Treaty for the Protection of Children from Sexual Harassment and Exploitation. This is an important step towards the prevention of sexual offences against children, the penal prosecution of those who were responsible and the protection of children victims. This Treaty penalises the sexual conduct with persons under the age of consent (as defined by law), children prostitution, pornography and the use of technology, such as the internet, for the sexual exploitation of children. Moreover, the Treaty requires the establishment of victim support programmes and telephone/internet lines for children.

The government budget for 2008 includes provisions for the modernisation of the health care system and the implementation of programmes and actions for the prevention and promotion of health. The budget also includes funds for the acquisition of medicines, health supplies,

subsidisation of patients going abroad and for sponsoring various volunteerism organisations. Cyprus last year was 13th (up from 19th the previous year) in the provision of health services in the EU, a fact suggesting an improvement in health care provision. The strategic goals for 2008 are (a) the introduction of the NHIS, (b) granting autonomy to public hospitals, (c) reorganisation of the Ministry of Health, (d) introduction of the quality assurance system and risk management in public and private hospitals, (e) the introduction of new technology in all public hospitals, (d) training of family and specialised doctors and (f) reinforcement of the role of preventive medicine. Emphasis is also paid in research programmes and especially in programmes relating to the impact of the environment on health.

On the 26th of September, the government decided to decrease the tax on the consumption of heating oil by 4 cents (from 11,3 that is now to 7,3 cents). This will be implemented as soon as it is approved by the House of Parliament. The Minister of Finance said that this will not violate the public debt and fiscal deficit targets due to the buoyancy of the Cyprus economy. Although this measure is universal, it will mostly benefit households with above average income because, unlike many other EU countries, the mild winters in Cyprus make central heating a luxury rather than a necessity.

The Ministers of Education, Labour and Finance examine the proposal for the introduction of the new apprenticeship scheme. The Minister of Labour explained that the new apprenticeship scheme will address teenagers that have not been to or abandoned school and children that have finished school but wish to adjust their skills to the needs of the market. This apprenticeship scheme lasts for two years and is for those not planning to continue their studies. It is expected to be more successful than the current apprenticeship scheme which is poorly attended because it has not been designed with the needs and interests of teenagers in mind.

A new rehabilitation centre for drug-addicts was expected to start its operation in the beginning of October 2007. This centre (called "Gefira", meaning bridge) will offer treatment to persons addicted to substances using substitute medicines and psychological support. At the same time, however, it is worth mentioning here that the Centre for Underage Substance-Addicted persons, which was announced four years ago (April 2003), is still on paper. Those responsible for setting up this centre claim that the long delay is due to the lack of qualified personnel.

Social welfare officers are complaining about the Public Assistance Law because, according to them, almost half of the population in Cyprus are potentially eligible. For example a woman can claim public assistance just by being divorced. Also anyone can become a public assistance recipient by presenting a simple report from a private doctor stating that she/he is invalid. In other words the system is open to abuse and as time goes more and more people appear to be taking advantage of this. The official view of the SWS is that this is the opinion of an individual welfare officer, not shared by the rest of the SWS staff. Citizens have the right to apply for public assistance and their application is examined according to eligibility criteria set by the Law. Medical reports from specialized private doctors are required and in the case of a prolonged medical ailment the public assistance recipient is examined by an assigned Medical Board.

According to an article in a newspaper, also causing concern is the sharp increase in the number of children under 'government guardianship', i.e. children in care of the Director of the SWS, in need of care and protection due to neglect, abuse, ill treatment and exposure to moral and physical dangers. The Ministry of Labour and Social Insurance (MLSI) examines ways to

upgrade and reorganise the child protection system, following proposals from a psychology expert on child protection. The current practice of placing preschool children in foster families rather than institutions will continue, however, major reforms are needed in other aspects of child protection policy. According to the opinion of an expert hired by MLSI to investigate the child care system in Cyprus, the focus of the reform should be on improving the capacity offering effective and appropriate child care by (a) training the existing and hiring new and more specialised personnel, (b) pursuing preventive social services and (c) connecting institutions for children under government guardianship with the community. The SWS however disputes that there has been a sharp increase in the number of children in their care pointing to data of the Yearly Report showing a decline the number of the children in care of the Director of the SWS from 240 in 2005 to 233 in 2006 to 235 in 2007.

More recently, the Minister of Labour and Social Insurance announced that low pensions will increase by CYP30 from 1st October 2007. He said that he is aware of the fact that pensions in Cyprus are low compared to the average standard of living in the country and that after the country's successful entry into Eurozone, there will be more scope to increase benefits to retired persons. Moreover, he mentioned that the proposed increase in pensions targets people in need.

2.4 Progress on implementing the social inclusion strand of the NRS/SP/SI

The priorities of the 2006-2008 Strategy for Social Inclusion mentioned in the NRS/SP/SI are:

- reducing the risk of poverty in general and especially among the over 65 age group,
- integrating vulnerable groups into the labour market, and
- preventing the social exclusion of children.

As far as the first priority is concerned, section 1.3.2 of this report mentions some measures taken in order to improve the well being of the elderly and, in general, help reduce the risk of poverty among persons aged over 65. Other sections of the report outline measures intended to reduce the risk of poverty among other vulnerable groups such as women, single parents and children.

As regards the integration of vulnerable groups into the labour market the NRS/SP/SI focuses on increasing the participation of older persons, women, persons with disabilities and public assistance recipients. The measures taken to achieve this priority, outlined in various parts of this report, include the creation of training programmes for the unemployed, improved access to care services for dependent persons so as to encourage the integration of women into the labour market, increased minimum wage, the apprenticeship schemes and measures to eliminate the pay gap between men and women.

Children do not appear to be exposed to a high risk of poverty and social exclusion in Cyprus. Therefore, only a small number of measures included in the NRS/SP/SI address this problem. Such measures are the economic aid given to children placed in foster families and improvements in the infrastructure of schools in order to accommodate children with disabilities.

Overall, it appears to me that the progress made towards implementing the social inclusion strand of the NRS/SP/SI in Cyprus can be judged as satisfactory.

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ANNEX

A1 Questionnaire

We prepared the following questionnaire in order to get the opinions of different institutions (political parties, social partners, NGOs, Ministries etc.) and be able to highlight differences of opinion among stakeholders.

Below is the list of the questions asked and the stakeholders the questionnaire was sent to:

Questions

- To what extent do you believe that the objectives of the NRP have been achieved?
- How do you evaluate the mechanisms for the follow-up of the implementation of the NRP?
- How sufficient were the means and the resources for the implementation of the NRP?
- How uniform is the implementation of the NRP in the various sectors and if uniformity does not exist what is the reason in your opinion?
- Describe problems in the implementation of the NRP that testify policy errors?

Stakeholders

- The Social Welfare Services
- The Planning Bureau
- The Union of Cypriot Municipalities
- The Union of Cypriot Communities
- The Human Resource Development Authority of Cyprus
- The Action for Equality Support and Antiracism in Cyprus
- The Pan Cyprian Volunteerism Coordinative Council
- The Pan Cyprian Federation of Labour
- The Cyprus Worker's Confederation
- The Democratic Labour Federation of Cyprus
- The Cyprus Employers and Industrialists Federation
- The Cyprus Chamber of Commerce and Industry

A3 Changes in Legislation

Recent new legislation:

- On the 20th of July 2007, the Social Insurance Services announced that there will be no provision for indexing to inflation of the Social Insurance pensions and pensions paid under the Social Pension Benefit law.
- On the 15th of March 2007, the law for the regulation of issues relevant to the adoption of the Euro and the smooth transition from the Cypriot Pound to Euro was announced.
- On the 17th of November 2007, the law that foresees for the foundation, registration, operation and monitoring of occupational pension funds.