

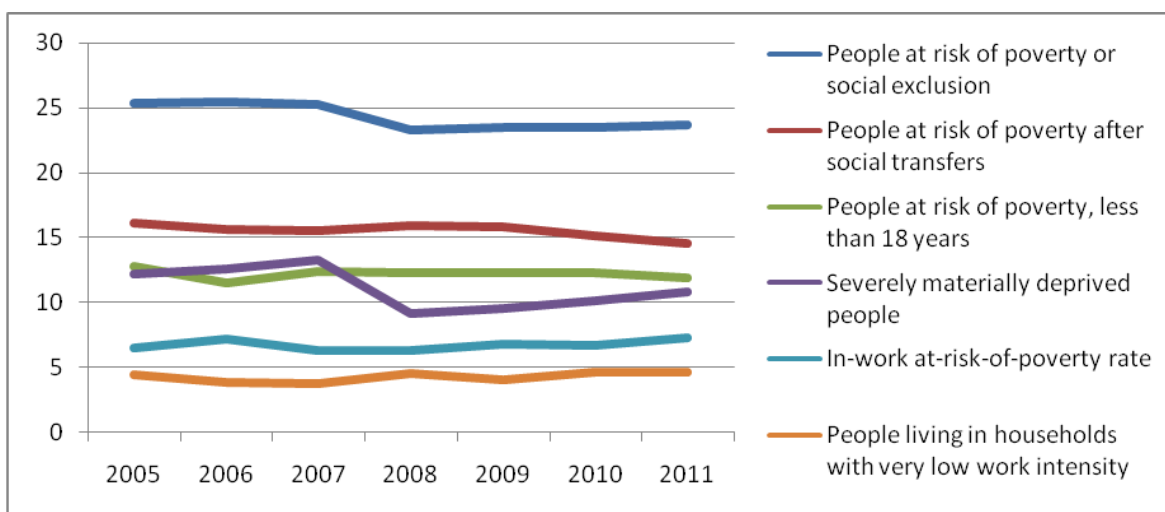
1. POVERTY

1.1. Recent trends

Developments of poverty and social exclusion in Cyprus based on Eurostat:

- While the at-risk-of-poverty rate dropped from 15.9% in 2008 to 14.7% in 2012, **severe material deprivation rose by a worrying 1.7 p.p.** to 15% in 2012.
- In-work poverty also experienced an increase of 1 p.p. and rose to 7.3% in 2011. The **highest proportional increase can be observed in the female in-work at-risk-of-poverty rate**, which increased by 1.2 p.p., further widening the gender gap of this indicator which keeps affecting a considerably larger share of women (8.1% in 2011) than men (6.6% in 2011).

Poverty trends in Cyprus (% of population):



Considering recent events and the dramatically worsening financial situation of Cyprus, the socio-economic and therefore poverty situation is expected to worsen considerably in the future, as recent observations demonstrate:

- The percentage of **people-at-risk or social exclusion is predicted to increase rapidly**, due to the rise of unemployment (15.9% in April 2013); however, accurate details are not available yet. Nevertheless, **indirect details support the view that all the above indicators will follow an upward trend**: for example, the latest statistical details from the CyStat highlight a 23% reduction in total trade (excluding food and fuel); the referred period is January-March 2013 compared to same period of the previous year¹.
- There is still not enough accurate data available that would allow illustrating whether the poverty rate has been increasing. However, due to the historically high unemployment rate as well as taking into account the fact that this year 7.8% of the pupils, whose parents are registered at the Social Welfare Services as living under the poverty line, are receiving school breakfast, it is expected that the **at-risk-of-poverty rate for the age group of children and youth (under 18 years old) will increase dramatically**.

¹ Statistical Service of the Republic of Cyprus, 2013, *Latest Figures: Foreign Trade (prov) May 2013*. URL: http://www.mof.gov.cy/mof/cystat/statistics.nsf/externaltrade_41main_en/externaltrade_41main_en?OpenForm&sub=4&sel=1

1.2. Recent policy developments

Since last year the following policy developments have been registered:

A number of measures aimed at combating social exclusion have already been undertaken (or are planned to be implemented in the following months). The emphasis of these measures have been put on increasing employment through the **introduction of training and employment schemes**, improving the provision of **accessible and affordable child care services** as well as **reducing elderly poverty**. The aim of taking these reforms was to minimise the social consequences of the financial crisis and a subsequent recession as well as to provide additional services in order to provide better support for the most vulnerable. However, recent measures could have negative impacts. For example, in an effort to reduce public expenditure, it has been decided to recalculate the cost of a number of social benefits. Following this decision, it is expected that **tighter criteria for the take-up of benefits** will be introduced. Legislation changes to implement this decision are expected to be discussed over the following months.

In the second quarter of 2013, the **public assistance scheme was re-designed and reformed**. Its primary aim was to **reduce disincentives to work** and to impose job-searching requirements as a prerequisite to further receive benefits. The legislation update primarily focused on **abolishing benefits for asylum seekers**, for recipients of **subsidiary protection and for refugees**, as well as for **Cypriot Citizens recipients of public allowances, who would refuse to work** in sectors and periods where employment is permitted.

It is yet too early to evaluate the impact of these legislation changes. However, considering the worsening social and financial conditions and no measurable improvement from the last year, a deteriorating trend of poverty and social exclusion can be assumed.

Assessment of Cyprus's NRP and policies it refers to:

In order to address child poverty and social exclusion, the NRP 2013 proposes measures to get parents back to work through **training and employment schemes** as well as financial **incentives to develop affordable child care services** and other services. Furthermore, the document proposes measures for the **activation and support of inactive and unemployed persons** who are dependent on public benefits. It also plans to further promote projects to **increase the inclusion of persons with disabilities and the migrants** into the labour market.

Considering the multi-dimensional nature of poverty and social exclusion, the **NRP aims at developing of a comprehensive approach** – connecting poverty and social exclusion with other relevant issues such as equality of opportunity for all as well as combating discrimination. However, in order to provide better support to those groups in greatest need, **systematic implementation of the proposed measures is needed**. It is believed that issues of poverty and social exclusion have to be further integrated into a holistic approach that tackles social problems.

Although in general, the measures go towards the direction of tackling the poverty, **a central management and monitoring system is still absent**. The measures also **lack the development of a comprehensive support network** that could offer those additional services that are needed in order to improve the life of the disadvantaged people. For example, there is no referral to the need to employ more care staff to provide a range of additional services (i.e. empowerment, advocacy, emotional support, open day centres for children, elderly and disabled, youth centres, etc.) for those in need, to develop special needs care and educational projects in rural areas, to examine the effectiveness of already existing policies to tackle the problem of in-work-poverty, to develop a comprehensive support services' network for non-nationals, etc.

Assessment of Cyprus's Country Specific Recommendations (CSRs) adopted in 2013:

To avoid duplication with measures set out in the Economic Adjustment Programme, there are no additional CSRs for Cyprus. It has to be highlighted that the European Commission requested the Government to start recording details about the social situation in order to be able to design and implement a social policy intervention plan in the future.

Considering the current conditions it is therefore crucial to re-establish Cyprus's social policy, giving an emphasis on achieving better governance and increased social participation in the development, implementation, monitoring and evaluation of policy interventions.

1.3. Recommendations

- Adoption of clear-cut, **measurable economic development objectives** with an emphasis on regional development and on improving regional and intra-regional inequalities and disparities (rural and deprived urban areas need to be prioritised).
- Ensure that the **pensions system is sustainable** in order to prevent and **tackle elderly poverty**.
- Establish efficient and effective healthcare systems that **ensure access for all to quality healthcare**. Such measures will most probably prevent and combat poverty and social exclusion and inequality. Similarly, there is a need to **increase the participation of specific groups in the decision making process** related to the services they would like to receive.
- **Modernise the social care system** to provide accessible, affordable high quality services.
- **Child poverty should be a priority** in the political agenda.
- Provide **independent living services** to persons with disabilities and elderly people.

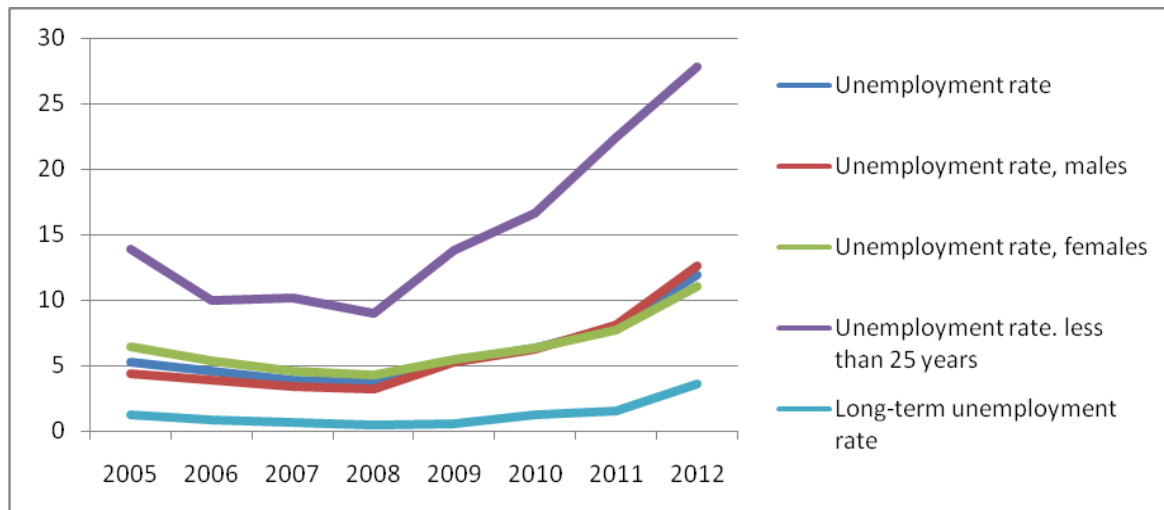
2. EMPLOYMENT

2.1. Recent trends

Developments of the employment situation in Cyprus:

- **Unemployment rose** from 3.7% in 2008 to 11.9% in 2012, especially hitting young people (+18.8 p.p.). **With 27.7%, youth unemployment reached a new high in 2012.**
- The highest proportional increase occurred in the **long-term unemployment rate**, which rose more than sevenfold (from 0.5% in 2008 to 3.6% in 2012), and **eightfold among men** (from 0.5% in 2008 to 4% in 2012).

Employment trends in Cyprus (% of population):



Additional recent data from the Statistical Service of the Republic of Cyprus² demonstrate the continuously deteriorating unemployment situation. Data from the **first quarter of 2013** show:

² Statistical Service of the Republic of Cyprus (2012), *Latest Figures: Labour Force Survey - Main Results, 1st Quarter 2013*.

URL: http://www.mof.gov.cy/mof/cystat/statistics.nsf/labour_32main_en/labour_32main_en?OpenForm&sub=1&sel=2

- **Unemployment stood at 15.9%**, whereby unemployment among men was 16.2% and 15.4% among women. In comparison, the respective rates for the 1st quarter of 2012 were 11.1% (an **increase of 4.8 p.p. within the last year**), with 12.2% for men and 9.8% for women.
- The **unemployment rate for young persons aged 15-24 amounted to 32%** of the labour force of the same age group. The **rate has risen by 6 p.p. since the corresponding quarter of 2011** (26%), as well as from the same quarter on 2012 (26.4%).
- It appears that **unemployment has hit more men** (16.4% compared to 13.2% in the fourth quarter of 2012) than women (15.4% compared to 12.2% in the fourth quarter of 2012).

2.2. Recent policy developments

Since last year the following policy developments have been registered:

The only development that has been actively promoted this year is that of Secondary Institutes of Vocational Education and Training. The **development of the gas energy sector** has also had a significant influence on vocational training, as nowadays there is a master plan to **increase the number of professional trainings for this sector**.

There have not been any new amendments and/or changes in the legislation since 2012. The government attempts to react to the current situation following the same tools that had been designed and agreed on last year. **The lack of new measures is mainly related to the lack of additional financial resources**. It appears that from this year onwards **there will be a better utilisation of European funds to combat unemployment** and to bring people back to work. It is expected that from September onwards, additional training programmes for unemployed people to be provided. Furthermore, it is planned to increase **either the incentives for the private sector to employ more people** (the State will take over a large portion of their monthly compensation) or to take over the employment costs (at a specific amount of 650 euro) for a specific time period.

Assessment of Cyprus's NRP and policies it refers to:

The measures proposed both in the NRP 2013 and the public announcements in April 2013 to stimulate growth and help face the adverse impacts of the Financial Programme are in the same line as last year.

Funds of an estimated budget of 30 million euros, mainly coming from the ESF, have been either activated or transferred from other areas to create jobs for about 8,000 people, including the youth.

Furthermore, the new government announced that **tax reliefs** would be offered to enterprises for new recruits, the **issuance of all permits for new projects** of the private sector would be completed within a **maximum of three months** so as to create new jobs, that SMEs would be helped to continue their operations by **reducing the cost of electricity by 9.5% and decreasing lending rates**. Moreover, **government property will be offered to new farmers** for self-employment in the agricultural sector.

The above-mentioned measures are the primary reaction to the shock that hit the Cypriot society in March 2013. It is yet too early to assess any positive or negative criticism on their impact. It can be argued that they are moving towards the identification of the unemployment problem. However, a lot **more measures would require to boost growth**, such as the reflection on **labour market segmentation**, the **public service re-organisation**, the change of culture in **research and development** for which additional funds would be needed.

Assessment of Cyprus's Country Specific Recommendations (CSRs) adopted in 2013:

See Assessment of Cyprus's CSR in the Poverty chapter.

2.3. Recommendations

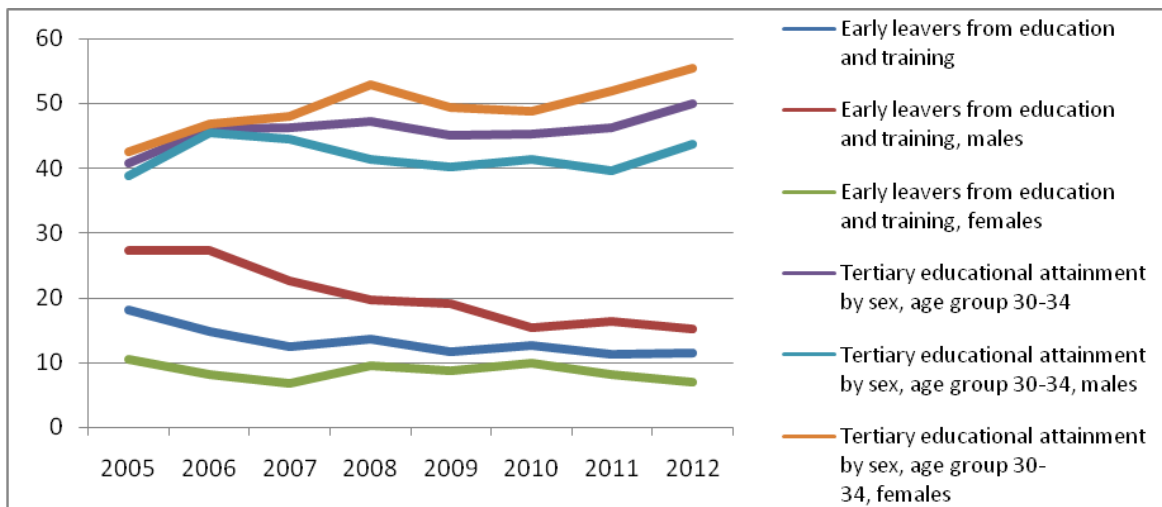
- **Promote a rather aggressive investment policy;** Sectors for investment may be: a) education and health as a way of permanently boosting incomes and also spreading benefits across generations b) diversify the economy so as to insulate it from specific shocks in the natural-resource-rich sector in the medium and long term.
- **Setup main areas for further exploration regarding R&D;** ‘Health’ together with biotechnology, ICT, environment & energy resources and value-added manufacturing, may be some primary areas. Additionally, there is a need to promote R&D Clusters’ schemes: The objective is to support formal collaboration between enterprises by assisting in the setting-up, expansion and animation of innovation clusters. Aid should be provided exclusively to the enterprises operating the cluster which must have the sole purpose of promoting Industrial Research and Experimental Development;
- **Promote the Social Economy** in the country and therefore strengthen the role of social enterprises which are able to address the needs of the people at community level, especially the most vulnerable.
- **Strengthen the effectiveness of Vocational Education and Training (VET);** make VET Education More Relevant and Attractive to the local conditions; Establish a Vocational Qualification Framework for lifelong training;
- **Modernise social security systems so that they provide the right incentives to work,** to avoid benefit dependency, but at the same time to ensure adequate income support. In a similar strand, there is a need to **ensure pension adequacy and long-term financial support.**
- **Improve the administrative capacity of public authorities** as regards the programming and management of the programmes including the promotion of more systematic evaluation.
- **Introduce modern medical assessment** as part of the criteria to qualify for **invalidity pension** so as to ensure that the system will not lead to early exit from the labour market.

3. EDUCATION

3.1. Recent trends

Developments of the education situation in Cyprus:

- Early school leaving dropped from 13.7% in 2008 to 11.4% in 2011. The **largest decrease occurred in the rate of boys abandoning school or training early.** Despite this considerable drop, the **rate of male early school leavers (15.1% in 2012) remains above the EU average (12.8% in 2012).**
- Tertiary educational attainment rose from 47.1% in 2008 to 49.9% in 2012. The rate remains particularly high among **women completing university studies (55.5% in 2012), one of the highest in the EU.**

Education trends in Cyprus (% of population):


Additional national data provides a better picture of the developments in the educational field:

- It is important to note that about **42% of those who attend higher educational institutions, study abroad** (in other European and International Countries). While only the 36% attend higher educational institutions in Cyprus (including private Universities).³
- The target set for 2020 (10 %) takes into account the **expected increased proportion of migrant children**. In fact, this represents a particular challenge for the country's education and training system: it is estimated that currently 13 % of the Cypriot workforce is of non-EU origin, many coming from the Middle East. **Children of the migrant workforce are at a higher risk of dropping out of school** due to their parents' educational background but also due to the challenge of learning Greek and integrating in the Cypriot education system.
- The data provided by the Cyprus Statistical Service (2012)⁴ illustrate that **Cyprus has been transformed from an emigration country into an immigration country**. The enrolment of great number of non Cypriot children into the education system has occurred due to the increase flow of EU citizens living in the country as well as to the increase number of Third Country Nationals who came with working visas and/or applied for asylum. The **percentage of non-Cypriot students in primary education for the year 2012/13 is 13.4%**, representing an **increase of 4.3 p.p.** compared to the year 2008/09⁵.

3.2. Recent policy developments

Since last year the following policy developments have been registered:

A **system for early identification of learning difficulties** is currently in process, as well as the promotion of integration programmes for migrants. In 2012 there was also a **reform of tertiary education student grants**, based on financial and family income criteria.

³Cyprus Statistical Service (2012).*Educational statistics, Series 1, Report No 43*. Nicosia: Printing Office of the Republic of Cyprus.URL:

[http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/204AA86C4060D499C22577E4002CA3E3/\\$file/EDUCATION-1011-281212.pdf?OpenElement](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/204AA86C4060D499C22577E4002CA3E3/$file/EDUCATION-1011-281212.pdf?OpenElement)

⁴Cyprus Statistical Service (2012).*Educational statistics, Series 1, Report No 43*. Nicosia: Printing Office of the Republic of Cyprus, URL:

[http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/204AA86C4060D499C22577E4002CA3E3/\\$file/EDUCATION-1011-281212.pdf?OpenElement](http://www.mof.gov.cy/mof/cystat/statistics.nsf/All/204AA86C4060D499C22577E4002CA3E3/$file/EDUCATION-1011-281212.pdf?OpenElement)

⁵Ministry of Education and Culture, Department of Primary Education, 2012

Furthermore, **Vocational and Educational Training (VET)** was introduced last year. It was accepted by the local society and an adequate number of students joined. Due to planned further development of the **gas industry, an increase of training for that area is planned.**

Due to the current financial crisis, it was decided at ministry level to introduce **entrepreneurship courses at the three tiers of the educational system.** Related training for teachers of primary and secondary is scheduled for September 2013.

Assessment of Cyprus's NRP and policies it refers to:

The NRP 2013 defines that the goal of reducing the ESL percentage to 10% remains the same. The Report gives emphasis to the amount of **21,6 million euros co-funded by the ESF to facilitate the integration of students at risk** in the school system. A number of actions have been planned targeting early school leaving, young delinquency and antisocial behaviour. **For students with migrant background a special induction programme** has been designed; it is expected to be fully implemented in the following years, though the NRP is arguing that it has already been implemented.

Assessment of Cyprus's Country Specific Recommendations (CSRs) adopted in 2013:

See Assessment of Cyprus's CSR in the Poverty chapter.

3.3. Recommendations

- **Improve teacher training** and the quality of teachers in disadvantaged areas and in schools with high migrant numbers.
- Making vocational education and training (VET) more attractive could be another way of reducing early school leaving, also among Greek Cypriots. To this end, efforts should focus on **curriculum reform**, internationalisation, greater mobility, and an improved transition between general education and VET pathways as well as VET and the labour market.