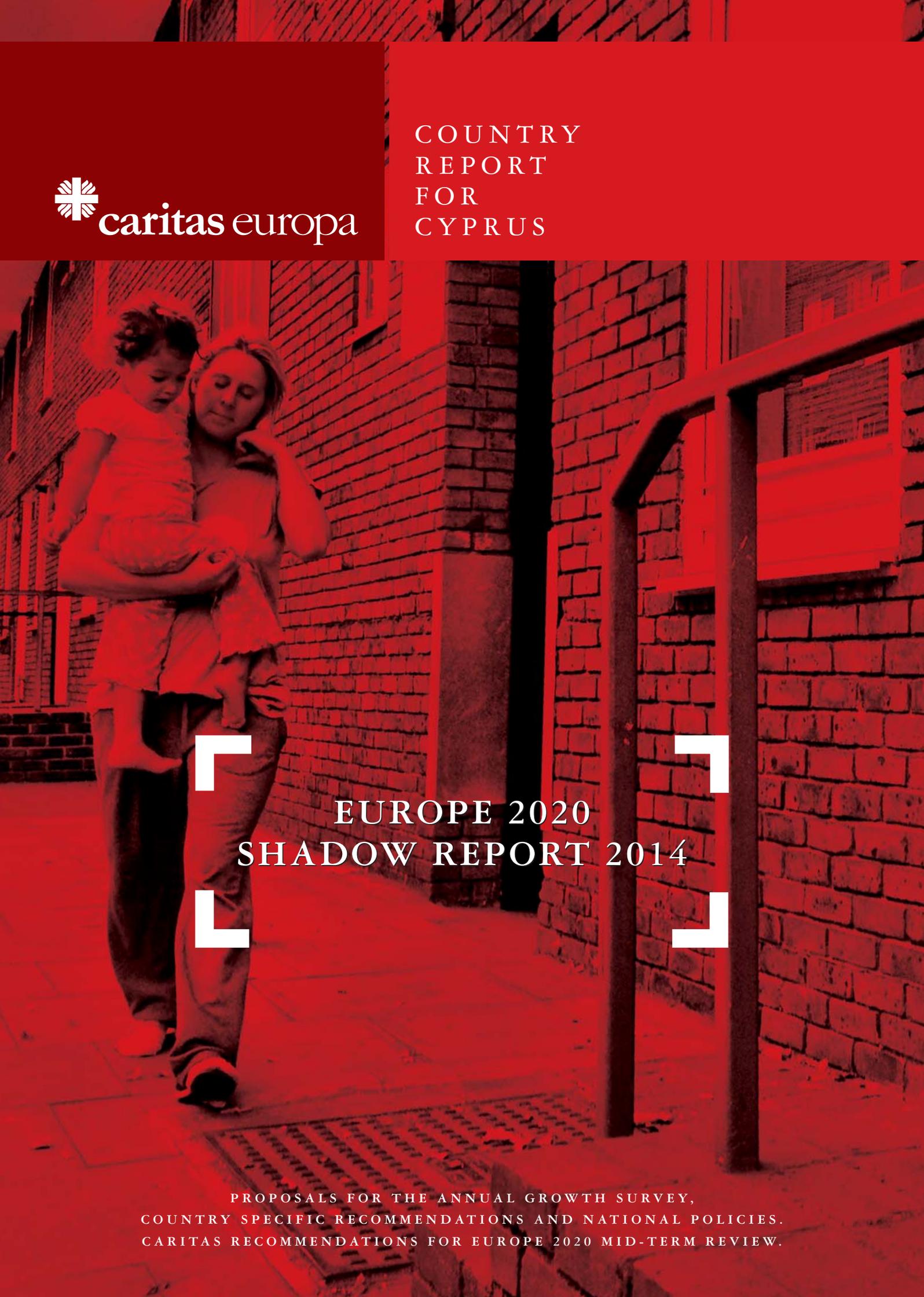




COUNTRY
REPORT
FOR
CYPRUS

A photograph of a woman holding a young child in her arms, walking down a narrow alleyway between brick buildings. The entire image is overlaid with a semi-transparent red filter. The woman is looking down at the child, and the child is looking towards the camera. The alleyway is paved with cobblestones, and there is a metal railing on the right side.

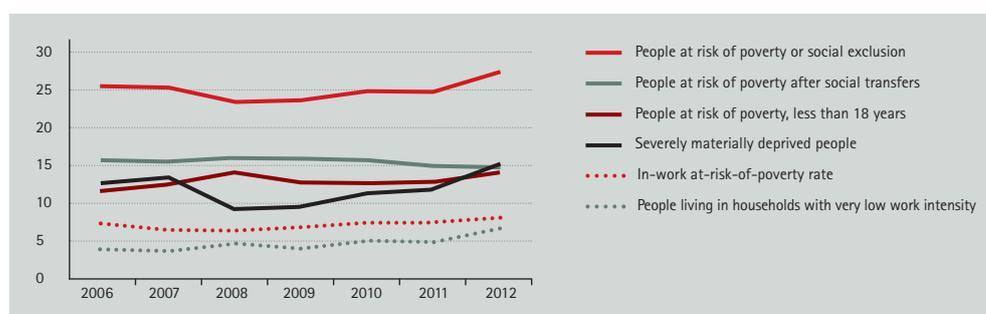
EUROPE 2020
SHADOW REPORT 2014

PROPOSALS FOR THE ANNUAL GROWTH SURVEY,
COUNTRY SPECIFIC RECOMMENDATIONS AND NATIONAL POLICIES.
CARITAS RECOMMENDATIONS FOR EUROPE 2020 MID-TERM REVIEW.

01 Poverty

1.1 Recent trends

Eurostat (% of population)	2009			2010			2011			2012			EU average
	M	F	T	M	F	T	M	F	T	M	F	T	
Cyprus													
POVERTY													
People at risk of poverty or social exclusion	-	-	23.5	-	-	24.6	-	-	24.6	-	-	27.1	24.8
People at risk of poverty after social transfers	13.7	17.8	15.8	13.7	17.8	15.8	12.9	16.6	14.8	12.9	16.4	14.7	17
People at risk of poverty, less than 18 years of age	-	-	12.6	-	-	12.6	-	-	12.8	-	-	13.9	20.8
Severely materially deprived people	-	-	9.5	-	-	11.2	-	-	11.7	-	-	15	9.9
In-work at-risk-of-poverty rate	6.2	7.6	6.8	5.9	9	7.3	6.7	7.9	7.3	7	9	7.9	9.2
People living in households with very low work intensity	-	-	4	-	-	4.9	-	-	4.9	-	-	6.5	10.3



Development of poverty and social exclusion indicators in Cyprus (2009-2013) based on Eurostat:

- ➔ A primary general comment is that the social exclusion indicators worsened for the year 2013.
- ➔ The most worrying increase occurred in the rate of severe material deprivation, which rose from 9.5% in 2009 to 16.1% in 2013, a sharp increase compared to the rate of 11.7% in 2011 and considerably higher than the EU-average (9.9% in 2013).
- ➔ The rate of people living in households with very low work intensity also rose, being the highest rise in absolute terms to 7.9% in 2013 compared to 4% in 2009, although still below the EU average of 10.3%. It can be noted that over the last two years the ratio has risen as the

country is facing high unemployment and even long term unemployment. However, Cyprus seems to have a relatively better indicator compared with the EU average and the fact that the EU average in 2012 reduced.

- ➔ The rate of people at risk of poverty or social exclusion continues to rise, reaching 27.8% in 2013 compared to 23.5% in 2009. It seems that all policy measures did not have the expected outcome as this specific indicator is well above the EU average of 24.8%.
- ➔ The child poverty rate has increased notably, reaching 13.9% in 2012 compared to 12.6% in 2009, although it continues to be well below the EU average of 20.8%. There is a high risk the indicator will continue to rise due to severe financial obstacles and instability in relation to the high percentage of unemployment.
- ➔ In-work poverty has reached 7.9% in 2013, compared to 6.9% in 2009, a rise of 1.1 p.p., though it can be argued that this still remains below the EU average of 9.2%. It is worth noting a gap of 2 p.p. between men (7%) and women (9%).

Additional national data shows the severity of the problems reflected by the above Eurostat data:

- ➔ The data presented above are valid. The ongoing economic downturn¹ (in particular since 2013) and the significant increase in unemployment has resulted in a rapid deterioration of any good statistical results over those of the previous years. Fiscal consolidation measures have been agreed but these measures have had a negative impact on the area of poverty. The percentage of people-at-risk or social exclusion is predicted to increase rapidly due to the continued rise in unemployment (15.9% in April 2013 and 16.7% in May 2014).
- ➔ 2013 can be considered one of the worst years for Cyprus's economy and its people. All the above-mentioned figures deteriorated while the rate of unemployment reached a historical high. Food support was provided to a large number of children at schools (more than 3,000 portions of food on a daily basis), and it can be assumed that the poverty risk for children under 18 years of age has increased dramatically. Recently, Parliament noted that the number of food portions has been reduced in 2014; however, formal details are not available. Furthermore, contradictory data are coming from a national newspaper. It is argued that the number of primary education students increased in 2014 to 13,305, compared to 10,000 in 2012². The European Commission has demanded the Cypriot Government start keeping such details in order to be able to design and implement a social policy intervention plan.
- ➔ The data presented reflect the reality of poverty and social exclusion over the past years. The statistics of the years 2013 and 2014 are even worse due to the financial deterioration of the country. The argument is justified as Cyprus has been in a recession phase, in which the most vulnerable are primarily affected. Furthermore, the 2nd Fiscal Consolidation Package for Expenditures, in order to fulfill the CSR1, has calculated a reduction in public social welfare benefits; certain social benefits have been re-calculated, which aim to reduce the total amount of benefits given.

¹ On 16 March and 25 March 2013, the Eurogroup reached a political agreement with the Cypriot authorities on the key elements of a programme, which included the restructuring and substantial downsizing of the banking sector, combined with extensive bail-in of uninsured depositors, as well as the reinforcement of efforts on fiscal consolidation, structural reforms and privatisation.

² Phileleftheros Newspaper (2014). The number of poor students reached 13,500 (free translation from the Greek title), available online at: <http://like.philenews.com/el-gr/oti-neo-kypros/1432/20021/stous-13305-eftasan-oi-aporoi-mathites-stin-kypro> [access date 09/12/2014]

1.2

Recent policy developments

Given the current economic conditions and the rapid increase in unemployment as well as the percentage of people-at-risk-of poverty in June 2014, emphasis has been given to establishing training and employment schemes so as to combat poverty indirectly. In an attempt to reduce child poverty and social exclusion, several measures have been introduced: getting parents back to work through training and employment schemes as well as financial incentives to develop affordable child care services (**subsidisation of social care services within the framework of family and employment reconciliation**). Furthermore, a scheme for the activation and support of inactive and unemployed persons dependent on public benefits has been promoted, and projects for the employment of persons with disabilities and the inclusion of migrants have been expanded.

At the same time, Government has recently re-designed and reformed (Q2-2014) **public assistance**, with the primary aim of reducing disincentives to work by imposing job search requirements for continued benefit receipt. The current government gives priority to the reform of the social welfare system, by giving emphasis to the targeting of benefits. As part of this, legislation of June 2014 introduced the Guaranteed Minimum Income.

It is still too early to observe any impact of the introduced measures yet. It may be argued that the philosophy is on the right track; however, the first steps of implementation lack careful planning.

It is critical to re-establish social cohesion, taking into consideration the current conditions. Although emphasis will be given to achieving better governance and increased social participation in the development, implementation, monitoring and evaluation of policy interventions, a renewal of commitment to design benefits that promote social cohesion would be necessary.

Social investment package: investing in children³

ASSESSMENT OF PROGRESS

➔ With regards to providing for adequate living standards through a combination of benefits

- It could be argued that particular actions have been undertaken to ensure quality early childhood education for all. Emphasis is given to the provision of accessible and affordable child care services and to the involvement of relevant stakeholders in the provision of quality social care services at local level. However, a national strategic plan towards after-school child care has not yet been announced.
- Furthermore, the philosophy under which the Guaranteed Minimum Income (GMI) was developed focuses on the support of individuals and families to be able to cope more effectively with the adverse impact of the economic crisis.

➔ Regarding the reduction of inequality at a young age by investing in early childhood education and care

- Education is compulsory for children over 4 years and 8 months (nursery) until the age of 15 (last grade of Gymnasium) and is provided free of charge for every child that lives in the Republic. Furthermore, for those children who face several kinds of difficulties at school, or who need special attention, Educational Priority Zones have been set up in each region. These units are operating within a broader context. Each one determines its own priorities and emphases, depending on their specific local needs. They consist

³ European Commission, 2013, Recommendation *Investing in Children: Breaking the Cycle of Disadvantage* 2013/112/EU approved under the Framework of the Social Investment Package

of innovative action for the active inclusion of children in a multicultural society. These Zones were selected based on certain criteria that have to do with the geographical location, socio-economic composition of families, the presence of foreign or immigrant children, the dropout rate of students and children's special education needs.

- ➔ Concerning the improvement of the education system's impact on equal opportunities
 - A system for early identification of learning difficulties is in progress, as well as the promotion of integration programmes for migrants. In 2012, there was a reform of tertiary education students' grants, based on financial and family income criteria.
 - Currently, there is heated discussion about the results from the PISA exercise in which the Cypriot students scored really low. As a reaction, both the State and remaining stakeholders are planning to restructure the content of, and the daily educational system.

EU Initiative for roma integration⁴

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 recommendations for Cyprus⁵.

1.3 Recommendations

- ➔ Sustain the effort for 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 (following the recent reformation of public benefits).
- ➔ Establish efficient and effective healthcare systems that ensure access for all to quality healthcare.
- ➔ Encourage the modernisation of the social care system (as a necessity in the current fiscal and social conditions) to provide accessible, affordable high quality services.
- ➔ Child anti-poverty strategies should be a priority on the political agenda.
- ➔ Reinforce the provision of independent living services to persons with disabilities and elderly people.

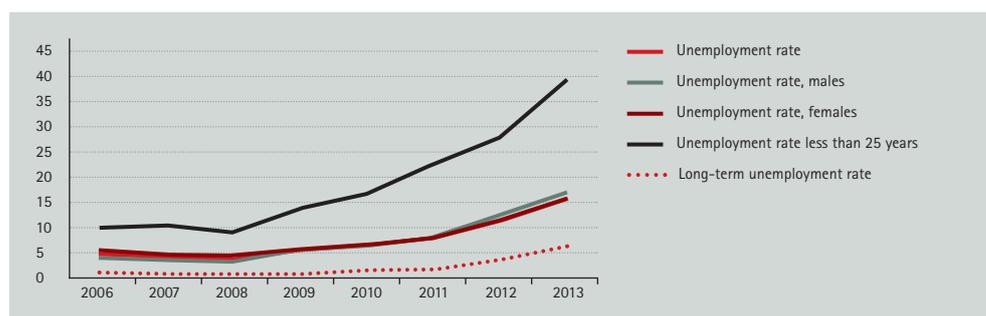
⁴ Council of the European Union (Employment, Social Policy, Health and Consumer Affairs Council Meeting), 2013, *Council Recommendation on Effective Roma Integration Measures in the Member States*

⁵ http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm

02 Employment

2.1 Recent trends

Eurostat (% of population)	2009			2010			2011			2012			2013			EU average
	M	F	T	M	F	T	M	F	T	M	F	T	M	F	T	
Cyprus																
EMPLOYMENT																
Employment rate	82.8	68.3	75.3	81.7	68.8	75.0	79.6	67.7	73.4	76.1	64.8	70.2	72.6	62.2	67.1	68.3
Unemployment rate	5.3	5.5	5.4	6.2	6.4	6.3	8.1	7.7	7.9	12.6	11.1	11.9	16.6	15.2	15.9	10.8
Unemployment rate, under 25 years of age	-	-	13.8	-	-	16.6	-	-	22.4	-	-	27.8	-	-	38.9	23.4
Long-term unemployment rate	0.6	0.6	0.6	1.3	1.3	1.3	1.7	1.5	1.6	4	3.2	3.6	6.5	5.7	6.1	5.1



Development of employment indicators in Cyprus (2009-2013) based on Eurostat:

- ➔ The highest absolute increase occurred in the unemployment rate of people under 25 years of age, which almost tripled from 13.8% in 2009 to 38.9% in 2013, well above the EU average of 23.4%.
- ➔ In relative terms, the highest increase occurred in the long-term unemployment rate, which rose to 6.5% in 2013, compared to 0.6% in 2009, with very little difference between men and women.
- ➔ The unemployment rate almost tripled during the observed period, reaching 15.9% in 2013 with very little difference between men and women, although the employment rate of men (72.6%) compared to women (62.2%) is considerably higher.
- ➔ All unemployment indicators increased between 2009 and 2013 with the highest relative increase in the rate of the long-term unemployment of men, which rose from 0.6% in 2009 to 6.5% in 2013, above the EU-average (5.2% in 2013).

Additional national data shows the severity of the problems reflected by the above Eurostat data:

- ➔ The analysis has valid details regarding the data provided for the presented years; NRP 2014 also agrees with the published data. Additional information is available at the Cyprus Statistical Service, where monthly, gender and age group analysis is provided⁶. Even for 2014, similar rates are observed. A small differentiation is apparent for the last 2-3 months; however, it is still too early to say whether this is related to a seasonal increase in employment in the tourist and entertainment industry or whether new jobs have started to be created.
- ➔ Since the first quarter of 2011, Cyprus has constantly demonstrated increasing levels of youth unemployment. In particular, youth unemployment is the most pressing problem. The youth unemployment rate is significantly higher than the overall harmonised unemployment rate among people aged 15-74. Both the national (Cystat) and Eurostat figures display higher percentage points for young people aged 15-24 compared to the harmonised unemployment rate among people aged 15-74. These details exhibit very clearly the difficulties of young people in finding a job. Youth unemployment constitutes one of the most prominent issues currently featured in the news. The daily newspapers as well as the various newscasts dedicate a significant amount of time - almost on a daily basis - to discussing the issue with labour market experts or with relevant stakeholders. It is an issue which has become part of the everyday life and discussions of Cypriots.
- ➔ The impact of the global economic crisis on Cyprus's labour market became noticeable by the end of 2008; however, its negative effect on youth employment became more apparent during 2011, following a parallel course with the evolution of unemployment in Europe. The same trend continued in 2012, 2013 and 2014, as the economic downturn persisted, while efforts for growth and job creation have not yet been accomplished.

2.2

Recent policy developments

Vocational Education and Training (VET) schemes in the Secondary Institutes have been introduced in all regions. Furthermore, the State announced similar schemes in other areas such as the agriculture scheme (new farmers' training) and the continuation of an ESF-State-funded temporary employment scheme (6 months) that should allow all unemployed groups, independent of their previous education or experience, to gain working experience. Furthermore, additional measures were initiated in the last quarter of 2013 and are going to continue in 2014, such as:

- ➔ New Modern Apprenticeships;
- ➔ Job placement and training for young, unemployed, tertiary education graduates: short-term placement (social insurance included) sponsored by the State or long-term employment in the private sector with the State to sponsor a large percentage of the salary (the minimum wage) for one year;
- ➔ Accelerated training of young newcomers and other unemployed persons: short-term placement (social insurance included) sponsored by the State;
- ➔ Training programmes to improve the skills of unemployed persons: a list of certified professionals has been established and a number of professional courses have been initiated. The goal is for all unemployed people to attend a number of courses in order to increase their possibilities of getting employed.

⁶ Statistical Service of the Republic of Cyprus (2014), Latest Figures: Labour Force Survey - Main Results, 1st Quarter 2014, available online at: <http://www.mof.gov.cy/mof/cystat/statistics.nsf/all/80575BE1942B7301C22576CF003E31B0?OpenDocument> [accessed date: 9/08/2014]

- ➔ A mentoring scheme for the improvement of the employability of the unemployed: in close collaboration with the Public Employment Service.
- ➔ A supportive scheme for the improvement of the employability of economically inactive women: financial incentives are given to these women, such as money to pay for child care provision and working schemes that focus only on women.
- ➔ The enhancement of cooperation between universities and enterprises: a network has been established to enhance graduates' possibilities of finding employment, to increase Research and Development, and to foresee working trends in the industry.
- ➔ In accordance with its commitment to the Economic Adjustment Programme, in July 2014 the Government introduced the Guaranteed Minimum Income (GMI), in order to provide targeted support to those in need and to handle the rapid increase of those in need more efficiently.

In addition to this, due to the recent discovery of gas in the geographical area of the Republic of Cyprus, a National Strategy for Education and Training in the Sector of Hydrocarbons is being formulated, while private Tertiary education has already begun to promote it as one future successful profession.

Overall, the Government's attempts to react to the current situation follow 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. However, it has to be noted that planning and preparation is taking place for the next programming period (2014-2020), where better utilisation of European funds to combat unemployment and to bring people back into work is expected to occur.

EU Initiative: youth guarantee⁷

ASSESSMENT OF PROGRESS

Minimal steps have been initiated regarding the implementation of the Youth Guarantee. A positive aspect is that the Council of Ministers agreed to establish a Youth Guarantee Scheme in full compliance with the European Council recommendation. An initial amount has been allocated in that direction to provide young people with additional opportunities to become employed, receive training, or to establish apprenticeship systems. The strategic plan is going to utilise the money within the framework of Structural and Investment Funds.

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 recommendations for Cyprus⁸.

⁷ Council of the European Union, 2013, *Recommendation on establishing a Youth Guarantee* (2013/C 120/01)

⁸ http://ec.europa.eu/europe2020/making-it-happen/country-specific-recommendations/index_en.htm

2.3

Recommendations

- ➔ There is a necessity to initiate an aggressive investment policy; and sectors for investment may be: a) energy, the green economy, education, and health as a way of permanently boosting incomes b) diversification of the economic sectors.
- ➔ Set up additional, albeit key areas for further exploration, such as R&D; 'Health' together with biotechnology, ICT, the environment & energy resources. Additionally, proper infrastructure to accommodate R&D Cluster schemes needs to be developed as well as available funds for setting up spin-off companies as a result of fruitful collaboration among researchers and enterprises. In particular, it is suggested that aid should be provided exclusively to those enterprises operating the cluster which must have the sole purpose of promoting Industrial Research and Experimental Development.
- ➔ Promote the Social Economy within the country and therefore strengthen the role of social enterprises which are able to address the needs of vulnerable people at community level (there is still not any progress from the previous year's similar recommendation).
- ➔ Make VET Education more relevant and attractive to the local conditions; expand the sectors to include additional groups of interest. Establish a Vocational Qualification Framework for lifelong training (there is still not any progress from the previous year's similar recommendation).
- ➔ Continue the effort to modernise social security systems so that they provide the right incentives to work, to avoid benefit dependency and to ensure adequate income support. Following a similar strand, there is a need to ensure pension adequacy and long-term financial support.
- ➔ Boost the administrative capacity of public authorities as regards the programming and management of the programmes, including the promotion of more systematic evaluation (there has been a noticeable delay in public management's cultural change).
- ➔ Introduce modern medical assessment as part of the criteria to qualify for disability pension so as to ensure that the system will not lead to early exit from the labour market.

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