

REPUBLIC OF CYPRUS



**National Action Plan for
Employment
2004-2006**



**MINISTRY OF LABOUR AND
SOCIAL INSURANCE**

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Preface

On the basis of Article 128.3 of the Treaty, the Republic of Cyprus has prepared its first National Action Plan (NAP) for Employment, for the period 2004-2006, within the framework of the Employment Guidelines adopted by the European Council and the Broad Economic Policy Guidelines (BEPGs).

The European Employment Strategy as adopted in 2003 has a mid-term approach. It includes three overarching objectives – full employment, quality and productivity at work, and cohesion and an inclusive labour market – and ten specific guidelines. Its role in the implementation of the Lisbon objectives is of utmost importance.

For the preparation of the Cyprus NAP, special attention has also been paid to the employment recommendations and to the country-specific priorities suggested by the Employment Task Force and adopted by the European Council. The recommendations, common to all the member states, are, in brief, the following:

- Increasing adaptability of workers and enterprises.
- Attracting more people to enter and remain in the labour market: making work a real option for all.
- Investing more and more effectively in human capital and lifelong learning.
- Ensuring effective implementation of reforms through better governance.

The policies and measures included in the Cyprus NAP are in line with the general aims and objectives of the National Strategic Development Plan 2004-2006 as well as with the Convergence Programme 2003-2007.

The Cyprus NAP was prepared by the Ministry of Labour and Social Insurance, with the support of the permanent NAP Committee of Cyprus, which is chaired by the Department of Labour. In addition to the Ministry of Labour and Social Insurance, the members of the NAP Committee included the Planning Bureau, the Ministry of Finance, the Ministry of Education and Culture, the Ministry of Justice and Public Order, the Ministry of Trade, Industry and Tourism, the Human Resource Development Authority and the Statistical Service. The contribution of the social partners and NGOs was also important.

The Cyprus NAP 2004-2006 was discussed as a draft at the National Employment Committee, chaired by the Minister of Labour and Social Insurance. It has been approved by the Council of Ministers and has also been submitted to Parliament.

A. The national employment policy framework: towards the three overarching objectives

A.1. General Economic Background: dynamism and corrective measures

The Cyprus economy is a small, open, and flexible economy that has shown ability for adaptation to rapidly changing circumstances. At the same time, it is characterised by conditions of near full employment with a high employment participation rate (69,2%)*, low unemployment rate (4,1%)*, and an annual growth rate, in real terms, at 3,5% the last five years (1999-2003).

Basic Characteristics of Cyprus economy and labour market

- The dominant role of the private sector in the production process
- Small and open economy with small business units (4,4 persons per unit in 2000)
- Predominance and constantly increasing significance of the services sector (76% of GDP and 71,9% of employment): a new role as an international tourism and business centre.
- Increase of employment by 1,6% (mean annual rate) in the last five years (1999 – 2003) and labour shortages, mainly in sectors with low skill requirements, which have been met by foreign workers.
- Human resources with a high level of knowledge and skills (32,4% of total gainfully employed are higher education graduates).
- A friendly tax system both towards enterprises and labour (low tax rates for both enterprises and natural persons)
- The income distribution is more balanced in Cyprus in relation to the EU average, thus strengthening social cohesion and inclusion. In 1997, the poverty rate was about 16% (poverty line at 60% of the median income) when the respective percentage of the EU was 17%.
- A peaceful industrial relations environment and a tradition of social dialogue are combined with high participation in collective bargaining institutions for the determination of wages (trade unions represent about 70% of the workers).

The following table depicts the employment trends by broad economic sector during the last 25 years.

Employment by sector of economic activity**	1980	1990	2000	2001	2002	2003
Primary Sector	20,5	14,0	8,5	8,2	8,0	7,8
Secondary Sector	33,7	28,8	21,4	21,0	21,0	20,8
Tertiary sector	45,8	57,2	70,1	70,8	71,0	71,4

In 2002 and 2003, the growth rate was around 2% as a result of an unfavourable external environment. In 2004, it is estimated that the growth rate of the Cyprus economy will be 3,5%.

Despite a robust economy, *the slowdown of growth* during 2002 and 2003 did not allow the scheduled reduction of the deficit as percentage of the GDP, which reached 6,4%.

* Data for 2003

** Full-time equivalent number of working persons for the production of GDP

The period 2004 – 2006 is a **period of budgetary discipline and efforts to reduce the fiscal deficit**. In accordance with the country specific guidelines of the Economic Policy Committee the following targets have been set:

1. Reduction of the deficit of the general government to a credible and sustainable basis in the framework of a long-term programme.
2. Diversification of the economy towards higher value added activities. In particular:
 - Support the effort of the private sector to upgrade human capital, research, development and innovation, as well as the acceleration of the dissemination of information and communication technologies.
 - Maintain the commitment for simplification of the entrepreneurial and tax environment.

Fiscal consolidation and deficit reduction constitute a strategic commitment of the Cyprus Government. The effort for fiscal consolidation is based upon the full and effective implementation of the 2004 – 2007 Convergence Programme and the realisation of the fiscal targets included therein.

Development Strategy 2004 – 2006

Primary Objective: To achieve a satisfactory rate of sustainable growth thus contributing substantially to greater real convergence with the EU Member states.

Development priorities:

- Expansion and upgrading of basic infrastructures
- Enhancing competitiveness
- Development of human resources – promotion of equal opportunities and strengthening social cohesion
- Achieving balanced rural and regional development
- Protection of the environment and upgrading of the quality of life.

Source: Strategic Development Plan 2004 – 2006

Implications for Employment and Employment Policies

The strategic orientation of the Cyprus economy dictates and requires relevant actions in the field of employment and specifically the promotion of the following interrelated and complementary objectives:

- increase of employment and better utilisation of the labour force in conditions of social cohesion and equal opportunities, and
- qualitative upgrading of human resources, which constitute the most important factor of production for Cyprus.

A.2. Towards the three overarching objectives of the European Employment Strategy: performance, priorities, prospects

Challenges and opportunities by 2010

Accession to the EU, rapid technological changes that transform the rules of economic transactions internationally, as well as the knowledge- based economy

- entail changes in the organisation of work
- require adjustments on the part of the labour force and
- dictate significant shifts to activities of high technological intensity and knowledge intensive activities.

Six challenges...

1. Acceleration of economic growth in recent years in conditions of full employment would have entailed serious labour market bottlenecks without the employment of foreign workers. However, it is a fact that this tight labour market during the last 10 years did not provide enough impetus to **mobilise domestic labour reserves**, and therefore remains an important issue and challenge to address in the coming years.
2. The need to tap labour force reserves shall become more and more pressing in the years to come in view of the **ageing of the population**¹.
3. Despite the fact that unemployment is low, young people (15 – 24) and women exhibit higher rates indicating **difficulties in entering** employment and hence a need for targeted active measures.
4. Despite the high overall employment rate, the employment rate of **people with special needs** is low.
5. Even though the problem of unemployment amongst university graduates has been curtailed in recent years, due to an increase in demand for highly educated labour force, **there is still a problem of brain drain** towards the countries where these people have studied with a possibility of increasing, as a result of accession to the EU, unless counterbalanced by increased and attractive opportunities for employment.
6. **Flexible forms of employment** combined with increased security for the workers but also increased options and possibilities to reconcile work and family life have not yet been adopted to a satisfactory level.

... Six opportunities

1. A tendency for **constant improvement of the educational level** of the labour force
2. A tendency of the economy to **combine economic growth with an increase of jobs and employment opportunities**.
3. A tendency for the newly created jobs: to exhibit increasing demand in the **knowledge intensive** sector.
4. Significant potentials for meeting increased labour demand through stimulating the participation of economically inactive persons mainly **women, older people** (over the age of 55) and **people with disabilities**.
5. The existence of a **planning culture** within central administration which facilitates the setting of objectives, the monitoring and realisation of strategic goals.
6. The **long tradition of tripartite cooperation**, extensive consultation and social dialogue on a wide spectrum of issues, as well as the institutional infrastructure of many and various forms of dialogue and consultation which creates expectations for coordinated efforts in labour market reforms and modernising work organisation.

...and a double strategic aim

In the context of a dynamic development and in view of the challenges brought about by a competitive environment, key issues in employment are **BOTH the quantitative increase AND the qualitative upgrading of human resources**.

Full Employment

In 2003, employment increased by 3,7% and reached 69,2% while it is estimated that it will continue to increase in the next years. The increase was faster amongst women (5% in relation to 2,7% for men) according to LFS. The sector that created almost all new jobs was the tertiary sector while demand increased faster in the fields of construction, transport and communication, real estate and business activities, health, and social work.

¹ It is estimated that the percentage of the population over 60 years of age will increase from 15,7% in 1998 to 23,1% of the total population in 2028 with a more rapid increase of those over 65.

Performance, in general, within the framework of the Lisbon Strategy as well as the national strategic targets for 2006 are shown in the table below:

Labour Market Performance and Employment Indicators and Objectives

Performance Indicators	Cyprus			EU - 15	European target	Strategic target 2006
	2001	2002	2003	2003		
Overall Employment rate (15 – 64)	67,9	68,5	69,2	64,4	70 in 2010 Lisbon target	70.0+
Employment rate of older workers (55 – 64)	49,1	49,2	50,2	41,7	50 in 2010 Stockholm target	52,0
Employment rate of women (15-64)	57,1	59,0	60,2	56,0	60 in 2010 Lisbon target	62,0
Unemployment rate	4,0	3,3	4,1	8,1	2,8 average rate of the 3 most advanced Member States	3,5
Long-term unemployment rate	0,9	0,7	1,0	3,3	0,9 average rate of the 3 most advanced Member States	0,9
Youth Unemployment rate	8,2	7,7	8,9	15,9	5,6 average rate of the 3 most advanced Member States	7,5
Unemployment rate of women	5,7	4,2	4,6	8,9	3,3 average rate of the 3 most advanced Member States	4,0

A basic priority of the development strategy is the promotion of employment which is interrelated and complementary to the other two basic priorities namely, the qualitative upgrading of human resources and strengthening social cohesion. Relevant interventions and policies in this respect aim at:

- qualitative improvement and provision of flexible and broad education,
- maintaining conditions of full employment in conjunction with rational utilisation of human resources, flexible functioning of the labour market and continuous improvement of labour relations, and terms and conditions of employment,
- upgrading of the quality of life of people at risk of social exclusion, through an integrated and comprehensive policy for equal opportunities,
- development of active policies for the prevention of unemployment and supporting employment mainly through the provision of individualised support addressing the specific needs of targeted groups.
- further development of education and training within the framework of the lifelong learning policy,
- fostering innovation as regards work organisation, support entrepreneurship and strengthen human potential in research, science and technology, and
- improvement of women's participation in the labour market.

Further information on specific measures and actions is given under the relevant guidelines.

Current employment performance, as shown above, in combination with the improvements expected to result from the package of measures and commitments provided in this NAP, justify

optimism for effectively overcoming existing weaknesses and paving the way for a dynamic and robust labour market in Cyprus that will contribute to the achievement of the Lisbon targets.

Improving quality and productivity at work

Quality at work is a multidimensional concept, inter-related and complementary to the other basic objectives of full employment, increased productivity, and social cohesion and hence there is a need for a comprehensive approach. In the case of Cyprus, the following dimensions are of particular importance:

- The quality of education and its closer link to the needs of the labour market
- The opportunities throughout working life for diversified, reliable and easily accessible continuing education and training
- A preventive approach to unemployment and social exclusion through an integrated and comprehensive policy for equal opportunities
- The elimination of gender discrimination in employment
- The provision of quality services to both jobseekers and employers
- The continuous improvement of health and safety levels at the workplace
- The availability of alternative forms of employment, combined with the security of workers (in terms of the duration, conditions, frequency of transfer etc.) that correspond to the needs and choices of people during the different phases of their life cycle and the needs of the enterprises.

Performance and commitments around the above dimensions are described extensively under the corresponding guidelines.

In 2003, *productivity*, for the second consecutive year, showed a relatively low improvement of about 1% and continues to be at relatively lower levels compared to the levels of other EU countries. The structural changes underway aiming at increasing labour market flexibility, promoting innovation, producing high quality, value added products and services and the promotion of adaptability of the educational and training systems, are expected to contribute to the improvement of productivity².

Social Cohesion

In view of the importance of social cohesion both for the stability of the socio-economic system as well as for continuous growth, its promotion constitutes a basic goal of the Strategic Development Plan 2004-2006. Economic inequality, poverty, and social exclusion may not, in general, be considered as acute problems in Cyprus. However, pockets of exclusion exist amongst the elderly, people with disabilities, the single-parent families and families whose head is of low educational level.

A significant challenge of the near future is the ageing of the population, which is likely to exert further pressure on the social protection net. Furthermore, the growing influence of western society patterns may also contribute to the increase of new types of families (divorced, single parents). In recent years, the number of recipients of public assistance is already increasing.

To address these challenges, relevant measures are already underway aiming at the inclusion of public assistance beneficiaries and people with disabilities in the labour market. More information is given under the relevant guideline. In addition, a wider spectrum of policy measures is outlined in the National Action Plan for Social Inclusion (see guideline 7) .

² It is estimated that the annual labour productivity will rise to 3,3% by 2010.

A.3. Response to the four common recommendations to all Member States

Increasing adaptability of enterprises and workers is a key consideration with the aim of arriving at the optimal combination of the arrangements and the adoption of commonly agreed principles through social dialogue. It has been clearly identified that an insufficiently justified policy initiative in the field of flexibility would result to significant implementation obstacles, therefore the following gradual approach has been adopted: At first stage, a diagnostic survey will be carried out for the identification of the needs and prerequisites in introducing flexible forms of employment. Subsequently, and after consultation with the social partners, certain proposed changes in the survey will be implemented on a piloting basis. At a last stage, a feasibility study will be carried out, the results of which (in combination with the experience acquired at every phase) will be used for the development of a comprehensive policy plan, always through social dialogue.

Attracting more people to enter and remain in the labour market: making work a real option for all: Measures ranging from the increase of minimum wages (that enhances employment attractiveness) to the broader training and educational programmes (that facilitate access to employment), the reinforcement of the care facilities infrastructure (that supports the female entry to the labour market), specialised targeted programmes for the inactive, vulnerable groups and young newcomers (that promote employment and social cohesion) as well as policy measures to reverse a downward trend in exit from employment (that response to active ageing).

Investing more and more effectively in human capital and lifelong learning are central priorities of the comprehensive development strategy. The labour force constitutes the most important factor of production for the Cyprus economy and its development is therefore a high priority. The first prerequisite that contributes towards this goal is the continuous improvement of the quality of education and the flexibility of the educational system at all levels in order to secure its closer and more effective link to the labour market needs. A second but equally important prerequisite is the strengthening and upgrading of training and retraining structures. The accumulated experience of the Member States as well as the financial resources of the European Social Fund will contribute to the achievement of this goal.

Ensuring effective implementation of reforms through better governance is equally crucial to the reforms themselves. A better and more efficient coordination of all competent authorities for EES has been achieved, traditional consultation institutions have been utilised and a new high level tripartite committee, the National Employment Committee, has been established for consultation at the preparatory stage and for monitoring implementation of the NAP. The experience accumulated through the previous effort to prepare a NAP (for 2003, though not included in the obligations of Cyprus towards the EU) indicated the necessity for coordination, sufficient dissemination of information and comprehensive tackling of the employment strategy.

A.4 Response to the specific recommendations and priorities for Cyprus

(More information under the relevant Guidelines)

<i>Council Recommendations for Cyprus</i>	<i>Policy initiatives that are promoted</i>
<i>1. Increasing adaptability of workers and enterprises: raise innovation capacities and diversify the tertiary sector</i>	<ul style="list-style-type: none">• Diagnostic survey on the needs and conditions for the introduction of flexible forms of employment (2005)• Social dialogue for the implementation of changes on a piloting basis• Feasibility study on the experimental implementation (2006)

<p>2. Attracting more people to the labour market:</p> <p>a. <i>Female participation</i></p> <p>b. <i>Foreign workers</i></p> <p>c. <i>Active employment policies</i></p>	<ul style="list-style-type: none"> • Modernisation of the PES and individualised approach • Increase of minimum wages (to enhance work attractiveness) • Training and education programmes (that facilitate access to employment) • Reinforcement of the care infrastructure (that liberates the female labour force) • Specific measures for the inactive (e.g. encourage public assistance recipients to enter the labour market) • Measures for the Social Insurance Scheme • Reassessment of the foreign workers policy • Measures for the Turkish-Cypriots living in the free areas
<p>3. Investing in human capital and lifelong learning: <i>development of a comprehensive national strategy for lifelong learning</i></p>	<ul style="list-style-type: none"> • Close and effective link between education and labour market needs • Strengthening and upgrading the training and retraining structures • Educational policy • Apprenticeship Scheme

B. Response to the guidelines and recommendations

Guideline 1: Active and preventive measures for the unemployed and inactive

Objectives of the European Employment Strategy

- *Every unemployed person is offered a new start before reaching six months of unemployment in the case of young people and 12 months of unemployment in the case of adults(in the form of training, retraining, or a job)*
- *By 2010, 25% of the long-term unemployed participate in an active measure with the aim of achieving the average of the three most advanced Member States.*

Current situation

The economic slowdown of the last two years was also reflected in the levels of unemployment. The overall unemployment rate has risen from 3,3% in 2002 to 4,1% in 2003. Women's unemployment rate dropped to 4,6% in 2003 from 7,8% in 2000, contrary to men's unemployment rate that increased. However, it still continues to be higher than men's unemployment rate (3,8%).

As in the case of many EU countries youth unemployment is also a characteristic of the Cyprus labour market. In 2003, the unemployment rate, of the age groups 15 – 19, and 20 –24 was 14,2% and 8,1% respectively³. Newcomers were 20,7% of the total unemployed.

The low *long-term unemployment rate* (1%) is indicative of the favourable conditions that prevail in the Cyprus labour market. Nevertheless, one in four unemployed remained unemployed for longer than 12 months, while 72 % of young persons (15 – 24 years old) remained unemployed for longer than 6 months.

The employment priorities of the Joint Assessment Paper (JAP) that was signed for Cyprus in 2001, included the improvement of jobseekers' access to training programmes. *The percentage of jobseekers who participated in educational and training activities (LFS) increased from 4,2% in 2000 to 8,8% in 2003.* It is, however, generally admitted that vocational training is mainly oriented towards those in employment or those that can easily secure employment, rather than the unemployed and inactive.

The number of unemployed seeking assistance from the Public Employment Service (PES) has increased (from 52% in 2002 to 56,2% in 2003)⁴. Nevertheless, there is much room for improvement especially as regards the engagement of the PES in actively supporting young unemployed, women wishing to enter the labour market and vulnerable groups to enter training and employment as part of a preventive and employability oriented approach⁵.

This calls for greater emphasis on active and preventive policies in order to reduce the duration of the unemployment period of specific target-groups, such as young people and older people, to provide support for the promotion of the employment of women and persons with disabilities and to closer link education to the labour market needs.

³ 8,9% for the age group 15-24

⁴ It was not possible to secure accurate data as to the targets of the guideline at the present stage. Securing of relevant data is a goal in 2004 -2006.

⁵ JAP priority

Council Recommendations and priorities for Cyprus

Preventive and active labour market programmes should be strengthened to address individual needs and cover a larger share of unemployed and disabled people, older persons⁶ and women. Strengthening and modernising the public employment service is also a priority.

Policies for the period 2004 – 2006

The development and promotion of active labour market policies in order to encourage and speed-up integration in employment, is of great importance given the bottlenecks in the labour market. As a result, the promotion of active employment measures constitutes a central priority axis during the reference period with emphasis on:

- *the strengthening and modernisation of the Public Employment Service,*
- *the strengthening of training activities aiming at adapting the skills of newcomers and young secondary education graduates to the needs of the labour market, as well as the strengthening of training and information programmes for the unemployed, economically inactive women, and the unemployed with low educational level.*

Enhancing and modernising the Public Employment Services

The aim of modernisation: Evolvement of the Public Employment Service (PES) to a *flexible and decentralised system that provides high quality and timely services* thus contributing to the promotion of a preventive and employability-oriented strategy.

Today, the **Public Employment Service** operates at central level and from five District Labour Offices and two local offices. Its mission is to provide support to the employers, the employed (who seek to change jobs) and the unemployed through placement in jobs, filling vacancies and providing information for employment and training opportunities. The Public Employment Service is not responsible for the unemployment benefit but provides the competent department of the Ministry of Labour and Social Insurance with relevant data. In parallel to the PES there is an increasing number of private Employment Agencies in recent years mainly specialising in the recruitment of highly qualified personnel and foreign workers. The strategic goal for the promotion of employability implies a redefinition of the role of the PES in order to engage more actively in jobseekers' and employers' needs, with emphasis on the individualised support, thus leading to the elimination of inefficiencies and imbalances in the labour market.

To this end, the aim is to enrich and upgrade PES services so that they can respond effectively to the increased demands and challenges in the labour market of the present but mainly of the future.

The modernisation of the PES is expected to contribute significantly to the prevention and reduction of existing unemployment, the better utilisation of the labour force and the improvement of labour market access for the unemployed and the inactive female force.

Main activities for modernisation: expansion of the local labour offices network to facilitate access of their clients, modernisation and upgrading of the buildings in order to respond to the upgraded role of the PES, introduction of self-service facilities in properly equipped areas in the local labour offices and provision of individualised services for active support.

The services offered to the employers shall be improved by the end of 2004 with the introduction of a self-service internet system⁷. During the period 2004-2006 an amount of 10 million euro shall be allocated to the PES modernisation activities, co-financed by the European Social Fund.

⁶ Unemployment rate of older persons (55-64): 5,0%

⁷ The total cost to this purpose was about 100.000 euro.

Adapting the skills of the labour force to the labour market needs

Given the low unemployment tradition in the Cyprus economy, there was a tendency for the training system to be oriented mainly towards the lack of skills rather than towards strengthening the employability of the unemployed and inactive. Given the existence of a tight labour market, and in view of the strategy for the active promotion of employment, *the gradual development and establishment of training programmes, targeted to specific groups with low participation in training activities, such as newcomers, inactive women, unemployed and vulnerable groups (disabled, public assistants recipients)* is already underway.

Aim: To prevent and combat unemployment by improving the employability of selected target-groups (newcomers, unemployed and inactive women) by providing services of vocational guidance, training, placement, and work experience.

In particular, within the framework of the activities of the Human Resource Development Authority (HRDA)⁸ that plays a central role in policy formulation and training activities, during the period 2004 – 2006, **3 new Schemes for selected target-groups, co-financed by the ESF** are underway to facilitate their adjustment to work life and their integration in employment:

- *New Scheme for the Promotion of Training and Employability of the Unemployed*
- *New Scheme for the Promotion of Training and Employability of the Inactive Female Force*
- *New Scheme for the Promotion of Training and Employability of Young Secondary Education Graduates.*

Basic characteristics of these 3 new Schemes are: *targeting* to selected groups; a *personalised approach* to diagnosis and guidance; a *comprehensive approach* providing training in combination with, when necessary, the acquisition of practical experience within an enterprise; promoting *information activities* on training and employment opportunities; and close cooperation with PES in the implementation of these Schemes. Participation in these programmes is estimated to 2.000 persons (total expenditure of 4,4 mil. euro)

New Programme for the Promotion of Training and Employability of Young Secondary Education Graduates

Aim: To promote the employability and meet effectively the training needs of young secondary education graduates, mainly those from the General Direction with the ultimate aim of their smooth and effective integration in the labour market by acquiring supplementary knowledge and skills. The Programme is addressing the training needs of young graduates who have no work experience greater than 9 months after their graduation.

It includes: *Individualised guidance* to the target group by diagnosing and recording the skills, aptitudes, and interests of the beneficiaries and designing an individualised action plan along with continuous provision of available information on available training and employment opportunities. It also includes *training programmes* for the provision of core skills, specialised professional skills taking into account the individualised action plan. The knowledge and skills required will be adjusted to the needs of the labour market through the acquirement of *practical experience* in the form of a placement in relevant enterprises. These programmes will be realised in cooperation with public and/or private training institutions/organisations.

⁸ The HRDA is a **semi-governmental organisation**, administrated by a 13-member Board of Directors with a **tripartite character** where representatives of the Government, the Employers, and the Trade Unions participate. **The mission of the HRDA** is to create conditions for planned and systematic training and the development of the Cyprus human resources on all levels and sectors (with the exception of the self-employed and government employees) in order to satisfy the needs of the economy within the framework of the government social and economic policy.

(Other measures for other target-groups such as the recipients of public assistance and disabled are described in Guideline 7)

At the same time, the following activities shall continue to be promoted by the HRDA:

- Surveys and studies on issues of strategic importance that examine employment trends and predictions as well as other special issues on training and the needs of enterprises. These surveys and studies are a useful guide for the formulation of a training and development strategy for human resources and the planning of the HRDA activities.
- Promotion and improvement of the existing Programmes of Initial and Continuous Training depending on the needs of the economy and the specialised needs of enterprises. During the period, 2001 – 2003 participation in the HRDA training activities reached 98.628 people while during the period 2004 – 2006 it is expected to increase by 16%.

(More information on training policies is given under Guidelines 2, 3, and 4).

Guideline 2: Job Creation and Entrepreneurship

Objectives of the European Employment Strategy

- Promoting education and training in entrepreneurial and management skills and providing support to make entrepreneurship a career option for all
- Simplifying and reducing administrative and regulatory burdens for business start-ups and SMEs and for the hiring of staff, facilitating access to capital for start-ups, new and existing SMEs and enterprises with a high growth and job creation potential.

Current situation: Policies that strengthen entrepreneurship at the centre of the development strategy⁹

Strengthening entrepreneurship and promoting job creation are at the centre of the development strategy for the period 2004-2006. Relevant policies are promoted in the context of enhancing the competitiveness of the economy and are structured in four pillars. Two of these pillars that compose the competitiveness strategy and are directly connected to strengthening entrepreneurship, are the following:

- improvement of the business environment
- strengthening and modernisation of business activities

The basic goals envisaged in the Strategic Development Plan (2004-2006) for **improving the business environment** include:

1. Creation of an environment that will strengthen entrepreneurship and innovation thus facilitating the attraction of foreign direct investments
2. Sufficient specialised and high standard infrastructures to attract investments and exploit investment opportunities
3. Creation of a comprehensive network for strengthening entrepreneurship
4. Strengthening and activating a system for the provision of comprehensive quality services for enterprises and consumers.

Moreover, the **modernisation of the business activity** is also strengthened by the creation of a comprehensive support network for entrepreneurship by upgrading, complementing and exploiting existing structures and by creating new structures (where necessary). Indicative interventions in this respect are:

1. The creation of appropriate organisational structure for the development of the broader tertiary sector
2. The establishment of an institution for SMEs
3. The establishment of an Advisory Committee for industrial development (with the participation of the government, manufacturers' associations and trade unions)
4. The creation of business and investor centres
5. The strengthening of the existing and the creation of new business information centres.

In addition, with the aim of expanding the entrepreneurial base to specific target groups, a new Scheme for the Strengthening of **Youth Entrepreneurship**¹⁰ was implemented in July 2004. The programme aims at the development, support, and promotion of entrepreneurship of young people¹¹ (men & women) with the provision of financial aid and training courses for the creation

⁹ In the development budget of 2004, an amount of CYP £ 5,5 ml is earmarked for the implementation of a Scheme to Promote Technological Upgrading of the Manufacturing Sector and a Programme for the Encouragement of the creation of manufacturing units in rural areas.

¹⁰ For the purpose of this Scheme, entrepreneurship is defined as the initiation of a profession as self-employed or the participation as a partner in any enterprise with a participation share greater than 10% in which the partner is fully or partly employed.

¹¹ Eligible candidates for the programme are young men and women who :

of new modern and viable enterprises in the sectors of manufacturing and in specific activities in commerce, services and tourism.

Special emphasis is given to the exploitation of new technologies, to the use of innovative methods of production and promotion of products and services and in general to the enhancement of modern business activities with the aim of increasing competitiveness.

The Ministry of Commerce, Industry, and Tourism is the competent authority for the management and implementation of the programme¹².

Especially for SMEs

The Cyprus Government gives special attention to the small and medium sized enterprises through which further economic and social development and job creation become possible. In particular, the Ministry of Commerce, Industry, and Tourism (the competent ministry for SMEs issues), has been dealing with the in-depth study of SMEs in general, but also with the specific problems faced by these enterprises, particularly so in recent years. The purpose of these studies is to investigate the possibilities and the ways to support the SMEs by designing and implementing specific programmes and creating a favourable environment that will contribute to their development.

The Government policy for SMEs is fully harmonized with that of the European Union as it is outlined in the European Charter for Small Enterprises¹³. The basic objectives of the strategy of Cyprus, aiming at the support and development of SMEs and entrepreneurship are the following:

- Introduction of a simplified legal, regulatory and procedural framework for the function of SMEs.
- Improvement of the monetary and financial environment.
- Assist SMEs to internationalise their activities, taking into account the European perspective of Cyprus and to reorient accordingly the applied strategy through the improved systems and information services.
- Strengthen the competitiveness of SMEs.
- Improve the access of SMEs to research, technological upgrading, training and information services.

Education and training for entrepreneurship constitutes a basic policy measure for the support and development of SMEs. In addition to the existing programmes that are implemented by the University of Cyprus, private tertiary Institutions and the Mediterranean Institute of Management of the Cyprus Productivity Centre, the promoted entrepreneurship programme in Secondary Education Schools (2003 – 2006) includes:

- The strengthening/revision of the syllabus of the subjects of Commerce and Economy so that these will include data on:
 - a. The introduction to entrepreneurship
 - b. The impact of entrepreneurship on the economy
 - c. The social impacts of entrepreneurship
- The strengthening/revision of the syllabuses of various other subjects such as Design and Technology, Natural Sciences etc. so that their teaching is correlated with entrepreneurship and the subjects are implemented in the business future.

-
- have completed their 20th year of age and are not over 39 years of age at the date of their proposal submission
 - are unemployed, salaried or free-lance professionals
 - did not exercise any business activity for at least a year prior to the date of the submission of the proposal.

¹² In the government budget for 2005 an amount of 0,4 ml CYP £ is earmarked for the operation of the Schemes.

¹³ More information in the Cyprus Report for 2004 on the Implementation of the European Charter for Small Enterprises.

- The promotion of practical activities on an interdisciplinary basis, for the involvement of students in business activities, emphasising on decision making methods with regard to the type of the enterprise, feasibility studies, product promotion and financial management.
- The promotion of students' participation in existing enterprises in order to understand themselves their modus operandi.

Moreover, in the area of training the following relevant activities are promoted by the HRDA:

i. Advisory Services to SMEs

- *Advisory Services Scheme (5-249 employees)*

This Scheme aims at improving the SMEs operation and efficiency and in general to increase their competitiveness by further developing and exploiting human resources and solving significant inhibitory problems that they confront. 435 enterprises are expected to participate during 2004 - 2006.

- *A new special Advisory Services Scheme (guidance and training) for micro enterprises (1-4 employees)*

The aim of this new Scheme (its implementation scheduled for 2004), is to improve the operation and efficiency of very small enterprises employing 1 – 4 people and generally to increase their competitiveness through systematic diagnosis of their weaknesses/problems and subsequently through training/developing and utilising more effectively the owner/manager and the personnel (see Annex V). This Scheme is expected to include 600 enterprises.

ii. European Project for the Development of Enterprises

The aim of the EPDE is to help owners/managers of SMEs to improve their knowledge and skills and find practical ways to develop profitably their business by designing and implementing a comprehensive business plan with the help of the programme.

iii. Strengthening the Management Capacity of enterprises

To continue and further promote and improve the Scheme for the Staffing of Enterprises through the employment and training of unemployed university and other tertiary-education graduates.

iv. Programmes of Continuing Training

Subsidisation of Single and Multi Company Programmes of Continuous Training in Cyprus and abroad addressed to businesspersons and executives aiming to support entrepreneurship. The specific subjects included in the List of Priority Subjects of the Authority, which generally concern the strengthening of entrepreneurship as well as the enterprises' ability for innovation, are the following:

- Development of entrepreneurship
- Development of supervising, management and leading skills as well as female entrepreneurship
- Development of cooperation networks in various sectors of the business activity
- Cooperation and networking between small enterprises
- Development and adoption of contemporary management methods
- Development and exploitation of human resources
- Exploitation of technology and information technology
- Promotion of research in enterprises
- Promotion of the improvement of productivity of enterprises
- Development and promotion of enterprises by exploiting innovative practical approaches

Guideline 3: Address change and promote adaptability and mobility in the labour market

Objectives of the European Employment Strategy

- *Diversity of contractual and working arrangements, including arrangements on working time, flexibility and security,*
- *Access for workers, in particular for low skill workers, to training,*
- *Better working conditions aiming to achieve in particular a substantial reduction in the incidence rate of accidents at work and of occupational diseases,*
- *The design and dissemination of innovative and sustainable forms of work organisation, which support labour productivity and quality at work,*
- *By 2005, jobseekers throughout the EU should be able to consult all job vacancies advertised through EURES.*

Current Situation

The Cyprus labour market is characterised by a *long standing tradition of social dialogue and a well developed institution of free collective bargaining.* About 70% of employees are represented by trade unions. The basic terms and conditions of employment are determined through collective agreements, mainly sectoral.

In 2002 – 2003, the legal framework was expanded with the enactment of legislation regulating part-time and fixed-term employment thus securing conditions that are conducive towards these forms of employment. Part-timers are 8,9% (2003) of the total number of employed and 9,6% are employed on fixed term contracts. In general, new forms of work organisation remain at low levels.

Seeking ways to *encourage flexible forms of employment* compatible to quality at work and workers' security is currently a key consideration issue. The need to conduct open and in depth dialogue on all aspects of the issue, before any implementation initiatives are undertaken, is commonly accepted. Given the tradition of social consultation on all significant and crucial matters, any effort for institutional change without any previous discussion and consensus would be non-viable.

Council Recommendations and priorities for Cyprus

A particular challenge for Cyprus is to raise innovation capacities and to diversify the tertiary sector.

Policies for the period 2004 – 2006

Within the framework of the general development **policy for the strengthening of competitiveness, the following are promoted:**

- Use of *communication and information technologies* as a tool for the modernisation of work organisation. Relevant interventions by the competent Ministry of Commerce, Industry, and Tourism aim to support SMEs with government grants in order to encourage investment in their technological upgrading.
- *Support innovation and technology transfer* by creating favourable conditions for the production of new high-technology intensity and knowledge intensity products as well as the introduction of new production methods such as:
 - The promotion of business incubators and introduction of an accreditation programme
 - The provision of state grants for the creation of new High-Tech and innovative enterprises through incubator companies.
 - The creation of a Technology Park where basic and applied research for the development of new High-Tech products will be carried out.

- The promotion of technology transfer through the Institute of Technology.
- The launching of the Research Promotion Foundation's Framework Programme (RPF's FP 2003- 2005) aiming at creating favourable conditions for the balanced development of research infrastructure and knowledge (a total budget CYP £20 mil).

On the basis of the objective **for active employment support**, *the dissemination and establishment of contemporary and flexible forms of employment and work organisation combining flexibility and workers' security* will be promoted. The modernisation of work organisation will also have positive results for enterprises and their competitiveness.

Towards this direction, but also in order to support in-depth, open social dialogue, new activities underway (*co-financed by the ESF*) include: a diagnostic survey of the implementation environment, piloting actions and assessment of the effects from the implementation.

Labour market flexibility is also expected to be reinforced as a result of the **modernisation of the Public Employment Service** through the introduction of a web-enabled system and the upgrading of the quality of services provided.

Moreover, the following **activities of the HRDA** also serve the purpose of the guideline:

- Introduction of a System of Vocational Qualifications.
- Continuation and further promotion and subsidisation of the Programmes *for Continuing Training* addressed to entrepreneurs and managerial staff to help them adopt and implement modern and innovative methods and practices in the areas of management, administration, and production. Specifically, the promotion and subsidisation of programmes for continuing training, such as:
 - Development and adoption of modern methods of management
 - Development and adaptation of enterprises by exploiting innovative practices and approaches
 - Strategy and specialised techniques and tools for the improvement of productivity
 - New technology and modern production methods
 - Implementation of information technologies in various operations of the enterprise
 - Organisation, production and product and services distribution technologies
 - New/flexible forms of employment and personnel incentives and reward systems

Geographic Mobility

In view of the intense labour shortages that characterise the local labour market and the need that arises to satisfy demand with labour force from abroad, the EURES network acquires particular significance in the case of Cyprus and specifically in solving skills bottlenecks. Although participation in the network is already very active, further strengthening of the relevant infrastructure is already underway. In addition, in cooperation with the European Commission, the necessary technical adjustments are promoted and it is expected that Cyprus *will be ready to meet the EEA target for advertising all job vacancies in Cyprus through the joint EURES platform by 2005.*

As regards health and safety at work see the analysis under Guideline 8.

National Targets in relation to the European Strategy

- *By 2005, jobseekers throughout the EU should be able to consult all job vacancies in Cyprus advertised through EURES.*

Guideline 4: Promote development of human capital and lifelong learning

Objectives of the European Employment Strategy (by 2010)

- *At least 85 % of 22-year olds in the European Union should have completed upper secondary education,*
- *The European Union average level of participation in lifelong learning should be at least 12,5 % of the adult working-age population (25 to 64 age group)*
- *Increase of investments in human resources mainly on behalf of the enterprises*

Current situation

For a small and open economy with limited natural resources such as Cyprus, human resources constitute the most important factor of production and its development is of high priority (2004 – 2006 Strategic Development Plan).

Facts on Education/Training in Cyprus

- The percentage of persons between the ages of 20 and 24 that have completed the Lyceum (upper secondary education) is 79,5%, which is higher than the EU average, (75,5%) but lower than the EES target (85%) by 2010.
- The net participation rate in education for young persons of 12 - 17 years old is estimated at 90%.
- The academic year 2002-2003 64% of the secondary education graduates continued their studies in tertiary education (23% in Cyprus, 41% abroad)
- 17,4% are early school leavers (higher rate for boys), which is slightly lower than the EU average (18,8%) but higher than the EES target of 10%.
- The participation rate in secondary technical/vocational education is lower particularly amongst girls.
- 32,4% of the labour force have higher education compared to 24,2%, which is the EU average.
- 7,9% (LFS) of persons aged 25 – 64 participate in education or training rate which is lower than the EU average (8,5%) and the EES target for 2010 (12,5%).
- Participation in training programmes financed by the central agency, the Human Resource Development Authority (HRDA) is rapidly increasing (from 14.300 in 1993 to 27.804 in 1997 and 34.389 in 2003).

A major reform of the upper secondary education began in 2000, which came into full implementation for general education in 2002 while for technical/vocational education will be completed in 2006. The main aim of this reform was to adjust to the growing demand for mobility and flexibility in the labour market (detailed information on the reform was provided in the JAP and the relevant progress reports).

In parallel to this reform, a Programme for introducing information technology in education (primary and secondary) was initiated. As a result of this Programme, information technology today is an obligatory subject in secondary education and 180 information technology labs with the necessary equipment have been created, 120 of which have internet access.

In 2002, public expenditure on education as a percentage of the GDP increased to 6,9% compared to 6,3% in 2001¹⁴.

In the training sector in 2003, the HRDA continued to play an important and central role as regards the planned and systematic development of human resources. The tripartite character of the Board of Directors ensures the active participation of the social partners in the formulation

¹⁴ For 2003 the budgeted expenditure amount is 6,7%

of its strategic aims and goals. The activities of the HRDA are financed by the Human Resource Development Fund where enterprises and semi-government organisations are obliged to pay a fee amounting to 0,5% of their total payroll. (More information on the existing HRDA Schemes in Annex V)

Council recommendations and priorities for Cyprus

Building on the reorganisation of education underway since 2000, Cyprus needs to develop a comprehensive national strategy for lifelong learning. This should contribute to reducing school dropouts improving the links between initial education and continuing training and to ensuring greater participation in training.

Policies for the period 2004 – 2006

The ability of the Cyprus economy to enter a new phase of development with emphasis on modern services will depend, to a great extent, on the ability to “produce” quantitatively sufficient and well trained human resources, on the pace of introduction and diffusion of new technologies and finally on the arrangements for work organisation. Within this framework, the role that the educational and training systems are invited to play, as well as the active labour market policies and the facilitation of structural changes of the economy becomes increasingly important and is upgraded.

Therefore, the qualitative upgrading of human resources is a main objective of the 2004 – 2006 development policy. The **main aims** are:

- To improve the quality of education offered and its links to the labour market needs, as well as to expand and upgrade tertiary education.
- To promote vocational training through strengthening and upgrading the training infrastructure, modernising the Apprenticeship Scheme and expanding the training activities that serve and strengthen the active support of employment.

Education and lifelong learning

Relevant measures include:

Provision of equal opportunities in education and combating educational failure and illiteracy by:

- readjusting teaching methods and providing specialised programmes and supportive teaching as well as social support to illiterate students
- reinforcing the institution of evening secondary and technical schools in order to give dropouts a “second chance”
- providing supportive teaching to students who are not native Greek speakers
- extending free of charge pre-school education as of September 2004

Further utilisation of new technologies in education through:

- the training of teachers with an emphasis on information technology
- the adaptation of analytical programmes with a view of utilising new technologies
- the introduction in upper secondary education the subject of technical electronic networks through the CISCO Academy Programme
- the development and use of a diploma for basic skills in information communications and technology (ICT)

Promotion of lifelong learning through:

- restructuring and modernising the Apprenticeship Scheme
- establishing an Open University of Cyprus offering undergraduate and postgraduate courses with flexible teaching methods
- upgrading the Vocational Guidance services and strengthening the youth information centres and networks
- introducing a system of vocational qualifications

Increasing and upgrading higher education through:

- the operation of the public University of Applied Sciences
- establishment of other higher education schools
- upgrading the quality of private higher education schools by completing the legal framework for the establishment and operation of private universities

ESF co-financing will contribute, in 2004-2006, to activities for the training of teachers in ICT, the support of the modernisation of the Apprenticeship Scheme as well as the introduction of modern technology in the secondary technical/vocational education within the framework of the reform for technical/vocational education that started in 2001 – 2002 (total expenditure 20 mil. euro).

Modernising and Upgrading the Apprenticeship Scheme

Problem: Out of 2000 early school leavers annually, only 20% chooses to follow the Apprenticeship Scheme and out of that, only 60% secures a graduation certificate. In addition, a very low percentage of girls participate in the Scheme (while girls constitute 32% of dropouts, less than 1% registers for the Scheme). Furthermore, even though the Apprenticeship Scheme has been running for decades, it faces serious problems such as low prestige and inability to provide reliable and accredited vocational qualifications.

Aim: To render the Apprenticeship Scheme a creditworthy, desirable and practical option for all those wishing to continue their career development via the vocational and not the educational path.

Planned activities for 2004 – 2006: Review of analytical programmes based on the outcome of expertise to be undertaken, training of the teaching staff, acquisition and installation of software and other support material for the implementation of Analytical Programmes. These improvements are expected to reverse the downward trend of the number of students and help increase it to 650 people by 2006.

Training and Lifelong Opportunities for all

The adaptation of the labour force skills (employed and unemployed) to the labour market needs constitutes an aim of the wider training system. *Participation in training activities* is lower in Cyprus in comparison to the EU - 15. Moreover, until now training programmes tended to favour mostly the employed persons rather than the unemployed and the inactive. Participation in education and training between the ages of 25 and 64 is higher amongst those in employment and graduates of higher education.

In view of the above as well as a pressing need to activate and facilitate access to employment of certain groups that face difficulties in their integration, training activities are now reoriented towards those groups especially newcomers to the labour market (with no work experience), unemployed and women.

During the period 2004 - 2006, **it is expected that within the framework of the HRDA:**

- Participation in *existing training activities* will reach 114.725 persons compared to 98.628 persons in 2001 – 2003, i.e. 16% increase.
- Participation in the *existing Initial Training Programmes* will reach 3.590 persons, (3% increase in comparison to 2001 – 2003). As regards participation in existing *Continuing Training Programmes* in 2004 – 2006, is expected to reach 115.135 persons an increase of 17% in comparison to the previous 3-year period. In the existing Training Infrastructure Support Scheme participation is estimated to reach 80 training institutions/organisations and enterprises.
- Participation in the *3 new Training Schemes* is estimated to reach 1.850 persons.
(Information on these programmes is provided under Guideline 1)

In parallel to the above, the Cyprus Productivity Centre promotes the reinforcement in 2005 of its training infrastructure, the readjustment of its programmes with the aim of promoting e-learning and distance lifelong training through the use of ICT.

National Targets for 2006 in relation to the European Strategy

- At least 82 % of 20 - 24 year-olds should have completed upper secondary education¹⁵,
- The average level of participation in lifelong learning should be at least 10 % of the adult working-age population (25 to 64 age group)
- 15 children per computer in Primary Schools, 9 students per computer in Lower Secondary and 5 students per computer in Upper Secondary Education.

¹⁵ The sample of the survey excludes tertiary education students who study abroad.

Guideline 5: Increase labour supply and promote active ageing

Objectives of the European Employment Strategy

- Aim to achieve by 2010 an increase by five years of the effective average exit age from the labour market (estimated at 59,9 in 2001)
- Eliminating incentives for early exit from the labour market, notably by reforming early retirement schemes and encouraging employers to employ older workers
- Promoting a comprehensive approach covering in particular the attractiveness of jobs for all groups of the population

Current Situation

During the last decade, the labour market has been functioning with labour shortages and bottlenecks. Furthermore the ageing of the population is expected to gradually aggravate this problem given that it is estimated that the population rate over 60 years of age will reach 23,1% by 2028 in comparison to 15,7 % today. No doubt, this trend shall put further pressure (apart from the demographic dynamics) on the macroeconomic sustainability of the social insurance system, as well as the infrastructure for medical care and other forms of care.

Inactive women of middle and older age constitute the main source for potential labour supply.

The **average exit age from the labour market** follows a clear *downward trend*. Indicatively, in 2002 it decreased to 61,4 from 62,3 years in 2001.

Trends and facts

- The working age population (15 – 64 years of age) exhibited a marginal increase in 2003 reaching 66,6% of the total population compared to 65,9% in 2001.
- Even though the participation rate of women in the labour force (60,2%) is lower than men's (by 18,6 percentage points), it exhibits an upward trend contrary to men's downward trend.
- The percentage of children under 15 decreased from 25,4% in 1992 to 20,9% in 2002 while the rate of adults over 65 increased from 11% to 11,8%.
- **Reasons for which the inactive population does not seek employment (24 – 65 age group)**
Personal or family responsibilities (about 38,5% of the total population but more than 54,6% amongst women)
Close to retirement (about 45,3%)
Education or training attendance (around 5,0% of persons over 20).
Labour Force Survey, 2002

The retirement age in the wider public sector is 60 years and in the private sector is between 60 and 65.

A number of the Social Insurance legislation provisions are *conducive to prolonging exit age from the labour market*, such as:

- Insured persons receiving old age or survivor's pension may be employed without that affecting their right to pension or the level of their pension.
- Insured persons are entitled to request suspension of their pension until they become 68. In such case, their pension is increased by 0,5% for every calendar month thus offering them the incentive to continue their employment.

On the basis of the actuarial overview on the Social Security Fund's viability, as well as the Convergence Programme of Cyprus 2003-2007, it has been proposed to re-examine the retirement age, to gradually abolish the right for possible retirement at 63 years, to reinstate the right to retire at 65 years and examine the possibility of extending it to 67 years according to the observations of the new actuarial report and the consultations with the social partners.

In the public sector there are still incentives for early retirement (as of the age of 56).

During the last decade, in an effort to tackle pressing demand for labour force, a policy for the **employment of foreigners** was implemented on a temporary basis and provided that in the specific occupations or economic activities there was no local labour force available. As from last May “local” labour force is considered to be the enlarged EU -25 labour market.

Council Recommendations and priorities for Cyprus

Foreign workers who come to Cyprus on a temporary basis constitute a large number of the working population. There is therefore a case for a review of policies in relation to the employment of foreign workers, both in terms of their contribution to labour market flexibility and of rights and opportunities for immigrant workers.

Policies for the period 2004 – 2006

In the light of the development dynamics in conditions of full employment but also in view of the population ageing trends, the need to increase participation in the labour market becomes a central challenge for Cyprus.

Therefore, a basic priority for 2004 – 2006 is the promotion of employment by actively supporting employment and increasing the participation in the labour market of target groups that are lagging behind such as women, people with disabilities and older workers. New actions to this end are:

- Strengthening and *modernising the Public Employment Service* (see Guideline 1)
- *Information activities* in general but also specifically designed for target-groups, as regards the prospects and training opportunities in the labour market.
- Targeted and comprehensive *Employability Actions for people with disabilities and beneficiaries of public assistance* through the improvement of education training opportunities, occupational rehabilitation and integration by offering training counselling and support, as well as through incentives to employers to recruit these persons (see Guideline 7).
- Promotion of *Actions to facilitate women’s access to the labour market* and specifically (see Guideline 6):
 - implementation of a New Programme for the promotion of training and employability of inactive female force
 - development of family support programmes which will be implemented by NGOs and local authorities (childcare, care for the elderly and the disabled)
 - studies and pilot implementation of programmes for inactive women who wish to work part-time or participate in the labour market in another form of flexible employment(The above actions of a total cost of 4 mil. euro will be supported by ESF)

The issue of the **employment of foreign workers** from third countries has been reviewed and discussed thoroughly in the last two years and it is envisaged that within 2004 a New Strategy shall be adopted which will take into consideration the new developments and possibilities as a result of EU accession.

Employment of foreign workers in Cyprus

According to the last Census of Population (2001), foreign workers in Cyprus amounted to 32.975 persons reaching 11,3% of the working age population. 56,7% of the foreign workers were citizens of third countries, 33,4% were citizens of EU member states (EU – 15), 9,2% were Bulgarian, and Rumanian citizens while 0,7% citizens from the EU enlargement countries.

Foreign workers are younger than Cypriot workers are (their average age was 35 in comparison to 40 that is the average age of Cypriots).

During the 3-year period, 2000 – 2003 foreign workers increased by 17,9% annually. Two thirds are employed in the tertiary sector.

It is estimated that the percentage of employment of foreign workers will remain at the same levels for the 2004 – 2007 period and reach 12,7% in 2007.

To address the challenge of ageing population and its consequences relevant measures are geared towards:

- Encouraging the employment of the older people by implementing special schemes¹⁶
- Initiating social dialogue in order to find compromising solutions that secure long-term financial viability of the Social Insurance Fund
- Increasing the retirement age in the public and wider public sector, starting from 2005 and reaching gradually the age of 63

Moreover, given that there is room for improvement both as regards the transition and adjustment of newcomers, particularly secondary education graduates and unemployed women, to working life, to an extent of influencing the supply of labour, the prompt and effective adaptation of the labour force to the new requirements of the labour market acquires particular importance. To this end, the new Scheme for the Promotion of Training and Employability of New Secondary Education Graduates is relevant (Guideline 1).

Furthermore, the promotion and improvement of continuing training activities taking into consideration the structural changes in the economy, are expected to contribute to the adaptation and improvement of the knowledge and skills of the labour force thus having a positive effect on the extension of working life.

National targets in relation to the European Strategy

- By 2006 the effective average exit age from the labour market to be increased to 62 years of age
- Gradual increase of the retirement age in the public and private sector (so that it reaches 63 and 65 years respectively) during the period 2004-2007 within the framework of the Convergence Programme.

¹⁶ Such as the Scheme for Self-Employment of Older Persons implemented by the Social Welfare Services as of November 2001, aiming to re-activate and integrate people over 63 years in the society.

Guideline 6: Gender Equality

Objectives of the European Employment Strategy

- *Through an integrated approach combining gender mainstreaming and specific policy actions, encourage female labour market participation and achieve a substantial reduction in gender gaps in employment rates, unemployment rates, and pay.*
- *By 2010, in order to reconcile work and private life to provide childcare to*
 - *at least 90% of children between three years old and the mandatory school age, and*
 - *at least 33% of children under three years of age.*

Current situation

There was significant improvement of the unemployment rates of women, in comparison to those of men¹⁷, between 2000 and 2003. The employment participation rate of women between 15 and 64 reached 60,2% in 2003 in comparison to 59% in 2002 thus surpassing the EU targets, which are 57% for 2005 and 60% for 2010. In general, the gender employment gap fell from 19,8 percentage points to 18,6 while the gender unemployment gap fell from 1.6% to 0.8% between 2002 and 2003. At the same time, the rate of inactive women not seeking a job but willing to have one also fell (from 3,5% in 2002 to 3,0% in 2003). According to data of the Statistical Service, the gender difference of the national average pay fell from 26% in 2001 to 25% in 2002.

Data / Trends of the employment of women

- The employment of women is becoming a key factor for the economy since it is the main source for the development of the tertiary sector (84.7% of women are employed in the tertiary sector in relation to 61.7% of men).
- The participation rate of women (between 15 and 64) in the labour market showed a significant increase between 2000 and 2003 (from 57.3% in 2000 to 63.1% in 2003) while on the contrary the participation rate of men remained at the same levels (81.3% and 82.0% respectively).
- The gender employment gap (19.8 percentage points) is almost non-existent amongst the youth (2 percentage points).
- The participation of girls in the secondary technical/vocational training remains at low levels (16% of students are girls).
- The employment rate of women graduates of tertiary education continues to increase (34.8% in 2003 in comparison to 32.0% in 2001).

The promotion of the access of women to the labour market is an important element of the comprehensive strategy for the improvement of both the quality and quantity of the labour force as well as for the upgrading and better use of human capital. The encouragement and support of the integration of women in employment is sought through their acquisition of new knowledge and skills as well as through placing them to the right job and reducing the burden of family obligations.

The legislation, policy, and programmes of the Social Welfare Services already include measures for reconciling work and family life. Particular attention is paid to women who continue to have the main responsibilities for the care of children and other family dependants (such as older persons and persons with disabilities). The Public Assistance and Services Laws

¹⁷ Women's unemployment rate decreased from 7,3% in 2000 to 4,6% in 2003 in comparison to that of men's, which increased from 3,2% in 2002 to 3,8% in 2003

of 1991 to 2003¹⁸ and their implementation policies favour women, since they deal with the support of single-parent families and cover special needs such as the care of dependants (children, older persons and people with disabilities). Such favourable provisions include the following:

1. Part of the income of the employed single parents is not included in the calculation of the public assistance they receive and therefore they receive a higher amount of public assistance.
2. A monthly “care allowance” may be provided in case someone is obliged to stay home in order to take care of a family member, thus losing the opportunity to enter or being forced to leave the labour market.
3. Home care may be provided by a state, non-governmental (e.g. community) or private body.
4. Residential or day-care services for children, older persons and persons with disabilities may be provided by a state, non-governmental, or private body.

As to **childcare**, the recent data indicate that:

1. 22.236 children between three years old and the mandatory school age (82.0%), and 3.027 children under the age of 3 (12.0%) attend a total of 637 day care centres and kindergartens (public, non-governmental [e.g. community], and private)¹⁹.
2. Community care services (subsidised by the Grants-in-Aid Scheme) serve²⁰:
 - 2.856 children in 56 day care centres for preschool-age children
 - 2.074 children in 73 day care centres for school-age children.

NGOs are supported through the Grants-in-Aid Scheme (technical and financial aid) to establish childcare programmes and programmes for other family dependants. NGOs are active in the following fields:

- Day care centres for preschool-age children
- Day care centres for school-age children
- Programmes/services for older persons and persons with disabilities (day care, home care and residential care).

In 2003, 342 programmes of 238 NGOs were approved throughout Cyprus amounting to a total of CYP £3,900,000.

The social partners are also active in gender equality issues, such as information activities provided by employers’ organisations to employers on the changes brought about by the acquis communautaire in employment and gender equality. We especially refer to trade union activities as regards gender equality such as the **Cyprus Equality Observatory**,²¹ the **Specialised Unit for Working Women** and the **Monitoring, Control, and Scientific Support Mechanism for the implementation of the Equality Act**²².

Council recommendations and priorities for Cyprus

While female participation stands above the EU average, more can be done to bridge gender gaps. Measures should include improving care facilities, increasing the participation of women in training, and raising the attractiveness of part-time work.

¹⁸ Law 8/91, Law 97(I) and Law 74(I)/2003.

¹⁹ Statistical Service (to be published). Education statistics 2002/2003. Preliminary data.

²⁰ Social Welfare Service 2003.

²¹ Its main purpose is monitoring the enforcement of the legislation and reporting bridges of the law on its own initiative or after a complaint. It also offers professional and occupational counselling, social support and legal assistance. In addition, it conducts studies relevant to equal opportunities for the elimination of all kinds of discrimination against women.

²² A mechanism with an interdisciplinary composition including trade unionists representation.

Policies for 2004 – 2006

Apart from the general policy measures of a comprehensive approach for equality, particular emphasis is laid on the integration of unemployed and inactive women in employment with targeted measures aiming to the following:

- acquisition, by women, of specialised complementary knowledge and skills, training and/or work experience
- their support and placement at an appropriate job
- their relief from family obligations such as child care and care for other dependants, and
- providing them with options of flexible working hours.

Some of the activities aiming to **eliminate obstacles hindering participation in employment are**²³ :

- Improvement of employment and information/guidance services by upgrading and modernising the Public Employment Service
- Promoting special programmes aiming at the integration and re-integration of women in the labour market in cooperation with local authorities and other bodies²⁴
- Strengthening of family structures
- Implementation of a new specific Scheme for the Promotion of Training and Employability of the Inactive Female Labour Force (see Guidelines 1 and 5)
- Information activities for inactive women on the labour market conditions aiming to inform them about their professional options and training opportunities
- Increase of the participation rate of women in the labour market by promoting flexible forms of employment
- Mobilisation and support of NGOs and local government organisations for the provision of care services. The Grants-in-Aid fund for NGOs has been increased by 2.6% in 2004 in relation to 2003.

Strengthening female entrepreneurship is an additional aspect of the policies for equal opportunities. The special Programme that started in 2002 aims to develop, support and promote female entrepreneurship between the ages of 18 and 55 amongst women who wish to work in manufacturing or specific trade activities, tourism, and services and had not been exercising any business activity for a period of 12 months prior to the submission of their proposal²⁵ . The programme will continue in 2005 and its funding will be increased.

Following the strengthening of the legal framework for gender equality between 2000 and 2003, special emphasis will be laid on **strengthening the institutions and mechanisms** for equality and women's rights²⁶ . Some indicative actions are:

1. Strengthening the Ombudsman's Office. Its competences have been extended since 2004 to include complaints for discriminatory treatment in employment based on gender, racial or national origin, religion or conviction, age, special needs (and disability) or sexual orientation.
2. Strengthening the National Mechanism for Women's Rights (Doubling of the budget in 2005 compared with 2004).

National targets in relation to the European Strategy

- By 2010, to provide childcare to:
 - at least 90% of children between three years old and the mandatory school age.

²³ See also Guideline 5

²⁴ Funding of activities in the framework of the EQUAL initiative

²⁵ In the Government Budget for 2004 there is a sum of CYP £ 0,5 mil for the operation of the Scheme.

²⁶ Since 2003, a tripartite *Gender Equality Committee in Employment and Vocational Training* has been established by law with an advisory role. It deals with matters of gender discrimination. Amongst other things, the Committee promotes research and studies, and submits suggestions for policies and measures.

- As regards children under the age of 3, 12% attend day care centres today. The lack of data on the needs of families for childcare facilities for this age group renders it impossible to set targets. A survey is to be conducted in 2005 within the framework of the activities financed by the ESF, for the identification of social needs including childcare needs. These results could become the basis for future target setting in the specific childcare sector.

Guideline 7: Promote the integration of and combat the discrimination against people at a disadvantage in the labour market

Objectives of the European Employment Strategy

- *By 2010 an EU average rate of no more than 10 % early school leavers.*
- *A significant reduction in the unemployment gaps for people at a disadvantage, (according to any national targets and definitions).*
- *A significant reduction in the unemployment gaps between non-EU and EU nationals.*

Current situation

Poverty and social exclusion are not particularly acute problems in Cyprus mainly as a result of traditionally low unemployment conditions, usually a potential source of poverty and exclusion, and also maybe most important because of the Cyprus society characterised by family solidarity which with the reinforcement of long-standing social policies contributed to the maintenance of conditions of social cohesion. According to the 2000/2001 Family Budget Research those in danger of social exclusion are the older people, divorced women, single parent families and the disabled.

The average rate of **early school leavers** reaches 17,4%, which is lower than the EU average 18,8% (2002) but still falling far short of the EU strategic target for 2010 (10%). Existing institutions such as the Evening School and the Apprenticeship Scheme provide the possibility of a “second chance” and the option to acquire vocational qualifications.

As to the employment of disadvantaged groups, the data for the **disabled** show that the rates are slightly lower than the average of the EU -15 (48% in Cyprus²⁷ against 50% in the EU). National policy for people with disabilities aims at securing equal rights and opportunities and in the last years policy actions have been intensive as regards both policy measures and legislative measures. However, the ageing problem and the pressing need to increase the supply of labour necessitate supportive assistance to facilitate access and integration of people with disabilities in the labour market by improving their skills and occupational rehabilitation.

Unemployment between non-EU and EU nationals is not a problem at this stage given the controlled nature of the entrance policy and procedure in Cyprus from third countries for employment purposes that requires prior to entry permit, securing employment for a specific occupation and employer. In addition, a comparatively small number of immigrants²⁸ during the last decade do not face unemployment problems due to the conditions of full employment and given that there are special educational measures for these people aiming to their social integration (e.g. supportive teaching, language learning, and special activities). However, the recent increase of economic immigrants entering Cyprus illegally may create conditions of social exclusion.

The existing **legislative framework** such as the Act for People with Disabilities, which promotes and consolidates the non-discrimination principle and refers particularly to positive measures in the field of employment, and recent laws which harmonise with the directives 2000/43EC and 2000/78/EC, as well as the existing **mechanisms and institutions** that contribute to the effective implementation of policies and laws such as the Ombudsman who looks into complaints for discriminatory treatment in employment, are complementary to the existing policies.

²⁷ Source: 2002 Labour Force Survey – people with long-term health problems or inability constitute 12.2% of the population and 48% state that they work.

²⁸ Russian citizens usually of Greek origin that came to Cyprus after the collapse of the Soviet Union.

The **Public Assistance and Services Laws**²⁹ secure a minimum standard of living for every person living in Cyprus legally, certain provisions of this legislation favour employment in order to minimise the risk of dependency. Specifically:

- Certain categories are favoured as regards the calculation of the monthly amount of public assistance³⁰ in cases that the recipients work.
- If a public assistance recipient gets employed, the monthly allowance does not cease immediately but a month later.
- Recipients wishing to enrol in vocational training or buy equipment relevant to their employment may receive £500 (850 euro).
- Refusing offer for employment is a reason to lose eligibility for public assistance.
- Recipients of public assistance belonging to vulnerable groups (disabled, single parents, parents with at least 4 children under 18 who live with them and people in need of financial aid due to extremely serious family problems) are entitled to supplementary public assistance even if they are fully employed.

The non-governmental organisations play a very active role in the integration of and combating discrimination against disadvantaged persons.

Policies for the period 2004 – 2006

Within the context of the development strategy of human capital, it is recognised that social cohesion is of vast importance both for the stability of the entire socio-economic system, as well as for continuous growth. Therefore, it places particular emphasis on the promotion of measures designed to eliminate the possibility of social exclusion. The tools to achieve this goal include:

- Strengthening the attractiveness of the labour market and encouraging the participation therein
- Improvement of skills
- Employment to acquire valuable work experience
- Constant counselling support

Besides the existing schemes for vocational rehabilitation, the Service for the Welfare of the Disabled has introduced **three new Schemes** co-financed by the European Social Fund. These, aim:

- *To strengthen infrastructures aiming to facilitate social inclusion and professional rehabilitation of adults with visual disabilities*
- *To provide incentives for the employment in the private sector of persons with serious disabilities, either by covering part of the cost for the adjustment of the work place or by subsidising part of the labour cost, and*
- *To provide incentives for the employment of persons with disability of any kind and degree by subsidising employers and subsidise the social insurance contributions*

Moreover, in order to promote *employment and cease their independence on public assistance* the following activities are promoted:

- Amendment of the Public Assistance and Services Laws aiming, amongst others, to the provision of further incentives to enter employment and targeted training programmes.
- **New action** for vocational training and promotion of the employment of public assistance recipients (see guideline 8)

²⁹ Law 8/94, Law 74(I) 2003

³⁰ The following are not taken into account when calculating the monthly amount:

- £20 (30 euros) from the income of a person on public aid
- £120 (204 euros) from the income of a disabled person on public aid
- £40 (68 euros) from the income of a person over 65 on public aid
- £40 (68 euros) from the income of a mentally disabled person on public aid
- £100 (170 euros) from the income of a single parent on public aid or 50% of his net income if that is greater.

The combination of the above interventions is expected to weaken the factors that lead to the exclusion from the labour market of vulnerable groups and in particular of people with disabilities. The double objective pursued is: on one hand, aspects of social exclusion are tackled and on the other hand, inactive human capital is utilised thus consequently contributing to increased prosperity and increased participation in employment.

Intervention in the area of education is as equally important in promoting social inclusion and combating discrimination. In this framework, the **Ministry of Education** is also active in the field. Relevant activities for 2004 – 2006, include:

- Supportive teaching for pupils who are not native greek speakers
- Elaboration and implementation of support programmes based on the Act for the Education of Children with Special Needs (113(I)/1999) and the relevant regulations (185(I)/2001) and 186(I)/2001 at all levels of education, aiming at the integration of children with special needs in ordinary schools.
- Expansion of the institution of all- day schools which was introduced in 2001
- Establishment of regional schools by merging all the single-teacher schools with neighbouring regional schools at a first stage and covering the cost of transportation by the state

In addition, taking into consideration that **Pre-primary Education** contributes effectively to a child's school and social integration and consequently to social cohesion, to the prevention of illiteracy and to facilitating mothers' access to the labour market, the following measures are under consideration and shall be promoted accordingly:

- i. Extension as from September 2004 of the compulsory Pre-school Education to the age of 4 years and 8 months.
- ii. Setting up new community day care centres (in areas where there are children over 3 years old and where there is demand for afternoon sections)
- iii. Setting up of public kindergartens to cover classes with more than 15 children of pre-school age
- iv. Subsidisation of transport expenses of children coming from communities without a kindergarten to attend regional kindergartens
- v. Continuation of the upgrading of day care infrastructure in accordance with an approved plan.
- vi. Increased subsidies to public and community kindergartens in less favoured areas to make them more accessible to children of low and middle income families.

Finally, in the framework of **EQUAL**, that Cyprus participates as of 2004 with ESF co-financing 1.8 million euros, new actions will be promoted for enhancing employment, strengthening the gender equality policies and policies for the asylum seekers. Also within the framework of the National Action Plan for Social Inclusion (2004 – 2006) the priorities in the field of social inclusion focus on :

1. ***The improvement of access to resources, rights, goods, and services for all*** by reviewing the Public Assistance and Services Laws, creating a unified housing policy, full implementation of the General Health System, strengthening the programmes for the integration of all children in the educational system and other.
2. ***The prevention of social exclusion*** by developing programmes for the improvement of social inclusion infrastructures and strengthening family support services.
3. ***The support to the most vulnerable groups*** such as people with disabilities, immigrants, Turkish-Cypriots living in the free areas, juvenile offenders, drug addicts, children etc.

National Targets in relation to the European Strategy

By 2006

- The average rate of early school leavers should not be more than 15%.

Guideline 8: Make work pay through incentives to enhance work attractiveness

Objectives of the European Employment Strategy

- *By 2010 a significant reduction in high marginal effective tax rates and, where appropriate, in the tax burden on low paid workers.*
- *Ensure effective benefit management, notably with respect to linking the benefits with effective job search and reviewing their duration whilst preserving an adequate level of social protection.*

Current Situation

The existing tax-benefit system in Cyprus comprises mainly the payment of income tax by natural persons³¹ and the provision of certain benefits to specific financially vulnerable groups and the unemployed (up to six months). *Revenue from labour taxes (as a percentage of the GDP) as well as the tax burden on labour as a percentage of the increase of wages presents a significant decrease.* In particular, the rate of revenue from labour taxes that was slightly higher than 9% of the GDP in the 1990's, decreased to 8,6% in 2002, 7,9% in 2003 and 7,7% in 2004³². In addition, the rate of labour taxes as a percentage of wage increase was reduced from slightly over 15% in the second half of the 1990's to 14,1% in 2002, 13,6% in 2003, and 12,6% in 2004³³.

The Cyprus Tax System has remained employment friendly. The recent tax reform (which aimed at harmonisation with the *acquis communautaire* and combating harmful tax competition) has further reduced the tax burden on labour.

As regards the taxation of natural persons, the amount of tax-free income is amongst the higher levels in the EU³⁴, while the marginal effective tax rate following the tax reform reaches 30% (which is the lowest rate in the EU-15 after Denmark).

Benefit trap – alienation from employment

The number of people receiving public assistance is gradually increasing. In 1980, 6.276 people received public assistance, in 1990 8.020 and at the end of 2001, 15.386. Out of the total number of people receiving public assistance 18.2% are between 18 and 40 years old (and half of these are under 30). The above observation leads to two conclusions:

First: the number of public assistance recipients is steadily increasing, and

Second: dependence on public assistance not only of the older people but also of young people hinders their professional re-integration.

Social insurance contributions in Cyprus are lower compared to international levels. In particular, contributions reach about 5% of the GDP (while the respective percentage in the EU lies between 14% and 14.5%). The contributions rate for the employed (as of 1980) is 16.6% of their earnings up to a maximum amount (£412/week or £1.785/month for 2002). Out of the total contribution (16.6%), 6.3% is paid by the employee, 6.3% by the employer, while 4% is financed by the Republic's Consolidated Fund. In comparison to the international data, the burden is low.

³¹ It is based on individual and not family income.

³² Data for 2003 and 2004 are not the final data but estimates.

³³ Data for 2003 and 2004 are not the final data but estimates

³⁴ CYP £10.000

Policies for the period 2004 – 2006

Taxation – benefits

- **The last phase of the tax reform came into force on 1/1/2004.** It includes increase of the tax-free income in order to reduce further the taxation of workers (in particular the income band between nine and ten thousand (which notably constitutes the per capita income of Cyprus). Prior to the tax reform (2002), the marginal tax rate amounted to 40% in comparison to 30% between 2002 and 2004.
- In 2004, there was a review and a rise of minimum wages by 7.8% in certain jobs defined in legislation³⁵, leading to their reaching 44,76% of the medium wage and thus contributing to the attractiveness of work. In 2003 the rise was slightly higher (8,8%). In order to reduce the gap between robust and weak economic groups a scheduled increase on the level of minimum wages was adopted aiming at reaching the level of 50% of the national median wage by 2008. The first step towards this direction was the establishment of adjustments (April 2004).
- Enhancing incentives to cease dependence on public assistance by returning to employment and participating in training and continuing training programmes (the number of recipients of public assistance increased from 8.000 in 1990 to 16.555 at the end of 2003). It is noted that in the case of employment of a public assistance recipient, the monthly allowance does not cease immediately (see guideline 7).

Enhancement of work attractiveness through counselling support and training aiming at eliminating public assistance dependence.

Aim: Promote equal opportunities in labour market integration for all and in particular for those in danger of social exclusion

A new measure: It includes activities of vocational training as well as acquisition of work experience and counselling support. (ESF support). It aims to combat public assistance dependence that weakens self-respect and favours a negative and passive living style. It is based on respect for the individual and on an individualised approach to strengthen personal skills, self-confidence, and the ability to tackle difficulties aiming finally at enhancing his working attitude and autonomy.

The Social Welfare Services will set up a special group of Personal Counsellors to outline the initial profile of the beneficiary. Then, and in cooperation with the Public Employment Services, shall design and implement an Individualised Action plan for the training and employment of the public aid beneficiary.

The implementation of the above activities aims to train **400 public aid beneficiaries by 2006** (240 men and 160 women). It is expected that 65% of the beneficiaries that will participate in the programme shall be integrated in the labour force.

Undoubtedly, **health and safety at the workplace** enhances work attractiveness. In 2003, 2.086 occupational accidents were reported. Relevant policy measures aim to implement effectively the requirements of the *acquis communautaire* on health and safety at work and contribute to the reduction of occupational accidents and diseases. Some of these measures are:

- Strengthening the Labour Inspection Department: staffing the Department with Labour Inspection Officers and Labour Inspectors of various specialties
- Encouraging enterprises to introduce Risk Management Systems
- Strengthening the Educational Centre for Health and Safety at Work in order to contribute to the organisation of educational programmes on a wider scale, promote and distribute more information materials, and generally promote prevention as much as possible.
- Introduction of a system of occupational medicine for adequate monitoring of workers' health
- Incentives for the improvement of health and safety levels at SME's.

³⁵ Minimum wages in Cyprus are fixed by order of The Council of Ministers and concern specific occupations (clerical workers, childcare and nursing assistants, retail shop assistants) due to low representation by trade unions.

- Study on the integration of Health and Safety issues in Education and Training
- Cooperation with Higher and Highest Educational Institutions in Cyprus to promote research on health and safety at work
- Close cooperation between the Department of Labour Inspection, the Social Partners, and professional and scientific associations in their efforts to improve working conditions particularly so in the fields of awareness raising and information provision.

National Targets in relation to the European Strategy

- The Government does not intend to change by 2006 the income tax rates and therefore tax burden on labour shall remain the same (30%).
- Reduction of occupational accidents during the period 2004 – 2010 by 15%

Guideline 9: Transform undeclared work into regular employment

Objectives of the European Employment Strategy

- To measure the extent of the problem
- To develop and implement broad actions and measures to eliminate undeclared work, which combine simplification of the business environment, removing disincentives, and providing appropriate incentives in the tax and benefits system, improved law enforcement and the application of sanctions.

Current situation

Undeclared work does not coincide completely with the informal economy and up to now, there has been no commonly acceptable method for measuring its extent. There is however joint consensus in Europe recognising the need to undertake sample surveys in order to estimate, at least on approximation, the extent of undeclared work. Due to the complexity in estimating the full extent of this problem, surveys should at least aim at identifying its qualitative composition and the characteristics of people working in a non-visible manner in particular.

There is no valid national data of undeclared workers in Cyprus. Assuming that undeclared work (especially when it is the employer's initiative and not the employee's) tends to be a widespread phenomenon, particularly so in periods of high unemployment when workers' bargaining power is relatively weak, the operation of the Cyprus economy in conditions of **nearly full employment** and the existence of labour shortages in some sectors is rather not consistent with this type of undeclared work.

However, two characteristics of the Cyprus economy may create favourable conditions for undeclared work, namely, the **relatively small, family size enterprises** and the **rapid increase of illegal economic immigrants**.

Policies for the period 2004 – 2006

Reducing tax evasion and tax avoidance by enhancing **tax controls**, in order to improve the efficiency of tax authorities, constitutes a key government goal.

Simplifying the procedure for submission of tax returns via the internet, by legal persons, as well as providing a special regulation for undeclared income (**tax amnesty**) will indirectly contribute to the reduction of undeclared work.

As regards **measuring the extent** of the problem relevant actions will be promoted in 2005 in view of the carrying out of the Census of Establishments.

Guideline 10: Address regional employment disparities

Objectives of the European Employment Strategy

- *Promote favourable conditions for private sector activity and investment in regions lagging behind*
- *Ensure that public support in regions lagging behind is focused on investment in human and knowledge capital, as well as adequate infrastructure*

Current situation

The high rate of development, in the last twenty years driven mainly by the tertiary sector, led to regional disparities due to the concentration of development in urban centres and coastal areas. The dependence of **rural areas** on declining agriculture and the non-existence of alternative forms of employment contributed to the depopulation effect and in turn to the ageing population. Characteristically, in 85 communities the pensioners constitute more than 50% of the local population. Employment in the rural areas³⁶ is 23% of total employment and the employed persons constitute 38,7% of local population while it is estimated that 42% of them commute mainly to urban centres, which gradually leads to permanent migration. The unemployment rate in rural areas (3,2%)³⁷, however low, varies greatly amongst the communities in some of which it surpasses 10%³⁸.

At the same time, areas neighbouring the cease-fire line are also lagging behind, especially in the urban area of Nicosia that was completely divided in 1974 where the local population has decreased by 4,1% in the period 1982 - 1992 while the number of vulnerable groups and foreign workers increased.

Policies for the period 2004 – 2006

The 2004 – 2006 Strategic Development Plan aims to re-establish the balance between the development of urban and rural areas and stop the declining trend of some of the disadvantaged urban areas. In particular, the strategic objectives include:

- Strengthening local economic competitiveness
- Convergence of the level of development and incomes between urban and rural areas
- Economic and social regeneration of the less favoured urban centres
- Strengthening the local government authorities

Balance between urban and rural areas

The re-establishment of balance between urban and rural areas will be achieved by a series of measures aiming to **revive** rural areas economically by improving competitiveness, modernising the production and distribution of agricultural products, and exploiting alternative forms of economic activities such as rural tourism, in order to create new job opportunities. In addition, the upgrading of the quality of life in rural communities is a necessary condition for the retainment of local population and especially young persons. Therefore, **the quality of life will be improved** by promoting the establishment of new infrastructures, transportation services, and social services and activities.

The interventions proposed in the Rural Development Plan and the Single Programming Document for Objective 2 are crucial for all of the above.

³⁶ 2001 Census of population

³⁷ 2001 Census of population: Unemployment on a national level was 3,45 that year

³⁸ Relevant information included in the Single Programming Document for Objective 2

Urban areas in Decline

The special targets for the urban area of Nicosia are:

- Eliminating social exclusion of the local population
- Promoting entrepreneurship and innovation in order to create viable job opportunities
- Improving the quality of life for the local population by

Towards the above targets the following three measures are promoted:

1. Developing human resources and the social infrastructure
2. Stimulating business activity
3. Upgrading basic infrastructures and urban environment

It is noted that within the framework of the **4 new special Schemes of the HRDA** that will be co-financed by the European Social Fund, priority will be given to Objective 2 areas.

In addition, *the modernisation of the PES* provides, amongst others, the gradual establishment of ten additional Local Labour offices, two of which will be in disadvantaged areas, while the youth centres in these areas will be suitably equipped to offer self-service facilities for accessing information on employment and training opportunities.

Decentralisation of competences from the central administration to the local governments

The strengthening of Municipalities and Communities is one of the main targets aiming to respond to the needs of the citizens but also to encourage greater involvement of the local authorities in development based on the subsidiary principle. The administrative ability of the local authorities is enhanced so that:

1. the establishment of common service areas between Municipalities and Communities is encouraged in order to provide high level services jointly
2. the possibility of local authorities to undertake business initiatives is legally regulated
3. the introduction of second tier of local government on a regional level is under consideration, while
4. the increase of state aid to local authorities is also examined.

C. Good Governance and Partnership

C.1 Participation and consultation institutions

The long-standing tradition of tripartite consultation and social dialogue in Cyprus is reflected in the significant number of participative institutions, some of which are particularly active and significant.

Some of the institutions that operate with the participation of the social partners are:

- The Pancyprian Safety and Health Council (since 1988)
- The Apprenticeship Board (since 1966 with institutionalised participation of both the employers and the employees)
- The Social Insurance Board (since 1980 with institutionalised participation of the employers, the employees, and the representatives of agricultural organisations)
- The Board of the Human Resource Development Authority since 1974
- The Pancyprian Council for People with Disabilities
- The Committee for Equality in Employment and Vocational Training (with participation of the social partners and state) since 2003
- The Pancyprian Welfare Council (established in 1973 to coordinate the voluntary organisations, devise a policy in the field of voluntary social welfare and cooperate with the competent authorities for the forming and implementation of the social policy)

As a result of administrative arrangements, there are also:

- The Advisory Labour Board
- The Pancyprian Productivity Council (since 1992)
- The Economic Consultative Committee

C.2 Policy planning procedure

The recording of the current labour market situation has been improved significantly with the development of monitoring, research and diagnostic systems (by the HRDA and the Statistical Service).

In addition, positive experience has been accumulated from the previous voluntary elaboration of the NAP, in testing the coordination, cooperation and monitoring mechanism of an effective but completely new procedure. Given the **existing density** of institutions for dialogue, planning and monitoring the implementation of policies it is easier to **mobilise effectively and widely the entire society** to serve the strategic goals of employment and social cohesion. Voluntary organisations, for example, that have been developing rapidly in recent years, contribute in many ways to the employment strategy targets.

An advantage in drafting and monitoring the employment policy in Cyprus is the existing planning culture, the reliability of commitments as well as the conditions of trust amongst the parties involved. We particularly underline the contribution of the social partners and the NGOs in confronting labour market distortions and putting forward proposals that cover the whole spectrum of the guidelines of the employment policy. Many of these proposals are included in the Annex.

The social dialogue procedure is also substantial and efforts are made by all sides to deal with the new issues that arise from the adaptation of the working environment. In this framework, we include the meeting of the Minister of Labour and Social Insurance with the Social Partners on 6/5/2004 in relation to the Collective bargaining coverage and extension procedures (after the

presentation of the related study by the European Industrial Relations Observatory of the European Foundation for the Improvement of Living and Working Conditions)³⁹.

NAP Transparency: The NAP as a policy tool enjoys satisfactory transparency through the extensive consultation and discussion procedures. Recognising the significant role that the social partners must play in the implementation of the European Employment Strategy and by extension of the National Action Plans, a new standing body was established in January 2004, the National Employment Committee chaired by the Minister of Labour and Social Insurance and with the participation of the social partners. This Committee is responsible, amongst others, for the monitoring, study and formulation of suggestions to the Government, through the competent Minister, regarding the implementation of the European Employment Strategy, the labour market situation, the modernisation of the Public Employment Services, and the preparation and implementation of the National Action Plan for Employment.

C.3 Monitoring Mechanisms

Standing and Effective Monitoring Mechanism

Recognising the great importance of the competent government authorities' participation in both the preparation of the NAP as well as the systematic monitoring of its implementation, a standing committee has been established for the monitoring of all actions and developments related to the National Action Plan for Employment (NAP Committee). The committee consists of representatives from the Ministry of Labour and Social Insurance and other competent Ministries (such as the Ministries of Finance, Commerce, Industry and Tourism, Education and Culture, and the Planning Bureau and the HRDA⁴⁰). This monitoring committee ensures a comprehensive and in depth monitoring of the developments in the labour market and the implementation of the policies and has the coordinating role for the NAP preparation as well as the responsibility for keeping relevant financial data.

C.4 Financial Allocation

The financial resources for the implementation of the Employment policy during 2004-2006 are allocated within the framework of the government budget, the contribution of the Structural Funds (in particular the ESF) and the HRDA budget.

The estimated total expenditure of the HRDA in the period 2004-2006, for the purpose of human resource development amounts to £24.010.000, increased by 82% in comparison to the expenditure during the period 2001-2003. This sum will be allocated to existing training activities (£17.300.000 or 72,1%) to Special Developmental Activities (£2.910.000 or 12,1%) and to New Schemes co-financed by the ESF (£3.800.000 or 15,8%).

The allocation of the ESF financial resources appear in Appendix III.

The annual government budget is prepared by the Ministry of Finance in cooperation with competent Ministries/Departments on the basis of the existing strategy (as described in the Development Plan) and the relevant policy decisions adopted by the Council of Ministers and on the basis of the proposals submitted by the Ministries/Department. (Information on development

³⁹ The social partners' proposals on the changes to be implemented in the labour system, will be submitted in due time to be included in a Single Document prepared by the Ministry. The government's commitment is that any adjustment to the current national labour system will be first examined through extensive dialogue.

⁴⁰ The activities of the HRDA are financed by the Human Resource Development Fund where enterprises and semi-government organisations are obliged to pay a fee amounting to 0,5% of their total payroll.

expenditure relating to the implementation of measures provided for in the NAP is given under each guideline).

ANNEX I

NATIONAL TARGETS REFLECTING TARGETS IN THE EUROPEAN EMPLOYMENT STRATEGY

Targets in the EES	National targets
Employment rate	<ul style="list-style-type: none"> • By 2006 , 70,0% (15-64) 52,0% (55-64) 62,0% (women)
Unemployment rate	<ul style="list-style-type: none"> • By 2006 , 3,5% 7,5% (young people) 4,0% (women) 0,9% (long-term unemployed)
Guideline 3	<ul style="list-style-type: none"> • By 2005, jobseekers throughout the EU to be able to consult all job vacancies advertised by Cyprus employment services through EURES.
Guideline 4	<ul style="list-style-type: none"> • 82% of people aged 20-24 to have completed upper secondary education by 2006 • The average level of participation in lifelong learning to be 10% of the adult working-age population (25 to 64 age group) by 2006. • 15 students per PC in Primary Schools, 9 students per PC in High Schools and 5 per PC in Lyceums, by 2006.
Guideline 5	<ul style="list-style-type: none"> • Effective average exit age from the labour market: 62 years by 2006. • Gradual increase of the retirement age limit for public and private sector employees (so that the retirement age of public sector employees is increased to 63 years and the retirement age of private sector employees is increased to 65 years) during 2006-2007 in accordance with the Convergence Programme.
Guideline 6	<ul style="list-style-type: none"> • By 2010, provide childcare facilities to <ul style="list-style-type: none"> - at least 90% of children between three years old and the mandatory school age. - As regards children under three years of age, 12% of them are currently provided with childcare facilities. A national target cannot be set though, since there are no available figures regarding family needs for childcare for this age group. A pan-cyprian survey, financed by the European Social Fund, will be conducted in 2005, aiming at identifying social needs including needs for childcare facilities. The results of the survey will be used for future targeting regarding this specific field.
Guideline 7	<ul style="list-style-type: none"> • An average rate of no more than 15% early school leavers by 2006.
Guideline 8	<ul style="list-style-type: none"> • Stable marginal effective tax rate (30%). • Reduction of the percentage of accidents at work by 15% in the five-year period 2006-2010
Guideline 9	<ul style="list-style-type: none"> • Tax avoidance and tax evasion reduction in order eliminate undeclared work.

ANNEX II

INDICATORS (LFS 2003, 2nd QUARTER)

If nothing else is stated the source of figures below is the Labour Force Survey 2003 (2nd Quarter), Statistical Service, Cyprus.

OVERARCHING OBJECTIVES		
1. GDP GROWTH		
	2003	2002
	2,0	2,0
Source: Statistical Service (National Accounts)		
2. EMPLOYMENT RATES		
2.1 EMPLOYMENT RATE 15-64	2003	2002
Total	69,2	68,5
Male	78,8	78,8
Female	60,2	59
2.2 EMPLOYMENT RATE 15-24	2003	2002
Total	37,5	36,7
Male	38,6	37,7
Female	36,5	35,8
2.3 EMPLOYMENT RATE 25-54	2003	2002
Total	82,6	82,2
Male	92,3	93,2
Female	73,5	72
2.4 EMPLOYMENT RATE 20-64	2003	2002
Total	75,4	75,1
Male	85,7	86,2
Female	65,7	64,6
2.5 EMPLOYMENT RATE 55-64	2003	2002
Total	50,2	49,2
Male	68,7	67
Female	32,6	32,1
3. EMPLOYMENT RATE FULL-TIME EQUIVALENT 15-64		
	2003	2002
Total	67,8	67,4
Male	79,3	79,5
Female	57,2	56,3
4. UNEMPLOYMENT RATE		
4.1 UNEMPLOYMENT RATE 15+	2003	2002
Total	4,1	3,3
Male	3,8	2,6
Female	4,6	4,2

OVERARCHING OBJECTIVES (cont.)						
4.2 YOUTH UNEMPLOYMENT RATIO 15-24						
	2003	2002				
Total	3,7	3,1				
Male	3,8	3,3				
Female	3,5	2,9				
4.3 UNEMPLOYMENT RATE 55-64						
	2003	2002				
Total	4,4	3,5				
Male	5,5	2,7				
Female	2,0	5,0				
4.4 UNEMPLOYMENT RATE BY EDUCATIONAL ATTAINMENT						
	2003			2002		
	Total	Male	Female	Total	Male	Female
Less than upper secondary	4,8	4,2	5,6	3,8	2,9	5,2
Upper secondary	3,9	4,0	3,8	3,6	3,0	4,5
Tertiary	3,9	3,0	4,6	2,4	1,8	3,0
5. LABOUR PRODUCTIVITY						
(GDP in PPS per capita relative to EU 15)						
	2002	2001				
per capita	76	78				
Source: Statistical Service (National Accounts)						
6. GROWTH IN LABOUR PRODUCTIVITY						
a. per capita						
	2003	2002				
	1,1	1,1				
b. per hour worked						
	2002	2001				
	1,6	2				
Source: Statistical Service (National Accounts)						
7. REAL UNIT LABOUR COSTS						
	2003*	2002				
	4,89	3,49				
*estimate						
Source: Statistical Service (National Accounts)						

GUIDELINE 1			
1. UNEMPLOYMENT RATE			
	2003	2002	
Total	4,1	3,3	
Male	3,8	2,6	
Female	4,6	4,2	
2 YOUTH UNEMPLOYMENT RATIO 15-24			
	2003	2002	
Total	3,7	3,1	
Male	3,8	3,3	
Female	3,5	2,9	
3. LONG-TERM UNEMPLOYMENT RATE			
	2003	2002	
Total	1,0	0,7	
Male	0,8	0,4	
Female	1,3	0,9	
GUIDELINE 2			
1. ENTERPRISE BIRTHS			
	2003*	2002	
	2,4%	2,3%	
* provisional			
Source: Statistical Service			
2. EMPLOYMENT GROWTH 2002 TO 2003			
	Total	Male	Female
Total	3,7	2,7	5
A. Agriculture, hunting and forestry	4,1	8,3	-0,3
B. Fishing	(NR) -46,6	(NR) -46,6	(NR) 0,0
C. Mining and quarrying	(NR) 5,2	(NR) -7,1	(NR) INFINITE
D. Manufacturing	-6,9	-7,6	-5,6
E. Electricity, gas and water supply	18,2	22	(NR) -6,0
F. Construction	12,2	11,6	21,3
G. Wholesale/retail trade/rep. of motor vehic.	0,7	-2,8	5,3
H. Hotels and restaurants	3	-3,3	8,9
I. Transport/storage/communication	6,8	2,5	15,2
J. Financial intermediation	-9,8	-13,3	-7,1
K. Real estate/renting/business activities	24,6	37	14
L. Public administration and defence	2,3	2,6	1,8
M. Education	5,8	6,3	5,5
N. Health and social work	12,1	6	14,7
O. Other community/social/pers.serv.activities	7,8	9,7	5,7
P. Private households	6,2 (NR)	-43,7	6,8
Q. Extra territor. organ. and bodies	-17,4	-24	-1,8
NR - Not reliable due to small sample size			

GUIDELINE 2 (cont.)**3. EMPLOYMENT RATE IN SERVICES 15-64**

	2003	2002
Total	55,2	54,8
Male	53,4	54,2
Female	56,9	55,3

GUIDELINE 3**1. DIVERSITY OF CONTRACTUAL AND WORKING ARRANGEMENTS**

1.1 Total employees in part-time and/or fixed-term contracts plus total self-employed as % of persons in employment

	2003	2002
Total	36	32,5
Male	37	33,9
Female	34,7	30,8

1.2 Employees in non-standard employment (part-time and/or fixed-term) as % of total employees

Part-time only, taken because of:

	2003			2002		
	Total	Male	Female	Total	Male	Female
Total	3,6	1,8	5,5	3,2	1,6	5,0
Educ.	0,0	0,0	0,1	0,1	0,0	0,2
Own illness	0,3	0,4	0,2	0,3	0,5	0,1
Could not	0,5	0,4	0,7	0,4	0,2	0,5
Did not	2,5	0,9	4,1	2,1	0,7	3,7
Children	0,2	0,0	0,3	0,2	0,0	0,5
Other	0,1	0,1	0,1	0,1	0,2	0,1

Fixed-term only, taken because of:

	2003			2002		
	Total	Male	Female	Total	Male	Female
Total	10,9	7,2	14,8	8,5	5,4	11,9
Train.	0,5	0,7	0,4	0,2	0,1	0,2
Could not	9,8	6	13,7	7,9	4,9	11,2
Did not	0,2	0,2	0,2	0,2	0,2	0,2
Prob.	0,3	0,2	0,3	0,1	0,1	0,2
No reason	0,1	0,1	0,2	0,1	0,1	0,1

Part-time and fixed-term

	2003	2002		2003	2002
Total	1,6	0,6	Total	16,1	12,3
Male	0,9	0,4	Male	9,9	7,3
Female	2,3	0,9	Female	22,6	17,7

GUIDELINE 3 (cont.)**1.3 Total self-employed as % of total persons in employment**

Part-time Self-employed

	2003	2002
Total	4,9	4,2
Male	3,6	2,6
Female	6,6	6,3

Total Self-employed

	2003	2002
Total	23,7	23
Male	30,1	28,6
Female	15,7	15,9

2. WORKING TIME**2.1 AVERAGE WEEKLY NUMBER OF HOURS USUALLY WORKED PER WEEK
(FULL-TIME EMPLOYEES)**

	2003	2002
Total	40	40
Male	40,5	40,4
Female	39,6	39,6

3. OVERTIME WORK

	2003	2002
Total	2,7	2,5
Male	3,2	3,4
Female	2,1	1,6

4. VACANCIES PER UNEMPLOYED

	2003	2002
	0,6	0,59

Source: District Labour Offices

GUIDELINE 4**1. EDUCATIONAL ATTAINMENT OF 22 YEAR OLDS** (Age group 20-24 used as proxy)

% of 20-24 having achieved at least upper secondary education

	2003	2002
Total	79,5	83,5
Male	71,3	76,7
Female	87	89,5

Note: Students studying abroad are not covered by the Cypriot LFS
In 2003 the students increased in number from the previous year

GUIDELINE 4 (cont.)**2. PARTICIPATION IN EDUCATION AND TRAINING**

	2003*			2002*		
	Total	Male	Female	Total	Male	Female
25-64	7,9	7,1	8,5	3,7	3,6	3,8
25-34	13,5	12,6	14,4	5,7	5,3	6,1
35-44	8,4	8,4	8,4	4,5	4,2	4,8
45-54	5,3	4,1	6,4	2,8	3,4	2,3
55-64	2,3	1,8	2,8	0,5	0,4	0,6
Emp.25-64	9,2	7,4	11,4	4,2	3,6	4,9
Une. 25-64	5,6	3,6	7,8	2,1	0	3,6
Inac. 25-64	3,1	5,6	2,5	2,1	4,1	1,6
High 25-64	17,2	14,8	19,8	8,5	8,2	8,8
Med. 25-64	6,3	5,6	7	3	2,7	3,3
Low 25-64	1,6	1,4	1,8	0,4	0,1	0,6

*Data lack comparability due to wider coverage of informal education in 2003

3. INVESTMENT IN HUMAN RESOURCES

	2003*	2002**
	6,2	6,4

*Budget amounts

**Provisional

Source: Statistical Service (Budget & National Accounts)

GUIDELINE 5**1. ACTIVITY RATE 15-64**

	2003	2002
Total	72,2	70,9
Male	82,1	81
Female	63,1	61,6

2. AVERAGE EXIT AGE FROM THE LABOUR FORCE

	2002	2001
Total	61,4	62,3
Male *	61,4	62,2
Female *	59,5	60,7

* Data by gender not reliable due to small sample size especially for women

3. INCREASE IN LABOUR SUPPLY (employed+unemployed)

	2003	2002
	4,6	1,1

GUIDELINE 5 (cont.)**4. LABOUR RESERVE**

4.1 Inactives who are seeking employment

	2003	2002
Total	0	0
Male	0	0,1
Female	0	0

4.2 Inactives not seeking employment but would nevertheless like to have work, but who are not searching due to:

	2003			2002		
	Total	Male	Female	Total	Male	Female
Await recall	0,2	0,3	0,2	0,1	0,1	0
Own illness	0,4	0,5	0,2	0,6	0,8	0,5
Personal	1,1	0,3	1,8	1,3	0,2	2,3
Education	0,3	0,2	0,4	0,5	0,5	0,5
Retirement	0,1	0,1	0	0,1	0,1	0
Bel. no work	0,1	0	0,1	0,1	0	0,1
Other reason	0	0	0	0	0	0
No reason	0,1	0,1	0,1	0,1	0,2	0,1

4.3 Inactives who have already found a job which will start later in more than 3 months

	2003	2002
Total	0	0
Male	0	0
Female	0,1	0,1

4.4 Total of Inactives who want to have work

	2003	2002
Total	2,3	2,8
Male	1,6	2
Female	3	3,5

GUIDELINE 6**1. EMPLOYMENT GENDER GAP (men%-women%) 15-64**

1.1 by age group	2003	2002
15-64	18,6	19,8
15-24	2,1	1,9
25-54	18,8	21,2
55-64	36,1	34,9

1.2 by educational attainment	2003	2002
Less than upper secondary	26,1	24,7
Upper secondary	17,9	21,5
Tertiary	6,0	8,9

GUIDELINE 6 (cont.)		
2. UNEMPLOYMENT GENDER GAP (women%-men%) 15+		
	2003	2002
	0,8	1,6
3. Gender pay gap		
(Difference between men's and women's average gross hourly earnings as % of men's average gross hourly earnings) for paid employees at work 15+		
	2002	2001
	25	26
4. Gender pay gap, adjusted for occupation		
ISCO 88	2002	2001
1. Legislators, senior officials and managers	6	8
2. Professionals	19	20
3. Technicians and associate professionals	23	26
4. Clerks	27	26
5. Service workers and market sales workers	34	33
6. Skilled agricultural and fishery workers	31	27
7. Craft and related workers	29	30
8. Plant and machine operators/assemblers	36	36
9. Elementary occupations	17	18
Source: Statistical Service (Annual survey on wages, salaries and hours worked)		
GUIDELINE 7		
1. EARLY SCHOOL LEAVERS		
	2003	2002
Total	17,4	15,9
Male	24,3	22,3
Female	11,8	11
GUIDELINE 8		
1.UNEMPLOYMENT TRAP (with social assistance)		
	2003	2002
Provisional figures	60,89	61,32
2. TAXATION ON LOW-WAGE EARNERS		
	2003*	2002
	18,46	17,21
* Based on Provisional Figures of Earnings		
Source: Statistical Service		

ANNEX III

ALLOCATION OF THE EUROPEAN SOCIAL FUND (ESF) FINANCIAL RESOURCES

The Single Programming Document (SPD) aims at the development and more efficient utilization of human capital in conditions of social cohesion and equal opportunities. This strategic objective is in compliance with the basic strategic objectives and general targets described in the Strategic Development Plan, 2004-2006, for the development of human capital, the promotion of equal opportunities and social cohesion. It is also fully in line with the overarching objectives and guidelines of the European Employment Strategy (EES) as well as with the priorities set in the National Action Plan for Employment (NAP).

The interventions for the achievement of the main strategic objective of the SPD could be placed under the following **Priority Pillars**:

- 1. Development and Promotion of active labour market policies**
- 2. Promotion and improvement of education and training systems and life-long learning**
- 3. Technical Assistance.**

The **First Priority Pillar** includes the following **Measures**:

Measure 1.1: Enhancement and Modernization of the Public Employment Services (Budget for 2004-2006: €10.000.000 – Budget for 2004: €4.000.000)

Measure 1.2: Strengthening of activities to adapt the skills of the new entrants, the unemployed and the employed to labour market needs (Budget for 2004-2006: €4.800.000 – Budget for 2004: €500.000)

Measure 1.3: Promotion of equal opportunities for access to the labour market for all, and especially for those threatened with social exclusion. (Budget for 2004-2006: €4.000.000 – Budget for 2004: €1.200.000)

Μέτρο 1.4: Promotion of access of women to the labour market (Budget for 2004-2006: €4.000.000 – Budget for 2004: €1.200.000)

The total budget of the First Priority Pillar for 2004-2006 is €22.800.000.

The **Second Priority Pillar** includes the following **Measures**:

Measure 2.1: Utilization of new technologies within the framework of life-long learning (Budget for 2004-2006: €9.400.000 – Budget for 2004: €4.000.000)

Measure 2.2: Improvement and reinforcement of secondary and technical-vocational education and training (Budget for 2004-2006: €10.600.000 – Budget for 2004: €4.000.000)

The total budget of the Second Priority Pillar for 2004-2006 is €20.000.000.

Finally, the **Third Priority Pillar** covers **Technical Assistance** activities, which are considered to be necessary for the effective implementation, monitoring and evaluation of the Programme and for which the total available amount during the period 2004-2006 is €1.090.000.

The total budget of the Programme reaches €43.890.000, out of which €21.945.000 (50%) will be financed by the European Social Fund (ESF).

The formulation of the SPD for Objective 3 coincides with the launching of the new European Employment Strategy and the adoption of a new series of employment guidelines directed towards full employment and better jobs for all.

The following Table illustrates the correspondence between the SPD and the European Employment Strategy guidelines. As it can be seen from the Table, most of the employment guidelines are being addressed by one or more SPD measures. Priorities that are not covered by the SPD measures will be dealt with within the context of national policies and will be funded through national resources. Further, it is evident that the SPD measures were chosen in such a way so as to address the most immediate of the priorities and comply with the general orientation and eligibility rules of the Structural Funds.

RELATION OF SPD MEASURES WITH THE EES

EES Guidelines	SPD Measures						
	1.1	1.2	1.3	1.4	2.1	2.2	3.1
(1) Active and preventive measures for the unemployed and inactive							
(2) Job creation and entrepreneurship							
(3) Address change and promote adaptability and mobility in the labour market							
(4) Promote development of human capital and lifelong learning							
(5) Increase labour supply and promote active ageing							
(6) Gender equality							
(7) Promote the integration of and combat discrimination against people at a disadvantage in the labour market							
(8) Make work pay through incentives to enhance work attractiveness							
(9) Transform undeclared work into regular employment							
(10) Address regional employment disparities							

ANNEX IV

VIEWS/SUGGESTIONS OF THE SOCIAL PARTNERS AND THE PANCYPRIAN WELFARE COUNCIL ON THE NAP 2004⁴¹

VIEWS/SUGGESTIONS OF THE SOCIAL PARTNERS

Cyprus Employers and Industrialists Federation (OEB)

Comments on specific topics

Address change and promote adaptability and mobility in the labour market

The policies promoted through the NAP for the period 2004-06 as regards the promotion of adaptability and mobility in the labour market are in accordance with the priorities and actions of the Employers' and Industrialists' Federation (OEB).

Aiming at the greatest possible development and welfare of society as a whole, OEB, for many years, has promoted "flexible" forms of employment (part-time work, fixed-term work, telework, outsourcing and subcontracting, etc).

In connection with the reference in the text of the NAP that "The common point of agreement is the need to conduct open and in depth dialogue on all aspects of the matter (mainly of part-time employment) before taking any implementation initiatives", OEB considers it self-evident that such a dialogue should aim at the examination of methods for the efficient implementation of "flexible" forms of employment, and that it should not be a dialogue on whether or not to implement such forms of employment.

Aiming at the creation of an environment conducive to the increase of jobs, OEB insists on the need to curtail non-wage costs of employment. For this purpose, OEB has written to the Minister of Labour and Social Insurance requesting him to reduce by half the employers contribution of 1,2% on payroll to the Redundancy and the Insolvency Funds, since by the end of 2004 the total reserve of the two funds will exceed CYP £100,000.000.

Furthermore, OEB, with demands towards the Government and the House of Representatives, has promoted the abolition of the 2% payroll contribution of employers to the Social Cohesion Fund and has requested that the upper income limit on which enterprises contribute to the Human Resource Development Authority should not be raised.

Promotion of human resource development and lifelong learning

OEB, fully in line with the policies determined by the NAP, organises dozens of educational and training programmes each year, with subjects covering a wide range of real needs, attended by at least one thousand persons.

Increasing the supply of labour and prolonging working life

Under Guideline 5 and at all other points where mentioned, the employment of foreign labour is of utmost importance for OEB, since the development of the economy during the last few years has been based to a great extent on the contribution of foreign workers. It is self evident that a reassessment of the relevant policy should take place only with the involvement of the social partners.

⁴¹ Edited for uniformity and presentation purposes.

Gender Equality

Gender equality is an important subject that OEB promotes at all levels. OEB contributes towards the creation of general state policy in the matters concerning women, within the machinery for women's rights, the subcommittee on labour relations, and the Committee on Gender Equality in Employment. OEB also contributes to the proper implementation of the legislation on equality of treatment between men and women, as well as to the provision of education and training to its women members through a series of seminars for women leaders.

OEB has also published a "Code for the Facing of Sexual Harassment in Employment and Vocational Education", which it encourages its members to implement as soon as possible. The Code has drawn on practices of successful European enterprises, and is based on standards recognised by the ILO and principles of the European Union.

Promotion of the integration of and the combating of discrimination against people at a disadvantage in the labour market

The elimination of all forms of discrimination in employment is very important to OEB, which has suggested specific measures for the employment of people with disabilities with the subsidisation of wages and the covering of employers' contributions to various funds by the State. We are pleased that this position of ours has been included in measures promoted through the NAP.

The measures that will be promoted in connection with pre-school education should take into account the need to protect the viability of private sector kindergartens and crèches, since their substitution with state-subsidised units is practically impossible.

The numbers of persons with a disability have more than tripled between 1992 and 2002, mainly due to the change of the definition of "disability". Thus, 12,2% of total population [age 16-64] are considered to be disabled [with chronic health problems], compared with 3,9% in 1992. This observation reveals the need for a review of the relevant definition.

Make work pay through incentives to enhance work attractiveness

In connection with Guideline 8, concerning policies for the period 2004-2006, OEB disagrees with the upward revision of the minimum wage so as to reach 50% of the national median wage by 2008. The reasons for this disagreement have been explained at recent meetings of the Labour Advisory Board.

Finally, OEB repeats its position that the implementation of the guidelines cannot be selective or limited only to whatever serves the invariable position of the trade unions.

Cyprus Chamber of Commerce and Industry (KEBE)

General comments:

KEBE believes that the maintenance of high employment levels depends to a great extent on economic development, which in turn depends on the performance of the private enterprise sector. The performance of private enterprises is based to a great extent on the legal and more general infrastructure of the country in which it operates. It is here that the Cyprus Government is called upon to proceed with the creation of the infrastructure necessary to encourage the private sector to make the necessary investment and to assist it in facing the

cost of various aspects of the *acquis communautaire*, so as to ensure a smooth adaptation to the situation of the European Union.

A key characteristic of the Cyprus labour market during the last few years has been low productivity and high labour cost – which means that the competitiveness of enterprises is continually eroded and as a result many firms face serious problems. In addition, the rate of growth of the economy has remained at low levels during the last few years. KEBE believes that these matters should be discussed among the social partners, within the framework of social dialogue.

Comments on specific topics:

Improvement of the public sector's quality and productivity

KEBE believes that a special effort should be made for the increase of productivity in the public sector and especially in the government machinery. At the same time an effort should be made for the general modernisation of the public sector. The public service today is ineffective, and its low productivity affects the rest of the economy negatively.

Drastic changes are required in the public service in order to speed up the institutional readjustments regarding the following: freezing in hiring, containment of the public payroll, employees' transferability, change in working hours, abolition of the practice of hiring temporary employees, elimination of overtime work, increase of retirement age to 63 with aim to increase it further to 65, etc.

Job creation and entrepreneurship

Within the framework of modernisation and reinforcement of SMEs, KEBE recommends the following:

- Financing in the form of new subsidies, long-term loans, tax and other incentives as well as strengthening of existing schemes for the reinforcement of entrepreneurship.
- Development by the state along with encouragement for development by the private sector, of the necessary infrastructure, such as testing centres, labs etc.
- Technical aid for SMEs through more educational programmes and participation in various EU programmes, such as the programmes for research and technology for SMEs, etc.
- Reinforcement of the existing structures and/or creation of new ones in an attempt to support business to advance technologically, to increase productivity, to produce high value added products, to invest in research aiming to the improvement of existing products and to the production of new ones, and to form joint ventures both locally and within the EU as a whole.

The application of the above recommendations will not only strengthen the competitiveness of the Cyprus economy, but will also contribute significantly to the creation of new jobs.

Confronting changes and promoting adaptability in the labour market

Within the framework of the more general strategy for confronting changes and promoting adaptability to the new situation of the labour market and increasing productivity, KEBE suggests the following:

- Promotion of application of modern and flexible forms of employment and work organisation. These issues should be discussed within the framework of Social Dialogue and collective agreement negotiations.

- The Public Employment Services (PES) should be modernised and should adopt a more flexible system of making their services available so as to respond faster and more efficiently to the employment needs of businesses. In addition, the PES should aim at close cooperation with Private Employment Agencies, which have grown to a great extent in recent years.
- Finding sources of labour from countries of the EU. For this purpose all social partners should show interest in playing an active role in the EURES.
- Organisation of more seminars in cooperation with the Ministry of Labour and Social Insurance as well as with other Services or Agencies related to safety and health issues and especially on the new legislation that came into force in accordance with the *acquis communautaire*.
- Encouragement of enterprises for further improvements of safety conditions in the workplace.
- Conduct of seminars for supporting business to introduce economic changes and to carry out restructuring.

Promote development of human capital and lifelong learning

As regards the facing of the consequences of population ageing, which is also directly related to the long-term economic viability of the Social Insurance Fund, KEBE has made specific suggestions to the Labour Advisory Board.

Increase labour supply and promote active ageing

In recent years, the Cyprus economy has operated at full employment levels and has therefore experienced excessive labour demand. Inevitably, for covering businesses needs, a policy of granting work permits to foreign workers was adopted. This issue is very important for KEBE, since foreign labour supply, both from EU and from third countries, has been very useful for the local economy and has given solutions to important sectors of the economy, which could not function smoothly due to insufficient labour supply. For this reason, the policy of granting work permits to foreign workers from third countries, in sectors and occupations in which local labour supply is inadequate, should be continued.

For the purpose of increasing the labour supply, it is useful to adopt measures for raising the birth rate. This should help the increase of new entrants in the labour market and delay the worsening of the ratio of the retired to the working people. Related measures, in addition to child allowance, should be directed towards helping working mothers in ways that will allow them to care for their children while working, such as the development of kindergartens and crèches to a larger scale and with low costs, or even the provision of incentives for the creation of care centres in enterprises with large numbers of female employees. Such measures would contribute to the attraction of inactive female population as well.

Within the framework of supporting active ageing, KEBE believes that the pensionable age should be raised from the age of 60 to that of 65. This should be implemented generally for all workers due to the problems that the Social Insurance Fund is expected to face in the near future.

Gender Equality

Within the framework of gender equality, KEBE is ready to become more active in the promotion of gender equality in employment and vocational education, through its participation in the relevant National Committee.

At the same time, KEBE has been informing the business world on the changes brought about by the *acquis communautaire* in the field of occupational gender equality, through the

distribution of informative flyers and the publication of articles in KEBE's newspaper, "Emporobiomichaniki".

Minimum Wages

KEBE disagrees with the government's strategy to keep revising the minimum wages in order that they reach, by 2008, 50% of the national medial wage, for reasons that have been analysed during meetings of the Labour Advisory Board.

Pancyprian Federation of Labour (PEO)

Comments on specific subjects:

The national framework of employment policy

As regards the assessment made on the general performance of the Cyprus economy, PEO believes that two key characteristics influencing the level and stability of employment are missing:

- The great dependence of Cyprus on the service sector, especially on tourism activities, not only renders the economy highly vulnerable to exogenous, unforeseeable factors but also is responsible for the slow down of various economic variables (capital accumulation, rate of economic growth, productivity of labour etc).
- The dramatic reduction of the manufacturing sector, a fact that caused the loss of thousands of jobs during the last few years.

The productivity of labour constitutes an important factor for the upgrading of the quality of work. In order to improve productivity, policies should be promoted aiming at:

- Rising of the level of technology of enterprises
- Improving of the low level of organisation and management of enterprises
- Training of human resources, especially in new technologies
- Improving of the working environment etc

Flexibility and Employment

One of the basic disagreements of PEO from the beginning of the NAP consultation process focuses on the practically strategic role attributed to flexibility, whether this concerns the increase of women's participation in the labour market or the fight against unemployment or the improvement of quality and productivity of work.

PEO maintains that full, stable, secure, healthy and protected employment should continue to be the standard for quality of work, and, therefore, that all measures expressed within the framework of a National Action Plan for Employment should aim at strengthening that standard.

The legal framework that was recently enacted for the regulation of part-time and fixed-term employment is wrongly, in our opinion, considered to be a tool for the encouragement and promotion of flexibility. The legal framework was modernised in order to help achieve equal treatment of workers who for various reasons are obliged to work with flexible employment arrangements. In other words, the increase of the number of workers that are driven by necessity to undertake part-time or fixed-term employment should not be regarded as progress and certainly should not be encouraged.

Since mention is made in the NAP of the carrying out of a **pilot study and a pilot implementation** of flexible forms of employment, PEO must state that it cannot be bound to

accept any **pilot implementation**, without previously participating in a structured and open discussion, and without knowing the content and the objectives of the **pilot implementation**.

Employment and active ageing

As regards raising the retirement age in the public service and the wider public sector, PEO stresses its reservations. It considers that the promotion of such a measure presupposes a study of the consequences. In particular, the wider consequences on employment from such a measure should be studied. It is also imperative that this question should be a subject of social dialogue.

As regards workers in the private sector, PEO strongly disagrees to the proposition contained in the actuarial survey for the viability of the Social Insurance Fund, according to which the right to a voluntary pension could be gradually abolished at the age of 63, and that the general pensionable age should be raised from the age of 65 to the age of 67. It recognises the problems of viability prospects of the Social Insurance Fund and is ready to contribute to a serious exchange of views for their confrontation. It disagrees, however, to the idea of the raising of pensionable age as the only way of dealing with these problems. It is widely known that a large number of employers pay reduced contributions or no contributions at all to the Social Insurance Fund. It is also a fact that the great majority of non-employees insured with the Social Insurance Fund do not contribute on the basis of their real income.

PEO expresses the opinion that the investment policy of the Social Insurance Fund should be reviewed, so as to curb the increasing government lending that in the long run undermines its viability.

Gender Equality

As regards the employment of women, PEO believes that the data given should show the gender segregation of occupations, in order to make apparent which sectors explain the overall increase of women's employment. PEO suspects that women's employment increase has mainly been received by the sectors of services and of wholesale and retail trade, where pay rates differ widely between women and men, and in occupations that have been regarded as standard women's occupations, thus maintaining gender segregation of occupations.

As regards the aim of achieving a better balance between occupational and family life, the guidelines provide, as regards the provision of care services for children, the reaching of specific targets by 2010. In the NAP, a general mention is made to the role of NGOs in facilities for the attracting and retaining people in the labour market. There is no systematic state planning, however, towards the targets of 90% care for children of age 3 to 6 years and for 33% care for children below the age of 3 years.

Promotion of Social Inclusion and Fight against Discrimination

The matter of fighting discrimination against migrant workers should not be dealt with simply by making reference to their unemployment rate but should be extended to embrace all parameters of their employment and life in Cyprus.

Measures should be planned and implemented for the transformation of the institutional set up that regulates the employment of migrant workers, so that their vulnerable position is improved, especially in case of their risking deportation due to interruption of their employment relationship.

There are many unresolved issues on the status of migrant workers. The problem of their medical insurance has recently been solved, but the agreed solution should also be implemented retroactively in order to ensure that all migrant workers who are employed in Cyprus are medically covered.

Another problem that needs to be regulated concerns the social insurance rights that migrant workers have acquired through their employment in Cyprus.

Another group of workers, Turkish Cypriots living in occupied areas and coming to work in the free areas (areas controlled by the Republic of Cyprus), is at a disadvantage and therefore relevant measures should be planned and implemented. Certainly, the reasons for their position are not institutional. Turkish Cypriots have the same position in the labour market as Greek Cypriots. Nevertheless, the continued situation of the unsolved Cyprus problem and the feeling thus created of insecure and provisional employment, the lack of knowledge of the labour relations system of the Republic of Cyprus and of their labour and social rights, and also their regard by some employers as a source of cheap labour, puts Turkish Cypriots at a position of disadvantage.

Among Turkish Cypriots employed in areas controlled by the Republic of Cyprus, a problem of undeclared work is observed, on the basis of contributions to the Social Insurance Fund. Measures should be planned and implemented, therefore, that aim at their inclusion in the normal labour market.

Since last year, PEO has started a drive to organise Turkish Cypriot workers in trade unions, in order to facilitate their inclusion in regular employment, i.e. regulated by collective agreements and legislation. The results of this continued drive are very positive and would have been even more positive if we did not have to face the reaction of many employers.

Cyprus Workers' Confederation (SEK)

Comments on specific subjects:

1. SEK believes that the unemployment allowance should be paid even in the case of training exceeding six months, as an additional incentive.
2. The introduction of new forms of employment should be a product of social dialogue, since an agreement should firstly be reached on the respect and observance of collective agreements and legislation, both for the protection of the workers concerned and for attracting them to work. SEK is ready to participate constructively in such a dialogue.
3. As regards the need to improve the conditions of work by reducing industrial accidents, we point out that it should be ensured that Safety Committees are elected at all workplaces and that they are properly trained, in order to achieve this target, with which we fully agree. SEK also points out that in spite of the help that SEK and the trade union movement in general gives in this connection, there are problems in both the functioning of Safety Committees and their training.
4. SEK agrees to the introduction of new forms of pay and reward. This has been agreed within the framework of the "wage indexation and productivity dialogue", an agreement that has not been implemented due to factors other than the trade union movement.
5. SEK believes that before the introduction of flexible forms of employment, the respect and observance of collective agreements and of key terms and conditions of employment should be ensured.
6. Even though we agree with the need to attract inactive female workers and to train them, we believe that in order to do so the following should take place:
 - The full-day school should be fully implemented, so that elementary school children are taken care of.

- In all **local authorities**, childcare centres and crèches should be established, which should operate during hours convenient for people working in the private sector. Without solving the problem of childcare, it will be difficult to attract women into the labour force. In this connection, childcare fees should be affordable to people working in the private sector.
7. SEK fully agrees with the need to modernise the apprenticeship system. We firmly believe that in order for the Apprenticeship Scheme to be attractive, its certificate should be recognised for recruitment in the wider public sector.

Democratic Labour Federation of Cyprus (DEOK)

General comments:

The draft has to a great extent touched upon all questions that should be taken into account and included in the National Action Plan (NAP).

The NAP should achieve credibility and validity vis-à-vis its aims, its objectives and its realistic and measurable effectiveness, during the stages of its promotion and implementation. Among other things, the greatest possible consensus and support by social partners would contribute to such credibility and validity.

Comments on specific subjects:

Increase of the labour supply and development of lifelong learning

- The plan for the introduction and development of post secondary vocational education should be promoted and put to practice, especially following the draft law on the creation of vocational, lifelong learning schools by the Ministry of Education.
- The matter of modernisation of the Apprenticeship Scheme needs more attention, and the NAP should include substantial measures for its upgrading and modernisation.
- Today's situation as regards the subject of IT in schools should be clarified, so as to determine specific targets and time frames, in connection with strengthening the equipment infrastructure.

Increasing labour supply and active ageing

DEOK does not agree to the raising of retirement age in the private sector from the age of 63 to that of 65 or 67.

Gender equality

- The gender difference of unemployment rates continues to be a problem, given the situation of previous years and not only that of 2003.
- We express strong reservation as regards the association of flexible forms of employment with the promotion of employment opportunities for women and gender equality.
- Family support structures should be strengthened. A unified Programme of Action should be prepared at national level for the creation and operation of centres, enterprises and organisations for the care and protection of children and older persons. Coordination, policies and measures for this purpose should concern the public and private sectors and NGOs.
- No mention is made of the gender pay gap; and no mention of stereotypes and prejudices that create a culture and policy of gender occupational segregation either. The existing situation should be described and specific measures should be proposed, especially on how to address the gender pay gap, which is clearly evidenced by statistics.

Undeclared work

There is undeclared and/or illegal work of foreign workers, both from the EU and from third countries. In addition, there exists a problem of undeclared work of Turkish Cypriots working in the areas controlled by the Republic of Cyprus. It is very important that measures should be included in the NAP for facing the problem, but not one-sided to the detriment of the workers themselves.

IEWS/SUGGESTIONS OF THE PANCYPRIAN WELFARE COUNCIL

Guideline 1

- Active and preventive measures for the unemployed and inactive
-

NGO Proposals:

- Training/retraining programmes designed by the Human Resource Development Authority and the Ministry of Education and Culture especially for vulnerable groups (disabled, elderly, people with serious illnesses etc.) that were forced to interrupt their education for any reason.
 - Upgrade the infrastructure and expand the services of the Labour Offices (including the establishment of a Vacancies Databank), adopt an individualised approach and develop closer relations with jobseekers who belong to vulnerable groups.
 - The Labour Offices should inform voluntary social welfare organisations and vulnerable groups associations about vacancies that could be filled by people belonging to such groups.
 - In cooperation with the social partners (EIF, CCCI), introduce software programmes and other electronic tools (such as websites, e-mails) to inform, the various voluntary welfare organisations and associations about any vacancies.
 - Cooperation of the State with private job placement companies.
-

Guideline 2

- Job creation and entrepreneurship
-

NGO Proposals:

- Create jobs that meet to the needs and abilities of vulnerable groups.
 - Plan meetings between an expert and the competent authorities in the framework of the preparation of the next National Action Plan for Employment.
-

Guideline 4

- Promote development of human capital and lifelong learning
-

NGO Proposals:

- Further development of the labour force and life long learning.
-

Guideline 5

- Increase labour supply and promote active ageing
-

NGO Proposals:

- Employers should determine the training needs of their employees according to their job.

- Specialised training programmes provided by the Social Partners (CCCI, EIF, etc).
- Incentives for the older people conducive to job retention and labour market reintegration.
- Training and life-long learning programmes for the older workers.

Guideline 6

- Gender Equality

NGO Proposals

- Expand the working hours of the childcare services provided by Day Care Centres and After- School Care Centres.
- Expand day care programmes during the summer months when most of the Day Care and After – School Care Centres are closed.
- Improve children’s means of transport to/from Day Care Centres and After – School Care Centres.
- Increase Day Care Centres for children, elderly, disabled etc aiming to increase the number of women in the labour market.

Guideline 7

- Promote the integration of and combat the discrimination against people at a disadvantage in the labour market
-

NGO Proposals:

- Evaluate the success rate of Evening Technical Schools.
- Evaluate the re-education stage of the Apprenticeship Scheme.
- Evaluate the introduction and operation stages of the Open University.
- Introduce training programmes for vulnerable groups of the population that face discrimination in the labour market: abused women staying in refuge places, ex-convicts, elderly, disabled etc.
- Introduce support programmes for school dropouts and other people who do not attempt to enter or do not secure a place in higher education institutions.
- Provide financial incentives to employers, including new companies with lower registration criteria, aiming to encourage employers to hire people who belong to vulnerable groups.
- Encourage employers to offer work from home, to serve vulnerable groups that are unable to work at a work place for various reasons.
- Provide incentives to employers to hire people from vulnerable groups (elderly, disabled, drug users, people with serious illnesses, ex-convicts, single parents etc.).
- The Human Resource Development Authority should elaborate studies to locate the training needs of all vulnerable groups as part of the planning procedure for the new training programmes.
- Promote close cooperation between the Authority and NGOs aiming to introduce training programmes that serve the needs of all vulnerable groups in relation to the market labour needs.

ANNEX V

HUMAN RESOURCE DEVELOPMENT AUTHORITY SCHEMES

A. DESCRIPTION OF EXISTING SCHEMES

The following schemes/activities of the HRDA will continue to operate during 2004 – 2006:

1. Initial Training Schemes

(i) Single-company Initial Training Programmes

Aim: To meet the needs in initial training of newly hired personnel and staff enterprises with new specialised labour force, thus contributing to the unhindered development of enterprises within the overall national socio-economic policy.

Basic Characteristics: Interested enterprises design, organise and implement initial training programmes to meet the specialised needs or retraining of their newly hired personnel with the approval and subsidisation of the HRDA. The training provided by the Scheme covers a wide spectrum of specialisations where there is demand for new skilled labour force.

Subsidisation: Employers receive subsidies which are calculated according to the size of their enterprise and the salary of the trainees.

(ii) Multi-company Initial Training Programmes – Accelerated Training

Aim: To meet the needs in initial training of newcomers into the labour force and staff enterprises with new specialised labour force thus contributing to the unhindered development of enterprises within the overall national socio-economic policy.

Basic Characteristics: The HRDA, in cooperation with the Cyprus Productivity Centre, the Higher Hotel Institute of Cyprus and private training institutions, organises training programmes mainly for new entrants into the labour market in occupations where there are significant labour shortages and where the existing vocational training at school cannot cope with such shortages. The duration of these training programmes ranges from 12 to 24 weeks, depending on the requirements of each occupation, and include training in institutions and in-company training. Nowadays, such training programmes are organised for Construction Workers, Plumbers, Welders, Mechanics/Fitters, Cabinet Makers/Carpenters, Cooks, Waiters and Computer Assistant Technicians.

Subsidisation: Employers receive subsidies depending on the size of the enterprise and the salary of trainees. In addition, the HRDA covers the cost of institutional training and trainees receive a weekly allowance.

(iii) Scheme for Strengthening the Management Capacity of Enterprises with Tertiary Education Graduates

Aim: To strengthen the management capacity of enterprises with competent, properly educated and well trained young university and other tertiary-education graduates. Furthermore, to assist such graduates for their smooth and successful entrance into the labour market by providing them with additional specialised knowledge and work experience.

Basic characteristics: Enterprises recruit Higher Education graduates as Assistant to the General Manager, and in departments such as Marketing, Production and Construction Management to strengthen their management capacity. The duration of these programmes

lasts for 6 or 12 months, depending on the actual needs of the post and the qualifications of the graduates involved. The programmes include theoretical and practical training.

Subsidisation: Employers receive subsidies depending on the size of the enterprise. In addition, the HRDA covers the cost of institutional training and trainees may receive accordingly a transport allowance.

(iv) Subsidy Scheme for the Participation in the Postgraduate Programme of the Mediterranean Institute of Management (MIM)

Aim: To strengthen the management capacity of enterprises by recruiting and training young graduates or by developing the skills of already employed graduates.

Basic characteristics: The MIM, which is the international body of the Cyprus Productivity Centre, organises and implements a Masters Programme in Business Administration. The programme runs from September to July and provides theoretical and practical training to university graduates on a wide spectrum of subjects regarding most of the business operations for posts that must be staffed with professional personnel.

Subsidisation: Employers receive subsidies depending on the size of the enterprise.

(v) Subsidy Scheme for the Practical Training of Students of the Higher Technological Institute (HTI)

Aim: To consolidate the knowledge and skills acquired by Cypriot students during their institutional training by providing systematic and uniform training according to the curriculum prepared by the HTI. Furthermore, the programme enables students to enter smoothly into the labour market by giving them the opportunity to familiarise themselves with the real working environment under controlled training conditions.

Basic characteristics: The HRDA contributes to the education of the HTI students by subsidising their practical training in enterprises, which is part of their academic curriculum as this is designed by the HTI. Practical training is divided in three practical training periods during the final year of the programme. The participants in the Scheme are Cypriot students in their final year of the following fields of study: Electrical Engineering, Mechanical Engineering, Information Technology, and Civil Engineering.

Subsidisation: Employers receive subsidies while trainees receive allowances. In addition, practical training inspectors receive transport allowance, while students who travel for their practical training to a district other than their district of permanent residence, they also receive transport allowance.

(vi) Subsidy Scheme for the Practical Training of Students of the Higher Hotel Institute of Cyprus (HHIC)

Aim: To consolidate the knowledge and skills acquired by Cypriot students during their institutional training by providing systematic and uniform training according to the curriculum prepared by the HHIC. Furthermore, the programme enables students to enter smoothly into the labour market by giving them the opportunity to familiarise themselves with the real working environment under controlled training conditions.

Basic characteristics: The HRDA contributes to the education of the HHIC students by subsidising their practical training in enterprises, which is part of their academic curriculum as this is determined by the HHIC. The practical training takes place annually after the end of the first and second academic year, from 1 June until 30 September within a specific framework defined by the HHIC. The first and second year students from all the fields of study of the HHIC participate in this Scheme.

Subsidisation: Employers receive subsidies while practical training inspectors receive transport allowances.

(vii) Subsidy Scheme for the Practical Training of Students of the Hotel Section of Secondary Education Technical Schools of the Ministry of Education and Culture (MEC)

Aim: To consolidate the knowledge and skills acquired by Cypriot students during their institutional training by providing systematic and uniform training according to the curriculum determined by the MEC. Furthermore, the programme enables students to enter smoothly into the labour market by giving them the opportunity to familiarise themselves with the real working environment under controlled training conditions

Basic characteristics: The HRDA contributes to the education of students of Public Hotel Schools by subsidising employers for the students' practical training, which constitutes part of their school curriculum as this is determined by the MEC. Practical training takes place during the summer vacations and within a specific framework also determined by the MEC and lasts 20 weeks. Second year students of the Hotel Section of all Public Secondary Education Technical Schools participate in this Scheme.

Subsidisation: Employers receive subsidies while practical training inspectors receive transport and other allowances. In addition, allowance is paid per inspected student during the summer period July and August.

(viii) Subsidy Scheme for Participation in the Apprenticeship Scheme

Aim: To acquire technical knowledge that will support the professional career of apprentices in a specialisation of their choice.

Basic characteristics: The HRDA contributes to the education and training of apprentices attending the Apprenticeship Scheme by subsidising enterprises in relation to the apprentice's wage for the days he attends Technical School. Attendance lasts for two years and includes attending classes at a Technical School for two days a week and practical training at an enterprise during the rest of the working days. Young people who have completed compulsory education or upper secondary education dropouts and wish to be trained and employed in technical occupations may participate in the Apprenticeship Scheme.

Subsidisation: Employers receive subsidies in relation to the apprentices' wages for the days they attend Technical School classes and according to the specialisation and the year of attendance.

2. Continuing Training Schemes

(i) Single-company Continuing Training Programmes

Aim: Provision of in-company training to the employees, aiming to meet specific needs of the enterprise for the rational utilization of its personnel within the framework of the overall national socio-economic policy.

Basic characteristics: Interested enterprises design, organise and implement training programmes to meet the training needs of their employees with the approval and subsidisation of the HRDA. The programmes subsidised by the HRDA through this Scheme cover a wide spectrum of areas in all business operations and all professions on the various employment levels.

Subsidisation: Subsidies granted to employers are calculated according to the size of the enterprise, the type of training, the level of the programme as well as the place of origin of trainers (Cyprus or abroad).

(ii) Single-company Continuing Training Programmes Abroad

Aim: Training and development of employed labour force abroad, on an enterprise level, to meet specific enterprise needs for the rational utilization of its personnel within the framework of the overall national socio-economic policy.

Basic characteristics: Interested enterprises participate with their employees in training programmes abroad aiming to meet their training needs if such programmes cannot be implemented in Cyprus. Enterprises arrange their participation in training programmes organised by training institutions/organisations or enterprises abroad, with the approval and subsidisation of the HRDA, on issues related to management innovations, new technology and technical know-how.

Subsidisation: Employers receive subsidies depending on the size of the enterprise as well as the type and the duration of training.

(iii) Standard Multi-company Continuing Training Programmes

Aim: Provision of continuing training for the development and rational utilization of employees within the framework of the overall national socio-economic policy.

Basic characteristics: Interested enterprises participate with their employees in training programmes organised by various training institutions/organisations with the approval and subsidisation of the HRDA. The programmes subsidised by the HRDA through this Scheme cover a wide spectrum of areas in all business operations and all professions on the various employment levels.

Subsidisation: Subsidies granted to employers are calculated according to the size of the enterprise, the level of the programme as well as the place of origin of trainers. After a relevant authorisation on behalf of the employer, the subsidy is paid to the institution/organiser of the programme.

(iv) High-Priority Multi-company Continuing Training Programmes

Aim: Provision of continuing training for the development and rational utilization of managers and other senior officials of enterprises on specialised high-priority issues within the framework of the overall national socio-economic policy.

Basic characteristics: Interested enterprises participate with their employees in training programmes organised by various training institutions/organisations with the approval and subsidisation of the HRDA. The Scheme includes specialised issues on significant aspects of business development such as technological upgrading, restructuring and increase in productivity, development of entrepreneurship and business management, promotion of specialised sectors of Services, harmonisation with the European Union and other very important issues. Their upgraded manner of implementation includes both institutional as well as in-company practical training in order to be able to transfer theory into practice by tackling the specific needs of each enterprise.

Subsidisation: Employers receive subsidies calculated according to the size of the enterprise, the origin of trainers as well as the duration of teaching by each trainer. After a relevant authorisation on behalf of the employer, the subsidy is paid to the institution/organiser of the programme.

(v) Multi-company Continuing Training Programmes Abroad

Aim: To improve and enrich the knowledge and skills of senior officials of the enterprises on various aspects of business organisation, administration and equipment by acquiring practical knowledge and experience from similar successful business units abroad.

Basic characteristics: Interested enterprises participate in groups with senior officials in training programmes abroad with the approval and subsidisation of the HRDA.

These programmes include the following:

- Visits to business units where the participants have the opportunity to be informed on the implementation of modern methods and techniques and the use of modern technology.
- Visits to official bodies and organisations where the participants have the opportunity to be informed on the wider development conditions of a sector and the development of relevant policies and regulations affecting that sector.
- Expert presentations and lectures on specific issues by expert.

Subsidisation: Employers receive subsidies according to the size of their enterprise.

(vi) Programmes Organised by Trade Union Organisations to Train Trade Union Officials on Trade Union Issues

Aim: To support the efforts of Workers Trade Union Organisations in the field of continuing training and development of their officials and to contribute to the socio-economic development of Cyprus.

Basic characteristics: Trade Union Organisations organise and implement training programmes addressed to trade unionists aiming to train them on a wide spectrum of issues relating to their trade union duties.

Subsidisation: Associations, Sections, Trade Unions, District or Sectoral Committees of Trade Union Organisations receive subsidies in relation to the level of the programme and the origin of the trainer. After an authorisation of the above bodies, the subsidy is paid to the Trade Union Organisation that organises the programme.

(vii) European Programme for the Development of Enterprises

Aim: To improve the knowledge and skills of owners/managers of SMEs in order to identify practical ways of profitable development of their enterprises by preparing and implementing a comprehensive business plan.

Basic characteristics: The duration of this programme is approximately 15 months. According to the programme's structure, the participants meet for two days every month in a hotel and attend workshop type lectures given by experienced speakers. Furthermore, personalities from the business world are invited for a general dialogue with the participants. In the middle of the programme, the group of participants visits a foreign country to attend lectures and visit various enterprises with more or less similar activities. During the month following each two-day meeting, mentors visit the participants and for the implementation of the content of the workshop type meetings.

Subsidisation: Employers receive subsidies in relation to the participation fee fixed by the HRDA.

(viii) Multi-company Continuing Training Programmes - Direct Involvement of the HRDA

Aim: To meet the training needs of employees of enterprises in any sector of economic activity, independently of the size, or and (in relation to trainers and consultants) self-employed

and civil servants, with group participation in training programmes implemented in Cyprus with the direct involvement of the HRDA and with trainers of any origin.

Basic characteristics: Designing, promotion and implementation of training activities in Cyprus with the direct involvement of the HRDA in those cases where the private initiative is unwilling or unable to take initiative due to the particular nature of the activity or the high business risk it entails. These programmes are addressed to high business officials as well as to Trainers, Managers of Training Centres and Consultants, and are normally organised in close cooperation with official professional or other bodies, or with foreign specialised organisations.

Subsidisation: Employers receive subsidies in relation to the participation fee fixed by the HRDA.

3. Special Developmental Activities Schemes

(i) Consultancy Services Scheme for Small and Medium Enterprises employing 5 – 249 persons

Aim: To improve the operation and the efficiency of Small and Medium Enterprises and increase their competitiveness through the development and better utilisation of their human resources and the finding and solving of significant restraining problems they face.

Basic characteristics: Conducting of a human resources study by an outside competent consultant. The study is expected to examine the existing problems and to propose specific and practical solutions with emphasis on the systems and practices of human resource management of the enterprise. The study is prepared and submitted to the HRDA for final approval. During the preparation period of the study, there is a continuous cooperation between the enterprise and the consultant with the HRDA. The whole subsidy is paid after the implementation of a number of agreed proposals.

Subsidisation: Employers receive subsidies in relation to the cost of the consultancy services provided by the Consultant, which is calculated according to the size of the enterprise.

(ii) Training Infrastructure Support Scheme (de minimis)

Aim: To strengthen the training infrastructure of enterprises, training institutions and organisations in order to meet human resources training needs in sectors, occupations, or priority areas.

Basic characteristics: Public and private training institutions and organisations as well as enterprises participate in this Scheme implemented by the HRDA for the creation, improvement and proper utilisation of the training infrastructure in order to meet the needs of the economy for well trained personnel.

Subsidisation: Training institutions/organisations and enterprises receive subsidies in relation to the expenditure for the strengthening of their training infrastructure. Subsidies are provided in the form of “de minimis” complying with the Public Aid Legislation of 2001.

B. DESCRIPTION OF NEW SCHEMES

The HRDA will run and implement the following four new schemes during 2004 – 2006 co-financed by the European Social Fund:

(i) *Scheme for the Promotion of Training and Employability of the Unemployed*

Aim: To effectively meet the training needs of **specific target-groups of unemployed people** aiming to **improve their employability** by acquiring specialised complementary knowledge and skills.

Basic characteristics: The Scheme will cover specific target-groups of unemployed people. Priority will be given to women, the young unemployed of the 15-24 age group with no qualifications, and on groups of people that are in danger of social exclusion.

The Scheme includes **individualised guidance** for the identification and recording of the skills, talents and interests of the beneficiaries and the design of a personal action plan along with the continuous provision of information on the available training and employment opportunities.

The Scheme will also include the organisation of **vocational training programmes** for the provision of core skills (e.g. communication and interpersonal relations, team work, digital literacy and learning of languages). Furthermore, training activities will be organised for specific specialisations where deficiencies are identified. The knowledge and skills required will be adapted to the needs of the labour market through the acquisition of **practical experience** by placing the participants in interested enterprises. These programmes will be implemented in cooperation with public and/or private training institutions/organisations.

Subsidisation: Participants **will receive an allowance** during the whole programme and **the cost** of both the institutional and practical part of the training **will be covered**.

(ii) *Scheme for the Promotion of Training and Employability of the Inactive Female Labour Force*

Aim: To effectively meet the training needs of selected target groups of the inactive female labour force aiming to **improve their employability and encourage their integration into the labour market** by acquiring specialised complementary knowledge and skills.

Basic characteristics: The Scheme will cover **selected target groups of inactive female force**.

The Scheme includes **individualised guidance** for the identification and recording of the skills, talents and interests of the beneficiaries and the design of a personal action plan along with the continuous provision of information on the available training and employment opportunities.

The Scheme will also include the organisation of **vocational training programmes** for the provision of core skills (e.g. communication and interpersonal relations, team work, digital literacy and learning of language). Furthermore, activities will be organised for specific specialisations where deficiencies are identified. The knowledge and skills required will be adapted to the needs of the labour market through the acquisition of **practical experience** by placing the participants in interested enterprises. These programmes will be implemented in cooperation with public and/or private training institutions/organisations.

Subsidisation: Participants **will receive an allowance** during the whole programme and **the cost** of both the institutional and practical part of the training **will be covered**.

(iii) *Scheme for the Promotion of Training and Employability of New Secondary School Graduates*

Aim: To effectively meet the training needs of new Secondary School Graduates, **aiming to their smooth and effective integration into the labour market** by acquiring specialised complementary knowledge and skills.

Basic characteristics: The Scheme will cover **new graduates**, mainly from the General Direction of Secondary Education, who have not gained work experience of more than 9 months after their graduation.

The Scheme includes **individualised guidance** for the identification and recording of skills, talents and interests of the beneficiaries and the design of a personal action plan along with the continuous provision of information on the available training and employment opportunities.

The Scheme will also include the organisation of **vocational training programmes** for the provision of core skills (e.g. communication and interpersonal relations, team work, digital literacy and learning of languages). Furthermore, training activities will be organised for specific specialisations where deficiencies are identified. The knowledge and skills required will be adapted to the needs of the labour market through the acquisition of **practical experience** by placing the participants in interested enterprises. These programmes will be implemented in cooperation with public and/or private training institutions/organisations.

Subsidisation: Participants **will receive an allowance** during the whole programme and **the cost** of both the institutional and practical part of the training **will be covered**.

(iv) *Consultancy Services Scheme for the Guidance and Training of Micro-enterprises employing 1 - 4 persons*

Aim: To improve the operation and the efficiency of **Micro-enterprises employing 1 – 4 persons** and generally to enhance their competitiveness through a systematic identification of the weaknesses/problems they face which consequently lead to the appropriate training/developing and better utilisation of the owner/manager and their personnel.

Basic characteristics: The Scheme includes **individualised guidance** through a systematic identification of the weaknesses/problems of Micro-enterprises by special **Business Consultants/Trainers**.

The Scheme will also include **institutional group training** of owners/managers through the attendance of a specially designed training programme that will include subjects such as management, administration, organisation, financial management, marketing and sales, information technology, health and safety etc. Furthermore, the programme will include an in-company training part where specialisation and practical implementation will be achieved.

In addition, it will provide **in-company informal training** for the owner/manager and the personnel of the Micro-enterprise on a wide spectrum of technical knowledge and skills on subjects such as management, administration, organisation, financial management, marketing and sales, information technology, health, safety etc.

Subsidisation: **Employers will receive subsidies** in relation to the participation fees.