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Non-standard employment in Cyprus: Trends and policy responses

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No. 09-17

December 2017

Publication Editor: Christos Koutsampelas

ERC Sponsors (in alphabetical order)

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ABSTRACT

The recent financial crisis in Cyprus caused considerable changes in the labour market, including a large rise in the various forms of non-standard employment such as temporary and part-time work. Non-standard employment is usually met among women and young persons. However, during the years of recession, non-standard employment increased considerably among men; as it did also for persons with tertiary qualifications.

Non-standard employees are wage discriminated compared to observationally similar standard employees. They also face considerably higher risk of poverty. Not surprisingly, these forms of employment in Cyprus are overwhelmingly undesired, according to Labour Force Survey, 9 out of 10 temporary employees in Cyprus stated that they work on such contracts because they could not find better ones.

Non-standard workers are protected by the *Part-Time Employees (Prohibition of Unfavourable Treatment)* and the *Fixed-Term Work Employees (Prohibition of Unfavourable Treatment)* Laws. However, the available evidence suggests that the existing employment protection legislation has not been sufficient to fend off wage discrimination and involuntary non-standard employment during the recession years.

Non-standard workers integrate in the social protection system at the same terms as standard workers. Nevertheless, inequalities in the labour market (most importantly wage discrimination against non-standard workers) are translated into disparities in social provisions, mostly in regard to the adequacy and coverage of earnings-related benefits.

The essay closes with a number of suggestions aiming at enhancing the policy framework so as to mitigate disparities between standard and non-standard workers.

CONTENTS

Περίληψη	v
1. Introduction	6
2. Trends in non-standard employment.....	8
3. The situation of non-standard workers	12
3.1 Job dissatisfaction and involuntary non-standard employment	12
3.2 Income inequalities.....	14
4. Social protection to non-standard workers	17
4.1 Legal protection to non-standard employment	17
4.2 Social protection to non-standard employment	20
5. Conclusions	22
References	24

Άτυπη απασχόληση στην Κύπρο: τάσεις και προτάσεις πολιτικής

Χρήστος Κουτσαμπέλας

ΠΕΡΙΛΗΨΗ

Η οικονομική κρίση προκάλεσε σημαντικές αλλαγές στην αγορά εργασίας, μία εκ των οποίων είναι η σημαντική αύξηση της άτυπης απασχόλησης, όπως η εργασία ορισμένου χρόνου και η μερική απασχόληση. Η άτυπη απασχόληση είναι περισσότερο συχνή στους νέους και στις γυναίκες. Τα χρόνια της κρίσης, όμως, η άτυπη απασχόληση αυξήθηκε και σε άλλες ομάδες όπως οι άνδρες και τα άτομα με τριτοβάθμια εκπαίδευση.

Τα στατιστικά στοιχεία δείχνουν ότι οι εργαζόμενοι σε άτυπη απασχόληση αντιμετωπίζουν μισθολογικές διακρίσεις σε σχέση με τους υπόλοιπους εργαζόμενους καθώς και υψηλότερο κίνδυνο φτώχειας. Συνεπώς δεν εκπλήσσει ότι η άτυπη απασχόληση είναι κατά κύριο λόγο ανεπιθύμητη. Για παράδειγμα, 9 στους 10 εργαζόμενους με συμβάσεις ορισμένου χρόνου δήλωσαν ότι δουλεύουν με τέτοια συμβόλαια διότι δεν έχουν καλύτερη εναλλακτική.

Οι εργαζόμενοι σε άτυπη απασχόληση προστατεύονται από την εφαρμογή ειδικής νομοθεσίας: [Περί Εργοδοτούμενων με Εργασία Ορισμένου Χρόνου (Απαγόρευσης Δυσμενούς Μεταχείρισης) Νόμος του 2003 και Περί Εργοδοτούμενων με Μερική Απασχόληση (Απαγόρευση Δυσμενούς Μεταχείρισης) Νόμος του 2002]. Ωστόσο, τα στοιχεία δείχνουν ότι η εφαρμογή της σχετικής νομοθεσίας δεν ήταν επαρκής για να αναχαιτίσει την άνοδο της ανεπιθύμητης άτυπης απασχόλησης και να καταπολεμήσει τις μισθολογικές διακρίσεις. Οι εργαζόμενοι σε άτυπη απασχόληση έχουν πρόσβαση στο σύστημα κοινωνικής προστασίας με τους ίδιους όρους όπως όλοι οι εργαζόμενοι. Ωστόσο, οι ανισότητες στην αγορά εργασίας μεταδίδονται στο σύστημα κοινωνικής προστασίας, κυρίως όσον αφορά την επάρκεια και την κάλυψη των ανταποδοτικών παροχών. Τέλος το δοκίμιο παρουσιάζει, συνοπτικά, πολιτικές που θα μπορούσαν να ενδυναμώσουν το γενικότερο πλαίσιο, αμβλύνοντας τις ανισότητες μεταξύ των εργαζομένων.

1. Introduction

The definition of non-standard employment includes fixed-term and part-time employment, temporary agency, dispatched work, zero-hour contracts as well as several forms of 'disguised' self-employment (e.g. independent contractors with few to one customers who are most likely in a relation of subordination) and in general every form of employment which deviates from the standard notion of full-time employment on indefinite time contracts. Non-standard employment is on the rise in many European countries due to the gradual digitalisation of the economy which is based at large on flexible working arrangements and the economic recession which weakened the bargaining position of workers, rendering them more vulnerable to accept unsatisfactory terms of employment.

Non-standard employment might be economically and socially desirable at the extent that serves both the needs of firms and workers. For example, temporary employment enables firms to replace temporarily absent workers (e.g. due to maternity), to evaluate new employees before offering them open-ended contracts or to respond to seasonal changes in demand. Part-time employment is useful for employees who are not in position to work full-time for personal reasons (e.g. due to caring responsibilities) or whom basic motivation for working is topping-up their income. On the other hand, the use of non-standard employment can be of exploitative nature. Non-standard employees are typically less well-paid than standard employees. Da Silva and Turrini (2015) find significant wage differences between observationally similar permanent and temporary employees in many European countries, while other studies indicate that non-wage costs are also lower for non-standard employees, (Nesheim et al., 2007; von Hippel et al. 1997)¹. Moreover, standard economic theory suggests that non-standard employment can be a vehicle for transferring market risk to the employee (without, of course, associating him with the risk-return nexus). The extent at which abusive forms of non-standard employment dominate in the labour market depends

¹ For example, because non-standard employees do not qualify for certain benefits such as participation in occupational schemes.

on the overall macroeconomic environment (e.g. persistently high levels of unemployment) as well as on the comprehensiveness and effectiveness of the regulatory framework. As Gleason (2006) suggests, non-standard employment exists due to absence of a regulatory environment or due to existence of a particular regulatory environment which frames and facilitates it.

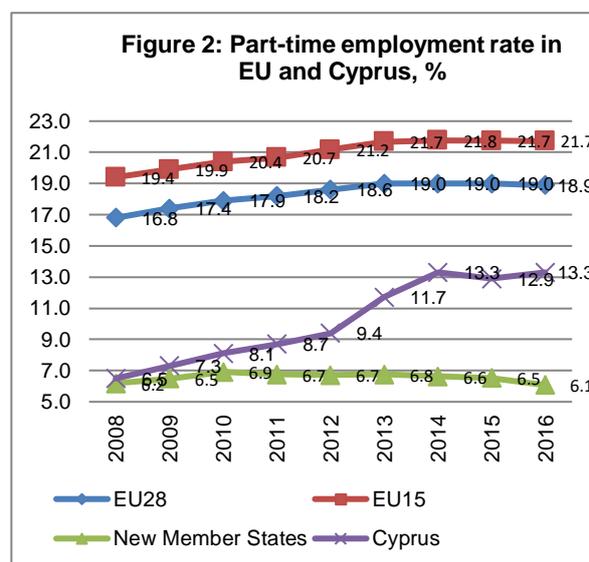
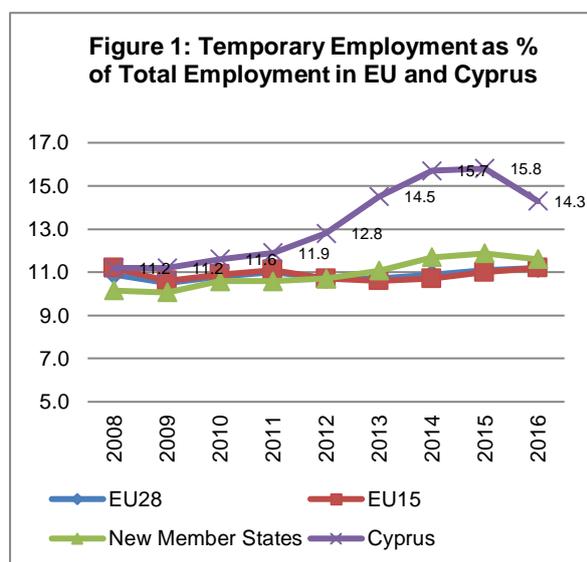
Irrespective of the motivation underlying non-standard employment, the existing evidence shows that non-standard employees are disadvantaged compared to standard employees resulting to several economic and social disparities, Emmenegger et al. (2012). As they are not efficiently covered by labour and social regulations, they become subjects of unfair treatment in terms of remuneration, job assignments, participation in the working place and career advancement opportunities. In turn, these labour market inequalities result to pay gaps and much higher poverty risk than almost any other employment group in Europe. The risk of poverty continues after retirement due to irregular employment transitions, career breaks and lack of access to occupational pension schemes, which accumulatively result to large pension gaps, Spasova et al. (2017).

Cyprus is characterised by relatively high shares of non-standard employment. The percentage of employees on temporary contracts reached 14.3% in 2016 (compared to 11.2% in 2008), 3.1 percentage points above the EU28 average. The part-time employment rate stood at 13.3% in 2016 (below the EU28 average of 18.9%; albeit significantly higher than its pre-crisis level of 6.5% in 2008). Furthermore, the comparative study of Da Silva and Turrini (2015) finds that Cyprus is marked by one of the highest adjusted wage gaps between permanent and temporary employees in Europe.

On that basis, the aim of this essay is to analyze the trend and profile of non-standard employment in Cyprus, assess how well non-standard employees are covered by the social protection system and the regulatory framework and, finally, based on this analysis, suggest policies which could enforce and/or expand protection to those workers.

2. Trends in non-standard employment

Figures 1 and 2 show the trends in the most common forms of non-standard employment, namely temporary and part-time employment, in Cyprus and Europe over the period of 2008-2016. As the data indicate, temporary employment in Cyprus followed an increasing trend during the recession years, climbing from 11.2% in 2008 to 14.3% in 2016²; thereby deviating from the EU15, EU28 and EU12 average rates which fluctuate around the 11% levels. However, the 1.5 percentage points reduction in the indicator observed in 2016 leaves room for optimism for an improvement in the quality of jobs as the economy returns to robust growth rates.



Source: Eurostat, Codes: tesem110, tesem 100, and own calculations.

Figure 2 compares the level and change of part-time employment in Cyprus with other European countries. In general, there is a large divergence in part-time employment in Europe between old and new member states (i.e. countries that joined EU after 2004³). Part-time employment is more widespread in the countries of northern Europe and less frequent

² In absolute terms, the number of temporary workers increased from 42.3 thousands in 2008 to 50.9 thousands (+20.3%) in 2016.

³ In particular; Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia.

in eastern Europe reflecting differences in social infrastructure, legislation and the quality of available part-time jobs, (Eurofound, 2009). In Cyprus, the part-time employment rate increased steeply over the period 2008-2016, both in relative and absolute terms⁴, thus converging to the EU15 average. However, this increase cannot be attributed to policies deliberately reconciling work and family life as it is the case in many countries of Northern Europe, (the Netherlands and Denmark are paragons of these employment policies), but rather to the lack of full-time jobs.

Tables 1 and 2 describe the profiles of temporary and part-time employees in Cyprus and how they evolved over 2008-2016. Temporary employment is more frequent among women than men. However, the incidence of this type of employment has risen much faster among men (+40.9%) than women (+11.5%) since 2008. The bulk of temporary contracts are found in the 25-49 age group; nevertheless, their frequency increased among older workers. Furthermore, there is a trend of shortening the duration of contracts. Contracts with duration between 4 and 6 months have increased by 181.1% since 2008, while longer term contracts are increasingly more difficult to find (in practice, many employees work on successive short-term contracts). The disaggregation of temporary employees by education shows that high educational qualifications do not provide effective protection against job insecurity. Indeed, the number of tertiary graduates on temporary contracts increased by 38.7% (from 15.2 to 21.0 thousands) between 2008 and 2016.

When non-standard employment is broken down by economic activity, a relatively large concentration of temporary workers is observed in the education sector. Temporary employment in education consists of casual teachers in state schools, as well as a number of very highly educated persons, who work as special teaching staff, visiting lecturers and researchers in private and state universities. The practice of casualised/precarious jobs in universities has been very common over the recent years in an attempt to offset the high cost of permanent personnel, Demetriou (2015). To constraint this practice, the Private

⁴ The number of part-time contracts also doubled (from 25 to 48 thousands) during the same period.

Universities Law of 2005 provides that the special teaching staff should not be more than 30% of the total academic staff.

Deserving attention is the high number of temporary workers in the category of “activities of households as employers”. This category refers to live-in domestic workers (mostly Asian women from Sri Lanka, Nepal, Vietnam and Philippines). These workers cohabit with their employers and provide several home services such as housekeeping, cooking and child caring. They are employed on temporary contracts and are granted temporary residence/working permits. Domestic workers are considered among the most vulnerable group of workers in Cyprus and their terms of employment differ substantially and unfavourably from those provided by the general employment regulatory framework, Pavlou (2016).

Table 1: Temporary employees by gender, education, duration of contract, economic activity and occupation, in thousands.

	2008	2016	% Dif.
Total(15-64)	42.3	50.9	20.3%
By gender:			
Males	12.7	17.9	40.9%
Females	29.6	33.0	11.5%
By age:			
15-24	6.8	7.4	8.8%
25-49	31.5	36.4	15.6%
50 years or over	4.2	7.5	79.0%
By education:			
Less than primary, primary and lower secondary (0-2)	12.1	13.6	12.4%
Upper secondary and post-secondary non-tertiary (3-4)	15.0	16.3	8.6%
Tertiary (5-8)	15.2	21.0	38.7%
By duration of the contract			
Less than 3 months	1.4	1.9	35.7%
From 4 to 6 months	4.2	11.8	181.1%
From 7 to 12 months	10.4	23.0	121.1%
From 13 to 24 months	2.3	3.0	30.4%
Over 24 months	23.3	11.1	-110%
By economic activity			
A: Agriculture, forestry and fishing	0.8	3.1	287.5%
C: Manufacturing	1.2 ^u	1.0 ^u	-
F: Construction	2.4	2.1	-12.5%
G: Wholesale and retail trade; repair of motor vehicles and motorcycles	1.3	3.3	153.8%
H: Transportation and storage	0.6	1.6	62.5%
I: Accommodation and food service activities	3.5	9.9	182.9%
J: Information and communication	0.6	1.2 ^u	-
K: Financial and insurance activities	.	1.7	-
M: Professional, scientific and technical activities	0.6	2.0	233.3%
N: Administrative and support service activities	.	0.9 ^u	-
O: Public administration and defence; compulsory social security	5.1	3.7	-27.4%
P: Education	5.7	5.2	-9.0%

Q: Human health and social work activities	2.4	2.2	-8.3%
R: Arts, entertainment and recreation	0.7	0.6	14.2%
S: Other service activities	.	.	
T: Activities of households as employers	16.0	11.7	-26.9%
By occupation			
Professionals	6.8	9.4	38.2%
Technicians and associated professions	2.3	2.8	21.7%
Clerical support workers	4.0	4.2	5%
Service and sale workers	4.4	9.2	109%
Craft and related trades workers	1.9	2.2	15.8%
Plant and machine operators and assemblers	.	1.0	-
Elementary occupations	20.5	20.8	1.4%
Armed forces occupations	1.5	0.6 ^u	-

Source: Eurostat, Codes: lfsa_etgan2, fsa_etgais.

Table 2 shows that the incidence of part-time employment increased by 89.2% over the period 2008-2016. Again, as in the case of temporary employment, women are more prone to working part-time, although men are catching up (the number of men on part-time contracts almost tripled during 2008-2016). The number of tertiary graduates on part-time contracts increased by 125% (from 8 thousands to 18.0 thousands); indicating that a considerable number of persons with high educational qualifications preferred part-time employment rather than unemployment. The disaggregation of part-time employment by sector shows a large increase in the number of part-time employees in construction (a sector hard hit by the economic recession) and in wholesale and retail trade, transport, accommodation and food service activities. Considerable rise in part-time employment was also observed in other services, while the corresponding changes in agriculture and industry were moderate.

Table 2: Part-time employees by gender, education and economic activity, in thousands

	2008	2016	% Dif.
Total (15-64)	25.1	47.5	89.2%
By gender:			
Males	7.0	20.7	195.7%
Females	18.1	26.9	48.6%
By age:			
15-24	4.3	7.4	72.1%
25-49	13.2	28.7	117.4%
50-64	7.7	11.4	48.1%
By education:			
Less than primary, primary and lower second. (0-2)	7.5	10.1	34.6%

Upper secondary and post-secondary (3-4)	9.6	19.5	103.1%
Tertiary (5-8)	8.0	18.0	125.0%
By economic activity			
A: Agriculture, forestry and fishing	2.7	2.2	-18.5%
B-E: Industry except construction	2.1	2.5	19.0%
F: Construction	1.4	6.6	371.4%
G-I: Wholesale and retail trade, transport, accommodation and food service activities	7.1	14.8	108.4%
J: Information and communication	-	0.7	-
K: Financial and insurance activities	-	0.5	-
L: Real estate activities	-	0.5	-
M-N: Professional, scientific and technical activities; administrative and support service activities	3.4	5.9	73.5%
O-Q: Public administration, defence, education, human health and social work activities	4.9	8.4	71.4%
R-U: Arts, entertainment and recreation; other service activities; activities of household and extra-territorial organizations and bodies	2.7	5.5	103.7%

Source: Eurostat, lfsa_etgan1.

Temporary and part-time employment are the most easily observable (from a statistical point of view) forms of non-standard employment. Yet, non-standard employment can take various other forms. For instance, in Cyprus, casual or seasonal employment is frequently observed within the tourist industry (e.g. waiters, bar attenders, cooks etc.). Seasonal workers are also found in agriculture (e.g. fruit-pickers) as well as in other elementary occupations (e.g. food delivery). Another group of non-standard employees are the temporary agency workers, who account for 1% of total employees in Cyprus, (European Working Conditions Survey, 2015). There is also an unknown number of on-call and zero-hours workers who usually top-up their first jobs by taking up a second job on the basis of informal agreements.

3. The situation of non-standard workers

3.1 Involuntary non-standard employment

Table 3 documents the main reasons for temporary employment in Cyprus and EU over the period 2008-2016. About 92.2% of temporary workers in Cyprus would have preferred a permanent job, but cannot find one, suggesting that temporary work in Cyprus is overwhelming involuntary, with only few employees consciously choosing temporary work

(i.e. being in probation or in education/training). This corresponding share of involuntary temporary employment is much lower in EU (i.e. 55% in 2016), suggesting that one out of two temporary workers in Europe chooses this working arrangement for his/her own purposes (e.g. 14.5% of temporary workers in EU are in education or training, while another 7.8% is in probationary period).

Table 3: Main reasons for temporary employment in Cyprus and EU28, 2008-2016

Main reasons for temporary employment	CY		EU28	
	2008	2016	2008	2016
(Age group: 15-64)	2008	2016	2008	2016
Probationary period	2.2 ^u	2.9 ^u	8.0	7.9
Could not find permanent job	90.9	92.2	51.8	55.0
Did not want a permanent job	2.6 ^u	2.1 ^u	10.9	11.3
In education/training	4.4	2.8 ^u	16.0	14.5
No response	-	-	13.2	11.2

Source: Eurostat, code: lfsa_etgar, u denotes unreliable estimate.

Table 4 shows the distribution of part-time employees according to their main reasons for working part-time employment in Cyprus and EU28. The data show a significant increase in involuntary part-time employment in Cyprus during crisis. As a result, 70% of part-time workers in Cyprus in 2016 stated that they work part-time because they could not find a full-time job. The corresponding figure for EU28 is only 27.7% (only slightly increased compared to 2008). Overall, it can be concluded that part-time employment in the pre-crisis Cypriot labour market was often used to satisfy the needs of a particular segment of the working force, in particular, persons with caring responsibilities. Today, it mainly serves as a forced choice, whose unfortunate alternative is unemployment.

Table 4: Main reasons for part-time employment in Cyprus and EU28, 2008-2016

Main reasons for part-time employment	CY		EU28	
	2008	2016	2008	2016
(Age group: 15-64)	2008	2016	2008	2016
Could not find a full-time job	30.3	69.4	25.6	27.7
Own illness or disability	7.9	2.6 ^u	4.5 ^u	4.2

Other family or pers. responsibilities	30.8	8.9	15.5	13.4
Looking after children or incapacitated adults	14.3	7.2	22.1	21.9
In education/training	10.2	5.8	10.7 ^u	10.7
Other	6.5	6.1	21.5	22.0

Source: Eurostat, code: lfsa_epgar, u denotes unreliable estimate.

The above statistical evidence is consistent with reports suggesting that labour relations in Cyprus have been under pressure and that the labour market gradually moved towards flexibilisation and casualisation of employment, Trimikliniotis (2012). There are also reports according to which existing workers and/or newcomers succumb to pressure by employers to accept non-standard contracts, (Trimikliniotis, 2012; Demetriou, 2015). Overall, it can be concluded that the rising trend in non-standard employment has been caused mostly by asymmetries between employers and employees, which have been exacerbated by the economic crisis rather than by structural changes in the economy.

3.2 Income inequalities

Economic theory predicts that, in a perfect competition setting, temporary employees would have been better paid than similar permanent employees, so as to be compensated for the additional risk they incur. However, in real-life labour markets characterised by asymmetries in power and information, this prediction completely reverses. As a matter of fact, the empirical evidence clearly shows that temporary employees are less well paid compared to permanent employees, (Boeri 2011; Comi and Grasseni, 2012; da Silva and Turrini, 2015) due to a variety of reasons⁵. The next table provides descriptive evidence on the extent of this phenomenon in Cyprus by reporting the monthly gross earnings of permanent and temporary employees by age, gender, education, occupation and sector of economic activity. Overall, the unadjusted earnings gap between full-time and part-time employees in

⁵ For example, permanent employees, especially those backed up by powerful trade unions, have a bargaining advantage when negotiating their wage. Many firms use fixed-term contracts as a screening device before offering indefinite duration contracts. Furthermore, it has been observed that during economic crises many employers use temporary contracts as a means of sharing their business risk with their employees.

the sample⁶ amounts to 45%, with this figure varying considerably among occupations and economic sectors. In particular, the largest gaps are observed in the primary sector and in services such as arts, entertainment, recreation and activities of households as employers. Furthermore, there is large variation among occupations. Temporary clerical support workers, professionals and technicians face the largest earnings gaps. Interestingly, managers on temporary contracts appear to be better paid than managers on permanent contracts; however, the statistical reliability of this estimate is low due to the small size of the respective subsample. Finally, the unadjusted earnings gap is also high among men and tertiary graduates.

Table 5: Monthly gross earnings of permanent and temporary employees by age, gender, education, occupation and sector of economic activity, (2015 EU-SILC)

	Permanent employees	Temporary employees	% difference
All	2094.2	1443.7	45.1%
By age:			
16-29	1077.7	935.2	15.2%
30-50	2106.7	1643.1	28.2%
over 50	2604.9	2110.0	23.5%
By gender:			
Men	2346.2	1396.5	68.0%
Women	1830.1	1499.7	22.0%
By education:			
Primary	1548.2	1084.1	42.8% ^u
Secondary	1747.5	1096.3	59.4%
Tertiary	2730.1	1855.8	47.1%
By occupation:			
Professionals	3364.4	2125.7	58.3% ^u
Managers	4947.2	6078.2	-18.6%
Technicians and associate professionals	2277.6	1429.7	59.3%
Clerical support workers	1517.8	840.1	80.7%
Service and Sales workers	1388.5	1065.0	30.4%

⁶ EU-SILC 2015 has been used for these calculations. The sample consists of 2,935 observations and includes only full-time employees aged 16-64. Gross earnings refer to earnings before the deduction of taxes and social insurance contributions. Given the redistributive function of the tax system, it is reasonable to expect that the gap in net earnings would be lower than the gap in gross earnings.

Skilled agricultural, forestry and fishery workers, craft and related trades workers	1586.3	1358.2	16.8% ^u
Plant and machine operators and assemblers	1671.9	1182.6	41.4% ^u
Elementary occupations	1192.9	865.0	37.9%
By sector			
Industry, construction and primary sector	1847.9	1001.4	84.5%
Services	1928.3	1149.8	67.7%
Public administration, education, health	2585.6	2055.6	25.8%
Other services	1335.0	658.5	102.7% ^u

Source: EU-SILC 2015, Sample includes full-time employees excluding apprentices, armed forces personnel, domestic workers, employees with second jobs and employees with job changes within the period of reference. Notes: u denotes that the estimate is statistically unreliable.

The observed disparities in earnings might result to higher risk of poverty among certain groups of workers. Table 6 explores this argument by reporting in-work poverty risk rates among permanent and temporary employees in Cyprus and EU27. Disparities in poverty risk among employees are common in European labour markets; however, data suggest that the vulnerability of non-standard workers in Cyprus is particularly high (a temporary worker in Cyprus face 8.2 percentage points higher risk of poverty than a temporary worker in Europe). Compared to permanent workers, the observed differences are staggering; a temporary worker in Cyprus face a 24.5% poverty risk, whereas the corresponding risk for a permanent worker is only 6.5%.

Table 6: In-work poverty by type of contract, CY and EU27, in %

		2008	2016
Employees with a temporary job	CY	16.9	24.5
	EU27	15.2	16.3
Employees with a permanent job	CY	4.5	6.5
	EU27	5.1	5.9

Source: Eurostat, (Code: ilc_iw05)

However, the existence of differences in earnings among temporary and permanent workers cannot be considered as per se "unfair"; at least from a market point of view, as it might reflect differences in observable characteristics (e.g. differences in work experience, qualifications, etc.) which are consistently associated with higher productivity and pay. In order to arrive at a conclusion regarding the extent of wage discrimination between the two

broad groups of employees, an Oaxaca-Blinder wage decomposition has been performed, (detailed results can be found in the Appendix). The decomposition analysis indicates that only about half of the observed wage gap can be attributed to observable characteristics⁷, thereby implying the existence of considerable wage discrimination between permanent and temporary employees in Cyprus. Finally, the level of adjusted earnings gap (i.e. 19.8%), which is relatively high compared to EU average⁸, indicates the degree to which policy interventions can reduce this particular type of wage inequality without distorting the allocative efficiency of the labour market.

4. Social protection to non-standard workers

4.1 Legal protection to non-standard employment

The labour rights of non-standard workers in Cyprus are safeguarded by the “*Fixed-Term Work Employees (Prohibition of Unfavourable Treatment) Law of 2003*” and the “*The Part-Time Employees (Prohibition of Unfavourable Treatment) of 2002 to 2007 Law*”. The two Laws are based on the principles of non-discrimination and proportionality. The principle of non-discrimination dictates that provisions to employees cannot be differentiated on the basis of contract, while the principle of proportionality aims at guaranteeing to non-standard workers: salaries and benefits proportional to their working time. Specifically:

Fixed-Term Work Employees (Prohibition of Unfavourable Treatment) Law⁹

The purpose of this Law is the application of the principle of non-discrimination on employment relationships between employers and fixed-term workers and the prevention of abuse from the use of successive fixed-term employment contracts. The Law applies on all

⁷ The following covariates are included in the model: age, years of work experience, education, citizenship, gender, occupation and sector of economic activity.

⁸ Da Silva and Turrini (2015) have estimated the corresponding EU adjusted wage gap at 14.9%. Despite that immediate comparisons should be treated with caution due to methodological and statistical differences, this figure gives a rough approximation of where Cyprus stands vis-à-vis other European countries.

⁹ In Greek: “Ο περί Εργοδοτούμενων με Εργασία Ορισμένου Χρόνου (Απαγόρευση Δυσμενούς Μεταχείρισης) Νόμος του 2003 (Ν. 98(Ι)/2003)”.

employees with fixed-term contracts excluding only those on vocational training and apprenticeships schemes, publicly supported training and integration/vocational programmes.

According to the article 5 of the Law, fixed-term employees should not be treated less favourably than a comparable permanent employee¹⁰ only on the basis of the fixed-term employment relationship, while any differential treatment should be justified on objective grounds.

Importantly, the article 7 of the Law dictates that if an employee has been employed for a total period of thirty months or more on fixed term contracts, independently of the number of successive renewals of fixed-term employment contracts, the contract should be converted into one of indefinite duration, unless the employer can prove that the temporary employment status is justified on objective grounds.

The Law also provides that the employer should facilitate the employee's transition from fixed-term employment to permanent employment to the extent possible by adopting actions such as offering vocational training, informing fixed-term employees of current vacancies in the firm and in generally ensure that fixed-term employees have equal opportunities to access permanent positions of employment like any other employees.

The Labour Disputes Court has the jurisdiction to determine disputes arising from the provisions of this Law.

The Part-Time Employees (Prohibition of Unfavourable Treatment) Law of 2002 to 2007¹¹

¹⁰ According to the provisions of the Law, "comparable permanent employee" means an employee on an indefinite duration contract in the same firm/organisation who is engaged in similar work/occupation and has comparable qualifications/skills.

¹¹ In Greek: "Ο Περὶ Εργοδοτούμενων με Μερικὴ Απασχόληση (Απαγόρευση Δυσμενοῦς Μεταχείρισης) Νόμος του 2002 (Ν. 76(Ι)/2002)".

The purpose of this Law is to improve the quality of part-time employment and promote the development of part-time employment on a voluntary basis in a way that takes into account the needs of both the employer and the employee.

According to article 6 of the Law, a part-time employee should not be treated unequally to a comparable full-time employee only because s/he works part-time. Any differential treatment should be justified on objective grounds.

Article 7 of the Law ensures that part-time employees' salaries and benefits should be proportional to the number of worked hours. Furthermore, part-time employees should enjoy the same protection as full-time employees in relation to the right to join and participate in the activities of a union, health and safety at work and protection from any kind of discrimination.

Article 9 of the Law provides that the employer should examine any request of the employee to increase working time in case that this is possible, provide any information on the availability of full-time positions in the firm and facilitate transitions from full-time to part-time (and vice versa), encourage part-time employees to participate in vocational training or adopt any other actions that enhance career opportunities.

Brief assessment of the legislative framework

The quantitative evidence presented in section 3 casts doubts on the effectiveness of the above described employment protection legislation. The incidence of involuntary non-standard employment is high, while there is also evidence that non-standard employees are wage discriminated. Furthermore, there is circumstantial evidence that non-standard workers are discouraged from taking-up certain benefits, e.g. maternity leaves and breastfeeding breaks and that they tolerate violation of their social and labour rights, in fear of losing their jobs. Moreover, there is a large number of employees without formal employment

contracts¹². The lack of written contracts creates ambiguity in the rights and obligations, tasks and assignments of workers, which can be exploited by their employers.

There are also grey zones regarding the interpretation and implementation of labour rights. For example, temporary workers in successive fixed-term contracts may face obstacles in establishing eligibility for redundancy payments and/or compensations in case of dismissal, even when they are employed by the same employer for a sufficiently long period; and, practically, do not differ from workers on indefinite job contracts.

Particularly vulnerable appear to be third-country non-standard workers who additionally face language barriers and racial discrimination. According to some reports (ECRI report on Cyprus, 2011; Trimikliniotis, 2011), the terms of contract of those workers are often breached resulting in longer working hours, working on day off time, being assigned inapt duties and being dismissed without a legible justification.

4.2 Access to benefits and pensions for non-standard employees

Contributory benefits and access to adequate pensions

The basic pillar of social protection in Cyprus is the General Social Insurance Scheme (GSIS). Participation in GSIS is compulsory for every employee and self-employed in Cyprus. The scheme provides short-term contributory benefits (e.g. unemployment benefits, maternity benefits, etc.) and old-age pensions to person employed in Cyprus. The Social Insurance Law defines two broad categories of employed persons. Specifically, article 3(2)a defines employees as persons working on the basis of a contract of work or training under circumstances in which an employer-employee relationship is established and article 3(2)b defines the self-employed as those who are gainfully employed and do not fall in the category of employee as defined by article 3(2)a. Non-standard workers fall into the category of employees and, thus, pay contributions at the same rates and have similar access to

¹² Employment contracts need not be in written form in Cyprus, Employment & Labour Law (2016).

contributory benefits as standard workers. In that context, there are no special provisions for non-standard workers.

Yet, the uniformity of rules for standard and non-standard workers might be held responsible for reproducing labour market inequalities to the social protection system as all contributory benefits are earnings related. Although the GSIS contains several redistributive elements which help mitigate inequalities (e.g. pensions credits for periods of employment interruption, indexation mechanism to shield low pensions from inflation), non-standard workers are more likely to either fail satisfying the eligibility criteria of several contributory benefits (for example due to insufficient contribution records) or receive insufficient benefit amounts due to low levels of accumulated insurable earnings.

Poverty risk in the old age can be expected to be significantly higher for persons with long employment records on non-standard jobs. Non-standard workers have limited access to occupational pension schemes and/or provident funds (due to high labour mobility between sectors and jobs, difficulties in the transferability of pension rights, etc.). Relying solely on the first pillar of the pension system (GSIS) might jeopardise their economic well-being after retirement.

Minimum income support and other non-contributory benefits

Minimum income protection is provided to all persons through the Guaranteed Minimum Income (GMI), a means-tested top-up benefit which is provided to all persons/families with income below a minimum threshold. The GMI substituted the public assistance in 2014. Among the motivations of the new scheme was to facilitate participation of working poor (working persons whose earnings are not sufficient to lift them above the poverty threshold). A partial exemption of job earnings in the means-testing of the benefit preserves participants' work incentives. There is not available administrative data on the profile of GMI recipients; however, a microsimulation analysis conducted by the Economics Research Centre of

University of Cyprus showed that a significant number of part-time employees are likely to benefit from the scheme¹³.

Income support is also provided through a number of non-contributory benefits such as the child benefit, the mother allowance, the student grant, the single parent benefit and others. These benefits are typically means-tested and although there is no available data on the profile of the recipients, most likely, non-standard employees benefit proportionately more than standard employees from non-contributory benefits.

5. Conclusions

The Cypriot labour market hosts a relatively large share of non-standard jobs. The share of non-standard employment to total employment increased during the recession years, most probably due to the weakening of workers' bargaining position. Although the good prospects of the economy, leave open the possibility of a gradual improvement in the quality of jobs, much should be done to improve the employment terms of non-standard workers and safeguard their social and labour rights.

A first step could be to enhance the monitoring of the relevant employment protection legislation. The available evidence suggests that the existing regulatory framework was not adequate to fend off the increase in involuntary non-standard employment and to protect non-standard employees against wage discrimination during the years of the crisis. In general, to improve compliance, the pertinent authorities should consider launching initiatives such as increasing direct investigations instead of reacting to complaints as well as targeting sectors where non-standard workers tend to concentrate. Efforts should be also taken to outreach non-standard employees (especially immigrants and those in elementary occupations) to inform them about their labour rights. Furthermore, a more active engagement of social partners could be beneficial. Non-standard employees are among the

¹³ Report Prepared for the International Labour Organisation: 'Impact Assessment of Alternative GMI Scenarios', Available upon request.

less well represented groups in the social dialogue. The gap in representation is due to their heterogeneity, mobility across various occupations/sectors and, most importantly, due to their state of impermanency which constraints them from self-organising. Possibly, actions should be taken to facilitate the organisation of non-standard workers as well as to analyse whether and to what extent they can be included in the process of collective bargaining.

The social protection system can also be reformed so as to improve its accessibility and effectiveness in regard to non-standard employees. Currently, non-standard employees have access to the social protection system at the same terms as standard employees. As it was discussed in the essay, the equal treatment of unequals might be in itself a source of inequality. Adjusting the social protection system to cover the divergence in needs is a rather neglected area deserving more attention in Cyprus. To remedy this, the government might consider measures such as imposing adequate minimum thresholds for contributory benefits (to protect employees with insufficient contribution records), shortening contribution thresholds for special categories of workers (e.g. zero-hour workers), expanding pension credits for periods of interrupted employment, providing access to in-work benefits in combination with tailored training/education schemes and other similar specialised instruments.

Acknowledgements: Parts of this essay have been based on Pashardes and Koutsampelas (2017) European Social Policy Network Report on “Access to social protection for people working on non-standard contracts and as self-employed in Europe”.

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- [Law on Employees with Fixed-Term Work \(Prohibition of Less Favourable Treatment\) of 2003 to 2007”, 98\(I\)/2003.](#)
- [Law on Employees with Part-Time Work \(Prohibition of Less Favourable Treatment\) of 2002 to 2007](#)
- [Private Universities law 109\(I\)/2005](#)
- [Social Insurance Law 59\(I\)/2010 and subsequent modifications](#)
- [Temporary Agency Work Law of 2012](#)

APPENDIX

Oaxaca - Blinder decomposition (Oaxaca, 1973; Blinder, 1973) is based on the separate and joint estimation of a Mincerian-type equation for different groups of workers (temporary and permanent workers in the context of this study). The difference of the average earnings between the two groups can be decomposed as follows:

$$\bar{W}^P - \bar{W}^T = (\bar{X}^P - \bar{X}^T)\beta^{ALL} + (\bar{\beta}^P - \bar{\beta}^{ALL})\bar{X}^P + (\bar{\beta}^{ALL} - \bar{\beta}^T)\bar{X}^T \quad (1)$$

Where:

\bar{W}^P is the average earnings of permanent employees,

\bar{W}^T is the average earnings of temporary employees,

\bar{X}^P are the average observed characteristics of permanent employees,

\bar{X}^T are the average observed characteristics of temporary employees,

β^{ALL} are the coefficients estimated using all sample (permanent and temporary employees),

β^P are the coefficients estimated using all the sample of permanent employees,

β^T are the coefficients estimated using all the sample of temporary employees.

The first term of the right-hand side of equation (1) represents the contribution of observable characteristics in explaining the earnings gap. The second term represents the contribution of unobservable characteristics, i.e. the unexplained part, and, finally, the third term represents the interaction effects. The unexplained part is typically interpreted as a measure of wage discrimination in the literature. However, a caveat is that this estimation might subsume the effect of differences in predictors which remain unobserved due to lack of information (for example; the innate skills of workers).

Table A1: Results of Oaxaca-Blinder decomposition

Log of hourly wage	Coef.	Std. Err.	z	P>z	[95% Conf.	Interval]
Differential						
\bar{W}^P	2.40	0.01	196.25	0.00	2.37	2.42
\bar{W}^T	2.03	0.05	37.91	0.00	1.92	2.13
Difference	0.37	0.05	6.71	0.00	0.26	0.48
Decomposition:						
Explained	0.17	0.06	3.11	0.00	0.06	0.29
Unexplained	0.20	0.04	5.59	0.00	0.13	0.27
Interaction	0.00	0.04	-0.11	0.91	-0.08	0.07

Data Source: 2015 EU-SILC data.

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