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POVERTY AND SOCIAL EXCLUSION IN CYPRUS

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Abstract

This paper assesses poverty and social exclusion in Cyprus and considers the effectiveness of government policies to alleviate these problems. A major obstacle to this task is the lack of data and monitoring procedures to follow progress and implement changes to improve the provision social services. Although this suggests that no strong claims can be made, there are indications that the problem of poverty and social exclusion is not a pronounced one in Cyprus: unemployment has been very low over the past two decades and the benefits from the fast economic growth over the same period are spread among all socio-economic groups in the country. Furthermore, Cypriots still appear to uphold the values of 'sharing' between family members and members of the community.

There are, however, categories of people not adequately protected by the 'safety net' of the state, the extended family and the community. Groups of people in these categories, like the immigrants, are likely to be suffering from poverty and social exclusion. In other words, hidden poverty may exist and be deep in Cyprus. Furthermore, poverty and social exclusion may become a more widespread phenomenon in the future due to social and economic developments causing the fading out of the extended family bonds, especially those centred around small family businesses closing down due to increased foreign competition.

Funding for the pension system has to increase to meet the needs of an ageing population. The establishment of a National Health Insurance Scheme in the country will also require additional funding for the social insurance system. Furthermore, changes required for EU harmonisation can make social insurance in Cyprus an expensive commodity. It remains to be seen how strong the resolve of the Cypriot people will be to cope with the new social insurance challenges and whether they will be as successful in containing the problem of poverty and social exclusion in the future as they can claim to have been so far.

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1 Current profiles of poverty and social exclusion in Cyprus

1.1 The overall social protection system

Poverty and social exclusion are not considered to be a serious problem by policy makers and public opinion in Cyprus. This can partly reflect the reduced severity of the problem and partly the preoccupation of the government and the people of Cyprus with the ‘ethnic problem’ created by the Turkish occupation of the Northern 36% of the island.

There is no evidence of widespread social exclusion, in the form of *persistent* income poverty², in Cyprus. The opposite, however, is also true, i.e. there is no statistical evidence (no time series data is available) to substantiate the claim that persistent poverty does not exist. All one can say is that Cyprus is a small homogeneous community, by the standards of most other European countries, with small and sparsely located cities and historically low levels of illiteracy and unemployment. It is also a society with strong bonds among relatives resulting in extended families that secure financial support to those in need. Therefore, poverty and social exclusion is more likely to be a problem in Cyprus among those outside ‘family networks’ such as the immigrants, particularly those who are illegal and work mainly in the ‘informal’ sector of the economy. In this sense, poverty may be increasing due to the increasing number of illegal immigrants and ‘black economic’ activity in the island. Again, no direct statistical evidence can be used to document this claim because illegal activities are not included in the official government data used in this paper.

In the analysis performed for the purposes of this paper using the raw data in the Family Expenditure Survey of 1996-97, we have found high incidence of poverty among the elderly, the divorced and the singles. This is, perhaps, a sign of transformation taking place in Cyprus, away from a society organised around the extended family tradition towards a Western type of society organised around the nucleus family.³ Although we cannot observe trends using time series data, the evidence from the Family Expenditure Survey of 1996-97 shows a strong negative correlation between poverty and family size. As shown in Table 1, one-person and two-person households concentrate at the bottom deciles of income distribution.

² Persistent income poverty consists of persons that are living in a low-income household for at least three consecutive years.

³ One can also claim, of course, that the breakdown of family networks is due to their inefficacy.

1.2 National definitions of poverty and social exclusion

The relative poverty line before 1996 was officially defined as 50% of the average national per capita income of all households, whereas after 1996 as 60% of the median national *equivalised* income. The income of a household as a whole is converted into income per *adult equivalent* by taking into account the demographic composition of the household (see section 1.1.3).

Table 1: Income distribution and household size

Household size	Income deciles										
	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	All
One person	141	92	36	21	10	10	7	6	2	2	327
Two persons	139	126	128	75	45	33	31	29	20	31	657
Three persons	11	11	49	54	57	66	57	45	54	52	456
Four persons	1	8	33	64	75	102	97	109	105	92	686
Five or more persons	1	3	15	51	77	53	73	77	82	87	519

Source: Family Expenditure Survey 1996-97.

Using the data in the FES 1996/97 we have identified the incidence of poverty to be high among the following groups: retired persons (aged over 65), widows (males or females), divorced women, illiterate people or people with elementary education, and single parents (Table 2).

Table 2: Percentage of persons below the poverty line by socio-economic group

Type of person	Below poverty line (%)	% in population
Male 65+	62.0	5.0
Female 65+	65.7	5.9
Retired male	61.7	4.8
Retired female	67.1	4.9
Widow male	54.2	0.8
Widow female	55.6	3.4
Male 25+ without education	58.5	0.8
Female 25+ without education	69.3	1.9
Male 25+ with elementary education	48.9	2.6
Female 25+ with elementary education	49.9	4.7
Single households aged 65+	90.7	2.3
Couples without children, at least one adult aged 65+	64.7	8.0
Single parents with at least one depended child	33.0	1.3
All	25.5	100

Source: Family Expenditure Survey 1996-97.

Table 3: The 18 EU Indicators of social exclusion and the corresponding indicators in Cyprus

	Indicator	Match Cyprus	Comparable indicator	Data sources and most recent year available for indicators or comparable indicators
1a	Low income rate after transfers with breakdowns by age and gender ¹	✗	Mean annual income per adult equivalent by activity status and age of head of household	FES ^{2,3} , 1996/97
1b	Low income rate after transfers with breakdowns by most frequent activity status ¹	✗	Mean annual income per adult equivalent by activity status and income decile	FES ^{2,3} , 1996/97
1c	Low income rate after transfers with breakdowns by household type ¹	✗	Mean annual income per adult equivalent by activity status and type of household	FES ^{2,3} , 1996/97
1d	Low income rate after transfers with breakdowns by tenure status ¹	✗	Mean annual income per adult equivalent by source of income and socio-economic status	FES ^{2,3} , 1996/97
1e	Low income threshold (illustrative values) ¹	✗	Mean annual income per adult equivalent by activity status and type of household	FES ^{2,3} , 1996/97
2	Distribution of income	✓	—	FES ^{2,3} , 1996/97
3	Persistence of low income	✗	—	—
4	Relative median low income gap ¹	✗	—	—
5	Regional cohesion	✗	—	—
6	Long term unemployment rate (≥12 months)	✓	—	Social Indicators & Labour Statistics ³ , 1999
7	Persons living in jobless households	✓	—	Social Indicators ³ , 1996/97
8	Early school leavers not in education or training	✓	—	Statistical Abstract ³ , 1998
9	Life expectancy at birth	✓	—	Statistical Abstract ³ , 1999
10	Self defined health status by income level.	✗	—	—
11	Dispersion around the low income threshold	✓	—	Social Indicators ² , 1996/97
12	Low income rate anchored at a moment in time	✗	—	—
13	Low income rate before transfers ¹	✗	—	—
14	Gini coefficient	✓	—	FES ^{2,3} , 1996/97
15	Persistence of low income (below 50% of median income)	✗	—	—
16	Long term unemployment share (≥12 months)	✓	—	Social Indicators & Labour Statistics ³ , 1999
17	Very long term unemployment rate (≥24 months)	✗	—	—
18	Persons with low educational attainment	✓	—	Statistical Abstract ³ , 1998

¹ This indicator is not available in the publications of the Department of Statistics and Research; we can extract the particular indicator by using the raw data of the Family Expenditure Survey 1996-97.

² FES: Family Expenditure Survey 1996-97.

³ Publications of the Department of Statistics and Research.

1.3 The 18 EU indicators of Social Exclusion

Table 3 shows the 18 EU indicators of social exclusion and the corresponding indicators available in Cyprus. Commenting on the content of this table, Cyprus does not publish matching EU low income indicators for various socio-economic groups (EU indicators of social exclusion 1a to 1e). It does, however, publish mean annual income for these groups.⁴ Furthermore, there are no social exclusion indicators in Cyprus matching the following EU ones: persistence of low income, persistence of low income below 50% of median income, relative mean low income gap, regional cohesion, very long unemployment rate, self-defined health status, low income rate anchored at a moment in time, and low income rate before transfers.⁵ The indicators of social exclusion which are available (or can be computed from available data) and match the EU ones are: the distribution of income, the Gini coefficient, the dispersion around the low income threshold, long term unemployment rate (≥ 12 months), long term unemployment share (≥ 12 months), persons living in jobless households, early school leavers not in education or training, life expectancy at birth and persons with low educational attainment.

Among the EU indicators reported in Table 3, those concerning regional cohesion and unemployment are not particularly relevant in the case of Cyprus, due to the small size of the country and the historically low levels of unemployment, respectively. Perhaps, more accurate in profiling Cyprus' poverty and social exclusion can be indicators of population characteristics seen later in this paper (section 2.2.8) to raise the probability of being below the poverty line, such as old age, single adulthood/parenthood, part-time employment and chronic illness.

2 Unemployment and provision of basic necessities

2.1 Unemployment as a cause of poverty and social exclusion

Unemployment, in Cyprus has never been as high as in other European countries. Based on *registration data*, the unemployment rate dipped below 2% in 1992, and rose gradually to 3.6% in 1999, falling marginally to 3.4% in the year 2000 (Table 4). The rate of unemployment according to the Labour Force Survey (LFS), based on internationally comparable International Labour Office (ILO) definitions, was 8% in 2000.

⁴ Concerning persistence, annual income would tend to underreport intermittent short-term/seasonal income fluctuations and hence short periods of poverty. Later in this paper we relate poverty to other more 'permanent' characteristics of the household.

⁵ The information required for the calculation of most of these indicators, however, is available in the Family Expenditure Survey (FES) conducted by the Department of Statistics and Research every five years.

Table 4: Unemployment rate in Cyprus and EU countries

Countries	1995	1996	1997	1998	1999	2000
Cyprus	2.6	3.1	3.4	3.4	3.6	3.4
EU countries	10.8	10.9	10.7	9.9	9.2	8.4

Source: Economic Outlook 1998, 2000; Planning Bureau.

Unemployment, according to the LFS (in the year 2000), is higher among women (7.4%) than men (3.0%). The gender difference is most marked among people aged 15-24 years (female unemployment of 14% as against 4% for males) and 35-44 years (females 9%, males 2%). Also youth unemployment is higher than adult unemployment (8.1% for those below 25). However, the age-unemployment gap is relatively low by international standards and youth unemployment remains well below the EU average.

Table 5 shows the registered unemployed women by age group and their percentage in total unemployment for the years 1995 to 2000. For women aged under 54, unemployment is throughout these years significantly higher than that of men. Especially for women aged under nineteen the percentage rose up to 80% in 1995, and declined to 71% in 2000. For the age group of 20-24, there has been a decrease from 61% to 51%. For women older than 54, the percentage in total unemployment is much lower than that of men. However, for women older than 65 the percentage has risen substantially from 5% in 1995 to 40% in 2000.

Table 5: Registered unemployed women by age group and their percentage in total unemployment 1995-2000

Age	Years											
	1995		1996		1997		1998		1999		2000	
	Female	% in total	Female	% in total	Female	% in total	Female	% in total	Female	% in total	Female	% in total
19-	184	80	220	79	224	79	187	76	158	75	95	71
20-24	574	61	669	62	725	59	705	58	697	59	550	51
25-29	559	54	641	57	657	55	614	51	717	56	618	57
30-34	579	59	666	59	648	55	556	49	616	54	614	57
35-39	525	57	628	58	694	55	616	52	686	54	719	59
40-44	450	57	518	57	581	53	587	51	720	54	765	59
45-49	453	59	555	60	579	56	509	50	650	55	642	56
50-54	352	59	489	56	537	53	503	47	622	51	640	53
55-59	380	46	417	42	419	42	377	38	491	41	542	53
60-64	252	31	325	31	349	30	333	27	431	31	473	32
65+	5	22	5	24	4	16	2	13	7	29	11	40
Total	4313	55	5133	54	5417	48	4989	48	5795	50	5668	52

Source: Labour statistics

As shown in table 6, in the year 2000 most unemployment was of a relatively short duration: approximately only 30% of the unemployed had been out of work for more than a year in Cyprus (compared to 44% in the EU). The long-term

unemployment *rate* (the proportion of long-term unemployed in the labour force) is also relatively low, at 1.4%. Duration of unemployment is longer for women, 36% compared to 21% for men. At 2.7%, the female long-term unemployment rate is almost four times higher than the corresponding male rate.

Table 6: Long term unemployment(over 12 months) by sex 1995-2000

Sex	Years					
	1995	1996	1997	1998	1999	2000
Male	0,14	0,15	0,19	0,21	-	0,21
Female	0,32	0,36	0,41	0,39	-	0,36
Total	0,21	0,23	0,28	0,28	-	0,30

Source: Social indicators, Labour force survey 2000

Table 7 shows the number of seasonal unemployed persons by economic activity and sex. This table provides evidence of the existence of seasonal unemployment, especially in the tourism sector (wholesale and retail trade, hotels and restaurants). More specifically, the total number of unemployed persons in the tourism sector was 13313 in the winter of 2000, while in the summer of the same year this number was only 7102. This is because tourism is much higher during the summer months. Unemployment is also low in autumn because September is still in the high holiday season. Since the tourist sector is central to the economy of Cyprus, this seasonality in employment spills over to other sectors. Notably, the total monthly average shows that women are slightly more affected by seasonal unemployment (52% are women and 48% are men).

Table 7: Seasonally unemployed persons by economic division and sex 2000

Monthly average		Winter	Spring	Summer	Autumn	Economic activity
Total	Females					
712	432	2141	1940	1709	2761	Newcomers
154	54	661	585	380	216	Agriculture
17	1	42	49	50	56	Mining
2246	1434	7177	7604	6531	5641	Manufacturing
37	2	122	160	145	14	Electricity
1326	79	4400	4946	3586	2974	Construction
3171	2006	13313	9146	7102	8492	Retail, hotels and restaurants
531	191	2026	1713	1249	1388	Transport
444	287	1416	1386	1235	1286	Financing, insurance, business
2298	1182	6650	6381	8635	5905	Community, services
10934	5668	37948	33910	30613	28733	Total

Source: Labour Statistics 2000

Table 8 shows the percentage distribution of households below the poverty line by employment status and gender. The last column in the table gives the percentage of the corresponding group in the population to help the reader understand the order of magnitude of the poverty problem. It is clear that the retired men and women are the most vulnerable groups, with 61.7% and 67.1%, respectively, below the poverty line. For unemployed men and women, the

percentage below poverty line is about 15%. This, together with the relatively low unemployment rate suggests that unemployment itself may not be a major cause of poverty and social exclusion in Cyprus.

Table 8: Households below the poverty line, by employment status and gender

Gender	Employment Status	Below poverty line	% in population
Male over 16 years old	Employed	3.9	20.6
	Self-employed	11.2	5.1
	Unemployed	15.8	0.2
	Retired	61.7	4.8
	Inactive	10.1	4.7
Female over 16 years old	Employed	4.7	15.4
	Self-employed	10.5	1.8
	Unemployed	15.4	0.3
	Retired	67.1	4.9
	Inactive	17.8	15.5

Source: Family Expenditure Survey 1996-97.

2.2 Employment and labour market policies⁶

The government of Cyprus in order to accelerate the economic and social development of the island has adopted a series of Five-Year Development Plans. The latest Plan covers the period 1999-2003 and its major objectives for employment include:

- the harmonisation of employment policy with the EU, including the terms and conditions of employment and the protection of employees against unfair dismissal;
- gradual relaxation of restrictions on the employment of EU nationals and the removal of obstacles to the free movement of labour to and from EU countries;
- maintenance of conditions of full employment and the increase in the participation of women in the labour force;
- encouragement of flexible conditions of employment through short-term contracts, part-time employment and flexible hours, rational distribution of labour by sector, occupation and region; and
- reduction of differences in the conditions of employment between the private and public sectors.

⁶ A national report on the labour market profile and employment policy in Cyprus is available at: http://europa.eu.int/comm/employment_social/intcoop/news/prioritiescyprus_en.htm.

The Human Resource Development Authority (HRDA) promotes and funds training and other active labour market activities including initial training and continuing training activities. The main initial training activities consist of enterprise-based and institution-based initial training, training for unemployed tertiary education graduates, the Apprenticeship Scheme and practical training for students. Continuing training involves in-company training programmes in Cyprus and abroad and continuing training programmes at training institutions in Cyprus and abroad. Furthermore, the HRDA promotes and funds training for unemployed college graduates (see Table 13).

Active labour market activities undertaken by the Department of Labour include: vocational guidance, the ‘Scheme for the Self-Employment of Tertiary Education Graduates’, the ‘Supported-Employment Scheme for Persons with Disabilities’, the ‘Self-Employment Scheme for Persons with Disabilities’, the ‘Self-Employment Scheme for Repatriates’, and the ‘Scheme for the Encouragement of Labour Force Participation by Older Persons’.

The main target of the latest Strategic Development Plan is to increase employment by 1.2% annually and to maintain (registered) unemployment below 3%. The Plan also proposes measures for EU harmonisation and for upgrading and modernising the services provided by the Department of Labour with a view to (i) enabling District Labour Offices to match unemployment registrations with job vacancies in the best possible way, (ii) improving the quality of labour market statistics, and (iii) reducing the cost of routine procedures.

Other measures aimed at enhancing the participation in the labour market of certain groups, particularly women (but also pensioners and the disabled). These measures include the creation of additional private and state nursery schools, the promotion of part-time employment and flexible hours, and the re-training of women who have temporarily withdrawn from the labour market. Emphasis is also given to upgrading the services provided for vocational guidance, and more efforts are devoted to identifying sectors and occupations with promising long-term employment prospects.

2.3 Provision of basic subsistence necessities

The right to social protection is guaranteed by the *Public Assistance and Services* legislation, aiming at an annually reviewed, socially acceptable minimum standard of living for all persons legally residing in Cyprus, through a range of social welfare programmes and community services available for families and children, especially the elderly and the disabled. Home care and community development is available through a system of grants, while the National Social

Insurance Scheme provides all employees and self-employed nationals and non-nationals with pensions and work related benefits.⁷

In 1996-97, when the last Family Expenditure Survey was conducted, one observes an improvement in house facilities compared to the results of the Census of Population in 1992 (Table 9). For example the proportion of households with hot water facilities within the house, already at the high level of 90.3% in 1992, increased further to reach 94.9% in 1997. Over the same period, the proportion of households with bathroom facilities increased from 94.9% to 97.4% and toilet facilities from 97.8% to 99%.

Table 9: Percentage of households with basic housing amenities

Housing amenities	1992 (Census of population)	1996-97 (Family Expenditure Survey)
Kitchen facilities	99.0	99.2
Bathroom facilities	94.9	97.4
Toilet facilities	97.8	99.0
Piped water	99.3	100.0
Hot water	90.3	94.9

Source: Census of Population 1992 and Family Expenditure Survey 1996-97.

Table 10 shows the percentage of persons, by age and gender, living in houses lacking basic amenities. As one would suspect old age people are the ones experiencing greater difficulties. For example 28.2% of people over 65 lack hot water facilities whereas, only 13.1% of the rest of the population lack the same facilities. It is also interesting to note that, in general, among people over the age of 50 the percentage of women without basic housing amenities is slightly higher than that of men. The opposite is true among people below the age of 50.

Table 10: Percentage of persons in households that lack basic amenities by age and gender

Gender	Age	Kitchen facilities	Bath-room	Toilet facilities	Hot water	Tele- phone	Elec- tricity	Refrige- rator	% in population
Male	0-15	0.00	0.17	0.17	0.58	1.24	0.08	0.17	13.98
	16-24	0.18	0.71	0.53	1.96	1.60	0.71	0.18	6.51
	25-49	0.14	0.56	0.21	1.18	1.74	0.28	0.21	16.67
	50-64	0.16	1.92	0.96	3.21	1.92	0.64	0.64	7.23
	65+	1.84	5.30	2.07	11.52	7.83	1.15	1.84	5.03
Female	0-15	0.00	0.09	0.09	0.55	1.55	0.27	0.00	12.74
	16-24	0.00	0.36	0.18	0.54	1.43	0.54	0.00	6.46
	25-49	0.06	0.32	0.13	1.10	1.29	0.19	0.32	17.96
	50-64	0.77	2.46	1.08	3.99	2.30	0.61	0.77	7.54
	65+	1.78	7.50	1.97	16.77	11.05	1.78	1.78	5.87

Source: Family Expenditure Survey 1996-97.

⁷ The Department of Social Welfare, also provides house equipment, house repairs, allowance for mortgage interest deriving from a house loan etc.

Table 11 shows the percentage distribution of households without basic housing amenities by employment, marital status, and urban/rural residence. Again, it appears that old people are those in disadvantage: the percentage of retired people without housing amenities is much higher than that of the employed and the inactive. Divorced persons and especially widows are also in disadvantage. For example almost 20% of the widows lack bathroom facilities, whereas the percentage of singles and married that lack bathroom facilities is only 5.4%. Moreover, the percentage of divorced persons without a refrigerator is more than 10%, whereas the corresponding percentage of single and married persons is only 1.6%.

Table 11: Percentage of households without housing amenities, by employment, marital status and residence

Demographic characteristics		Kitchen Facilities	Bath-room	Toilet facilities	Hot water	Tele-phone	Elec-tricity	Refrige-rator	% of population
Male 16 +	Employed	0.17	0.96	0.45	1.91	1.63	0.51	0.17	20.62
	Self-employed	0.23	1.14	0.46	3.43	2.97	0.23	0.69	5.06
	Un-employed	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.22
	Retired	1.69	4.82	1.69	9.64	7.23	0.96	1.69	4.81
	Inactive	0.25	1.23	0.98	2.21	1.96	0.74	0.74	4.73
Female 16 +	Employed	0.15	0.60	0.30	1.13	1.95	0.38	0.30	15.41
	Self-employed	0.65	0.65	0.65	2.61	1.96	0.00	0.65	1.77
	Un-employed	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.30
	Retired	2.14	8.81	2.38	18.57	10.00	1.90	1.67	4.87
	Inactive	0.22	1.12	0.37	2.54	2.09	0.45	0.52	15.49
Male 16 +	Single	0.41	1.52	1.10	3.17	2.07	0.69	0.28	8.40
	Married	0.23	1.17	0.36	2.89	2.21	0.45	0.41	25.67
	Widow	5.56	12.50	5.56	13.89	15.28	1.39	4.17	0.83
	Divorced	0.00	4.00	4.00	4.00	12.00	4.00	8.00	0.29
Female 16 +	Single	0.33	1.46	0.65	2.76	2.28	0.65	0.49	7.12
	Married	0.18	1.21	0.36	2.90	2.14	0.40	0.40	25.95
	Widow	2.36	7.07	2.02	14.81	9.76	2.02	1.68	3.44
	Divorced	2.20	4.40	2.20	5.49	5.49	0.00	2.20	1.05
Male 16 +	Urban	0.05	0.61	0.25	1.48	1.48	0.36	0.46	22.72
	Rural	1.00	3.19	1.46	6.28	4.64	0.91	0.64	12.72
Female 16 +	Urban	0.19	0.94	0.19	2.06	1.87	0.37	0.47	24.73
	Rural	0.97	3.63	1.41	7.69	5.22	0.97	0.80	13.10

Source: Family Expenditure Survey 1996-97.

The figures in Table 11 also suggest that the frequency of people without basic housing amenities is higher in rural rather than urban areas. In addition, the same table provides evidence that there is an association between low-income and low level of amenities prevalent in older rural housing. At the same time, however, it has to be said that as there are no estimates of the low income effect independent of age and rural status, it is possible that not only low income but also 'choice' or expectations can play a role in the observed differences in such amenities.

2.4 Guaranteed minimum income

As said earlier, the Public Assistance and Services Law secures a minimum standard of living for all persons legally residing in Cyprus. It may be provided in the form of money and/or services to persons whose resources do not meet basic and/or special needs, as determined by the Law. It may include rent allowance, home-care etc. Rates for public assistance are reviewed annually to keep in line with the rising cost of living.

The objective of Public Assistance and Services Law is to safeguard human dignity while promoting social inclusion and long-term independence from public provision. In order to achieve this goal, the legislation incorporates employment incentives together with social support services for people who are thought to be more vulnerable to social exclusion: persons with disabilities, single-parents, parents with four or more children, and families in risk of dissolution. Persons who fall into those categories may be eligible for supplementary public assistance even if they work full-time. Furthermore, persons with disabilities are entitled to an additional disability allowance, once they meet the criteria for public assistance. Part of the recipient's salary is not taken into account when estimating the monthly allowance for persons with disabilities, older persons and persons with mental illness who qualify for public assistance.⁸

A question pertaining to the guaranteed minimum income legislation is how effective this is in stopping workers falling below the poverty line. To answer this question we have used the FES 1996/97 data to calculate the percentage of low-paid and part-time persons in families below the poverty line.⁹ Taking as 'low-paid' those with half the average wage, we have found 14% of male and 7% of female workers to be below the poverty line.

For part-time workers the respective figures are 33% and 9%, suggesting that poverty among families with part-time workers is higher than that in families with low paid full-time workers. Notably, the proportion of families with low-paid and part-time members is much higher for males rather than females because males are more often the 'bread winners' in Cypriot families. Therefore, a household is more likely to be below the poverty line when its low-paid and part-time members are males rather than females.

⁸ To our knowledge there is no evidence of coverage and effectiveness of the GMI programme, e.g. the level of non-take up – particularly in high risk groups such as elderly households

⁹ Temporary work can also be a potential source of low income. However, we could not consider this case because the Family Expenditure Survey 1996/97 has no information about temporary workers.

3 Education

3.1 Education and poverty

Table 12 shows the percentage of persons below the poverty line by educational level and gender in the FES 1996-97. Almost all university graduates are above, whereas nearly 2/3 of illiterate people are below the poverty line. Regarding the gender differences, the figures in Table 12 show that, with the exception of persons without education, the percentage of females below the poverty line is not much higher than that of males.

Table 12: Percentage of people below the poverty line by gender and educational level

Gender	Education	Below Poverty Line	Percentage in Population
Male (aged 25+)	No education	58.46	0.75
	Partial elementary	48.89	2.61
	Elementary	22.38	9.06
	Partial secondary	8.85	2.62
	Secondary	4.60	8.82
	College	4.76	1.70
	University	1.03	3.37
Female (aged 25+)	No education	69.28	1.92
	Partial elementary	49.88	4.67
	Elementary	22.92	9.35
	Partial secondary	10.45	2.55
	Secondary	5.41	8.35
	College	5.80	2.40
	University	1.63	2.13

Source: Family Expenditure Survey 1996-97.

Overall, the figures in Table 12 suggest that the lack of education is a cause of poverty in Cyprus. However, because of the high incidence of educational qualifications among Cypriots, the number of people affected is likely to be relatively small.

It is widely recognised that having a stable job (or the option to work) is a major condition for social inclusion. Table 13 shows the distribution of total, male and female employed population by education level in 1999. Over the period 1980 to 1999 the number of employed persons with no secondary or higher education, decreased from 103.7 thousands in 1980 to 66.5 thousands in 1991. As a result, the share of the employed population with no secondary or higher education has declined from 53.8% in 1980 to 24.6% in 1999. In the case of women the corresponding reduction is even higher, from 57.8% to 22.6%. Moreover, in 1980 the share of employed people with university/college education was 9.9% and increased to 19.6% in 1991 and to 26.5% in 1999.

Table 13: Registered unemployed and employed persons by gender and educational level (1999)

Educational level	Registered unemployed persons (yearly average)			Employed persons (thousands)		
	Total	Male	Female	Total	Male	Female
No schooling	75	39	36	9.5	5.4	4.1
Primary	3359	1627	1732	57.0	37.0	20.0
Gymnasium (lower secondary)	5832	2939	2893	21.7	12.9	8.8
Lyceum (upper secondary)				110.2	66.8	43.4
College	2109	975	1134	25.0	12.8	12.2
University				46.6	28.8	17.8
<i>Total</i>	11375	5577	5795	270.0	163.7	106.3

Source: Labour Statistics 1999.

The share of illiterate people in unemployment decreased from 1.3% in 1989 to 0.7% in 1999 (Table 14), whereas the share of unemployed people with elementary and secondary education has increased. In the case of unemployed people with secondary technical education the increase is substantial, from 4.9% in 1989 to 8.1% in 1999. An interesting observation here is the large share of university graduates among the unemployed in the early 1990s. Since then there has been a marked drop in this figure, while the share of persons with elementary education in total unemployment has increased.

Table 14: Percentage of unemployed persons by educational level

Year	Illiterates		Elementary Education		Secondary Education		Secondary Technical Education		Higher Education	
	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female
1989	1.3	1.7	26.0	23.2	40.8	46.2	4.9	1.4	26.7	27.7
1991	1.1	1.6	24.5	24.5	41.5	45.5	5.5	1.7	27.4	26.8
1999	0.7	0.6	29.5	29.9	43.2	46.9	8.1	3.0	18.5	19.6

Source: Labour Statistics 1999.

The share of unemployed women with elementary and secondary education increased over the period 1989-99. The opposite is true for the share of illiterate women in the labour force. Moreover, it is important to note that the share of unemployed women with higher education decreased from 27.7% in 1989 to 26.8% in 1991 and 19.6% in 1999.

3.2 The formal educational system

As argued earlier, using the evidence in Table 12, the lack of education is a cause of poverty in Cyprus, but the number of people affected is declining because the educational attainment of the Cypriot population has been rising steadily over the last quarter of the 20th century. According to the Labour Force Survey, 80.9% of people at the age of 20 had upper secondary education, and 28.3% of people at

the age of 29 had tertiary education in 2000. On the basis of both these measures, educational attainment in Cyprus is above the EU average.

Formal initial education takes place at three levels: (i) the basic compulsory level lasting 9 years (6 years of primary and 3 years of lower secondary education); (ii) the upper secondary level lasting 3 years and offered free; and (iii) the higher level (college and university).

Public institutions offering upper secondary education are either of general or technical/vocational orientation. As from the school year 2001-2002 the technical/vocational upper secondary cycle is undergoing a major reform, giving emphasis to the acquisition of general skills and abilities in new technology and the needs of the Cyprus economy.

According to data provided by the Ministry of Education and Culture, in 1998-99 about 75% of the pupils in upper secondary schools attended public general education schools, 10% attended private schools and the remaining 15% attended public technical schools. Completion rates at the secondary education level are relatively high: in the school year 1997-98, 89.6% of the pupils enrolled three years earlier completed successfully the lower secondary cycle; and about 80% of the pupils that first enrolled at secondary level education six years earlier graduated from the upper secondary cycle from one of the types of schools, mentioned above. To our knowledge, there is no evidence relating successful completion of secondary education to family income and poverty characteristics.

In the academic year 1999-2000, 69% of upper secondary school graduates (approximately 55% of all young people in the relevant age-cohort) continued their studies beyond the secondary level (the remaining 45%, did not continue to attend higher education). Again, there is no evidence relating entry to higher education to family income and poverty characteristics. Out of the total number of tertiary students in the same academic year, 46% were studying in Cyprus and 54% abroad. The country with the highest percentage of Cypriots attending tertiary education abroad is Greece (53%), followed by the United Kingdom (23%) and the USA (14%).

In public tertiary institutions in Cyprus tuition is free and students receive a annual grant of 1730 Euros. Since 2001 the same annual grant is also paid to students in tertiary institutions abroad. Scholarships to study abroad are provided through the Cyprus State Scholarship Authority. Priorities as regards the study subjects are set on the basis of the economy's needs and scholarship holders are required to return to Cyprus on completion of their studies.

3.3 Training and continuing education

The so called *Apprenticeship Scheme* and other short courses organised by the Human Resource Development Authority (HRDA) are considered as active measures to reduce youth unemployment and social exclusion. The Apprenticeship Scheme is designed for persons over 15 years of age who have completed the three years of compulsory secondary education and have a vocational outlook. Apprentices are employed in industry and receive general education and vocational training, on a day release basis, for a period of two years. The wage costs for the days that apprentices spend in school are subsidised by the HRDA. The programme combines technical training with practical experience in industry and aims at facilitating the transition from schooling to the workplace.¹⁰

The main initial training activities of the HRDA include:

- Enterprise-based ‘Initial Training’, including design, organisation and implementation programmes.
- ‘Accelerated Training programmes’ mainly for unemployed school leavers and focusing in occupations with significant labour shortages.
- Management training of tertiary education graduates

Note that most training programmes are offered to individuals already employed and the enterprises select graduates for employment and training. Therefore, the efficiency of the HRDA programmes cannot be assessed by looking at the number of individuals who found work as a result of their training.

In addition to the programmes supported by the HRDA, there are other possibilities for adult/continuing education through both public and private educational institutions. In the case of public education institutions of this type include evening secondary and technical schools, state institutes of further education and adult education centres offering programmes in a very broad range of topics like music, dance, etc.

¹⁰ In recent years the Apprenticeship Scheme has faced a number of operational and structural problems, including the lack of opportunities for instructors to adopt modern teaching techniques, the insufficient infrastructure in technical schools to cover the needs of the enrolled students and the lack of adequate company facilities to provide on the job training.

4 Family and accommodation

4.1 Family solidarity and protection of children

Family bonds in Cyprus are still very strong, dominated by traditions harboured by the extended family arrangements. This is shown by the high percentage of young persons living with their parents after the age of 18. For example, only 2% of Cypriots aged 18-23 are heads of family, according to figures drawn from the FES in 1996-97 (Table 15).¹¹

Table 15: Percentage of household heads by age

Age group	% of age group in population	% of family heads in age group
18-23	6.6	2
24-29	7.1	22
30-35	8.6	42
18-35	22.1	66

Source: Family Expenditure Survey 1996-97.

Table 16 shows the percentage of people in households with certain demographic characteristics that fall below the poverty line, together with their corresponding percentage in the population. Persons over 65 living in one adult households is the group exhibiting by far the highest incidence of poverty, with over 90% below the poverty line. Female widows, divorced women and single parents follow with 55.6%, 35.1% and 33% below the poverty line. On the other hand, family size does not appear to be associated with a high incidence of poverty.

Table 16: Percentage of people in households with certain demographic characteristics that fall below the poverty line

Demographic Characteristics	Percentage below poverty line	Percentage in Population
Male child: aged 0-15	5.39	13.98
Male aged 16-24	5.52	6.51
Female child: aged 0-15	4.64	12.74
Female aged 16-24	4.30	6.46
1 person h/h, aged 65+	90.67	2.24
2 adults + 3 or more children	4.74	17.12
Single parents	33.03	1.26
Divorced women	35.16	1.05
Female widow	55.56	3.44

Source: Family Expenditure Survey 1996-97.

¹¹ Moreover, a high percentage of old aged relatives, particularly grandparents, live with their children.

Social developments in recent years are challenging the traditional family roles in Cyprus. Increasing family violence, separation and divorce are becoming more and more noticeable in the society, as are the repercussions of the mass media and modern technology influences. To deal with these problems a service for families and children operates under the Department of Social Welfare Services with the objective to (i) support family members to effectively exercise their roles and responsibilities, and (ii) prevent and treat delinquent behaviour, family violence etc. The declared objective is to provide counselling and other services, such as home-care and child day-care services, to families at risk at the earliest possible stage.¹²

The Department of Social Welfare Services also offers services helping older persons and persons with disabilities to promote independent social functioning for as long as possible within the family and the community at large. Residential care on a 24-hour basis is offered when other solutions are not sufficient to meet individual needs. There are governmental, non-governmental and private home-care and day-care programmes and the government pays for these programmes in full or in part through the Public Assistance Law.

Preventive and child protective services offered by the Department of Social Welfare Services include adoption, foster care (temporary placement in a family other than the child's biological one), residential care for children and juvenile delinquency.

In the case of divorce the rights of the wife depend on whether she worked during the marriage. If both spouses worked then both of them are entitled to their share of the assets acquired by the couple during the marriage according to their financial contribution. In the case where the wife was a housewife and her contribution to the marriage cannot be defined in financial terms, then she is entitled to one third of her husband's assets. There are no benefits targeting divorced women who have no adequate means to support themselves or their children, other than the income support that applies to all individuals. The divorced wife is also entitled to an alimony if she has no adequate financial means to support herself after the divorce.

¹² Cyprus is already harmonised with the European Union as regards issues of social protection. Nevertheless, there is a continued effort to improve the standards of democracy, human dignity and social cohesion. Legislation with international and legal instruments ratified by Cyprus include: basic legislation for the protection of families and children; The Children's Law, Cap. 352, the Parents and Children Relations Laws of 1990-1998; the Public Assistance and Services Laws of 1991-1999; the Homes for the elderly and Disabled Persons Laws of 1991-1994; and the Violence in the Family Law of 2000.

4.2 Accommodation

Cyprus does not experience the problems caused by homelessness found in other countries, as no homeless people exist officially. Furthermore, as seen from the figures in Table 17, the percentage of households living in poor quality accommodation is low. More precisely, the percentage of households that lack, bathroom, hot water, or telephone facilities is less than 5%, while the percentage of households that lack, kitchen, toilet, electricity, or refrigerator facilities is less than 1%. Furthermore, Table 17 shows that approximately half of the households below the poverty line are households that lack these basic housing amenities.

The data in the Family Expenditure Survey 1996-97 suggest that most Cypriots own the dwelling where they live: 40.5% are owner-occupiers without and 26.2% are owner-occupiers with outstanding loan/mortgage. Moreover 7.6% of the households acquired their dwelling free, either from their parents or through inheritance. Households expelled from their homes by the Turkish army and still living in refugee housing estates and other types of government accommodation amounts to 16.5%. The proportion of households renting their dwelling is only around 7%.¹³ The average number of rooms per dwelling is 5.26.

Table 17: Households below the poverty line lacking basic housing amenities

Households without:	% below the poverty line	% in population
Kitchen facilities	50.22	0.79
Bathroom	53.47	2.61
Toilet facilities	50.31	0.98
Hot water	57.52	5.07
Telephone	55.67	4.24
Electricity	49.60	0.72
Refrigerator	50.57	0.98

Source: Family Expenditure Survey 1996-97.

There are governmental, non-governmental and private homes for older persons and persons with disabilities. The government encourages local communities and NGOs to develop supportive services at the local level to increase the flexibility and efficiency of services. The Department of Social Welfare Services meets the cost of residential care fully or partly, depending on the resident's income.¹⁴

Furthermore, the government provides the following benefits to persons with disabilities:

¹³ These figures do not include foreign nationals who generally rent their houses.

¹⁴ The legislation governing these services is: the Homes for the Elderly and Disabled Persons Laws of 1991-1994, the Homes for the Elderly and Disabled Persons Regulations of 1992-1995 and the Private Children's Homes Regulations of 1982.

- people living in rented dwellings are given a rent allowance equal to 50% of the amount deemed by law as necessary to meet their basic needs. In special cases (e.g. death of the household head) this figure can go up to 100%;
- households living in owner-occupied dwellings receive an allowance for mortgage interests equal to 50% of the basic benefit; and
- households living in owner-occupied dwellings are also entitled to a house equipment and house repair allowance of up to £500.

Moreover, the Service for the Care and Rehabilitation of Disabled People provides special funds for the purchase of equipment aiding the disabled to move easier inside their homes.

Although no official data exist about the accommodation circumstances of foreign workers, it is well known in Cyprus that this category of workers live in the most poor, run down city areas of the country. This reflects the fact that foreign workers are amongst the most poorly paid people living in Cyprus. Again, no official statistics exist about differences in pay between indigenous and foreign workers, however, indirect evidence supports this conjecture: according to estimates based on econometric analysis foreign workers lower the wage level by around 15% in the tourist and other sectors of the economy where they are mostly employed.¹⁵

5 Other factors influencing poverty and social exclusion

5.1 Identifying factors affecting poverty

In the absence of reliable official statistics identifying factors influencing poverty and social exclusion, the individual household data in the Family Expenditure Survey 1996-97 were used to estimate the probability of being below the poverty line associated with various observable characteristics.¹⁶ The empirical results obtained from this estimation and shown in Table 18 suggest that, other things being equal, pensioners and chronically ill persons have 58.8% higher probability of being below the poverty line than non-pensioners and not chronically ill persons. Part-time employees have a 36.1% higher probability of being below the poverty line than full time employees, while being unemployed this probability is only 17.8% higher than being employed. Elderly heads of household (over 75

¹⁵ Pashardes P, L Christofides and P Nearchou, Labour Market in Cyprus: Foreign Workers and Structural Problems, Department of Economics, University of Cyprus, Nicosia, 2000 (in Greek).

¹⁶ The empirical estimates are obtained using the Probit model where the dependent variable is 1 when the person is below and 0 when the person is above the poverty line.

years old) also have a relatively high probability of being below the poverty line, and so do single adult and single parent households.

Table 18: Characteristics ranked by their effect on the probability of causing poverty

Characteristics associated with poverty	Probability of being below the poverty line
Pensioner	58.3%
Chronically ill	58.3%
Part-time employee	36.1%
Household head aged over 75	30.8%
Single adult household	28.2%
Single parenthood	20.3%
Unemployed	17.3%
Household head aged between 61-75	14.4%
Primary education	12.7%

Source: Family Expenditure Survey 1996-97.

Interestingly, being a female is not itself a characteristic associated with a higher probability of being below the poverty line. This does not contradict the results reported later (Table 19) but rather suggests that poverty tends to have a higher incidence among women than men in Cyprus because women tend to have certain characteristics associated with poverty for everybody, such as part-time employment, single parenthood. There are also more women pensioners than men.

As noted earlier (end of section 2.5), indirect evidence suggests that being a foreign worker is a characteristic associated with poverty; however, we could not include foreign workers in the econometric analysis because no data exist for them in the FES.

5.2 Administration, access to and delivery of services

The Department of Social Welfare operates through six District Welfare Offices and a branch Welfare Office covering the government controlled area of Cyprus. It also encourages the supply of social welfare services by third parties through community work and public sensitisation to local needs. This decentralised provision of welfare services aims at providing the same level and quality of such services to all citizens in all areas of the country. Furthermore, given that poverty and social exclusion drivers are better identified at the local community level, the decentralisation of welfare services helps towards meeting diversified needs.

Local community welfare councils and NGOs are financially and technically assisted to:

- operate day-care centres for older persons and persons with disabilities,

- operate residential care for older persons and persons with disabilities,
- provide home-care, and
- provide group support services to persons with a mental or physical illness, persons who abuse substances, persons who are victims of family violence etc.

To the extent that old age and chronic illness are seen in the previous section to be the two most important drivers of poverty, the policies above are appropriately targeted. At the same time, however, one cannot be certain about the effectiveness of such policies because the government does not collect data documenting poverty and monitoring progress vis-à-vis its social welfare services. Yet, data collection and monitoring are integral parts of an effective policy to combat poverty and social exclusion.

5.3 Regeneration of areas

Cyprus is a small country and the only sensible geographical grouping of households for social policy purposes is the urban/rural one. As shown by Table 19, the percentage of persons below the poverty line is higher among households living in rural areas. Having said this, however, one should add that defining poverty on income alone in this case can be misleading because people living in rural areas probably benefit more from consuming goods produced by themselves than households living in urban areas. Table 18 also provides evidence that there is a higher percentage of women below the poverty line than men, regardless of whether they live in rural or urban areas.

The small size of the country is also convenient for visits to welfare offices: the longest distance from one of these offices is hardly an hour away by bus. Furthermore, welfare officers are assigned (on a geographical basis) people incapable to go to a welfare office due to either living in remote areas or disability. In these cases the people concerned have home visits by their welfare officer.

Table 19: Percentage of persons below the poverty line by gender and residence

Gender	Area of residence	% below poverty line	% in population
Male aged 16+	Urban	11.32	22.72
	Rural	17.94	12.72
Female: aged 16+	Urban	15.88	24.73
	Rural	23.25	13.10

Source: Family Expenditure Survey 1996-97.

5.4 Ethnicity

Since the Turkish invasion of Cyprus in 1974 and the move of the Turkish Cypriots into the northern part of the island, now occupied by the Turkish army, the population living in the government controlled area is dominated by Greek Cypriots. The only other officially recognised ethnic minorities are the Armenians, Maronites and Latins. These minorities represent a very small proportion of the population of Cyprus and most of their members are socially and financially integrated in the community with the Greek Cypriot majority. In this sense, ethnicity is not a factor influencing poverty in the government controlled part of the island.

The Ministry of Justice as well as of the Department of Social Welfare Services, are required by law to safeguard the right of to a decent standard of living for all persons legally residing in Cyprus. Very little is known, however, about poverty among the large contingent of around 30 thousand foreign workers legally resident in Cyprus. They represent around 12% of the total work force and mainly work either as domestic servants or as blue-collar workers in agriculture, manufacturing and the tourist sector (hotels and restaurants). Furthermore, it is estimated that another 10-15 thousand immigrants live and work in Cyprus illegally. It is likely that the majority of illegal and a large number of legal immigrants live below the poverty line.

6 Evaluation and Future Challenges

6.1 Main challenges

As said earlier, while the family bonds harboured by the extended family are still strong in Cyprus, social and economic developments are challenging the traditional role of the family. The Cypriot family now is more child-centred (see Table 15), providing social insurance to young people until they are able to set up and provide for their own family, while the elderly are gradually left out of these arrangements. Single parents and divorced women are also affected, perhaps in the sense that support for them can be seen as granting approval to 'attitudes' that are still considered outside the social norm.

The main challenge of the social insurance system and social inclusion in Cyprus is to catch up with the new problems created by rapid changes in society and focus on the groups of people who bear the consequences of these problems. Single parents, divorced women and especially old people (retired persons, widows) are groups becoming more and more vulnerable as the extended family and the traditional social values in Cyprus are giving in to western influences.

6.2 Links to other social protection policies

Future developments of the social insurance system in Cyprus are linked to the expected reform of the pension, national health and taxation system. These reforms are expected to affect poverty and social exclusion.

The pension system has to be reformed to meet the increasing funding needs due to the expected future increase in the demographic dependency ratio. The current view is that sooner or later either the social insurance contribution will have to increase to meet the increasing number of old age pensioners or the retirement age limit will have to be raised (from 60 to 63) so as to reduce the number of retirees. If the latter solution is applied, the percentage of old people below the poverty line is likely to decrease.

The expected introduction of a National Health Insurance Scheme is also likely to benefit those in need because medical care will be universal and all citizens will have free access to the same quality of health services. At the moment the less privileged Cypriots do have free access to public health care, however, the service received at the primary level of such care is not of a quality level comparable to that offered by the private sector at out-of-pocket cost. Furthermore, as the National Health Insurance Scheme will be funded by employee, employer and government contributions, the elderly (who are the most poor section of the population in Cyprus) will also gain from not having to contribute to its cost; as they do under the present system where public health services are funded by general taxation.

The tax reform that took place in June 2002, is claimed to be *revenue neutral*. Its objective was to reduce direct and increase indirect taxation. More precisely, there was a reduction of income and corporate tax rates and an increase in VAT and excise duties. At the same time child benefit, previously paid to households with three or more children, now is paid to all households with an annual income below €34500. Overall, the tax reform has increased the burden of people at the lower end of income distribution who will not benefit from the reduction in the income tax rates (because they are already below the threshold) but will be paying the increased VAT and excise duties. There is, however, a compensating increase in pensions and other benefits protecting the old and other vulnerable groups.

6.3 Political directions and future reform

At the moment political directions in Cyprus are motivated by the need for EU harmonisation and preparation for accession. Therefore, most measures taken to combat poverty and social exclusion originate from this motivation, as described in the next section. The prompt adoption of EU social welfare policies is aided by the political consensus in Cyprus in favour of improving the social insurance system: all political parties openly declare readiness to raise benefits, particularly

pensions. In fact, one finds it difficult to separate the left from the right in Cyprus when looking at their manifested positions about social insurance matters.

In its haste to effect all the required changes for EU harmonisation and accession, however, the Cyprus government often overlooks the need for monitoring the effectiveness of the measures introduced to improve its social welfare system. As argued earlier in this paper, there is a need for data collection and monitoring progress in this area, perhaps by setting up an ad hoc unit in the Department of Social Welfare. As this Department is already over-stretched the government should allocate more resources for this purpose, a point also made in a recent EU assessment of Cyprus progress towards harmonisation.

6.4 Social exclusion, poverty and EU accession

Currently, measures and actions are being taken in order to promote equality of opportunities between the two genders in view of the need to satisfy the EU harmonisation requirements for accession. These include:

- Expansion and improvement of child care facilities, through a government grant scheme to NGOs providing such facilities; the provision of special allowances to working people with elderly parents at home; and the promotion of part time employment and other flexible forms of employment.
- Encouragement of women to participate in initial and continuing training programmes and to enter new fields of occupations.
- Raising awareness of equality issues through appropriate training of staff and through the education system, the promotion of special campaigns and the encouragement of the media to contribute to this effort.
- Subsidisation of NGOs and women rights organisations to promote and implement gender equality programmes.
- Introduction of a Gender Management System, to serve as a tool for the integration of women issues into all government policies.
- Improvement of equality in the legal framework through the legislative transposition of the acquis and its effective implementation.

Moreover, a number of additional measures are introduced in order to improve the employability of certain categories of the labour force:

- The self employment Scheme for tertiary education graduates, providing financial incentives in the form of interest rate subsidisation for loans undertaken with a view to creating self-employment.

- The self-employment scheme for older persons, aims to keep older persons (63 years and over) actively involved in economic and social activities. The scheme provides grants for engaging in activities such as agriculture and stockbreeding, home made sweets and jams, embroidery, ceramic work etc.
- Employment support scheme for people with disabilities (mental or multiple disabilities) was introduced in 1996 to further facilitate their employment in the open labour market. Support is provided in the form of job-coaching. These programmes are run by voluntary organisations and financed to the tune of 75% by the government.

The law against homosexuality was abolished a few years ago in a further effort to eliminate any kind of discrimination against homosexuals. This, however, was fiercely opposed by the Orthodox Church in Cyprus and no active measures are taken to encourage the social inclusion of homosexuals.

In addition to the changes in the tax system discussed earlier, several legal reforms affecting the social insurance system have also been ratified by Cyprus, with a view to satisfying the EU harmonisation requirements for accession.

- *The European Social Charter of 1961* (Laws 64/67, 5/75, 31/88 and 203/91). Among other things, this gives the right of special protection at work to employed women, e.g. in case of maternity. Moreover, everyone has the right to vocational training and to social and medical assistance. Furthermore, disabled persons have the right to vocational training, rehabilitation and resettlement. Family is recognised as the fundamental unit of society with the right to appropriate social, legal and economic protection. Mothers and children, irrespective of marital status and family relations, have the right to appropriate social and economic protection.
- *The European Convention for the Protection of Human Rights and Fundamental Freedoms of 1950 and the Relevant Protocol of 1952* (Law 39/62). The aim of this law is the maintenance and further realisation of human rights and fundamental freedoms through an effective political democracy and by a common understanding and observance of the human rights.

These, together with other legal reforms motivated by participation in international conventions¹⁷, are expected to benefit vulnerable groups and assist Cyprus to fight social exclusion.

¹⁷ *The 1966 U.N. International Covenant on Economic, Social and Cultural Rights* (Law 14/69); the 1966 U.N. International Covenant on civil and Political Rights (Law 14/69); the 1989 U.N. Convention on the Rights of the Child (Law 243/90); and the 1993 Hague Convention on Protection of Children and Cooperation in Respect of Intercountry Adoption (Law 26(III)/94).

7 Summary

The Cyprus government has introduced legislation to deal with poverty and social exclusion problems in the country and secure a minimum standard of living for all persons legally residing in Cyprus. At the same time, it has taken action to promote long-term independence from public provision, e.g. incentives for employment and for participation in training and continuing education schemes. Direct measures to alleviate poverty, such as family support and counselling services, have also been introduced.

The lack of data and monitoring procedures, however, do not allow one to assess the effectiveness of these policies. Only a small number of EU indicators of social exclusion are compiled by the government of Cyprus and in general, there is lack of up to date information for the calculation of these indicators. There is, therefore, an urgent need for setting up systematic data collection and monitoring procedures to follow progress and implement changes to improve the provision social services.

Although, the reasons above suggest that one cannot make strong claims about the success of government policy, there are indications that the problem of poverty and social exclusion is not a pronounced one in Cyprus: unemployment has been very low over the past two decades and the benefits from the fast economic growth over the same period are spread among all socio-economic groups in the country. Furthermore, Cypriots still appear to uphold the values of 'sharing' between family members and members of the community.

There are, however, categories of people not adequately protected by the 'safety net' of the state, the extended family and the community. Groups of people in these categories, like the immigrants, are likely to be suffering from poverty and social exclusion. In other words, hidden poverty may exist and be deep in Cyprus. Furthermore, poverty and social exclusion may become a more widespread phenomenon in the future due to social and economic developments causing the fading out of the extended family bonds, especially those centred around small family businesses forced to close down by increasing foreign competition.

Funding for the pension system has to increase to meet the needs of an ageing population. The establishment of a National Health Insurance Scheme in the country will also require additional funding for the social insurance system. Furthermore, changes required for EU harmonisation can make social insurance in Cyprus an expensive commodity. It remains to be seen how strong the resolve of the Cypriot people will be to cope with the new social insurance challenges and whether they will be as successful in containing the problem of poverty and social exclusion in the future as they can claim to have been so far.