

Newsletter issue 13 – February 2008

The 13th issue of 'Economics Research' contains articles on the child poverty in Cyprus, the effects of migration on the participation of women in the labour market and financial and economic convergence in the European Union.

Low overall child poverty in Cyprus can be attributed to four reasons: the generosity of the child benefit system to large families, the high labour market participation among parents, the high poverty risk among pensioners and the small proportion of lone mothers in the population. Child poverty is likely to increase in the future as the maturing of the state pension system raises the incomes of retirees above the poverty line and the number of single parent families continues to increase over time. In order to maintain child poverty to its current low levels, the Cyprus government needs to raise the level of child support throughout the benefit system and change the eligibility criteria of the supplementary child benefit to improve targeting.

The employment of domestic workers has increased substantially over the last fifteen years in Cyprus. At the same time, the percentage of participation of married women with children in the labour force has increased significantly. According to our estimations, the factor "domestic assistance" has increased the likelihood of women's participation in the labour force. Women who have "domestic assistance" are 20.5% more likely to participate in the labour market than those who don't. Therefore, the possibility of acquiring "domestic assistance" increases the labour supply of women and encourages women who are not participating, to enter the labour market.

The analysis of financial and economic convergence between Cyprus, the new EU Member States and the whole EU was conducted by examining Bond returns, the capitalization to GDP ratio and per capita GDP. Results show that Cyprus does not show any degree of convergence when taking into account the capitalization to GDP ratio. As far as bond returns are concerned some partial convergence was found between Cyprus and the other groups of countries. Looking at per capita GDP no proof was found of any convergence between the countries involved. In the light of the above mentioned results one should expect the European Union to take additional measures in order to achieve faster integration (financial and real) between member states.