Chapter 14

Cyprus

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Abstract The demographic challenge of an ageing population and the increasing diversity of working life call for a greater focus and deeper analysis of the opportunities and less favourable consequences of extended working life policies. The 15th principle of The European Pillar of Social Rights (2017) emphasises that everyone in old age has the right to resources that ensure living in dignity. However, currently these rights are not ensured properly, as there are big differences concerning gender, health, and employment among older adults in many countries. This chapter discusses the gender and health implications of the extension of working life in Cyprus.

Keywords Extended working life • Reforms • Cyprus pension system • Pension gap • Health • Policies

Introduction

Extended working life policies have implications for gender and for the health of citizens at European Union and international levels. Since 2014 the retirement age in Cyprus is 65 years for both men and women. Early retirement is penalised with a reduction in the pension for each month until a person reaches the age of 65, and financed with an additional amount for each month for prolonging working life until the age of 68. In a country where the General Health System is yet to be fully implemented (it is expected in March 2020) there is a huge need to make reforms to improve the working and retirement experiences of Cypriot citizens.

This chapter briefly describes the situation in Cyprus in relation to gender and health implications of policies introduced to extended working lives. It discusses the current patterns on gender and employment in Cyprus, the pension system and pension policies, employment policies to extend working life, policies to reduce the risk of poverty and the health care system. The chapter concludes with some policy recommendations.

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Gender and Employment in Cyprus

Cyprus joined the EU in 2004 and the Eurozone in 2008. In 2015, approximately one third of women were at risk of poverty in Cyprus (European Institute for Gender Equality 2015). Since Cypriot women continue to act as the primary carers of children and dependents, they are more likely than men to work part-time, hold lower paid jobs, have lower social security contributions than men, and usually interrupt their social security contributions during pregnancy (Statistical Service of Cyprus 2012). The gender pay gap which is defined as the difference between the average gross hourly earnings of male and female employees as per cent of men's gross earnings was 16.1% in 2011, dropping to 13.7% in 2017 (Eurostat 2018).

The proportion of women working and their characteristics differ significantly between countries, particularly due to the institutions and attitudes governing the balance between private and work life which impact on the careers and thus the pay of women. In Cyprus, even though women overreach men in university degrees, their working patterns lead to a significant gender pay gap. These patterns include horizontal and vertical segregation in employment. Key decision making positions such as management, are dominated by Cypriot men while administrative and support staff positions are dominated by Cypriot women. For example, at European level, Cyprus has one of the smallest shares of women occupying higher positions such as management (21%) (Eurostat 2018). There is also gender segregation in employment. Professions such as engineering are dominated by men while teaching is dominated by women. In 2012, 70% of employees working in the education and health sector were women while only 10% of the employees working in the construction were women; 72% of the employees working in the transportation and storage industry were men and 67% of the employees working in other production industries were also men (Statistical Service of Cyprus 2012). Some other factors that partly explain the gender pay gap are: education, type of work (full-time or part-time), rate of employment, marital status and motherhood. For example 15.6% of women in Cyprus work part-time (compared to 9.1% of men), and 11.3% of women (compared to 10.9% of men) in Cyprus are unemployed (Eurostat 2018).

Cyprus has one of the highest gender employment gaps for older workers among the EU member states. In 2010, the employment rate for men was 61.9% and 38.1% for women. Even though in 2017 the total employment rate was similar to that of 2010, the gender gap in employment rates of 2010 which was 23.8% dropped to 14.8 per cent (Statistical Service of Cyprus 2018). A time series of the last eight years regarding the employment rate for two age groups by gender is shown in Table 14.1.

Unemployment may be an obstacle to extending working life and maintaining quality of life. In Cyprus it is generally accepted by public opinion, and also evident from data, that it is quite difficult for those aged 55–64 to obtain a new full-time job. In recent publications of the Statistical Service of Cyprus of (2018), in 2017 the average rate of unemployment for women aged 55–64 was 2.98% compared to 7.01% for men.¹

¹ Author's calculations. Calculations have as a base the total number of unemployed persons.

Table 14.1 Employment by age between 2010–2017 for older men and women in Cyprus

Age group						
	55–64			65+		
Year	Men (%)	Women (%)	Total (%)	Men (%)	Women (%)	Total (%)
2010	61.9	38.1	56.3	73.7	26.3	12.8
2011	62.4	37.6	54.8	72.1	27.9	11.1
2012	61.8	38.2	50.7	71.9	28.1	9.5
2013	60.8	39.2	49.6	73.2	26.8	7.8
2014	60.2	39.8	46.9	72.8	27.2	7.2
2015	58.6	41.4	48.5	70.2	29.8	7
2016	57.6	42.4	52.2	68.4	31.6	7.3
2017	57.4	42.6	55.3	73	27	7.6

Source Labour Force Survey, 1999–2017. Statistical Service of Cyprus (2018)

In addition, there is a gender gap related to poverty in Cyprus. Nearly three in ten women are at risk of poverty or social exclusion. This can be partly explained by women's lower lifetime earnings, due to caring responsibilities and due to their greater propensity to work part-time (Statistical Service of Cyprus 2017; European Institute for Gender Equality 2015: 33).

Until 2013, Cyprus was prospering, with the Services and Tourism sectors providing the main income of the country. The shocking financial crisis of 2013 completely changed the lives of Cypriots, as many people lost their jobs, and many middle class employees in Cyprus lost a high percentage of their life earnings due to the bail in² of major banks. Nowadays, the crisis which significantly affected the public and bank sector where women are mainly employed, is declining and, after six years, Cyprus's economy is growing at a steady pace.

Pension System and Pension Policies

The first Social Insurance Scheme in Cyprus was introduced in January 1957 and it compulsorily covered all employees, with the exception of certain categories of agricultural workers. The self-employed and those workers exempted from compulsory insurance were given the right to be insured voluntarily. In 1980, a major reform introduced an earnings related insurance, replacing the previous scheme of flat rate contributions and benefits. Currently, there is only one Social Insurance Scheme (General SIS) where current contributions finance current pension expenditure—a

²A bail-in is the rescue of a bank that is on the brink of failure where creditors and depositors take a loss on their holdings, as opposed to a bail-out, which involves the rescue of a bank by external parties, typically governments that use tax-payers money.

pay-as-you-go (PAYG) scheme-which covers all employed and self-employed people in the area controlled by the Republic of Cyprus (Social Insurance Services of Cyprus 2018).

The pension system in Cyprus currently comprises of three pillars: a General Social Insurance Scheme (GSIS), a compulsory earnings related scheme which covers every person gainfully employed in Cyprus, both in the public and private sector, including self-employed; the Social Pension Scheme, an income-tested scheme, which covers residents of Cyprus with no or low pension income (e.g. housewives); and Occupational Pension plans, which provide supplementary pensionable benefits to their members such as the Government Employees Pension Scheme, the Semi government Sector Employees Pension Schemes, the Voluntary Provident Funds, and other similar collective arrangements. The old age pension is payable at the statutory pensionable age of 65 for both men and women for both the private and the public sector, provided that the person has been insured for at least ten years and given other requirements.

Until 2013, the rate of contribution, for employees working in the private sector, was 17.9% on the monthly wage and was divided into 6.8% contributions paid by the employer, 6.8% paid by the employee and 4.3% paid by the State. For self-employed people the contribution was 16.9% of expected income: 12.6% was paid by the self-employed and 4.3% by the State. It is worth noting that until 2013, public and semi-public sector employees had no or very little contribution to the pension scheme as most of the contribution was paid by the State. Since 2014, contribution rates for private sector employees, increased to 20.2% on the monthly wage, divided into 7.8% paid by the employer, 7.8% by the employee and 4.6% paid by the State. For self-employed people the rate of contribution is 19.2% on the expected income: 14.6% is paid by the self-employed and 4.5% by the State. Newcomers in the public and semi government service were affected negatively as their contribution is currently the same as the private sector, 7.8% for those employed after 2011, while for permanent public sector employees, the contribution is still 3.95% for those employed before 2011³ (European Commission DG for Employment, Social Affairs and Inclusion 2018a: 123).

The gender gap in pensions is around 37.2% for pensioners aged 65–79 in the EU-28. In Cyprus, the pension gap reaches 48.7% for the 65–9 age group, one of the highest gaps in Europe. This gap may be attributed to the various inequalities that women are facing during their working life: as mentioned before Cypriot women continue to act as the primary carers of children and dependents; they are more likely than men to work part-time; they hold lower paid jobs; they have lower social security contributions due to the gender pay gap; and they usually interrupt their social security contributions during pregnancy (Statistical Service of Cyprus 2012). These factors are cumulative and they have an effect on women's pensions.

³On the 1st January 2019 all employees' contribution increased by 0.5%.

Pension Policies to Extend Working Life

In the last five years many pension reforms were introduced due to the financial crisis. In an attempt not only to extend working life, but also to secure the Social Security fund for the current and future generations, in 2013 pensionable age increased for all employees to 65 years for both men and women and early retirement was penalised for all workers to discourage early retirement. Early retirement, before the age of 65, is penalised with 0.5% reduction in the pension for each month until the person reaches the age of 65. For example, for someone who retires at the age of 64 (12 months before the age of 65) s/he will experience a monthly reduction of six per cent from her/his expected pension. At the same time, there are financial incentives for prolonging working life until the age of 68. Postponement of pension entitlement comes with the benefit of increasing pension by 0.5% for each additional month of postponement (European Commission DG for Employment, Social Affairs and Inclusion 2018a).

Employment Policies to Extend Working Life

Currently there are no specific employment policies to extend working life targeting old employees. Protection from discrimination on the grounds of age is only covered by the right to equal treatment in employment as described by the Equal Treatment in Employment and Occupation Law of 2004 (L. 58(I)/2004). The Law harmonises the Directive 2000/78/EC and establishes a general framework for equal treatment in employment and occupation (Department of Labour and Equality Authority, Ombudsman 2018). This Law covers the industrial relations in both the private and public sector, and aims to fight discrimination on the grounds of age in terms of:

- Access to employment, self-employment and work.

- Selection criteria and terms of recruitment, in all sectors of activity and on all levels of professional hierarchy, including professional development.

- Access to all types and levels of vocational orientation, training, further education and reorientation, including the acquisition of practical and professional experience.

- Working conditions and terms of employment, including terms of dismissals and emoluments.

- Membership and participation to employees or employers organisations.

Policies for Reducing the Risk of Poverty in Cyprus

Policies for reducing the risk of poverty are focused on the population age group of 65 years and over, families and other vulnerable groups. The old age pension is payable to an insured person who reaches the pensionable age of 65 and satisfies the relevant contribution conditions. If the person satisfies certain stricter insurance

conditions then s/he is entitled to old age pension at the age of 63. For example miners, the only special arrangement for workers in hazardous/arduous occupations, can receive a pension at the age of 63 provided they have worked in a mine for at least 3 years, and they are also entitled to a one month reduction in the retirement age for every 5 month period they worked in a mine on condition that they are no longer engaged in that activity. They may not, however, retire before the age of 58 (European Commission DG for Employment, Social Affairs and Inclusion 2018b). If an insured person has reached the age of 68 but does not satisfy the insurance conditions for a statutory pension, s/he is entitled to a statutory lump sum instead of a pension if s/he has attained actual basic insurance of at least six insurance points⁴ and 312 weeks have elapsed since the week of commencement of insurance.

For many decades and especially before 1974 many women were not in paid employment. They used to work in the fields without any salary or worked unpaid in the home. For those women who did not contribute to the Social Insurance scheme and who are not entitled to any other benefit after the age of 65, are entitled to the Social pension. Any person who is not entitled any source of pension or other similar payment and whose monthly amount is equal to or greater than the monthly amount of the social pension is entitled to the social pension. Currently the monthly amount paid for the social pension is €334.62 for 13 months. Table 14.2 shows a breakdown comparison on the beneficiaries of minimum and social pension aged 65+ between men and women for 2013 and 2015–2017. The table shows very clearly that the percentage of women who receive either minimum pension or social pension is much higher than the respective percentage of men.

In addition, the Guaranteed Minimum Income (GMI) is a financial benefit which is provided to all persons and/or families with income below a minimum threshold and increases with the size of the recipient unit. Currently, the level is set at €480 per month for a single person.

Many Cypriots consider their Provident fund as a mean to secure their retirement years, and pay their loans when they retire. The provident fund in Cyprus is one of the three pillars of the Social Insurance scheme; it is mainly provided by organisations and businesses in the private sector; is financed by contributions from employers

Table 14.2 Share of recipients of minimum income benefits in the population aged 65 and over by benefit (2013 and latest available data)

	Beneficiaries aged 65+ as % of total population 2013		Beneficiaries aged 65+ as % of total population, latest data from year 2015–2017	
	Men	Women	Men	Women
Minimum pension	16.5	30.6	13.8	28
Social pension	0.9	24.9	0.8	22

Source European Commission DG for Employment, Social Affairs and Inclusion (2018c)

⁴An insurance point is the result arrived by converting real and assimilated insurable earnings to insurance points.

and employees and is considered a Supplementary pension scheme. Employees may decide according to collective bargaining to pay voluntary contributions for a private pension. The beneficiary usually receives the private pension as a lump sum payment at her/his retirement age or by monthly instalments in addition to the state pension provided through the General Social Insurance Scheme (GSIS). Private sector workers and private employers contribute equally and fairly to the social insurance scheme even though the private sector is paid less than the public sector in Cyprus. The pensions of the private sector worker will always be less than those of the public sector, complementary and voluntary schemes such as the provident funds help sustain the retirement income of people working in the private sector. According to administrative data, there were 1959 registered provident funds in 2014, of which approximately 41% have fewer than 10 members, 46% between 10 and 100 members and 13% have more than 100 members (European Commission DG for Employment, Social Affairs and Inclusion 2018a: 124). With the aim of strengthening and fortifying the sector, a new independent Single Supervisory Authority for Insurance and Occupational Pensions is to be established that will emerge from the consolidation of the two existing supervisory agencies, the Director of Social Insurance and the Ministry of Finance. Unfortunately, no gender breakdown statistical analysis exists for this type of pension.

Few policies directly target the reduction of the risk of poverty and the improvement of women's lives in Cyprus. These policies are usually associated with family e.g. maternity leave and rights. These rights comprise 18 weeks of maternity leave with possible extension under certain criteria, special rights for breastfeeding, protection of the rights of pregnant workers (and of adoptive mothers) when returning to work, and criminalisation of the dismissal of a pregnant worker (or/and adoptive mother). In addition to maternity leave a monthly allowance payable during the maternity leave period of 18 weeks is provided for pregnant women. In 2017, the Parliament of Cyprus voted on legislation introducing paid paternity leave for new fathers who may apply for two consecutive weeks' paid paternity leave during the first 16 weeks from the week of the birth or adoption of the child. Also a maternity lump sum amount is given to all women who have given birth while living in Cyprus, provided that she is a legal resident of Cyprus and that she or her husband fulfil their social insurance obligations. A widow receives a monthly payment provided she was living with her husband at the time of his death. Since 2018, a widower who is permanently incapable of self-support and maintained by his wife is entitled to pension. In addition, for those who legally reside in Cyprus and whose resources are insufficient to satisfy their special needs for care, the state provides homecare or long term care. Social Welfare Services employ carers who visit older people in need of care at their own premises and provide services according to their needs. Carers can also be employed by Community Councils or may be self-employed. The salary of the carers is paid by the state. Homecare service provides personal hygiene, house cleaning, washing of clothes, cooking, payment of bills, shopping, etc. When older people's individual needs cannot be met on a 24 h basis by their family or other supportive services, Social Welfare Services place older people in governmental, community or privately owned residential homes (Social Welfare Services 2014).

Finally, unemployed people receive benefits from the Unemployment Scheme if they lose their job. This scheme stipulates that a person aged 16–63 employed in the Republic of Cyprus, or aged 64–65 but not eligible for the old age pension, may receive a weekly payment of 60% of their average weekly earnings based on contributions paid in the preceding year. However, self-employed people are not entitled to unemployment benefits.

Healthcare and Policies

In 2013, the Convention on the Elimination of All Forms of Discrimination against Women and the Committee on the Elimination of Discrimination against Women, among others urged the Republic of Cyprus to:

‘Ensure universal access to health care and services for all women, with particular attention to migrant and elderly women, as well as the swift implementation of the National Health Insurance System’ (United Nations 2013)

On November 10th 2017, Cyprus ratified the Council of Europe Convention on preventing and combating violence against women and domestic violence, also known as the Istanbul Convention. According to the last national survey on gender based violence, the levels of domestic violence against women in Cyprus is 28% while the age group which is at the highest risk is between 45–65 years (Mavrikiou, Apostolidou and Paralis 2014).

The absence of a general health system and the lack of universal care, has impacted negatively the access to health care services for low income groups, women and especially older women. After decades of fruitless efforts, on the 1st of March 2019 all employees in Cyprus have started to contribute to the first phase of the General Health System with a flat contribution of 1.7% covering only out-of-hospital care, a contribution to be gradually increased to 2.65% by 2020 to also cover in-hospital care. The GHS has set a maximum annual amount of co-payments for each beneficiary in order to protect vulnerable groups (e.g. low income persons and/or persons with increased needs in medical care) and safeguard unhindered access of the population to the necessary healthcare services. The maximum annual amount of co-payments will be €75 for the recipients of the Guaranteed Minimum Income, low income pensioners and children up to the age of 21, and €150 for the rest of the population (General Health System 2019).

Through the implementation of the General Health System every Cypriot citizen, based on the principles of social solidarity, justice and universality, both in regards to contributions and coverage, should enjoy lifelong, equal and unhindered access to high quality healthcare services, regardless of gender, age and class.

Debate on Extending Working Lives

The issue of extending working lives in Cyprus with all its consequences, is solely a political discussion rather than an academic or research issue, and started with the financial crisis of 2013. The discussions are mainly between the government, the political parties and the affiliated trade unions. Trade Unions and social partners (mainly the left) ask for the state to implement Social EU directives, to design a national strategic plan for combating poverty and inequalities, to make a fairer distribution of wealth, to implement a fairer taxation system, to eliminate the gender pay gap, to treat men and women equally and to take positive measures for reconciliation of family and work life. Currently the media in Cyprus do not pay attention particularly to extended working life. Only occasionally newspapers and social media mention policies to extend working life. On the other hand though, the General Health System, lower paid pensioners and quality of life rank almost always first among newspaper headlines. However, political debates have never incorporated the element of gender in any discussion.

Policy Recommendations

Demographic changes and massive reforms in the pension system of Cyprus due to the economic and financial crisis of 2013 pushed Cypriots to work longer. To maintain a high quality of life during the working life of the Cypriots but also to live with dignity during their pension years, policy makers should consider ways to:

Minimise gender inequalities in the labour market and bridge the gender pay gap.

Improve further the financial incentives for prolonging working life until the age of 68.

Reform the retirement paths of various vulnerable occupational/employment groups that have not been addressed in a comprehensive manner.

Narrow the gender pension gap and mitigate the effect of labour market inequalities on pensions.

Reform the third pillar of the pension system (occupational pensions) and better governing of the occupational pension funds in a way that will promote adequacy, sustainability, safety and transparency.

Provide affordable childcare or long term care services that may increase the number of female entrepreneurs or improve women's access to private sector labour market and leadership.

Promote further research and alternative angles in order to understand the issue of gender, health and extended working life in Cyprus.

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