



European Minimum Income Network

Country Report

Cyprus

Analysis and Road Map for Adequate and
Accessible Minimum Income Schemes in EU Member States

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*Employment,
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and Inclusion*

EMIN
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1. Panorama: short description of minimum income scheme(s)

1.2 General Overview: Description of the existed scheme¹

One of the most important aspects of social protection system in Cyprus until today is the Public Assistance Benefit (herein after “PAB”) which was designed to provide assistance for those with not enough recourses to cover for their basic needs. The primary legislation has been established since 1975 (Amitsis, 2009) supplemented by targeted programmes for specific vulnerable groups. Apart from the economic support other care services are provided under the supervision of the Social Welfare Services (department of the Ministry of Labour and Social Insurance). However, by evaluating the entire system, there is evidence that it is not providing adequate support to people with real needs, making the social solidarity system quite ineffective and socially unfair, perforated with significant leaks and gaps.²

Nevertheless, as it is analysed through the current legislation, the aim of PAB is to ensure a socially acceptable minimum standard of living for persons and families legally residing in the Republic of Cyprus, and is subject to eligibility criteria. The PAB is provided within the framework of the Public Assistance and Services Laws of 2006 and 2012 (L.67(I)/2012).

In particular, any person whose income and other economic resources are insufficient to meet his/her basic and special needs, as defined in the legislation, may apply for public assistance. The PAB may be provided in the form of either monetary support and/or services.

It is granted on the basis of a subjective right; the claimant is guaranteed entitlement to the benefit if s/he satisfies all the conditions laid down by law.

The nature of the benefit differs in that it varies according to the applicant’s income. As the applicant’s income increases, the amount of benefit decreases so as to ensure that the

¹ This section is mostly based on information from the relevant Ministry of Labour, Welfare and Social Insurance as well as from the 2009 *Cyprus Minimum Income Schemes, A study of National Policies*, Dr. Pashardes P. Andreou M., University of Cyprus. As it is mentioned “*Disclaimer: This report reflects the views of its authors, which do not necessarily coincide with those of the European Commission or the Member States. The original language of this report is English.*”

² This conclusion is a result of the 2009 National Report on the Cyprus Minimum Income Program.

recipient conforms to the minimum standards set. The total amount received by the claimant varies according to the number of dependent persons, special needs (i.e. care, rent, special needs) and the applicant's income.

The scheme is non-contributory as it is not calculated based on the contributions paid by employers, employees or insured persons.

Benefit provision is centralised and directed by the Social Welfare Services. Claimant application is processed by the local Social Welfare Offices.

In addition to the PAB which derives from the Social Welfare Services we also have Social Pension, which derives from the Social Insurances Services and the other benefits deriving from the Grants and Benefit Service. All three (3) Services are part of the Ministry of Labour, Welfare and Social Works.

- Social Insurance Services:
 - Social Pension.

The aim is to provide, by law, a pension to persons aged 65 or more who are not entitled to a pension or other similar payment from any other source and satisfy the conditions of legal residence in Cyprus. In case of entitlement to a pension or another similar payment the rate of which is lower than the rate of the social pension, then the entitlement to social pension is equal to the difference between the two pensions/payments.

- The Grants and Benefits Service:

The Scheme supports pensioners' households with low income. Cash benefit scheme addressed to pensioners' households whose total annual income is below the poverty threshold.

1.2.1 Eligibility conditions

- Social Welfare Services:

Any individual and his/her family dependants legally residing in the Republic of Cyprus is eligible to apply to the Social Welfare Services for PAB.

- Social Insurance Services:

- Social Pension:

The aim is to provide, by law, a pension to persons aged 65 or more who are not entitled to a pension or other similar payment from any other source and satisfy the conditions of legal residence in Cyprus. In case of entitlement to a pension or another similar payment the rate of which is lower than the rate of the social pension, then the entitlement to social pension is equal to the difference between the two pensions/payments.

- The Grants and Benefits Service:

The Scheme supports pensioners' households with low income. Households with persons who receive: (a) Pension from the Social Insurance Fund (Old Age, Incapacity, Widow etc.), (b) Social Pension, or (c) Pension from any occupational pension scheme applicable in Cyprus are eligible.

1.2.2 Nationality:

- Social Welfare Services:

There is no nationality requirement for EU citizens as long as the person resides legally in the Republic of Cyprus. The system is not covering 3rd country citizens with the exemption of the Political Asylum Seekers and Recognised Refugees.

- Social Insurance Services (Social Pension):

There are no nationality requirements.

- The Grants and Benefits Service:

The Scheme supports pensioners' households with low income. There are no nationality requirements.

1.2.3 Residence:

- Social Welfare Services:

The criterion covers all persons who have Legal residence in the areas under the control of the Government of the Republic of Cyprus. For third-country and EU nationals, the status of

residence has to be verified in accordance with national law (e.g. possession of a working permit).

- Social Insurance Services (Social Pension):

The criterion covers all persons that they have Legal residence in the areas under the control of the Government of the Republic of Cyprus.

- The Grants and Benefits Service:

The Scheme supports pensioners' households with low income. This covers the Households having their legal residence in the areas under the control of the Government of the Republic of Cyprus.

1.2.4 Age:

- Social Insurance Services (Social Pension):

This applies for people of 65 years old or more.

1.2.5 Amount of the living wage:

The following factors related to family synthesis influences the level of the PAB received:

- Number and age of dependent persons (spouse and children) in the household.
- Number of non-dependent relatives of the applicant: reduction applies having regard to the obligation of working adult children to support their parents (this reduction does not apply to adults who live abroad or to persons displaced from their houses following the Turkish invasion of Cyprus in 1974). The applicant is considered as the head of the household and the rest of the family members (e.g. spouse, children) are considered as dependent persons. The relative value of benefit as of 1/7/2010 till today was:
 - 1 unit for the head of the household
 - 0.5 unit for every dependent person over 14 years of age (incl. spouse)
 - 0.3 unit for every dependent person under 14 years of age.

- Social Insurance Services (Social Pension):

Not applicable.

- The Grants and Benefits Service:

The Scheme supports pensioners' households with low income. The number of people in the household determines both the poverty threshold and the amount of benefit paid. The poverty threshold and the grant are adjusted accordingly:

- every pensioner = 1 unit,
- spouse (no pensioner) = 0.5 unit,
- all other dependent members = 0.3 unit each.

There is a ceiling of three (3) units for each pensioner's household.

- Social Welfare Services:

The basic needs allowances are based on the yearly consumer price index:

- € 452 for the head of the house-hold,
- € 226 for every dependent person over 14 years of age (incl. spouse),
- € 135.60 for every dependent person under 14 years of age,

Supplementary allowances:

- € 226 Disability allowance (50% of the basic needs allowance),
- rent, house loan and heating allowances, see below "Housing and heating allowances",
- € 77.92 for incontinence pads for adults and € 41 for diapers for children,
- Subsidies for municipality and other taxes (no specification of amount),
- Benefit for unexpected circumstances (e.g. purchase of electrical appliances etc),
- Cost for social care of children. At Christmas the beneficiary receives an extra allowance equal to 80% of the amount of the basic needs allowance. In the framework of the social cohesion measures promoted by the Republic of Cyprus, a supplementary benefit of € 142.38 is given to persons with disabilities.

- Social Insurance Service:

The Social Pension is € 342 per month, payable for 13 months.

- The Grants and Benefits Service:

The Scheme supports pensioners' households with low income (The amount of the grant to pensioners depends on the number of people in the household and the level of the household income).

Indicative table with the amount of benefit for a household with one person:

Annual income	Annual benefit	Monthly
€ 0 - € 5,162	€1,800	€ 150
€ 5,163 - € 5,678	€ 1,700	€ 141.67
€ 5,1679 - € 6,195	€ 1,600	€ 133.33
€ 6,196 - € 6,711	€ 1,500	€ 125
€ 6,712 - € 7,227	€ 1,400	€ 116.67
€ 7,228 - € 7,742	€ 1,300	€ 108.33
€ 7,743 -€ 8,259	€ 1,200	€ 100
€ 8,260 -€ 8,775	€ 1,100	€ 91.67
€ 8,776 -€ 9,291	€ 1,000	€ 83.33
€ 9,292 -€ 10,324	up to € 900	€ 75

Up-rating:

Social Welfare Services:

The amount of the basic needs allowance is revised every year, by regulations, which are approved by the Council of Ministers and the House of the Parliament.

- Social Insurance Services: Social Pension.

This is increased every year according to the increase of the basic pensions of the Social Insurance Fund.

- The Grants and Benefits Service:

The Scheme supports pensioners' households with low income. The grant is revised every year upon the revision of the poverty threshold.

1.2.6 Time duration:

There are no time limits.

- Social Insurance Services: The SIS has the following schemes
 - Social Pension. The social pension is payable until the death of the beneficiary or until the beneficiary is entitled to a pension the amount of which is higher than the amount of the Social Pension.
 - Special Allowance. Social allowance is payable until the amount of the pension(s) received exceeds the amount of €854.30 monthly.

- The Grants and Benefits Service:

The Scheme supports pensioners' households with low income. The grant is paid on a monthly basis for a period of one (1) year. The application must be renewed annually (households with elderly people over 70 years of age are exempted). Beneficiaries can apply as many times as necessary until their income reaches the poverty threshold.

1.2.7 Conditionality:

Application and social enquiry:

- Social Welfare Services:

The person concerned may apply to the Local Welfare Offices for the PAB. The application will be processed by a Social Service Officer, who will first check the correct completion of the application and whether the applicant has submitted all the necessary documentation. The applicant will be notified if the application is not complete. If the application is correct, the Officer will visit the applicant at his/her house and perform a socio-economic analysis of the situation of the applicant and his/her family, describing the needs etc. In parallel the Officer will investigate his/her financial situation (through credit institutions, national property agencies etc.) to verify the validity of his/her economic situation.

If the person finds him - or herself in this situation because of unemployment and no other circumstances exist (such as health problems), then the applicant must provide justification that s/he is searching for work and that s/he is registered with the Department of Labour.

Before the final granting of PAB the Officer will also check whether s/he receives any social insurance benefits which are to be deducted from PAB.

- Social Insurance Services: Social Pension:

The person has to fill in an application accompanied by the necessary certificates. If the application is accepted, an annual certificate is sent to the beneficiary by means for which s/he must inform the Services of any relevant change in circumstances. A certification is also sent to verify whether the amount of other pension or similar payment received, has changed.

- The Grants and Benefits Service:

The Scheme supports pensioners' households with low income. The person has to fill in an application accompanied by the necessary certificates. Information from the Social Insurance Services as well as from other Occupational Pension Schemes is needed for the investigation of the amount of pension received. Also information from the Social Insurance Services and the Department of Inland Revenue as regards the income is collected.

1.2.8 Income:

- Social Welfare Services:

Income earned by all family members is taken into account. The relevant domestic unit is composed of the head of the household and his/her dependants living under the same roof.

The following income is taken into account for the purposes of entitlement to PAB:

- income from work,
- income from property,
- Income from pensions,
- contributions from persons responsible for the claimant (except if they live abroad or if they were displaced from their houses following the Turkish invasion of Cyprus in 1974),
- benefits given by the government and the Social Insurance Scheme,
- any other incomes or benefits the claimant may receive,
- interest gained because of compensation.

- Social Insurance Services (Social Pension):

Not applicable. Social Pension. Any other pension or similar payment.

- The Grants and Benefits Service:

The Scheme supports pensioners' households with low income. Income earned by all household members is taken into account. Household members include spouses, children and any other person living under the same roof.

Total income earned during the previous year by the members of the household deriving from:

- pensions,
- benefits (sickness, unemployment, maternity, child benefit and special allowance for students),
- special monthly pension for adversely affected persons,
- occupational activity, and
- revenue from rentals, dividends and accrued interest.

1.2.9 Property:

- Social Welfare Services:

The claimant's own house, where s/he lives, is disregarded for the purposes of entitlement to public assistance. However, in cases where his/her residence can be used in a way that could increase his/her income, then s/he is obliged to use it in this way (e.g. rent). Public assistance may be withdrawn or refused if the applicant owns real property other than his/her residence. Likewise, the applicant may be asked to use property other than his/her residence so as to have other means of income.

Public assistance is not granted in case the applicant has transferred assets beyond the amount of €17,086 to his/her children, or assets of any amount to any other individual(s).

1.2.10 Readiness to work and training:

- Social Welfare Services:

In case the applicant refuses to undertake training and find a job that would allow him/her to increase his/her income under the pretext of childcare (which can be provided by the State, if asked and when needed), then PAB could be withdrawn. The Services promote vocational training programmes and subsidise the employment of persons dependent on public Assistance.

1.2.11 Link with other social benefits:

Housing:

- Social Welfare Services:
 - Up to € 598.01 of Rent Allowance (calculated based on 50% of the basic needs allowance)
 - Up to € 598.01 of Allowance for mortgage interest deriving from a house loan and instalment (calculated based on 50% of the basic needs allowance).
- Social Insurance Services Social Pension): Not applicable.
- The Grants and Benefits Service:

The Scheme supports pensioners' households with low income. Not applicable.

Medical care:

- Social Welfare Services:

Recipients of public assistance receive free medical and health care by the Government Health Service, in accordance with the rules governing the Government General Health Service, since the General Health System is still under development.³

- Social Insurance Services:
 - Up to € 598.01 of Rent Allowance (calculated based on 50% of the basic needs allowance),
 - Up to € 598.01 of Allowance for mortgage interest deriving from a house loan and instalment (calculated based on 50% of the basic needs allowance).

³ The General Health System is part of the Troika Public Reform Programme, thus there are strict timeframes that the Government need to perform. It is estimated that in 2015 it will be implemented.

- Social Insurance Services social pension): Not applicable.
- The Grants and Benefits Service:

The Scheme supports pensioners' households with low income: Not applicable.

1.2.12 Medical care:

- Social Welfare Services:

Recipients of PAB receive free medical and health care by the Government Health Service, in accordance with the rules governing the current Health Care System.

1.3 Welfare System Reform

The above description of the Public Assistance Benefit is not actually considered a Guaranteed Minimum Income (GMI) in its real philosophy, or as it is defined in this Report. The basic reason for this is the exclusion of basic vulnerable social groups due to the eligibility criteria, for example the working poor's and the long term unemployed. The Country is currently facing severe financial and economic problems with poverty and social exclusion rates vertically rising, especially after the decision of the Eurogroup during March 2013. This decision has immediately affected the Cypriot society and, as a domino effect, gradually led to a serious increase of people experiencing poverty and social exclusion. Unprecedented phenomena appeared in an effort of offering support and solidarity between people in order to help one another, like for example the creation of social groceries stores where people give what they can, like food and clothing for the poor. Despite all these, the State is still not able to support its own citizens, especially those who completely unexpectedly have crossed the line towards poverty. The existing scheme of the PAB proved to be more than inefficient while those in real need might be left with no support at all. Under these circumstances it is proved that there is no safety net.

It is quite obvious that there is an indispensable need to reform the welfare policy of the Country in order to create a system that will be able to allow people to live in dignity in the way we expect it. This has been a commitment of the new Government and an obligation under the Memorandum of Understanding (herein after "MoU"), which was signed with the Troika. The deterioration of the economic environment and the increased necessity for social support and solidarity has put the reform of the Governmental machine as a high priority

and during July 2013 President Anastasiades announced “*the complete reform of social policy based on the principle of securing a Guaranteed Minimum Income for all citizens*” (Cyprus Mail, 2013).

The Ministry of Labour and Social Insurances accepts that the current system presents features that don’t enable people to be included in the society once they have been suddenly excluded, presenting significant distortions. According to the Ministry there are:

- Dispersion when managing the allowances between different government operators.
- Lack of targeting.
- Covering the same needs by different allowances and benefits.
- Bureaucratic procedures both when applying and the ongoing procedure as well.
- The level of allowances and benefits leads in many cases to the provision of benefits to those who don’t really need them. Incidentally sometimes it leads to the absolute dependence on the allowances and more crucially it is not providing adequate support for those in real needs.

The Government is committed to creating a completely new system which is going to reform the whole system of providence and welfare with one basic target: To secure for every person and family a minimum dignified level of living based on criteria of income, property, the family synthesis and any particular special needs.

The following analysis is in accordance to President Anastasiades’ announcement of the G.M.I. implementation as well as the statements of the Minister of Labour, Social Work and Welfare.

1.3.1 Targets of the new system

As the Government says, the basic targets of the new systems are:

- To create a system that will provide a safety net for those in real need.
- To secure the fundamental human right of citizens for a life in dignity, and
- To Ensure a minimum income to every person who does not have sufficient resources for surviving.

1.3.2 Successful goals methods

According to the Government this will be achieved with:

1. The rationalisation and connection of all benefits and allowances provided and the assignment of planning and management to a single department of the Government namely the Ministry of Labour and Social Insurances. Incidentally the aim is to improve the programming, the coordination, the supervision and control of the entire system.

Only two categories of existing allowances related to education and the refugees⁴ will remain under the authority of the Ministry of Education and Culture and the Ministry of Interior, respectively.

2. The improvement of the targeting of benefits and allowances aligning them with objective criteria and based on scientific studies and documented evidence.
3. The configuration of the system in a way that the dependence on benefits will be avoided and at the same time provide incentives for integration or reintegration in the labour market.

1.3.3 Actions to be implemented for the new system⁵

According to the Government, the new system will be applied from the 1st of July 2014. After the following actions will be taken:

1. Calculation of the minimum household basket and costing of the Guaranteed Minimum Income scheme. (October 2013)
2. Configuration of the control mechanism for income and assets criteria. (January 2014)
3. Consultation with stakeholders: social partners, organised bodies Etc. (ongoing procedure)
4. Creation of the databases and installation-operation for the new computerised system. (June 2014)

⁴ When we refer to Refugees in this section we refer to the displaced Cypriots due to the Turkish Invasion of 1974.

⁵ The Ministry of Labour, Welfare and Social Insurances provided its final proposal to the social partners, in the framework of the process for social dialogue, for GMI on 30th of May 2014.

5. Creation of the new legislation which is going for approval by the House of Representatives. (May 2014)
6. Informing citizens and stakeholders. (ongoing process)
7. Organisational changes: premises, transportation and training of the personnel, planning procedures and necessary papers. (Applications forms etc.)

1.3.4 The elements of the new system

The new welfare system is called Guaranteed Minimum Income (G.M.I.) (in Greek “*Ελάχιστο Εγγυημένο Εισόδημα - Ε.Ε.Ε.*”) and is considered to be the cornerstone of this Government new social policy. According to the Government, the E.E.E. aims to guarantee a decent living for all citizens of the State, when they are unable to provide for themselves and their families everything necessary for a life in dignity.

As it is stated, the E.E.E will provide the necessary amount of money to those who really need it, and which is going to be calculated after their basic needs are taken into account. Accordingly, these needs will be calculated by the survey of Statistical Services for the Minimum Basket of a Household, thus reflecting the minimum amounts for living.

At the same time, the new minimum income scheme, according to the Government, is expected to cover the rent or possible loans for housing and even more community and other taxes that each person or family is called to pay. Additionally, the E.E.E. aims to cover possible emergencies like for example house repairs of the recipient.

1.3.5 Calculation of E.E.E.

As the Government has stated, the “threshold of a decent living” as it is named, hence the level of E.E.E., will be calculated on the basis of the Minimum Household Basket. The study to define the calculation will be based on International Good Practice examples which are going to be delivered by the Statistical Service and additionally with the support of the International Labour Office (ILO). The level of the amount will be reviewed at least once a year unless some other particular circumstances dictate in an earlier review.

1.3.6 Eligibility

Eligible recipient of the E.E.E. will be every person whose income is below the dignified the level of living, regardless of the source of income.

In addition, the safety net will cover anyone who has no income at all and anyone who is not receiving adequate income from his/her employment, even though as long as there is evidence that he/she is trying to increase his/her income by any possible means.

E.E.E. programme will be accessible to unemployment benefit recipients with not adequate income, pensioners with pensions below the limit of the basic needs and employees with inadequate income to secure a dignified level of living as well.

At the same time there will be specific eligibility criteria regarding movable, real and financial assets for all the applicants.

In order to detect any attempts to exploit the system, strict controls will be carried out regularly and at the same time the recipients of E.E.E. should actively and evidently seek to improve their financial condition by participating in training, education and social work programmes.

1.3.7 Level of E.E.E.

As the Minister said, the amount of money which is going to be provided depends on the size of the household. This amount will be different for a household with a single member, a household with children below the age of 14 and a household with children above the age of 14. For the calculation of the amount which is going to be provided to the eligible recipients' reference budgets will be used.

The recipients who do not own a house or they pay bank interest for a house loan will be given an additional amount to cover their housing needs.

1.3.8 Plans to avoid benefit traps (Active employment programmes)

When a citizen is a beneficiary of E.E.E. the mechanism of the state for integration or reintegration into the labour market will become immediately active. The support of the State through the programmes of training, social integration and employment opportunities will be constant and intensive in the framework of the new social policy providence.

The primary target of the State will be to reintegrate the citizens into the labour market without allowing their entrapment into the benefits system. For this reason new programmes of training, employment and jobs will be created especially for the citizens who will be supported by the E.E.E.

1.3.9 Coexistence with other benefits

Alongside with the minimum income, other allowances and social programmes will coexist, which are expected to provide support to citizens with additional needs not covered by the E.E.E., such as the support to refugees⁶, to students, to families with children and people with disabilities. The programmes of support to refugees will remain to the Ministry of Interior and the support to students will remain to the Ministry of Education and Culture.

Additionally, the unemployment benefit will be provided with the existing criteria (to be provided for 6 months, based on the contributions of the person to the social insurance fund while he/she was employed. During this period, if the unemployment benefit is low, it will be supplemented by the minimum income. The target is the removal of discretion to any decision maker, whether someone should be supported or not by any kind of benefits or allowances.

A very important element included in the announcement of the Ministry of Labour and Social Insurances (MLSI) is that the provision of minimum income will always be depended on the financial capacity of the State.

Furthermore, it has to be noted that the Ministry of Labour and Social Insurance has already changed its name to Ministry of Labour, Welfare and Social Insurances, due to the introduction of the new social welfare system.

⁶ When we refer to Refugees in this section we refer to the displaced Cypriots due to the Turkish Invasion of 1974.

2. The Link with the minimum income and the other two pillars of social inclusion

1.1 Link with Labour Market

The experience we gained from the Public Assistance Benefit does not present any evidence that the existed scheme provides incentives for employment. The majority of recipients were usually elderly, people with disabilities and people with chronic health and mental problems. Therefore, there is not any particular expertise whether unemployed individuals are unable to work due to physical weaknesses, or they are not actually willing to become active in the Labour Market. Apparently, no one will be eligible to minimum income if he/she is voluntarily unemployed. Nonetheless, one of the most critical aspects is the unbalanced demand and supply of the labour market. Currently, due to the austerity measures, the supply of employment is completely absent and therefore even if the recipient is willing to be employed it will not be possible to do so.

One significant parameter that has to be taken very seriously into consideration is the connection of the minimum income with the labour market and that, the amount of money which is going to be provided, shouldn't be competitive to the wages and lead them, consequently, to further reduction. In such a case, the labour market will become even more vulnerable and social dumping will become an even more increasing phenomenon. Presently, a number of inequalities are observed concerning the labour market and the huge gap between the social classes and between workers as well is deepening even more.

It is accepted by every social partner that wages were already reduced in a large degree when austerity measures were applied, and as a result in-work poverty is growing rapidly. The Minimum Income should not be perceived as a replacement or a substitute to employment as this would lead to perpetuation of unemployment. Within Europe and the countries under the austerity measures, Cyprus, is the country that was struck by unemployment much more than anyone else, regarding the percentage of increase in the smaller period of time. Unemployment rocketed from 3.7% during 2008 to 17% during 2013. According to the economists, Cyprus will continue having negative growth for the next two years, therefore it is not expected that new jobs will be created. This is a critical point for minimum income, while it can be demonstrated as a serious obstacle to the connection of the

economic support provided by the state, with the labour market and substantially employment.

The reform of the social protection system seems to be quite ambitious, while the expectations for the new minimum income scheme are such that the Government technocrats expect to solve in a large degree not only the problem of poverty, but unemployment as well. However, it has to be taken into account that the new retraining and other employment related programmes are not yet in place, for minimum income beneficiaries. Hence, the integration of beneficiaries, both in society and the labour market is becoming a more complicated target.

The Ministry of Labour, Welfare and Social Insurances in cooperation with the Productivity Centre and the Human Resource Development Authority, is promoting some programmes to reinforce employment, yet without the desirable results. On the contrary, some of the programs have, indirectly, affected negatively the existing wages. For example, the program which is supposed to help young people gain experience pays only 500Euro per month, an amount barely adequate to cover housing costs, let alone basic living expenses. Furthermore, this programme eventually hindered the creation of new full time jobs as it actually allows employers to exploit the highly educated young people, having them working more hours than agreed and not adding to their salary.

1.2 Access to quality services

There are critical barriers for access to quality services, whereas Cyprus presents significant gaps regarding infrastructures. Therefore, the link between the economic support and quality services is not an easy target to be accomplished, especially regarding child care and care for the elderly. According to the plan, along with the minimum income scheme there will be other social programmes to provide special support to various vulnerable groups including children and the elderly, to ensure their living in dignity. However, there is not any evidence that these programmes are currently in the planning process in order to be ready to be implemented when the minimum income will be applied.

Furthermore, a very important issue for the Cypriot society is the absence of a General Health Plan which makes healthcare a very expensive aspect for living. According to the commitment of the MoU with Troika, the General Health Plan will be ready to commence in 2015 that is one year after the minimum income scheme is applied. This is a rather critical

point for the correct and realistic functioning of the completely new scheme as healthcare is one of most important services to be provided to citizens. When the new system is applied, if there isn't a General Health Plan in place subsequently the cost of minimum income will be bigger, something that will make the viability of the new scheme much more difficult. Therefore the timing regarding these two essential constituents (minimum income, General Health Plan) of the welfare system is not ideal even though the effort and ambition at the same time, is to create the ideal model.

It is obvious that, accessibility on quality services has been reduced when austerity measures have been applied in a country with already various disadvantages on the provision of services. Most of the institutions dealing with care are in the private sector which thus means that the provision of care is yet again in high cost. Nevertheless the positive side of the architecture of the minimum income scheme is the target of creating programmes for labour for the recipients of minimum income, something that has to be done very carefully in order to sustain the balance and not substitute full time jobs.

2. Identification of obstacles to the implementation of minimum income

As it was mentioned before, various and significant obstacles can be observed regarding the implementation of the new model of minimum income. To start with, something that has been discussed a lot in various circles is the lack of social dialogue both with the social partners and civil society as well, even though president Anastasiades announced the complete reform of social policy since June 2013 (Evripidou S. 2013). As far as the political parties are concerned, they have been barely and only recently informed, whereas there is only one (1) month left to the date of implementation. This might become a serious barrier when the new legislation will be in front of the House of Representatives for approval, with the worst case scenario to be rejected by the members of the Parliament.

Another significant barrier is the absence of a National Minimum Wage scheme, covering all the professions. At the present, there is a legislation covering only nine professions (sales staff, clerical workers, auxiliary health care staff, auxiliary staff in nursery schools, crèches and schools, guards and caretakers working in clinics, private hospitals and nursing homes), something that creates more inequalities in the labour market, especially at the workplaces where there are some professions covered by the minimum wage legislation and some professions not covered. This particular weakness, namely the absence of a statutory minimum wage, is not counterbalanced by high collective bargaining while, the workers covered by collective agreements are below 50% and because of the crisis this is getting even lower.

The low coverage rate in Cyprus regarding Minimum Wage provides lower level of protection compared to the other countries (Kampelmann et.al. 2013) of the EU, while this moment, Cyprus is the only country without a statutory Minimum Wage in EU. Minimum wage could be considered as a benchmark concerning its relevance with minimum income, which is going to be the incentive for a beneficiary to go back to work and of course minimum wage has to be above of the amount of the minimum income.

Currently, the amount of money provided as a minimum wage is 50% of the median income, which is below the poverty threshold. Thus, the current system is accepting “legally” the relatively poor. Even more, this particular disadvantage has increased the social dumping and the exploitation of migrant workers, while most of them are employed in occupations

which are not covered by minimum wage. Additionally, the access to the labour market concerning indigenous workers is becoming very difficult while the wages do not provide the condition for a dignified level of living. Consequently, it is commonly accepted that it create unfair competition between indigenous and migrant workers, something that is shrinking the wages downwards. All the above constituents correlated with the austerity measures have deregulated the labour market with unpredictable results for the future.

Furthermore, one of the highest uncertainties identified by trade unions is the deregulation of Industrial Relations, while the new model of minimum income is going to affect one way or another the labour market. If the architecture of the new model is not based on a reliable plan with all the necessary safeguards it will not provide the basic support that is needed and for which is been implemented for. Conversely, it might increase the undeclared jobs as well, particularly now where austerity measures are in place and no full time jobs exist. Atypical jobs, part time jobs and generally unprotected employment are growing rapidly.

As it was also mentioned above, the absence of consistent infrastructures regarding quality services is a serious obstacle for the implementation of an ideal model of minimum income. It can be added to these the absence of a General Health Plan as one of most critical services to be provided.

Even more, the cost of living in Cyprus is relatively high compared with other countries of the EU and apparently it cannot be measured objectively only by the minimum basket of households. There are other significant parameters that haven't been measured, like the cost of transportation taking in account the absence of public transportation (only buses exist), related with this is the cost of petrol and oil, the cost of healthcare and the cost of education both public and private.

2.1 Coverage and take up

There are not any specific information's yet regarding the complexity of application or any other details for the new system while it is not implemented yet. The existed system encompassed serious problems and disadvantages which have been identified and therefore a plan has been created to overcome them. According to the Ministry of Labour and Social Insurances no one will be excluded as far as he/she is a legal residence of the country.

2.2 Adequacy

The exact methodology and criteria are not known yet, however the provision of the minimum income will be related to the household composition and the individual needs when it comes to a single person. As it is noted by the Ministry, a new threshold has been created, the so called “*Decent Living Threshold*” which in real terms is not above the poverty threshold as it defined by Eurostat (above 60% of the median income). One of the weaknesses observed between the countries of the EU with GMI schemes is the fact that among the people living in poverty, specifically 125 million, only 45 million are beneficiaries.

2.3 Effectiveness

Guaranteed Minimum Income is a “*sine qua non*” namely an indispensable condition for a country that has been wounded largely on social issues. However, to be an effective solution and an alternative way out of poverty it has to be developed on concrete foundations. Under these circumstances the results will be definitely positive.

3. Suggested next steps to improve adequacy, coverage and/or take-up of minimum income schemes

4.1 General Comments

One of the most critical aspects for a successful minimum income scheme is the link with the labour market. Due to the specific features of the Cypriot labour market social dialogue should already be in place for the introduction of a National Minimum Wage covered by Law. The introduction of a minimum income without a national minimum wage embraces negative perspectives and a fear for a complete deregulation of the labour market.

A wage has to be a living wage (Wiks Lim and Thomson, 2010) meaning that it has to be related to the cost of living and therefore it has to provide the preconditions for a decent living. This is not the case right now in Cyprus; on the contrary wages not covered by collective agreements and the legislation are far below the so called living wage.

There is a fear mainly by the employer's that a National Minimum Wage will raise wages to a level which they will not be able to afford. However there are other constituents not taken to account like for example the fact that higher wages can raise worker's morale and productivity that in turn can offset the cost of the raises. Most importantly the level of minimum wage shouldn't be below minimum income while this will lead to entrapment in benefits and the recipient of minimum income won't be able to afford having a job.

According to the announcement of the Ministry of Labour Welfare and Social Insurances the calculation of minimum income will be based on International standards related with individual and family needs. However, there is not any evidence at the moment what is going to be the exact amount of money which is going to be provided therefore adequacy is something that cannot be discussed.

What has to be done is further the development of the private sector in the field of social services in a manner that new jobs will be created. This advancement will create a double benefit while the citizens in need will have access to quality services and at the same time the unemployed will have access to new jobs.

4.2 NAPN Thoughts and suggestions

Resulting, we will attempt to provide thoughts and suggestions of the National Antipoverty Network (Cyprus) regarding the way the E.E.E. should be implemented and or things that should be taken into consideration by the Government upon drafting the scheme.

Before doing so, we feel the need to comment on the process the Government is following in the way forward on introducing an E.E.E. scheme. Someone would have expected that a Policy Paper and or a White Paper would have been published by the Ministry of Labour, Welfare and Social Works, with the views, thoughts and political suggestion of the Government, in order for a Public Consultation to commence. By that, the Civil Society would have had the opportunity to comment on that as well to give it proposals.

It is our opinion that, the level and quality of the Public Consultation Process is unacceptable and inadequate. This is something that the Government needs to take into consideration, as well as the House of Parliament upon discussion of any Draft Legislation regarding the E.E.E.

Other matters into consideration regarding the eligibility conditions where thoroughly discussed.

An imperative matter that needs to be considered is the administrative framework and the quality of the administrative services which will be offered. In most EU Member States the administration process is been handled by the local authorities, thus, there is decentralization and the application of social policies is nearer to the people through the local authorities. In Cyprus we have exactly the opposite model. We have a strong centralized system, rigid-firm central administration and state policy.

Considering the implementation of the E.E.E. we need to bear in mind the principle of proportionality according to which the system covers a person when is not covered by s\he wage, income, property and benefit with fair standards.

The third sector of economic activity, namely social economy, will strengthen the economic capacity of regional communities and improve conditions for job creation and inclusive growth.

To have an ideal model of GMI the state should regulate and monitor the whole process from the beginning (application) to the end.

4. Cyprus Guaranteed Minimum Income (EEE) Supplementary National Report EMIN PROJECT

22 September 2014

Key Provisions and Conditions

The new Legislation for Guaranteed Minimum Income (EEE) was introduced at 10th of July 2014 after a long discussion between the Representatives of the Ministry of Labour, Welfare and Social Insurances and the Parliament Reps. The new system includes the following provisions and conditions:

Question 1: Who is eligible to apply for EEE?

- Citizen of the Cyprus Republic, or
- Citizen of the European Union, or
- Citizen of a Third country, who has granted long-term resident in the Republic of Cyprus according to the Aliens and Immigration Law, or
- Citizen of a third country, who holds legal status according to the Refugee Law, excluding asylum seekers, or
- A person who is a victim within the meaning of on the Prevention and Combating of Trafficking and Exploitation of Persons and Protection of Victims law.

Provided that in the immediately preceding period of five (5) years which is preceding the date of application the applicant had a legal and continuous residence in the Republic of Cyprus and continues to has legal and continuous residence in the Republic.

The applicant must be either:

- more than 28 years,
- a married person of any age,
- lone parent of any age,
- orphan person of any age,
- disabled person of any age,
- adult who before reaching 18 years of age was in the care of the Director of Social Welfare.

* For matters European Citizens and Third Country Nationals, more details in PART D.

Question 2: All who meet the above requirements may submit an application? Are there any exceptions?

It can be applied and not become beneficiary EEE even if there is evidence of five (5) years legal and continuous residence in the Republic, any person who:

- is a monk in a monastery
- serves his term for the army
- are full-time undergraduate students, with the exception of the undergraduate student who:
 - at the completion of the 18th year of his age was under the care of the Director of Social Welfare Services
 - or is disabled
 - or orphaned
- is voluntarily unemployed

Question 3: The Cyprus Republic includes the occupied territories?

Cyprus Republic means the free areas of Cyprus. Persons who live in the occupied areas cannot submit application for EEE.

Question 4: In the case of absence from the Cyprus Republic for any reason, it can be considered that there is not continuous residence?

The absence of the Republic applicant / beneficiary is considered as temporary and not taken into account when:

- the absence is less than one (1) calendar month per year,
- the absence is for treatment for health reasons and according to the necessary certificates the absence is considered legitimate,
- the applicant / beneficiary resided outside the Republic because he/she was a student, while for the period preceding the study there is evidence for lawful and habitual residence for a continuous period of more than five years in the Cyprus Republic.

Question 5: What are the criteria for the provision of EEE regarding assets and deposits?

For someone to become EEE beneficiary should:

- The entire property of the applicant and his/her family unit may not exceed a total of € 100.000 based on the assessment of the land (2013). From the calculation of the value of property the residence in which the applicant resides and family is exempted, if the area does not exceed 150 square meters in case the applicant is a single person (singlet), or 300m in the other cases.
- Deposits of the applicant and members of his family unit should not be exceeding the total amount of € 5.000 plus € 1.000 for each additional person who belongs to the family unit.
- The total value of shares, securities, bonds, insurance policies, accounts receivable and similar items that are in the possession of members of the family unit must not exceed the total amount of € 5.000 .The total income of the members of the family unit must be lower than the sum of the requirements calculated based on the EEE.

Question 6: What are the requirements to become a beneficiary of EEE in relation to the income?

An applicant becomes a beneficiary when the sum of its income is below the total monthly amount of GMI and furthermore meets all the other criteria.

Question 7: All beneficiaries can receive a fixed amount per month?

The monthly minimum income which is provided to each beneficiary is the difference of the total monthly amount of the guaranteed minimum income and total monthly amount of the beneficiary's income. When the incomes are changing, the amount of EEE is changing as well.

Question 8: What is the EEE?

The EEE consists of:

- the monthly amount which corresponds to the subsistence needs of the applicant / beneficiary included in the minimum subsistence basket and
- the monthly amount that may be granted for the provision of housing and any EEE beneficiary receives:

- municipal or other similar taxes
- help to cover emergencies or care needs

Question 9: What are the amounts of EEE?

The monthly amounts correspond to the subsistence basket are:

- € 480 for the applicant / beneficiary
- € 240 for the husband / wife and any family member over the age of 14 years
- € 144 for each family member under 14 years of age

The monthly amounts which correspond to the provision of housing are:

- I. Provision of rent allowance: The maximum amounts for the provision of housing take into account the size and composition of the family and the district of residence as follows:

Family composition Applicant/beneficiary	Maximum Subsidised Rent		
	Nicosia/Limassol/Famagusta (2.80 m2)	Larnaca (2.45 m2)	Paphos (1.75 m2)
Single or couple without kids	154 €	134.75 €	96.25 €
Couple with 1 or 2 kids of the same sex	224 €	196 €	140 €
Single parent with 1 kid	224 €	196 €	140 €
Couple with 1 minor kid and 1 adult kid	280 €	245 €	175 €
Couple with 3 minor kids	280 €	245 €	175 €
→ Person with disability	Additional 70 €	Additional 61.75 €	Additional 43.75 €
→ Bigger Families (for every minor kids or 1 adult)	Additional 56 €	Additional 49 €	Additional 35€

II. Allowance to cover the interest of the mortgage loan

The allowance for mortgage interest is equal to the monthly rent allowance.

Question 10: What constitutes a family unit (family)?

The family unit (family) consists of:

- the applicant / beneficiary
- the husband / wife if residing in the same household with the applicant / beneficiary
- the minor children, if they live in the same house with the applicant / beneficiary
- adult children who are unmarried and under the age of 28 years, regardless their residing area if the residence is in the Cyprus Republic

If an unmarried orphan person has not attained the twenty-eighth year of age, the family unit includes the applicant / beneficiary and unmarried brothers and sisters below 28 years of age.

Question 11: In the case that care services needed, is there any possible assistance from EEE?

EEE Beneficiaries services can be provided by Social Services Welfare. When an applicant requests care services (a special area in the application) the Department of Social Welfare will evaluate the conditions and accordingly care services will be provided.

Question 12: What does caring includes?

The care services include various services such as care at home, institutional care, day care, respite care, child care and protection and incontinence in cases that there is such a need.

Question 13 : What incomes are taken into account for purposes of calculating the amount of allowance?

- Income is accounted for:
 - from employment or self-employed worker,
 - amounts received as a nutrition from liable person,

- any allowance or subsidies or aid received. Excluding invalid benefits the student grant and the army allowance,
 - any income from pensions or retirement plans
 - any income from use of property belonging to the family, such example rental income or interest
- From the monthly income from employment or for the applicant / beneficiary or his / her spouse, when income is greater than € 500, the first € 170 are not taken into account in calculating EEE. For income less than € 500, the amount not taken into account is calculated as follows:

1. the first € 50 are not taken into account, and
2. of the next € 50 up to € 200, the 40% of this part of income is not taken into account, and
3. of the next € 200 up to € 500, the 20% of this part of income is not taken into account.
 - For example, if the employment income is € 400 per month, the € 150 are not counting.

Categories	Total Income:	Percentage not counting	Amount not taken into account
	400		
1.	50	100%	50
2.	150	40%	60
3.	200	20%	40
			150

- From the monthly employment income for every adult child who is below 28 years of age, the first € 480, are taken into account only 50%. This means that, when the income of the child is € 480, the provision of EEE for the rest of the family is not reduced at all, since for the monthly allowance will continue to be calculated € 240 for this child. For income of a child which is exceeding € 480, only a small part is taken into account as income family, as follows:

1. of the next € 480- € 1000 is taken into account the 10% of this part of income and
2. of the next € 1000 to € 2000 is taken into account 15% of that part of income and

3. if your child's income exceeds € 2000, the 20% of that part of the income is taken into account.
- For example, if your adult child who is under 28 years of age is working with net salary of € 1500, then as a family's income for EEE calculating purposes will be calculated only € 367, of which the first € 240 are related with the amount which will be calculated as GMI for the needs of that child.

Categories	Total Income: 1500	Percentage	Amount taken into account
1.	480	50%	240
2.	520	10%	52
3.	500	15%	75
			367

•If the applicant / beneficiary or his / her spouse is a disabled person, then the first € 512 are not taken to account as an income from employment.

Question 14: What benefits are taken into account for purposes of calculating the amount of EEE and what are not taken into account?

Allowances taken into account as income for the calculation of EEE

- Child benefit. When the benefit is paid off once a year then it will be divided into 12 months, like all incomes paid off once a year concerning a period of one year.
- Allowance for single parents.
- Unemployment benefit.
 - If paid for previous period, it is divided as income for the months or the period for which it was paid.
- Disability pensions and disability.
- Pensions and benefits abroad.
- Monthly pension provided pursuant to the Relief Act Affected Persons (excluding Disabled benefits provided based on the above Act).
- Easter bonus.

- Grants provided by the Cyprus Agricultural Payments Agency and the Department of fisheries.
- In example monthly allowance of veteran fighters and widower / a veteran fighter of the Second World War.
- Any allowance or subsidies or aid, except those specifically mentioned more below.

Income and gratuities not included in the calculation of EEE

- Allowance for funeral
- Childbirth
- Student grants
- Military benefit
- Supporting scheme for pensioners with low incomes
- Contributions charity or charities
- Nutrition of liable person shall not be taken as proven (evidenced by the documents required)
- All grants or subsidies or aids granted based on legislation or plans applied by the Department for Social Inclusion of Persons with Disabilities
- All grants or aids or received grants provided to individuals with disabilities because disability
- From the monthly income of the children from training projects or acquisition practical experience, are not taken into account as income the first € 512 euro.
- Any of the amounts provided to the applicant and / or beneficiary and / or any of persons belonging to the family unit of the Welfare Lottery Fund as financial assistance or from the Ministry of Labour Welfare and Social Insurances, as emergency financial assistance approved by the Minister.

Question 15: What are the obligations of the EEE beneficiary if all the other criteria are met?

The applicant / beneficiary and any other member of the family unit to be eligible of the GMI, should comply with its obligations under the Legislation provision of EEE.

A person who is capable of work must:

- Be registered as unemployed at the Registry of the Public Employment Service

- To accept work that is able and has the skills to exercise,
- Not voluntarily quit his job,
 - six (6) months prior to the submission of the application for EEE income, and
 - after the submission of the application for the EEE,
 - during the period receiving EEE,
- To participate in training and / or education courses in which will be called to participate,
- Participate in a special community service project which will be called to participate,
- To accept the services of skilled individualized approach by Employment Consultants of the Public Employment Service (Ministry of Labour Welfare and Social Insurances),
- Participate in development programs of social autonomy,
- Accept meetings and visits to his residence for on-site evaluation by competent officers regarding actions planning for vocational, counselling and psychosocial support and social restoration,
- To observe any other obligations arising from the legislation,
- Accept social intervention,
- Immediately inform the Management of Welfare Benefits in the event revocation of the authorization to obtain information from any bank / cooperative institutions, insurance or other organizations or other State authorities,
- Immediately inform the Management of any Welfare Benefits change in relation to the application of eg acquisition of a new member in the family, divorce, increase or decrease in income, alienation of property etc.

Question 16: What is social intervention?

In case of non-compliance of the applicant / beneficiary or any member of the family unit with its obligations under the law then the person who does comply with these obligations in deciding whether it is entitled to provide EEE it is sent for social intervention at the Social Welfare Services.

The Officer in charge of Social Welfare Services will visit and work with him/her further to handle all the difficulties. The Social Services Officer will inform the Management Benefits Welfare whether that person faces situations which prevent employment participation. In such cases, the person does not cease to be a beneficiary EEE.

5. Obstacles and possible disadvantages regarding the implementation and philosophy of the new system

5.1 Adequacy

Perhaps the most important problem for the implementation of the new system is adequacy while the amount of money € 480 which to going to be provided is far below the poverty threshold. Under these circumstances and the theory of the Guaranteed Minimum Income, there is no evidence that the new system is going to reduce poverty while it only secures the minimum needs and not the needs for a decent living.

Although the majority of political parties do not support that minimum income should be at least equal or above the poverty threshold, EAPN-Cyprus stresses the importance of this even under the current circumstances which are characterized by the economic recession something that create difficulties for the funding of the system. However, citizens are in real need and minimum income will not serve its primary purpose of establishment at the level which is determined. Cyprus is influenced in a large degree by austerity and the consequences on society rocketed poverty and social problems in high percentages.

5.2 Access

Even though it has been identified by the Government that the existing procedures were bureaucratic and time consuming thus creating difficulties to the applicants, the current procedures are even more complicated while the applicants among others are obliged to complete 11 pages of the application form, submit bank statements, provide certification by the community and submit authorization to the Banks to provide information's to Ministry of Labour, Welfare and Social Insurances regarding their accounts. Apparently, this is even more difficult when the applicant is a pensioner.

5.3 Social Dialogue

Deficient social dialogue both with social partners and civil society during the planning has created multiple gaps and concerns which have not been overlapped until today.

5.4 Link with Labour Market

GMI connection with the Labour Market is very difficult to be achieved during the recession period which is characterized by austerity, whereas employment demand is almost absent.

5.5 Link with Quality Services

Even more EEE connection with quality services is not a feasible objective currently since serious gaps regarding infrastructures are observed. A significant example is the absence of a General Health Plan which creates critical barriers to the access of a decent healthcare.

5.6 National Minimum Wage absence

The absence of a National Minimum Wage creates inequalities within the Labour Market and apparently the system of EEE is connected with the labour market, thus it will influence employment either positively or negatively. According to the minimum income bibliography for the creation of an ideal model of EEE, incentives for activation should be provided to the beneficiaries and at the same time opportunities for personal development (Moreira, 2008). The National Minimum Wage should become a reference point, which should be well above EEE something that will provide an incentive for reintegration in the Labour Market and definitely above the poverty threshold (Today minimum wage covers only 9 professional teams and it is 50% of the median income).

Activation and education failure may create benefit traps to the beneficiaries something that will undervalue the personal development and capacity reproduction most crucially for the new generation from which we expect to sustain our social existence.

5.7 Possible Age Discrimination

For the purposes of EEE when a person is below the age of 28 is considered dependent of the family, unless the applicant is married, is a single parent, an orphan, a person with disabilities or under the care of the Social Welfare Services. This could be considered a contradiction comparing with other benefits like for example students grants (different age) and furthermore it is not taken into account whether the applicant is living on its own under a different roof from its parents. It is critical to examine whether this is considered age discrimination.

5.8 Supporting scheme for pensioners with low incomes

Even though it is clear through the legislation that the supporting scheme for pensioners with low incomes is not taken into account for EEE purposes, the pensioners are obliged to complete the applications for EEE. This means that they have to provide evidence for their

deposits and their assets something that might be in contrast with the legislation for the protection of personal data.

Moreover the procedure creates considerable difficulties for pensioners beneficiaries' who are obliged to put themselves in complex procedures which are not able to respond.

6. Challenges

- Strong political commitment regarding the implementation of reforms, continuous monitoring and when it is considered necessary adjustment of the system.
- Administrative structures and planning as well as organizing services.
- Upgraded e-Government and electronic connection of all Government Departments.
- Powerful Control Mechanism which will prevent exploitation of the system and at the same time prevents possible creation of traps in benefits.
- Perhaps the biggest challenge is to create a stable and permanent funding mechanism that will allow the systematic support of vulnerable groups in the long term.

7. Recommendations' for improvement of the system

- Restart social dialogue about the adequacy of the EEE, which should involve NGOs and civil society as well.
- Upgrade care services in the private and public sector-Introduction General Health Plan.
- Introduction of plans to boost growth, even if there is a need to finance public works, in order to create jobs.
- Within the framework of social dialogue to conduct a study to protect and extend the minimum wage so as to cover all professions and incidentally become a reference point for reintegration into the labour market. Measures should be taken so as Minimum Wage is certainly above the poverty line. Even more wages should be protected as determined by the Collective Agreements.
- The EEE should be progressively developed into a national development tool, which connects social protection with employment. Within the framework of the EEE (like Denmark which is considered a good practice concerning minimum income), finance public works in order to create new decent jobs.
- Individualized support by specialized employment counsellors should not only be limited to EEE beneficiaries, but it should be expanded within a scientific approach and in collaboration with educational institutions, to all students. In particular career guidance in schools and universities should facilitate development towards professions with prospects in accordance with the Cypriot reality, in order to generate direct employment after school.

In General social protection reform was a required evolution for Cyprus and the new system is making steps of progress. However, what is absolutely important is the constant evaluation in order to calculate progress and eventually the changes should lead a significant percentage of population out of poverty and social exclusion.

Incidentally it must be reassured through the new system of social protection, that no one who is suddenly under emergency needs will need the private initiative (social supermarkets et.c.) to cover the basic needs.

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Appendices

Appendix 1: Questionnaire sent to stakeholders

4 April 2014

To,

Social Partners

The European Antipoverty Network (EAPN) is a program Coordinator for the Guaranteed Minimum Income (GMI) involving a total of 31 countries. Within this context, the National Anti- Poverty Network of Cyprus (Cyprus - EDEF) is carrying out a study on the basis of specific guidelines, which will present the reality in each country while at the same time will submit suggestions, based on good practices and existing data, which will provide a positive outlook for its proper implementation.

The Cypriot reality shows significant peculiarities since the timing coincides with the Government commitment for legislative reform of the Public Benefits/ Allowances and the implementation of GMI from 1 July 2014, which is considered to be based on the Memorandum of Understanding. The National Antipoverty Network (Cyprus) will prepare a National Report which will be sent to Brussels before the end of May 2014.

The philosophy of GMI as determined by the recommendation of the European Commission (com 2006 544 Final) is not based on one-dimensional cash benefits but in a comprehensive program of social interventions based on three pillars:

- Patented social security benefit, income support, which ensures a decent subsistence.
- Provision of and access to quality services.
- A network of programs regarding the activation and promotion in the labour market out of work people who are able and available for work.

The views of all Stakeholders are very important for the National Report, and in this context we would appreciate you answering the following questionnaire:

1. The context of implementation of the new system GMI includes new groups of citizens that are eligible. Among these are the unemployed, the working poor,

unemployment benefit recipients and pensioners with low pensions. Do you think that the new system will affect the labour market and social security and if so, how?

2. The practice of using cheaper labour force across Europe has created unequal competition between inhabitant and immigrant workers (Social Dumping). What should the eligibility criteria be for GMI, with respect to the nationality of the recipients?
3. It is expected that the new system will have the capability to cover housing needs, as well as any interest mortgage loan for home ownership. Do you believe that this is realistically feasible or do you consider it to be ambitious enough (given that there is currently a very high percentage of non-performing loans)?
4. Should there be any age criteria for the beneficiaries?
5. A basic principle of philosophy of the GMI is its connection with the labour market and education. How do you believe that it will be implemented practically this objective, since in the current era there is no demand for labour?
6. Where should diverge the amount of living wage and what should be the duration for payment of GMI?
7. Cyprus is the only country in the EU which has no National Minimum Wage. The minimum wages set by collective agreements and the relevant Minister's Decree covers only eight professions. The implementation of the GMI will affect the wages and how?
8. What should be the range of the criteria regarding the movable, real and financial assets/ property of the applicants?
9. The GMI will be connected and will coexist with other social support /benefit (refugees' benefits, students and child benefits, disability and unemployment benefits). Can it coexist with other non-contributory benefits (e.g. social pension) and how is it affected by the absence of a General Health System?
10. The third pillar of the philosophy of GMI is access to quality services (Elderly Care, child care, social economy, etc.). Is it possible to connect the GMI in Cyprus with such services, taking into account the level of infrastructure that we have today?
11. Based on the architecture of GMI and the involvement of social partners in shaping that architecture, what do you expect the impact on society would be?

Appendix 2: PEO

Answers of the Pancyprian Federation of Labour (PEO) of Cyprus to a questionnaire of the National Network Against Poverty in relation to the reform of the legislation on Public Assistance and the implementation of Guaranteed Minimum Income (GMI)

1. Firstly we need to point out that even for Cyprus we do not have before us the framework of the GMI and therefore we do not know which groups of citizens will be eligible, nor what will be the eligibility criteria for each group. PEO has expressed its concern at the possibility that the labour market will be influenced and in particular the danger of consolidating uninsured labour and the exploitation of these social groups by employers as a cheap labour force in order to reduce the general level of wages downwards. In any case, PEO considers that during the implementation of the GMI needs to be ensured that social insurance will not be affected negatively, that we will not have an increase in undeclared and informal work and that wages and conditions of employment, as laid down in collective agreements and the Decree on minimum wage, will be protected.
2. The eligibility criteria in relation to the nationality of beneficiaries must be compatible with the EU acquis and domestic labour law. Furthermore, specific categories of 3rd countries citizens, under certain criteria and prerequisites should be covered by the E.E.E.
3. Meeting of housing needs, but also of housing interest loans for purchasing residence is imperative. After all, this is the current situation, in accordance with the Law of Public Assistance. However, this is particularly necessary in today's conditions in Cyprus, with the increase of the unemployment and poverty, as well as the high percentage of non -performing loans.
4. No, there should be any age limit for beneficiaries. The criterion should be the need for support.
5. There is a big danger of a possible connection of the GMI with the labour market. More specifically, in our country with such high levels of unemployment and reduced labour demand, there is a real danger that the GMI provision will function as an indirect government subsidy to employers in the sense of the subsidy of the wage paid. At the same time, there is a serious possibility of the exploitation of these people by the employers as a cheap labour force, but also to be used as leverage to reduce wages generally.

6. The position and demand of PEO is the gradual eradication of poverty and social exclusion. Our goal is no citizen should be below the poverty line. The duration of payment must be in line with the need of every citizen for assistance, which should comply, among other things, with modern living needs.
7. PEO believes that the implementation of the GMI must imperatively be done in a way that will not affect wages. For us the GMI is not and cannot be treated as a policy tool for setting wages. Wages and working conditions are determined through collective bargaining and collective agreements. An important tool for the protection of wages would be the reintroduction and passage of the Bill that the Government withdrew from the House of Representatives and which enables the given Minister of Labour, under pre-conditions, to extend the validity of the collective agreement to the entire sector.
8. Criterion for providing GMI should be the need of every citizen to receive support at a given moment through a study of the elements in the situation and having taken into account all the parameters, but also peculiarities and social values that apply in our country
9. PEO does not accept that the GMI should become the reason for the dismantling of the welfare state and the reduction of social benefits. On the contrary, in the current conditions that exist in our country we consider it social imperative to strengthen social provision and support to groups that have the greatest need. The GMI needs to cover the needs of people who hitherto were not covered or were not adequately covered. In no case should other existing schemes to support social groups in need be abolished and existing benefits cut. Each benefit must be viewed separately and depending on the purpose it serves.

The GMI should coexist with other non-contributory benefits such as the social pension.

For us, accessibility for all citizens to quality health services is a mandatory obligation of the state. The General Health Scheme, with the character and philosophy that had been agreed, namely universal access and cover, tripartite contribution and social solidarity are imperative and the universal demand of society which calls for its immediate implementation.

10. Regardless of the GMI in the current conditions in Cyprus there is a need to improve the infrastructures for the provision of quality services and expand them because of growing needs such as services for the homeless, the employment of children of

working parents, etc. In this process, local government needs to play an upgraded role, which should be strengthened rather than weakened.

11. The impact on society of the GMI will be depending on how it will be implemented. Currently we do not have before us the structure of GMI as it will be applied in Cyprus. The issue of the participation of the social partners in the formulation of this structure is particularly important. The degree of their participation will be a factor that will determine the quality and content of the GMI and consequently its impact on society.

Appendix 3: DEOK

DEOK (Cyprus Democratic Labour Organization)

- 1. The context of implementation of the new system GMI includes new groups of citizens that are eligible. Among these are the unemployed, the working poor, unemployment benefit recipients and pensioners with low pensions. Do you think that the new system will affect the labour market and social security and if so, how?**

Yes, the new system will positively affect the labour market.

Firstly, the successful implementation of the third pillar, i.e. a network of programs regarding the activation and promotion in the labour market out of work people who are able and available for work will hit/strike the key operative cause of unemployment (and poverty impoverishment). Increase employment with reintegration of unemployed means and increase of the contributions to the social security system. With a better decent income the standard of living and health care for pensioners (by reducing public expenditure on health) is also enhanced.

- 2. The practice of using cheaper labour force across Europe has created unequal competition between inhabitant and immigrant workers (Social Dumping). What should the eligibility criteria be for GMI, with respect to the nationality of the recipients?**

First and foremost criterion should be to combat the powerful phenomenon of Social Dumping facing Cyprus and the EU in general. The main criterion should be mainly the permanent residence and prioritize in inhabitant population / citizens, without excluding (under certain conditions) European immigrants.

- 3. It is expected that the new system will have the capability to cover housing needs, as well as any interest mortgage loan for home ownership. Do you believe that this is realistically feasible or do you consider it to be ambitious enough (given that there is currently a very high percentage of non-performing loans)?**

Yes the new system must take into consideration and cover the housing needs and or the mortgage interest. A GMI system without provisions for housing would not be effective in

addressing poverty risks /impoverishment. This requires a strong financial framework to fully and effectively cover all the needs within the GMI.

4. Should there be any age criteria for the beneficiaries?

Not on principle, it should not. Of course, under justified circumstances / conditions the issues of the beneficiaries age can be discuss.

5. A basic principle of philosophy of the GMI is its connection with the labour market and education. How do you believe that it will be implemented practically this objective, since in the current era there is no demand for labour?

Certainly it should be connected, but not to be a prerequisite for the GMI to be dependent on employment, specifically in the next three to five years (in the current crisis - lack of demand for labour). However, we must emphasize and target in preparation and training for creating prospective employability in programs under the relevant pillar of GMI. (See also answer 1 above)

6. Where should diverge the amount of living wage and what should be the duration for payment of GMI?

Certainly equal with and or above the poverty line (60% of the median national salary). Of course the above mention amount should be enhanced depending on criteria of social protection (health, housing, economic status) and also the household size. The duration should be open, meaning that until the GMI criteria cease to exist / apply for every case / household.

7. Cyprus is the only country in the EU which has no National Minimum Wage. The minimum wages set by collective agreements and the relevant Minister's Decree covers only eight professions. The implementation of the GMI will affect the wages and how?

In our view the GMI should enhance low - poor wages as an income, based on criteria / conditions. It should in no way be allowed to employers to reduce wages to beneficiaries of GMI. DEOK for several years' claims the implementation of a national minimum wage system for all professions, based on the 60% of the National Median Wage.

8. What should be the range of the criteria regarding the movable, real and financial assets/ property of the applicants?

The answer to this question must be given through the findings of a technical/scientific and expertise study. Of course, for determining this, we should be seriously taken into account rational/balanced criteria for decent living for every household.

Also, there should be countermeasures or weighting of the criteria of movable, real financial assets/ property of applicants with the social criteria and the financial liabilities - responsibilities/ loans, etc. Finally, in addition to the weight on the property it should be taken into consideration /account the existence or not of an income / cost of property.

9. The GMI will be connected and will coexist with other social support /benefit (refugees' benefits, students and child benefits, disability and unemployment benefits). Can it coexist with other non-contributory benefits (e.g. social pension) and how is it affected by the absence of a General Health System?

Yes, it can and it should coexist with other non-contributory benefits mostly fair, equal and in favour for the beneficiaries. The GMI must not in any way replace the welfare system which will be further strengthened but should complement it. The absence of a GHS certainly creates an increased need for a GMI, but this means higher expenditures during the introduction and implementation of it.

10. The third pillar of the philosophy of GMI is access to quality services (Elderly Care, child care, social economy, etc.). Is it possible to connect the GMI in Cyprus with such services, taking into account the level of infrastructure that we have today?

It is possible and necessary. The inadequate and poor infrastructure that we have today must be taken into account, so for the need for direct introduction, as for the costs and the coverage of beneficiaries in relation to the GMI.

11. Based on the architecture of GMI and the involvement of social partners in shaping that architecture, what do you expect the impact on society would be?

The impact on the society would be absolutely positive, especially in the current deep economic crisis, the poverty levels and the social dumping we are facing today as Cypriot (European) society.

The effect of GMI must be positive if of course is applied correctly and fairly as socio - economic redistributive tool and not as a pretext / showstopper of fiscal unravelling / reduction of social welfare costs, protection and solidarity.

Appendix 4: SEK

Cyprus Workers Confederation (SEK) answers to EAPN-Cyprus regarding the EMIN questionnaire.

- 1. The context of implementation of the new system of GMI includes new groups of citizens that are eligible. Among these are the unemployed, the working poor, unemployment benefit recipients and pensioners with low pensions. Do you think that the institution will affect the labor market and social security and if so how?**

The issue of E.E.E. is particularly important for Cyprus especially in the current period, where poverty and social exclusion phenomena are growing rapidly due to the impact of both the recession and the decision of the Euro group. The labour market and social security are two parameters clearly interrelated that influence each other. There is a real possibility that the labour market will be influenced by the implementation of GMI especially if in the design and architecture of the completely new system, modern and scientific safeguards are not contained in order to prevent exploitation. A very serious drawback that is directly related to the specifics of our country has to do with the absence of a national minimum wage, which could constitute both an additional reference point and also avoid creating additional incentives for exploitation of workers and unfair competition. As a benchmark the national minimum wage should be definitely higher than the GMI so that it creates an incentive for reintegration into the labour market and to ensure the connection of the first social insurance pillar with the third, as mentioned above i.e. providing financial support to access the labour market. As for avoiding unfair competition, national minimum income will not allow employers to create employees of multiple speeds and simultaneously unequal treatment for occupations and work of equal value in the same area and across different sectors.

The possibility of widening undeclared work is something that cannot be avoided with specific application examples. There is for example the possibility for an informal agreement to be made between the employer-employee for failure to pay Social Security, in a way that it will be possible for the employee to receive GMI. Additionally, each employer has the ability regarding those professions which are not covered by the minimum wage law to pay wages that are below the GMI (decent subsistence level) with the pretext that the remaining amount will be paid by the state.

This will have as a consequence the increase of part-time and fixed-term work, but more generally and atypical forms of employment. So if the main criterion for application of EEE is the reduction of poverty, without considering the Cypriot reality, this may create serious problems regarding industrial relations and of course industrial peace.

Furthermore an important factor that affects the scheme and social security is the increase life expectancy, since pensioners are a new group that will be included in the new system. Obviously it is a matter directly related to the actuarial viability of the Social Insurance Fund, and the benefits of the Fund. Since it is observed a very high percentage of low pensions because the country is the second worst position as regards the rates of pensioner poverty, the costs of implementing the GMI will be high and possibly to levels that can be characterized unreal and intangible.

2. The practice of using cheaper labour force across Europe has created unequal competition between inhabitant and immigrant workers (Social Dumping). What should the eligibility criteria be for GMI, with respect to the nationality of the recipients?

The problem of unequal competition between workers in Cyprus is considered very serious and of course it is a subject on the agenda of social dialogue on a continuous basis. In recent years the demand for labour in Cyprus has changed towards a completely opposite direction because of a shortage of workers in 2008 with unemployment barely reaching at 3.6%, we are currently in a very difficult position whereas unemployment has surpassed 17%. The exploitation of Community workers is intensely discussed and has led the vast majority of wages in a downward trend.

To halt this exploitation, principle criteria should be introduced regarding the length of stay and duration of work. Denmark is a country with one of the best models of GMI and until 2012 has set such criteria. That is, for a migrant worker to be eligible he/she should have lived legally in Denmark for more than eight years and has worked at least 450 hours each year. Thereby avoiding phenomena of "*welfare tourism*" as it is called in Denmark, while above all ensuring that the new scheme may be viable in the long term.

3. It is expected that the new system will have the capability to cover housing needs, as well as any interest mortgage loan for home ownership. Do you believe that this is realistically feasible or do you consider it to be ambitious

enough (given that there is currently a very high percentage of non-performing loans)?

The issue regarding the accommodation needs is directly related to the possibility of integration into the labour market. The phenomenon which is observed in Cyprus today is the Keynesian unemployment, i.e. unemployment related to insufficient demand due to austerity and therefore lack of development. If the duration criteria of GMI is the same as the public assistance, it is very likely to create liquidity problems, since the public assistance for a beneficiary has no specified duration and if someone continues to be eligible can benefit from it throughout his life.

This cannot be done for beneficiaries who are able to work and remain voluntarily unemployed. The GMI should not therefore be a disincentive for labour market integration, while it should ensure that the equivalent work gives the employee the opportunity to live with dignity and to meet the needs of housing.

Each case of a GMI recipient should be considered very carefully with a fair and equal manner, so that everybody will be subject to the same criteria and wherever is possible to be provided decent housing. Even asylum seekers should be housed in specialized centres, where the necessary review will be undertaken by officers of the state so as to ensure that beneficiaries live in decent living conditions.

In practice it would be ideal for the state to repay the interest rates and housing needs for long periods of time, but this remains a very big question as to whether it will be economically feasible. Non-performing loans are a phenomenon that is on the rise mainly due to unemployment, which is not expected to be decreased or even to stabilize in the coming years as the growth rate will continue to be negative.

Of course even after the positive growth rates, always based on the experts' opinions and the results that have been achieved in EU countries under austerity, that are currently in a growth trajectory, unemployment continues either to increase or remain stable for longer period of time. Therefore housing needs will be relatively the same for a period that exceeds approximately five years.

4. Should there be any age criteria for the beneficiaries?

If the EEE is admitted without age criteria it may have the ability to correct a major problem that the country is facing with pensioners. As previously reported the percentage of elderly people forced to survive below the poverty line are above 37%. Consequently, the introduction of no age criteria should be connected to both the source of financial support, and the ability to connect to quality elderly care services. These services may be related to health centres for the elderly as well as wellbeing places of older people.

5. A basic principle of philosophy of the GMI is its connection with the labor market and education. How do you believe that it will be implemented practically this objective, since in the current era there is no demand for labor?

Training recipients is a very important factor and it is possible in various ways, such as for example specialized programs. At the same time should the secondary education as well as post secondary education should be linked to labour market needs. Therefore guidance should be provided by professionals both in the framework of the Cypriot reality and in relation with the labour market as well.

On the other hand it is absolutely certain that education alone cannot lead to vocational rehabilitation in the absence of jobs. Therefore, the provision of EEE should be linked to other forms of employment, such as for example social work. However, this should be done in moderation and in a manner that real jobs replace won't be replaced. A simple recommendation is to link the elderly care with EEE recipients who have the skills and abilities to provide such services.

6. Where should diverge the amount of living wage and what should be the duration for payment of GMI?

The amount which will be provided for living should be linked to the cost of living on the basis of the realities we have as country. Obviously it should be taken to account that there are no satisfactory conditions of transportation, which increases the cost of living. Consequently the cost of oil and gasoline is directly linked to the cost of living. An additional aspect is the cost of health care given the fact that there isn't in place a General Health Plan. At the same time, critical aspects are the following:

- the cost of education whether public or private,
- the cost of the basket of household

- the family composition .

All these parameters essentially define the reference point which should provide incentives for re-employment. As regards the duration, should be associated with the integration in the labour market.

7. Cyprus is the only country in the EU which has no National Minimum Wage. The minimum wages set by collective agreements and the relevant Minister's Decree covers only eight professions. The implementation of the GMI will affect the wages and how?

The absence of a statutory Minimum wage could be considered as the most serious disadvantage for the implementation of a good model of minimum income. Unprecedented phenomena of exploitation are observed currently concerning worker's forced to work in very difficult conditions while the state is unable to control and limit these phenomena. In many cases even the salaries due are not paid on time. Moreover the programmes which are supposed to reinforce employment in fact have influence the wages in a large degree.

Evidently Minimum Wage reduces poverty and social exclusion. When statutory minimum wage was adopted in the UK the poverty rate has been reduced at a percentage which reached 20%. Cyprus is the only country of the EU without a statutory minimum wage while Germany is already adopting a new system of minimum wage.

Minimum wage is directly connected with minimum income since the philosophy of money provision is linked with the reintegration into the labour market. Consequently the implementation of new system of minimum income without any particular reference benchmark which is going to be the price for integrating in employment jeopardizes both the Industrial Relations and labour peace as well.

Unfortunately today employer's can pay hunger salaries with uncontrolled hours especially concerning occupations not covered by the minimum wage legislation. The introduction of a minimum income without a minimum wage may influence negatively regarding two basic aspects of labour market: the undeclared work and unfair competition (consequently increasing social dumping).

In case that the wages follow a downward trend inevitable chain reactions will follow with negative consequences on the economy, hence to the extension of the time towards an exit from crisis. Of course this is natural since wages are relevant with consuming. The picture of Cyprus today concerning consuming is not objective, while the money in the real market are not coming from employment rather than from savings and employees Provident Funds. Consequently if there is a wage reduction this has to be equal with the reduction of prices. Unlikely austerity is not based on this philosophy rather than to drastic reduction on the expenditures of the state.

There are several methods to boost up growth like financing public works in order to create infrastructure. This could be a policy Cyprus may adopt since there is a perspective to create infrastructures which currently do not exist. Taking to account all the above the introduction of a minimum wage is without a doubt a prerequisite for an ideal model of minimum income.

8. What should be the range of the criteria regarding the movable, real and financial assets/ property of the applicants?

Criteria regarding assets should be evaluated through a multiple lens analyzing the level of income through these assets. At the same time the values of these assets should be estimated on a constant basis with objective principles. Nevertheless all this process shouldn't create a trend for mass sales while this will inevitably mean depreciation of property with a fear for creating a new crisis. The first house and property with relatively low value shouldn't be considered as an eligibility criterion.

Nevertheless all the above should be based on surveys adjusted on the Cypriot circumstances and on International good practices.

9. The GMI will be connected and will coexist with other social support /benefit (refugees' benefits, students and child benefits, disability and unemployment benefits). Can it coexist with other non-contributory benefits (e.g. social pension) and how is it affected by the absence of a General Health System?

It is expected and should be connected with other social benefits and all these should be taken to account for the needs of a household. However the link with other non contributory

benefits has to be examined methodically, because essentially there is no meaning to provide at the same time incomes with the same aggregation.

The absence of a General Health Plan is an important disadvantage and obviously the implementation of the General Health Plan will reduce the cost of the new minimum income system.

Apparently to create all these there is a need for control mechanisms to be created with the appropriate human resources. Additionally the computer systems of the relevant Governmental departments should be connected.

10. The third pillar of the philosophy of GMI is access to quality services (Elderly Care, child care, social economy, etc.). Is it possible to connect the GMI in Cyprus with such services, taking into account the level of infrastructure that we have today?

Due to the lack of infrastructure and limited access to quality services significant weaknesses are observed which make the correct implementation of the EEE more difficult. However, the state may utilize the field of social entrepreneurship and through funds from the EU Structural Funds to create such infrastructure which should be connected connect with EEE.

In short, the EEE may be the reason and an alibi to fill important gaps in infrastructure have been created in recent years.

11. Based on the architecture of GMI and the involvement of social partners in shaping that architecture, what do you expect the impact on society would be?

It is important to be noted that there has been substantial discussion on the issue of EEE while the time frame for the implementation of increasingly narrow. Essentially there are only two months and has not yet been notified the specific context of its application to particular amounts and numbers to the social partners and NGOs. This is a very important drawback because such a serious issue is very likely to create significant concerns for all stakeholders, seeing everyone from his own perspective .

However as a scheme in the proper approach and philosophy is a sine qua non, since it provides the citizen who crossed the line unexpectedly towards unemployment and poverty, the ability to live with dignity and to escape the trap of poverty and social exclusion.

Appendix 5: OEB

OEB (Cyprus Employers and Industry Federation)

- 1. The context of implementation of the new system GMI includes new groups of citizens that are eligible. Among these are the unemployed, the working poor, unemployment benefit recipients and pensioners with low pensions. Do you think that the new system will affect the labour market and social security and if so, how?**

First, we want to point out that social dialogue in relation to the new system of Guaranteed Minimum Income (GMI) in Cyprus has officially began, so the answers given to all questions are based on the preliminary information we have received from the Ministry of Labour, Welfare and Social Security, pending official invitation for detailed information and initiation of social dialogue.

The philosophy of the system of GMI aims to support groups of citizens in a way that is not based on one-dimensional cash benefits but in a comprehensive program to ensure a decent subsistence, and providing access to quality services, and labour market integration of unemployed people who are able and available for work.

Especially in relation to the reintegration of the unemployed into the labour market, it's noted that under the current system, the integration of the unemployed into the labour market during the first six (6) months from the date of termination of employment –a period during which is unemployment beneficiary allowance – that means the immediate abolition of the unemployment allowance. However, the finding of work of an unemployed during the first six (6) months, with earnings lower than those received as unemployment benefit (due to the calculation method of the unemployment allowance) is a disincentive for immediate employment. Nevertheless, with the implementation of GMI incentives are given to take immediate employment of unemployed, even with lower earnings as there will be the possibility of supplementing the emoluments through the GMI.

Therefore, the correct application of the system of the GMI will result in better targeting of benefits received from the Government to beneficiaries while encouraging the reintegration in the labour market.

In addition, proper implementation of GMI will be enhanced efforts by the State for reintegration benefits recipients in the labour market which implies increased contributions to the Social Security Fund.

- 2. The practice of using cheaper labour force across Europe has created unequal competition between inhabitant and immigrant workers (Social Dumping). What should the eligibility criteria be for GMI, with respect to the nationality of the recipients?**

Having in mind the principles of the European Union (EU) in terms of the rights and obligations of the citizens of the Member States, we consider that the ethnicity of the beneficiaries, provided that nationals of a Member State of the EU (not citizens of third countries), cannot be a basis for any different approach or differentiation with regard to the eligibility criteria for the GMI.

However, the competent authority may determine eligibility for the GMI that would be based for example on the years of residence or actual work permit of a European citizen in the “hosting” State, in this case in Cyprus.

- 3. It is expected that the new system will have the capability to cover housing needs, as well as any interest mortgage loan for home ownership. Do you believe that this is realistically feasible or do you consider it to be ambitious enough (given that there is currently a very high percentage of non-performing loans)?**

Access to finance for businesses and citizens is one of the major problems experienced by the Cyprus economy and thus society.

Given the current data, we meet housing needs too ambitious.

- 4. Should there be any age criteria for the beneficiaries?**

The philosophy of GMI is based on the needs of that person / beneficiary to ensure a decent standard of living.

We appreciate that each case will be considered different beneficiary, i.e. based on the needs but also of the available resources.

Therefore, the age cannot be a criterion for not taking the GMI but maybe will be a factor for the amount of GMI the beneficiary will receive.

- 5. A basic principle of philosophy of the GMI is its connection with the labour market and education. How do you believe that it will be implemented practically this objective, since in the current era there is no demand for labour?**

Alongside the GMI, there should continue and further strengthened the development of projects on giving incentives to employers for hiring unemployed, especially on the categories of young and long term unemployed.

In addition, there is a need to find ways for financing businesses so as to implement development programs enhance business activity and create new jobs.

- 6. Where should diverge the amount of living wage and what should be the duration for payment of GMI?**

Our positions regarding the amount and duration of payment of the GMI will be formed after the provision of the required official data by the competent authority.

- 7. Cyprus is the only country in the EU which has no National Minimum Wage. The minimum wages set by collective agreements and the relevant Minister's Decree covers only eight professions. The implementation of the GMI will affect the wages and how?**

As rightly mentioned, the amount of the minimum wage in Cyprus is determined through the collective bargaining process and the relevant Ministerial Decree covers eight specific professions.

Please note that the main reason of issuance of the Decree to cover minimum wages for specific 8 professions, is the fact that, according to the Ministry of Labour, Welfare and Social Security, in certain jobs there is not trade union action as in other areas of economic activity and workers are in relatively weak bargaining position.

Although for many years the determination of the conditions of employment was based on the terms of collective agreements at sectoral level and / or at the enterprise level, the

harmonization of the Cyprus legislation with the EU acquis has led to more legal regulation of employment conditions for workers.

In our view, the statutory minimum wage as established by Ministerial Decree, is particularly high since the calculation, it takes into account the very high salaries of public sector data which do not reflect the real economy, national productivity and economic performance of firms.

Furthermore, the fact that the minimum wage for eight professions covered by the Decree has not decreased, in contrast to the salary cuts and similar benefits have been in the private sector, has created serious distortions in the economy.

Moreover, the lack of flexibility in adjusting the amount of the minimum wage for these occupations is a disincentive for new hires/employments from companies and private sector organizations.

In addition to the above comments on the method for setting the minimum wage, the implementation of GMI cannot in advance be estimated whether it will affect substantially the amount of wages.

8. What should be the range of the criteria regarding the movable, real and financial assets of the applicants?

The answer of this question is virtually impossible at this stage.

9. The GMI will be connected and will coexist with other social support /benefit (refugees' benefits, students and child benefits, disability and unemployment benefits). Can it coexist with other non-contributory benefits (e.g. social pension) and how is it affected by the absence of a General Health System?

Note that recipients of such benefits / allowances (e.g. large families), regardless of the demographic needs, do not live necessarily below the poverty level, and hence their inclusion in the system of GMI expands the whole system and differs from the basic philosophy and purpose.

The operation/implementation of the General Health Plan (GHS) is imperative as it will significantly affect the amount of GMI that the beneficiaries will take, especially the elderly and / or those facing serious health problems.

10. The third pillar of the philosophy of GMI is access to quality services (Elderly Care, child care, social economy, etc.). Is it possible to connect the GMI in Cyprus with such services, taking into account the level of infrastructure that we have today?

Given the level of infrastructure in the public and private sector, we estimate that the connection of GMI with these services is possible, especially with the services of the private sector.

Under the Public-Private-Partnership (PPP) people with need for care (children, elderly, etc.) will be able to have access to quality services in the private sector, i.e. utilizing existing structures and avoiding the cost of constructing, creating and opening of new state structures, while strengthening the private sector and creating new jobs.

11. Based on the architecture of GMI and the involvement of social partners in shaping that architecture, what do you expect the impact on society would be?

We believe that, proper implementation of GMI with the active involvement of the social partners will modernize the existing, anachronistic system, while enhancing efforts to better target benefits while promoting the reintegration of persons who are fit and available for employment in the labour market to the benefit of the economy and society as a whole .

A prerequisite for the proper and successful implementation of such a system is the detailed and thorough study of the under configuration system and the study of respective systems already implemented in other Member States, taking into account differences in these systems with the existing system in Cyprus (e.g. function GHS) in order to avoid possible failures, challenges and problems encountered and / or facing by Member States that have already implemented the GMI.

In addition, during the system formation special attention should be given to two problems that the existing system in Cyprus is facing, namely the paperwork (receipt, review and approval or rejection of applications) and undeclared work by beneficiaries in order to ensure the highest possible level of all

Cyprus Chamber of Commerce and Industry (CCCI)

1. The new minimum income system must not be a disincentive for a job seeker. The target of the state should be the reintegration of the recipients of minimum income into the labour market. In the framework of the social policy of the state new training programmes should be created and in addition new programmes to gain expertise as well as social work programme. The labour market will be affected especially if the minimum income is bigger the wage which a business is able to offer. Therefore the recipient should be obliged to participate in reintegration programmes and at the same time has to be available for work. Minimum income should be supplementing the salary.
2. Eligible for minimum income should be anyone whose income is below the decent level of living whether the incomes are coming from work, or unemployment benefit or pensions and self-employed. Incidentally the eligible recipients should be permanent residents of Cyprus.
3. The situation of the Cypriot economy is really bad and we believe that the intention to cover the housing needs and the bank interests regarding loan for housing through the minimum income is ambitious enough and perhaps unrealistic while the majority of households are under loans which have been made in the past. The problem is even worst for the persons without any income at all or a very low income.
4. The grant of minimum income should be evaluated individually without any age criteria.
5. Currently is quite difficult to implement such a target while unfortunately there is no demand for work and most of the businesses are in the process to find solutions just to survive. However, there are some businesses in some sectors of the economic activity which can employ people on a part time basis. These persons need to be encouraged in a manner to be integrated in the labour market.
6. To define the exact amount of a living wage specialized survey should be carried out in a way the whole system will productive and fair.
7. The implementation of the minimum income will affect the wages creating disincentives to attract people in the labour market. If the level of the minimum income is at the same level of the minimum wage then the incentive for integration in

the labour market won't exist. For this reason it is important to configure the minimum income in such a way that will not creating disincentives.

8. The real, mobile and financial assets should be carefully studied and taken very seriously. The level for these criteria should be determined after a survey which should be identifying all the above elements.
9. Minimum income should not coexist with other non-contributory grants while both have the same target which is to ensure for every citizen or family a decent level of living. The absence of a General Health Plan or any other plan could affect the cost and the quality of care. Therefore a survey has to be carried out to define the cost which the state will have to pay so as the better possible solutions will be implemented without affecting the financial situation of the state.
10. The care services level of infrastructures provided by the state are in a very low level while at the same time there is high cost to the financial of the state. These social care services could be incidentally provided by the state and the private sector. In this way the recipients could receive even better services. The state could save money and subsidize the provision of social care by the private sector.
11. The implementation of the minimum income will support people with real need to survive, especially today where the financial circumstances are extremely difficult. The society will face positively minimum income while it will guarantee a dignified level of living which is not easy to secure in other ways.

