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Pensions, Health Care and Long-term Care

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1 Executive Summary

During 2010 and early 2011 economic conditions started to stabilize in Cyprus (GDP exhibiting modest growth). However, following the deadly explosion in the Naval Base of Mari Village last July, signs of stagnation emerged in the second half of 2011. Cyprus' banks heavy exposure to Greek sovereign debt compounded economic problems. Forecasts for 2012 (by the Central Bank of Cyprus, the European Commission and the IMF) have recently been revised ranging from zero growth to a slight GDP contraction amidst a worsening external environment (and fear of further spill overs from the Greek crisis), and the negative impact of successive consolidation measures introduced by the government that were not taken into account in the previous estimates of key economic indicators. A deteriorating economic outlook has been reflected in increasing unemployment, nearing a double digit, which is a record high rate for the country (since the 1970s). Unemployment is expected to further rise in 2012. Particularly alarming is soaring youth unemployment.

Successive austerity packages included a raft of measures for containing public payroll expenditure (including public sector pensions). Regarding the General Social Insurance System, the parametric reform of April 2009 is still being phased in. Hence there has been no consideration of any further changes. Reform measures centred on the civil servants pension schemes with the aim to progressively curtail privileges (e.g. of high-ranking government officials) and tackle inequities with the private sector. Beyond similar ageing forces impacting upon the pension schemes of both the private and public sector, existing inequalities (in favour of the latter) are considered to further contribute to an unsustainable fiscal burden. Major developments include the introduction of a 3% contribution by public employees towards their government (occupational) pension and the termination of the public sector pension scheme for new entrants into civil service. Other parameters of public sector pension schemes, such as pensionable age, the formula of pension calculation and the non-taxable lump sum bonus provided at retirement have been issues of confrontations in public debate between the government, opposition parties and the public sector trade unions, but so far they have not entered the reform agenda.

As to health care policy, no significant progress has been recorded in the reform path towards launching a comprehensive national health system (the so-called General Health System, GHS). Major requirements are still pending (e.g. installing an information technology system for the GHS, designing and overseeing the GPs' training tender, developing therapeutic and costing protocols, and reorganising public hospital management). In a u-turn move, the recent announcement by the Ministry of Health that the launching of the GHS should start from tertiary (specialised) and hospital services, so as to shore up the ailing private sector that owns a large part of specialised health infrastructure, highly weakens the initial reform goal of introducing a universal health care system based upon unified primary care. Meanwhile the crisis conditions greatly increased strain on an already overstretched public health care system characterised by considerable inequalities in terms of access to and utilisation of services.

Finally, long-term care remains fragmented and rudimentary in funding and delivery. Significant reforms that need to be introduced in light of impending demographic change do not figure in public debate. Yet, putting in place a systematic process for determining and addressing needs and redrawing the health and social care interface is of utmost importance.

2 Current Status, Reforms and the Political and Scientific Discourse during the previous Year (2011 until February 2012)

2.1 Overarching developments

Prior to the tragic explosion that occurred in July 2011 at the Naval Base in Mari Village, the Cyprus economy was projected to grow by about 1.5% in 2011. However the devastating effects of the blast on the island's largest power station dealt a serious blow to the economy[1] reducing growth to nearly zero level. Furthermore, losses incurred by Cypriot banks due to large exposure to Greek bonds amplified economic woes. Repeated downgrades of Cyprus' sovereign debt rating by the major international rating agencies reflected concern regarding an unsustainable fiscal condition (sovereign borrowing cost hiked and the country was barred from world debt markets).[2] The public deficit surpassed the 4% target set in the Stability Programme of May 2011 (it reached 6.6%); while the public debt increased from around 60% in 2010 to 67.5% of GDP in the end of 2011.

Intensifying crisis conditions led to a wide cabinet reshuffle[3] a couple of months after a newly elected government took office (following the May 2011 elections). Since the second half of 2011 government authorities have introduced successive austerity packages. A first package was decided in July 2011. It comprised a raft of measures including: an income tax increase on incomes exceeding EUR 60,000 per year from 30% to 35%, in parallel with an increase in interest rates on bank deposits from 10% to 15% (and in dividends from 15% to 17%); a decrease in the tax-free amount of real estate property and parallel increase in the tax rate; reduction of the VAT rate to 5% for first-time home buyers; a 3% contribution by civil servants towards their state pension scheme; termination of the Government Employees Pension Scheme for new entrants and their inclusion in General Social Insurance Scheme under the same conditions as private sector employees; an increase in public sector workers' contribution to "widows and orphans fund"; and the introduction of a temporary sliding scale "levy" on gross monthly income of public sector employees and pensioners.[4]

A second austerity package was agreed in autumn 2011, followed by further austerity measures incorporated in the 2012 budget that the Parliament approved last December. Ensuing measures include a three-year spending ceiling for all ministries, a two-year freeze of public sector salaries (and suspension of the Cost of Living Allowance and any pay scale rises except for promotions); introduction of a staggered tax on private-sector earnings;[5] a 10% reduction in entry level salaries for civil servants; the abolition of about 1,000 vacancies in the public sector previously allocated to temporary staff and a hiring freeze;[6] introduction of income criteria for

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[1] The country lost 60% of its electrical power capacity.

[2] A EUR 2.5 billion loan offered by the Russian government on favourable terms provides a lifeline for the ailing economy. In parallel, optimism about prospects for the economy to recover is supported by the natural gas discovery offshore Cyprus after a preliminary drilling.

[3] After the accidental explosion, DIKO (the Democratic Party) that formed with AKEL (the Progressive Party of Working People) the centre-left government coalition pulled out of the government.

[4] The levy is in force from September 2011 and amounts to 2.5% for incomes between EUR 2,500 and EUR 3,500, 3% for incomes between EUR 3,501 and EUR 4,500, and 3.5% for incomes EUR 4,501 and over (it initially excluded the judiciary and the air traffic control officers, but in late 2011 an amendment of the law embraced these socio-professional groups too).

[5] In the form of a contribution paid by both the employer and the employee on a sliding scale similar to that concerning the levy on incomes of public sector employees.

[6] Also expenditure on public sector's overtime allowance was cut by 50% in the 2012 budget.

the provision of child benefit and student grants.[7] The 2012 budget is forecasted to decrease welfare spending by about 15%.

Unemployment grew rapidly in 2011. From 6.1% in December 2010, it hiked to 9.3% in December 2011.[8] Soaring youth unemployment is a serious problem (from 15% in December 2010, it jumped to 26% in late 2011). Moreover, according to the Pancyprian Association of Small Businesses, in the first five months of 2011, every month on average 96 small to medium-size firms (with 1 to 49 employees) were closing down and about one hundred self-employed declared bankruptcy.[9]

Much of the debate on fiscal adjustment focused on the need to streamline the public sector that is considered bloated. The doubling of employment in the wider public sector (including semi-governmental organisations) from 1980 to 2010 (reaching 63,460 employees) led currently to a state payroll absorbing close to 60% of all direct tax revenue.[10] A series of measures were put forward in the political debate, among others the abolishment of existing vacant positions in the public sector and no hirings for replacing employees who leave service (except for doctors and nurses), freezing of public sector salaries for a couple of years and introduction of contributions by civil servants for the state pension with the aim that contribution levels reach those of private sector employees; and increasing retirement age at 65 years across the public sector.

In early 2012 strong confrontations emerged in collective negotiations between employers' associations (the Cyprus Chamber of Commerce and Industry, and the Employers and Industrialists Federation) and the trade unions. The former pressed for a 15% reduction in the minimum wage[11] and a two year wage freeze (including a two-year suspension of the Cost of Living Allowance). With government intermediation an agreement was reached for a two-year pay freeze but provision of the Cost of Living Allowance was maintained (as did also the rate of minimum wage). Moreover, it was agreed for firms not facing economic problems to proceed with wage and salary increases (and provision of benefits) as stipulated by collective agreements.

2.2 Pensions

2.2.1 The system's characteristics and reforms

There are two main pension schemes in Cyprus that are both compulsory (public) first pillar schemes operating on a pay-as-you-go basis: (a) the General Social Insurance Scheme (GSIS) run by the Social Security Fund (SSF) covering employees and self-employed persons; and (b) the Government Employees Pension Scheme (GEPS) run by the Ministry of Finance that provides an occupational pension for central government employees (civil servants, members of the education system, the police and the armed forces). Employees of the broader public sector (public enterprises, local authorities and other public entities) are covered by distinct public schemes providing benefits similar to those of GEPS.

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[7] Other measures include a VAT increase from 15% to 17% from March 2012 (on fuel, electricity, machinery, clothing, tobacco and other goods), and a 5% VAT levied on private medical practitioners.

[8] 9.5% among men and 9.1% among women. With unemployment rate nearing double digits the country is facing a situation reminiscent of the second half of the 1970s (unemployment hit a record high in 1974, 29.6%, and remained high until 1977).

[9] See Newspaper "Business Weakly", 4 September 2011, retrieved on 20 November 2011, at http://www1.sigmalive.com/files/filefield/1/1/5/business_weekly_04092011.pdf.

[10] According to a study by the former president Vassiliou and his associates, if the payroll continues to rise then the public deficit is estimated to reach 8% by 2015 (see Newspaper "Simerini" 18 June 2011, retrieved on 25 July 2011 at http://www.sigmalive.com/simerini/business/news/393719.

[11] That stands at EUR 855 (and increases to EUR 909 after six months in the same employer).

The GSIS was established in 1963 as a flat-rate contributions and benefits scheme but was reformed in 1980 with the introduction of an earnings-related scheme. It comprises two components: a basic and a supplementary benefit. Basic pension benefits are indexed to the rate of annual increase of the average gross insurable earnings, while supplementary pension benefits increase in accordance with the cost of living index. Pension increases take place each January, as well as each July (if the cost of living index is higher than 1%). The system is funded by tripartite contributions (13.6% of gross insurable earnings, up to a ceiling of EUR 1,025 per weak and EUR 4,442 per month since January 2012, shared equally by the employee and the employer, and 4.3% by the state). The contribution rate for the self-employed people amounts to 12.6%.

Under the GSIS pensionable age is 65 years for both men and women; yet early retirement at the age of 63 is rather common, given the fact that under certain conditions no penalties for early exit are in force. Incentives for postponing retirement consist in a 0.5% increase in the pension benefit every month remaining in employment, from age 65 to a maximum of 68 years.

Public employees are also entitled to the GSIS pension benefits (for this scheme a contribution rate of 3.4% is paid by employees and 3.4% by the state). The GEPS provides supplementary pensions to government workers. Until recently this supplementary pension benefit was almost entirely financed by general taxation. A 0.8% contribution rate was paid as a share in the cost of survivors' pension. Legislation passed in August 2011 raised the latter rate to 2% and introduced a 3% contribution on gross monthly earnings (for the supplementary pension component) with the aim to reduce the cost of the scheme to the government and somewhat improve equity in respect to private sector workers. The compulsory retirement age is 63 years for civil servants, but for the armed forces, the police and educational service it is much lower, ranging between 55 to 60 years. Early retirement can be drawn at the age of 55 years (or 58 for entrants into public service after 1st July 2005) without any actuarial reduction of benefits. In 2009, the effective retirement age for the entire working population was 62.8 years.

Old-aged people (65 years and over), who do not satisfy minimum requirements for a pension under the GSIS or any other scheme, are entitled to a non-means-tested social pension, provided they fulfil prescribed residence conditions. The social pension ensures universality in pension coverage. The rate of the social pension is equivalent to 81% of the full basic social insurance pension; and as is the case with the latter, it is automatically indexed to earnings. About 95% of social pension beneficiaries are women.

With the aim to tackle the comparatively high poverty incidence among the elderly, in December 2009 the "Scheme for the Support of Low-Income Pensioners" was introduced. It provides a means-tested benefit to pensioners whose household income is below the poverty threshold. In addition, in 2011, offset measures were decided by the government so as to cushion the negative impact on vulnerable groups (including low-income retirees) of a 5% VAT increase in foodstuffs and pharmaceuticals (in the context of fiscal adjustment) and accompanying hike in prices of essential commodities. The offset measures consist in one-off payments to vulnerable groups (with incomes below the poverty line), their amount depending on household size and employment conditions.

The second pillar includes a number of voluntary provident funds, established on the basis of collective agreements. Roughly a little over a third of private sector employees have such a supplementary coverage.[12] They operate on a funded basis and provide lump sum payments at retirement (as well as for invalidity, termination of employment, unemployment and death). As repeatedly emphasised in the Annual Reports of previous years, existing regulations do not

[12] Legislation for the establishment of provident funds entered into force in 1982. There are about 120 provident funds with more than one hundred members, as well as a number of smaller ones.

highly facilitate transposition of rights across employers and often employment termination leads to cashing in of lump sum benefits. This condition neither provides incentives for accumulation of rights over the entire working life nor secures a pension annuity solution.

In Cyprus, the increase in the old-age dependency ratio (65+/15-64) over the coming decades will remain markedly lower than the EU average. From 18.0% in 2010 it is projected to reach 44.5% in 2060, while the respective rates for EU-27 are 25% and 53%. Nevertheless the ratio of contributors to pensioners will deteriorate (in 2060 it is estimated that there will be 1.2 contributors per pensioner),[13] a condition exerting high pressures on public pension expenditure. In 2010, pension spending under the two main schemes (GSIS and GEPS) amounted to about 5.3% and 2.5% of GDP respectively (and for other public sector schemes to about 0.5%). However, by 2060 expenditure is projected to be among the highest in the EU (17.7% of GDP, compared to an EU-27 average of 12.9%).

With the aim to improve long-term sustainability a parametric reform was introduced in March 2009. The reform includes stricter rules for early retirement and a phased rise of contributions for all those insured under the GSIS. On the expenditure side, the qualifying period for minimum pensions increased from 3 to 10 years of paid contributions, to which 5 more years of credited contributions can be added (instead of 9 previously). This measure intends to encourage active ageing.[14] On the revenue side, the reform provides for gradual increases of contributions, by 1.3 percentage points every five years (and in seven instalments, starting from April 2009) until the contribution rate from 16.6% (before the reform) reaches 25.7% in 2039. A phase-in schedule for increasing revenue for the social insurance of self-employed is also included (for a detailed discussion of the 2009 parametric reform see Annual Reports of previous years).

The need of reform in public sector pensions has been the focus of political debate over the last couple of years. In late April 2011 a bill was approved by Parliament with the aim to curtail pension privileges by high-ranking government officials[15] who served in more than one state posts and until recently were eligible for multiple pensions. The law sets a ceiling for the amount of pension income (from state pensions) received by these categories of officials that equals half of the highest earnings they received in any of the posts they held (multiple pensions are axed if they surpass this ceiling; if not, entitlement to multiple pensions persists).[16] Also in the event that a retired state official is assigned to a public post, his/her pension is suspended until his/her term of service ends. Other provisions include the abolishment of the choice of either receiving a pension and a one-off bonus or a higher pension, making obligatory the first alternative; and the introduction of a 6.8% payment (calculated on gross monthly earnings) as a contribution for their pension. The measures introduced are estimated to save cash for the state of an amount about EUR 1 million per year.

Under the pressure of fiscal adjustment, legislation was enacted in August 2011 (Law 113[1]) that introduced a 3% contribution (for the GEPS scheme) on the wage bill of civil servants and

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[13] As indicated in the Joint Report on Pensions (European Commission 2010, p. 76), unlike in the majority of member states, in Cyprus "the relative number of pensioners to population aged 65 and more is projected to increase adding close to 2 percentage points of GDP to pension expenditure (in addition to about 10.8 percentage points due to demographic ageing).

[14] Though, in the short term, it may have an impact against women, given the higher frequency of interrupted or very short employment careers, a condition that leaves them dependent upon the non-contributive social pension. To stress, however, that the employment rate for people 55 to 64 years is comparatively high in Cyprus (56.8% in 2010; corresponding rate for EU-27, 46.3%).

[15] Parliamentarians, Supreme Court judges and the Attorney General, appointed heads of various commissions, officials appointed in EU posts or other international organisations, ambassadors and other similar categories.

[16] To add, however, that a "professional" pension from previous service in the government and the wider public sector is not taken into account for defining whether pension income surpasses the set ceiling.

employees of the broader public sector (as well as an increase of public sector employees' contribution for survivors' pensions[17] from 0.8% to 2%). In parallel, the law stipulates that from October 2011 onwards new entrants into public service are insured under the GSIS.[18] In addition a temporary levy on gross monthly incomes, over a certain threshold, of public sector employees and pensioners was imposed (ranging from 1.5% to 3.5%).[19] The on-going political debate on further reform of the state-sector pensions (e.g. plans to tax the lump sum benefit provided to government employees at retirement) increased on early exit in late 2011. According to data of the Ministry of Finance, in 2009 early exits[20] amounted to 18.4% of total public sector retirements; they increased to about 30% in 2010 and further jumped to 45% in the period from January to September 2011.

There are no restrictions to work for pensioners, and according to recent data about two thirds of pensioners between the age of 63 and 65 continue working. Contributions paid by those pensioners increase the rate of their pension at the age of 65.[21] Often, in the case of persons with low earnings, retirement after having covered only about two thirds of total insurable working life may imply a very low pension (even below the minimum pension). This may lead to the paradoxical phenomenon where "early retirees" of this category have their pension raised to the level of minimum pension, to which the special allowance is also added, while at the same time they may continue to have earnings from employment too.

GSIS pensions recorded an increase by 2.29% (in both the basic and supplementary part) in January 2012. According to the Social Security Law, this rate is counterbalanced to the indexing increase granted each July. Hence the final increase rate stands at 0.67%. In parallel the maximum insurable earnings rose from January 2012 to EUR 1,025 per week and EUR 4,442 per month (equally, imputed income of the self-employed on the basis of which contributions are calculated increased by 2.29%) The social pension was adjusted respectively: it increased from EUR 324.8 (since January 2011) to EUR 332.2 in January 2012.

2.2.2 Debates and political discourse

Fiscal adjustment has been at the forefront of political discourse over 2011 and early 2012. Particularly so as the catastrophic explosion at the Naval Base in Mari village dealt a serious blow to the Cypriot economy, while at the same time a worsening external environment and growing uncertainty further intensified economic vulnerability.

As stressed in the 2011 Annual Report (Petmesidou 2011), the inequalities between the public and private sector pension schemes in terms of funding, replacement rates, level of overall pension benefits and retirement age were prominent issues in public debate. Pension privileges enjoyed by high ranking retired state officials for years and generous retirement conditions for government employees came under public scrutiny. As indicated above, strong fiscal pressures led the government to introduce significant structural measures for public sector pensions. Multiple pensions were axed, a contribution of public sector employees towards their government (occupational) pension was introduced,[22] and GESP was abolished for new entrants into the public sector.

[17] Concerning the so-called "widows and orphans fund".
[18] According to forecasts by the Ministry of Finance, the GEPS will be totally abolished by 2065.
[19] The ceiling was set at EUR 1,500 initially but was increased to EUR 2,500 in late 2011 (see also note 4 above).
[20] Mostly of government employees around 60 to 62 years of age who, however, have completed 400 months of service, which is the required period of contribution payments for receiving a full pension.
[21] After the age of 65 no contributions are charged to working pensioners and thus employment after that age does not have any further positive effects on pensions.
[22] Where they until recently contributed nothing.

Negotiations between the government and public sector trade unions were hard. The latter repeatedly stressed that civil servants are those who entirely foot the cost of the crisis. Yet opposition parties (e.g. DISY, the Democratic Rally party) strongly insisted on a higher contribution rate than finally approved by Parliament.[23] Other issues that opposition parties continue debating, in light of the need to shore up public finances, are extending retirement age for civil servants to 65 years (so as to equalise it with statutory pensionable age for private sector employees) and introduce a tax on civil servants lump sum retirement benefit. Their proposals concern government officials, but they expect the measures to be extended to employees in the wider public sector (for whom special regulations apply). Public sector trade unions are strongly opposed to these proposals; emphatically stressing that "unilaterally decided measures" would not be accepted. Equally, the ruling party's youth organisation criticised the proposal of extending the retirement age on the grounds that it ultimately would limit employment opportunities for the young. Strong resistance by the social partners to raising retirement age rules out any discussion about linking retirement age to longevity.

Drawing upon the latest actuarial review undertaken by the actuary expert of the Ministry of Labour and Social Insurance,[24] a review of the GSIS' sustainability was submitted to Parliament by the Minster of Labour in late 2011. By taking into account the 2009 reform, the review forecasts contributions to cover expenses on both the basic and supplementary part of pensions until 2031. If also return on investment is taken into account, GSIS' revenue is expected to be enough to cover expenses up to 2044. The GSIS' reserve is projected to be exhausted by 2055.

However, a recent review by the IMF forecasts that by 2050 pension expenditures will almost double by far exceeding revenues from contributions (even if we take into account the increases introduced by the 2009 reform and the August 2011 measures; IMF 2011 and Simone 2011). Pension spending is projected to rise from 9% of GDP in 2010 to about 17% of GDP in 2050 (highly exceeding the EU average). An increase in government transfers of 4.5% of GDP (or even higher, if spending on non-contributory pensions is also taken into account) will thus be required. The report concludes that this will highly strain public finances; hence reforms for ensuring sustainability should be considered in the immediate future. A similar conclusion is also drawn by a pension survey undertaken by the Aon Hewitt actuary department.[25] The survey forecasts a negative balance of payments of the GSIS over the next decade. This may necessitate drastic reductions of pension income. Suggestions focus on increasing retirement age and facilitating the development of the private pillar.

The SSF's investment policy is also a significant issue of debate. A reform bill for regulating investment policy, promised to be drafted by the Ministry of Labour and Social Insurance three years ago, is still pending. Recently the actuary expert of the Ministry strongly emphasised the need for a more diversified investment portfolio for the SSF, and suggested that the relevant authorities consider the possibility of allowing the SSF to increase allocation of reserves to non-government asset classes (provided they are of low risk), so as to secure a higher yield. Such an investment policy would make possible for the SSF to recover funds from debtors other than the state if its balance of payments turns negative, while the state faces liquidity

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[23] They also accused the government of backtracking on a deal made between all political parties, in late July, for a 4.0% contribution by civil servants in the broader state sector for their state pension and changes to the formula of pension and retirement bonus calculation.

[24] According to legislation an actuarial valuation is conducted every three years; the more recent one was carried out in 2009 (see Ministry of Labour and Social Insurance 2011).

[25] See Newspaper "Fileleftheros" 14 August 2011, retrieved on 20 August 2011 at http://www.philenews.com/Digital/Default.aspx?d=20110814&pn=49 ; and Newspaper "Simerini" 11 August 2011, retrieved on 20 August 2011 at http://www.sigmalive.com/simerini/business/news/409106.

problems.[26] In the same vein the Auditor General, in her 2010 review released in late 2011, starkly indicates that pursued investment policy for the SSF's reserves does not ensure the interests of the fund (Republic of Cyprus 2011, p. 159).

Finally, the need for rationalising provident and occupational funds (operating on a funded basis), though of central importance for improving adequacy of benefits, hardly features in public debate.

2.2.3 Impact of EU social policies on the national level

It is mostly through Cyprus' efforts to correct the excessive deficit and bring public finances into a consolidation path that EU impact is recorded over the last year. In this attempt the government adopted successive fiscal packages briefly discussed above (introduction of a contribution by civil servants to their government pension and abolishment of the GESP for new entrants into public service, in tandem with salary freeze, a staggered levy on public and private sector earnings, targeting criteria for social benefits and a cap on maximum expenditure for each ministry – impacting on social protection expenditure too- for the period 2012-2014).

As pointed out, for government authorities GSIS' sustainability is considered to have been secured for the coming decades through the reform enacted in April 2009 and the measures taken in August 2011. However, demographic trends and pension expenditure projections indicate mounting pension costs in the following decades posing significant long-term fiscal challenges. As put by an IMF pension expert (Simone 2011, p. 25), given mounting sustainability problems in the future, the policy dilemma is not "between reform or no reform", but between incremental change spreading the burden of reform in a more equitable way between generations or a more abrupt (and painful) change, if reforms are postponed until severe fiscal pressure requires immediate response.

Rapidly increasing unemployment over the last year and a gloomy economic outlook for 2012 (expected to further hike unemployment) have negative effects on the balance between revenues and expenditures of pension funds in the short to medium-term. This surely deflects from the target of increasing employment, in line with the EU 2020 policy; though long-term economic forecasts are more optimistic given the successful gas exploration of the country.

Adequacy issues continue to be a major policy challenge in Cyprus, given the high poverty rate among pensioners. A slight improvement is recorded between 2008 and 2009 (see Table 1). The latest available data, however, draw upon 2008 incomes. Thus they reflect neither the effects (if any) of the "Scheme for the Support of Low-Income Pensioners" (launched in December 2009), nor the income squeeze by the intensified crisis conditions over the last couple of years. Undoubtedly major steps need to be taken for lowering the excessively high poverty rate among elderly people.

Overall, issues included in the country specific recommendations of the Commission published in June/July 2011 are of significant importance in public debate. Yet the emphasis has been primarily on the sustainability of the public sector pension scheme. Government authorities consider the April 2009 reform sufficient for meeting need over the coming decades and any further structural reforms regarding the GSIS are not currently contemplated. Absolutely negative is also the trade union's stance on linking retirement age to longevity.

[26] The Aon Hewitt survey also stresses the need for diversifying investment strategies by Cypriot pension funds. It particularly focuses on the high risks linked to large cash deposits of pension funds in local banking institutions and the need to spread the risk by investment in other asset classes (like private equity, infrastructure etc.).

2.2.4 Impact assessment

The employment rate of older workers (55-64 years) was comparatively high in Cyprus in 2010 (56.8% total; 71.2% for men and 43.0% for women – the respective rates for EU-27 were 46.3% total; 54.6% for men and 38.6% for women). However due to the economic downturn a slight decline was recorded in the third quarter of 2011 (to 55.3%).[27]

The current median income of people 65 years as a ratio of income of the age group 0-64 amounted to 59% in 2009, much lower than the respective rate for the EU-27 average (86%). Equally low is also the average replacement ratio in Cyprus (35%, compared to 53% in EU-27).

The current net theoretical replacement rate for an average income earner with a 40-year long career at the age of 65 is rather low (57%). However, it is expected that with the maturation of the supplementary part of the GSIS scheme (introduced in 1980) replacement rates will gradually rise. By 2050 the net theoretical replacement rate (NRR) is projected to reach 70%. Equally, the NRR for low earners will increase from 60%, in 2010, to 66%, in 2050; and for high earners from 48% to 55%.

In contrast to most other member states where early retirement results in lower theoretical replacement rates and postponed retirement to higher theoretical replacement rates, in Cyprus currently no such effect is recorded if retirement takes place two years before / two years after the age of 65 (after a 38-year or a 42-year career) respectively. However, in 2050 a "malus" of 3% and a "bonus" of 2% are forecasted. Particularly for low income earners a "malus/bonus" for early or delayed retirement is non-existent presently, but is projected to be of some significance in 2050; a three percentage points "malus/bonus" holds for high income earners currently and this remains stable over the projection period.

The rate of poverty risk of elderly people has persistently been among the highest in the EU (see Table 1). The most recent available data refer to 2009 and are based on 2008 incomes. As the global financial crisis reached Cyprus with some delay, these data do not reflect the crisis impact.

At the onset of the crisis the poverty risk stood at 48.6% for people 65 years and over, and 64.5% for 75 years and over; the corresponding rates for EU-27 were 15.9% and 18%. Equally high is the combined risk of poverty and social exclusion (in 2009, 56% for people 65 years and over; EU-27, 24.2%). Severe material deprivation is also above the EU average and is particularly acute among elderly women. Given the fact that home ownership is a widespread phenomenon is Cyprus, it is not surprising that the risk of poverty by tenure status among elderly people does not result in any significant differences (in fact the risk of poverty among elderly people who are home owners is more than twice as high than the EU-27 average). The launching of the "Scheme for the Support of Low-Income Pensioners" (in December 2009) as well as the measures for offsetting hardship among households as a result of price hikes following the 5% VAT increase in January 2011, mentioned above, constitute significant developments in respect to tackling the high poverty incidence among the elderly. They are clearly targeted measures benefiting about 50,000 pensioner households.

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[27] For this report, unless otherwise stated, all statistics are taken from the Eurostat webpages at http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/.

Table 1: Inequality, poverty and social exclusion

	2008[a]			2009[a]			2010[a]		
	Total	***Men***	***Women***	***Total***	***Men***	***Women***	***Total***	***Men***	***Women***
At-risk-of poverty (65+)	**48.3 (18.9)**[b]	42.5 (15.9)	53.3 (21.2)	**48.6 (17.8**	44.1 (14.9)	52.4 (20.1)	**- (15.9)**	- (12.9)	- (18.2)
At-risk-of-poverty (75+)	**65.0 (21.4)**	62.6 (17.6)	66.8 (23.9)	**64.5 (20.2)**	62.6 (25.2)	66.0 (22.4)	**- (18.0)**	- (14.3)	- (20.5)
At risk of poverty of pensioners	**48.1 (16.1)**	45.5 (14.9)	50.3 (17.2)	**47.8 (15.4)**	44.8 (13.9)	50.5 (16.6)	**- (13.8)**	- (12.1)	- (15.2)
At-risk-of-poverty and social exclusion (65+)	**50.7 (23.2)**	44.5 (19.6)	56.0 (26.0)	**50.1 (21.7)**	44.8 (18.3)	54.6 (24.2)	**- (19.8)**	- (16.2)	- (22.6)
Relative median income ratio (65+ to 65-)	**0.59 (0.85)**	0.64 (0.88)	0.56 (0.83)	**0.59 (0.86)**	0.63 (0.90)	0.57 (0.84)	**- (0.88)**	- (0.92)	- (0.86)
Severe material deprivation (65+)	**10.3 (7.4)**	8.9 (6.0)	11.5 (8.5)	**8.8 (6.7)**	7.5 (5.5)	9.9 (7.6)	**- (6.4)**	- (5.1)	- (7.4)
Severe material deprivation (75+)	**12.3 (7.7)**	11.9 (5.9)	12.7 (8.8)	**10.0 (6.9)**	9.0 (5.4)	10.8 (7.8)	**- (6.5)**	- (5.0)	- (7.5)
At-risk-of-poverty of 65+ by tenure status (tenants)	**40.6 (18.9)**	36.7 (17.5)	42.9 (19.8)	**44.9 (18.7)**	-[c] (17.0)	44.0 (19.8)	**- (17.2)**	- (14.3)	- (19.2)
At-risk-of-poverty of 65+ by tenure status (owners)	**49.2 (18.9)**	43.0 (15.5)	54.7 (21.6)	**48.9 (17.6)**	43.9 (14.4)	53.3 (20.1)	**- (15.5)**	- (12.5)	- (17.9)

Source: Eurostat data, accessed at http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home on 18 January 2012.

[a] *Data refer to incomes of previous year (no data available for Cyprus for 2010).*

[b] *In parenthesis the EU-27 average.*

[Poverty threshold = 60% of median equivalised household income after social transfers (including pensions)]

Career breaks due to increasing unemployment have a negative impact on pension income. At present, three years of unemployment result in a decrease of the NRR from 57% to 53%; while a 10-year career break further decreases the NRR to 42%. Eurostat projections for 2050 indicate that the effects on the NRR for a 3-year or 10-year career break will remain stable. On the other hand, for female workers a 3-year career break for childcare is projected to slightly worsen the NRR in 2050. Furthermore, ten years after retirement the decrease of the NRR will widen from one percentage point currently to two percentage points in 2050.

Given the fact that the pension system in Cyprus relies heavily on the public provision, it is the public pension system health that is at stake in the struggle of the government to balance budgets amid failing revenues and rising costs.

Moreover, pension expenditure projections need to take into account the medium to long-term effects of the crisis, particularly given considerable uncertainty and financial turbulence (in the 2009 Ageing Report pension expenditure forecasts estimate an additional increase of pensions expenditure –apart from that linked to demographic ageing- of 1.7 percentage points of GDP as a result of “a lost decade scenario”, European Commission, 2009, p. 239).

2.2.5 Critical assessment of reforms, discussions and research carried out

In the short to medium-term adequacy issues are of primary importance given the comparatively low average replacement rate of pensions and the very high poverty risk among elderly people (particularly among elderly women). The means-tested grant to low-income pensioners approved by the government in December 2009, and the measures introduced in 2011 in order to offset VAT increases in foodstuffs and pharmaceuticals are appropriate policies for improving pension adequacy. It is important, however, that fiscal consolidation measures for reigning in excessive debt do not derail redistribution measures benefiting low-income retirees.

Scheme maturation in respect to the supplementary pension component of the GSIS, projected to occur in 2020, will significantly improve adequacy as net theoretical replacement rates will increase. The NRR is expected to keep an upward trend also after 2020, reaching 70% in about 2048, on the premise that the basic pension component will continue to be indexed to earnings (European Commission 2010, p. 76).

Undoubtedly, in the long-term adequacy criteria need to be considered in close relation to challenges for ensuring the sustainability of public pension expenditure. Recent projections indicate that pension expenditure will accelerate noticeably from 2040 onwards (IMF 2011 & Simone 2011). If the pension schemes are unreformed, pension expenditure in Cyprus will rise from 7.4% of GDP in 2009 to about 18% in 2060,[28] an increase far exceeding the EU and OECD average rates (12.9% and 11.3%[29] respectively; OECD 2011, p. 159).[30] The worsening dependency ratio, combined with the comparatively low statutory retirement age for public sector employees and the absence of actuarial pension reductions for early retirement are among the main reasons for this increase.

Currently, the accrual rate in the GSIS scheme (for the supplementary, earnings-related part of the pension) is 1.5% (calculated for lifetime career earnings). For public sector employees the accrual rate rises to near 2.5%, if we take into account the lump sum gratuity and the fact that the final salary is the earnings reference base for the calculation of pension. This sharply contrasts with the much lower contribution rates paid by government workers than private sector workers. Such inequities impact negatively upon fairness and adequacy. They increase the fiscal burden on the state leaving little room for redistributive measures towards low-income retirees; so as the fiscal adjustment path followed since 2011 further strains public finances. Pressures on public pension expenditures are also exerted by the leap in unemployment from 3.8% in 2008 to 9.3% in late 2011.

Challenges for pension adequacy arise also in respect to the second pillar (the provident funds for private sector workers). Existing regulations do not facilitate transposition of rights across employers and often employment termination leads to cashing in of lump sum benefits. This condition does not provide incentives for accumulation of rights over the whole working life and does not secure a pension annuity solution (it also discourages employment flexibility).

[28] This forecast, however, does not take into account the 2009 reform and the measures introduced in 2011 for public sector employees.
[29] The OECD average refers to 2050.
[30] For recent actuarial studies see IMF 2011 and Ministry of Labour and Social Insurance 2011.

Possible recommendations

In the short-term the means-tested grant to low-income pensioners and the offset measures mentioned above are in the right direction for improving adequacy. Close monitoring is key for tracking the effectiveness of these measures in reducing old-age poverty and social exclusion.[31]

In the medium to long-term, policy options that bear upon pension adequacy are closely linked to improving the system's fairness (in respect to private and public sector workers) and securing sustainability. Most importantly, strengthening incentives to stay longer in employment will considerably increase (net) replacement rates and also boost revenues of pension funds.

In light of the above, possible policy recommendations for (more or less gradual) reforms include:

(a) Raising mandatory retirement age of public sector workers from 63 to 65 years so as to equalize it across the entire working population.

(b) Phasing in a further increase of pension age to 67 years; subsequently adjusting increase to longevity.

(c) Introducing an actuarially fair "malus/bonus" systems for early/postponed exit from the labour market for the entire working population.

The closing of the GEPS scheme to new entrants into public sector employment (as well as the introduction of a 5% contribution[32] for public sector employees appointed before October 2011), recently approved by Parliament, is a reform in line with fairness concerns. In the short to medium-term, however, some further adjustments to the GEPS are required in order to improve equity with which public funding is disbursed (and particularly as regards "old" and "new" government workers – that is, appointed before and after 1st October 2011). Such measures could include a further increase of contributions (over the rate of 5%) for public sector employees insured under the GEPS, as well as an increase in the number of years of pensionable earnings on the basis of which pension benefits are defined.

Finally, rationalisation of second pillar pensions is of utmost importance for securing adequacy of benefits and system viability. Reform should tackle high fragmentation of provident funds (some of them of very tiny size) and change their profile from welfare to insurance funds. Importantly, transferability of (second pillar) pension-benefit rights across employers should be facilitated, so as to extend insurance over the whole career and allow transformation of lump sum benefits into pension annuities that could increase monthly pension payments with positive effects particularly on low-income retirees.

2.3 Health Care

2.3.1 The system's characteristics and reforms

Cyprus lacks a universal health care system. As emphasised in the Annual Reports of previous years the organisation and management of the health care system in the country is obsolete and deficient, and proliferation of private health facilities without effective controls (and coordination with public health care) mechanisms lead to duplication, waste of resources and poor quality of services. Public health care is income-related, and free access is guaranteed for certain groups (all public sector employees, individuals below a certain income-threshold and

[31] An impact assessment undertaken by the Ministry of Labour and Social Insurance at the end of the first year of implementation has shown that there has been an overestimation of eligible retirees due to a number of constraints and difficulties in collecting relevant income data information (European Commission 2011).

[32] 3% for their state pension and 2% for survivors.

some other specific categories). The degree of satisfaction with the way public health facilities operate has persistently been rather low turning to the private sector even people entitled to free care.

From the late 1990s to the late 2000s total health expenditure as a percentage of GDP stood at about 6% (one of the lowest rates in the EU, after Romania). The significant weight of private expenditure (close to 60%, the highest rate in the EU) is an indication of a regressive system of funding.[33] It consists largely of out-of-pocket payments (only 0.28% of GDP concerns private health insurance spending). However, over the last couple of years the economic crisis triggered an increasing utilisation of public health care, a condition overstretching already strained public health services.

In view of the need for rationalising and improving health care through the establishment of a national health system, in 2001 a law was enacted for introducing the General Health System (GHS, a primary-care driven health service provision for the entire population). This law aimed at addressing major deficiencies and inequalities in health care. Initially the aim was to put GHS in operation by mid-2000s. Yet, the target was soon dropped as unrealistic and political stalemate dominated. Meanwhile the burgeoning of private facilities (and the progressive expansion of private health insurance schemes for some groups – e.g. university staff) created clashing interests in respect to an overhaul of health care. In addition, the demographic profile of the country has not so far exerted a strong pressure on health expenditure, a condition that partly explains the low level of health spending in Cyprus. Yet, health care needs are expected to increase with demographic ageing over the coming decades.

On the basis of the above law, the Health Insurance Organisation (HIO) was set up in 2001 as the agency that would manage the system's finances and act as a single purchaser of health care services from public and private providers.[34] Over the decade of the 2000s the HIO undertook responsibility for a range or preparatory activities, e.g. the required actions for installing an information technology system for the GHS, designing and overseeing the GPs' training tender, developing therapeutic and costing protocols, and other necessary arrangements for bringing about a national health system encompassing primary care and specialty practices. However, many steps are still required for finalising all these issues and move the system forward.

Revised targets of implementing GHS have been put off twice (the latest target referred to 2011) amid concerns about organisational and financial issues, while the current economic crisis severely strained public finances and increased fears by governmental authorities that reform costs may run out of control. Undoubtedly, actuarial values and costing parameters significantly changed since the drafting of the plan and following revisions.[35] Nonetheless, there are strong arguments supporting the view that a carefully planned unified system with a developed primary and holistic preventive care can contribute to controlling health spending growth; while the current divided system plagued by mismanagement, inefficiency and waste of resources can easily lead to ballooning expenditure. The resignation of the head of the HIO in late March 2011 and significant delays in appointing a new head indicate the deadlocks in respect to keeping on track with the process of launching the GHS.

Strikingly, the new Minister of Health (after the May 2011 parliamentary elections) announced recently that the sequencing of operations relating to the introduction of the GHS should be reversed. Instead of starting with the formation of a unified system of primary health care (that

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[33] For an analysis of health expenditure see Pashardes et al. 2006 and Andreou et al. 2010.

[34] The GHS is planned as a unified system split into purchaser/provider operating as a mixed model where both the public and private providers compete with each other on the basis of common costing methods and quality assessment requirements.

[35] For a brief review of the reform plan and steps taken over the previous years see 2011 Annual Report.

could relieve pressure from hospitals),[36] and then proceed to reorganisation of secondary and tertiary care, he suggested that the reform should start with tertiary (specialised) and inpatient hospital care. Such a shift in priorities (presented as a ground-breaking idea!) is driven by concerns about the increasing excess capacity in the private sector threatening many private health care units with bankruptcy.

The private sector had grown significantly until the eruption of the crisis. Over 70% of the medical infrastructure belongs to this sector.[37] Over the last couple of years demand for private health care services declined proportionally to the increase of demand for public health care services (by approximately 30% to 35%) as many people can no more afford to utilise the former. According to the Minister of Health, squeezed demand for many of the specialised health care services of the private sector, if continued, will deal a significant blow to the available health facility infrastructure of the country. Starting the operation of the GHS at the tertiary (and secondary) level may contribute to shoring up existing (specialised) private facilities. However, as long as a unified primary health care is not set up, system inefficiency cannot be adequately tackled. No specific roadmap has been announced by the Ministry so far, while the new director of HIO pledged to soon submit a revised plan of actions.

Cost-containment of public health care expenditure has been the focus of many measures introduced in 2011 and early 2012. In the 2012 budget of the Ministry of Health public health expenditure is reduced by about one percentage point, while austerity packages include a 30% increase of the prices charged for all services provided by the public health care system to users not entitled to free access. Also, the Ministry intends to redefine the income groups enjoying free access. The three different categories until recently distinguished with regard to public health care access will be reduced to two. The first category includes specific groups enjoying free access: public servants, pensioners and the chronically ill; large families with three or more children; and Greek-Cypriots in the Turkish-occupied north part of the island. The second category is income-related and includes: individuals with an annual income up to EUR 20,500; and members of families with an annual income up to 37,600 (increased by 1,708 for each dependent child).[38] The third category refers to the rest of the population that is obliged to pay for public health care services.

In parallel a EUR 10 entrance fee is going to be introduced for all patients visiting the accident and emergency units of public hospitals (regardless of whether they are entitled to free care or not). Additionally, the so-called “registration fee” for all patients visiting any public health care unit increased from EUR 2 to EUR 5 since January 2012 (pensioners are exempted from this fee).

Pharmaceuticals expenditure has been increasing fast and polypharmacy is a common phenomenon both in the private and public sectors. According to information from the Ministry of Health, the number of prescriptions increased by about 100,000 over the last two years. The average number of drugs per prescription stands at 5.7 (EU-27: 2.6).[39] In an attempt to curb polypharmacy the Ministry of Health introduced lately a stamp system for drug provision by

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[36] Particularly from the accident and emergency units inappropriately used for regular care.

[37] There are 19 private hospitals and about 76 private clinics. The public sector runs 7 hospitals.

[38] Until recently the upper ceiling for free access was set at EUR 15,400 annual individual income and EUR 30,700 annual family income (increased by EUR 1,700 for each dependent child). A second income group, embracing people with an individual income over EUR 15,400 up to EUR 20,500, or with a family income over EUR 20,500 up to EUR 37,600 (increased by EUR 1,700 for each dependent child) were only partly entitled to free care, as they had to pay 50% of incurred expenses. These two categories were merged into one that enjoys free access.

[39] With regard to the consumption of antibiotics the private health sector exhibits a high share (amounting to EUR 15.6 million in 2008), compared to the public sector (EUR 2.6 million). Recently, in an address to Parliament the Auditor General strongly emphasised the need to tackle polypharmacy.

public hospitals (for the groups entitled to free care). Stamps of the value of EUR 0.50 must be provided by patients for each prescribed drug with a ceiling of EUR 5 for each prescription. Equally, the list of subsidised prescription drugs (for those entitled to free care) has been significantly reduced and co-payment increased (for some drugs from 60% to 75%).

Other policy measures worked out by the Ministry in the last year concern contracting-out services to domestic private health care providers and/or inviting under contract medical specialists to public hospitals, for the treatment of special cases, so as to reduce costs for treatment abroad. In parallel, the Ministry terminated the practice of sending patients abroad for treatment as so-called “private patients”. Instead, treatment abroad will follow the new directive on cross-border health care adopted by the European Commission in early 2011. Under the “S2 form” patients are entitled to treatment in the state-funded sector in another EU country.[40] Services will be provided under the same conditions of care and payments as for residents in the country in which treatment is sought and claim for reimbursement of the cost incurred will be addressed to the relevant authorities of the country of the patients’ origin according to existing regulations. This is expected to considerably reduce public expenditure for treatment abroad (in 2011 it amounted to EUR 35 million).

Better coordination between public health care units at the district level is another policy option piloted in the Greater Nicosia Area. The newly appointed executive director of Nicosia General Hospital is assigned wider responsibility as “district officer” in charge of health care management and coordination of services provided by all public health care units in the area. In this role he will be supported by an advisory committee. This is considered a first step towards decentralisation of the public health care system that could be a first step in the process of overhauling the organisation and management of public hospitals so that they can be run as independent units (a reform constituting a crucial precondition for the launching of the GHS). In line with these developments an e-referrals system is piloted in the above district (between one health care centre and the General Hospital) to be subsequently expanded to the entire “network” of health care units in the district.

2.3.2 Debates and political discourse

As stressed in the 2011 Annual Report, ten-year discussion on the need for a comprehensive national health system and a significant amount of money invested on the HIO for making all necessary preparation stumble over state procrastination. The crisis and ensuing fiscal adjustment priorities further compounded the problem. Harsh criticisms by trade unions, opposition parties and medical associations[41] are repeatedly voiced. The Minister’s call for a change in the priorities in the path towards launching the GHS entirely reverses the HIO’s job that was to bring about a national health care system encompassing a unified primary care (with as many specialties as possible). Criticism is particularly addressed to the usual “excuse” provided by the Ministry officials for not proceeding faster with the reforms, namely the fact that an overhaul in public hospital management and organisation (required for the quasi-market system to function) was impeded by various factors.

Issues of the public debate and political discourse include persistent inequality in public health care access (with civil servants enjoying free access while for other socio-professional groups access is income-related). The strained conditions of public health care services because of increasing demand since the onset of the crisis is also a major issue of public debate. Long waiting lists in public hospitals constitute a major problem (according to the District Complaints Committee in the General Hospital of Nicosia waiting time for magnetic resonance

[40] Including Iceland, Lichtenstein, Norway and Switzerland.
[41] See for instance the criticism expressed by the head of the medical ethics unit of the Cyprus Medical Association (Vassiliou 2012).

tomography (MRT) may be up to seventeen months, for a clinical orthopaedic and cardiac examination up to four months and for orthopaedic surgery up to a year, for gastroenterological examination up to eight months, for ophthalmic examination up to five months, while the waiting list for ultrasound scan may be up to eight months).[42] Shortages of nursing staff (but also of medical doctors) as a result of retirements,[43] while new appointments have been frozen because of mounting fiscal problems constitute hotly debated topics too. In response to these the Ministry recently addressed to Parliament the demand for exempting the health sector from the rule of freezing new appointments.

In light of the preparatory work required for the GHS, concerns are voiced about delays in standardising prices for treatments (developing and costing therapeutic protocols) that are among an array of issues to be dealt with by the HIO. Pressure for standardising prices for health treatments emerge also in respect to the implementation of the EU directive on cross-boarder health care. As stressed by a Member of Parliament (belonging to an opposition party), "the state is losing millions by not knowing how much to charge services rendered to EU citizens" (Pantelides 2011).

During the last year, allegations were voiced of doctors taking bribes, manipulating surgery records to get paid for operations they did not perform, or unnecessarily scheduling work in the afternoons or weekends so that they could claim overtime. These attracted much attention in the media and led to official investigations by relevant authorities.[44] Attention was brought to re-examining measures to regulate doctors' overtime pay outs, while at the same time the Ministry put on the agenda of the negotiations with public hospital medical and nursing staff associations the possibility of running evening clinics. The issues are still under negotiation.

2.3.3 Impact of EU social policies on the national level

As stressed in the Annual Reports of previous years, the OMC does not figure in public debate and political discourse. A handful of officials and policy experts are well-aware of the OMC and the EU 2020 targets. However, much of the public debate between government authorities, political and trade union actors focuses primarily on fiscal problems and austerity measures. These are seen as directly impacting upon key problems in health care. The emphasis is mostly on the obstacles raised in the long-drawn process of introducing a viable national health system.

An issue of concern for Ministry officials and political actors is the transposition of the EU directive on cross-border health care, and particularly the required reforms for putting in place a price standardisation system for health care treatment, as mentioned above. Cost-cutting priorities and criticisms of state procrastination in launching the GHS overshadow all other concerns in public debate.

The impact of ageing, in the coming decades, for public health care programmes is not an issue attracting much attention, though demographic change in the future will significantly increase the economic burden that these programmes impose. Of particular importance will be the shift from acute to chronic illnesses. As repeatedly stressed in public debate, in its present form the health care system in Cyprus is strongly geared towards the former type of care. Hence significant changes will be required for treating chronic illnesses, the integration of medical and long-term care (and increased provision of the latter) being of utmost importance. This is a feat, however, that seems rather difficult as long as fragmentation in financing and delivery persists.

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[42] Information presented by the District Complaint Committee to the Parliamentary Committee on Institutions and Merit in early 2012.

[43] Mostly early retirements due to the increasing work overload of nursing personnel in public hospitals (because of understaffing), as well as to insecurity in respect to pension benefits triggered by fiscal adjustment.

[44] As indicated by the Auditor General, some doctors were even doubling their salaries in this way.

Issues concerning the linkage between health and poverty have not been systematically explored. But inequities arising from the ad hoc division of the population into those groups who have free access to public health care (e.g. public sector employees) and those who have income-related access is a matter of debate in the media and the relevant literature (Samoutis and Paschalides 2011).

2.3.4 Impact assessment

A two-fold strain is added to the existing inequitable system. Under the crisis conditions, a rising number of the population turns to public hospitals for treatment, yet resources are diminishing, while hardly any savings can be secured through system rationalisation as long as planned reforms are stalling.

Table 2: Health indicators

	2009 [a]			2005		
	Bottom income quintile[b] (%)[c]	Mid income quintile[b] (%)[c]	Top income quintile[b] (%)[c]	Bottom income quintile[b] (%)[c]	Mid income quintile[b] (%)[c]	Top income quintile[b] (%)[c]
Self-perceived "bad" health status (age group: 55 to 64 years)-Males	26.0(18.1)	7.7(10.8)	1.9(3.9)	28.7(21.6)	10.7(11.3)	1.6(4.7)
Self-perceived "bad" health status (age group: 55 to 64 years)-Females	23.0(18.6)	16.1(10.7)	2.9(4.7)	18.2(22.3)	12.6(12.6)	5.5(5.2)
Self-perceived "bad" health status (age group: 65 to 74 years)-Males	21.3(22.2)	20.2(12.2)	9.0(5.8)	22.2(25.3)	16.6(14.2)	4.1(6.2)
Self-perceived "bad" health status (age group: 65 to 74 years)-Females	20.5(27.5)	14.0(13.6)	8.8(7.4)	26.4(32.5)	17.9(14.4)	20.8(9.5)
Self-perceived "very bad" health status (age group: 75 years and over years)-Males	12.1(12.0)	4.5(6.1)	10.1*(3.9)	8.1(11.4)	10.1(4.6)	5.3(3.5)
Self-perceived "very bad" health status (age group: 75 years and over years)-Females	12.9(13.4)	17.2(6.4)	1.5(5.2)	15.3(15.0)	9.2(5.9)	12.2 (6.7)
	2009			**2005**		
Healthy life years at birth (% of the total life expectancy)	***Males***: 82.9% ***Females***: 78.7%			***Males***: 77.5% ***Females***: 71.5%		
Healthy life years at 65 (% of the total life expectancy at this age)	***Males***: 54.9% ***Females***: 40.6%			***Males***: 39.9% ***Females***: 25.6%		

Source: See Table 1.
[a] *No data available for 2010.*
[b] *Of equivalised household income.*
[c] *In parenthesis the EU-27 average.*

As stressed above, long waiting lists are reported by the media and government officials, and medical staff shortage due to retirements and appointment freezing in the public sector are a

matter of serious concern.[45] Even though, some years ago there was a shortage of nursing personnel in the labour market, over the last few years their number significantly increased. This triggered the decision by the Department of Nursing of the Technological University of Cyprus to apply the “numerus clausus” for admitting new students so that no glut will emerge in the labour market, particularly as fiscal discipline measures inhibit new hirings in the public sector. On the other hand, a number of private sector hospitals and clinics operate below standards for nurse staffing. According to regulations they should have already increased nursing staff so as to reach the required standards set by the Ministry of Health. However, due to the crisis private hospitals and clinics requested from the Ministry a longer time-period for complying with regulations.

The crisis has also affected people’s emotional health. As stressed by the assistant head at the mental health services of the Ministry of Health (Hami 2011), an increase in depression and anxiety disorders is recorded by the mental health services over the last couple of years, and the crisis is a contributing factor. Yet, no statistical evidence exists.

Table 2 exhibits inequalities in health status (self-perceived “bad” or “very bad” health conditions) among older people with regard to income categories. These appear to be higher in Cyprus compared to the EU-27 average. For instance, in 2009[46] only 1.9% of males 55 to 64 years of age in the top income quintile defined their health as “bad”, compared to 26.0% of males of the same age in the bottom income quintile (the corresponding rates for EU-27 were 3.9% and 18.1%). Similarly, 2.9% of women aged 55 to 64 in the top income quintile defined their health conditions as “bad”, compared to 23.0% of women of the same age in the bottom income quintile coming under this category (corresponding EU-27 rates, 4.7% and 18.6%). For both men and women healthy life years at birth as per cent of total life expectancy increased from the mid to late-2000s (in 2009 they stood at 82.9% and 78.7% respectively). Significant improvement is recorded also in healthy life years at 65 as per cent of the total life expectancy at this age for both sexes (54.9% for men and 40.6% for women in 2009).

2.3.5 Critical assessment of reforms, discussions and research carried out

Health care is at a watershed moment in Cyprus. More than ten years passed since the enactment of the law for introducing the GHS, yet strong doubts remain over whether the government will take the big leap and proceed with the overdue reforms. Meanwhile, the recession rapidly hiked demand for public health care straining an already overstretched system and bringing into sharp relief its major predicaments (a highly divided system between private and public provision maintaining inequalities in coverage; outdated cost accounting and management; and lack of quality improvement mechanisms creating inefficiencies and waste of resources).

Increasing problems require more than piecemeal responses. Intervening at the tertiary level of specialised care so as to shore up an ailing private sector due to the crisis can hardly contribute to tackling the major system inefficiencies. Instead, in order to develop a “private-public mix” that aims to increase efficiency with diversity in the provision of health care, it is of utmost importance to accelerate the pacing of reforms considered to be crucial preconditions for the introduction of the GHS (standardisation of treatment prices, quality standards, global budgets etc.). Consequently it is imperative that the carefully planned operations by the HIO soon reach their final stage. This presupposes that no reversal in the reform path will take place, and a primary-care-driven health care system will continue to be the central plank of the reform.

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[45] See Pancyprian Union of Government Doctors, retrieved 2 February 2012, at http://www.pasyki.eu/el/public-announcments.

[46] To which the most recent data refer for Cyprus.

The recession could provide a window of opportunity for the system's overhaul. Surely, the introduction of the GHS necessitates changes in pay-roll taxation. It requires civil servants (who enjoy free access) to share the "extra tax burden" with private sector employees and for the state to come up with a realistic costing of the new scheme. However, in the medium to long-term the proposed scheme will improve equity in finance and access and help control costs.

2.4 Long-term Care

2.4.1 The system's characteristics and reforms

Long-term care is a less developed policy area. Changes in family patterns due to increasing women employment impact on care that has traditionally been a service provided within the household. Particularly in the case of Cyprus, forced population movement in the mid-1970s, and later in that decade, highly disrupted family and kin networks as well as traditional local community support structures. As a result care problems intensified, in tandem with poverty problems among the elderly population.

Public support focuses on elderly people with insufficient incomes to meet their basic and special needs. It consists mainly of cash benefits (under the public assistance scheme) and/or service provision by the six District Offices of the Social Welfare Services and a number of publicly subsidised voluntary agencies (operating at the local level). Cash benefits provided to low-income elderly persons can also be used to buy services from private providers.

The family remains a major provider of services. Yet rapid demographic ageing, changes in family roles and the aim to raise female employment necessitate reform in the medium to long-term so as to meet increasing need. Moving towards social insurance based long-term care provision is not considered an option by the Ministry of Labour and Social Insurance, due to the strain on the non-wage cost of labour that such a reform would entail.

The long delay in introducing the GHS affects also negatively the social care area, in the sense that fragmentation of rudimentary long-term care provision persists. Expenditure on long-term nursing care services amounts to a tiny 0.15% of GDP (it rises to 0.18% if we also add expenditure on administration and provision of social services in kind to assist living with disease and impairment), which is among the lowest rates in EU-27. The more, public hospitals in Cyprus are suitable for the acutely ill patients, neglecting thus the chronically ill.

2.4.2 Debates and political discourse

As repeatedly stressed in the Annual Reports of previous years, long-term care is not a prevalent issue in the public debate, even though family changes and demographic ageing contribute to an fast increasing need.

Major challenges related to an enhanced role of local authorities in the field of social welfare so that they can act as "hubs" of co-operating public, private and voluntary providers, promote arrangements for systematic needs assessment and quality-improvement strategies do not surface the public debate, though these issues have been raised in the context of empirical studies in the past (see E.E.T.A.A. 2008).

The public debate in the last year was dominated by the impact of austerity packages. Spending cuts in social welfare, particularly through better targeting of the student and child benefits, cuts in housing benefits to "refugees" and other categories of beneficiaries as well as the freezing of the public assistance benefit provided to about 43,000 individuals (in 26,000 households) have been the focus of debate and political confrontations.

Particularly angry protests by the members of the Large Families Association were held against the decision of the Ministry of Finance to set income targets for the child benefit. The main opposition party (DISY) opposed the bill on the grounds that it targeted specific people leaving other benefits intact. Subsequent delays in implementing the targeted benefits triggered further criticisms.

2.4.3 Impact of EU social policies on the national level

The OMC in respect to long-term care does not figure in the public debate, and relevant parties in the field of social care (except of a group of ministerial officers) do not have a good grasp of the issue. Hence, the OMC is not particularly visible in domestic policy-making.

The EU 2020 strategy has an impact primarily with regard to reducing poverty, given the high poverty incidence among the elderly. As indicated in the 2011 Annual Report, in the National Reform Programme 2011-2013 the poverty reduction target is not disaggregated in respect to a particular vulnerable group (i.e. low-income pensioners, families with children, the disabled and others); neither are there any indications of how pension policies will contribute to meeting the target. The main measure in regard of reducing poverty among the elderly is the available grant to pensioners with low income (provided since the end of 2009). So far, no evaluation has been carried out on the effectiveness of this grant.

There is increasing concern about demographic ageing, especially in respect to pension (and health) expenditure. However, the implications for the organisation and delivery of health and long-term care are rarely touched upon in public debate. Issues such as an imminent shift from acute to chronic illness accompanying demographic ageing do not figure in the debate among policy experts, even though strains in this respect are already evident in the current health care system in Cyprus, as indicated above. Furthermore, changes required for adapting health and social care to emerging demographic challenges (e.g. developing geriatrics education, make provisions for integrating health and long-term care and tackle issues concerning the future supply of long-term care workers) do not garner much attention.

2.4.4 Impact assessment

Information on social care needs (as well as on the needs of caregivers) is fragmented and primarily based on social workers' own practice experience, as systematic planning and monitoring is absent.

The EU-SILC data provide an indication of social care needs among older people (most recent data refer to 2009 and depict conditions a year before). As Table 3 shows, with regard to "self-perceived severe limitations in daily activities" the gap between Cyprus and the EU-27 average slightly diminished from the mid to late-2000s. However, inequalities between the top, middle and bottom income quintiles widened particularly for people 75 years and over. This is highly pronounced for old-aged men. In the age group 65 to 74 years, inequalities in terms of "perceived severe limitations in daily activities" between the three income quintiles were considerably reduced for men but greatly increased for women.

Nonetheless, by far the highest rates of seniors (in both age brackets examined, and across the three income groups) that declare having severe limitations in everyday activities are found among women. This finding is very much in accordance with the prevalence of self-reported "bad" or "very bad" health conditions among elderly women (see Table 2 above).

Table 3: An indicator of care needs

	2009[a]			2005		
	Bottom income-quintile[b] (%)[c]	Mid income-quintile[b] (%)[c]	Top income-quintile[b] (%)[c]	Bottom income-quintile[b] (%)[c]	Mid income-quintile[b] (%)[c]	Top income-quintile[b] (%)[c]
Self-perceived limitations in daily activities[d] (age group: 65 to 74)-Males	13.2(15.5)	12.7(15.4)	7.2(8.0)	27.8(14.6)	23.0(13.4)	4.3(8.6)
Self-perceived limitations in daily activities (age group: 65 to 74)-Females	17.0(16.7)	7.0(16.5)	4.7(9.1)	33.6(15.7)	25.1(14.5)	20.4(12.0)
Self-perceived limitations in daily activities (age group: 75 years and over)-Males	32.4(26.6)	21.8(24.9)	5.9(21.6)	43.1(23.3)	27.1(22.5)	31.6(18.0)
Self-perceived limitations in daily activities (age group: 75 years and over)-Females	37.6(20.4)	34.3(29.9)	14.7(26.6)	47.6(26.2)	55.4(27.1)	31.2(27.3)

Source: See Table 1.
[a] *No data available for 2010.*
[b] *Of equivalised household income.*
[c] *In parenthesis the EU-27 average.*
[c] *Activity restriction for at least the past 6 months: people "severely hampered" in their daily activities.*

If combined with the very high risk of poverty and social exclusion among elderly people in Cyprus (and particularly elderly women), the data indicate a pressing need for support that will further increase with demographic ageing. A better coordination of health and social services is required in parallel with policies in support of healthy ageing. In respect to the latter Cyprus seems to lag behind other EU countries, despite the comparatively high life expectancy (81.1 years, at birth in 2009).

2.4.5 Critical assessment of reforms, discussions and research carried out

Overall, the policy challenges in respect to long-term care emphasised in the 2011 Annual Report remain highly relevant. Particularly as the crisis severely limits resources, enhancing coordination among diverse providers at the local level could contribute to tackle needs better. Strengthening the role of local authorities (that so far have limited responsibilities in social care) as coordinating agencies of public, community sector and voluntary providers could contribute to making better use of available resources. Local authorities, in cooperation with the District Offices of the Social Welfare Services, could play a major role in facilitating joined-up working for designing, developing and delivering services. In this context availability of funding to incentivise preventative action in local communities is of paramount importance, given that healthy ageing implies less disability and chronic diseases.

As a systematic process for determining and addressing needs is lacking, steps should be taken first for developing adequate statistics of current provision and subsequently for putting in place a robust process of health and social care needs profiling leading to agreed priorities and resource allocation.

Demographic ageing significantly changes the health and social care interface. Medicine needs to progressively embrace the ongoing management of multiple disabilities (and specialty training in geriatric medicine as well as geriatric nurse specialists should be developed), while long-term care services should become a crucial source of care integrated with medical

services. However, these constitute a difficult endeavour, as long as social care remains fragmented and rudimentary.

Finally, as home care provided either by family members or paid carers (mostly immigrant women) is highly prevalent in Cypriot society,[47] systematic preparation training and advocacy support to (paid and unpaid) carers is highly advisable.

2.5 The role of social protection in promoting active ageing

2.5.1 Employment

As indicated above, in Cyprus the employment rate of older workers (55-65 years) was well over the EU-27 average in 2010 (56.8%; EU-27 average: 46.3%). To a large extent this is due to the fact that a considerable number of older people continue working after retirement. Legal retirement age is stipulated by law (it stands at 65 and 63 years for the private and public sector respectively, though it is even lower for specific categories of public sector employees - teachers, the police and army forces). Provided contributions are paid for a minimum insurance period, early exit at the age of 63 years in the private sector and between 60 and 62 years for civil servants is possible. Moreover existing regulations for pensions by provident funds do not favour transposition of rights across employers, but instead lead to cashing in of lump sum benefits at employment termination and contributing to early retirement. Notably, as also mentioned above, effective retirement exit decreased in the late 2000s (from 63.5 years in 2007 to 62.8 in 2009).

According to Eurobarometer (2012) on average people think that they could continue doing their job until the age of 60.6 years (EU-27: 61.7). The responses by managers and other white collars are close to the average; those by the self-employed are well above the average, while manual workers set the maximum age at 58.9 years. Similarly, a little less than a third of the respondents consider staying in employment after statutory pension age. The rate is higher among self-employed (37%) and lower among managers (26%). A little over a fifth of the respondents expressed more or less complete agreement that official retirement age needs to increase by the year 2030 (compared to 33% in EU-27); while 55% totally disagree with this (EU-27: 36%). Interestingly, when asked in which ways old-aged people could contribute to society well over two thirds stated that “as paid workers”.[48]

Regarding age discrimination at work, only 9% stated that they have been victims of discrimination because of their age, while 18% witnessed occurrences of discrimination (respective rates for the EU-27: 6% and 15%). Also 4% of the respondents in Cyprus stated that they were personally discriminated in respect to access to education and training (EU-27:3%); and 6% have witnessed such a discrimination (EU-27: 8%). According to data by the “2010 Equality Report” by the relevant authority at the Ombudsman Office[49] there were only 12 complaints related to age (amounting to 9% of all complaints received in respect to employment, vocational training and access to goods and services). These are mostly complaints against the public sector (e.g. employment termination of all school crossing patrols

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[47] The Social Welfare Services provides public assistance to a number of elderly people in need for receiving home help by private carers.

[48] However, the overwhelming majority of respondents (95%; EU-27 average: 82%) consider as the most important contribution of elderly people the provision of care for their grand-children. An equally high percentage referred to the financial support elderly people provide to their families (95%; EU-27: 74%); while 84% also mentioned their contribution as carers for the sick and disabled family members (84%; EU-27: 89%).

[49] Retrieved on 15 January 2012 at http://www.ombudsman.gov.cy/Ombudsman/ombudsman.nsf/index_en/index_en?OpenDocument#.

who completed their 60th year by a municipality; or deviation to the principle of equal opportunity in the application criteria for entry into the Open University of Cyprus).[50]

2.5.2 Participation in society

There is a lack of research and data on volunteerism in Cyprus. A 2008 Survey[51] found that about 19% of the respondents had volunteered in the previous 12 months of the study (however, due to the small size of the sample, data should be interpreted with caution). On average the volunteers of the sample had been volunteering for more than 10 years. A fifth of the volunteers were from the age bracket 55 years and over.

A recent Eurobarometer survey found that a total of 21% of respondents currently participate in charities or voluntary organisations (EU-27 average: 26%). The rate for the age group 55 years and over is 19% (EU-27 average: 27%).

The Pancyprian Volunteerism Coordinate Council (PVCC) constitutes the supreme coordinating body of voluntary societies. It was established in 1973, as a "Welfare Council" to address the intensified need for voluntary provision resulting from disruption of family and kin ties due to forced population movements after the partition of Cyprus. It took its present legal form in 1989 when it was assigned the responsibility of acting as the supreme body for coordinating voluntary activity in the country. It is supported financially by the state (under the Grants-in-Aid scheme) and aims to develop overarching voluntary sector policies and promote cooperation with government authorities. In 2009, more than 350 voluntary organisations were members of the Council, most of these engaging in social welfare and health. Of particular importance are the Local Volunteerism Councils operating under the aegis of the PVCC that provide day-care services, family consulting and elderly care services. The operation of such programmes, jointly with local authorities, is funded by the Social Welfare Services of the Ministry of Labour and Social Insurance on the basis of a bidding process. Interestingly, in the recent Eurobarometer survey, when respondents were asked to indicate which organisations can play a positive role in tackling the challenges of the ageing population, an overwhelming majority (83%, EU-27 average: 70%) referred to NGOs (including older people's organisations); while the next most frequently mentioned institutions that could contribute to this aim are religious organisations and churches (72%; EU-27 average: 63%).

2.5.3 Healthy and autonomous living

The comparatively high percentage of people 75 years and over with severe "self-perceived" limitations in daily activities particularly in the bottom and middle-income quintiles (see Table 3 above) indicates an intensified need for support in order for elderly people to be able to live autonomously. Notably, about 9% of elderly people with incomes below 60% of the median equivalised income lack some general house equipment.[52] There is a lack of research and data on special provisions to elderly people with physical impairments.

In contrast to these intense needs for assistance with activities of daily living among the elderly (and the significant degree of housing deprivation), a different picture emerges in respect to people's perception of the "age-friendliness" of local environment. A significant majority of citizens (76%; EU-27 average: 65%) consider their local area as adapted to the needs of older people. Such a view is even more prevalent among older people (80% of respondents 55 years and over expressed this view, compared to an EU-27 average of 67%).

[50] However the latter is a positive discrimination in respect to age in the sense that applications for admission by older high school graduates were treated more favourably.

[51] Retrieved on 2 February 2012 at http://ec.europa.eu/citizenship/pdf/nationa l_report_cy_en.pdf .

[52] Have neither a bath, nor shower, nor indoor flushing toilet in their household (2010 EU-SILC data).

In response to the question on how the environment can be adapted to the needs of older people, a most prevalent response is through improvements of "facilities for older people to stay fit and healthy" (65%; EU-27: 42%), "improvements to roads and road safety" (47%; EU-27: 31%), "to public areas, such as parcs" (45%; EU-27: 25%), and "to public transport" (39%; EU-27: 40%).

The need for some kind of help to people who care for older family members is also evident in the Eurobarometer data. About half of the respondents (53%; EU-27: 38%) think that kinship carers should be offered the possibility of working flexible hours so that they can combine work with care responsibilities, as well as that the government should consider providing financial remuneration for care work (51%; EU-27: 44%). About a third also stressed the need for providing care training (32%; EU-27: 21%); and a fourth indicated the need for informal care work to be covered under social security (25%; EU-27: 33%).

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SIMONE, ALEJANDRO SERGIO (2011), The Cypriot pension system: issues and reform options, Cyprus Economic Policy Review, 5(2): 3-34, retrieved on 20 January 2012 at http://www.ucy.ac.cy/data/ecorece/Simone3-34.pdf.

VASSILIOU, ANTONIS (2012), Patchwork in order to avoid introducing the General Health System *(«Πατσιαρίσματα» για να αποφύγουν το ΓΕΣΥ)*, Newspaper "Fileleftheros", 15 January 2012, retrieved on 20 January 2012 at http://www.philenews.com/Digital/Default.aspx?d=20120115&pn=1.

3 Abstracts of Relevant Publications on Social Protection

[R] Pensions
- [R1] General trends: demographic and financial forecasts
- [R2] General organisation: pillars, financing, calculation methods or pension formula
- [R3] Retirement age: legal age, early retirement, etc.
- [R4] Older workers activity: active measures on labour market, unemployment benefit policies, etc.
- [R5] Income and income conditions for senior workers and retired people: level of pensions, accumulation of pensions with earnings from work, etc.

[H] Health
- [H1] Health expenditures: financing, macroeconomic impact, forecasting, etc.
- [H2] Public health policies, anti-addiction measures, prevention, etc.
- [H3] Health inequalities and access to health care: public insurance coverage, spatial inequalities, etc.
- [H4] Governance of the health system: institutional reforms, transfer to local authorities, etc.
- [H5] Management of the health system: HMO, payments system (capitation, reimbursement, etc.)
- [H6] Regulation of the pharmaceutical market
- [H7] Handicap

[L] Long-term care

[R] Pensions

[R1; R2] IMF, Cyprus: selected issues paper, Washington, D.C.,2011, retrieved from: http://www.imf.org/external/pubs/ft/scr/2011/cr11332.pdf

This paper (which is almost identical to the following one by Simone A.) discusses the factors that will impact upon the budget cost of public pension spending over the coming decades and presents major reform options with the aim to restore the long-term financial sustainability of the system. Suggested reforms include increases in the retirement age, reduction in benefits, less generous indexation and increases in contribution rates. It is advised that reforms are introduced in a gradual manner so that the burden of adjustment is more equitably spread across many generations.

[R1; R2] SIMONE, Alejandro Sergio, The Cypriot pension system: issues and reform options, Cyprus Economic Policy Review, 5(2): 3-34, 2011, retrieved from: http://www.ucy.ac.cy/data/ecorece/Simone3-34.pdf

The article draws upon forcasts of pension expenditure in Cyprus over the coming decades and stresses the need for reform in order to secure system viability. Forecasts based on demographic ageing trends indicate that pension expenditure will double by 2050 (if the system remains unreformed). By that time outlays will by far exceed the planned increases in contributions (on the basis of the April 2009 reform). As a result government transfers to the GSIS should increase putting an unsustainable burden on public finances. The article discusses reform options for the pension schemes of private and public sector employees including increases in the retirement age, reduction in benefits, less generous indexation and increases in contribution rates.

[H] Health

[H5] PAVLAKIS Andreas, KAITELIDOU Daphni, THEODOROU Mamas, GALANIS Petros, SOURTZI Panayota and SISKOU Olga, Conflict managment in public hospitals: the Cyprus case, International Nursing Review, 58(2): 242-248, 2011, retrieved from: http://onlinelibrary.wiley.com/doi/10.1111/inr.2011.58.issue-2/issuetoc

The article examines the existence and management of conflict among health-care personnel in public hospitals in Cyprus. It assesses the factors triggering conflict among staff members, evaluates the consequences and considers strategies for dealing with conflict situations.

[H4] SAMOUTIS George and PASCHALIDIES Constantinos, When will the sun shine on Cyprus' National Health Service?, The Lancet, 377(9759): 29, retrieved from: http://www.thelancet.com/journals/lancet/article/PIIS0140-6736(10)62337-9/fulltext

This is a short commentary on the need for introducing the General Health System. It describes the underdevelopment of primary health care and the lack of continuity and coordination of care, under the present system; the divide between half of the population using public health care and half of it using private care; the duplication of tests and waste of resources due to the non-coordination between the private and public sectors; and the lack of "holistic" preventive care.

4 List of Important Institutions

Κέντρο Οικονομικών Ερευνών, Πανεπιστήμιο Κύπρου – Economics Research Centre, University of Cyprus

Contact person: Panos Pashardes
Address: PO Box 20537, Nicosia, Cyprus
Webpage: http://www.erc.ucy.ac.cy/

The Cyprus Economics Research Centre is an independent non-profit research institution linked with the Department of Economics of the University of Cyprus. It undertakes research in economics with a main emphasis on the Cyprus economy within the EU and the international setting. Macroeconomic policy issues including income distribution, inequality and poverty, as well as the structure and financing of social insurance are among the research interests of the Centre.
Recurrent publication of the Centre: The Cyprus Economic Policy Review (published bi-annually).

Cyprus International Institute for the Environment and Public Health

Contact person: John Evans
Address: 5, Iroon Street, 1105 Nicosia, Cyprus,
Mailing address: P O Box 24440, 1703 Nicosia, Cyprus
Webpage: http://www.hsph.harvard.edu/cyprus/

The government of Cyprus, in collaboration with the Harvard School of Public Health (HSPH), has established the Cyprus International Institute (CII) for the Environment and Public Health, located in Nicosia, with the aim to develop research and education on key environmental and health issues in Cyprus and the Mediterranean region (e.g. population risks associated with environmental factors) in order to provide evidence for environmental health policies.

Ινστιτούτο Εργασίας Κύπρου (ΙΝΕΚ-ΠΕΟ) – The Cyprus Labour Institute (an Institute operating under the auspices of the Pancyprian Federation of Labour – PEO)

Contact person: Pampis Kyritsis
Address: 14, Simonidou (building ETKA/PEO, 2nd floor), 1045 Nicosia, Cyprus
Webpage: http://www.inek.org.cy/english/

A non-profit organisation established in the early 2000s by the Pancyprian Federation of Labour (PEO) with the aim to provide documentation to the unions, promote relevant research for an evidence-based intervention of the PEO and its trade unions members to policy areas that are of crucial interest to the trade union movement. It also promotes education and training on trade union issues and organises workshops and conferences. It publishes working papers and studies (e.g. on living conditions, wages, etc.). In 2008, it published a first (periodical) report on the Cypriot Economy and Labour Market. However, so far its research activities and publications have been limited.

Research Unit in Behavioural and Social Issues (RUBSI), University of Nicosia

Contact person: Constantinos Fellas (director)
Address: 46 Makedonitissas Avenue, Nicosia, Cyprus,
Mailing address: P O Box 24005, 1700 Nicosia, Cyprus
Phone: + 357 22841674
Fax: + 357 22351887
E-Mail: info@rubsi.org / phellasc@cytanet.com.cy

Webpage: http://www.rubsi.org/en

RUSBI undertakes interdisciplinary research that promotes understanding of the factors and processes that influence the health and well-being of the Cypriot population. Research topics include health processes and outcomes linked to transition and change across key stages on the life-course, bio-psychological and socio-cultural factors associated with the promotion of health and healthy life-styles, social problems of ageing, critical appraisal of factors affecting the health of the population with the aim to inform policy-making and promote evaluation studies of health policy and practice. It also provides courses in the sociology of health.

eHealthLab – Department of Computer Science, University of Cyprus

Contact person: Constantinos Pattichis (academic staff)
Address: Computer Science Department, University of Cyprus
Mailing address: P.O. Box 20537, 1678 Nicosia, Cyprus
Phone: + 357 22892697
Fax: + 357 22892701
E-Mail: pattichi@cs.ucy.ac.cy
Webpage: http://www.medinfo.cs.ucy.ac.cy/index.php/home

It promotes basic and applied research in the fields of Medical Informatics and Biomedical engineering and is linked to the department of Computer Science of the University of Cyprus. Research focuses mostly on medical technical solutions (e.g. IT systems in the operation theatre that aim to increase diagnostic accuracy by analyzing and processing endoscopy images).

Το Υπουργείο Εργασίας και Κοινωνικών Ασφαλίσεων - The Ministry of Labour and Social Security

Address: Byron Avenue 7, 1463 Nicosia, Cyprus
Webpage: http://www.mlsi.gov.cy

The Ministry of Labour and Social Insurance is the main state agency for labour and social policy and its functions cover social protection, employment, industrial training, labour relations, terms and conditions of employment and safety and health at the work place.

Το Υπουργείο Υγείας – The Ministry of Health

Phone: + 357 22 605601
Fax: + 357 22 434451
E-Mail: emissouri@mphs.moh.gov.cy
Webpage: http://www.moh.gov.cy/moh/moh.nsf/index_en/index_en

The Mission of the Ministry of Health is the continuous improvement of the health of the population of Cyprus, through the prevention of disease, and the provision to every citizen of high level health care, respecting the rights of every patient to high quality medical care delivered with dignity. The main features of this strategy are the emphasis on the prevalence and incidence of diseases and mortality data, the provision of equal opportunities for health care to all citizens, irrespective of their socio-economic status and place of residence, the promotion to the greatest possible degree of co-operation between the public health services and the private health sector and the improvement of effectiveness and efficiency of the public health services.

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(1) to improve the knowledge and understanding of the situation prevailing in the Member States (and in other participating countries) through analysis, evaluation and close monitoring of policies;
(2) to support the development of statistical tools and methods and common indicators, where appropriate broken down by gender and age group, in the areas covered by the programme;
(3) to support and monitor the implementation of Community law, where applicable, and policy objectives in the Member States, and assess their effectiveness and impact;
(4) to promote networking, mutual learning, identification and dissemination of good practice and innovative approaches at EU level;
(5) to enhance the awareness of the stakeholders and the general public about the EU policies and objectives pursued under each of the policy sections;
(6) to boost the capacity of key EU networks to promote, support and further develop EU policies and objectives, where applicable.

For more information see:
http://ec.europa.eu/social/main.jsp?catId=327&langId=en