



Annual National Report 2011

Pensions, Health and Long-term Care

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Author: Maria Petmesidou

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1 Executive Summary

After the negative GDP record in 2009, the Cypriot economy returned to a positive - though sluggish – rate in 2010 (0.8%), and moderate growth is expected in 2011. Unemployment is still about double of its pre-crisis level (7.2% in February 2011); given the fact that usually there is a time lag between output growth and labour market recovery. Nevertheless Cyprus fares comparatively well in terms of employment rates. The total employment rate of the population 20 to 64 years stood at 75.7% over 2009 and 2010. Comparatively high is employment of male workers aged 55 to 64 years (71.7% in 2009), while the respective rate for females is significantly lower (41%), indicating that there is room for improving labour market participation among women (particularly by discouraging early exit that often occurs because of women’s caring responsibilities).

Fiscal sustainability of pensions has been of major concern in the last few years. Legislation (mostly parametric changes) introduced in March 2009 aimed primarily at securing sustainability of the private sector pension scheme (GSIS) through stricter rules for early retirement and a phased increase of contributions, though a promised reform of GSIS asset management is still pending. Significant inequalities between the private and public sector pension schemes (in funding, overall benefits and retirement age) brought the issue of reforming the state pension scheme to the fore of political debate under the crisis conditions. The upcoming national elections put a brake to negotiations recently launched by the government with the public servants’ trade union, and the only major development recorded so far concerns the unanimous approval by the Parliament of a bill abolishing specific pension privileges for high ranking officials (e.g. multiple pensions for those who served in more than one public posts). The need to reform occupational pensions (the so-called provident funds) is also paramount (i.e. widen coverage and modernise the legal framework so as to ameliorate the risk of negative impacts on pension entitlements by broken careers and changes in employment). Yet this is not an issue of wide political concern. In terms of the adequacy of pensions, the main challenge that Cyprus faces consists in the persistently high poverty rate among low-income pensioners. To this aim a (means-tested) income support scheme for low-income pensioners has been in force since late 2009, while recently a package of measures for offsetting the rise of the cost of living was introduced (targeted to a number of vulnerable groups).

As to health care policy, differential entitlements to public health care services between public and private sector workers, and serious bottlenecks in the existing public health care system (as demand for it rapidly increased under the economic crisis conditions) impact negatively on equity criteria and service quality. The crisis aggravated fiscal conditions for the launching of the long planned General Health System (GHS) and significant parameters for its introduction are still in abeyance. Needless to say, the introduction of a comprehensive health care system could address inequalities and allow for better service coordination, quality monitoring and cost-containment. Yet the GHS plan remains caught in a drawn out process of preparation, most likely to be further prolonged (unknown for how long).

Long-term care does not figure in public debate and is mostly provided by the family. Public support is addressed to the most deprived vulnerable groups (particularly in the form of subsidies to non-governmental organisations providing care services, and/or specific benefits to particular vulnerable groups). The reform of public assistance law currently under consideration by the Social Welfare Services is of relevance to long-term care, given the fact

that most pensioners receiving services (home care, day care or residential care) are public assistance beneficiaries.

2 Current Status, Reforms and the Political and Scientific Discourse during the previous Year (2010 until May 2011)

2.1 Overarching developments

After a recession in 2009, and sluggish growth (0.8%) in 2010, a gradual economic recovery is underway in Cyprus (estimates are in the region of 1.5 to 2.0% for 2011). However, the economy still faces challenges in bringing down its deficit levels (around 4% in 2011 and under 3% in 2012). An overall favourable outlook remains subject to considerable risks in respect to ongoing financial turbulence elsewhere in Europe (as well as political and economic instability in North Africa and the Middle East), necessitating extra caution in economic policies.¹ In an attempt to rein in deficits the coalition government introduced a 5% VAT increase on all foodstuffs and pharmaceuticals and a hike on tobacco (and heating fuel) tax²; while water and electricity rates increased too from January 2011. Recently a package of €23.6 million was approved by the government to offset the VAT increase on food and medicine for vulnerable groups. The measures include special benefits and one-off payments and are addressed to low-income pensioners, people with disabilities, low earners and the long-term unemployed. The government also initiated a dialogue with public sector trade unions on measures to contain the public payroll.

The economic and financial crisis has not so far prompted any significant re-orientation of social protection policies. Social spending is comparatively low (18% of GDP in 2008), and the latest available data (2008/2009) indicate that Cyprus underspends in social protection in respect to its GDP per capita vis-à-vis the respective average rates for the Euro-area countries (see Table 1).

In July 2010 Cyprus was placed on the excessive deficit watch of the EU, but has been removed in 2011 as significant improvements were recorded in fiscal consolidation. However, public finances remain under pressure, a condition limiting public funding on social protection. The government's decision on "extra benefits for the most vulnerable" that was taken recently triggered political debate on social spending. Opposition party EDEK³ considered the measures insufficient to tackle the needs of vulnerable groups mostly hit by the economic crisis. Ruling AKEL⁴ applauded the decision to aid the most vulnerable groups, while the affiliated (to AKEL) trade union PEO (Pancyprian Federation of Labour) insisted on taxing wealth so as to secure revenues for more social benefits.

Regarding pensions, fiscal sustainability has been the major concern over the last few years. After protracted dialogue with the social partners and political parties a reform was legally enacted in 2009. It brought about some parametric changes in the General Social Insurance Scheme (GSIS) that covers all private sector workers (including the self-employed). It introduced stricter rules for early retirement, and increased revenue through a phased rise of contributions for all those insured under the GSIS, with the aim to secure system viability for

¹ Concerns over continuing fiscal problems are partly reflected in the downgrading of Cyprus' sovereign rating by a credit rating agency in early 2011.

² The government withdrew the tax discount of about 10% per litre of heating fuel that was applied over 2009 and 2010.

³ National Democratic Union of Cyprus.

⁴ Progressive Party for the Working People.

the coming decades. In parallel the government pledged to contribute an amount of €1 billion Euros (in five instalments, up to 2013) for boosting the GSIS reserve.

Table 1: Per capita social expenditure and GDP

	Per capita social expenditure (in PPS*, 2000)	Per capita social expenditure (in PPS, 2008)	Per capita social expenditure (PPS) as per cent of EU-27 average 2000/2008	GDP per capita as per cent of EU-27 average PPS, 2000/2008)
EU-27	5,034	6,604	100/100	100/100
Euro-area countries (16)	5,932	8,108	118/123	113/109
<i>Cyprus**</i>	2,500	4,425	50/67	89/97
<i>Germany</i>	6,618	7,998	131/121	118/116
<i>United Kingdom</i>	5,989	6,895	119/104	119/115
<i>Denmark</i>	7,234	8,942	144/135	131/123

Source: http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/search_database accessed on 25th March 2011.

* Purchasing Power Standards

**Cyprus is compared to three countries representing the corporatist-conservative (Germany), the liberal (UK) and social-democratic (Denmark) welfare state (drawing upon G. Esping-Andersen's typology of welfare state regimes, 1980).

The reform did not touch upon significant inequalities between the public and private sector in terms of funding pensions, replacement rates, level of overall pension benefits and retirement age. Given, however, the rising fiscal pressures that the overall state payroll exerts on public finances (together with pensions and bonuses it increased by about 40% from the mid-2000s to the present), public pensions reform became a top priority in 2011. Public debate intensified over the last months, when political parties brought before parliament a legislative proposal aiming to curb some prerogatives of state employees (like, for instance, multiple pensions and the granting of state pensions on the basis of the last –and highest salary- received by public servants). The proposal was fiercely opposed by the civil servants union. It did not succeed to pass through parliament, as the ruling party AKEL withdrew its support, on the ground that a comprehensive study of the pensions system in the civil service and broader public sector must be carried out, and a dialogue with the relevant trade unions be conducted, before finally deciding on reform measures. The results of an actuarial review commissioned by the government were recently submitted to the Ministry of Finance and a round of discussion and negotiations was launched in early April with the relevant parties. Furthermore a reform plan was agreed by the Council of Ministers with the aim to tackle “accumulated generosity” in state officials pensions (e.g. multiple pensions or the possibility to receive a pension in parallel with income from governmental office). The bill was unanimously passed through Parliament in late April 2011, just before Parliament dissolved due to national elections set down for the 22nd May 2011.

As to health care policy, the impact of the crisis is felt in the continuing delay for introducing the General Health System (GHS). The financial caution expressed by the government recently indicates a further postponement of the launching of the GHS. However the crisis conditions make health reform highly pressing, given the fact that demand for public health services significantly increased over the last couple of years. This exerts high strains on the

current system leading to serious bottlenecks (reflected in long waiting lists in public hospitals), while inherent inequalities are exacerbated.

Despite the ten-year discussion on the need for a comprehensive national health system, an array of outstanding problems and issues remain to be dealt with (among others, these include an overhaul in the organisation and management of public hospitals that should be run as independent units; the extent of services covered by the GHS; the costing of all the services to be provided; the decision on the level of contributions that need to be paid for covering cost, and how cost will be distributed between employers, employees and the state). In early 2011 the Minister of Health referred to a gradual introduction of primary health care (as a first stage in GHS implementation) without setting a timeframe though. Meanwhile, the Ministry put a brake to some major preparatory steps (under the responsibility of the Health Insurance Organisation). This soon led to the resignation of the head of the Health Insurance Organisation (responsible for the design and implementation of the GHS). In early April President Christofias publicly announced that the economic crisis does not allow the present government to commit itself to any specific timeframe for the launching of the GHS. Lately the Minister of Finance stated that if AKEL wins the election a new study on the viability of the GHS will be commissioned.

Long-term care is not a prevalent issue in public debate. Coverage of need by the provision of cash benefits and/or services (either by the Social Welfare Services District Offices or subsidised NGOs and other private agencies) concerns mainly deprived social groups (most of them receiving the public assistance benefit). The family is a major provider of long-term care services. Yet rapid demographic ageing and the need for raising female employment necessitate reform along the criteria of universal coverage, in parallel with targeted provision to deprived social groups, and systematic policies for family and work reconciliation. Debate so far, however, is rather limited at the top-level of administration (particularly at the Ministry of Labour and Social Insurance). The possibility of introducing compulsory social insurance for long-term care is not considered a realistic option for the near future, as it will raise wage costs.

A policy area that is high on the agenda of social reform, and could have a direct impact on long-term care, concerns the public assistance benefit scheme that in its current form covers a number of vulnerable and (more or less) deprived groups, such as one-parent families, old-aged low-income people, disabled people and asylum seekers, and is combined with other specific social assistance provisions in cash and kind. Though the final reform plan has not been decided yet, the most prominent option for the rationalisation of social assistance contains the following aspects: First, the intention is to carve out of the existing system a minimum guaranteed-income scheme that will operate as a safety net for people falling below the poverty line (that, possibly, can be linked to individualised activation measures). Second, provisions in respect to four different vulnerable groups will be redesigned: (a) support to one-parent families will be reconsidered in relationship to family benefits; (b) disability benefits and services will also be reorganised (so as to provide adequate support to disabled people who are unable to work, while those who are deemed capable of working could be transferred under activation schemes); (c) home help services and open care services for elderly people in need are another major area of concern; and (d) provisions for asylum seekers need to be reconsidered in light of a wider reform of migration policy (that has been a hotly debated issue between political parties lately). With a view to improve the redistributive efficiency of social assistance, also, a scheme for the support of low-income pensioners was implemented in the last two years. Its effectiveness in respect to reducing poverty among the elderly is currently being assessed by the relevant authorities.

2.2 Pensions

2.2.1 The system's characteristics and reforms

The latest reform in pensions (enacted in 2009) kept the structure of the pension system intact. There are two systems operating in the country, both constituting compulsory (public) first pillar schemes. The first (GSIS, General Social Insurance Scheme) covers all private sector workers (including the self-employed) and constitutes the largest component of pension expenditure, while the second (GEPS, Government Employees Pension Scheme) covers public servants and employees in the wider public sector. There are considerable inequalities in funding, scope and level of provisions between the GSIS and the GEPS, but the 2009 reform did not tackle this issue.

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 complementary benefit. The basic part of GSIS pensions concerns insured earnings before the 1980 reform, whereas the supplementary part is based on earnings since October 1980. Basic pension benefits are annually indexed to the rate of increase of 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.

Civil servants, members of the education system, the police and the armed forces are insured under the Government Employees Pension Scheme that provides retirement and survivors pensions. It is a pay-as-you-go system funded by employees' contributions and tax revenue. Pensions are indexed to the cost of living indicator on a six month basis. Public (and semi-public sector) employees are also entitled to the basic pension of the social insurance fund. Furthermore, government employees benefit from mandatory supplementary pension schemes that are tax financed too and provide comparatively higher replacement rates than occupational (provident) funds of private sector workers.⁵

A dramatic increase of the age-related dependency ratio (65+/15-64) from 18.0% in 2010 to 44.5% in 2060 will lead to a steadily declining ratio of contributors to pensioners, with only 1.2 contributors per pensioner in 2060. Demographic ageing will drive pension expenditure from a comparatively low level in 2010 (6.9% of GDP, compared to an EU-27 average of 10.2%), to 15.5% in 2050 and 17.7% in 2060. Consequently high strains on the PAYG system are forecasted. When Cyprus planned to set up a pensions reserve in 1980, it was projected that in fifty years (1980-2030) an actuarial equilibrium would be achieved where the reserve would equal to 4 – 4.5 times the annual pensions expenditure. However, forecasts over the last few years indicated that this equilibrium would be broken around 2020 and the reserve would be depleted between 2036 and 2040, if no corrective measures were taken. In order to deal with these serious financial strains and enhance the future viability of the GSIS, a reform was introduced in March 2009. After a protracted public debate and exhaustive negotiations (at the level of the Social Insurance Board, the Labour Advisory Board and other relevant

⁵ Some other categories of public employees, such as employees of public utility corporations, local government and other public law organisations are covered by separate "occupational" schemes that however operate under the same terms and conditions as for civil servants. These pension schemes constitute a small fraction of old-age spending. Accruing pension benefits for employees in the wider public sector include both "guaranteed" lump sums and lifetime earnings (the roots of the privileged social insurance regime for government employees in Cyprus lie in the colonial era when the first measures of social insurance were introduced around the mid-1950s under the British rule and at a time when the majority of the public administration personnel were British).

bodies) with the social partners, the political coalition partners, and the opposition parties, the government managed to counter serious reservations and achieve a broad consensus so as to finally pass the bill through the legislature two years ago. The reform left the structure of the pensions system intact and introduced only parametric changes with the aim to improve financial sustainability up to 2050. The aim was to achieve a fairer distribution of the financial burden among generations by balancing contributions to benefits and support longer working lives by increasing the minimum contribution period for entitlement to old age pensions. On the other hand, an across the board increase in the statutory retirement age was ruled out, as according to the actuarial study carried out as a baseline for the reform, the overall impact of such a measure would be negligible on the system's viability. Fiscal sustainability thus is pursued by the introduction of stricter rules for early retirement, and increased revenue through a phased rise of contributions for all those insured under the GSIS.

Rather lax requirements for establishing a pension right (10 years of which only 3 years of contributions), in combination with the fact that the minimum pension for persons mostly covered under the basic insurance part is the same if they work 10 or 35 years have persistently contributed to early retirement. They also favoured contributions evasion by low-wage persons and the self-employed. The 2009 reform aimed to tackle these problems.

Two significant pledges made by the government helped building consensus among the social partners. First the government committed itself to contribute €200 million every year, for the next five years to the GSIS so as to build a reserve of €1billion in 2013. Equally important was the government's pledge to draft soon and submit to parliament a bill for the management of the GSIS' reserves.

The reform focused on the revenue side introducing 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 in the reform. Imputed incomes on which contributions are paid by the self-employed increased too from January 2010, by 5.29%, and in January 2011 by 2.98%.⁶ Compared to private sector workers, contributions paid by public employees to the GSIS have persistently been rather low (they slightly increased from 3.2% to 3.45% from April 2009) and this is an issue repeatedly brought up in political debate.⁷

On the expenditure side, the only option incorporated into recent legislation concerns a significant extension of the qualifying period for minimum pensions (from 3 to 10 years of paid contributions, to which 5 more years of credited contributions can be added – instead of 9 until recently-, thus increasing the total period from 12 to 15 years). This measure intends to encourage active ageing. Yet in the short term it may have an impact against women, given the higher frequency of interrupted or very short employment careers (particularly among older women failing to meet new rules, that leaves them dependent upon the non-contributive

⁶ Relevant legislation that passed in 2006 stipulated regular monitoring procedures of the sustainability of pension coverage for the self-employed (annual reports are submitted to the Social Insurance Supervising Authority).

⁷ In the GSIS, public employees are also credited by a state contribution consisting of two parts: one part is the state's contribution as employer (10.15%) and the other (4.3%) is state funding. Under the GSIS and the GEPS, there are upper limits of insurable incomes annually adjusted (amounting currently to €4,216 and €4,342 per month respectively).

social pension).⁸ The increase of retirement age of public servants from 60 to 63 years that took place gradually from 2005 to 2008 also contributes to active ageing. Until recently the measure applies to about 50% of public employees. Particularly as regards the Educational Service, the Police and the Armed Forces the compulsory retirement age still ranges between 55 and 60 years. The issue of increasing retirement age to 63 years for the police force and school teachers was hotly debated in parliament in 2009. Particularly in respect to the Educational Service, it sparked protests by students claiming that extending the retirement age will make it difficult for graduates to find jobs, as teachers will stay longer in employment. Interestingly opposition parties strongly supported the teachers' increase of retirement age. Moreover, in 2010 the opposition parties succeeded in passing by Parliament a bill for increasing the retirement age of the police force (from 60 to 63 years, in a phased-in way). The President of the Republic, however, refused to sign the bill on the ground that the majority of officers did not want the legislation which would be harmful for plans to renew the police personnel and improve its operational capabilities.

As mentioned earlier the option of cutting down expenditure by increasing retirement age and/or indexing GSIS basic pensions to the CPI (consumer price index) rather than to wages (that has been in force since 1980), was deemed inadequate. It met the opposition of social partners and, most importantly, it was considered to have negative effects on the adequacy of pensions, given the persistently high poverty rate among people 65 years or over.

Old-aged people, who do not satisfy minimum requirements for a pension under the GSIS or any other scheme, are entitled to a non-means-tested social pension⁹ (provided they fulfil prescribed residence conditions). The social pension ensures universality in pension coverage (about 95% of social pension beneficiaries are women). 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.

The second pillar consists in a number of provident funds established on the basis of collective agreements for various groups of private sector employees. Currently about 35% of private sector employees are covered by voluntary provident funds that provide lump sum payments at retirement (as well as for invalidity, termination of employment, unemployment and death).¹⁰ Existing regulations do not highly 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. More importantly, these conditions discourage employment flexibility.

Provident funds operate on a funded basis and significantly vary in respect to the level of benefits they provide.¹¹ The transposition of the Directive 2003/41/EC into law – in November 2006 [Law 146(1) on the Establishment, Registration, Operation and Supervision of the Occupational Retirement Benefits Funds] – aimed to create a more unified regulatory framework.¹² In accordance with this law, in January 2010 the Pension Funds Supervisory Authority issued two regulations aiming to improve management in social and occupational

⁸ Also the law abolished the right of public sector workers to be granted unemployment benefit for six months after leaving the service (indeed an unfair provision that absorbed a significant amount of the GSIS resources).

⁹ Introduced in 1995.

¹⁰ In respect to the total working population, less than 50% is covered by provident or occupational schemes.

¹¹ These are defined contribution benefits.

¹² For the larger provident funds (with more than one hundred members).

funds. They set out specifications for management qualifications, management principles and procedures and, most importantly, provide significant guidelines for the funds' investment policy (i.e. ceilings on the amount of assets to be invested in different instruments – equities, bonds, real estate etc.) with the aim to safeguard against high risk and promote transparency. Compliance follows a phase-in schedule.

The legal retirement age (for both men and women) in the private sector is 65 years. Average exit age, however, slightly decreased between 2007 and 2009, from 63.5 to 62.8 years. Insured persons who have completed a minimum insurance period (28.5 years, or 70% of total insurable working life – that, however, is gradually going to reach 33.25 years) can retire at the age of 63 without any actuarial decrease of their pension.¹³ Replacement rates considerably differ between the public and private sector. For a public employee with earnings equal to the national average earnings of a male worker, the total pension income (including occupational pension and a lump sum benefit payment) amounted to about 80%, in 2006; the corresponding rate for a private sector pensioner (excluding the special allowance) was 45%. There is also a significant gender gap, as it is mostly women who receive the minimum pension (as well as the social pension), and for persons on minimum pension (plus the special allowance) the replacement rate for gross pension income amounted to 19% of male average earnings in 2006. The gap remains wide until today.

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 65.¹⁴ 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.

National budget consolidation efforts over 2010 and 2011 did not have any effects on pension policies. In January 2011 basic pensions increased by 2.98% (in line with the increase to insurable earnings), and the supplementary part by 2.58% (compared to January 2010). The social pension was also adjusted respectively and amounts to €324.75 from January 2011.

As emphasised below, reform of the state pension scheme has been an issue of political debate over the last year. Out of this debate a bill was drafted and approved (unanimously) by parliament in its least session before it dissolved (in late April) for the upcoming elections. However, this bill is of limited importance as it concerns only high-ranking officials (including the President of the Republic, the President of the Parliament, the Attorney-General and the Supreme Court judges, ministers and MPs, as well as officials appointed in posts in the EU or other international organisations, ambassadors and other similar categories). It primarily refers to government officials who served in more than one state posts and were, thus, eligible for multiple pensions until recently. From now on, a ceiling is set 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

¹³ Equally, public servants can retire on a full pension after 400 months of service (they are also entitled to a one-off bonus of 28 monthly salaries, that increases to 31 monthly salaries for up to 431 months of employment).

¹⁴ 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.

persists)¹⁵. 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, and from now on the first alternative will be obligatory. Increasing the retirement age from 60 to 63 (e.g. for MPs who start receiving a pension at 60) included in the initial draft bill was stricken out of the approved legislation. Moreover, an amendment proposed by the opposition party DISY¹⁶, requiring that the above categories of high-ranking officials make a payment 6.8% of their monthly income to the Republic's Consolidated Fund as contribution for their pension, was unanimously accepted. It is considered a token gesture by MPs and government officials, conducive to a favourable climate for the discussion of important matters regarding the state pension reform when parliamentary sessions will resume after the May 2011 elections. The newly approved bill is estimated to save cash for the state of an amount about €1 million per year.

Table 2: Poverty and deprivation in old age

	2005			2008			2009		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
At-risk-of poverty (65+)	51.9 ^a	49.2 ^a	54.1 ^a	53.3	42.5	53.3	48.6	44.1	52.4
At-risk-of-poverty (75+)	64.2 ^a	65.6 ^a	63.1 ^a	65.0	62.6	66.8	64.5	62.6	66.0
Severe material deprivation (65+)	14.2	12.5	15.6	10.3	8.9	11.5	8.8	7.5	9.9
Severe material deprivation (75+)	16.1	13.6	18.0	12.3	11.9	12.7	10.0	9.0	10.8
At-risk-of-poverty of older people by tenure status (tenants)	36.5 (17.3) ^b	-	-	35.1 (19.6) ^b	-	-	36.7 (19.5) ^b	-	-
At-risk-of-poverty of older people by tenure status (owners)	43.1 (17.7) ^b	-	-	40.6 (17.2) ^b	-	-	40.0 (16.3) ^b	-	-

For source of Tables 2 & 3 see Table 1.

a = Data for 2006; because of a series break in mid-2000 and 2005 data are not totally comparable with those of the following years.

b = In parenthesis the EU-27 average.

[Poverty threshold = 60% of median equivalised household income after social transfers]

Over the last few years there has been growing concern about poverty among the elderly population that is persistently high in Cyprus. As shown in table 2, a slight improvement is manifested in 2009 (in the aggregate poverty rate for people 65 years or over). Of grave

¹⁵ 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.

¹⁶ Democratic Rally.

concern, however, is poverty and material deprivation among elderly people 75 years or over (and mainly among women of this age-group).¹⁷

Table 3: Tackling poverty in old age: context indicators

		2005		2009	
		Men	Women	Men	Women
Adequate income support in old age	Aggregate replacement ratio ^b	0.34 (0.54) ^a	0.34 (0.51)	0.38 (0.54)	0.36 (0.50)
	Relative median income ratio (65+) ^c	0.59 (0.89)	0.55 (0.83)	0.63 (0.90)	0.57 (0.84)

For source of Tables 2 & 3 see Table 1.

^a = In parenthesis the EU-27 average.

^b = Ratio of income from pensions of persons aged between 65 and 74 years and income from work of persons aged between 50 and 59.

^c = Persons aged 65 years and over compared to persons aged less than 65 years.

^d = Percentage points by which poverty is reduced.

Particularly high is also economic strain among households with a single person 65 years of age or over, with income below 60% of the median equivalised income (44% of these elderly people can not keep their house adequately warm, 78% can not afford to pay for one week holiday, 21% are unable to afford a meal with meat, chicken or fish every second day, and 85% cannot face unexpected financial expenses).¹⁸ Evidently this is a group to which effectively targeted support measures need to be developed.

Adequacy of income support in old age, measured on the basis of the two indicators shown in Table 3, manifests severe limitations (compared to EU-27 averages). Particularly large is the gap between the rates for Cyprus and the EU-27 average (for both men and women 65 years or over) in respect to the relative median income ratio.

The launching of the “Scheme for the Support of Low-Income Pensioners” in December 2009 constitutes a significant development in respect to tackling the high poverty incidence among the elderly. The measure was included in the National Strategy Report 2008-2010 and the scheme developed as an attempt to address a profound issue of improving the redistributive efficiency of social assistance benefits. Ten income brackets were formed, ranging from less than €5,200 up to €10,398 yearly income (for a single elderly person), or from less than €7,800 up to €15,597 yearly income (for pensioners’ households with two-persons). Benefits range between €650 and €800 (for the highest and lowest income brackets, respectively, for single-person households), and between €975 and €1,200 (for two person households).¹⁹ It is a clearly targeted measure that benefits about 50,000 pensioner households. According to a study by Andreou and Pashardis (2009), the scheme is expected to reduce income inequality by 1 percentage point on the Gini scale and have a positive impact on the rate and intensity of poverty. The scheme is currently under evaluation by the Ministry of Labour and Social Insurance.

¹⁷ An issue that has to be considered in the light of the higher life expectancy at the age of 65 for women (about 21 years). To add also that Cypriot society will be rapidly ageing from about 2025 – 2030.

¹⁸ Slightly less acute is deprivation in terms of these four dimensions in two-person households below the poverty line with at least one person 65 years of age or over.

¹⁹ Eligible are all low-income pensioners (under the GSIS, other pension schemes or occupational plans implemented in Cyprus).

Table 4: Income brackets of eligible pensioners and amount of benefit (up to March 2011)

One person households		Two person households	
Income brackets (annual income, €)	Per cent of income increase	Income brackets (annual income, €)	Per cent of income increase
Up to 5,199	16%	Up to 7,798	16%
5,200-6,239	14%	7,799-9,358	14%
6,240-7,278	12%	9,359-10,918	12%
7,279-8,318	11%	10,919-12,477	11%
8,319-9,358	10%	12,478-14-037	10%
9,359-10,398	9%	14,038-15,597	9%

Source: Government Press & Information Office

<http://www.moi.gov.cy/moi/pio/pio.nsf/All/061DDB91C2ED18B8C225759800515CB0?OpenDocument&highlight=αυτάξεις>, accessed on 25 March 2011.

Additional social welfare provisions to pensioners include: the “Social Card” that gives free access to bus transport and other facilities (every person 63 years and over – and invalidity pensioners independently of age – are entitled to it); a holiday allowance; a fuel allowance and other occasional one-off cash benefits that are provided on a means-tested basis.

Recently, measures to offset hardship among low-income households due to price hike as a result of the 5% VAT increase in foodstuffs and pharmaceuticals (in effect from January 2011) were decided. These include an increase in the Easter bonus received by low-income pensioners from €300 to €350 (from 2010 the bonus is targeted along the lines of the above support scheme); also an increase in the poverty line has been announced by the government (in the context of the offset measure) meaning that income categories will be readjusted and a larger number of pensioners will benefit from the support scheme.

2.2.2 Debates and political discourse

The crisis conditions (including increasing unemployment²⁰) and the need to reign in excessive public deficit make the viability of the pension system an issue of concern in public debate. Major challenges to the system’s sustainability are also demographic pressures²¹ forecasted to steeply intensify after 2025 and towards 2030, and the rapidly increasing dependency ratios over the next decades.

The parametric changes brought about by the 2009 reform of the GSIS are expected by the Ministry of Labour and Social Insurance to guarantee the system’s viability over the next decades (according to the actuarial study on which the reform was based). This is a controversial issue, however, as according to the Cyprus Association of Actuaries the cash balance of the GSIS (that is, the rate between contributions and benefits) is most likely to turn negative by 2020; a bleak scenario based on the fact that the €7 billion reserve of the GSIS is a “notional fund”, due to a persistently followed practice by the state of long-term borrowing from this reserve (at comparative low rates). Moreover, the promised reform of the legal institutional framework for improving efficient and effective management of the GSIS’ reserves is still pending due to long-drawn negotiations. Thus the Cyprus Association of Actuaries proposes a structural reform that would strengthen the second pillar (of

²⁰ In early 2011 the unemployment rate stood at 7.2%. Also long-term unemployment increased by about 60% between February 2010 and 2011.

²¹ Linked to a persistently low fertility rate (1.4 children born/woman, well below replacement level) Cypriots older than 65 years, form 13% of the total population in 2011 and will reach about 30% in 2050.

occupational funds) and introduce a third pillar private insurance, for new entrants in the labour market, in parallel with a further increase in retirement age and rebalancing of contributions to benefits.

Rationalisation of second pillar social insurance (and, possibly, introduction of a third pillar, voluntary, private insurance, as argued by the Cyprus Association of Actuaries), so as to boost sustainability and better coverage is an issue of utmost importance. High fragmentation needs to be tackled (given the very large number of existing provident funds – some of them of very tiny size), and structural changes be effected so as to allow transfer of insurance coverage when moving from one job to another, and an overall change in their profile from welfare to insurance funds. However, these issues are not very prominent in public debate.

There is no systematic debate between the relevant parties on increasing the retirement age. In a recent workshop organised by the Cyprus Institute of Management suggestions by academics (like for instance the Nobel laureate Ch. Pissaridis) to increase retirement age to 67 years were opposed by the Minister of Labour and Social Insurance.²² An equally firm stance on this issue is exhibited by the trade unions as well.

The inequalities between the public and private sector pension schemes in terms of funding replacement rates, level of overall pension benefits and retirement age, and how to tackle them have been the main focus of debate, and public pensions reform became a top priority in 2011.²³ To this contributed significantly the rising fiscal pressures that the overall state payroll²⁴ exerts on public finances, an issue of strong confrontation between AKEL (the governing party), and opposition parties, as well as between the latter and the public sector unions. Public debate intensified since autumn 2010, following publicity of facts and figures on the generous pensions to which some categories of state officials are entitled. In late autumn 2010, political parties brought before parliament a legislative proposal aiming to curb some prerogatives of state employees (such as multiple pensions²⁵, the pension formula and the one-off bonus provided to public sector retirees on the basis of their final salary²⁶). Among the major provisions of this bill are: First, any state employee who quits his/her job in order to take up another government post must have his/her pension benefit from previously held public office suspended for as long the new public appointment lasts. Payment of pension benefit will resume upon leaving the latter job. Second, multiple pension benefits are not ruled out, but an upper ceiling for the total amount payable in pensions is defined. This should not exceed two-thirds of the highest salary received from whichever of the public offices held by the person (if multiple pensions amount to less than this ceiling, they will be allowed). Third, the government pensions would be calculated on the basis of the average of

²² See Newspaper “Fileleftheros”, 3 April 2011, accessed at <http://www.philenews.com/Digital/Default.aspx?d=20110403&pn=1>.

²³ The 2011 budget contains a commitment to such a reform and in a way budgetary problems provide an ideal opportunity for putting the public sector pension system on a rational basis, given the fact that, as the Finance Minister admitted in the past, the system is “a time-bomb” that could blow the country up (Newspaper “Politis”, 10 September 2010, accessed on at <http://www.politis.com.cy/>).

²⁴ Together with pensions and bonuses it increased by about 40% from the mid-2000s to the present.

²⁵ As indicated above, at issue is the privileged condition for state and semi-government officials, who have held more than one public position, to receive multiple pensions (according to the Treasure Department, 820 people received two pensions from the state for civil service positions held and one for old age - from the GSIS). To mention also that it is standard practice, for a public employee who retired but is subsequently appointed to some other public post to continue to receive his/her pension on top of his/her current salary.

²⁶ Often civil servants are promoted to higher ranking positions just before retirement so as to secure a higher pension benefit.

the last two years of service. The proposal was fiercely opposed by the civil servants union.²⁷ It did not succeed to pass through Parliament, as AKEL, one of the coalition government parties withdrew its support, on the ground that a comprehensive study of the pensions system in the civil service and broader public sector must be carried out, and a dialogue with the relevant trade unions be conducted, before finally deciding on reform measures. In the end of March 2011, an actuarial review of the state pension scheme was accomplished²⁸ and on the basis of it a bill was approved by Parliament that, as mentioned above, however, concerned only pensions for high ranking officials.

Improving the management of the GSIS assets has persistently been a central demand by the social partners. Noticeably in the parliamentary discussions preceding the enactment of the 2009 pension reform, reservations expressed by some trade union representatives in respect to the reform plan stemmed from their concern about the state's debts to the Fund and the need for effective management. The pledge by the government to consider an instalments plan for paying down its debt and also bring soon for discussion a plan for the Fund's investment policy management facilitated consent by the trade unions. Two years after the promise made by the government to bring soon to Parliament a reform bill for regulating GSIS' investment policy, negotiations are still under way and no final decision on the legal framework has been reached so far. On the basis of data submitted to Parliament in October 2010, the Fund's reserve amounted to about €7 billion and most of this is placed on non-marketable government securities (at a rather low interest rate, close to 1.5%).²⁹ On the other hand the €200 billion amounts provided by the government in 2009 and 2010 are invested in marketable government bonds with a higher yield than that accrued to the rest of the Fund's assets. In the light of this, speeding up the reform for improving the regulatory framework for an effective and efficient GSIS investment policy is of critical importance.

The grant to pensioners with low income (a targeted benefit), introduced in December 2009, is presented as a key measure to tackle poverty among the elderly. According to a forecast at the time of the introduction of this scheme (Andreou & Pashardis 2009), it is expected to reduce inequality by 1% on the Gini scale and diminish the poverty rate among pensioners by about 1.4 percentage points. However, there are no available data so far as to the distributional and poverty reduction effect of the grant.³⁰

Rationalising welfare benefits and improving their efficiency in tackling poverty and social exclusion are major priorities for the government. The focus is on reforming the public assistance benefit scheme which provides support to a number of vulnerable groups, such as one-parent families, old-aged low-income people, disabled people and asylum seekers, and is combined with other specific social assistance provisions in cash and kind. The issue has not acquired wide publicity. Reform plans are still debated among officials in the relevant

²⁷ Among the main arguments voiced is that existing conditions are "inalienable rights" established through collective agreements. Moreover, contrasting conditions in terms of the distribution of the tax burden between the private and public sector (with a higher burden falling on the latter due to the practice of tax evasion in the former) were also raised.

²⁸ It covers the central government, semi-governmental organisations (like the electricity authority and other utility organisations), and local authorities.

²⁹ Viewed from a critical perspective this constitutes a source of cheap borrowing by the state that significantly contributes to limiting the public deficit. As repeatedly stressed by the General Auditor, such an agreement between the government and the GSIS is to detriment of the latter. It was reconsidered some years ago, leading to a basis interest rate close to 4%. But, this was a floating rate, and subsequent trends of plummeting interest rates had negative effects on the Fund's asset returns.

³⁰ To stress that available data on poverty rates provided by the EU-SILC database go up to 2009 so far (referring to incomes acquired in the previous year).

Ministries. Public concern so far (particularly by trade unions) has responded to indications of a probable expansion of means-testing procedures to some welfare benefits (e.g. family benefit, student benefit), and criticisms stress that tax evasion renders means-testing and targeting difficult and produces perverse effects. The establishment of a guaranteed-income scheme out of an overhaul of the existing public assistance scheme is contemplated by the government but no decision has been reached so far. Such an overhaul will embrace the support scheme to low-income pensioners. Emphasis will be given also to the “working poor” for whom special measures need to be introduced so as to “make work pay”, as well as to the coordination of public assistance with support and/or activation measures for specific vulnerable groups (disabled persons, migrants, asylum seekers and others).

Meanwhile, however, concern by the government focuses on the short-term effects of austerity measures on the most vulnerable sections of the population. As indicated above, recently the government announced a €23.6 million package of extra measures (the so-called “offset measures”) to cushion the effects of rising cost of living on the low-income families, due to the VAT hike on food and medicines from January 2011. The package is about 20% higher than initially considered by the Ministry of Finance and is expected to assist around 160,000 families (low-income earners and pensioners, people with disabilities and the long-term unemployed). Pensioners will benefit by a rise in the Easter allowance (as mentioned above). Also, about 5,000 disabled persons will receive a monthly special benefit (on top of their disability benefits), while public assistance beneficiaries will receive a one-off payment depending on family composition. Equally, a one-off payment will be provided to low-earners (falling below the poverty line), as well as to long-term unemployed depending on their family composition. The general secretary of the Cyprus Workers Confederation (SEK) considered the measures weak and falling short of dealing with the consequences of the economic crisis. On the other hand the head of the Pancyprian Federation of Labour (PEO) considered the measures satisfactory but insisted once more on the need to tax wealth so as to increase revenue for more effective welfare support to vulnerable groups.

In sum, the national debate on pensions in the last year focused primarily on the inequalities between private and public sector pension schemes. Extending working lives/increasing retirement age has not been an issue of debate, at least in respect to the GSIS. It is only with regard to the inequalities between the private and public sector that the issue is raised, though any proposals by some political parties in the past for increasing retirement age for teachers and the police force met strong resistance in Cypriot society (see Petmesidou 2010). Equally lacking is a debate on (voluntary) third pillar private insurance, yet rationalising provident and occupational funds (operating on a funded basis) is of central importance for improving adequacy of benefits.

2.2.3 Impact of EU social policies on the national level

Issues that are central in the regulatory framework provided by the EU Green Paper on Pensions, as well as by the OMC process (adequate, sustainable, modern and transparent pension systems) are of significant concern by relevant parties in Cyprus. Rapid demographic ageing and the need for securing the fiscal viability of the General Social Insurance Scheme was at the forefront of the protracted negotiations on the parametric reforms enacted in 2009. Given the fact that, according to the Ministry of Labour and Social Insurance, in actuarial terms the recent reform guarantees the system’s viability in the coming decades, debate on further changes is rather limited. As repeatedly stressed above, debate focuses primarily on curbing poles of generosity for public sector pensioners, as well as on the need for a more efficient and effective regulatory framework for the management of the GSIS’ reserves. This

is closely linked with concerns about the effects of the state payroll (including pensions) on public finances in the short- and medium-term, in conditions of global economic instability. On the other hand, increasing labour market participation in line with the Europe 2020 policy (namely increasing participation up to 75-77% for the population aged 20-64 years by 2020) is a strategy that can have positive effects on the balance between revenues and expenditures of the pension funds.

In a seminar recently organised by the Pancyprian Federation of Labour (PEO) on the “EU Green Paper on Pensions”, both the Minister of Labour and Social Insurance and the head of the union clearly stated that social insurance is – and should remain – a national matter, and both voiced concern about certain provisions of the Green Paper. As strongly argued by the Minister, “retirement age is not a matter of an arithmetic calculation, in which you enter life expectancy and the cost of pensioners and get an automatic result, but a condition that reflects what kind of society we want”. Hence, retirement age, as well as the public-private mix should remain a matter of national responsibility. Equally critical was the head of PEO who vehemently criticised the EU Green Paper for a neoliberal approach that aims to erode public responsibility for social insurance. He utterly rejected linking the retirement age with life expectancy, stating that if this were the case then in 2060 retirement age should surpass 70 years, a condition considered unacceptable.³¹

2.2.4 Impact assessment

Cyprus exhibited a comparatively high employment rate before the crisis (76.8% of the population aged 20-64 years in 2007³²). The economic and financial crisis hit the Cypriot economy with some delay and a significant decline in the growth rate over 2009 and 2010 resulted in employment contraction (the employment rate in 2009 declined to 75.7%³³), and an increase in unemployment (from 3.7% in 2008 to 7% in 2010 and 7.2% in February 2011; particularly high is unemployment among the young – under 35 years – 20.4% in December 2010). Expected economic recovery in 2011 is held to have a positive effect on the labour market, though usually there is a time lag between output growth and labour market recovery.³⁴ Particularly high is the employment rate of older workers. It stood at 56.7% in 2010 (71% for men and 43% for women) and seems to have remained stable over the last couple of years. This finding contrasts with the comparatively low retirement age for some groups of the working population. An explanation of this, however, lies in the fact that a considerable number of persons continue working after retirement. Thus, particularly for men active ageing is a characteristic already achieved in Cypriot society; on the other hand, there is scope for increasing active ageing among women.

In light of demographic ageing, the parametric reforms in the GSIS introduced in 2009 intend to increase revenue and improve and extend system sustainability for the coming decades. To this is also expected to contribute the improvement of the investment policy of the GSIS as well as the cracking down on undeclared work³⁵. Moreover, the social insurance system does

³¹ See http://www.inek.org.cy/greek/index.php?article_id=95&subject=standalone&parent_id=0.

³² 86.4% for males and 67.7% for females.

³³ 83.5% for males (it slightly increased – to 68.1% – for females though).

³⁴ According to the Bank of Cyprus the rate of unemployment is expected to drop below 7% this year, decreasing further to 6% in 2012.

³⁵ According to the Director of the Department of Social Insurance Services (of the Ministry of Labour and Social Insurance) these conditions can guarantee the viability of the system up to 2050 (presentation in the seminar organised by the Social Welfare Services on the occasion of the international day for the eradication of poverty; Nicosia, 14 October 2010).

not exhibit significant gender differences,³⁶ and provides for fairly equal treatment in respect to standard and non-standard employment, thus promoting employment flexibility.

The poverty rate among people aged 65 or over has been persistently high (around 50% since the early 2000s, compared to the national poverty rate that stood at 16.2% in 2009). Even though a slight improvement appeared over the last couple of years, the at-risk of poverty rate among the elderly in Cyprus is more than double the average rate for EU-27. A scheme for targeted support benefits to low-income pensioners was approved by the government in April 2009 and started being implemented in late 2009, as indicated above. This is a means-tested benefit scheme that provides a top-up monthly benefit to low-income pensions, ranging from 9% to 16% increase of pensions. The poverty threshold and income brackets are going to be reconsidered so as to widen the group of beneficiaries. Given the fact that available income data refer to previous years, the effects of the support scheme remain to be seen. Nevertheless, the ambitious target set in the NSR 2008-2010 to reduce poverty among the elderly to 40% by 2011 is unrealistic. A study carried out at the time of the launching of the support scheme forecasted a limited effect of this policy measure (Andreou and Pashardis 2009). Moreover the authors strongly questioned the timing of the scheme's introduction, as it would further strain the public deficit, and lead to work and savings disincentives. After a couple of years of implementation, however, an evaluation of the scheme's effects is required for empirically grounding targets for reducing poverty according to the EU 2020 strategy.

2.2.5 Critical assessment of reforms, discussions and research carried out

Adequacy of pension incomes for a large number of retirees receiving minimum pensions because of low insurance record (or the Social Pension, for those unable to establish entitlement to GSIS or other pension) has continually been a major problem. The persistently high poverty rate among the elderly (and particularly elderly women) is mostly due to the fact that the earnings-related schemes introduced in 1980 as an additional element to the basic (flat-rate) pension characterising the pre-1980 period have not matured yet. Consequently a number of retirees either depend entirely on the basic pension or have a low insurance record under the earnings related scheme. This is compounded also by the up to now rather lax requirements for establishing pension rights. The parametric reforms of 2009 address the latter issue, while support measure for low-income pensioners (and offset measures lately decided) aim to raise income levels of this vulnerable group of the population.

Equally important for securing adequacy of benefits and system viability is a reform for effectively modernising second pillar organisations and expand coverage of this tier. Of key priority is a reform that would progressively allow existing voluntary provident funds to widen the range of second pillar provisions and allow for flexibility in (supplementary) pension-benefit rights transfer across employers, and a concomitant transformation of lump sum benefits into pension annuities that could increase monthly pension income among low-income retirees. Such a reform requires a wide consensus that, however, does not seem to be forthcoming. Improvement of the investment policy of the GSIS is also a crucial issue that has been pending for two years without a clear time frame for concluding negotiations with the relevant parties.

Inequalities between public and private sector pension schemes in terms of retirement age, funding and level of benefits dominated debate over the last year, as the economic crisis exacerbated the strain on the public budget exerted by the overall state payroll (including pensions, various perks and tax free lump sum benefits). Proposals by political parties for an

³⁶ Though gender differences in respect to survivors' pensions need to be tackled.

overhaul of public pensions (i.e. equalise retirement age across the public and private sectors, raise contribution rates by public sector employees –that are comparatively lower of those paid by private sector employees, and change the pension formula that currently is based on last salary) have not succeeded to garner wide consensus by the public sector trade unions. An actuarial review of the public sector pension scheme, commissioned by the government, has recently been completed and submitted to the Ministry of Finance (yet the review has not been made publicly available). Its findings will be the basis for negotiations with the main public sector trade union (PASYDY) for a reform bill. Needless to say, large deficits by public sector social insurance funds (e.g. CYTA and local authorities)³⁷ make such a reform imminent.

Surely Cyprus' participation in the various spheres of co-ordinated European strategies (including the OMC for sustainable and adequate pension) has stimulated debate on system modernisation, and the common objectives by the EU address important challenges that the country faces in respect to pension reform. Nevertheless, visibility and awareness of the OMC is limited to the higher ranks of public officials responsible for drafting the relevant reports to the European Commission, while for most of the administrative staff and street level bureaucrats (e.g. social workers) influence by ideas and concepts as result of the OMC is of a narrow range.

2.3 Health

2.3.1 The system's characteristics and reforms

Cyprus lacks a universal health care system. The need for health care reform has been an issue of ongoing debate in the country and successive governments since 1966 have at times invited experts to undertake research projects and develop a reform plan. However for some decades there was a stalemate in this policy area. In 2001 a first step was taken with the enactment of a law for introducing the General Health System (GHS). 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. The revised target of implementing GHS by 2009 was once more put off until the second half of 2011 amid concerns about organisational and financial issues. In early 2011 the Minister of Health stated that there is no rush to implement the GHS because of fiscal problems. In the same vein, in a speech to the Parliamentary Health Committee, the Minister of Finance stressed that under the strict fiscal policies that needs to be followed for controlling public spending the government must be absolutely sure that the GHS will be sustainable before finally deciding on a roadmap for its implementation.

As repeatedly stressed in the available literature (Golna et al. 2004; Antoniadou 2005), 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. 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).

³⁷ The Cyprus Telecommunications Authority (for the sustainability problems of the pension fund of CYTA employees and the actuarial deficits of the pension funds of local authorities and semi-public organisations employees see Newspaper "Fileltheros", 25 February 2011, and 31 October 2010, respectively, accessed at <http://www.philenews.com/main/default.aspx>).

The significant weight of private expenditure (about 60%, among the highest in the EU) is an indication of a regressive system of funding.³⁸ It has persistently been high and consists largely in out-of-pocket payments (only 0.28% of GDP concerns private health insurance spending). Public health care covers about 70% of the population. However, the degree of satisfaction with the way public health facilities operate is rather low, and consequently even those who are entitled to free care turn to the private sector.

Table 5: Health indicators

	2009			2005		
	Bottom quintile* (%)	Mid quintile (%)	Top - quintile (%)	Bottom quintile (%)	Mid quintile (%)	Top quintile (%)
Self-perceived “very bad” health status (age group: 55 to 64 years), Cyprus	6.8	3.0	0.8	6.2	3.3	1.1
Self-perceived “very bad” health status (age group: 55 to 64 years), EU-27	4.1	2.1	0.8	4.7	2.7	1.3
	2009					
	Males			Females		
Life expectancy and healthy life years in absolute value at birth, Cyprus	78.6 yrs / 65.1 yrs			83.6 yrs / 65.8 yrs		

Source: See Table 1.

* Of equivalised household income

As Table 5 shows inequalities in health status (“self-perceived very bad health conditions) are higher in Cyprus compared to the EU-27 average (a tiny 0.8% of people in the top income quintile defined their health status as very bad, in contrast to 6.8% in the bottom quintile; while the gap between the bottom, mid and top quintile slightly widened from 2005 to 2009. Furthermore, life expectancy (at birth) of women is comparatively higher than that of men; yet longer life expectancy for women is linked to poor health conditions in old-age (as healthy life life years at birth amount to 78.7% of total life expectancy, the corresponding rate for men being 82.9%)

Entitlement rights to free health care reflect considerable inequalities. A sizeable part of the population (government employees) is entitled to free medical care. Moreover, families with more than four children enjoy free access, independently of income (and from 2008, according to a government decision, this holds for families with three children too), as well as people receiving the public assistance benefit. The rest of the population has to pay charges that vary according to family income. Thus households with incomes ranging at similar levels are characterised by different entitlements. Expansion of private health care further compounds inequalities.

³⁸ For an analysis of health expenditure see Pashardes et al. 2006 and Andreou et al. 2010.

Geographical access to public health services is not a major problem, given the small size of Cyprus. However, particularly private health facilities are mostly concentrated in urban centres.³⁹

The economic crisis significantly increased demand for public health services. Patients turning to public hospitals increased by 20% to 30% between the pre-crisis period and the present time.⁴⁰ On the other hand, however, medical and nursing staff has not increased⁴¹, and the budgeted amount for public health expenditure remained almost stagnant. What is more, the intention of the Ministry of Health to slow down the rate of increase of pharmaceuticals expenditure (from 20% to 10%, in 2011) runs counter to increasing demand for public health services; while at the same time the 5% VAT adds further pressures on the public budget.⁴² Shortages of medicines are a recurrent phenomenon in public pharmacies. Equally serious is the waiting list problem that has been exacerbated over the last couple of years.⁴³

The introduction of the GHS is expected to enhance comprehensive and equitable access. Nevertheless, the great delay in implementing the Law for a unified health care system creates serious doubts as to the feasibility of the plan. The political stalemate in this policy field could partly be accounted for by the low pressure exercised on the government because of “relatively cheap private health care”; while in case of emergency or of complicated treatment public coverage is available (Antoniadou 2005, p. 1017). Equally important are the crisis conditions and fiscal discipline measures for reducing the public deficit. Furthermore, the burgeoning of private facilities (and in parallel the progressive expansion of private health insurance schemes for various groups – e.g. university staff) create clashing interests in respect to an overhaul of health care. Demographic conditions have not so far exerted a strong pressure on health expenditure, a condition that partly explains the low level of health expenditure in Cyprus. Yet, health care needs are expected to increase with demographic ageing over the coming decades.

On the basis of the law enacted in 2001 the Health Insurance Organisation (HIO) was established. The GHS is planned as a unified system split into purchaser/provider operating on the basis of common costing methods and quality assessment requirements, and the HIO will manage the system finances and act as purchaser of health services. In the meantime it has responsibility for a range of preparatory activities for the launching of the GHS.

The system will be funded by contributions. Hsiao and Jakab estimated the cost of the reform to about €550 million, while revenues would amount to about €600 million in the mid-2000s. On the basis of these calculations, the balancing of cost and revenue would make the plan sustainable.⁴⁴ Contributions were initially set at 9.1% of salaries (2.55% paid by the

³⁹ A recent private sector initiative introduced “green technology” innovation with the establishment of a “green hospital” (specialising in cardiology) in Nicosia that uses renewable sources of energy and recycling technology.

⁴⁰ Indicative is the increase by 22% of the number of health cards for free medical care issued between 2009 and 2010. Also in 2010 the number of prescriptions processed by public pharmacies increased by 10%.

⁴¹ A recent research shows that about 61% of nurses in public hospitals experience work stress often or very often. Also 16% of nursing staff in Nicosia, 18% in Larnaca and 26% in Pafos are affected by burnout, an indication of a workforce crisis in Cyprian hospitals (Raftopoulos et al. 2010).

⁴² The VAT will eventually be returned to the Ministry of Finance by pharmaceutical firms, yet, in the first place, the higher cost of medicines will exert high strains on the public budget for health care.

⁴³ Indicatively, according to the President of the Cypriot Government Doctors Union, waiting time for MRI (Magnetic Resonance Imaging) is about ten months, for a mammography nine months and for a bone density test eleven months.

⁴⁴ Furthermore Hsiao and Jakab stress that the reform plan “left key points ambivalent”, a condition that “might impair achieving the original intent of national health insurance”. Significant criticisms have also been

employer, 2% by the employee and 4.55% by the state budget). Given the long time span since the introduction of the legal framework for the establishment of GHS, assessments of the cost of the reform made by previous studies (for instance, Hsiao and Jakab 2003) needed to be reconfigured. On the basis of an actuarial study undertaken in 2008, for the scheme to be sustainable contributions by employers, employees and the government need to be significantly increased (from 9.1% of salary to about 13%). Whether the extra cost will be analogously distributed among the above three parties is an issue to be decided. Suggestions by the Ministry of Finance to distribute the additional amount by adding only 0.5% on the contribution by the state, 1% on employees' contribution and 3% on employers' contribution met the opposition of the relevant parties. Disagreement was expressed also by the head of the HIO who insisted on a higher contribution by the government as was initially agreed.

The important point however, is that no accurate forecast of the cost of the scheme can be made, without having a complete picture of the full cost of the whole range of services provided by public hospitals. Delay in this procedure has serious repercussions on accomplishing an institutional reform for making public hospitals autonomous entities. The latter is a key requirement for putting the GHS into operation (that is, for establishing a system of unified service provision by both private and public suppliers on a competitive basis). Strikingly, despite the ten-year discussion an array of highly crucial issues remain pending (such as, autonomising public hospitals, deciding on the range of services to be provided by the GHS, appropriately assessing cost and agreeing on how this will be distributed between the state, the workers and the employees). Equally worrying is also the fact that those crucial tendering processes (for the procurement and operation of the necessary IT system, and the training of family doctors and specialists for the GHS) have not progressed so far. Despite the completion of the pre-tender arrangements by the HIO, the government recently instructed the HIO not to request tenders for the health scheme's IT system, while in June 2010 the Ministry of Health annulled the invitation to tender for the training of family doctors on the ground that "requirements and needs" have changed. Technical factors repeatedly obstructed the tender process for the provision of the required training services to health care personnel (see Petmesidou 2010). As the head of the HIO recently warned "even if the government started the ball rolling today, it would take two and a half years to put the GHS in place".⁴⁵

According to initial planning, the operation will be phased in. Unified provision of primary health care will be the first step of the reform plan. Primary health care will be provided by general practitioners (GPs), outpatient departments, emergency and accident departments, as well as diagnostic centres. Inpatient hospital care will come into full operation after a considerable period of time since the launch of the GHS. Launching time, however, keeps being postponed. The suggestion expressed a few months ago by the Health Minister about a *gradual* introduction of primary health care was hardly tied to any precise timeframe. It was meant to be an issue of debate rather than an implementation decision for the foreseeable future.

Developments in respect to the existing public health care services include negotiations with the Pancyprian Government Doctors Union for reforming overtime schemes for medical staff and extending the operation of certain hospital clinics in the evening so as to reduce waiting

addressed by S. Playbell the representative of the Sociological Association of Cyprus in the Parliamentary Health Committee (see Newspaper "Simerini", 28 July 2008, accessed at <http://www.sigmalive.com/>).

⁴⁵ The resignation of the head of the HIO in late March 2011 partly reflects the deadlocks in the relationships between the Ministry of Health and the HIO in respect to keeping on track with the process of launching the GHS.

lists. The Ministry of Health is also preparing regulations for contracts in order for the public sector to buy services from the private sector (when some services are unavailable in the public sector or the latter is unable to respond to increased needs). The aim is to promote contracting-out services to domestic private health care providers and thus avoid sending patients for treatment abroad that implies a much higher cost for the public budget. The Ministry is also considering the possibility of inviting under contract medical specialists to public hospitals, for the treatment of special cases. Improving ambulance response times is a major issue too. A new tracking system has recently been introduced in public ambulances so as to make the service more efficient. Given the short distances in Cyprus the new electronic control will significantly cut down response time. In addition a scheme for training the required paramedics⁴⁶ who will staff the new ambulance system (including the new stations planned to be established) has been agreed by the government.

2.3.2 Debates and political discourse

Debate among political parties and social partners focuses primarily on the delays so far in the implementation of the GHS. Major questions raised and discussed by relevant actors are: Is the reform plan viable? Can a final timeframe for its enforcement be decided, taking into consideration the crisis conditions? If not, are there any alternatives – e.g. private health insurance? Unquestionably a clear roadmap needs to be decided soon, or else already incurred expenditure for establishing and running the HIO and for other preparatory work already undertaken, will be wasted. Highly important is to proceed fast with the amendments of the 2001 bill, under discussion among the relevant parties for a protracted period of time.

As in the previous years, significant concerns about the prospects of the GHS were expressed in the respective parliamentary committee, as well as by the social partners and medical and health care personnel associations over 2010 and 2011. Trade unions (like the Pancyprian Labour Federation and the Cyprus Workers Confederation) as well as political parties of the opposition (for instance EDEK) repeatedly stressed the need for precipitating the launching of the scheme, on the ground that a national health system can contribute to containing health spending and providing (comprehensive) services on a more equitable basis.

Importantly, debate on the need to accelerate efforts for implementing the GHS has recently been linked to the transposition of the EU Directive on Cross-border Health Care within the 30 months deadline set for member states. Given the fact that for this directive to be made operational at the national level, a systematic cost-assessment of health services in Cyprus is required, acceleration of the introduction of the GHS is held to be crucial. Furthermore, if Cyprus does not establish a national health care scheme, only some groups of the population will be entitled to free treatment abroad (if they need it), namely those who are beneficiaries locally (under the existing system).⁴⁷

Whether the recent suggestion by the Minister of Health about starting with a gradual introduction of primary health care under the GHS plan will produce a realistic roadmap for the immediate future is an open question. The Pancyprian Medical Association expressed support to this view.

⁴⁶ So far there were no trained paramedics in the public ambulance service (apart from nurses and civilian drivers with no relevant training).

⁴⁷ Those who are not covered by the existing system will have to apply to a special committee at the Ministry of Health, and only if certain requirements are fulfilled, will their application be approved for treatment in another EU country. Otherwise they have to incur the cost of treatment abroad privately.

Other significant issues debated in the media and among the relevant actors are the overcrowded outpatient departments in public hospitals, the waiting lists for tests and surgical operations, shortages in nursing staff, and the high cost incurred by the Ministry of Health for treating patients needing intensive care in private clinics due to the shortage of beds and nursing staff in intensive care units of public hospitals (it is estimated that about €8 to €9 million will be spent on purchasing intensive care services from the private sector in 2011). Limitations to new hirings in the public sector in the attempt to reduce the budget deficit affect the health sector as well. However, in view of the pressing needs the Minister of Health raised in the cabinet the issue for more flexibility in hiring medical and nursing personnel (particularly acute are conditions in the Nicosia hospital where bed occupancy is at times close to 100%).

2.3.3 Impact of EU social policies on the national level

The OMC does not figure in public debate and political discourse. A group of officials participating in EU committees and networks, and involved in the preparation of the national reform programme have a good grasp of the issue. Yet for most of the relevant parties in social policy processes and debates the OMC is either unknown or, even if they have a vague idea about it, it is not considered a matter that can directly impact upon finding solutions to key problems that the country faces in health care. On the other hand, the economic crisis conditions and the Eurozone fiscal discipline measures are considered (in public debate) a major impediment to securing a viable national health system; though contrasting views are expressed in the debate as to the medium and long-term sustainability of a national health system. As stressed above, the EU impact is mostly noticeable in respect to the transposition of the EU directive on cross-border health care. There is considerable debate on the changes needed for conforming to it and how the introduction of the GHS can facilitate the required changes (and contribute to tackling inequalities between the groups that can benefit from the directive and those that cannot under the present conditions of health care coverage).⁴⁸

2.3.4 Impact assessment

The present crisis exerts a significant strain on the state budget and raises worries as to the possibility of introducing the GHS in the foreseeable future. Besides, the more long-drawn gets the plan for an overhaul in health insurance, the more obstacles to its introduction emerge due to significant changes in economic and socio-demographic conditions. Obviously the existing system is inequitable, costly and can hardly meet rising demand over the last couple of years. This is reflected in the high degree of dissatisfaction with publicly provided services.

As mentioned above inequalities are closely linked with a division between public sector employees who are covered by the public health care services, while private sector workers are covered on the basis of income criteria. The planned GHS aims to overcome this divide. Though the extent to which the new system will promote equity criteria very much depends on the final agreement on how funding will be distributed between employees, employers and the state, as well as on the range of services that will be provided, the extent to which there will be any co-payments or other extra charges and other similar issues that need to be decided.

Even though the launching of the GHS will require a substantial increase in contributions (by the three parties - state, employees and employers), in the long-term a universal health care

⁴⁸ As stressed in the Parliamentary Health Committee the directive is of significant importance as it provides a legal framework for the protection of the patients' rights, in the case they seek treatment abroad.

system is expected to keep health cost increase at bay.⁴⁹ Furthermore, considerable preparatory work has been accomplished by the HIO over the last few years, and this should not be a wasted cost. Major developments in the planning of basic parameters of the GHS undertaken by the HIO include the formulation of Diagnostic Related Groups (DRGs) and their use for specifying the costing method in the GHS⁵⁰, preparation of an organisational framework for primary and secondary care, application of quality assessment methods, etc.

2.3.5 Critical assessment of reforms, discussions and research carried out

Over the last year very little progress has been made in respect to the organisational and legal changes needed for the introduction of the GHS. Assessing the cost of introducing the GHS (as well as the share of contributions and tax funding) and its long-term sustainability are the thorny issues on which no decisions have been reached. The unwillingness by the government to incur the additional financial cost and the proposal by the Minister of Finance to transfer this cost to the employers raised discontent and stalemate. Consequently future prospects in respect to introducing a national health system seem rather bleak under the crisis conditions.

As stressed in the section on pensions, public officials' awareness in respect to the OMC is rather limited to a few Ministry of Health officials either involved in EU committees or responsible for drafting relevant reports on the basis of EU guidelines. Apart from ideas such as social exclusion/inclusion and how these are linked to poverty, other issues such as systematic monitoring and evaluation procedures (not to mention evidence-based policy) have not so far been an important part of multi-lateral learning across the whole spectrum of public/private health and social care institutions.

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 is of central importance in respect to 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 networks. As a result care problems intensified, in tandem with poverty problems among old-aged population.

Public support focuses on elderly people with insufficient incomes to meet their basic and special needs. It consists mainly in 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.

As indicated above, the family is 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

⁴⁹ As estimated by an actuarial study commissioned by the government in 2008, under the GHS the rate of increase of health expenditure is expected to be contained in the long-term (e.g. in a period of ten years of operation), in comparison to the case where no universal health care would be introduced). Cost-containment will accrue from the main parameters of the GHS (closed budgets, system of referrals, introduction of DRGs etc.).

⁵⁰ The DRGs and costing method project started in November 2009 and lately a pilot programme was launched in the Nicosia and Famagusta hospitals as well as in some private clinics.

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.

Table 6: An indicator of care needs

	2009			2006		
	Bottom income-quintile** (%)	Mid income-quintile (%)	Top income-quintile (%)	Bottom income-quintile (%)	Mid income-quintile (%)	Top income-quintile (%)
Self-perceived limitations in daily activities* (age group: 65 to 74), Cyprus	16.5	9.6	6.4	29.2	19.6	10.7
Self-perceived limitations in daily activities (age group: 65 to 74), EU-27	17.8	14.3	9.1	16.8	13.5	8.3
Self-perceived limitations in daily activities (age group: 75 years and over), Cyprus	30.5%			30.7%		
Self-perceived limitations in daily activities (age group: 75 years and over), EU-27	24.8%			23.0%		

Source: See Table 1.

* Activity restriction for at least the past 6 months: people “severely hampered” in their daily activities

** Of equivalised household income

As Table 6 indicates, inequalities in terms of self-perceived limitations in daily activities among elderly people (65 to 74 years) creating a need for care, are particularly pronounced: only 6.4% of people in the top income quintile are “severely hampered” in their daily activities, while in the bottom quintile 16.5% suffer from such a limitation. Also 30.5% of people 75 years and over (across the whole spectrum of income distribution) are “severely hampered” in their daily activities (more than the EU-27 average). Linked to the persistently high poverty risk among the elderly in Cyprus, this provides a rough indication of the need for public provision of social care.

The Social Welfare Services operate thirty-four institutions, of which eight institutions provide for the protection of children and adolescents, six institutions provide for the care of elderly people, eight institutions provide for the care of persons with special needs, eleven institutions provide for the daycare of pre-school children and one institution provides for the protection to victims of trafficking. The Social Welfare Services are also responsible for registering and inspecting non-governmental Homes for the Elderly (and persons with Disabilities), Children Daycare Centres, as well as carers who provide services in their own homes for up to five elderly persons.

According to the record of the Social Welfare Services, 4,400 elderly persons are granted public assistance for receiving home care services by private carers (the majority of them being immigrant female carers). Home care services are also provided by the District Offices of the Social Welfare Services to about 800 to 1,000 elderly people under the public assistance scheme.⁵¹

⁵¹ 117 carers are employed by the Social Welfare Services at their district offices.

Daycare services and family consulting are mostly provided by voluntary agencies, the so-called Local Volunteerism Councils operating under the aegis of the Pancyprian Volunteerism Coordinative Council (the supreme coordinating body of volunteering established in 1973). As mentioned above, disruption of family and kin ties due to forced population movements after the partition of Cyprus intensified the need for voluntary provision that is supported financially by the state (under the Grants-in-Aid scheme). Voluntarism in general is a comparatively new activity in Cyprus that the pancyprian coordinative body attempts to strengthen through better cooperation with governmental authorities and development of overarching voluntary sector policies. In 2011 voluntary agencies (including local authority organisations) providing care services were given a grant of about €7.5 million (€7 million were granted to voluntary social welfare organisations and €0.5 million to local authorities).⁵² Part of these grants concern provision of social care services to elderly, low-income people.

Under the administration of Local Volunteerism Councils, there are 12 registered daycare centres for adults (disabled and elderly persons) providing services to about 500 people. Some of these centres also operate meals on wheels programmes for elderly people. A fee is charged for access to daycare and home care service by these local voluntary agencies, but persons on social assistance are exempted from it.

Additionally, public assistance for institutional care is provided to about 1,700 elderly, low-income persons unable to live independently. A housing grant also (up to €6,000) is provided to families who have care responsibility for an elderly (or disabled) person (receiving public assistance)⁵³ in order to renovate or improve their home so as to cater to the needs of the person under their care (provided they keep the elderly and/or disabled person at home for at least six years).⁵⁴

As with regard to health care, geographical access is not a particularly accentuated problem in Cyprus given the fact that distances are comparatively small between urban and rural areas. However, further improvement of access is planned. Decentralisation of the Social Welfare Services from district to several local offices in Nicosia, Limassol and Larnaca is progressively taking place. Specialised local units provide counselling, guidance and support to families and individuals.

2.4.2 Debates and political discourse

Long-term care is not a prevalent issue in public debate (and political discourse), even though family changes and demographic ageing contribute to fast increasing need.

Among the major challenges is to enhance the role of local authorities in the area of social welfare (that has persistently been very limited), to strengthen and mobilise voluntary organisations in social care provision and promote coordination. For this purpose various funding schemes by national and EU sources are used. Two studies (E.E.T.A.A. 2008 & T.E.I. 2008) commissioned by the Social Welfare Services some years ago indicate among others the following needs: (a) to introduce in a systematic way methods of assessing care

⁵² Information obtained from the Social Welfare Services of the Ministry of Labour and Social Insurance. The larger amount of grant to voluntary agencies, in comparison to that given to local authorities, manifests the rather weak role of the latter in social service provision.

⁵³ Or, would have come under the public assistance scheme if he/she had to pay rent or seek care services from other providers than the family.

⁵⁴ For the range of benefits and services provided by the Social Welfare Services (including care to elderly people) see the Citizens Rights Charter (accessed on 15 April 2011 at http://www.mlsi.gov.cy/mlsi/sws/sws.nsf/dmlbulletin_gr/dmlbulletin_gr?OpenDocument).

needs at the local level and promote planning practice by care provision agencies (e.g. voluntary and local authority organisations); (b) allow best practices to be disseminated and cross-fertilised among relevant agencies; and (c) promote user empowerment so as to improve the level of satisfaction. Needless to say, understaffing of statutory and voluntary services and/or employment on a term contract basis often create serious problems of discontinuity in the client-carer relationship creating user dissatisfaction. Moreover, the use of private carers under the public assistance scheme constitutes an arrangement that is poorly monitored as to its adequacy and quality. For all these reasons control for quality by introducing monitoring and assessment criteria is of utmost importance. Closely linked to this is another important challenge (in the medium-term), namely a possible transfer of responsibility to local authorities for the coordination and networking of available care services. To stress here that to the extent that statutory care is addressed to the most deprived, it falls short of meeting increasing need, due to demographic ageing, while the strains on the family create further bottlenecks in respect to the reconciliation between family and work (particularly for women). These issues, however, have not been prevalent in public debate so far. Traditional values still prioritise family elderly care; yet changing family patterns and gender roles necessitate a strengthening of social care in the future. Social elderly care contributes to redistribution and thus can address more effectively issues of poverty and social exclusion among the old-aged.

2.4.3 Impact of the EU social policies on the national level

The relevance of the OMC in respect to long-term care is not a matter of public concern. The EU 2020 strategy has an impact primarily with regard to reducing poverty, given the high incidence of poverty among the elderly. However, in the National Reform Programme 2011-2013 the poverty reduction target is not disaggregated in respect to 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 referred to for reducing poverty among the elderly is the available grant to pensioners with low income.

Demographic ageing is prevalent in public debate particularly insofar as it impacts upon pension and health care expenditure (but the link between long-term care and ageing is not a main focus). The 2009 pension reform is held to have secured the sustainability of the GSIS for the coming decades. Yet on the other hand, long-drawn out delays in introducing the GHS may impact negatively on cost rationalisation, equity and access criteria in respect to health and long-term care. Moreover, the option of introducing social insurance for long-term care has not succeeded to garner support by governmental authorities, political parties and social partners.

2.4.4 Impact assessment

As repeatedly stressed, systematic research and debate on how long-term care needs will evolve in the future is absent. No estimates are available with regard to future demand of long-term care expenditure, facilities, staff and services. Shortages of medical staff (particularly nursing personnel) referred to in public debate are not disaggregated in respect to long-term care needs (in the present and in the future).

Given the fact that there is no comprehensive coverage of long-term care needs of the population (e.g. through a mandatory social insurance scheme), provision of services by public institutions and/or state subsidised private or voluntary suppliers is addressed primarily to citizens with insufficient resources for whom other measures of public assistance apply too.

Under these conditions sustainability can be enhanced through effective targeting, in parallel with monitoring and control of voluntary bodies, local authorities and private institutions co-financed by the Social Welfare Services of the Ministry of Labour and Social Insurance. Issues of targeting criteria to those most in need through a possible reform of the public assistance scheme so as to decouple a minimum guaranteed income from specific measures addressed to particular vulnerable groups (including long-term care services to vulnerable elderly people) are presently discussed by officials at the Social Welfare Services. The pros and cons in financial and organisational terms (including administrative efficiency) of disaggregating public assistance into specific schemes for particular vulnerable groups are weighted, and a decision on the reform of public assistance is pending.

Informal care provided by the family has persistently been a major source of care. To stress that statutory provision so far covers only those elderly people at-risk-of-poverty. For the rest of the elderly people family solutions are sought for covering care needs. The burden falls primarily on women in the family, while in parallel informal care (provided by legal and or illegal migrant women) is also expanding. Notwithstanding the need for more comprehensive coverage in the future (possibly through mandatory social insurance), encouraging and supporting families to provide care should be a crucial concern of the relevant authorities for enhancing sustainability in the short- and medium-term and lift obstacles to employment by women (particularly women over 50 years of age who tend to retire early for reasons of care responsibilities). In view of the deteriorating demographic conditions in the following decades, sustainability issues need to be based on a more sound basis requiring a systematic assessment (including an actuarial study) of future needs, costs and resources.⁵⁵

Concerning quality issues, accreditation and inspection policies are pursued by the Ministry for ensuring prescribed standards of care by voluntary and private providers (either in residential units or open care schemes). However, particularly in respect to domiciliary care systematic quality assessment is lacking, as is also overall performance assessment of different providers of daycare and home help. The development and strengthening of human resources is also a major challenge ahead.⁵⁶ Putting in place systematic recording of needs is of outmost importance for rigorous planning of policies and human resource development. So far, there are large information gaps with regard to future policy development.

2.4.5 Critical assessment of reforms, discussion and research carried out

In a nutshell, systematic assessment of future needs (and required human and financial resources) should be at the centre of reform, with the aim to develop a roadmap of comprehensive resources to assist the relevant authorities to improve equity, quality and sustainability performance. However, there are no substantive indications as to reform plans in this direction. To the extent that informal care will continue to be the dominant source of care, a major challenge (in the short- to medium-term) consists in the systematic investigation

⁵⁵ To add also that publicly provided care for disabled young persons and adults with disabilities is almost non-existent. As was stressed in the Parliament Human Rights Committee in February 2011, children with disabilities “have great problems in finding what to do after graduation”. Cyprus has very little to offer in terms of daycare centres for adults with disabilities – mental or physical, severe or mild – and their parents, who mostly have to work during the day, have no choice but to shut them up at home” (see electronic newspaper “Cyprus Mail”, accessed on 9 February 2011 at <http://www.cyprus-mail.com/cyprus/care-those-special-needs-ends-21/20110209>).

⁵⁶ Pilot training programmes (of a “quick-win” type) for nursing care at home (e.g. general nursing and mental health nursing), implemented by the Ministry, are in the right direction but more efforts need to be made for human resource development in the future.

of (family) caregivers needs and the burden placed on them (and particularly on women, by objective and subjective stress), with the aim to develop adequate support services; in parallel with effective quality assurance measures for care services provided by state subsidised carers (to low-income elderly people).

Another important challenge concerns the strengthening of the role of local authority in coordinating and networking available services. So far local authorities have limited responsibilities in care service provision. As a study (E.E.T.A. 2008) commissioned by the Social Welfare Services shows, low coordination among diverse providers at the local level is a major drawback. This could be addressed by strengthening the role of local authorities as social care hubs that could ease access to and use of available services provided by the district offices of the Social Welfare Services, voluntary agencies and private providers. A reform of local authorities (with the establishment of second-tier local government) planned to be effected soon by the government, offers the opportunity to take stock of these matters.

Finally, in respect to the interface between medical and social care, coordination between different players is of major importance. The care of frail, elderly people in a community setting is a complex task that involves many different clinical professionals and care providers. This is a barely developed policy area in Cypriot society and seems to remain so, as long as there is no comprehensive health care system to set forth an iterative process of planning integrated community services.

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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] ANDREOU Adamos, PASHARDES Panos, Αναδιανεμητικές επιπτώσεις της οικονομικής κρίσης, Δοκίμια Οικονομικής Πολιτικής, No. 08-10, Nicosia, Economics Research Centre, 2010, retrieved from: <http://www.ucy.ac.cy/goto/ecorece/el-GR/HOME.aspx>

“Redistributive impact of the economic crisis”

This paper traces the effects of the economic crisis on the distribution of income in Cyprus by following a methodology based on “the correlation between various macroeconomic indicators and the distribution of income”. In respect to pensioners, the analysis shows that “the pension package introduced by government early in 2009 has largely compensated the increase in the cost of living of elderly persons, who account for nearly all households in the bottom 20% of income distribution” In view of the increase in the salaries of civil servants as well, the authors conclude on the suggestion that, under the crisis conditions, it would be “unwise for the government to accommodate demands for further compensatory pension and salary increases, as this could cause more distortion in the labour market and undermine further the competitiveness of the Cyprus economy”.

[R1] PASHARDES Panos and POLYCARPOU, Alexandros, Taxation, Labour Supply and Welfare: A Micro-Simulation Analysis for Cyprus, Nicosia, Economics Research Centre, 2010, retrieved from: <http://www.ucy.ac.cy/goto/ecorece/el-GR/HOME.aspx>

In this paper the authors examine the effect of three tax systems on labour market participation, working hours and welfare (“a progressive tax system with high income allowance”; “a progressive tax system with family related allowances”, and “a proportional taxation”) on the basis of data from the 2007 EU-SILC database. The results show that the “proportional regime” contributes to improving the labour supply. On the other hand, “the most suitable system for improving the participation rate, especially of females or individuals over 55” is the progressive taxation regime with high income allowance. Also such a regime is most suitable for decreasing income inequality.

[H] Health

[H1] ANDREOU Maria, PASHARDES Panos and PASHOURTIDOU Nicoletta, Cost and Value of Health Care in Cyprus, Economic Policy Papers, No. 02-10, Nicosia, Economics Research Centre, 2010, retrieved from: <http://www.ucy.ac.cy/data/ecorece/DOP02-10.pdf>

The paper examines aggregate health expenditure in Cyprus from the late 1990s to 2007 and shows that there exists an upward trend over time. Private health expenditure increased slightly faster than public health expenditure. The study also examines household health expenditure with a focus on the type of health care coverage of household members. The extent to which entitlement to free public care affects the well-being of households is a main focus, in relationship to the way consumers perceive the value of free medical care.

The major findings of the study are the following: the age of the household head and household income determine the level of health expenditure (health spending by households decreases with the age of household head up to 40 years and increases for older heads; as income increases, health expenditure by households increases too, though at a declining rate; household health expenditure also varies in respect to type of health care coverage). Overall, the analysis shows that public health care in Cyprus benefits poor households and those with an old-aged head in the sense that the free access reduces private household spending.

[H5] LAMBROU Persefoni, KONTODIMOPOULOS Nick and NIAKAS Dimitris, Motivation and job satisfaction among medical and nursing staff in a Cyprus public general hospital, *Human Resources for Health*, 8(26), 2010, retrieved from: <http://www.human-resources-health.com/content/8/1/26>

The paper presents and discusses the findings of a study on how medical and nursing staff of the Nicosia General Hospital is affected by specific motivation factors. The association between job satisfaction and motivation is also examined. The emphasis is on the role of socio-demographic and job related factors in determining the motivational drive, and conclusions are drawn in the light of improving work performance. The main motivators revealed by the study (achievements, remuneration, co-workers and job attributes) are in agreement with the findings of other studies. It is stressed that “health care professionals tend to be motivated more by intrinsic factors, implying that this should be a target for effective employee motivation”. The paper concludes on recommendations for enhancing employee motivation in health care units.

[H4] SAMOUTIS George, PASCHALIDIES Constantinos, When will the sun shine on Cyprus’ National Health Service?, *The Lancet*, 377, 2011 (1st January), retrieved from: [http://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(10\)62337-9/fulltext](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

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.

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
Email: 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 analysing and processing endoscopy images).

Ινστιτούτο Εργασίας Κύπρου (INEK-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
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.

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).

Μεσογειακό Ερευνητικό Εργαστήριο Δημόσιας Υγείας και Ποιότητας Φροντίδας (ΜΕΔΥΠ)
(Mediterranean Research Unity for Public Health and Quality of Care, MEDYP).

Contact person: Vasilios Raftopoulos
Address: 215, Nicosia-Limassol Old Road, 2029 Strovolos, Nicosia, Cyprus,
Mailing address: above
Email: vasilios.raftopoulos@cut.ac.cy
Webpage: <http://www.cut.ac.cy/medyp>

The research unit is linked to the Department of Nursing of the Cyprus University of Technology. It promotes research on issues of public health and quality assurance in health and social care with an emphasis on comparative analysis in Mediterranean societies. Among its main objectives are to conduct research on infectious and non-infectious diseases and epidemiological surveillance practices, to develop “a Mediterranean Research Network” on the above research issues and to contribute to “the establishment of a National Centre for Quality Health Care in Cyprus”.

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
Email: info@rubsi.org / phellasc@cytanet.com.cy
Webpage: <http://www.rubsi.org/od/en/home/>

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.

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

Email: 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 cooperation 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>