



Industrial relations and social dialogue
**Cyprus: Working life in the
COVID-19 pandemic 2021**

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Introduction

The employment and economic situation in Cyprus during 2021 has been to a great extent characterised by the persistence of the COVID-19. However, compared with 2020 the impact of the pandemic was less severe. Despite the fact that the government had to resort again to regional lockdowns in November 2020 and a prolonged countrywide lockdown (curfew at night time, closure of schools and restrictions of movement during day time) stretching from the middle of January to the middle of May 2021, these were designed in a targeted and diversified manner combined with other surveillance measures, such as a massive rapid antigen testing programme, which allowed economic activity to recover from the shock of the previous year. Cyprus has also benefited from the relatively fast deployment of its vaccination programme in the second quarter of the year. The harmonised introduction of the European Safe Pass and the progress of vaccination programmes in the countries of origin of clients of the Cyprus tourism, facilitated the partial recovery of accommodation, catering and other tourism-related activities.

The European Commission is expecting the Cyprus GDP to grow by 5.3% in 2021, thus reaching a level very close to 2019. Growth was driven by the domestic demand, underpinned by fiscal stimulus, as well as by the increase of exports of services including tourism (European Commission, 2022).

Employment has risen 3.4% compared with 2020 and lies at a record high, while unemployment with 7.5% is minimally lower than the 2020 rate and the involuntary part-time employment remains persistent (Statistical Service of Cyprus, 2022). Employees' earnings in real terms, however, do not evolve along with the GDP and employment growth. The purchasing power of wages in 2021 is estimated to be by 3.5% lower than at the end of 2019. The erosion of the purchasing power is attributed to a considerable extend to inflationary prices observed, mainly in the second half of 2021. The recent decline of the purchase power of wages comes on top of a previous decline during the economic and financial crisis between 2013-2015. The purchase power of wages was at the end of 2021 almost 7.0% lower than the pre-crisis level 2006 -2012 (Cyprus Labour Institute – PEO, 2022).

The country's vaccination campaign commenced in the very last days of 2020. The programme was designed to unfold by targeting priority groups, such as health personnel, vulnerable and old-aged people. In its first three months the campaign was sluggish. From April onwards the vaccination ramped up, as the country was receiving increased numbers of doses. At the end of the year, 72% of total population received at least one dose, 70% two and 33% the booster. As elsewhere in Europe, the vaccination rate languishes in younger age groups. For example, at the end of 2021, only 14% of under aged have completed the primary course.

In Cyprus, vaccination has not been made obligatory for any of the occupational or age groups. In December 2021, the Minister of Health and the Scientific Advisory Committee have embarked on discussions in this regard. A legal opinion was requested from the General Attorney's office, which was completed in January 2022. The content of the opinion and the intentions of government remain unknown.

Political context

Cyprus has a presidential political system. That means that the government is appointed by the president of the country, who is elected directly by the people in 5 years intervals. The current president, Mr. Anastasiades, was elected for a second term in 2018. Next presidential elections are scheduled for February 2023. Mr. Anastasiades has already declared not having the intention to run for a third term. The president's right-wing party, DISY, has thereafter activated as early as November 2021 a party-internal procedure for the nomination of a presidential candidate for the 2023 elections. The procedure provided for interested contestants to submit their candidacy to the party by the middle of January 2022. The now president of DISY, M. Averof Neofytou has submitted his own candidacy shortly after the activation of the procedure. Another prominent DISY politician, the ex-Foreign Minister Mr. Christodoulides, preferred to resign his post in the government in January 2022 rather than subordinate his candidacy to the party-internal procedures of DISY. Mr. Christodoulides is expected to announce an independent candidacy in late Spring 2022 in an effort to capitalise his bipartisan popularity. The opposition parties were expected to engage in and finalise their elections preparations in the first half of 2022. The prospect of the main opposition parties, left AKEL and centrist DIKO, to rally with a common candidacy has been abandoned by the middle of April 2022.

In May 2021 the country's electorate was called to determine the new composition of the House of Representatives (Parliament). The country's main 'traditional' parties, from left to right, had suffered significant loses. With 27.8%, the ruling party, DISY, lost 2.9% and one MP, while left AKEL with 22.3% lost 3.3% and also one MP. DIKO with 11.29% lost 3.2%, but maintained its number of MPs. The Socialist Movement EDEK with 6.72% was the only 'traditional' party to marginally improve its electoral power by 0.5% and one MP. The great winners of the elections were the Democratic Alignment (DEPA, a union of two timely different splits from DIKO) gaining at its first election a 6.1% share and four MPS; the right -extreme National Popular Front (ELAM) with 6.8% gaining a growth of 3% and doubling its MPs to four; the Ecologist Movement and Citizens Cooperation with 4.4% loosing 0.4%, however increasing its MPs from two to three. Two parties of the previous House are not any among the represented parties. These are party Solidarity with previously three MPs which run but not passed the 3.7% hurdle and the Citizens Alliance also with previously three MPs which, however, dissolved shortly before the elections in favour of the Socialist Movement EDEK.

The government faced in the course of 2021 increasing opposition from various opposition parties represented in the House of Representatives with regard to its economic policy, to the operation of various state institutions and prominently with regard to the scandalous application of the so-called Citizenship by Investment Programme. The government faced to a lesser extend parliamentary opposition in relation to its COVID-19 policy. However, this opposition was not meant to put in danger the government's COVID-19 containment measures and policies to mitigate the social and economic impact of the pandemic. The government faced occasionally also extra-parliamentary opposition and protest, mostly from informal networks organised via social media, regarding its vaccination programme and treatment of non-vaccinated persons in the various spheres of working and social life. Such opposition was manifested in demonstrations with some of them attracting considerable numbers of protesters.

Governments and social partners response to cushion the effects

In view of soaring coronavirus infections, especially in the first five months of 2021, the government, in co-operation with the country's social partners, continued to resort to mitigation measures aiming at easing the impact of COVID-19 of containment restrictions on employment and enterprises. As it was the case in 2020, the labour-related measures were also in 2021 designed on fixed-term basis and reviewed in regular intervals, mostly monthly. The measures have been instrumentalised via decrees released by the Minister of Labour and Social Insurance on the basis of Law 27/I/2020, which authorises the Minister to enforce with such decrees 'measures and policies as regards the management of emergency situations resulting from the COVID-19 pandemic'. As the law limits the authorisation of the Minister for a certain period of time,¹ consecutive amendments of the law in 2020 and 2021 extended these extraordinary powers of the Minister until 31 October 2021.² Other, non-labour-related measures of the government, aiming at the support of enterprises by securing access to finance or providing direct subsidies, have been implemented by other legal means.

The 2021 COVID-19 mitigation measures do not include any more horizontal measures, such as the 'Suspension of Payments of Credit Facilities Instalments',¹ which made possible the deferral of payments for credits taken by households or enterprises until 31 December 2021. The measures from the beginning of 2021 were targeted to employees and enterprises directly affected by the evolution of the COVID-19 containment measures.

Two prominent measures from 2020, which remained important in the first half of 2021 were the 'Special scheme for complete suspension of businesses'ⁱⁱ and the 'Special scheme for partial suspension of businesses'.ⁱⁱⁱ The schemes have been put into force on 29 March 2020 with the release of Decrees KDP 130/2020 and KDP 131/2020 respectively. Initially they covered the period 16 March 2020 until 12 April 2020. However, their application has been extended into 2021 with monthly releases of decrees. They have been subjected to various modifications in the course of 2020 and 2021, remained, however, in the core unchanged. The main aim of these schemes was to partially substitute the loss of income of employees. The complete suspension of business scheme was conceived to address to employees of enterprises which due to emergency measures imposed by decrees released by the Minister of Health were not allowed to operate. The scheme expired at the end of June 2021. The partial suspension of business scheme to employees of enterprises which during the lock-down were still allowed to operate, however their turnover declined by more than 25% and therefore could not continue to employ all their personnel. The scheme expired at the end of August 2021. The special unemployment benefit for both schemes was calculated as 60% of the considered insurable earnings of the eligible employee, however with an upper threshold of €1,214 and a minimum of €360 per month. A similar bundle of 'Special support schemes for workers and businesses'^{iv} was introduced on 23 June 2020. These schemes were addressing to certain economic

¹ The initial authorisation expired on 16 May 2020.

² Law 49/I/2020 extending the powers to 12 October 2020; Law 140/I/2020 extending the powers to 31 March 2021; Law 36/I/2021 extending the powers to 31 July 2021; and Law 120/I/2021 extending the powers to 31 October 2021.

activities, mainly activities related with tourism. These schemes had different requirements than the above-mentioned schemes. The schemes required, for example, a reduction of turnover by 40% or even more for a company to be eligible to receive support. This bundle of measures included also a scheme providing a monthly unemployment benefit of €360 to persons, who by the terms of the Social Security Fund were not any more eligible to receive unemployment benefit. By the end of October 2021 none of these measures were still valid.

The horizontal ‘Special scheme for self-employed workers’,^v which applied from 16 March 2020 until 12 June 2020, was replaced with the ‘Special scheme for certain categories of self-employed’.^{vi} The new scheme was targeting certain categories of registered self-employed persons, such as photographers, taxi drivers, car rental owners, drivers of tourist buses, tourist guides etc. The scheme provided a benefit between €300 and €900, calculated as 60% of the considered insurable earnings of the self-employed in the last quarter of 2019. Eligible to receive the benefit were self-employed who suffered more than 40% reduction of their revenues. The scheme has been extended with monthly decrees until 31 October 2021.

Some of the schemes which were conceived to provide income support and protection for persons faced with extraordinary situations remained also in place or were brought back during 2021. The ‘Special paid leave for the caring of children’^{vii} was brought back in January 2021 and expired on 8 May 2021. The government, however, changed the mode of calculation of the allowance, now ranging between €360 and €1,214 monthly. The ‘Special sick leave allowance for vulnerable workers and for mandatory quarantine’^{viii} remained unchanged in place until 31 October 2021.

Other significant measures taken by the government during 2021 include a bundle of measures aiming at supporting business to stay afloat by securing access to finance or providing direct subsidies,³ such as the ‘Support scheme for cooperatives and groups of producers in agriculture’,^{ix} the ‘Emergency financial support for farmers during COVID-19 pandemic’,^x ‘State guarantees for credit institutions for loan granting to enterprises and self-employed’^{xi} and the ‘Incentives scheme for airline companies’,^{xii} which was introduced in July 2020 and extended in December 2021 until the end of June 2022.

Representatives of the country’s most relevant social partners, who have been interviewed by the author of this working paper, reported to have been extensively involved in the initial design and further finetuning of all labour-related schemes of the government, both in 2020 and 2021. Furthermore, the representatives of employers’ organisations and business associations reported that the government was open to discuss also the modalities of the measures aiming at providing assistance to enterprises to remain afloat (schemes to secure access to finance and subsidies schemes

ⁱ Eurofound (2020), [Suspension of payment of credit facilities instalments](#), case CY-2020-14/401 (measures in Cyprus), COVID-19 EU PolicyWatch, Dublin

ⁱⁱ Eurofound (2020), [Special scheme for complete suspension of business](#), case CY-2020-11/327 (measures in Cyprus), COVID-19 EU PolicyWatch, Dublin

³ For a detailed presentation of all Cyprus related measures visit COVID-19 EU PolicyWatch websites of Eurofound at <https://static.eurofound.europa.eu/covid19db/index.html>

- ⁱⁱⁱ Eurofound (2020), [*Special scheme for partial suspension of business*](#), case CY-2020-12/330 (measures in Cyprus), COVID-19 EU PolicyWatch, Dublin
- ^{iv} Eurofound (2020), [*Special support schemes for workers and businesses*](#), case CY-2020-24/895 (measures in Cyprus), COVID-19 EU PolicyWatch, Dublin
- ^v Eurofound (2020), [*Special scheme for self-employed workers*](#), case CY-2020-12/343 (measures in Cyprus), COVID-19 EU PolicyWatch, Dublin
- ^{vi} Eurofound (2020), [*Special scheme for certain categories of self-employed*](#), case CY-2020-31/1200 (measures in Cyprus), COVID-19 EU PolicyWatch, Dublin
- ^{vii} Eurofound (2020), [*Special paid leave for the caring of children*](#), case CY-2020-12/296 (measures in Cyprus), COVID-19 EU PolicyWatch, Dublin
- ^{viii} Eurofound (2020), [*Special sick leave allowance for vulnerable workers and for mandatory quarantine*](#), case CY-2020-12/346 (measures in Cyprus), COVID-19 EU PolicyWatch, Dublin
- ^{ix} Eurofound (2021), [*Support scheme for cooperatives and groups of producers in agriculture*](#), case CY-2020-52/1647 (measures in Cyprus), COVID-19 EU PolicyWatch, Dublin
- ^x Eurofound (2021), [*Emergency financial support for farmers during COVID-19 pandemic*](#), case CY-2020-45/1654 (measures in Cyprus), COVID-19 EU PolicyWatch, Dublin
- ^{xi} Eurofound (2021), [*State guarantees for credit institutions for loan granting to enterprises and self-employed*](#), case CY-2021-20/1939 (measures in Cyprus), COVID-19 EU PolicyWatch, Dublin
- ^{xii} Eurofound (2020), [*Incentives scheme for airline companies*](#), case CY-2020-28/897 (measures in Cyprus), COVID-19 EU PolicyWatch, Dublin

Adapting to the pandemic and the return to work: Policies and debates

New occupational health and safety rules

Despite various precautionary measures remaining valid, the coronavirus continued to spread and the emergence of new virus variants challenged once again at the end of 2020 the capacity of the country's health system. So, the Minister of Health released a new decree on 29 December 2020 re-imposing the curfew and extending the restrictions imposed in November 2020. Further decrees issued by the Minister of Health in January 2021 introduced additional measures affecting in various ways working life in the country. The lockdown restrictions began to gradually ease in February and March 2021. However, at the end of April a new, two-weeks long (26 April – 9 May), lockdown was imposed as a result of a new serious spike in COVID-19 infections. From the middle of May, the most restrictive measures began to gradually ease again and by 9 June all restrictions involving the freedom of movement were lifted, while capacity limitations in catering establishments and event venues remained with variations in place throughout the year. For the rest of 2021, the Minister of Health has not come to impose any lockdown. The governments' containment measures of the coronavirus focused henceforth on massive rapid antigen testing, progress of the vaccination programme and the introduction of the obligatory safe pass.⁴

Cyprus embarked on a precautionary rapid testing as soon as the technology was made available, in the middle of November 2020 with an average of 5,500 tests per day. With the dramatic soaring of infections, rapid testing increased in December 2020 and January 2021 to 10,500 per day.

Thereafter, as the rapid testing became central element of the government's strategy to allow the opening of schools and universities and safe return to work places, testing increased to an average of 50,000 per day (the 2021 year's average was 45,000), in December 2021 even reaching 80,000⁵ (Ministry of Health, 2022). Rapid testing became mandatory at the beginning of 2021 for those who work and later for the education sector as well. Testing has been offered initially free of charge and could be done at numerous testing sites established by the government. However, from 1 August 2021 the government, in the framework of its vaccination strategy, stopped offering testing free of charge to unjustified non-vaccinated workers. This has caused discomfort to some of the country's trade unions (Dialogos, 2021; 24news, 2021); the government, however, insisted and enforced the measure. Some confusion was created as to whether employers were obliged to check rapid test result of their employees or not. In a FAQs publication of the Commissioner for Personal Data Protection (Commissioner for Personal Data Protection, 2021a) of May 2021, it was stated that it was at the discretion of the employee to show the result of the test to the employer and that only enforcement and control authorities were authorities mandated by the relevant Minister of Health's decree. In a revised version of the Commissioner's FAQs of July 2021 (Commissioner of Personal

⁴ For a more detailed presentation of the measures to respond to the COVID-19 health crisis see the monthly Flash Reports on Labour Law from January to December 2021 (European Centre of Expertise 2021).

⁵ From the middle of November 2020 to the end of December 2021 a total of 16,8 million tests have been performed. To understand how massive the rapid antigen testing in Cyprus is, one has to take into consideration the country's population which is approximately 900,000 people.

Data Protection, 2021b), it was then stated that the employers were obliged to check and employees to show the result. In this respect, the Cyprus Employers and Industrialists Federation issued a circular (OEB, 2021) pointing to the obligations of employers and employees and advised its members how to deal with employees rejecting to provide a result of rapid test. The circular advised employers, where available, to address and regulate the issue with local trade union representatives.

The Cyprus COVID-19 vaccination programme began, as elsewhere in the EU, in the last days of 2020. In the first three months of 2021 the programme was advancing at a slow path due to unavailability of required vaccines. Thereafter, the vaccination began to ramp up, with 53% of the total population completing by the end June 2021 the primary course (43% of the adult population). By the end of the year, 70% of the total population received the primary course and 33% the booster. While by the 60+ the share was over 90% (booster by 70%), by the minors the share was as low as 14% (see Table 1 for vaccination shares by age group). In the Fall of 2021, the Ministry of Health embarked on an internal discussion on the question of making the vaccination against COVID-19 obligatory. In December 2021, the country's media reported that Minister of Health requested a legal opinion from the General Attorney on the issue (I Kathimerini, 2021), which was prepared and handed over to the Minister in the middle of January 2022 (Offsite, 2022). As of the end January 2022, the General Attorney's opinion was not published and the government has not expressed its final intentions. The Cyprus National Bioethics Committee has published in January 2021 an opinion in this regard, concluding that '*considering the available scientific facts and the examination of ethical principles, the imposition of obligatory vaccination of the total population does not constitute at this stage a compatible measure and is at least premature*' (Cyprus National Bioethics Committee, 2021).

Table 1: Shares of vaccinated persons at the end of 2021 by age group (Cyprus).

	Total population	18+	60+	<18
First dose	71.9%	84.4%	93.5%	17.1%
Primary course	70.1%	84.4%	92.0%	13.9%
Booster	33%	40.8%	70.0%	0*

Source: Portal of the European Centre for Disease Prevention and Control - COVID-19 Vaccine Tracker

* Booster has not yet been foreseen for minors by the end of 2021.

A kind of a Safe Pass was introduced in February 2021, when per governmental decree employees were obliged to acquire a negative coronavirus test in order to be allowed to go to work. The safe pass in its current shape was formally introduced in May 2021 with the Minister of Health decree 194/2021 (Minister of Health, 2021a) and revised in July 2021 with decree 286/2021 (Minister of Health 2021b). A person was in the possession of a Safe Pass if one of the following situations was met:

1. A COVID-19 negative result of a PCR test or a Rapid test carried out in the last 72 hours;
2. A COVID-19 vaccination certificate with after at least three weeks since the administration of the first dose;
3. A certificate of recovery from COVID-19, with the initial diagnosis not exceeding the period of six months.

The Safe Pass could be presented on a hard copy or electronically through the smartphone application Cyprus CovPass. The presentation of a Safe Pass was throughout 2021 an obligatory requirement for employees and self-employed both in the public and private sector, as well as for visitors of retail stores, supermarkets and malls, to catering and event venues, sport activities, theatres, cinemas, pretty much everywhere.

Other occupational health and safety measures, which were introduced in 2020, such as social distancing, obligation to wear an appropriate mask at work in closed and open public areas and the numerous health and safety protocols developed for certain economic activities remained all in place.

Finally, the Health and Safety (Biological agents) Regulation has been amended in March 2021 due to a harmonisation of national legislation with the directive EU 2020/739, which requires the inclusion of COVID-19 in the list of biological agents known to infect humans.

New working arrangement policies

There is a complete absence of legal arrangements in Cyprus concerning the regulation of telework in either the public and the private sector. Additionally, collectively agreed regulations could only be identified in the Cyprus Telecommunication Authority, for which we have reported last year (Eurofound, 2021), while few other enterprises regulate telework upon internal arrangements. Furthermore, telework has not been a subject of discussion and/or debate among contracting parties during the establishment or the renewal of collective agreements in neither the sectors during 2021.

In practice, in the private sector companies regulate internally the way that telework is implemented, which might include provisions on the right to disconnect, equipment and work-life balance. In the governmental and semi-governmental sector and independent authorities, telework in 2021 has been imposed by Decrees issued by the Minister of Health since the outbreak of the pandemic but still the performance is regulated internally by each department. Article 2.1 of the Decree 11/2021 (Minister of Health, 2021) provides, for example, that ‘the governmental and wider governmental sector work remotely and with the necessary staff with physical presence in order to ensure the smooth operation of services and the serving of citizens in case of emergencies’ and provides the right to each authority to define the needs of the staff working remotely and with physical presence. The Decree also provides the right to essential services to implement flexible working schedules for the staff upon their consent.

The most recent development occurred in 2021 is the opening of the social dialogue for the legal regulation of telework in the private sector among the member of the ‘Labour Advisory Body’ which started in September 2021. The body is consisting of representatives of national level social partners – employers, the Cyprus Employers and Industrialists Federation (OEB) & the Cyprus Chamber of Commerce and Industry (KEBE) and the major trade unions of the private sector the Pancyprrian Federation of Labour (PEO), the Democratic Labour Federation (DEOK) & the Cyprus Workers Confederation (SEK) – and led by the Minister of Labour and Social Insurances. The social dialogue is at an advanced level. The Minister is expected to submit to the Labour Advisory Body the draft law for a final review and then forward it to the House of Representatives in the first half of 2022.

During the process of the social dialogue, social partners expressed different views on the issue. The employers' organizations, OEB & KEBE, which are strong supporters of the European Framework Agreement on Telework (2002), appeared against the legal regulation of telework supporting that the issue shall be regulated among social partners and within the process of the definition and/or renewal of collective agreements. On the other hand, trade unions support legal means that regulate the overall framework of telework but sectoral or company specific regulations of telework defined within the dialogue of collective agreements, at the same time. Despite the reservations of some trade unions on the expansion of telework and the perception that telework may create conditions for further deregulation of the labour market, the increasing percentages of teleworks due to the pandemic COVID-19 put a pressure on the them demanding regulations. Trade unions favour a hybrid model of telework that prevents the isolation of teleworkers, maintains trade union organization, supports an effective organization of work, ensures equal rights of workers and pay, sustains the employment status of workers and sustains the relations of teleworkers and workers with physical presence within organizations and companies.

It is noted that the social dialogue for the regulation of telework in the public sector, which is led by the Minister of Finance, is still pending despite the pressure that the Pancyprian Union of Public Servants (PASYDY) has put for the initiation of the dialogue. Among the main challenges that the process of the regulation of telework in the public sector confronts are: the development of the infrastructure that will accommodate telework, the necessary public reforms that require to be proceeded before the implementation, the digitalisation of public services, the definition of the teleworkable public services, the controlling mechanisms of teleworkers and the issue of the negligence of public workers and the way that will be regulated for public teleworkers.

Labour shortages

According to the recent Job Vacancies survey of the Statistical Service of Cyprus (2021b) the sectors of the labour market in Cyprus with the largest rates of job vacancies for the year 2021 are:

- I. Accommodation and Food Services (4.7%)
- J. Information and Communication (3.5%)
- Q. Human Health and Social Work Activities (3.3%)
- C. Manufacturing (3.1%)

The Statistical Service does not publish data on job vacancies by occupation. However, according to the results of the latest study of the Human Resource Development Authority of Cyprus (HRDA, 2017) it was predicted that by 2027 there will be an increase in the number of people employed in all broad occupational categories. Specifically, the higher-level occupations that are forecasted to present the greatest employment needs until 2027 are:

- Accounting assistants (461 persons or 4.7% per year)
- Legal practitioners (254 persons or 4.5% per year)
- Nurses and midwives (230 persons or 3.7% per year)
- Accountants (157 persons or 3.1% per year)
- Secondary school teachers (141 persons or 1.7% per year)
- Other teachers not elsewhere assigned (136 persons or 6.0% per year)
- Loan and credit officers (118 persons or 2.6% per year)

- Commercial agents (112 persons or 2.0% per year)
- Journalists (101 persons or 7.1% per year)
- Trade managers (100 persons or 4.8% per year)
- Application developers (97 persons or 3.4% per year).

The middle-level occupations that are projected to have the highest employment needs (demand) up to 2027 are:

- Shop and ticket office cashiers (617 persons or 6.6% per year)
- General clerks (595 persons or 4.1% per year)
- Desk clerks (567 persons or 5.8% per year)
- Shop assistants (535 persons or 3.4% per year)
- Car, taxi, van and motorcycle drivers (288 persons or 3.8% per year)
- Storekeepers and clerks in transport and production (268 persons or 5.1% per year)
- House builders (251 persons or 3.7% per year)
- Cooks (244 persons or 4.7% per year)
- Private secretaries (234 persons or 4.1% per year)
- Truck and bus drivers (228 persons or 4.0% per year)
- Shopkeepers (203 persons or 3.6% per year)

Official assessments on the drivers of labour shortages are absent. However, it is worth to mention that Cyprus has been facing significant, structural and accelerating changes in recent years. The technological developments, the demographic changes, the environmental challenges and the special conditions caused by the COVID-19 pandemic had consequences in the labour market. Additionally, the strategic ambitions of the Cypriot government for the digital and green transition of the economy, have resulted in increased employment needs in many sectors of economy and professions.

The health crisis has reinforced long-standing challenges in some sectors of the labour market. Labour shortages in sector I. for example, is not an issue occurred due to the health crisis, but it is a long-standing challenge intensified by the crisis. During the first wave of the health crisis and the uncertainty that emerged in the sector, many hotel employees from other EU member states returned back to their countries. Additionally, the emerged uncertainties pushed local hotel employees to switch to other sectors of the economy providing more secure income. As a consequence of these transitions, labour shortages in the sector have been accelerated with the reactivation of hotels and restaurants later in 2020 and 2021.

The COVID-19 pandemic intensified the long-term labour shortages in the health sector, which have been observed since the full implementation of the General Health System (GHS) two years ago but the problem became more visible with the increased admission of patients due to the spread of the virus. Other factors related to the educational system can explicate the shortages such as the low percentage of graduates in STEM, the low number of pupils enrolled in VET programmes and the low percentage of workers in life-long learning.

The staffing of public hospitals in the health sector was among the measures taken to address the labour shortages in the health sector. Additionally, the issue of labour shortages in the Hotel and the wholesale and retail trade sector was high in the agenda of the 'Labour Advisory Council' social dialogue, which started in September 2021. Employers' organization suggested the recruitment of

Third Country Nationals (TCNs) to address labour shortages whilst trade unions suggested first the recruitment of Cypriot and EU nationals registered as unemployed before the employment of TCNs. It is noted that trade unions are not against the recruitment of TCNs but strongly against regulations that discriminate against TCNs and deregulate the labour market. Additionally, the annual state aid programmes run by HRDA and the 'Technical and Vocational Education and Training System' programmes and the 'Post-secondary Institutes of Vocational Education and Training' programmes run by the Ministry of Education were in place. Social partners are permanently represented in bodies such the Labour Advisory Council, the Human Resource Development Authority of Cyprus and the Post-secondary Institutes of Vocational Education and Training and actively participate in public consultations on issues related with the labour market and businesses.

Wages and wage-setting

The recovery of the economy from the deep recession of 2020, caused by the pandemic, has brought nominal wages to grow by approximately 2.5%, which was not enough to compensate the losses of nominal wages reduction in 2020 and the loss of purchasing power due to inflationary prices (Cyprus Labour Institute - PEO, 2022).

Interviewed representatives of trade unions and employers' organisations reported that in the course of 2021 the process for the renewal of collective agreements was reactivated; most of the collective agreements was concluded with less favourable pay terms compared with the expired agreements; nothing has changed as regards the institutions of wage-setting.

There is no formal recording and calculation of employees' coverage rate by collective agreements in Cyprus. However, both the Cyprus Workers Confederation (SEK) and the Pancyprian Federation of Labour (PEO), the country's two most representative trade unions confederations, have internal calculations converging to around 40%. This rate could have declined slightly during 2021, as there is evidence that the employment growth has over-proportionally the uncovered low-wage sector of the country.

The transitional agreement for the Cost of Living Allowance (COLA)⁶ of 2017⁷ has been left to expire on 31 December 2021. The agreement, concluded between the country's major high level social partner organisations and also endorsed by the Minister of Labour, Welfare and Social Insurance, provided for the reactivation of COLA for a transitional period,⁸ after it was suspended in 2012 for the broader public sector and in 2013 for the private sector. The transitional period was meant to be used by the Minister to negotiate with social partners a new and permanent deal reforming COLA. The agreement applied during the transitional period under certain conditions⁹ the most important of which were the compensation of the impact of inflation on the purchasing power of wages at a reduced rate of 50% and the suspension of COLA in the event of economic contraction in both the

⁶ The Cost of Living Allowance (COLA) is a wage indexing system that was introduced in Cyprus in the 1940s. COLA is an essential part of the wage setting mechanism both in the private and public sector and is of great importance for trade unions, as it neutralises the impact of price increases on the purchasing power of wages.

⁷ Transitional Agreement for the Cost of Living Allowance for a period of one year, Nicosia 15/12/2020 (Greek)

⁸ The transitional period covered initially 2018, 2019 and in view COVID-19 was in December 2020 amended to cover 2021.

⁹ For a more detailed presentation of these conditions consider reading the Cyprus last year's report (Eurofound, 2021)

second and third quarters of the preceding year. So, due to the contraction of the economy in the second and third quarter of 2020 COLA was suspended and therefore basic salaries remain unchanged at the beginning of 2021. Employers' organisations consider COLA as an out-fashioned institution and have repeatedly call for its abolition. Trade unions on the contrary are, in view of soaring inflation rates, campaigning not only for the full compensation of COLA. They are stressfully supporting the expansion of COLA to all employees, regardless of coverage by a collective agreement or not (Stockwatch, 2021). COLA reform is among the issues of the currently heavy loaded social dialogue agenda of the Minister of Labour and Social Insurance.

Finally, there were in 2021 some developments as regards the general overhaul of the country's minimum wage regime, of which we have repeatedly referred to in previous Cyprus related reports. The Minister of Labour and Social Insurance has had several meetings with country's social partners in this regard, where various options and studies were presented. However, the consultation process has not come to the point to address the issue in a concrete manner. As of the end of January 2022, the government has not yet submitted its final proposal. This is expected to be done later, most probably in the months to come before Summer 2022.

Impacts on the social dialogue and collective bargaining

After the economic and financial crisis of 2012 to 2015, where social dialogue in Cyprus suffered occasionally from some unilateral decisions of the government, the COVID-19 health and economic crisis was destined to lead to the revival of the country's good tripartite social dialogue tradition. The government, in view of necessary preventive measures to contain COVID-19 and their expected impact on the country's economy, has early enough ensured to resort to social and labour related measures in an effort to mitigate the impact of the pandemic on employment and enterprises. Social partners throughout 2020 and 2021, even if they may have not been fully satisfied with particular measures, shared the understanding that the COVID-19 challenge was critical one and the response should be speedy and with the greatest possible consent (Eurofound, 2021).

The evolution of the COVID-19 related social dialogue and the overall satisfaction of the social partners had a positive impact on the development of social dialogue in other fields working life in Cyprus. So, the Minister of Labour and Social Insurance, invited in Summer 2021 the country's peak social partner organisations, represented in the Labour Advisory Body, to a structured social dialogue with ambition to address highly contested and loaded issues, like the reform of the country's minimum wage regime, the reform of the employment strategy of workers originating in third countries, the reform of the pensions' schemes, as well as less controversial issues, such as the introduction of concise legislation for the regulation of the Public Employment Services, the introduction of a paid parents' leave and the regulation by law of telework practises. The elaboration of some of the issues has already commenced in 2021, while others are expected to be addressed in 2022 including the negotiation of the permanent features of the Cost of Living Allowance.

Finally, in 2021 the collective bargaining, which was to the extend negatively impacted by the COVID-19 crisis 2021 that the process of renewal and/or conclusion of collective agreements, is estimated by social partners to have fully recovered in the course of 2021. This is reflected in the renewal of the great majority of pending collective agreements.

Labour disputes in the context of the pandemic

Despite the improvement of the climate in the formal social dialogue forums, as well as regarding the interaction between the social partners themselves, there was enough fabric available on which several disputes could emerge over 2021.

Quite prominent and rather high in the 'rank' of 2021 disputes were various mass protest activities, informally organised through social media against measures restricting the free movement of people and the closure of schools over a prolonged period of time in the first half of 2021. Furthermore, some trade unions addressed their opposition against the government's decision to restrict the entitlement of free rapid testing only for vaccinated workers and employees. Despite considerable social discomfort with this particular measure, the government has chosen to push it through, as it was one of the basic elements of the governments' disincentives to encounter increasing vaccination hostility among certain population groups.

Another, conditionally COVID-19 related labour dispute, concerns the implementation of certain pay increase provisions of the in 2019 renewed multi-employer collective agreement in the hotels industry (Cyprus Times, 2021). The employers' side does not adhere to the provisions of the agreement by resorting to an argumentation involving economic instability and uncertainty due to the COVID-19 crisis, while the trade unions side counters that the employers' line is serendipitously referring to COVID-19 in order to facilitate the employers' detachment from clearly defined obligations. The dispute has been referred for mediation and is expected to preoccupy the Mediation Service for several months into 2022.

The recovery of economic activity and reduced resorting to COVID-19 related short-time support schemes over the last period of time is pretty much reflected in the Disputes and Mediations Statistics of the Department of Labour Relations. A review of the 2021 departments' preliminary data indicates vis-à-vis 2020 a substantial decrease of the number of disputes referred to the mediation service and of employees affected by these disputes. The severity of disputes is also observed to have eased during 2021, as the number of disputes escalating into strikes, the number of affected employees by strikes and the lost working days have declined considerable.¹⁰

¹⁰ The preliminary data of 2021 were communicated to the author of this working paper in the context of an interview over the phone. On the request of the Mediation Service, the author is bound not to publish the data, before they are published by the Department of Labour Relations.

Commentary and outlook

Cyprus went into 2021 confronted with the Delta variant leading to an exponential increase of COVID-19 infections and thereof the return of unpopular lockdown measures restricting free movement and causing the closure of schools and certain economic activities. However, the measures this time have been designed in a diversified manner allowing the economy to continue its recovery path starting from the third quarter of 2020. At the end of 2021, the country's GDP grew enough to offset the loss of 2020, while employment, underpinned by an unusual fiscal stimulus, has grown to an all-time record high and unemployment remained practically due to a bundle of short-time support schemes.

Collective bargaining has resumed in 2021 with the great majority of pending agreements from 2020 or expired in 2021 being renewed. However, no new collective bargaining has been identified in 2021. The dispute over the implementation of the hotels' industry collective agreement, the country's by far most important multi-employer collective agreement, has the stuff to threaten peace in one of the driving sectors of Cyprus economy.

The COVID-19 crisis, despite all its negative impact on the economy and most importantly on human lives, had influenced positively the evolution of social dialogue in the country. The necessity to design and implement adequate responses against the extraordinary challenge posed by the pandemic, required a great mass of social mobilisation, understanding and support. The government, as already reported last year, has been inspired to actively and continuously involve the country's peak social partners in the design and review of its response policies, especially those aiming to provide support to employment and businesses. This is seemingly beneficial for the orientation of social dialogue in the medium or maybe also in the long term, as it paved the ground for the dynamic evolution of social dialogue. On the invitation of the Minister of Labour and Social Insurance, social partners have embarked in the second half of 2021 in an extended and structured negotiation process aiming at addressing issues of significant importance. The agenda includes issues, whose negotiation has been disrupted and de-prioritised by the outbreak of the pandemic, such as the reform of the country's minimum wage regime, as well as issues addressing structural developments caused by the pandemic itself, such as the regulation of telework. The agenda includes also a reform of the pensions scheme, the introduction of a paid parents leave, an introduction of a legislation regulating the operation of the Public Employment Service, as well as the regulation of the Cost of Living Allowance.

Negotiated solutions on the issues addressed are expected to be delivered not earlier than the second half of 2022. The only question that could endanger the orientation and performance of this fully loaded social dialogue process is the reaction of social partners in an eventual turn of the government to establishing an obligatory vaccination scheme.

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