



Industrial relations and social dialogue
**Cyprus: Working life in the
COVID-19 pandemic 2020**

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Introduction

This working paper provides a review of the main working life developments in Cyprus over the course of 2020, a year that has been characterised by the unprecedented challenges posed by the COVID-19 pandemic. Soon after the identification of the first COVID-19 case, on 9 March 2020, the government began imposing precautionary measures that rapidly evolved to a two-months-long general lockdown leading the country's economy into a crisis; at a time, the country was struggling to recover from the 2013-2015 economic and financial crisis.

The Cyprus' economy contracted in the second quarter of 2020 by 4.7% and in the third quarter by 1.4% as compared with the respective quarters of 2019, with the European Commission estimating the entire 2020 GDP loss to amount at 5.8%.

Differently from the previous crisis, the government faced the COVID-19 challenge with a massive expansionary set of measures aiming at mitigating the impact of the crisis on businesses and employment. Indeed, the income support schemes for employees, as well as various other schemes aiming at supporting enterprises to stay afloat and get back to normality, have been beneficial for employment: despite the huge impact of the COVID-19 crisis on economic activity, unemployment is estimated to have increased by only 1-2% during 2020.

As elsewhere in Europe, Cyprus faced a second COVID-19 wave in autumn 2020 leading the government to resort at beginning to local preventive measures and at the end of year to second general lockdown. However, the second lockdown is expected to have impacted the country's economy to a lesser extent, as it is not laid out at large-scale compared with the first lockdown.

At the beginning of 2021 with the strictest measures of the second lockdown still in operation and the infection rate remaining at relatively high levels, the country's government, social partners and political institutions are placing their expectations for a fast return to normality on a massive vaccination programme, which at the moment is not advancing as anticipated and planned.

Impacts of the pandemic on working life

In Cyprus we could not locate any study or survey exclusively examining the impact of COVID-19 and the governmental precautionary measures on working life. Following, we present in brief various surveys and studies conducted in the first half of 2020 aiming at exploring various aspects of the pandemic. Most of the surveys were carried out by telephone interviews with 400 – 600 participants; one of survey was carried out with the employment of an online questionnaire with the participation of more than 1,600 respondents. Most of the following surveys were addressed to the general public and one to enterprises. The Cyprus Employers' and Industrialists federation (OEB) has also carried out two surveys addressed to businesses with the employment of online questionnaires; the first covering the period 12 to 21 February 2020 with 474 responding enterprises and the second one covering the period between the 11 and 20 March 2020 with 700 responding enterprises. OEB's surveys are not taken into consideration, as they addressed working life related issues only indirectly¹.

Quantitative surveys: How do Cypriots experience the COVID-19 pandemic (April 2020) and the COVID-19 pandemic in Cyprus in the second containment measures relaxing phase (May 2020)

GNORA Communication Consultants and Pulse Market Research (2020a) have carried out a quantitative research based on telephone interviews from the 3 to 8 of April 2020 (during the first lock-down). The survey involved interviewing of 605 persons (aged 18+) from all Cyprus, urban and rural areas. According to the survey, 89% of the interviewees reported to have used ICT technologies in the previous week: 24% for telework, 19% for tele-education, 86% for communicating with friends and relatives. Furthermore, 19% of interviewees reported their work was fully suspended, 15% said it was partially suspended, while 3% reported they had been dismissed. With 25 days having elapsed since the introduction of the lockdown, 45% of the interviewees reported their family financial situation was negatively impacted by the containment measures of the government; only 35% of the interviewees said they would be able to cover their fixed expenses, 45% stated they needed to do savings in other daily expenses in order to be able to pay their fixed expenses, while 18% reported their inability to cover them. GNORA communication Consultants and Pulse Market Research (2020b) conducted a second quantitative survey from the 13 to 16 of May 2020 involving telephone interviews with 410 persons (aged 18+) from all Cyprus, urban and rural areas. The survey was carried out in the second week after the Cyprus government began relaxing the strict containment measures of the first lockdown. The second wave survey indicated an increase of remote working and learning with the use of ICT technologies from 34% to 38%, which is attributed to an increase of tele-education from 19% to 24%; telework remained unchanged at 24%. In May, 12% of the interviewees reported their work was fully suspended work (compared to 19% in April), 16% were in partial suspension (compared to 15% in April) and 1% were dismissed (compared to 3% of April). The share of interviewees, who reported their family financial situation to have been negatively impacted by the containment measures of the government increased from 45% in April to 48%, while another 20% reported that they were expecting their financial situation to deteriorate in the next 12 months.

¹ OEB's surveys were designed to explore eventual impact on Cypriot enterprises of the disruption of international trade due to COVID-19. So, the first survey was carried out before the first COVID-19 case was identified on the island (9 March 2020). The second survey has been modified to reflect new developments, however covered only few days of the general lock-down, which started on the 16 March 2020; it was therefore not possible to reflect and explore working life related developments. OEB's surveys have not been published. However, the author of this report requested and gained access to the findings of the surveys.

Telephone interview-based survey on telework

FinExpertiza Cyprus (2020), a tax, audit and accounting company, has carried out a survey on telework early in the Summer of 2020. FinExpertiza's survey was conducted by telephone interviews with 355 companies from 4 to 11 of June 2020. According to this survey, 21% of the companies were practising telework prior to the COVID-19 pandemic, while post COVID-19, about 30% of the companies intend to continue practising teleworking. On the pros and cons of teleworking, the survey found that concerns exist around the balancing of employee's privacy and safety rights, as well as about the difficulty to unplug after the end of the workday. On the other side teleworking is considered as having a positive impact on productivity and company's expenditure.

Study on anxiety and depression symptoms during the COVID-19 pandemic

The authors of the study (Solomou and Constantinidou, 2020) processed data acquired through an online anonymous survey with the participation of 1,642 adults from Cyprus (71.6% women, 28.4% men). The survey collected information on sociodemographic data, compliance with the precautionary measures of the government, quality of life (QOL), and mental health via the Generalized Anxiety Disorder-7 (GAD-7) and Patient Health Questionnaire-9 (PHQ-9). The study aimed to understand and characterise the psychosocial effects of the COVID-19 pandemic in the general population and to identify risks and protective factors that predict changes in mental health status.

According to the study, a large share of interviewees (48%) reported significant financial concerns and 67% significant changes in their QOL. About 41% reported symptoms associated with mild anxiety; 23% reported moderate-severe anxiety symptoms. Concerning depression, 48% reported mild and 9% moderate-severe depression symptoms. Women, younger age (18–29), student status, unemployment status, prior psychiatric history, and those reporting greater negative impact on their QOL, were at higher risk for increased anxiety and depression symptoms. The youngest age group and males also reported lower levels of compliance with precautionary measures (PM). Higher compliance with PM predicted lower depression scores but higher anxiety for measures related to personal hygiene. The results of this study provide important data on the effects of the COVID-19 outbreak on mental health and QOL and identify a variety of personal and social determinants that serve as risks and protective factors. Furthermore, it has implications for policy makers demonstrating the need for effective mental health programs and guidance for the implementation of PM as a public health strategy.

Political context

In Cyprus, there were no elections held in 2020. The country's president, Mr. Nicos Anastasiades, was re-elected in February 2018 and his newly formed government took office on the 1 March 2018. As already reported in 2018 (Eurofound, 2019) and 2019 (Eurofound, 2020) annual reports, the Cyprus' president has been favoured by the good performance of Cyprus' economy despite the country's subjection to the Economic Restructuring Programme (ERP, 2013-2016). The ERP was signed by the Anastasiades government with its creditors, the so-called TROIKA consisting of the European Commission, European Central Bank and International Monetary Fund. Cyprus exited the ERP in March 2016. Central to Mr. Anastasiades second term's working life related programmatic declarations was the intention of his government to take up the income inequalities by making the introduction of a statutory national minimum wage once the unemployment rate falls below the 5% threshold.

The outbreak of the COVID-19 pandemic in the first quarter of 2020 has brought the opposition and government closer to each other; all necessary legislative measures needed to contain the transmission of the disease have been taken in speedy procedures and without any noteworthy opposition. The measures taken to mitigate the impact of COVID-19 on employment and businesses were also taken in more or less unanimous procedures. In the second and third quarter of the year, in view of the second COVID-19 wave the country's opposition became less willing to adhere to governments' decisions. However, this has never put in danger the government's ability to respond to health-related challenges posed by COVID-19. The government could still take containment measures on the basis of decrees.

The country's political 'peaceful' climate began to deteriorate in Summer 2020 in relation to a non-COVID-19 related issue. An undercover report of Al Jazeera brought to light the scandalous treatment of the Cyprus Citizenship by Investment Programme. The Al Jazeera report unveiled illegal practices posed by private service providers with political attachments. The report of the international news network, as well as findings of some national inquiries into the programme indicating preferential and unlawful treatment of foreign investors by the government, has led to the termination of the programme. However, the termination of the programme could not hinder the evolution of the scandal into a major political dispute. The government's decision to reject the Audit Office of the Republic of Cyprus request to access certain files of the programme in the context of a developing inquiry, has led the Democratic Party to withdraw its parliamentary support for the government's 2021 budget. Taking into consideration that the country's leading opposition party, AKEL, never votes for the conservative government's budget, this meant for the 2021 budget to fail in the House of representatives. For the first time in the history of the Republic of Cyprus, a government needed a second run in January 2021 to get its budget through the parliament. This was made possible with the government recruiting support from two small opposition parties against several minor concessions.

In view of this challenging political climate and of the forthcoming parliamentary elections in May 2021, it is easy to predict that confrontation is likely to dominate the political domain in the first half of 2021 and no space will be available for any major political understanding, including on working life issues.

Governments and social partners response to cushion the effects

The COVID-19 mitigation measures were designed as fixed-term measures and mostly reviewed on monthly basis. They range from measures to support the country's health care system's capacity to respond to the COVID-19 challenges, over support schemes to enterprises and incentives for businesses, to support schemes of employment and self-employment and protection schemes of consumers and business. Most of the labour-related measures have been subjected to social dialogue consultations between the Ministry of Labour, Welfare and Social Insurance and most representative high-level social partner organisations of the country.

A widely used scheme by households and enterprises is the 'Suspension of Payments of Credit Facilities Instalments'ⁱ. The measure made possible the deferral of payments for credits taken by households and enterprises until the 31 December 2020.

The availability and coverage of the measures was conditioned to each time applicable preventive activity restrictions imposed by the government to contain the COVID-19. As the first lock-down (middle of March until middle of May 2020) was stricter compared with the second lock-down (end of December 2020 until today) support has been made accessible to employees, self-employed and enterprises from many more economic activities.

Following, we refer to the most important labour-related COVID-19 measures. These mitigation measures have been instrumentalised by decrees issued by the Minister of Labour, Welfare and Social Insurance, after the minister was authorised by Law 27(I)/2020 to enforce with such decrees 'measures and policies as regards the handling of emergency situations emerging from the COVID-19 pandemic'. This extraordinary powers with which the Minister was vested have been set to expire on the 16 May 2020. With an amendment of the Law 27(I)/2020 in May 2020, the emergency powers of the Minister were extended to the 12 October 2020. A second amendment of the Law in October 2020 extended the powers of the Minister to the 31 March 2021.

The most prominent measures, the Minister has taken were the 'Special scheme for complete suspension of businesses'ⁱⁱ, the 'Special scheme for partial suspension of businesses'ⁱⁱⁱ and the 'Special scheme for self-employed workers'^{iv}. The schemes have been put into force on the 29th of March 2020 with the release of Decrees KDP 130/2020, KDP 131/2020 and KDP 129/2020 respectively. Initially they covered the period 16th of March 2020 until 12th of April 2020, while ever since they have been instrumentalised with monthly releases of decrees. The schemes are still valid. They have been subjected to various modifications in the course of 2020, remained, however, in the core unchanged. The main aim of these schemes was to partially substitute the loss of income of employees and self-employed persons. 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, while 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 special unemployment benefit for both schemes is calculated as 60% of the considered insurable earnings of the eligible employee, however with an upper threshold of €1214 and a minimum of €360 per month. The scheme for self-employed workers was conceived to address self-employed persons which due to emergency measures imposed by decrees released by the Minister of Health were not allowed to operate or suffered a reduction of business more than 25% compared with the corresponding month of the previous year. The benefit is calculated as 60% of the considered

insurable earnings of the self-employed in the 4th quarter of 2019. The special benefit cannot be less than €300, while an upper threshold is set at €900 per month.

The Ministry of Labour, Welfare and Social Insurance has put in place various other schemes aiming at facilitating the exercise of caring responsibilities^v during the first lockdown of schools, which applied from 16 March until 30 April 2020. The scheme was available only to employees with monthly earnings up to €2500 and provided for a special allowance amounting to 60% of the first €1,000 euros of the beneficiary's insurable earnings salary and a 40% of the next €1,000. The maximum amount of the allowance was €1000 per month. For single parents, the analogy was 70% and 50%, respectively, and the maximum amount of the allowance is €1,200. An additional special leave scheme has been made available for vulnerable workers or workers who have been subjected to obligatory quarantine^{vi}. The scheme provided for a leave benefit calculated as 60% of the beneficiary's insurable earnings with a maximum threshold of €1,214 and a minimum of €356. The scheme applied throughout 2020 and at least the first two months of 2021. Income support has been made available also to artists who suffered repeatedly from the suspension of live events due to COVID-19^{vii}.

Other significant measures taken by government include a bundle of schemes aiming at supporting business to stay afloat with deferral of payments (such as to Social Security Fund^{viii} or to VAT^{ix}), subsidies to farmers (such as the support scheme farmers^x) access to finance (such as the support scheme for cooperatives and groups of producers in agricultural activities^{xi}) and other initiatives supporting businesses to get back to normal (for example the incentives scheme for airline companies^{xii}).

Finally, the government designed and implemented various schemes for reinforcing employability and training of workers (for example the special training scheme for employees in sectors hardly affected by the pandemic^{xiii}, as well as active labour market policy measures (such as the subsidised employment scheme addressed to young NEETs^{xiv}).

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.

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 scheme for self-employed workers](#), case CY-2020-12/343 (measures in Cyprus), COVID-19 EU PolicyWatch, Dublin.

^v Eurofound (2020), [Special paid leave for the caring of children](#), case CY-2020-12/296 (measures in Cyprus), COVID-19 EU PolicyWatch, Dublin.

^{vi} 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.

^{vii} Eurofound (2020), [Emergency support allowance for artists](#), case CY-2020-14/901 (measures in Cyprus), COVID-19 EU PolicyWatch, Dublin.

^{viii} Eurofound (2020), [Extension period for the payment of social insurances](#), case CY-2020-14/412 (measures in Cyprus), COVID-19 EU PolicyWatch, Dublin.

^{ix} Eurofound (2020), [Suspension of value added tax \(VAT\) payment](#), case CY-2020-14/442 (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), [Support scheme for cooperatives and groups of producers in agriculture](#), case CY-2020-52/1647 (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.

^{xiii} Eurofound (2020), [Special training scheme for employees in sectors affected by the pandemic](#), case CY-2020-45/1501 (measures in Cyprus), COVID-19 EU PolicyWatch, Dublin.

^{xiv} Eurofound (2020), [Incentives scheme for the employment of young NEET persons](#), case CY-2020-43/1332 (measures in Cyprus), COVID-19 EU PolicyWatch, Dublin.

How COVID-19 accelerated and disrupted working life policies and impacted social dialogue

Accelerated developments

The most significant and maybe the only working life related developments that have gained importance in the context of COVID-19 relate to ICT-based mobile work. These developments refer to the a) expansion of platform work and b) spreading of telework in the services activities both in the public and private sector.

Platform work

Before the outbreak of the COVID-19, platform work was not particularly known and widespread. Of the now six platforms offering employment opportunities, just two existed before the outbreak of the pandemic. In the course of 2020 and as a result of galloping demand for delivery services, the number of these platforms increased to six. These platforms operate as matching places of supply and demand for paid labour and are active in the delivery of food and beverages, a wide range of consumer goods, as well as delivery of services ranging from construction works to cleaning or ironing services (Eurofound, 2020). Despite the exponential increase of employment in platform work² and the existence of evidence on low pay, bad and uncertain working conditions of platform workers, as well as questions as regards the legal status of labour relations created through the platforms, such employment activities remain unregulated. As of the end of January 2021 we could not identify any serious debate regarding employment via these platforms.

Telework

A social discourse in relation to the opportunities of ICT based mobile work has emerged in the context of the COVID-19. Especially the Deputy Minister for Research, Innovation and Digital Policy, has during 2020 intervened in various occasions in favour of the expansion of ICT based mobile work. The Deputy Minister reported in May 2020 to have raised with the country's president the issue of the introduction of telework in the public service (Brief.com.cy, 2020). At the beginning of September 2020, the Minister of Labour, Welfare and Social Insurance has informed the country's social partners that the ministry is at the moment preparing a draft legislation for the regulation of telework. The draft is to be released for consultation in October 2020³. Whether telework will be regulated by a legislation or by other means (for example by a collective agreement) is expected to be addressed in the coming months. Social partners from both sides of the negotiating table signalled their willingness to regulate telework on the basis of the European Framework Agreement on telework.

In another development, the Cyprus Telecommunication Authority (CYTA), a state-owned enterprise, which has already been applying a telework scheme covering 40 employees prior to the COVID-19 pandemic, has reached an agreement with the company's trade unions for the expansion of the company's telework scheme. From 1 September 2020 the company is going to open the scheme for a total of a total of 132 employees to telework on a regular basis (more than 150 working days per year), as well as on exceptional basis (up to 40 working days per year) for other employees. The eligibility of

² There is in fact no reliable data available on the evolution of employment via platforms, however, the employment increase is manifested through the visibility of these workers on the streets of Cypriot cities, as well as through the increase of enterprises providing such employment opportunities.

³ As of the end of January 2020, the draft law has not been released for consultation.

employees to subscribe to the scheme depends on the nature of the employees' profession, namely whether his/her work can be performed remotely with the support of ICT. The teleworking employees shall be provided with all necessary equipment and shall work with the same time schedule as their in-house employees. Priority shall be given to employees facing work-life balance challenges (pregnancy, raising of children, invalidity etc.). CYTA seems in view of COVID-19 to weigh very much operational continuity. The company's new scheme for telework foresees the right of the management to call 2-4 times a year the company's personnel to obligatory telework with the intention to exercise the worst case of lock-down. These exercises shall be extended only to employees whose work can be done remotely (Eurofound. 2020).

According to representatives of social partners' organisations, some companies of the services sector have introduced internal schemes regulating the remote work of their employees, while the basic features of remote working in the public services are recorded in the decrees released by the Minister of Health according to the Quarantine Law (Chapter 260)⁴.

Disrupted developments

The outbreak of the COVID-19 pandemic in March 2020 and preventive containment measures taken by the government have brought the country in a state of emergency, disrupting every aspect of life, including working life.

The most significant disruption in this context is the Council of Ministers' decision at the beginning of 2021 (Press and Information Office, 2020) to suspend any proceedings towards a general reform of the country's minimum wage regime, reiterating that the minimum wage setting mechanism shall be reviewed only if the unemployment rate falls below the 5% threshold, a target which is impossible to be reached as long as the COVID-19 crisis persists.

The issue of the reform of the country's minimum wage regime, gained the attention of the political system when in the context of the 2018's presidential elections, the re-elected president of the Republic, Mr. Anastasiades, voiced his intention to introduce a statutory minimum wage applying to all employees in all economic activities. In his inauguration speech at the House of Representatives, on the 28 February 2018, he repeated his intension adding this would be the case if the unemployment rate goes below 5%. The Minister of Labour, Welfare and Social Insurance (MLWSI) made similar statements on various occasions. However, some kind of a social dialogue would only take place several months later, in November 2018, in the framework of a hearing in the Labour Committee of the House of Representatives. In the hearing, representatives of the Ministry of Labour revealed that relevant studies have already been commissioned and that the ministry has already requested in this respect the support of the European Commission and of the International Labour Organisation (Eurofound (2019) and Eurofound (2020b)). According to the recent statement of the Deputy Spokesperson of the Government, these studies are completed. However, they have not been handed over to the social partners.

The COVID-19 crisis has furthermore disrupted the negotiation process for the reform of the country's wage indexation system (COLA, Cost of Living allowance), as well as the bargaining process for the renewal of collective agreements due in 2020. The COLA developments are discussed under 'Impacts of the crisis on wages and wage setting', while the disruption of the renewal process of collective agreements is addressed in the next chapter, 'Impacts on the social dialogue and collective bargaining'.

⁴ For an example see [Decree KDP 6/2021](#) which is applicable since 8/1/2021

Impacts on the social dialogue and collective bargaining

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. In line with the country's good social dialogues tradition, the government engaged at beginning of March 2020 in meaningful consultations with almost all major social partners in preparation of various schemes aiming at partly compensating the loss of income of affected employees, while other schemes secured financial support to enterprises. Even if employers' and workers' organisation may have not been fully satisfied with the outcome of certain individual measures and reforms, appreciated the engagement of their counterparts, as much as the facilitation of these consultations by the national authorities. Social dialogue in the context of the first COVID-19 wave, has been particularly alleviated as social partners shared the understanding that the challenge was critical, and response should be speedy with the greatest possible consent.

A rather unsatisfactory stand towards social dialogue and consultation practices of the government is observed among organisations representing the interests of self-employed and of micro enterprises. So, Cyprus Confederation of Professional Craftsmen and Shopkeepers (POVEK), a confederation representing self-employed (without or with up to three employees) shop owners and craft undertakings, as well as organisations representing hundreds of catering businesses (restaurants, cafes, bars) have been protesting throughout the year against deficient consultation with the government, the inadequacy of mitigation schemes and the lengthy duration of lock down measures of the ongoing second COVID-19 wave.

The COVID-19 crisis had a negative impact on collective bargaining to the extent that it decelerated the process of renewal and/or conclusion of collective agreements. Reportedly, the great majority of collective agreements that expired at the end of 2019 or in course of 2020 have not been renewed, as social partners were not willing to negotiate under the uncertainty of the COVID-19 crisis. The coronavirus crisis has negatively affected the conclusion of two multi-employer collective agreements in the metal industry and in mechanical and electrical installations. These agreements were expected to be concluded in the first half of 2020 (Eurofound 2020).

Other important policy developments

In Cyprus, the most significant non-COVID-19 related working life developments registered in 2020, have been routed and practically completed in 2019. These are: a) the introduction of the single Labour Inspectorate, b) the introduction of statutory minimum wages for 13 professions in the hotel industry and c) the introduction of statutory minimum terms of employment in the construction industry (Eurofound 2021).

Labour Inspectorate

The Law on the establishment of the Labour Inspectorate has been adopted on the 3 July 2020. The new law provides for the legal basis of the Inspections Service, which has been operative since May 2017 on the basis of a degree of the Council of Ministers. The Labour Inspectorate brings under one roof various inspectorates of the Ministry of Labour, which carry out inspections over 28 different legislations. The law shall increase the inspection capacity of the ministry and render inspectors with the authority to carry out inspections without prior notice and impose fines to the offenders. The first draft of the law was submitted to the House of Representatives in 2017. The draft was sent back to the Ministry of Labour several times for further consultations with social partners. The last draft of the law was submitted to the House of representatives in February 2020 and further consultations with social partners were conducted by the Labour Committee of the House.

Introduction of minimum wages in the hotel industry

In the framework of the negotiations for the renewal of the industry's collective agreement for the years 2019-2022, trade unions successfully conditioned their approval of the negotiated collective agreement with the introduction of legally binding minimum wages for 13 professional groups of the hotel industry. As the agreement already enjoyed the endorsement of the Minister of Labour, Mrs. Emilianidou, who has mediated the deal between the negotiating parties in August 2019, the Council of Ministers proceeded at the beginning of January 2020 to the release of the Decree 6/2020 setting minimum hourly rates for the most important professional groups in the hotel industry. These minimum hourly rates have to be pursued by all the employers of the sector, independently of their adherence to the sector's collective agreement.

Introduction of minimum terms of employment in the construction industry by law

Trade unions in the construction industry have been trying for several years to push forward their demands for minimum terms of employment for the sector's workers. In late 2017, the industry's social partners concluded agreement was standing out for its innovative characteristics: unlike any other legislation determining minimum terms of employment, the agreement provided for the automatic evolution of these terms⁵ in accordance with the respective provisions of the sector's collective agreement. Another innovative and unique provision of the agreement was that the minimum terms of employment legislation should include also the collective agreement's provisions on pay. In 2018, however, the employers' organisation, Cyprus Federation of Construction Contractors Associations (OSEOK), withdrew from the agreement and as the sector's trade unions considered the agreement as a package together with the renewal of collective agreement, the sector slid into a prolonged state of confrontation that included industrial action. On the initiative of the Minister of Labour, Welfare and Social Insurance, Mrs. Emilianidou, the conflicting parties returned to the negotiation table in late spring 2019. On the basis of the Minister's proposals, an agreement was

⁵ Automatic evolution in this context means, that these rights change when the collective agreement changes. The law does not have to change.

reached and signed in October 2019 for both the renewal of the collective agreement and the legislation of minimum terms of employment for the construction industry. The draft legislation, which has been forwarded in December 2019 to the Council of Ministers with the endorsement of the Minister of Labour, links working time arrangements, remuneration of overtime and public holidays, as well as the payments for provident fund and bonuses with each time applicable provisions of the sector's collective agreement. The new legislation was adopted by the House of Representatives at the end of May 2020.

The new legislation does not in fact include pay, but still can be considered as a sort of an extension mechanism for some of the main provisions of the sectoral collective agreement. The agreement is still unique and innovative for Cyprus and is expected to be inspiring in the future for further social partners, particularly trade unions, to take up on their agenda this kind of instruments for the regulation of terms of employment.

Labour disputes in the context of the pandemic

Whereas the development of mitigations measures against the impact of the COVID-19 crisis was the result of meaningful social dialogue consultations, the same did not apply to the implementation of the measures. In the course of 2020 various disputes arose as regards the practical enforcement of the measures. The most significant disputes relate to a) the payment of employees' performed work during their participation in short time employment subsidy schemes and b) the mode of the 13th salary disbursement for employees who during 2020 participated in short time employment subsidy schemes.

Payment of employees' performed work during their participation in short time employment subsidy schemes

As explained under 'Governments and social partners response to cushion the effects', employees who were subjected to short time employment subsidy schemes have been entitled to a special unemployment benefit amounting to 60% of their insurable earnings with an upper threshold of €1,214 and a minimum of €360 euro. The dispute has been observed mainly in the hotel industry and in the country's airports and related with mode of payment of performed work during the application of the schemes. Employers interpreted the features of the schemes in a way that they were not obliged to pay above the foreseen unemployment benefit to employees who were called to perform some work while the enterprise was participating in short time employment subsidy schemes. Trade unions of the above-mentioned sectors managed to reach an agreement with the sector's employers providing that employees are paid for performed work on the basis of their normal salaries, independently of the upper threshold of the schemes.

Mode of 13th salary disbursement for employees in short time employment

The dispute emerged at the end of 2020, i.e. when the 13th salary was due to be disbursed to entitled employees and was also mainly observed in hotel industry and in the country's airports. The dispute related to the declared intention of the employers to disburse the 13th salary on the basis remunerated performed work during 2020 and not on the basis of normal earnings. A statement made by the Minister of Labour, Welfare and Social Insurance (MLWSI), Mrs. Emeilianidou, pointing that 'enterprise which participated in the short time employment subsidy schemes should disburse the 13th salary on the basis of entire employee's wages' (Alphanews.live, 2020) was enough for the dispute to be resolved in the two airports of the country. The dispute remains unsolved in hotel industry. Trade unions referred the dispute to the mediation service of the MLWSI. Mrs. Emilianidou had already separate meetings with representatives of the sector's trade unions and employers' organisations in January and February 2021, while an additional common meeting with both sides is scheduled for the middle of March.

Regardless of the two above-mentioned disputes, a review of the preliminary data of the Department of Labour Relations indicates that compared with 2019 the number of disputes referred to the mediation service and the number of affected employees in 2020 have increased. This is eventually attributed to COVID-19 related disputes. However, the number of disputes escalating into strikes has significantly decreased, as well as the number of affected employees and lost working days⁶.

⁶ The preliminary data of 2020, as well as the 2019 data were communicated to the author of this report 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.

Major developments in working time regulation as a result of the pandemic

Legislation on working time

The legislation on working time has not changed in the course of 2020.

Collective bargaining on working time

Collective bargaining has not brought in 2020 any changes as regards working time. In some sectors, social partners negotiated special agreements applicable during the COVID-19 crisis for the introduction of short time work by rotation. Such an agreement affecting approximately 2,500 employees has been concluded between trade unions and companies active in the two airports of the country. Similar agreements have been also concluded in the hotel industry affecting some thousands of employees.

Ongoing debates on working time

We could not identify any debate on working time in the course of 2020.

Impacts of the crisis on wages and wage setting

The first wave of the COVID-19 pandemic has brought average wages in Cyprus to decrease in the second and third quarter by 4.7% and 1.7% respectively (Cyprus Labour Institute – PEO, 2021). The European Commission's (2020) Economic Forecast is estimating a decline of average wages in Cyprus by 2.5% for the whole 2020.

Interviewed representatives of trade unions and employers' organisations reported that in the course of 2020 the process for the renewal of collective agreements has decelerated, as social partners have not been keen to negotiate under the uncertainty of the COVID-19 crisis. Only a small share of collective agreements, which expired at the end of 2019 or in 2020 were renewed. None of the renewed agreements was concluded with less favourable pay terms compared with the expired agreements. Few collective agreements were renewed with moderate pay increase. However, the great majority of collective agreements due to renewal in 2020 were not negotiated and thus the wages of the affected employees remained at the level of the expired agreements.

It is noteworthy that the country's most important multi-employer collective agreements, i.e. the collective agreements of the hotel and construction industries, were renewed in 2019 with annual pay increases and are both expiring at the end of 2022.

The impact of the COVID-19 crisis on wages is assumed to have occurred outside of the sphere of social dialogue and collective bargaining. As the collective agreements' coverage is estimated to lie at approximately 40%⁷, social partners representatives presume that the decline of wages was caused by unilateral decisions at the enterprise level of unorganised employers.

In another development, the transitional agreement for the Cost of Living Allowance (COLA)⁸ has been extended for another year, until the 31 December 2021 as a result of an agreement reached on the 15 December 2020 between the country's major high level social partner organisations⁹. The agreement has been endorsed also by the Minister of Labour, Welfare and Social Insurance. COLA has been suspended in 2012 for the broader public sector and in 2013 for the private sector. The transitional agreement of 2017 foresees the reactivation of COLA apply for a transitional period covering 2018, 2019 and 2020. The transitional period was to be used by the Minister to negotiate with social partners a new and permanent deal reforming COLA. COLA during this transitional period is applicable under certain conditions: a) the calculation and disbursement of COLA once a year (on 1 January), b) the disbursement of COLA at a reduced rate of 50%, c) the incorporation of the accumulative COLA rate into basic salaries on 31 December 2017 and a new start of COLA rate accumulation from zero and d) the suspension of COLA in the event of economic contraction in both the second and third quarters of the preceding year (Eurofound, 2020). So, due to the contraction of

⁷ There is no formal calculation of the coverage rate. However, both the Cyprus Workers Confederation (SEK) and Pancyprian Federation of Labour (PEO), the country's two most representative trade unions confederations, have internal calculations converging to around 40%. The calculations and the underpinning methodology have not been published.

⁸ 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.

⁹ Transitional Agreement for the Cost of Living Allowance for a period of one year, Nicosia 15/12/2020 (Greek)

the economy in the 2nd and 3rd quarter of 2020 COLA is suspended and therefore basic salaries remain unchanged at the beginning of 2021.

What is new in working life in the country?

The COVID-19 crisis is anticipated to exert in some respects an impact on the country's working life, both in the medium and the long term. The crisis has already triggered significant changes. Whether these changes will be of structural nature is conditional to the length and depth of the crisis.

The 'Economy and Employment Report 2020' of the Cyprus Labour Institute – PEO (2021) considers that the pandemic crisis has the potential to bring about changes to the country's production system which could be in the long run of structural nature. The COVID-19 crisis changed the way Cyprus produces and consumes:

- The crisis facilitated the penetration of pre-existing technologies into the country's production system and thus accelerated the long-awaited digital transformation; these pre-existing technologies could put under proof their superiority and cost effectiveness against traditional means of productions, paving the way for their post-crisis domination. So, especially during the lockdown periods of the COVID-19 crisis, a massive shift from traditional commerce to e-commerce was observed, from live events and traditional education to e-events and online education, etc.
- If these changes persist after the end of the epidemic or at least in part, then a structural employment shift is more likely to occur from traditional economic activities to activities requiring the employment of modern ICT technologies.
- These structural changes are thereafter going to initiate a far-reaching structural change in the occupational composition of the labour force; the digital transformation shall increase the labour demand for high-tech skills to the detriment of traditional skills.
- The COVID-19 crisis is at the very most a huge laboratory, a general rehearsal of distance working. Corporations and organisations of the private and public sector alike could test telework under real conditions and could weigh the advantages (reduction of commute time to and from work, facilitation of work-life balance, saving in working space and costs incurred by companies for rent and operation of facilities, reduction of dead production times, etc.) against disadvantages of telework (obstacles to more efficient organisation of work, diffusion of boundaries between working time and personal time, lack of space and equipment inside home, sense of social isolation, etc.). This wide-scale probe of telework is expected to determine positively the future of telework in the post COVID-19 era. Corporations have already during 2020 elaborated on their internal telework schemes and national regulation of telework is just a matter of time to be completed.

The last but not least long-term change relates with the handling of health, safety and hygienic measures. The pandemic has led to the introduction of a series of hygienic protocols and standards and has increased awareness as also conscious adherence among employees and enterprises alike.

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