

**GOVERNMENT OF THE REPUBLIC OF CYPRUS**

**3<sup>rd</sup> Report on**

**Article 12  
of the Revised European Social Charter**

**THE RIGHT TO SOCIAL SECURITY**

**(Reference period: 1.1.2003 to 31.12.2004)**

**ARTICLE 12 PARA 1- Establishment of Maintenance of a System of  
Social Security**

**1. General**

During the period under review the following Laws were enacted and the following Regulations were issued:

**A. Laws**

- (i) The Child Benefit Law No. 167(I) of 2002 (entry into force 1.1.2003)
- (ii) The Child Benefit Law No. 22(I) of 2003
- (iii) The Child Benefit Law No. 57(I) of 2003
- (iv) The Mother's Allowance Law No. 21(I) of 2003

\_\_\_\_\_ Copies of the above Laws are enclosed as **Appendices I - IV.**

**B. Regulations**

- (v) The Social Insurance (Contributions) (Amendment) Regulations of 2003 and 2004.

Copies of the above Regulations are enclosed as **Appendix V-VI**.

## **2. Coverage**

Out of the 340.100 economically active persons<sup>(1)</sup> in 2003, 316.000<sup>(2)</sup> were gainfully employed in Cyprus.

The total number of persons covered by the Social Insurance Scheme was 293.788<sup>(3)</sup>. The percentage of the total number of persons protected in relation to the total number of the economically active population and the total number of gainfully employed persons was 86,4% and 93% respectively.

In **2003**, the total number of **employed** persons covered was 261.891, of which 139.749 were males and 122.142 females. The total number of **self-employed** persons was 31.897 of which 24.742 were males and 7.155 females.

In **2003** the number of **old-age** pensioners was 66.024 of which 45.500 were males and 20.524 females. The number of female beneficiaries of **widow's** pension was 25.600 and that of **invalidity** pensioners 5.995, of whom 4.116 were males and 1.879 females. The respective numbers for 2004 were 68.512 (46.552 males and 21.960 females), 26.060 and 6.318 (4.287 males and 2.031 females).

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<sup>(1)</sup> Economically active population is defined as the total number of gainfully employed persons as well as Cypriots working temporarily abroad, the unemployed and members of the National Guard. The figure refers to full time equivalent number of working persons. The data is provided by the Statistical Service of the Ministry of Finance.

<sup>(2)</sup> The figure refers to full time equivalent number of working persons. The data is provided by the Statistical Service of the Ministry of Finance.

<sup>(3)</sup> The number of persons covered by the Scheme is the number of full contributors (instead of the number of persons who paid one weekly contributions used in the previous report). A 'full contributor' is the equivalent of a unit of 50 weekly contributions.

In **2003**, there were 15.234 beneficiaries of **Social Pension** (335 males and 14.899 females) while in **2004** the number was 15.202, (339 males and 14.863 females).

The total number of dependent children is estimated at 222.100.

### **3. Financing of the Scheme**

No change except that during the period under review:

- The maximum amount of insurable earnings of employed persons on which contributions are assessed were increased by the Social Insurance (Contributions) (Amendment) Regulations of 2002 to £425<sup>(1)</sup> per week or £1.842 per month as from January 2003 and by the Social Insurance (Contributions) (Amendment) Regulations of 2003 to £441 per week or £1.911 per month as from January 2004.
- The prescribed minimum insurable incomes of the various occupational categories of self-employed persons were increased by the Social Insurance (Contributions) (Amendment) Regulations of 2002 by 3,04% as from January 2003 and by the Social Insurance (Contributions) (Amendment) Regulations of 2003 by 3,73% as from January 2004 (subject to the ceiling of insurable earnings).

### **4. Benefits**

There have been no changes in the type of benefits granted under the Scheme.

The amount of the basic insurable earnings on which the basic benefits are assessed was increased from £68,74 to £70,83 (i.e. by 3,04%) as from 2003 and from £70,83 to £73,47 (i.e. by 3,73%) as from 2004. (See Regulation 4

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<sup>(1)</sup> £1=1,73 Euro

of the Social Insurance (Contributions) (Amendment) Regulations of 2002 and Regulation 4 of the Social Insurance (Contributions) (Amendment) Regulations of 2003, respectively.

**5. Revision of insurable earnings**

See sub-paragraph 3 above.

**6. Revision of benefit rates after award**

See para. 3 below.

**Replies to the Comments of the European Committee of Social Rights in respect of para 1:**

**Information on minimum levels of various benefits**

**Sickness benefit, Unemployment benefit, Maternity allowance**

The rate of sickness benefit, unemployment benefit and maternity allowance is determined according to the average weekly amount of earnings on which contributions were paid or credited in the previous contribution year. The minimum requirement for entitlement to these benefits is that the insured person must have paid or been credited with contribution in the previous contribution year on insurable earnings not lower than 20 times the weekly amount of the basic insurable earnings.

In the case of sickness and unemployment benefits the minimum benefit is equal to 60% of the weekly average of the basic insurable earnings of the beneficiary without dependants in the previous contribution year whereas in the case of maternity allowance the minimum benefit is equal to 75% of the weekly average of the basic insurable earnings in the previous contribution year.

### Injury benefit

For the payment of injury benefit there are no contribution conditions. The only requirement is that the person concerned is employed person at the day of the occurrence of accident or the occupational disease. The minimum level of benefit is equal to 60% of the basic insurable earnings at the time of payment.

### Old age pension, invalidity pension and survivor's pension

The Social Insurance legislation provides for the payment of minimum pension to persons with insufficient insurance record.

The rate of minimum old-age, invalidity and survivor's pension is equal to 85% of the full basic pension.

The weekly amount of the full basic pension for a beneficiary with no dependants is equal to 60% of the weekly amount of the basic insurable earnings, 80% for a beneficiary with one dependant, 90% for a beneficiary with two dependants and 100% for a beneficiary with three or more dependants.

### **Information on the median equivalised income**

The median equivalised income for 2003 is £7.315 and the poverty threshold is £3.658<sup>(1)</sup>.

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<sup>(1)</sup> The data is provided by the Statistical Service of the Ministry of Finance: Source Family Budget Survey

**ARTICLE 12 PARA 2 - Maintenance of a Social Security System at a satisfactory level at least equal to that required for ratification of European Code Of Social Security**

**1. Medical Care**

No change in the situation as reported in the last Report of the Government of Cyprus on Article 12 of the Revised European Social Charter.

**2. Sickness benefit**

The weekly amount of sickness benefit payable to the standard beneficiary whose earnings in the previous year are equal to the reference wage (which was £192,28<sup>(1)</sup> in October 2003) is £132,88. This amount constitutes 69,11% of the reference wage as compared with 45% required by the Revised Charter.

**3. Unemployment benefit**

The weekly amount of unemployment benefit payable to the standard beneficiary is the same as the amount of sickness benefit (para 2.2. above).

**4. Old age pension**

The amount of the weekly benefit granted to the standard beneficiary whose earnings are equal to the reference wage (£192,28) and on the basis of an insurance of 40 years from 1964 is £101,55 or 52,81% of the reference wage, as against 40% provided by the Revised Charter.

The following Table gives examples of the amount of pension for insured persons with different years of insurance.

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<sup>(1)</sup> The data is provided by the Statistical Service of the Ministry of Finance and refers to the weekly wage of the welder and flame cutter (Code 7212 (ISCO), Industry 28 (Nace Rev.1)).

<b>Age of insured person at 6.10.80</b>	<b>Actual years of insurance after 6.10.80</b>	<b>Amount of benefit for standard beneficiary £</b>	<b>Benefit as % of reference wage (£192,28)</b>
25	40	130,07	67,65
30	35	121,16	63,01
35	30	112,24	58,39
40	25	103,33	53,74

It should be noted that when the wife attains the pensionable age (65) she is entitled to social pension, which increases the total amount of pension for the spouses as shown in the following Table:

<b>Age of insured person at 6.10.80</b>	<b>Actual years of insurance after 6.10.80</b>	<b>Amount of benefit for standard beneficiary £</b>	<b>Benefit as % of reference wage (£192,28)</b>
25	40	151,07	78,57
30	35	142,17	73,94
35	30	133,25	69,30
40	25	124,34	64,67

### **Special Allowance to Pensioners**

Since 1<sup>st</sup> July 2002, according to a Council of Ministers' Decision, a Special Allowance to pensioners is payable to offset the impact of tax reform. Special Allowance is payable to pensioners whose pension is less than £500 per month. The level of the Allowance is proportional to the level of the pension as shown in the following Table:

**Amount of special allowance ( as from 31/10/2002)**

<b>Total monthly amount of pension without the increases for the dependants</b>	<b>Monthly amount of special allowance</b>
Between £0 and £148,20	£54,17
Between £148,21 and £158,49	£51,67
Between £158,50 and £174,31	£40,00
Between £174,32 and £500,00	£38,00
Social pension	£45,00
Orphans benefit	£54,17
Pensioners receiving two pensions simultaneously	£38,00

**5. Benefits for Industrial Accidents and Occupational Diseases****(i) Employment injury for temporary incapacity for work**

The weekly amount of benefit for the standard beneficiary whose earnings are equal to the reference wage is £132,88 which represents 69,11% of the reference wage as compared with 45% required by the Revised Charter.

**(ii) Disablement benefit**

The amount of disablement grant was increased by the same percentage as the increase of the basic insurable earnings i.e. by 3,04% in 2003 and 3,73% in 2004.



In 2004 the amount of the grant was as follows:

<b>Degree of Disablement %</b>	<b>Amount of Grant £</b>
10	1.605
11	1.765
12	1.925
13	2.086
14	2.247
15	2.408
16	2.567
17	2.728
18	2.889
19	3.049

The weekly amount paid for constant help and attendance for disablement assessed at 100% was increased by the same percentage as the increase of the basic insurable earnings i.e. by 3,04% in 2003 and 3,73% in 2004. In 2004 the weekly amount of this benefit was £23,97.

The amount of the weekly disablement pension granted to the standard beneficiary whose earnings in the previous year are equal to the reference wage (£192,28) is £144,76. This amount constitutes 75,29% of the reference wage as against 50% provided by the Revised Charter.

**(iii) Death benefit**

The amount of the weekly pension granted to the standard beneficiary, where the previous earnings of the late breadwinner were equal to the reference wage, is £108,89 or 56,63% of the reference wage as against 40% provided by the Revised Charter.

**(iv) Orphan's benefit**

No change in the situation as reported in the last Report of the Government of Cyprus on Article 12 of the Revised European Social Charter, except that the rates of the benefit were increased as indicated in para 3 of Article 12, below.

**(v) Parent's allowance**

No change in the situation as reported in the last Report of the Government of Cyprus on Article 12 of the Revised European Social Charter, except that the rates of the allowance were increased as indicated in para 3 of Article 12, below.

**6. Family Benefits****Child Benefit**

According to the new legislation that entered into force on 1.1.2003, every family residing in Cyprus with at least one child is entitled to a basic benefit provided that the parent/parents and child/children live under the same roof. Benefit is payable to the parent until last child reaches the age limit.

Families are entitled to the child benefit for their unmarried children as follows:

- a) up to 18 years old,
- b) between 18-25 years in case of compulsory service in the National Guard,
- c) between 18-23 years provided they continue their full time education in approved institutions,
- d) boys of age between 23-25 provided they continue their full time education in approved institutions for the respective time they have served the Cypriot National Guard and,
- e) irrespective of age provided they are unable for self supporting due to physical or mental disability.

Supplementary child benefit is also paid to the families according to their income as indicated in the following table:

**Child Benefit Rates 2003 - 2004**

Number of children in the family	Basic Annual Benefit (£)		Supplementary Annual Benefit for families with income up to £6,000 a year (£)		Supplementary Annual Benefit for families with income between £6,000 and £12,000 a year (£)	
	2003	2004	2003	2004	2003	2004
Families with 1 child	200	208,28	50	52,07	25	26,03
Families with 2 children	400	416,56	200	208,28	150	156,21
Families with 3 children	1.200	1.249,68	450	468,63	375	390,52
Families with 4 or more children	600 per child	624,84 per child	200 per child	208,28 per child	125 per child	130,17 per child

The family income that is taken into account for granting the supplementary child benefit is the gross income of the applicant, of his/her spouse if they cohabit and of the non-employed children for whom the application is made and which was acquired three years before. For example for the year 2003 the family income is considered to be the income which was acquired 3 years before the payment of the benefit (i.e. the income of the year 2000).

The child benefit is paid monthly to the families with three or more children and annually at the end of the year for families with one and two children.

Child benefit is adjusted every year on the 1<sup>st</sup> of January according to the increase of the cost of living index (comparison of the last year with the previous year) and it is not subject to taxation.

**Mother's Allowance**

Payable to mothers residing in Cyprus, who had at least four children and have ceased to be eligible to child benefit since all children have exceeded the age limit.

The allowance is not payable to mothers who are entitled to social pension or to mothers receiving any other pension from another source, the rate of which is equal or higher than the maximum monthly rate of the basic old-age pension payable out of the social insurance scheme without increase for dependants.

The rate of the allowance is fixed, payable for 13 months per year. It is adjusted every year on the 1<sup>st</sup> of January according to the increase of the cost of living index (comparison of the last year with the previous year) and it is not subject to taxation.

The rate of the allowance was increased from £31,35 in 2002 to £32,23 in 2003 and £33,56 in 2004.

**7. Maternity benefit**

The weekly amount of benefit for the standard beneficiary whose earnings are equal to the reference wage is £144,21 which constitutes 75% of the reference wage as compared with 45% provided by the Revised Charter.

**8. Invalidity benefit**

The amount of the weekly pension granted to the standard beneficiary with 40 years of actual and prospective insurance after October 1980 and with earnings equal to the reference wage of £192,28 is £144,76 which constitutes 75,29% of the reference wage as against 40% provided by the Revised Charter.

## **9. Survivor's benefit**

The weekly amount of the widow's pension payable to a widow whose deceased husband's earnings were equal to the reference wage and with 40 years of actual and prospective insurance after October 1980 is £108,89, which constitutes 56,63% of the reference wage as against 40% provided by the Revised Charter.

### **ARTICLE 12 PARA 3: Progressive improvement of the Social Insurance Scheme**

Within the framework of Government's policy for extension and improvement of the social protection in line with the international trends and standards and the social and economic potentialities of the country, during the period under review, new legislation on Child Benefit was introduced and certain improvements were effected to the rates of the benefits granted under the Social Insurance Scheme.

Further, following the revision of the basic insurable earnings and applying the provisions of section 72 of the Law, the amounts of the basic and supplementary pension of existing pensioners (old age, invalidity, disablement and survivor's benefit) was increased by 3,04% and 3,13%, respectively as from January 2003. As from January 2004 the amounts of the basic and supplementary pensions were increased by 3,73% and 3,42%, respectively.

### **Replies to the Comments of the European Committee of Social Rights in respect of para 3:**

According to the Social Insurance legislation the amount of the basic insurable earnings as well as the ceiling of such earnings is adjusted every year to the movement of the general level of insurable earnings. The adjustment is mandatory if the said level increases by 5% or more and applies

to past insurable earnings, which are thus revalued to the prevailing level of earnings.

As regards short-term benefits (Sickness, maternity, unemployment and injury), in view of the fact that their amount is a percentage of the earnings, they are automatically reviewed with the review of the earnings.

As regards pensions (old-age, invalidity, widow's and disablement), the rates of the basic pensions are reviewed at the beginning of each year in accordance with the percentage of revision of the basic insurable earnings, whilst the rates of the supplementary pensions are reviewed in accordance with the increase of the cost of living increase (comparison of the second semester of the last two previous years).

Furthermore, the rates of the pensions are increased every July in accordance with the increase of the cost of living index (comparison of the first half of the year with the previous one) if the latter is at least 1%. This increase is taken into consideration when determining the increase of the rates of pension at the beginning of the year.

<b>Year</b>	<b>Basic pension increases (%)</b>	<b>Supplementary pension increases (%)</b>
2002	5,21	2
2003	3,04	3,13
2004	3,73	3,42

The consumer price index for the years 2002, 2003 and 2004 is 2,8%, 4,1% and 2,3% respectively.

**PARA 4: EQUAL TREATMENT FOR THE NATIONALS OF OTHER CONTRACTING PARTIES WITH RESPECT TO SOCIAL SECURITY**

No change in the situation as reported in the last Report of the Government of Cyprus on Article 12 of the Revised European Social Charter.

**Replies to the comments of the European Committee of Social Rights in respect of para 4:**

**(a) Equal treatment**

**Residence requirement for entitlement to Social Pension**

Since the accession of Cyprus to the EU and the implementation of Regulations 1408/71 and 574/72, for nationals of EU member states the periods of residence at any other member state are accumulated in order to fulfill the residence requirement for social pension (Article 10 (a) and (b) of the Regulation 1408/71).

**(b) Maintenance of accruing rights (Article 12 para 4b)**

As from 1.5.2004, with the accession of Cyprus to the European Union, the EU Regulations 1408/71 and 574/72 are implemented and therefore for the purpose of entitlement to benefits, periods of insurance completed under the legislation of one member state of the EU are considered as periods of insurance completed under the legislation of another member state.

Moreover, as mentioned in our previous Report, the Government of the Republic of Cyprus is willing to revise the Bilateral Agreements on Social Security it has concluded with member states which have accepted Article 12 and to enter into negotiations with other contracting parties of the Charter who also ratified Article 12.