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## **EUROPEAN SOCIAL CHARTER**

Ad hoc report on the cost-of-living crisis

submitted by

**THE GOVERNMENT OF CYPRUS**

Report registered by the Secretariat

on 24 November 2023

**CYCLE 2023**

**Request for an ad hoc report on the cost of living crisis Cyprus**  
**Contribution**

**1) Please provide information as to whether and how the statutory minimum wage is regularly adjusted/indexed to the cost of living. Please indicate when this last happened, specifically whether it has been adjusted /indexed since the end of 2021.**

Following a long social dialogue process, the government of Cyprus reached an agreement with the social partners regarding the establishment of a National Minimum Wage in Cyprus. Thus, according to the Minimum Wage Decree of 2022, as from 1/1/2023, the national minimum wage is set at the amount of €885 for the first six months of employment and further on, the salary rises to €940.

Regarding adjustments to the national minimum wage, it must be noted that the Minimum Wage Decree of 2022 provides that the minimum wage will be adjusted every 2 years. The first adjustment of the National Minimum Wage will take place on 01/01/2024.

The adjustment mechanism provides for the establishment of a nine-member Committee consisting of 3 trade union representatives, 3 representatives of the employers' organizations and 3 academics or experts on labour issues. The role of this Committee will be to issue an advisory report on a possible wage adjustment. According to the Decree, the Committee must consider the purchasing power of the National Minimum Wage, trends in employment levels and unemployment rates, variation in economic growth and productivity levels, the variation and trends in wage levels and their distribution, the effects that any change in the minimum wage will have on employment levels, relative and absolute poverty indicators, the cost of living and the competitiveness of the economy.

The Decree provides that the Committee's completed reports shall be submitted to the Labour Advisory Body ( which it consists of the employers' organisations and trade unions with the largest representation) which will advise the Minister of Labour and Social Insurance on the Committee's report, who in turn will submit a reasoned report to the Council of Ministers on the adjustment of the National Minimum Wage.

At present, the Committee is about to commence its work with a view of submitting its report to the Labour Advisory Board before the end of 2023.

In addition to the above, the Minimum Wage Decree for the Hotel Industry provides for specific minimum wages for nineteen occupations in the hospitality sector. This decree came into force on the 1st of January 2020 and it was updated so that, as from June 2023, it will cover for the 66,7% of the increase in the consumer price index since 01/01/2020.

**2) Please provide information on any supplementary measures taken to preserve the purchasing power of the minimum wage since the end of 2021**

Measures for the preservation of the Minimum wage's purchasing power in Cyprus are taken directly through minimum wage increases. As it was mentioned in Q1, the national minimum wage will be adjusted by January 1<sup>st</sup> 2024 and the wages purchasing power will be among the factors to be considered. In addition, the Minimum Wage Decree for the Hotel Industry as from June 2023 covers for the 66,7% of the increase in the consumer price index since 01/01/2020.

**3) For States Parties with no statutory minimum wage, please describe any measures taken to preserve the purchasing power of the lowest wages since the end of 2021.**

N/A

**4) Please provide information as whether the cost of living crisis has led to the extension of inwork benefits.<sup>1</sup>**

The Covid 19 crisis halted a 5 year run of extremely positive employment progress in Cyprus. In order to support the labour market a series of policies has been implemented like employment and training subsidy schemes, combined with recruitment . It is also important to mention that during the period of the pandemic special subsidization schemes were implemented to support businesses, workers, the self-employed , as well as the unemployed , and which helped Cyprus to achieve one of the smallest increases in unemployment in the European Union during the pandemic

**5) Please provide information on changes to social security and social assistance systems since the end of 2021. This should include information on benefits and assistance levels and the allocation of benefits.**

**Changes in Social Security legislation**

Law 150(I)/2022 was enacted in Cyprus which provides for sickness benefit to insured persons between the ages of 63-65 provided they continue to work and do not receive the state pension.

The Social Insurance (Amendment) Law N. 214(I)/2022 – 16 Dec 2022 introduced paid parental leave benefit (details in the part Family Benefits below) as well as insurance credits for 7 days of absence from work due to force majeure and 5 days of insurance credits for Carers' leave. In addition the law extended the coverage of paternity benefit to all fathers irrespective of marital status. In addition, in the event of the mother's death before or during childbirth or during maternity leave, the right to paternity benefit is increased by as many weeks as the remaining weeks of maternity benefit that the mother would have been entitled to if she was not deceased. This increase is also given in the event that the deceased mother does not establish a right

to the provision of maternity benefit but the father establishes a right to the provision of a paternity benefit.

Regarding welfare benefits, a significant structural change from 2021 to date is the implementation of the Child Tuition and Feeding Subsidy Scheme for children up to 4 years from September 2022, on the basis of which around 21,000 children aged 0-4 are entitled to a subsidy for their attendance at nurseries and kindergartens. The subsidy accounts to 80% of the monthly tuition fees, with a maximum monthly allowance of 100 to 350 euros, depending on the composition of the family and their incomes.

In addition, the Child Allowance and the Single Parent Family allowance are fully adjusted on an annual basis to the consumer price index (it has always been implemented) while a 5% increase was given to the Low Pensioner Allowance from June 2023. Other one-off benefits that have been provided from time to time do not concern changes in the social welfare system but individual support of certain population groups on an ad hoc basis.

In the framework of the measures decided by the government in 2022 to support vulnerable groups in adjusting to inflation increases, persons with disabilities who were recipients of financial disability benefits received an additional one-off support allowance of 100 euros. In addition, there was an indexing to the cost of living of two monthly disability allowances as described in the answer to question 6.

**6) Please provide information as to whether social security benefits and assistance are indexed to the cost of living, as well as information in particular on how income-replacing benefits such as pensions are indexed. Please indicate when benefits and assistance were last adjusted/indexed.**

**Indexation of Social security:** Sickness, unemployment, Employment Injury, Maternity, Paternity, and Parental Leave benefits Basic Insurable Earnings are increased every year in Cyprus in line with an annual survey of wages and salaries. The amount of the benefit is defined on the benefit year taken into consideration. The benefit year starts the first Monday of July and ends the last Sunday prior to the first Monday from which the next benefit year will start. Every July the amount of the benefit is recalculated based on the earnings on which the beneficiary has been insured for within the last benefit year (with the exception of maternity and paternity benefit where the benefit is not recalculated and the level of benefit calculated at the beginning of the leave remains the same for the whole period of leave).

The Child Benefit and the Single Parent Family Benefit are fully adjusted on an annual basis to the consumer price index in Cyprus. The Minimum Guaranteed Income is not adjusted automatically but after relevant study and the last time it was adjusted was in August 2019 when the housing benefit was increased by approximately 50%. The Low-Pensioner's Allowance increased in 2023 by 5% to compensate for the increase in inflation.

Two monthly disability allowances in Cyprus are indexed to the cost of living. In particular, recipients of the monthly Severe Motor Disability Allowance and recipients of the monthly Blind Allowance received an increase of 2,5% in their monthly allowances as from 1.1.2022 and a further increase of 8,7% as from 1.1.2023 due to the respective increase in the index of the cost of living in Cyprus.

**7) Please provide information as to whether any special measures have been adopted since late 2021 to ensure persons can meet their energy and food costs, such as price subsidies for energy, fuel, and basic food items.**

From the end of 2021, the Government of Cyprus has proceeded with targeted and horizontal measures to cushion the impact of the rising energy prices, where most of them were terminated. The measures include the reduction of the VAT rates on electricity consumption, and more specifically from 19% to 5% for consumers belonging to vulnerable groups and from 19% to 9% for the rest the households and businesses (from November 2021 until August 2022), the reduction of excise duties on fuels (from March 2022 with an extension until end-June 2023), support to the husbandry units support to low income pensioners, support to residents of mountainous areas, child care support to families with low income, support to sectors of agriculture and a new Scheme for subsidizing the care of children up to 4 years old for tuition in childcare centers (also mentioned in the answer to question 5)

In addition, a new package was adopted by the Government to support households and businesses in facing the increases of electricity prices for household, commercial and industrial users, covering in stages from 50% to 85% of the increase in electricity tariffs, with the coverage reaching 100% for vulnerable households. This grant also covered the reinstatement of VAT on electricity at the standard VAT rate at 19%, and it was terminated end-June 2023 with the exception of the vulnerable households.

Furthermore, from early May 2023 until the end of April 2024, a zero VAT rate is applied on basic goods, and more specifically on bread, milk, eggs, baby foods, baby and adult diapers, as well as female hygiene products. Sugar and coffee were added to the list as of November 2023. This measure aims to relieve households from higher costs for essential products. The fiscal cost from this measure is estimated at approximately €24 mn.

The impact on the accounts of the GG from the aforesaid measures is estimated in total at -1.2% of GDP.

### **Package of government measures**

In the context of dealing with inflationary pressures, the need to support affected citizens' income in a fair and proportionate way, the promotion of housing policy and the acceleration of green transition with the aim of strengthening the resilience of the Cyprus economy against external factors, the Council of Ministers on 19/10/2023, approved a package of short and medium-term measures, amounting to **€325.8 million** during the period 2023-2026, as follows:

- i. Targeted subsidization for electricity consumption for the billing months of November 2023 - February 2024.
- ii. Reduction of the excise duty on motor fuels from November 2023 – February 2024.
- iii. Reduction of excise duty on heating oil from December 2023 - March 2024.
- iv. Addition of meat and vegetables to the items that zero VAT is applied from December 2023 - May 2024.
- v. Inclusion of students from large families in the child benefit capped at 50% of the benefit.
- vi. 5% increase in child benefit.
- vii. One off allowance of €120 to Persons with Disabilities (PwDs)/recipients of disabled people's mobility allowance.
- viii. One off allowance of €300 to Guaranteed Minimum Income (GMI) beneficiaries who receive a rent/mortgage loan interest subsidy and €500 to GMI beneficiaries with a severe disability who receive a rent subsidy/mortgage loan interest subsidy.
- ix. Interest rate subsidy scheme for mortgage loans issued between January 2022 to December 2023.
- x. Preparation and announcement of a Grant Scheme, entitled "Photovoltaics for all".
- xi. Preparation of a framework that will enable companies to install Photovoltaic systems, through virtual net-billing.
- xii. Housing policy measures: (a) housing subsidy for young couples or young people, based on income criteria, (b) "Renovate - Rent" project, with the aim of including empty/idle houses in the rental market, (c) extension of existing urban planning incentives, (d) a new special housing incentive concerning the design, construction and rental of a number of residential units (build to rent), (e) social housing through the construction of residential units on appropriate plots of land within the refugee settlements and (f) reinstatement of "Plan of Plots for Low-Income Families".

The table below shows the yearly distribution of measures:

<b>Cost of Package of Measures</b>		<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
Budget Cost	(€ mln.)	8.5	105.5	54.7	7.0
RES Fund Cost	(€ mln.)	0.0	30.0	30.0	30.0
Loss of Revenue	(€ mln.)	14.6	30.5	7.5	7.5
<b>Total</b>	(€ mln.)	<b>23.1</b>	<b>166.0</b>	<b>92.2</b>	<b>44.5</b>
	% GDP	<b>0.1</b>	<b>0.5</b>	<b>0.3</b>	<b>0.1</b>

**8) Please provide up-to-date information on at-risk-of-poverty rates for the population as a whole, as well as for children, families identified as being at risk of**

**poverty, persons with disabilities and older persons. Please show the trend over the last 5 years, as well as forecasts for upcoming years.**

Please find attached relevant information as obtained from the Statistical Service of Cyprus (APPENDIX)

**9) Please provide information on what measures are being taken to ensure a coordinated approach to combat poverty as required by Article 30 of the Charter, and to diminish reliance on last-resort relief, such as foodbanks and soup kitchens.**

The Guaranteed Minimum Income and the Low Pensioners Allowance aim at combating poverty and material deprivation. Both are benefits to which legal residents of the Republic of Cyprus are entitled and ensure a minimum standard of living that exceed the threshold of material deprivation and extreme poverty.

**10) Please provide information on steps taken to consult with, and ensure the participation of, the persons most affected by the cost of living crisis and/or organisations representing their interests in the process of designing of measures in response to the crisis.**

Persons with disabilities are strongly represented in Cyprus by many organisations for persons with disabilities under the umbrella of the Cypriot Confederation of Organisations of Persons with Disabilities which is by law the official social partner of the state services regarding disability issues. Through meetings of the organisations at ministerial or departmental level for consultation purposes their opinion and demands were expressed and taken into account.

Elders are represented through the Advisory Body on Third Age which has a consulting role to the Deputy Minister of Social Welfare. The Advisory Body is composed by representatives of the elders organisations and the competent public authorities.



REPUBLIC OF CYPRUS



STATISTICAL SERVICE  
OF CYPRUS  
1444 NICOSIA

10 August, 2023

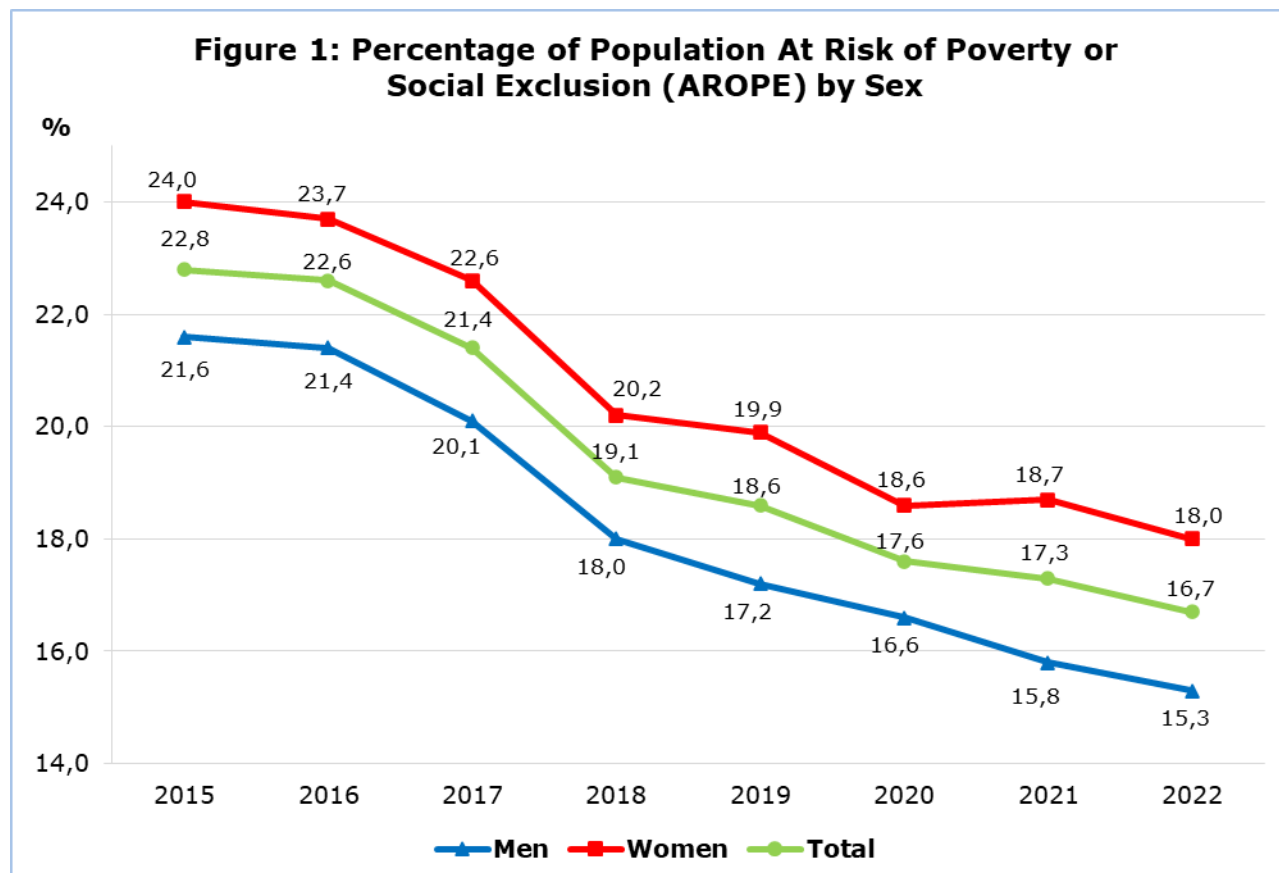
## PRESS RELEASE

### SURVEY ON INCOME AND LIVING CONDITIONS OF THE HOUSEHOLDS: RISK OF POVERTY 2022

#### At Risk of Poverty or Social Exclusion (AROPE)

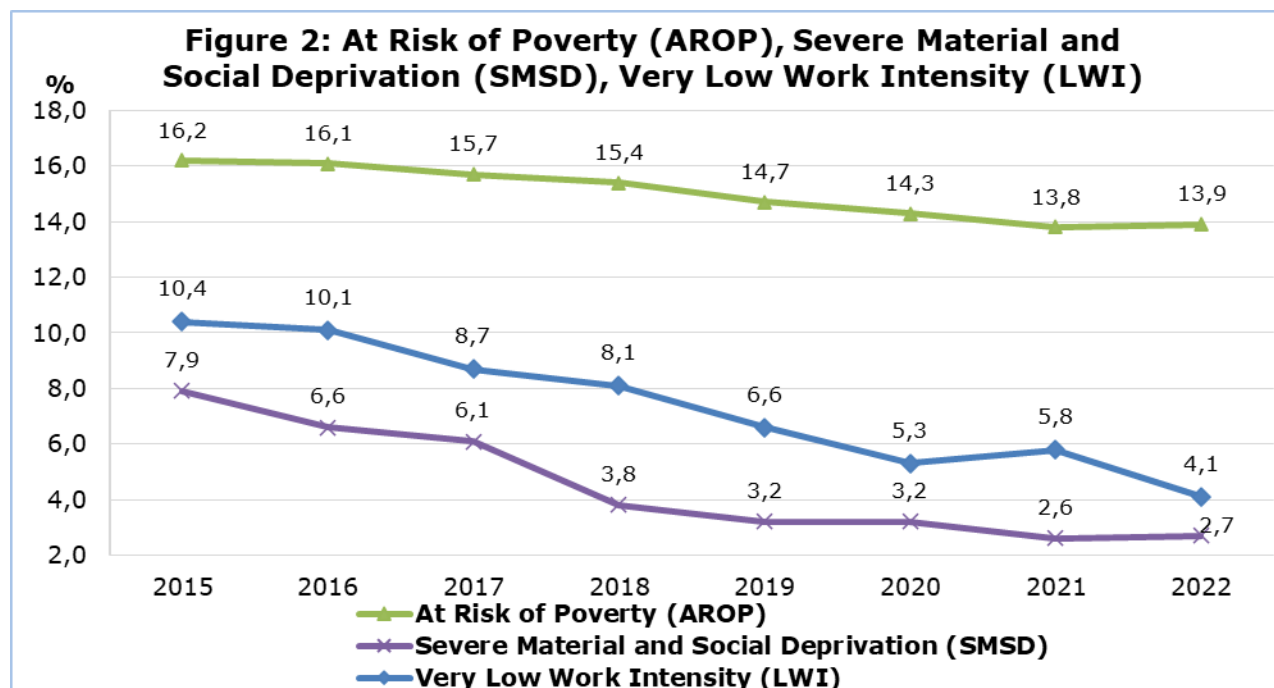
According to the results of the Survey on Income and Living Conditions 2022, with income reference period the year 2021, 16,7% of the population or 150.000 persons were at risk of poverty or social exclusion (AROPE indicator, the main indicator to monitor the EU 2030 target on poverty and social exclusion). Namely, 16,7% of the population was living in households whose disposable income was below the at-risk-of-poverty threshold or was severely materially and socially deprived or was living in households with very low work intensity.

This indicator exhibited a minor improvement in comparison with the previous year (17,3%), continuing its downward trend of the recent years. This improvement is reflected in both women and men, although throughout the years, women are maintaining their unfavorable position in respect to men. Figure 1 shows the evolution of this indicator in the years 2015 to 2022.



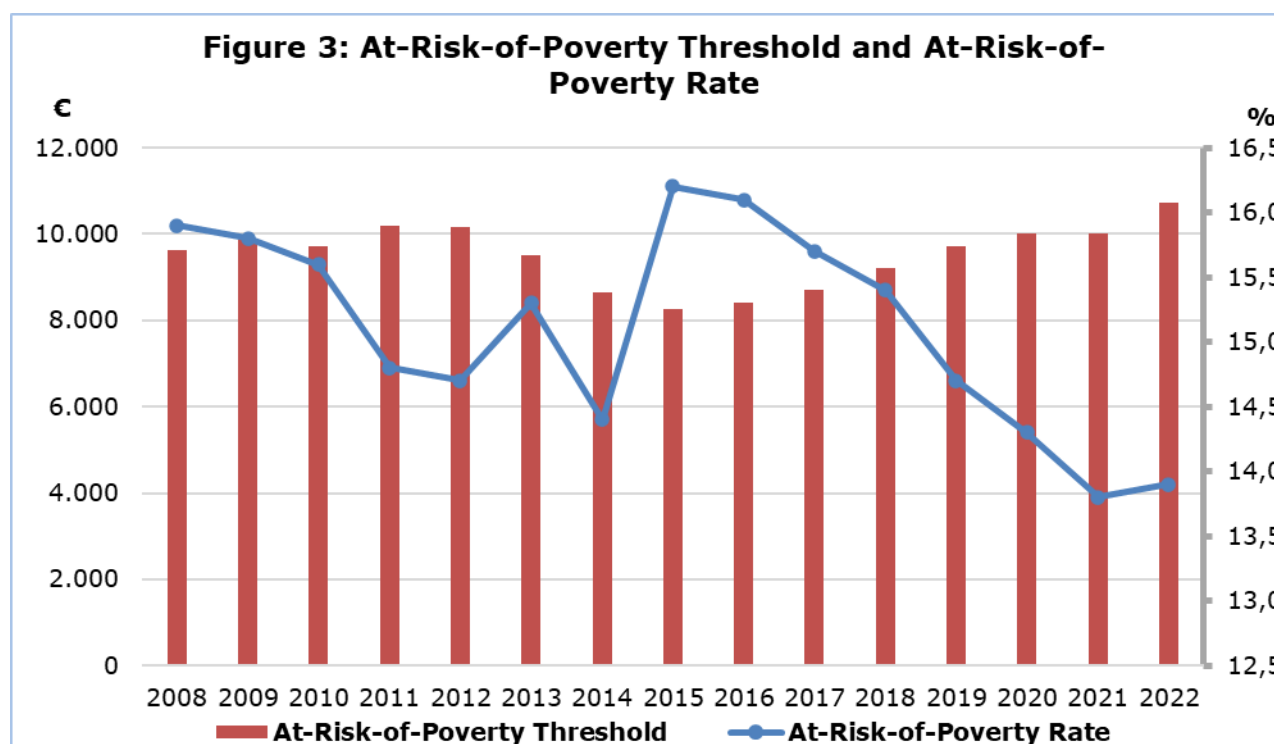


Based on Figure 2, which presents the results of the 3 sub-indicators contributing to the computation of the strategic indicator at risk of poverty or social exclusion, (at risk of poverty, severe material and social deprivation, very low work intensity), it is observed that the improvement of the indicator is attributed to the decrease in the percentage of the population living in households with very low work intensity (from 5,8% in 2021, to 4,1% in 2022) (more information in the definitions in the methodological part).



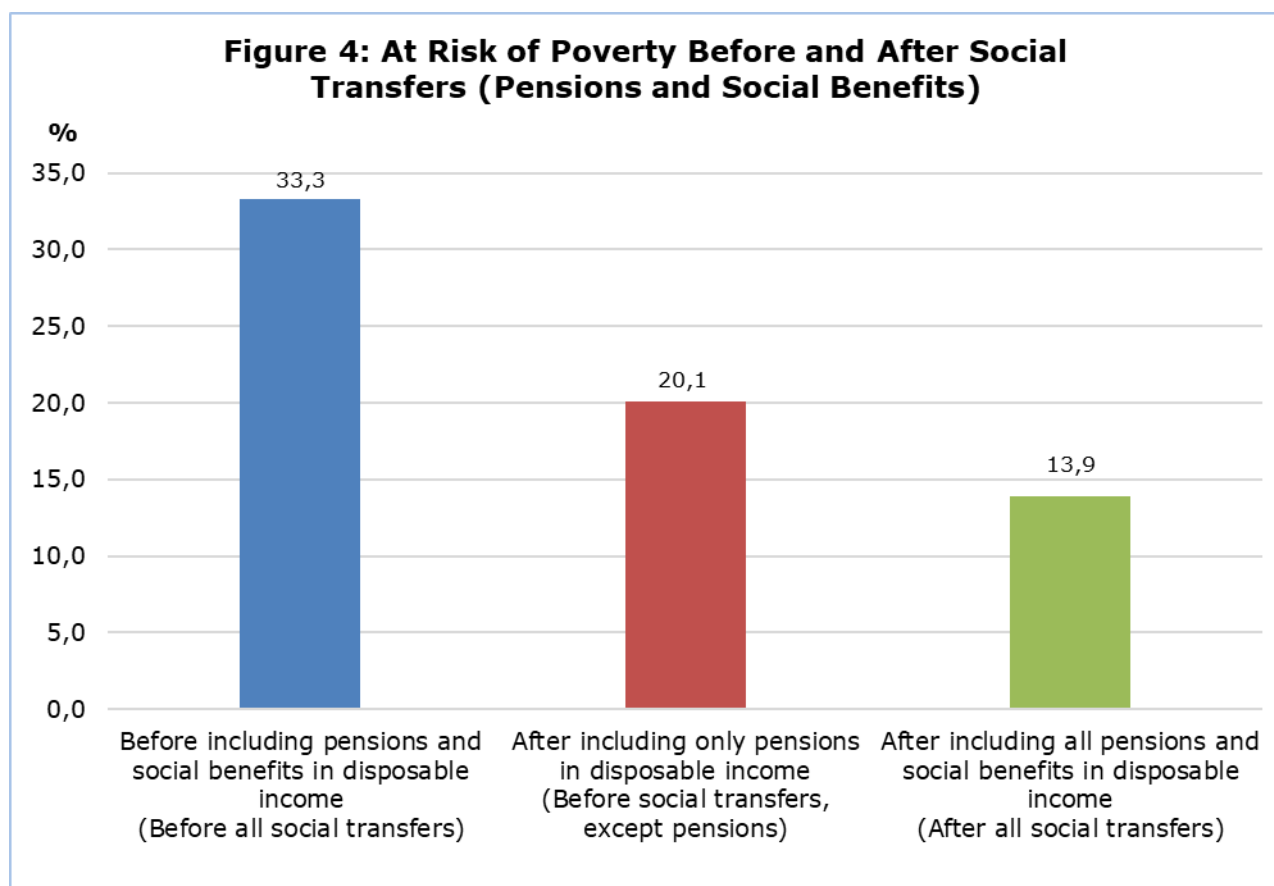
### At Risk of Poverty (AROP)

In 2022, the percentage of the population that was at risk of poverty, meaning that its disposable income was below the at-risk-of-poverty threshold, was 13,9% or 125.000 persons, remaining around the same level with that of 2021 (13,8%). The at-risk-of-poverty threshold, which is defined at the 60% of the median total equivalized disposable income of the households, was estimated in 2022 at €10.713 for single person households and at €22.498 for households with 2 adults and 2 dependent children. The respective thresholds for 2021 were €10.011 and €21.024. The median equivalized disposable income in 2022 was €17.855 in comparison to €16.825 in 2021. In Figure 3, the trend of the at-risk-of-poverty rate is presented together with the at risk of poverty threshold from 2008 to 2022.



### **At Risk of Poverty Before and After Social Transfers**

The percentage of the population living at risk of poverty, before any social benefits<sup>1</sup> and pensions<sup>2</sup> (social transfers) were included in the disposable income of the households, was estimated at 33,3%. When only pensions were included in the disposable income of the households, this percentage was reduced to 20,1%, while when social benefits were further included, the percentage was reduced to 13,9% (Figure 4). Consequently, it is confirmed that social transfers contribute to the reduction of the percentage of the people living at risk of poverty. In 2022, all the social transfers reduced the indicator by 19,4 percentage points, (13,2 pp as a result of pensions and 6,2 as a result of the social benefits).



<sup>1</sup> Social benefits: Minimum Guaranteed Income, maternity allowance, child allowance, single parent benefit, for the disabled, unemployment benefit, allowance for the care of the elderly, etc.

<sup>2</sup> Pensions: old age, widow's, orphan's, disability, etc.

Table

Indicator			2015	2019	2020	2021	2022
<b>At-risk-of-poverty or social exclusion rate (AROPE)</b>	<b>Total</b>	%	<b>22,8</b>	<b>18,6</b>	<b>17,6</b>	<b>17,3</b>	<b>16,7</b>
	Men	%	21,6	17,2	16,6	15,8	15,3
	Women	%	24,0	19,9	18,6	18,7	18,0
<b>At-risk-of-poverty threshold</b>	1 person households	€	8.276	9.729	10.022	10.011	10.713
	Households with 2 adults and 2 dependent children	€	17.380	20.431	21.047	21.024	22.498
<b>At-risk-of-poverty rate by age (AROP) (after social transfers)</b>	<b>Total</b>	<b>%</b>	<b>16,2</b>	<b>14,7</b>	<b>14,3</b>	<b>13,8</b>	<b>13,9</b>
	0-17	%	16,7	16,7	16,1	15,8	14,9
	18-64	%	15,9	11,9	12,0	11,9	11,9
	65+	%	17,3	24,6	21,9	19,5	20,8
<b>At-risk-of-poverty rate before social transfers except pensions</b>	<b>Total</b>	<b>%</b>	<b>25,4</b>	<b>22,7</b>	<b>21,9</b>	<b>22,1</b>	<b>20,1</b>
<b>At-risk-of-poverty rate before all social transfers</b>	<b>Total</b>	<b>%</b>	<b>38,8</b>	<b>35,1</b>	<b>35,2</b>	<b>35,8</b>	<b>33,3</b>
<b>Severe material and social deprivation (SMSD)</b>	<b>Total</b>	<b>%</b>	<b>7,9</b>	<b>3,2</b>	<b>3,2</b>	<b>2,6</b>	<b>2,7</b>
<b>Percentage of population aged 0-64 living in households with very low work intensity, by sex (LWI)</b>	<b>Total</b>	<b>%</b>	<b>10,4</b>	<b>6,6</b>	<b>5,3</b>	<b>5,8</b>	<b>4,1</b>
	Men	%	9,9	6,1	5,1	5,9	3,8
	Women	%	10,9	8,4	7,1	5,8	4,4
<b>Mean annual disposable income of the household</b>		€	29.959	33.584	33.862	34.227	35.699

## **METHODOLOGICAL INFORMATION**

### **Survey Identity**

The survey on Income and Living Conditions of the Households (EU-SILC) is conducted in accordance to Regulation (EC) No. 2019/1700 of the European Parliament and of the Council and is used by the European Statistical Service (EUROSTAT) as the main source of comparable information among the member states of the European Union (EU) on matters related to poverty and social exclusion.

The main objective of the survey is the study of various socio-economic indicators, which affect the living conditions of the population, the compilation of systematic statistics in relation to the income inequalities, the inequalities in living conditions of the households, poverty and social exclusion, as well as the compilation of structural social cohesion indicators.

### **Coverage and Data Collection**

The survey conducted in 2022, with income reference period the year 2020, covered a sample of 4.128 households in all districts of Cyprus, in both urban and rural areas.

The survey is carried out since 2005 on an annual basis with a rotational sample and consists of two components, the cross-sectional and the longitudinal one. The cross-sectional refers to a point in time or period, whereas the longitudinal refers to the changes that arise on a personal level during a period of three to four years.

The data collection was carried out with personal and telephone interviews at the households using electronic questionnaires.

### **Definitions**

**At risk of poverty or social exclusion rate (AROPE):** At-risk-of-poverty or social exclusion rate is the percentage of the population who are: at risk of monetary poverty or severely materially and socially deprived or living in a household with a very low work intensity. Persons are only counted once even if they are present in several sub-indicators.

The indicator at-risk-of-poverty or social exclusion is the main indicator to monitor the EU 2030 target on poverty and social exclusion. The relevant target refers to the reduction of the number of people at risk of poverty or social exclusion by at least 15 million by 2030, and out of them, at least 5 million should be children.

**At risk of poverty threshold:** is set at 60% of the national median equivalised disposable income, which is calculated by dividing the total disposable income of the household (total disposable income of all its members after social transfers) by the equivalised household size, which is calculated using the following weights: First adult=1,0 unit, second and each subsequent household member aged 14 years and over=0,5 and each household member aged under 14=0,3.

**At risk of poverty rate (AROP):** The at-risk-of-poverty rate is the share of persons with an equivalised disposable income (after social transfers) below the at-risk-of-poverty threshold. It measures relative poverty and not absolute poverty.

**Severe material and social deprivation (SMSD):** Severely materially and socially deprived is the population who cannot afford a certain good, service or social activity. It refers to the population experiencing enforced lack of at least 7 out of 13 deprivation items (6 related to the individual and 7 related to the household):

#### **At household level:**

Cannot afford:

- 1) to face unexpected expenses,
- 2) a week holiday away from home,
- 3) to pay rent or utility bills or loans (to be confronted with payment arrears),
- 4) a meal with meat, chicken, fish or vegetarian equivalent every second day,
- 5) to keep home adequately warm,
- 6) to have a car/van for personal use,
- 7) to replace worn-out furniture.

At individual level:

Cannot afford:

- 1) to have an internet connection,
- 2) to replace worn-out clothes by some new ones,
- 3) to have 2 pairs of properly fitting shoes (including a pair of all-weather shoes),
- 4) to spend a small amount of money each week on him/herself,
- 5) to have regular leisure activities,
- 6) to get together with friends/family for a drink/meal at least once a month.

The 6 items at individual level are only collected for people aged 16 or over. For the children below 16 it is estimated by applying the rule: if at least half the number of adults in the household lack an item, then the children living in that household are considered deprived from that item as well.

**Very low work intensity (LWI):** The percentage of the population aged 0-64 that was living in households whose adults aged 18-64 worked less than 20% of their work potential during the past year. From the adults are excluded the students aged 18-24, people who are retired according to their self-defined current economic status or who receive any pension (except survivor's pension), people in the age bracket 60-64 who are inactive and living in a household where the main income is pensions (except survivor's pension).

**Social transfers:** Are the social benefits/allowances and pensions. The **social benefits/allowances** include the Minimum Guaranteed Income, maternity allowance, child allowance, single parent benefit, benefit for the disabled, unemployment benefit, allowance for the care of the elderly, etc. **Pensions** include old age pensions, widow's pension, orphan's pension, disability pension, etc.

***For more information:***

CYSTAT Portal, subtheme [Living Conditions and Social Protection](#)

[Predefined Tables](#) (Excel)

[Methodological Information](#)

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