

■ CYPRUS

Poverty and Social Exclusion in Cyprus: Progress and Pension Reform amidst a Global Economic Crisis

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Poverty and social exclusion in Cyprus have remained essentially unchanged since it joined the European Union in 2004. The most significant group at risk of poverty remains the elderly (65 and over) of both genders. Policies have been enacted targeting poverty among the elderly, as well as poverty in general, in line with EU and global initiatives. However, the achievement of policy goals needs to be monitored and policies need to be re-evaluated in a timely manner.

Introduction

In 2010 – the year designated by the European Union for Combating Poverty and Social Exclusion – approximately 84 million Europeans are living at risk of poverty – almost 17% of the EU's population (Wolff 2010, p 1). During this year, EU Member States aim to raise awareness about these issues and bring them to the fore of their respective national political agendas. Particular attention is being paid to recognising vulnerable groups, that is, individuals who may not have access to social, political and cultural rights due to social exclusion and marginalisation. In this way, it is hoped that the EU will combat stigmatisation and the proliferation of stereotypes (see official website <www.2010againstopoverty.eu/homepage.html?langid=en>).

Within the framework of actions associated with this campaign is a renewed effort to advance the state of knowledge on poverty and vulnerable groups. The EU has called for surveys and studies that examine the link between poverty and the basic rights of indi-

viduals to identify policies that prevent and combat poverty and social exclusion. These initiatives are being carried out within an Open Method of Coordination (OMC) framework. The fundamental principles of an OMC framework are: the determination of common overarching objectives, the definition of specific measures (such as statistics and quantifiable indicators) by which to accurately assess the current state of specific policy areas, and the use of benchmarking to facilitate the comparative analysis of policies and the exchange of best practices.

One of the key issues concerning both the causes and the effects of poverty is a clear definition of the phenomenon. There are two fundamental understandings of the term. The first is a lack of basic necessities for survival, commonly referred to as absolute, extreme or abject poverty. The World Bank defines poverty as “pronounced deprivation in wellbeing” (Haughton and Khandker 2009, p 1) and sets the poverty threshold at USD 2 per day (2005, in Purchasing Power Parity terms) as a consistent metric with global applicability. The same logic is used by the United Nations in setting the first Millennium Development Goal of eradicating extreme poverty and hunger: the primary target of the Millennium Development Goals is to halve the proportion of people who have an income of less than USD 1 per day by the year 2015.

The other metric in common use is that of relative poverty, which is employed by the European Union (European Anti Poverty Network 2009, p 5). This method is more context-dependent, as it establishes a comparative benchmark for inequality among the more and less affluent, usually within a particular national setting. This metric is called the ‘at risk of poverty’ threshold

and is set by the EU at 60% of the median household income for each Member State.

An additional area of concern is the segment of the population referred to as the ‘working poor’ (Eurofound 2009, p 23). These are fully employed individuals whose level of income is sufficiently low that they face the same conditions and challenges as those associated with poverty. This relationship has additional consequences, as certain groups, such as women and third country nationals, tend to disproportionately fall into this category of full employment and poverty. In other words, poverty and social exclusion cannot be considered in isolation from other socioeconomic phenomena. Rather, they should be examined as one component of complex – and possibly interdependent – processes that are best addressed through multifaceted policies with specific goals.

Measuring poverty at the national level in Cyprus

Using the methodology described above, some clear patterns emerge as to the relative levels of poverty – and associated social exclusion – when comparing Cyprus to the rest of the European Union. According to data from EU Statistics on Income and Living Conditions (Eurostat 2009) collected between 2005 and 2008, there are some distinct groups that face particular challenges. The most prominent among these are women of all ages, individuals aged 65 and over of both genders, single-parent families and people with disabilities.

The data show that at risk of poverty patterns remained largely consistent between 2005 and 2008, both at the national level in

Table 1: At risk of poverty in Cyprus and EU27 by age group (%), 2005–2008

	Male				Female				Total			
	2005	2006	2007	2008	2005	2006	2007	2008	2005	2006	2007	2008
Cyprus, aged 0-17	14	13	11	13	12	12	12	14	13	12	11	14
EU27, aged 0-17	19	19	19	19	19	19	19	20	19	19	19	19
Cyprus, aged 18-64	10	8	9	9	13	12	13	13	11	10	11	11
EU27, aged 18-64	14	14	14	14	15	15	15	15	14	15	15	14
Cyprus, aged 65+	47	47	50	43	53	54	54	54	21	21	52	49
EU27, aged 65+	16	17	16	16	21	21	21	21	19	19	19	19
Cyprus, Total	15	14	14	14	18	17	18	18	16	16	16	16
EU27, Total	15	15	15	15	17	17	17	17	16	16	16	16

Source: Eurostat 2009

Cyprus as well as in the EU as a whole. Cyprus generally ranks lower than the EU average for at risk of poverty rates for both genders and all age groups, except for one major caveat; the Cypriot elderly (65 and over) are at much higher risk than the average EU citizen in the same demographic group (Table 1). In 2008, only Latvia had a higher rate for over 65s at 51%, compared to Cyprus' 49%. By way of contrast, Hungary's rate was a mere 4%. According to Andreou and Pashardes (2009, p 48), "the very high poverty rate associated with old age in Cyprus is due to the immaturity of the current old age pension system guaranteeing a decent pension to private sector retirees".

Cyprus' national strategy and programme for combating poverty and social exclusion

Cyprus' strategic approach to combating poverty and social exclusion is elaborated in its National Strategy Report on Social Protection and Social Inclusion (NSPSI) for the period 2008–2010 (Social Welfare Services 2008). The four pillars of the current strategy are: reducing the risk of poverty, promoting the active participation of vulnerable groups in the labour market, preventing the social exclusion of children, and modernising institutions for reinforcing procedures and policies of social cohesion. The National Strategy Report acknowledges the link between unemployment and social exclusion and places both variables in the context of the same overarching process. In this regard, it is a positive sign that Cyprus exhibits one of the lowest rates of long-term unemployment in the European Union at 0.7% and an overall employment rate of 71%, which is above the EU average of 65.4% (Eurofound 2009, p 6).

The 2009 Joint Report on Social Protection and Social Inclusion of the European Commission identifies a series of challenges for Cyprus (European Commission, Directorate-General Employment, Social Affairs and Equal Opportunities 2009). A key priority is improving the position of women and vulnerable groups – especially people with disabilities, immigrants and asylum seekers – through comprehensive policies for their active inclusion in employment and social life and through equal access to services. Moreover, the Report calls for continued efforts towards achieving better governance and increased social participation in the development, implementation, monitoring and evaluation of policy interventions. The Report also pays particular attention to the most vulnerable demographic group of all and calls for the management of the high poverty risk for persons aged 65 and over. Andreou and Pashardes (2009) assert that pension reforms

enacted in 2009 will help alleviate this particular challenge by dealing with the deficiencies of the current old age pension system through targeted increases in pension fund apportionments for this group.

The National Programme of the Republic of Cyprus for the implementation of the 2010 European Year for Combating Poverty and Social Exclusion promotes the recognition of the rights of poor and socially excluded persons (European Social Fund Unit 2010). This may be accomplished by encouraging a sense of shared responsibility and participation among private individuals in efforts to combat poverty and social exclusion and to promote a more cohesive society. Considering the multi-dimensional nature of poverty and social exclusion, the National Programme aims at the development of a comprehensive approach, connecting poverty and social exclusion with other relevant issues such as equality of opportunity for all and combating discrimination. In this way, the issues of poverty and social exclusion are further integrated into a holistic approach to targeting social problems. This approach illustrates the alignment of the specific goals of this Programme with the broader objectives of the Millennium Development Goals.

More specifically, the four thematic priorities of the National Programme for the implementation of 2010 as the European Year for Combating Poverty and Social Exclusion concern:

1. The promotion of multidimensional, comprehensive strategies to prevent and reduce poverty including child poverty, the transmission of poverty from generation to generation and poverty within families;
2. The promotion of inclusive labour markets and comprehensive approaches for active inclusion and the eradication of obstacles to access to education and training;
3. Ensuring equal access to adequate resources and services (housing, health and social insurance), and the facilitation of access to culture and leisure opportunities; and
4. The tackling of gender, age and ethnic origin dimensions of poverty, overcoming discrimination and the promotion of the social inclusion of immigrants and ethnic minorities, as well as the development of mechanisms that address the needs of people with disabilities and their families and other vulnerable groups.

While this strategy targets the right objectives, its likelihood of success is dependent on external factors, such as the state of the economy at national, regional and global levels. Given the current economic conditions, it is difficult to determine whether specific funded

programmes will be deemed sustainable in the near future, especially in areas that have redistributive consequences such as pension reform. Whether these improvements can be further refined, as the full impact of the global economic crisis on Cyprus' vital tourism industry is assessed, remains to be seen.

Conclusions and recommendations

An assessment of the situation in Cyprus regarding poverty and social exclusion places it at close to the average in the European Union. However, Cyprus faces a serious challenge regarding the conditions experienced by those 65 years and over due to the inability of the current pension system to meet their needs. The strategic policy framework at the national level in this area reflects a convergence towards the overarching objectives of the 2010 European Year for Combating Poverty and Social Exclusion and the UN Millennium Development Goals.

1. A future assessment of Cyprus' national policy framework and its implementation is necessary to evaluate the level of progress achieved and remaining gaps that need to be addressed at the policy level.
2. Monitoring is also necessary to ensure that measures enacted do not introduce other economic issues, such as by placing an undue burden on the economy at a time of global recession. ■

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