



Subsidy scheme for attracting people in the labour market through flexible forms of employment

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**Cyprus**

1 DESCRIPTION

Timespan

2007-2013 (extended to 2015). The implementation of the project started in the beginning of 2010 and ended on 31 August 2015.

Stage

NO LONGER OPERATIONAL

The crisis the Cyprus economy suffered after 2008 impacted negatively on employment opportunities. Unemployment was widely spread and as a consequence, the continuation of the project became irrelevant to the prevailing labour market conditions.

Focus area

**MATCHING SKILLS FOR TODAY'S JOB MARKET**

2 FOUNDATIONS

Policy Area

**SOCIAL AND INTEGRATION POLICIES**

The purpose of the promotion and publicity activities for the current programme period is to create awareness about Flexible Forms of Employment, their advantages and disadvantages and to inform and encourage the various stakeholders and citizens to participate in the various activities of the project.

Policy Goal

The main objectives of the project are: keeping more people in the labour market by improving their employability and promoting the reconciliation of work and family life; and improved productivity and enhanced competitiveness of enterprises. The Scheme aimed to facilitate the employment of economically inactive and unemployed persons, who have difficulty entering or remaining in the labour market by way of some form of flexible arrangement.

Mismatch

PART OF BROAD POLICY MEASURE OF WHICH SKILL MISMATCH IS ONLY A MINOR PART

The objective of the scheme is to contribute to the increase of job positions and to facilitate the employment of economically inactive and unemployed people, who have difficulty entering and remaining in the labour market without the option of some form of flexible arrangement. The ultimate goal of the scheme is: to increase the employment participation of groups of people outside the labour market by creating new jobs with flexible arrangements; to facilitate these people to have a balanced work and personal life; and to support business/organizations to create new jobs with flexible working arrangements, in order to increase their efficiency and improve their competitiveness.

Aim of policy instrument

● ● ● OTHER

To facilitate employable population, especially women to enter/re-enter the labour market.

Legal basis

MINISTERIAL ORDER

Administrative level

NATIONAL

Main responsible body

Cyprus Productivity Centre

Stakeholders



GOVERNMENT (CENTRAL & REGIONAL)



EMPLOYER FEDERATIONS



TRADE UNIONS



CHAMBERS OF COMMERCE AND INDUSTRY



SOCIAL PARTNERS

Other stakeholders involved come from the following two social partners groups: (A) Industrialists, employers, commercial and other business organisations in particular: the Federation of Cyprus Employers and Industrialists; and the Cyprus Chamber of Commerce and Industry. (B) Labour unions in particular: the Pancyprian Labour Federation; the Cyprus Confederation of Workers; and the Democratic Labour Federation of Cyprus Their role is limited to advising to formulate relevant policies; to this effect, an evaluation study conducted by an external evaluator procured by the Cyprus Productivity Centre, was delivered to them before hand for study and consideration.

Funding

The total budget for subsidies (labour and travelling costs), is estimated at €3,000,000 for the employment of 500 people during the entire period of operation of the scheme. The maximum amount of aid that can be granted to a given firm cannot exceed €200,000 in any period of three years. In cases of aid granted to enterprises active in the transport sector, the ceiling is set to €100,000 in any period of three years.

Intended beneficiaries

Eligibility criteria to participate in the Scheme (intended beneficiaries) are (1) people pursuing work on flexible terms of employment and (2) employers willing to employ such people: (1) People applying to join the scheme should be aged 15 or more, citizens of the Republic of Cyprus (RoC) or any other Member State of the Union. Citizens from other countries are eligible provided they have residence and work permission from the RoC and furthermore, have been legally residence in Cyprus for at least 12 months prior to the date they submit their application. Additionally, for a person to participate in the Scheme, he/she must be economically inactive and be either: - a woman, not having worked for at least 12 of the last 16 months - at least 50 years old, not having worked for 12 of the last 16 months - a parent whose children are under the age of 16 - a person who has the care of dependent children/persons with disabilities or chronic health problems that require constant care - an unemployed person, who is referred to the scheme by the Department of Labour and are in need of work with some form of flexible arrangement. (2) Employers could be any national stakeholder (employers/industrialists organization or trade union) or any business / organization who fulfil the following criteria: - located in areas controlled by the Republic of Cyprus - meet the conditions for state aid under the Regulation on de minimise aid, and operating in any sector of the economy except companies engaged in fisheries and aquaculture or primary production of agricultural products - are not in difficulty, within the meaning of the Community guidelines on State aid for rescuing and restructuring firms in difficulty - have all their Social Insurance obligations settled - meet the following conditions: (i) They shall

create a new job position (or positions) with flexible arrangements, representing a net increase in the number of workers relative to the average of 12 months preceding the date of hiring a person through the scheme. Due to the economic financial crisis, the period of 12 months is reduced to 6 months only for the first year of the operation of the scheme. (ii) When the proposed job position does not represent a net increase in the number of employees, then offered job must concern new duties or functions that did not previously exist in the company or in the department in which the position is created. (iii) the person they hire to fill a flexible job post meets the criteria set out as above in (1). Expected benefits to the beneficiaries of the Scheme: (1) Employees: In addition to giving the opportunity to unemployed persons to become active in the labour market, the Scheme allows for transport subsidy for the cost of moving to and from their place of work. This allowance is granted directly to employed persons for a period of 12 months for the initial call and 6 months for the following ones. (2) Employers: A financial grant is provided to companies/organizations for the salary costs of persons recruited by them into flexible jobs for the purpose of encouraging employers to create such jobs and recruit interested persons who meet the eligibility criteria, for a period of 12 months for the initial call and 6 months for the following ones.

3 PROCESSES

Use of labour market intelligence



INFORM JOB-SEARCH DECISIONS OF UNEMPLOYED

A market investigation study was conducted in 2006, which recorded the needs in flexible forms of employment and the receptiveness by employers of such forms of employment. The design of the instrument relied on the findings of this investigation. The implementation of the instrument was fully endorsed by the social partners, who were consulted by the competent Ministry prior to its implementation. The understanding shown by the social partners of the benefits of employment opportunities generated to specific population groups through flexible forms of employment, contributed to facilitating its realisation.

Financial schemes

In order to encourage enterprises to create new job positions with flexible arrangements and to recruit people from the specified target groups, a subsidy is granted to them, covering 65% of the labour cost (salary + employer social insurance contributions) of people employed in such posts for a period of 12 months. A subsidy is also granted directly to the persons employed covering their travelling expenses to and from their workplace.

Frequency of updates

The instrument is no longer in operation. However, during the course of implementation of the pilot instrument, two calls followed based on flexible forms of employment. These two calls added more groups of unemployed persons to be covered by the scheme of flexible forms of employment.

Development

During the course of implementation of the first call of the project in 2007, which acted as a pilot scheme, several market and economic changes took place that necessitated adjustments to the original scheme. Thus, new calls followed reflecting the prevailing employment conditions at the time of the calls. It is noted that after 2009 an economic crisis started in Cyprus. 1) In April 2010, a new call for participation in the scheme of flexible forms of employment was publicly invited. The new call extended the coverage of the number of groups of unemployed covered by the previous call. The purpose of the new call was to attract economically inactive women, older people and other economically inactive people looking for a job under special working hours, because of family responsibilities, who had difficulty entering or remaining in the labour market and wanted to work based on a flexible form of employment, as well as unemployed persons referred to the Managing Authority ((i.e. Cyprus Productivity Centre -CPC-) by the Public Employment Services. 2) As the economic crisis was getting worse in the country, in May 2013 another call for a scheme of flexible form of employment was announced, the purpose of which was: (a) to help alleviate the problem of unemployment by attracting unemployed people registered with the Public Employment Service, who wished to work on a flexible form of employment, and (b) to give businesses a means to cope with the difficulties that the economic crisis had created, by creating new jobs, while at the same time achieving more efficient organisation and improving their competitiveness.

Barriers

Bureaucracy was a barrier, due to the fact that the instrument was co-funded. Another barrier was the ignorance of the labour law by the employers, who lacked knowledge of such legislation. Thus their compliance to labour laws was problematic. The attitude of a considerable number of employers was negative towards employing women over 40 years of age. Another barrier was the economic crisis that started in 2008/2009.

Success factors

During the course of the instrument's implementation, dissemination of information was an on-going activity, targeted at stakeholders, trade unions, women's organisations, local authorities, business and unemployed. Labour unions also put efforts into this endeavour. Employers were informed of the importance of applying labour and social insurance laws, in order to comply with national legislation; otherwise, payments to non-complying employers were withheld.

Monitoring

The project evaluation was assigned to an external consultant, which was conducted only once in 2008; while in 2009 the authority responsible for the project carried out an evaluation concerning the employment of those originally placed in organisations. The main objective of the study conducted by the external consultant was to determine the degree of achievement of the objectives originally set, as well as the effectiveness of the initial recommendations made, regarding the implementation of flexible forms of employment in Cyprus. The authority responsible for the project was also constantly monitoring the implementation of the instrument.

Innovativeness

SLIGHTLY INNOVATIVE

Given that flexible forms of employment have not been widely used in the Cyprus labour market this is quite an innovative initiative.

4 SUSTAINABILITY

Evidence of effectiveness

According to the ex-post evaluation study conducted by external evaluators and the monitoring report of the scheme issued by the Cyprus Productivity Centre, the following major results had been recorded covering the pilot scheme up to the end of February 2009: - 768 women filed applications to join the scheme of whom 195 women were placed in 145 enterprises (the original target of the scheme was to provide access to the labour market of 60 unemployed or inactive women). - At the end of the grant period (end of August 2008), 139 people remained in employment at their original placement posts (71% of those were women), while for different reasons, including change of employer due to better work conditions and not being satisfied, 56 (29%) of them ceased to work at the original placement posts. - At the end of February 2009, 104 out of 195 women remained at their posts, 40 found another job and 35 were left without employment, while 7 could not be traced. - Of those who filed applications to join the scheme 492 women (64% of 768) were unemployed for over a year and 133 of them were employed under the scheme. The targets for placement of women in jobs under the scheme were surpassed, as well as the funds originally allocated (€792,790), in order to meet funding of the number of placements. The increased demand to participate in the scheme from both women and businesses led to a review of the targets. After being reviewed, the budget was set at €1,218 million, and resulted in employing 195 women. The scheme contributed in: - alleviating underground and unregistered employment; - increasing capacity of the body responsible for the scheme (i.e. Cyprus Productivity Centre).

Engagement of stakeholders

It is a tradition in Cyprus that all matters related to labour are subject to consultations between the two parties, on one side the Ministry of Labour, Welfare and Social insurance and on the other the social partners. The close cooperation between the Ministry and the social partners in the formation, design, and implementation of the employment scheme in consideration followed the tradition. And the establishment of any future schemes will be subject to such consultations.

Transferability

EASILY TRANSFERABLE

The involvement and cooperation of the social partners is considered as a good practice in Cyprus, producing positive results. This practice could be transferred to other countries. However, It is admitted that other countries implement more innovative approaches to similar instruments.

Sustainability

There are plans in the Programming Period 2014-2020 for re-establishing the instrument. However, no particular form of the scheme has been discussed, nor have any consultations taken place yet. Additionally, the economy has still not fully recovered, and among others, the banking system is not fully “operational” in the sense that granting of loans is of limited scale. Thus, unemployment is high enough and employers in general are reluctant to fill any posts in their organisations, and in particular under special forms of employment.
