



Capacity building for social dialogue in Cyprus

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This report is available in electronic format only.

Introduction

This paper analyses the capacity of Cyprus's social partners to effectively engage in social dialogue at various levels. The paper forms part of a wider, comparative project, managed by the European Foundation for the Improvement of Living and Working Conditions (Ireland) and the Work Life Development Programme (Sweden). It is aimed at helping social partners in the 10 new EU Member States and the three acceding and candidate countries (Bulgaria, Romania, and Turkey) to build their capacity for social dialogue with a view to anticipating and managing change. The report concentrates on studying the organisational, financial, and personnel capacities of the national, central organisations of employers and trade unions for anticipating and managing change, anticipating future developments and implementing outputs

The research was done through interviews with representatives of the organisations, as well as analysis of other available information on social dialogue issues. Under specification of this research, only national level central organisations of employers and trade unions that participate in the social dialogue are covered. In Cyprus, for the purposes of this particular report,¹ these include two employers' organisations and three trade unions, namely: the Cyprus Chamber of Commerce and Industry (CCCI), the Employers' and Industrialists' Federation (OEB), the Democratic Labour Federation of Cyprus (DEOK), the Pancyprian Federation of Labour (PEO) and the Cyprus Employees Confederation (SEK).

Following a brief introduction regarding the institutional and legal context, the paper concentrates on analysing the existing organisational, financial and personnel capacities for social dialogue. The paper concludes with some general comments on the strengths and weaknesses of the existing social dialogue capacities and the prospects for the future

¹ This selection was made for classification purposes, so as to correspond to the definition of 'central organisations'. In Cyprus, a critical factor in defining a central organisation as such is the system of collective bargaining. In this context, an important criterion for classification is whether an association is a key player in industrial relations, particularly in terms of its power and ability to define the terms and conditions of employment through collective bargaining, as also in terms of its participation in the consultation process on possible social policy and industrial relations initiatives. Due to notable differences between the private and public sector in terms of industrial relations, we exclude from consideration the Pancyprian Union of Public Servants (PASDYD), which solely organises public sector entities (i.e. public administration and other government services).

Industrial relations context

Historical background

Before elaborating further on the issue of social dialogue capacity, it is necessary to look at the actors involved. As far as trade unions are concerned, since 1960 the Cyprus trade union movement both in the private and the semi-public sector was firmly established and well organised both in terms of direction and structure.

The main national trade unions are the Democratic Labour Federation of Cyprus (DEOK), the Independent Trade Unions (POAS), an independent group of small unions organising in minor enterprises and the British Sovereign Bases of the island, the Pancyprian Federation of Labour (PEO), and the Cyprus Employees Confederation (SEK). In the banking sector the Union of Cyprus Banking Employees (ETYK), the sole trade union in the sector, is extremely strong in all aspects, membership, collective bargaining coverage and bargaining power. In the public/ government sector, four trade unions bargain independently with the government, with little, if any, cooperation and coordination amongst them. These are: the Pancyprian Union of Public Servants (PASYDY), representing the civil servants and by far the biggest and strongest trade union in membership and power in the public sector; the Pancyprian Organisation of Greek Teachers (POED) representing the elementary school teachers; the Organisation of Greek Secondary Education Teachers (OELMEK) representing the high school teachers; and the Organisation of Greek Technical Education Teachers (OLTEK), representing the teachers of technical schools.

PEO is the oldest trade union in Cyprus and it is particularly dominant amongst blue-collar workers, the semi skilled and skilled workers, though recently it became very active in all sectors of economic activity and among all occupations. SEK on the other side, as Sparsis, (1998) points out grew in stature to challenge PEO within its traditional sphere of influence and soon during the 1960s and the 1970s brought under its umbrella the trade unions in the sector of public utilities. Finally, DEOK though small in terms of membership is rather influential in terms of bargaining power.

As far as employers' organisations are concerned, to date, the structure, organisation and operation of the employers' organisations in Cyprus have not been studied and examined in a systematic way. Most references to this matter are contained in papers, which either examine issues of labour law and industrial relations in general, or approach the issue of the organisation of employers' organisations historically. In total, the largest employers' organisations in Cyprus are the following five:

- the Employers' and Industrialists' Federation (OEB);
- the Cyprus Federation of the Associations of Building Contractors;
- the Cyprus Association of Bank Employers;
- the Pancyprian Association of Hoteliers (PASYXE);
- the Cyprus Chamber of Commerce and Industry (CCCI).

Of these, however, the most representative employers' associations are OEB and CCCI, which are regarded as the main national employers' peak associations in Cyprus that work as umbrella organisations representing the whole spectrum of enterprise, in all sectors of economic activity. These include industry, constructions, services, trade, agriculture and private education.

OEB was established in 1960 soon after the establishment of the Cyprus Republic and has been operating since then as an independent organisation that represents the business community in Cyprus. Originally, it was known as the Employers' Advisory Association of Cyprus, and in 1970 it was renamed the Cyprus Employers' Federation. The change of name over time was important, in that it reflects changes, both on the organisational level and in connection with the

aims and competencies of the federation. From a purely advisory body in 1960–1970, the federation became the third recognised social partner with a role equal of that of the trade unions in the shaping of the industrial, social and economic policy in Cyprus. In addition, OEB has to a large extent undertaken the role of a coordinating body in the field of employers as a whole. The upgraded role of OEB as the key coordinating body of the majority of employers, as well as the high level of representation, has contributed decisively to the shaping of a relatively good climate in the industrial relations of Cyprus. The good climate mainly concerns the shaping of a system of industrial relations, which is largely based on tripartite cooperation between the parties, both at national and sectoral level.

As far as CCCI is concerned, it was established in 1927 aiming at the systematic monitoring of developments in trade and industry, as well as undertaking action and measures to promote the general interests in these sectors. However, and contrary to the provisions of its statutes, due to the absence of employers' representation in Cyprus, the CCCI was obliged to represent employers' interests for almost 30 years, both in the context of collective bargaining for the conclusion of collective agreements, as well as in the broader context of the shaping of an institutional framework of industrial relations in Cyprus. With the establishment of OEB in 1960 as a specialised organisation, its role as a negotiating body and official social interlocutor began to be restricted to its original duties. The result of this development was, and still is, the conflict between OEB and CCCI, mainly regarding the representation of employers' interests, as well as CCCI's efforts to claim a more active role in the industrial relations in Cyprus. Speaking in general, both organisations have equal representation in the various tripartite bodies (see below). They also both offer extensive services to their members. Individual enterprises can become direct members to either, or both of these organisations, or they can be affiliated to them through membership to their professional association. In terms however of bargaining power, OEB is by far more influential, taking part in all negotiations with PEO and SEK.

Both the Cyprus Federation of the Associations of Building Contractors, as well as the Cyprus Association of Bank Employers' are registered members of OEB and are active on a sectoral level as the main negotiating bodies for their members. In contrast, PASYXE, following a recent disagreement with OEB joined the CCCI.

Finally, it would be an omission not to mention the existence in Cyprus of organisations of a mixed representation of interests. The largest such organisation is the Pancyprian Professional Small Shopkeepers Federation (POBEK) which today numbers about 8,000 members, of which about 60% are employers, who are active in the technical occupations, clothing, recreation centres and petrol stations.

In Cyprus, apart from employer organisations and trade unions, no other actors are involved in collective bargaining so far. The role of the government remains an advisory one, and as such the government is not directly involved in collective bargaining, apart from the public sector where it constitutes one of the negotiating sides.

Involvement in the political arena

It should be noted, that in Cyprus there is a tradition of pluralism in trade unions, as well as strong ideological links between, some (if not all), trade unions and political parties, as in the case of the left wing party AKEL, (first came into power during the 2001 parliamentary elections with 34.5%) with the PEO trade union. However, despite ideological and political differences or different affiliations, the trade unions in the private and the semi-public sector cooperate fully with each other and to date they have been particularly effective in the joint promotion of the rights and interests of their members.

Legal framework

The present system of industrial relations in Cyprus has been substantially consolidated following the independence and the establishment of the Republic of Cyprus. In particular, in 1960, when Cyprus was declared an independent republic, the industrial relations system developed on the basis of two fundamental principles, voluntarism and tripartite cooperation. Based on the same principles, collective bargaining has traditionally played a leading role in regulating industrial relations, and legislation has constituted a secondary tool for their regulation. State intervention generally in industrial relations and particularly in the formulation of terms and conditions of employment is limited to the minimum. In this framework, the role of the state is an advisory one, and it intervenes, as also laid down in the Industrial Relations Code (see below), through the Mediation Service of the Ministry of Labour, in cases where difficulty is encountered in achieving agreement in the direct bipartite bargaining between the employers' organisations and the trade unions. However, there are exceptions where the state regulates by legislation minimum standards of basic terms and conditions of employment, such as minimum wage and working time for specific occupations or sectors (e.g. retail sector). Furthermore, with the enforcement of the EU acquis in the area of labour law, legislation now regulates a significant number of terms of employment, and in some cases providing for more favourable terms than those provided for in the collective agreements (e.g. annual leave). The regulation of new forms of work is a rather good example, since the adoption of the recent relevant legislation was the result of Cyprus' obligation to harmonise its legislation with the European acquis. Any evaluation however, of the content or the results of implementation of the new legislation would most probably be premature.

Social dialogue in Cyprus

Key actors

Though the law does not institutionalise bodies of social dialogue, social dialogue in Cyprus is firmly established. As has been mentioned above, the system of industrial relations in Cyprus developed on the basis of two main principles, voluntarism and tripartite cooperation. In this context, the formulation and implementation of almost all proposals and policies regarding industrial relations, was and remains the result of social dialogue between the government, employers' organisations and trade unions.

Table 1: *Key social dialogue actors*

Organisation	Year of establishment	No. of org. 2000	No. of org. 2004	No. of employees 2000	No. of employees 2004	International cooperation
Employer organisations						
Cyprus Chamber of Commerce and Industry (CCCI)	1927	111	125	NA	NA	UEAPM
Employers' and Industrialists' Federation (OEB)	1960	40	53	NA	NA	IOE UNICE
Trade unions						
Democratic Labour Federation of Cyprus (DEOK)	1962	5	5	See union membership below	See union membership below (8,593)	WCL
Pancyprian Federation of Labour (PEO)	1941	7	8	See union membership below	See union membership below (74,000)	WFTU
Cyprus Employees Confederation (SEK)	1944	7	7	See union membership below	See union membership below (73,272)	ETUC ICFTU

As far as trade unions are concerned, in terms of the total number of affiliates in the central organisation, all three trade unions report that currently there is no need to create new unions in new industries. The affiliates currently in place cover the whole spectrum of the economic activity in Cyprus, particularly in the private industry, the private service and the semi-public sector.

In terms of union membership, because the data provided by the unions is approximate and we are unaware of the method of calculating the available data, we decided to cite the most recent available data as supplied by the Ministry of Labour (Industrial Relations Service), although they are taken from older data sets. Particularly, in terms of the biggest trade union in size, numbers fluctuate from year to year between PEO and SEK. Specifically, as according to the most recent official data provided by the Ministry of Labour (Industrial Relations Service) the total number of employees that were eligible to join a trade union were 159,409 as for the year 1993, 166,414 in 1998 and 174,577 in 2001. Data by gender is not available. According to the same source (Department of Social Insurance), the biggest trade union for the years 1993 and 1998, was PEO with 66,492 members and 63,981 respectively, followed by SEK with 55,143 and 60,692 members, PASYDY with 22,951 and 25,068 members and finally DEOK with 8,310 and 10,358 members. Same figures by gender refer to 23,259 women and 43,233 men for PEO as for the year 1993, and 20,847 and 43,154 as for the year 1998, while during the same years the figures for SEK were 18,355 and 20,907 women and 36,618 and 39,778 men, for PASYDY 10,191 and 12,321 women and 12,760 and 12,747 men and finally for DEOK 3,183 and 4,491 women and 5,117 and 5,867 men. In the year 2001, SEK was registered as the biggest trade union with 64,733 members, followed by PEO with 63,871 members, PASYDY with 26,498 members and DEOK with 11,827 members. Data by gender are not available for the year 2001.

As for the year 2005, all the unions in question forecast an increase in membership, mainly because of new entrants in the labour market. In particular, SEK forecasts an increase of about 10%, while according to the PEO's organisational plan, new labour market entrants are expected to increase members' ranks by around 2%.

Regarding the organisation and development of employers' organisations, according to the 2003 annual report of OEB, the federation comprises 53 professional associations. The enterprises that are members (direct or indirect) of OEB employ about 60–65% of the labour employed in positions of subordination, in the private sector, also including semi-public companies. According to OEB new important labour and social issues are being reviewed, which create a need for enterprises to rally round their organisation. In this framework, OEB believes that because of the serious and responsible manner it addresses various issues, its degree of penetration in Cypriot enterprises will increase even more. With regard to the size of the enterprises, which belong to OEB, the overwhelming majority are small and medium enterprises, whereas about 80% are active in the service sector. It should be noted that in the Cyprus economy the size of enterprises is determined as follows:

- small enterprises: 1–15 employees;
- medium enterprises: 15–249 employees;
- large enterprises: over 250 employees.

As far as CCCI is concerned, it currently comprises 125 professional associations, and employees who are members of CCCI numbered 148,000 in the reference year of 1999, a figure representing 82% of people gainfully employed in the private sector. According to the CCCI, the number of individual members will increase because new occupational associations are being created, since there is new occupations and areas of economic activity that need to be organised in order to address common problems.

In terms of affiliations at European and international level: DEOK is a member of the World Confederation of Labour (WCL); PEO is a member of the World Federation of Trade Unions (WFTU); SEK is a member of the European Trade Union Confederation (ETUC) and the International Confederation of Free Trade Unions (ICFTU); CCI is a member of UEAPM; while OEB is a member of both IOE and UNICE. Both trade unions and employers' organisations regard their participation in international organisations as a very important one, mainly because of the quick access to information on EU and international issues. However, it is mentioned that there are so many international organisations that it is difficult to have representation and participation in all meetings and all organisations, since the same people must meet needs on the domestic level. For example, PEO reports that in order to take part in the annual proceedings of the ILO in Geneva, representatives must leave their posts for 15 days.

Finances

In all three unions, available financial resources are considered adequate to meet all relevant costs, both at central and at regional level, and all three organisations are financially autonomous. Financial support from outside institutions is restricted to a minimum and mainly regards funding from the Labour Force Development Authority for meeting needs in the area of training in union affairs (vocational training for members), as well as some funds from EU projects. As for the year 2004, the annual budget for DEOK amounted to around EUR 1,700,000, for PEO around EUR 1,900,000 (approximately EUR 25.5 per member) and for SEK around EUR 3,600,000 (approximately EUR 50.4 per member). For 2005, all three organisations are expecting their incomes to increase slightly due to a respective increase in the number of their members.

For 2004, the average monthly individual trade union membership fee for the members of DEOK was around six euros, representing approximately 1% of their monthly salary. In most cases contributions are collected by direct deduction from wages/ payroll. As for PEO, the average monthly individual trade union membership fee for its members was around four euros and 25 cents, an amount representing again about 1% of their monthly salary. Finally, the respective contribution for the members of SEK was around six euros and 30 cents, an amount representing about 1% of their monthly pay.

With regards to the employer organisations, particularly the manner of calculating the membership fee for the enterprises, in the case of OEB contributions are calculated as a percentage of the enterprise's annual payroll, whereas the CCCI follows the system of a lump-sum deduction, depending on the size of the enterprise. With regards to the annual budget for 2004, neither OEB nor KEBE have supplied the relevant data, since the budget has yet to be published.

Nevertheless, for 2003, OEB announced a budget of around EUR 1,000,070 and CCCI of around EUR 1,490,000. For 2000 the approximate figures were EUR 757,000 for OEB and EUR 1,348,000 for CCCI. Both employer organisations stated that they are financially autonomous. However, according to CCCI available funds are just sufficient to meet the organisation's expenses. As in the case of the unions, in 2005 incomes are expected to increase due to increased number of members. CCCI also expects an increase in funding from the Labour Force Development Authority to meet training needs. It should be noted that 70% of the cost of member training seminars is covered by the Labour Force Development Authority and 30% by the enterprises.

Human resources

According to the data provided by both employer and trade union organisations, regarding the number of employees and the gender-based composition of the labour force to their central organisations, it is obvious that the percentage of women employed is lagging significantly behind that of men. Furthermore, as regards the qualitative characteristics of female employment and especially in relation to occupational segregation, a strong vertical segregation has been noted. The relationship between women and men in the workplace is solely hierarchical, where women are in subordinate positions to men, whereas there are very few women in positions higher in the hierarchy (top officials/management and supervisory positions).

In particular, at central level, DEOK employs 25 people: 13 men and 12 women. As regards education level, out of all employees' five hold university degrees, four have completed some university education, and the other 16 are graduates of lower or upper secondary education. As regards job characteristics and in particular employees positions in the hierarchy, three employees are in positions of responsibility (managers, directors, senior officials in coordinating or supervisory positions): two men and one woman. A total of 16 people are employed in general staff positions: 10 men and six women, whereas all six secretarial support positions are women. Apart from Greek, the only other language spoken in DEOK is English, but there is no information on the precise number of employees who use English as part of their everyday work. Computer use is quite common, and all the employees who use computers daily, representing about half of the total workforce, have internet access. DEOK does not plan to hire any new employees in 2005, as the existing staff is sufficient to serve the members in the framework of the current budgetary resources.

PEO employs a total of 48 people: 30 men and 18 women. In terms of educational level, three people have completed post-graduate studies, 14 hold a university degree, three had some university education and the other 28 are graduates of lower or upper secondary education. At the top of the hierarchy there are 12 people: 11 men and one woman, 24 people hold general staff positions: 18 men and 6 women, 11 women cover the whole spectrum of secretarial support work and one man is employed in other jobs. Apart from the Greek language, the spoken languages in PEO are Bulgarian, English, Russian and Turkish, and English remains the dominant foreign language. Almost all employees use computers and have access to the internet. For 2005, PEO plans on hiring one person in the department of international affairs.

At central level, SEK employs a total of 42 people: 27 men and 15 women. As regards employees' educational level, three people have completed post-graduate education, six hold a university degree, and the other 27 are graduates of lower or upper secondary education. Hierarchically, there is a large number of employees in responsible positions: out of 21 employees 19 are men but only 2 are women. A total of 11 people are employed in general staff positions: eight women and three men. As in the case of DEOK, the four secretarial support positions are held exclusively by women, and another six people, five men and one woman, are employed in other positions (e.g. office boy). Although there is one employee who speaks French, English is the foreign language most commonly spoken, and almost all employees use computers and have internet access. With regard to new staff for 2005, SEK plans on hiring at least one employee with specialised knowledge in the area of health and safety at work.

In the employer organisations, the CCCI employs a total of 39 people, 20 women and 19 men. As far as educational levels are concerned, four individuals have completed post-graduate studies, 14 have a university degree, and the other 21 employees are graduates of lower and upper secondary education. Hierarchically, six men are employed in positions of responsibility as managers or directors, 14 people (10 men and four women) hold general staff positions, 16 women cover the whole spectrum of secretarial support work, and three men are employed in other jobs. Apart from the Greek language, some employees speak English and German, but English remains the dominant foreign language. Almost all employees use computers and have access to the internet. For 2005, CCCI plans on hiring one person in the commerce department, while it is generally acknowledged that the workload is excessive in relation to the total number of the CCCI's employees. As a result there are serious deficiencies, mainly in the area of labour relations, as well as in the areas of industry and services.

Finally, OEB employs 23 people: 14 men and 9 women. As regards employees' level of education, 10 employees have completed post-graduate studies, four have a university degree and the other nine are graduates of lower and upper secondary education. Hierarchically, all four positions of responsibility are held by men, seven men and three women are employed in general staff positions, six women are employed in the area of secretarial support and three men in other positions. The only foreign language used is English, and the majority of employees, 20 in all, use computers daily and have internet access. In relation to the services provided to members, the staff is considered to be adequate; however, OEB plans on hiring some new staff before the end of 2005. According to OEB, the need for new staff has arisen from the constantly increasing number of members, and hence from its increased needs in relation to the services provided.

Collective bargaining

The organisations involved and levels of collective bargaining in Cyprus are illustrated in Table 2.

Table 2: *Collective bargaining in Cyprus*

Organisation	National	Sectoral	Regional	Company
Employer organisations	Not applicable to Cyprus		Not applicable to Cyprus	
Cyprus Chamber of Commerce and Industry (CCCI)		YES		YES
Employers' and Industrialists' Federation (OEB)		YES		YES
Trade unions	Not applicable to Cyprus		Not applicable to Cyprus	
Democratic Labour Federation (DEOK)		YES		YES
Pancyprian Federation of Labour (PEO)		YES		YES
Cyprus Employees Confederation (SEK)		YES		YES

Collective bargaining system

In Cyprus, the right to collective bargaining is guaranteed and safeguarded mainly by the Constitution of the 1960. In specific, Article 26(2) of the Constitution provides that 'a law may provide for collective labour agreements of obligatory fulfilment by employers and workers with adequate protection of the rights of any person, whether or not represented at the conclusion of such agreement'. However, up until now, a law as provided by Article 26(2) has not been enacted. Therefore, the regulatory part of the collective agreements (terms regulating pay and working conditions issues, along with other issues arising from provision of labour) is not directly and necessarily applicable to workers, causing many people to refer to collective agreements as mere gentlemen's agreements. As Christodoulou (1992) points out in accordance with the prevailing view, collective agreements as an autonomous legal institution creating legal rights and obligations, does not exist in Cyprus (p.281).

In practice, the system of free collective bargaining developed in the framework of the Industrial Relations Code (from now, IRC) that applies to both the private and the semi-public sector. It is about a gentlemen's agreement freely negotiated and signed by the social partners, (Ministry of Labour on behalf of the government, PEO and SEK on behalf of the trade unions and OEB on behalf of the employer organisations) on 25 April 1977 that still remains in force, practically with no essential changes up to now. Prior to the signing of the IRC, a first agreement called 'the basic agreement' was signed in 1962, a code founded again on the common acceptance of the three parties, following an initiative of the Ministry of Labour and Social Insurance. It was about a rather simpler set of 'rules', which functioned quite efficiently until it was succeeded by the IRC. The IRC, like its predecessor pertains to the philosophy of tripartite cooperation in that the three parties accept, in principle, the existence, irrespective of their own objectives, of common ground for cooperation in the general interests of the country. Accordingly, the IRC is in fact governing the whole system of collective industrial relations in the private and the semi-public sector. The code consists mainly of two parts. In the first part, under the title the 'substantive provisions' the two main participating parties (trade unions and employer organizations) recognise and ensure certain fundamental rights to free collective bargaining, while in the second part, titled 'procedural provisions' the code provides for separate procedures to be followed for the settlement of disputes over interests, and for the settlement of grievances/ disputes over rights.

With regards to the issues that are considered as negotiable through collective bargaining, these issues are not defined in the present code. In particular the code provides for specification, if possible, in collective agreements, while no issues are defined as unsuitable of being regulated by collective agreements. Though not set out by law, collective agreements

do not generally specify working conditions below the standards defined by law. It should be noted, that the provisions of the IRC do not apply to the public/ government sector.

Levels of collective bargaining

As to the levels of collective bargaining, in Cyprus collective bargaining as a whole is decentralised, and many of the Collective Labour Agreements are concluded at enterprise level, while both employers' organisations and trade unions foresee a further decentralisation of collective bargaining. It should be noted that in Cyprus there are no national general collective labour agreements. The two basic bargaining levels are the sectoral and the enterprise level, and the usual term of the agreements (subject to bargaining) is two years, and in a certain number of cases three years. More specifically, according to the most recent available data from the industrial relations service of the Ministry of Labour, in 2003 there were 13 sectoral labour agreements in the following sectors of private economic activity: leather goods, clothing, footwear, metal products, construction, construction companies, electrical installations, transports, hotels, catering, oil companies and the financial sector. These sectors account for 26.7% of the total number of employees in Cyprus for the year 2001, or 41.4% of all union members during the same year. Most of the aforementioned agreements were signed in 2001 and expired in December 2003; however, there is no available data on the precise number of agreements signed each year.

Direct negotiations are always held between the two sides, in most of the cases between PEO, SEK and OEB. As Messios (2004) points out, due to the extensiveness of these collective agreements direct negotiations are usually protracted, arduous and complex. The majority of sectoral collective agreements were first agreed upon a number of years ago, and have already been renewed many times, with further additional agreements also signed, leading to a very complex network of rules regulating employment in these sectors. Also the lack of coding, and of a follow-up system, often leads to misunderstandings, misinterpretations, and differences of views as to what applies for a number of provisions of these agreements. In this context and given the complex nature of the agreements, many labour disputes arise from the interpretation of the agreements (disputes over grievances) leading to an ongoing stream of labour disputes. It should be noted that the collective agreement in the construction industry, the second largest economic sector in Cyprus after tourism, has historically constituted a test run for the renewal of collective agreements in the other sectors. It was the first agreement concluded at a sectoral level in 1938, and the Federation of Building Contractors Associations of Cyprus (OSEOK) was the first employers' association in Cyprus. Since then, the sector has been characterised by a tradition of bilateral relations between employers and workers.

Apart from the developments at sectoral level, trade unions and employer organisations review developments in the labour market and the economy as a whole on a regular basis. Coordination is achieved at summit meetings and trade unions and employers' organisations agree, amongst their members on a yearly basis, on the strategy to be followed with respect to the renewal of the collective agreements.

Regarding collective bargaining at enterprise level, it is estimated that over 450 enterprise collective agreements are currently in force. These collective agreements are more predominant in the manufacturing sector, wholesale, and the tertiary sector. Again, the provisions of the IRC apply to these agreements, which mostly have a two-year duration, though the duration remains negotiable. Collective agreements at enterprise level are drawn up and usually negotiated directly between the employer and the employees' trade union representatives. In a number of cases however, employers seek the professional assistance of their affiliated employer organisation. Furthermore, to a larger extent than at sectoral level, at enterprise level collective agreements are resolved at the direct negotiations stage, since employers prefer to resolve issues as quickly as possible, instead of engaging in lengthy procedures. At the same time, trade union representatives in private enterprises usually have closer and more harmonious relation with employers, which in turn facilitate simpler settlements.

As for the semi-public sector, collective bargaining is similar here to the private sector. However, in some cases direct negotiation can deadlock the role of the mediation service due to the fact that management fails to follow the guidelines issued by the Ministry of Finance for wage increases, or agree to other employee demands. Consequently, if the proposed guidelines are not followed by the organisations, then the Ministry of Finance gets the final say for the approval of a given agreement. This has the result of deadlocks in these companies being much more complex (Messios, 2004, pp. 7–9).

At all levels, collective agreements cover both organised and unorganised employees, in some sectors however (i.e. construction) due to the fact that control mechanisms are fairly placed, unorganised labour is often not covered by collective agreements. When it comes to extension procedures, in Cyprus there is no mechanism, set either by law or collective agreement, providing for the extension of collective agreements.

In terms of the content of the collective bargaining, suffice to say that despite the fact that in the Cypriot system of industrial relations collective bargaining has traditionally played a primary role in regulating terms and conditions of employment with the law playing a secondary role, the content of collective agreements is fairly limited. Although no study has been conducted with regard to the content of collective agreements at either sectoral or company level, the indications are that the agreements do not appear to take account of the setting of terms and conditions of employment, factors such as gender, age, training and/ or retraining, mobility, stress at work etc. Taking equal opportunities between men and women as an example, it could be said that there is no connection with the collective bargaining process, while the same is also true for the sensitive area of health and safety at work.

Future trends

In practical terms, although collective agreements are not legally binding, they are fully respected by the social partners. In other words, the social partners demonstrate a high degree of social responsibility by faithfully observing the provisions of the collective agreements. The social partners' attitude allows for a particularly effective system. In addition, and despite the fact that the content of collective labour agreements is rather limited, the part they play in regulating the terms and conditions of employment, is a particularly important one. In short, collective bargaining in Cyprus is widespread and is by far the most representative method for agreeing terms and conditions of employment between the two parties.

However, prompted by Cyprus' EU membership, a discussion has begun recently on industrial relations and how they take shape. In this context, the biggest trade unions have made a commitment to put forward specific recommendations and suggestions. Of significant importance is SEK's longstanding demand for the need for collective labour agreements to acquire a legally binding content, if not in their entirety then at least with regard to the basic terms and conditions of employment, namely earnings (including benefits and cost-of-living allowances), working time (including overtime and holidays) and social benefits (e.g. contributions to the health and welfare funds). Although at the moment, both the OEB and PEO are opposed to this specific demand, social dialogue is expected to centre on the need to readjust the employment system in Cyprus, especially the non-statutory nature of the collective labour agreements. Of particular interest here is the discussion taking place inside PEO and refers inter alia, to the following:

- The need, to lay down in law a procedure by which workers may easily and voluntarily organise in a union and be covered by collective agreements.
- The need to create a mechanism for extending coverage of the collective agreements on the basis of specific criteria for all sectors.
- The need to introduce legislative regulation of benefits such as a thirteenth month's pay.

So far, irrespective of the differences between the social partners, all three parties express the will to continue the tradition of tripartite cooperation and to secure the existing institutions to the maximum degree. Accordingly, any changes with regard to collective bargaining in general, and the IRC in particular, should be based on the principles of voluntarism and tripartism, while in regulating the terms and conditions of employment collective bargaining should remain the backbone of the present system. The willingness of the social partners to continue with the present system is clearly illustrated by a recent agreement (March, 2004) on the regulation of the right to strike in essential services. On the one hand, this agreement puts into practice a commitment of the new government and a longstanding demand of the social partners, while at the same time forms part of the interventions aimed at modernising the country's labour institutions. On the other hand, the achievement of a consensus after almost ten years of consultations, and in particular the elimination of the gap regarding the manner of regulation, highlights the importance of the tripartite cooperation and the institution of social dialogue, and shows that despite its voluntary nature the current system in Cyprus can be particularly effective.

Regarding the process of social dialogue and in particular its influence to the system of collective bargaining, recent political developments are considered to be of particular importance. More specifically, the result of the last presidential elections held on 16 February 2003 that brought in power Tassos Papadopoulos as the new President of the Republic is considered to be of particular importance for industrial relations in Cyprus. This is because, the governance of the country in the ten years from 1993 to 2003 by the conservative Dimokratikos Synagermos Party supported by the EDIK (Liberal Democrats), with G. Clerides as President, had a negative effect on the institution of social dialogue on economic policy. It should be noted that in Cyprus the system of governance is a presidential republic, while the new president was elected with the support of four parties, the Progressive Party of the Working People in Cyprus (AKEL), the Cyprus Democratic Party (DIKO), the United Democratic Union of the Centre (EDEK) and the Ecologists/Environmentalists.

According to the Ministry of Finance, the membership of Cyprus of EMU remains an important strategic goal, set for around 2007, so as to give the country the necessary preparation time. In line with this goal, collective bargaining with regard to the setting of wages and salaries is of critical importance, while it remains to be seen how the goal of meeting the Maastricht and Stability and Development Pact criteria will affect wage negotiations. The government's goal is to restore equilibrium in public finances through the fiscal recovery programme it has announced, thus enabling Cyprus to enter the euro zone. In this context, and with regard to wage policy, the government believes that wage increases should follow increases in productivity. In particular, in determining its policy, the government believes that the outcomes of collective bargaining between the social partners must be respected. The government is aiming at constant improvement in workers' living standards, at the pace of productivity increases. In as much as higher incomes go hand-in-hand with productivity, this maintains the competitiveness of the Cypriot economy and does not disturb the economy's macroeconomic stability. In parallel, in view of the EU requirement for reducing the tax burden on labour, the government is endeavouring to keep the tax burden on labour at low levels. In relation to future developments, according to the Ministry of Finance, the Cyprus's membership of EMU will certainly affect wage setting to some extent. However, the government believes, on the basis of the current social dialogue structures that it has at its disposal, that it will be in a position to address pay demands within a framework which will, without underestimating the social partners' side, also take account of the economic priorities emanating from Cyprus's membership of EMU. In this direction and having as a basic objective the gradual convergence with the EU, the government is open to reaching agreements on a tripartite level, provided that the basic economic policy priorities that have been set are pursued. Therefore, in the light of joining the EMU, the Ministry of Finance through the Economic Advisory Committee, will seek to achieve the greatest possible consensus on the issue. In this sense, the government is hopeful that the priority for meeting the Maastricht and Stability and Development Pact criteria, where even a budget surplus or a balanced budget are foreseen, will be feasible.

In this framework, the new round of collective bargaining that began in mid-February 2004 is of particular interest, since it concerns the renewal of most of the agreements on the sectoral and enterprise levels. The interest lies mainly in

whether the unions will demand pay increases above and beyond the increase in productivity, aimed at gradually achieving real convergence between wages and salaries in Cyprus and the EU as a whole. Collective negotiations so far, in critical sectors of the economy, such as in the hotel industry, shows that the two parties have diametrically opposed positions, while of decisive importance are the different interpretations of the term of labour productivity. Furthermore, given the conflict between capital and labour with regard to the Cost of Living Allowance (COLA), the possibility of concluding tripartite agreements is being discussed, with the whole matter still being at discussion stage. Although up to now, any attempt to conclude a social contract has failed repeatedly, it is beginning to become evident that in the context of the accession of Cyprus to the EMU, the need to conclude a Social Contract will be imperative. It should be noted that all calculations regarding the macroeconomic strategy to join EMU and how to meet its macroeconomic conditions are based on the assumption that there will be no solution to the Cyprus problem in the next years.

To date, the social partners have not devoted any attention to the question of stress at work which has not been the subject of public dialogue at any level. However, in the context of revising the existing legislative framework on health and safety in the workplace, it would be of interest to see whether new issues, such as stress at work, will be included. The same applies with relation to the EU agreement on telework.

Tripartite participation

As mentioned above, in Cyprus the formulation and implementation of almost all proposals and policies regarding industrial relations, was and remains the result of social dialogue between the government, employers' organisations and trade unions.

On a practical level, the cooperation between the three parties is achieved through the operation of technical committees and other bodies of tripartite representation, but mainly through representation of the stakeholders in the Labour Advisory Board (LAB). Tripartite bodies like the LAB, regularly assign specific subjects to the tripartite technical committees, according to their specific area of expertise, working together to their assigned terms of reference. As Mallis and Messios, (2003) point out, this mechanism was used during the long and arduous harmonisation process, with tripartite technical committees working individually on harmonising draft legislation. Further to this, when draft legislation is sent to parliament, or any other issue is about to be discussed at the House of Representatives, the social partners are always invited to participate in the discussion and presentation of the subject in question within the parliamentary committees. Another important feature of the policy formulating 'power' of the social partners is the fact that when the LAB takes unanimous decisions, then the parliament respects LAB's decision, even in the cases where an opposite view prevailed in the parliament prior to the LAB's unanimity. However, when it comes to issues of economic and wage policy, these have not really been the subject of tripartite cooperation. In this area, the most competent committee of tripartite representation is the Economic Advisory Committee, which operates in the context of the activities of the Ministry of Finance. This committee has a clearly advisory character; that is to say, the committee's proceedings have never led to the conclusion of relevant agreements. In particular between the years 1993–2003 the committee was practically limited to merely an annual formal meeting of the parties. It should be mentioned that in all the bodies of tripartite representation currently in place, social partners participate with a ratio 6:6. In particular, there are three representatives from CCCI and three from OEB, while on behalf of the trade unions there are two representatives from each central union organisation, namely DEOK, PEO and SEK. Depending however on the nature of the issue in question, representatives from other trade unions or employer organisations might be invited on an ad hoc basis, and mainly participate as observers.

Given that since 1960 Cyprus has been considered internationally a model of tripartite cooperation all three parties express the will to continue this tradition, first by securing the existing institutions to the maximum degree, and second by considering the expansion/ enlargement of the institution of social dialogue to other issues such as economic and monetary policy. A characteristic example to this direction is the discussion regarding the re-establishment, re-operation and upgrading of the National Productivity Board, which has so far not yielded any results. Furthermore, the Ministry of Finance expressed the will to call on the Economic Advisory Committee to carry out a thorough exchange of views of the social partners on the issue of EMU membership and convergence with the macroeconomic criteria.

It should be mentioned that there are currently more than 50 tripartite technical committees and councils in place, functioning in the context of various initiatives and activities taken by the different ministries: the Ministry of Labour and Social Security, the Ministry of Commerce, Industry and Tourism, the Ministry of Economics, the Ministry of Justice and Public Order, the Ministry of Health, the Ministry of Transport and Works, the Ministry of Education and Culture, and the Ministry of Agriculture, Natural Resources and Environment.

According to both employers' organisations and trade unions, the experience gained from participating in the various tripartite bodies, the Economic Advisory Committee and the Industrial Advisory Board in particular, has been extremely positive because there is a real possibility of dialogue with a view to achieving consensus, whereas as a rule government's commitment is achieved through unanimous decisions. Furthermore social dialogue creates a climate of trust and makes it possible to intervene and take joint decisions on issues of decisive importance. Finally, the process of social dialogue and cooperation through the tripartite bodies makes possible a timely intervention in labour and social policy issues.

In this context and because of the constantly increasing number of issues as well as the complexity of the various issues that must become the subject of social dialogue, the importance of social dialogue will increase in the future.

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Annexes

Annex 1 Strengths and weaknesses of social dialogue capacities

Strengths of the Cypriot system

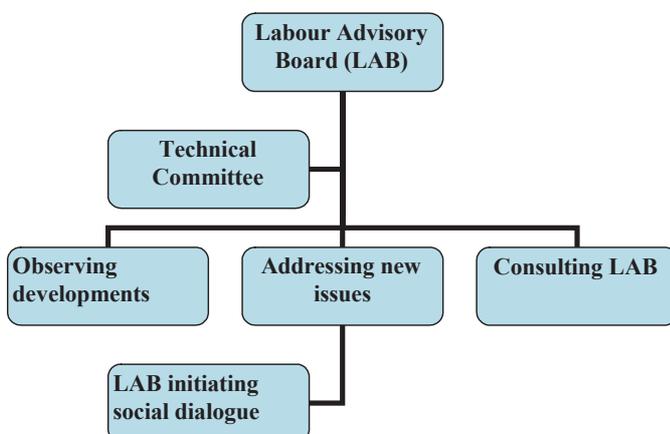
- Industrial relations system's fundamental elements: voluntarism and tripartite cooperation.
- Limited state intervention: the state has an advisory role or it acts as a coordinator where difficulty is encountered in achieving agreement in the direct bipartite bargaining between the employer organisations and the trade unions.
- Regulating industrial relations and formulating terms and conditions of employment: Collective bargaining has a leading role, while legislation is a secondary tool.
- High level of coordination between the employer organisations and the trade unions.
- Financial autonomy of the social partners.
- Despite the tradition of pluralism, there is also a high level of cooperation between the trade unions.
- High quality of services provided by the trade unions.
- Almost all the social and labour issues are subject of social dialogue (i.e. the adoption of the EU acquis).

Weaknesses of the Cypriot system

- Collective bargaining limited agenda: including mainly purely economic issues (i.e. COLA, wages, benefits etc.) and traditional bargaining on working conditions, as working hours and annual leave.
- Relatively limited social dialogue agenda: lack of initiative to expand into new areas (i.e. economic and monetary issues).
- Constantly increasing number of issues and complexity of issues: lack of expertise in national level.
- Limited ability to participate in European Social Dialogue procedures: lack of personnel.
- Trade unions adopt an employer attitude in terms of the allocation of budgetary resources.

Ways to improve the existing system

National development project: Empowerment of the existing mechanisms



The proposal refers to the creation of a special permanent tripartite Technical Committee of the Labour Advisory Board (LAB), which will have an advisory role. The main tasks of the committee will be to observe developments at both national and European levels and to address new issues in the LAB through a process of consultation. The basic goal is the expansion of social dialogue and tripartite cooperation into new areas of interest (i.e. economic issues), as well as the empowerment of rather neglected areas (i.e. quality of work). The proposed model could easily apply to all the bodies of tripartite representation currently in place that function in the context of various initiatives and activities taken by the different ministries.

Annex 2 National tripartite team

- Eva Soumeli – national expert
- Michaela Papadopoulou – Ministry of Labour
- Orestis Messios – Ministry of Labour
- Antreas Poulis – Cyprus Workers' Confederation (SEK)
- George Constantinou – Cyprus Workers' Confederation (SEK)