

THE CYPRIOT WELFARE STATE: CONTRADICTION AND CRISIS?

Anthos Shekeris

Abstract

Within the Framework of the socio-economic evolution of Cyprus the welfare system of the island is depicted since the 1960s. A discussion then follows as to what extent Cyprus can be viewed as a welfare state using Mishra's (1990) definition and in what category it falls under using Esping-Anderson categorization (in Mishra 1990). Finally, a brief overview of the contradiction of the Cypriot conservative/corporatist welfare state is highlighted vis-à-vis its crisis-ridden Euroocean counterparts.

Introduction

(a) The Theory

Ramesh Mishra defines the welfare state as:

a liberal state which assumes responsibility for the well-being of its citizens through a range of interventions in the market economy, e.g. full employment policies and social welfare services. The term includes both the idea of state responsibility for welfare as well as the institutions and practices through which the idea is given effect.¹

The general principle in simple terms, as Mishra clarifies, is the fact that governments could and should indeed assume responsibility for the welfare of their citizens in terms of "... maintaining a decent standard of life for all citizens."² Three major elements are incorporated within this general principle. Primarily Mishra claims that a regulation of the market economy should exist so that a high and stable level of employment could be maintained. Second, it incorporates the public provision of a wide range of social services eminent amongst these being education, income security, medical care, housing and different personal social services aimed at meeting the very basic needs of citizens. What has however, to be pointed out is the fact that these social services are regarded as universal. This important principle of universality implies that state services are actually meant for

all citizens and not merely for those with a low income. Finally, a 'safety net' of various assistance services based on a test of income or specific arrangements to satisfy rather exceptional cases of need and to abate poverty should exist.³ In fact what is required is that the government has an active as well as ongoing role of intervention "... to keep inequalities in check."

Cyprus⁵ since the 1980s can be classified as a social welfare state as it is in line with the definition given by Mishra. However, to fully comprehend this a general introduction to the economy of Cyprus is required. The social welfare services of the island follow the history of the political economy of Cyprus like many European countries whereby "economic growth was [...] the irreplaceable foundation of the traditional welfare state."⁶

(b) Sociopolitical/ History of Cyprus: An Overview

Primarily, what has to be put forward regarding Cyprus is size. Size in terms of territory, population as well as economy, has, throughout history, dictated the fate of the island. Cyprus is a micro-state being highly dependent on the outside world and has therefore been characterized as a price taker dealing with problems of limited proportion.⁷ Its geographic position gives it a certain status because being surrounded by Eurasia and Africa, Cyprus has always had an offshore function.⁸ Its history has always been dictated by external factors and as Wilson claims "most of the great Mediterranean and Middle Eastern civilizations have left their mark on the island."⁹ Therefore, today imprints of its past conquerors are to be found on the islands' economy, culture, politics, and population.

In terms of natural resources Cyprus has been quite limited. In fact land and water make up the most important physical resources of the island. Agriculture takes up only about a third of the land whilst the rest has been taken over for "... more profitable uses - residential, commercial, industrial, transport and tourism."¹⁰ Water tends to be a limited resource for it undergoes fluctuations that sometimes reach a very painful degree although major water storage as well as distribution works in the 1980s have managed to cushion these shocks. What is however, crucial and exceptionally vital as a resource is the islands' population. In short, as Christodoulou clarifies, its effective as well as efficient use may perhaps constitute the most vital element for the economy of Cyprus in the future.¹¹

Since 1988 Cyprus has been officially ranked with the high-income economies of the world. With independence in 1960, the newly formed Republic of Cyprus, in spite of the limited development undertaken by the British,¹² inherited an economy with symptoms of underdevelopment.¹³ Therefore, the predominant and central issue for the government became development, the latter being pursued both in a systematic way and on a much larger scale.¹⁴ The basic principles of indicative

planning were adopted and so five-year development plans were established which clearly embodied both the development strategy and economic policy of the government.¹⁵ Furthermore, considerable efforts were undertaken by the government to raise the level of health, social security, education and general welfare.¹⁶ The years between 1960 and early 1974 were characteristic of sustained economic growth but as early as 1963 inter-communal clashes between Greek Cypriots and Turkish Cypriots broke out.¹⁷ By 1974 an escalation in the inter-communal fighting between the two communities and a failed coup d'etat led by the dictatorial junta of Greece, provided the pretext for invasion of the island by Turkey. The invasion left the island with 37% of its territory occupied by Turkey and a shattered economy.¹⁸

In spite of this very big setback, the economy of the island managed, within a relatively short time, to recover. This recovery is indicated by the impressive rate of real growth which averaged about 8,5% over the period 1976-81.¹⁹ Behind this, to some extent "miraculous" recovery, was a series of Emergency Economic Action Plans implemented by the government of Cyprus together with the "... spirit of social solidarity and with a will to survive [the people of Cyprus] rebuilt their lives, their political institutions and their economy."²⁰ Manufacturing and construction were to become the dominant sectors for employment soon after the invasion. Although by the end of the '70s domestic exports showed a poor performance the economy however had actually achieved a higher average rate of growth than expected. What was in fact responsible for this growth was the performance of tourism. Since then the tourist industry has become the dominant activity in the economy of Cyprus and has been characterized as the "... main engine driving economic growth."²¹

To some extent the economy of Cyprus had undergone a rigorous transformation. Although today the primary and secondary sectors are of extreme importance the service sector over the past two decades has acquired an ever growing importance. In the 1980s the rate of growth of economic activities, in real terms, averaged 6,2% per year, and unemployment averaged 2,9% (even declining to 1,8% in 1990).²² The rate of economic growth in 1994 was approximately 5%, whereby unemployment averaged 2,7%, and inflation 4,7%. In addition to this, the 1994-98 Strategic Development Plan was designed within guidelines that emphasized adjustment of the policies of Cyprus in the socio-economic sector towards those in Europe. Specifically "... through the gradual adoption of secondary legislation and the policies of the European Union and its convergence with the Maastricht Treaty."²⁴ The final goal of this plan being accession of Cyprus to the European Union following the Association Agreement of 1972 and the Customs Union Agreement of 1987 between the two parties.²⁵

In general terms the population as already claimed is relatively small in fact it is relatively smaller "... than the population of most European capital cities and only around that of Oslo, Norway" being even smaller than the population of Palermo,

Sicily.²⁶ Females exceed males the lowest ever ratio being recorded being in 1960 whereby the ratio was 967 males per 1000 females.²⁷ Moreover, as Chappa clarifies 1960 can be regarded as the "... beginning of a gradual aging population."²⁸ The aging of the population increased even more, for by 1987 the median age reached 29,8 whilst the proportion of children below 15 decreased to 25,4% with the cohort of old aged persons 65 and older increased to 10,4%. A drop in fertility also occurred giving further impetus to this aging population. Although this does not compare to European populations who have a median age of approximately 38 years it must be pointed out that the population of Cyprus has not reached an advanced stage of aging.²⁹

The 1974 invasion along with the economic devastation also created a severe social and demographic setback. Massive emigration, geographic redistribution of population together with fertility decline as well as increased mortality summarize the two year period after the invasion. However, by 1994 the mid-year population was estimated as 638, 300 in the Government controlled area. In spite of an aging population and a drop in fertility the latter population is seen as increasing particularly between 1989 and 1993. This is due to the fact that the government allowed foreign workers into Cyprus to alleviate acute labour shortages. In addition to this an increase of expatriates returning to Cyprus for permanent settlement has occurred. Furthermore, the fertility rate for 1993 was 2,3 continuing to be just above replacement level. Men however, in 1993 made up 49,8% of the population and women 50,2%. The Crude Birth Rate per 1000 population was estimated as 16,8 whereas the Crude Death Rate per 1000 population at 7,7.³⁰

Chappa forecasts an outline of the future population trends as well as prospects for the period 1985-2020. Various conclusions are drawn from Chappas analysis:

- The population will undoubtedly continue to increase even though fertility will decline below replacement level.
- There will be a general rise in the number of elderly people exceeding 13% by the year 2020 under the most conservative assumptions.
- The share of the youthful population to the total will be actually declining after 1990.

Primarily, what must be highlighted is the fact that these conclusions have undoubtedly an impact on the welfare state; in particular due to the limited population growth and the increase of the elderly combined with a decrease in the youthful population.³¹ In fact, these factors which are even evident today, strain to some extent the economy. This overall sums up the small scale of the most vital resource in Cyprus - its population.³²

(c) Objective of Study

Taking into consideration the definition of the welfare state given by Mishra and in the light of the economic overview of Cyprus an attempt will be made to illustrate the evolution of Cyprus as a welfare state since independence in 1960. A discussion will follow as to how far this complies with the definition of Mishra and the different course taken by Cyprus from its other European counter parts.

Cyprus: The Ironic Establishment of the Welfare State

The size along with the history of the island also gave it an altogether different path towards becoming a welfare state than the post-war European states.³³ Primarily the Republic in 1960 inherited a similar but limited and basic social welfare system, to that of its colonial power Great Britain. In the early 1960's there existed a probation service as well as a child care program made up of foster care and children's homes. In addition to this there existed a 'Public Assistance Scheme' for the relief of poverty which was administered by District Commissioners. What can be highlighted from the colonial era is the fact that the excellent legislative and administrative foundation left behind allowed for the modern social welfare service to be built.³⁴ Therefore, once the colonial "yoke" was lifted huge improvements in terms of development were achieved.³⁵ From the 'birth' of the Republic and even today all social welfare services are incorporated under the Department of Social Welfare Services. The department itself is under the competency of the Ministry of Labor and Social Insurance, making it perhaps as Konis claims "... the most comprehensive in the world[...] [as one] department has undertaken to provide all [social welfare] services ..."³⁶

The actual importance of efficient and effective social services however, albeit somewhat ironically, became apparent after the invasion and occupation of the island in 1974. The sheer fact that a third of the population was uprooted resulted in the creation of many social problems and an immense increase of vulnerable and dependent groups on the state.³⁷ In fact, as Christodoulou clarifies, the development agenda was radically altered with the refugee crisis topping it.³⁸ Aid, as the long term was to indicate, was used effectively³⁹ and in fact what actually occurred as Zetter states was that "... despite the rural-agrarian origins of the majority of the refugees, they were incorporated into an urban wage-economy through labor intensive policies structured around an urban industrial base."⁴⁰ Indeed:

paradoxically [and ironically] the remarkable experience of Cyprus over the

last two decades in rebuilding its economy from the disaster of ethnic conflict now provides a very significant model for the reconstruction which will inevitably have to take place much closer to the European core, Cyprus is well placed to advise other European states on the issues of large scale forced migration from its experience!⁴¹

The government, in the early years of the invasion, had focused primarily on fulfilling the basic survival needs of refugee.⁴² Achieving this, it has slowly moved to the provision of long-term housing services, free education, health services, a wage related social insurance scheme, scholarships and loans for needy students in order to study abroad, new schools, hospitals, as well as old people's homes, geriatric centers, community welfare centers, children and youth homes, hostels and day-care centers.⁴³ By 1981 Cyprus could be classified as a welfare state within the parameters set by Mishra, for the government clearly defined its social policy with the following three basic objectives:

- to secure a minimum acceptable standard of living for all citizens, especially for those who do not participate, or participate to a limited extent, in the productive process.
- attain a more equitable distribution of the national income and the tax burden, both between different income groups as well as regions; special emphasis being attached on improving the income position of the refugees.
- implement as well as improve existing social programs by preparing the introduction of new institutions, programs and schemes aiming at the steady improvement of the social services so as to respond effectively to the expectations of those in real need.⁴⁴

These were to be achieved through a wide variety of social services such as the implementation of a massive house program, introduction of a wage related social insurance scheme, provision of free medical services to the needy, and the extension of free education to the first three classes of general education as well as to all technical and vocational training.

(a) Labor and Social Insurance

(i) Unemployment

In the early aftermath of the invasion the unoccupied part of the Republic faced a multitude of acute problems with respect to its human power. Primarily, it faced a problem of the influx of as Christodoulou clarifies "... people totally assetless into an economy robbed of most of its productive capacity ..."⁴⁵ In addition to this, a large proportion of the people were proletarianised overnight. That is, this predominantly rural population was turned into a large pool of labor and eventually housed in

various refugee settlements developed near urban areas. However, this very specific factor was taken by the government seriously and so as Christodoulou clarifies "the problem of the size and characteristics of population and labor force utilization begun to receive systematic attention."⁴⁶

The government of Cyprus following the invasion in 1974 set out, in the form of emergency economic action plans, to resolve the acute problems created especially with regards to the mass unemployment. The First Emergency Economic Action Plan 1975-76 set out to:

- make up of the lost production and to raise investment
- economize and increase foreign exchange
- *provide maximum employment*
- distribute more equitably the new burdens so as to ensure an acceptable general living standard⁴⁷

At the beginning employment opportunities were to a large extent hastily improvised but were soon to be taken over by manufacturing and construction which dominated the economy of Cyprus until the end of the 1970s. Therefore within a relative short period of time the government from its initial interventions managed to lower the unemployment rate by aggressive internal policies via interventions in the economy.⁴⁸ In fact, the government managed to create a "... very fast rate of growth of economic activity [which] was translated into expanding job opportunities.⁴⁹ The economy overall has managed to sustain the unemployed at a very low level. In fact the unemployment rate has never risen (since 1975) beyond 3,7% (1986) and has somewhat stabilized between 1,8% to 2,8%. The effectiveness of the governments' indicative planning has evidently been fruitful. The four emergency plans set forth from 1975 until 1988 incorporated guidelines made up by the government for the private sector, having always as a general aim employment levels. Where the private sector was either unable or reluctant to proceed with the implementation of the objectives and targets of the plan the government would take initiative and intervene decisively.⁵⁰ From 1988 the government has moved away from this policy and although the general 'health' of the economy is still of prime importance the government merely provides guidelines for the private sector but forges ahead with its own operations.⁵¹

(ii) *Social Insurance*

A year after the invasion, in 1975 the first law with regards to social insurance was passed which as Konis clarifies was "... to provide for the payment of public allowances and the provision of services to persons in need." In fact the law went further in giving the rights to every Cypriot citizen to a minimum income in order to

satisfy basic or special needs.⁵² Primarily this focused upon refugees but with the gradual improvement of the economy, the government by 1980 established a new social insurance scheme whereby contributions to and benefits from the scheme became earnings related. It covers all employed people as well as self-employed. Employees contribute 16,6% of their earnings (the maximum being Cy£1265 per month). Out of the 16,6%, the employee, 6,3%, pays 6,3% by the employer, and 4% is put in from the General Revenue of the Republic. Self-employed people contribute 15,6% of their income; 11,6% paid by themselves and 3,5% by the General Revenue of the Republic.⁵³

The scheme provides benefits such as: maternity allowance, sickness benefit, unemployment benefit, old-age pension, invalidity pension, widows pension, orphans benefit, missing person's allowance,⁵⁴ marriage grant, funeral grant and benefits for employment accidents and occupational diseases, disablement benefit and death benefit. Moreover, since March 1995 the government provides a pension to housewives who have reached the age of sixty-eight.⁵⁵

(b) Education

The responsibility for overall education lies with the Ministry of Education and Culture. Public schools are state-funded and offer free pre-primary, primary, secondary, and tertiary education. Private institutions tend to raise their income from tuition fees and various state subsidies. Secondary education is given at either Lyceums that offer elective subjects or Technical/Vocation Schools. Furthermore, special schools are run by the state for physically handicapped and mentally retarded children.

With independence, the government, considering the structural weaknesses of the economy it had inherited and with a large agrarian labor force, developed specialized institutions to deal with these problems. In 1963 with the aid of the United Nations Development Program and the International Labor Office the Cyprus Productivity Center (CPC) was established to help both the private and the public sector to use its human and capital resources to increase productivity. Today vocational training programs, workshops and seminars are organized both for management and employees.⁵⁶ In addition to this the Higher Technical Institute (HTI), the Higher Hotel Institute Cyprus (HHIC), the Forestry College, the School of Nursing and Mid-Wifery, were also created. The HTI, offers three-year full-time courses for the Diploma of Technician Engineer in: Civil Engineering, Electrical Engineering, Mechanical Engineering, Marine Engineering, and Computer Studies. The HHIC offers a three-year Diploma in Hotel and Catering Management, Culinary Arts Program, and a one-year Front Office and Housekeeping program.⁵⁷ All these tertiary education programs are offered free of charge to Cypriot nationals. What has also to be pointed out is that only since 1992 the University of Cyprus started

its operations. It was expected to reach its full operational level with 4,000 students in 1998. This undoubtedly will add more stress to the economy as the welfare budget has and will increase even more.

(c) The Health Services

Three general systems of Medical Services provide the medical needs of Cyprus:

- i. The Government Health Sector
 - ii. The Private Health Sector
- and
- iii. Various schemes covering specific sections of the population.⁵⁸

The Government Health Sector provides medical and health care free of charge to refugees, the army and civil servants (along with their dependents). It also provides medical care at reduced rates or free of charge to citizens of a low and middle income.⁵⁹ That is, individuals who earn less than Cy£2,750 per year, households earning less than Cy£4,600 per year as well as households with more than three dependents receive free health care. Individuals who do not earn more than Cy£4,750 and households that do not earn more than Cy£7,000 are eligible for reduced rates.⁶⁰

The private sector has a large number of physicians in either individual practice or who have created polyclinics offering a wide range of medical services. Patients pay for each consultation and so the latter sector is open to anyone who can afford to pay the actual treatment.⁶¹ What must be pointed out however is that a comprehensive and integrated National Health Insurance scheme does not exist. The health care system today, in its totality, both public and private, has an excess supply of doctors⁶² and facilities. In addition to this it is characteristic of a somewhat fragmented system of healthcare finance and delivery and therefore could be dealt a severe blow in terms of bankruptcy. This problem is further enhanced by the fact that medical care is provided free of charge to all the cases that are treated by the Accident and Emergency Departments irrespective of the economic situation of the person involved.⁶³ Considering this, the government has proposed principles and key guidelines for a National Health Insurance (NHI) system to avoid the collapse of the current system.⁶⁴

(d) Housing

Housing became an overnight problem for the government immediately after the Turkish invasion in 1974. Therefore in the 1970s the main issue was the provision

of accommodation to the refugees but in the early 1980s once the former problem was eased the government began to provide for the housing needs of non-refugees with a low or middle income and the population in general.

For the refugees the government established the Special Service for the Care and Rehabilitation of Displaced Persons and put forward various schemes and programs that involved:

- Construction of low-cost housing estates
- Self-help housing schemes through the provision of free building plots and grants-in-aid to cover part of the construction, or the provision of grants-in-aid and low long-term interests to build on land of their own or to purchase a house or flat
- Rent subsidies are provided to eligible refugees
- Refugee civil servants have their own housing schemes made up of long-term, low interest loans.

The government also provides for the low and middle income population in general through the Cyprus Land Development Corporation (CLDC) and the Housing Finance Corporation (HFC). The former CLDC provides land and houses for prices lower than the private sector; whereas the HFC provides low interest long-term loans, eligibility for both being income related.⁶⁵

ii. Discussion

Cyprus was to a large extent, in contrast to other European welfare states, a late comer. Whereby in countries such as the United Kingdom, the golden age of the welfare state can be traced and identified as a 'by-product' of the Second World War, it is pointed out that:

... welfare states tended to emerge in societies in which capitalism and the nation state were both already well established and these pre-existing economic and state formations have themselves prescribed the limits of subsequent welfare state development.

In addition to this what is seen is that in fact the increasing trend of industrialization prompted states to actually adopt welfare policy. However, the welfare state as known today was, as Pierson claims, an innovation that was "... both gradual and mundane ..."⁶⁷ Pierson goes further to clarify that in fact one cannot pin point the exact origins of the welfare state but puts forward three sets of criteria which can also put Cyprus into perspective.⁶⁸

Cyprus could be classified as a welfare state only in 1980. It had first introduced a rather concrete as well as comprehensive social insurance scheme in 1980. The

government of Cyprus can be seen as moving towards the direction of de-pauperizing its public welfare during the period 1980-until today. Furthermore, although still quite small in contrast to many countries of the Organization for Economic Cooperation and Development (OECD), social expenditure in Cyprus had moved away from the 3% of GNP which is taken by Pierson as the "... notional indicator of the origins of the welfare state."⁶⁹

Undoubtedly, various major events in the late history of Cyprus account for the late introduction of welfarism. Primarily, to a large extent Cyprus did not feel the full repercussions of World War II as many of its European counterparts did. Furthermore, Cyprus during this time was under British rule which only in the late 1940s began to implement major (-in contrast to the previous sixty years-) development plans. However, between 1955-60 the British faced an armed insurrection and thus halted abruptly all development. With independence in 1960 the newly established Cypriot government would face deep political divisions and ethnic strife which would culminate in 1974 with the Turkish invasion. These latter events do indeed clarify to a large extent this delay.⁷⁰ In fact 1974 and the aftermath can be regarded as a similar period faced by Western Europe during and after the Two World Wars. The period after the invasion can also be seen as the 'Golden Age' of the welfare state as suggested by Pierson. The major difference with Cyprus though is that it 'missed' out on the industrialization phase. In spite of this what can be claimed is that Britain as a colonial power had already initiated on a very small scale welfarism. Cyprus following independence worked within the constraints set by colonialism for as Gifford and Louis clarify independent states inherited:

international boundaries; military and police forces [...]; a revenue system based on agricultural products and raw materials, the external value of which would fluctuate with the world market; [...] parliament; and usually government offices with files, typewriters, and telephones⁷²

and as Hargreaves clearly points out "... men have to operate in conditions shaped by history; and Africa's [as well as Cyprus] most recent historical experience is of colonial rule."⁷³ Undoubtedly, as Wilson states, the island was left in a sense far better equipped to understand and deal with Europe and is in fact in more harmony "... with the community than mainland Greece."⁷⁴ So even though Cyprus did not undergo industrialization like other European countries, Britain had not only set the foundations for the welfare state but had in a very limited sense promoted it.⁷⁵

From 1974 onwards the introduction of welfare policy in Cyprus evolves together with the actual improvement of the economy. Pierson expresses this link claiming that "... the growth in prosperity [...] generat[es] the necessary resources for the expansion of social programs."⁷⁶ It is a fact that other political reasons such as the mobilization of labor movements or the growing capacity of interest groups to mobilize in favor of sectional interests also play an active role.⁷⁷ In retrospect, however the Cyprus government provided whatever possible for its citizens shortly

after the invasion and the destruction it had caused. What has to be pointed out is the effectiveness of the government in terms of actually implementing the emergency plans drawn up every five years covering primarily the economy. Indeed the government, as Mishra claims did regulate its market economy and in a short time managed to sustain a high and stable level of employment. Undoubtedly, the government, with the guidance it offered to the private sector and its interventions where the latter failed, brought about miraculous achievements within a relatively short time in the economic sphere.⁷⁸

In addition to this, the government following the establishment of employment, housing of refugees, education policy, and health policy has begun to assume responsibility for the welfare of its citizens in terms of "... maintaining a decent standard of life for all citizens."⁷⁹ The government by the late 1970s began directing policy towards the public as a whole providing a wide range of social services eminent among them free education, income security, medical care, housing and various different personal social services which were to a very large extent aimed at meeting the basic needs of all its citizens; in particular the refugees. The government well into the 1980s, and as the economy improved, began to universalize its social services setting out the very important principle adopted by Mishra in that state services are actually meant for all citizens and not merely for those with a low income. Furthermore the welfare state services provided by the government of Cyprus to encompass a 'safety net' based on a test of income and specific arrangements to satisfy rather exceptional cases of need, such as the refugees. This policy, as Mishra defines it, is aimed at abating poverty. In effect the government of Cyprus plays an active as well as ongoing role of intervention in order "... to keep inequalities in check."⁸¹

However, in spite of extended policy with regards to welfarism it has to be pointed out, that in general, social expenditure in Cyprus is significantly lower than in major (OECD) countries; in 1985 this amounted to only 10% of the GDP. Demetriades and House highlight the lower social expenditure in Cyprus by highlighting various factors which contribute to it.⁸² Primarily, it is identified that Cyprus has coverage rates which are much lower than other European countries. That is, the public University of Cyprus has only been functioning for the past three years. Furthermore, the majority of students who study abroad rely heavily on scholarships or private funds to finance their higher educational studies. In fact as Demetriades and House clarify "public expenditure from local sources for Cypriots studying abroad is negligible."⁸³

The lack of a National Health Insurance scheme also plays a significant role with respect to this issue. Today it is estimated that 60-70% are eligible for free medical services however the actual utilization rate of government medical services tends to be somewhat lower at 50-60%. In addition to this, the tertiary level of health services has not developed -patients with rare or special diseases often have to

travel abroad for treatment – and there is an absence of any actual research activity unlike many OECD countries.

Furthermore pensions although widespread are relatively low as pensioners tend to receive only basic pensions. What has to be highlighted though, is that the Social Insurance Scheme was only adopted in 1980 and thus can be regarded as far from being mature. Also those over 65 years of age and over make up only 11% of the population in contrast to 15% in most European countries.⁸⁴

Unemployment benefits also shed some light into why social expenditure is so low in Cyprus. It has to be pointed out that unemployment benefits tend to be payable only for the first six months without work unlike many OECD countries where payment is for longer periods. What is of extreme importance with respect to Cyprus is the fact that unemployment has never risen above 3% throughout the 1980s; for 1994 unemployment registered 2,7% substantially lower than any OECD country.⁸⁵ Social Expenditure can however, be expected to increase substantially now with the establishment of the University of Cyprus and as the age cohort of 65 years and older is set to increase. The increase of this cohort will also be affected by the fact that women or rather housewives over the age of 65 will be receiving pensions without directly contributing to the economy. Furthermore, due to the increase in the life expectancy at birth -for males 74,6 years and for females 79,1 years- an increase of social expenditure will also be needed to cover the needs of an expanding older cohort who live longer thus requiring more medical treatment and whatever involved with old age.

Conclusion: Contradiction and Crisis?

Pierson poses this question with regards to Western European welfare states which since the early 1970s had undergone a serious strain following the oil crisis. What is pointed out is that "... since 1975, 'the growth party is over' and growth in the welfare state has been severely (though variably) restrained."⁸⁶ Problems and changes to the welfare state are however profound evolving around the changing international political economy that has alternated to a large extent the operations of the welfare states. The underlying factor of this is that the welfare state may, as Pierson clarifies, lose its social democratic vision, the very mechanism used for taming capitalism via its redistributive social policy. It is claimed that the core elements of the welfare state "... the commitment to economic growth, the enabling capacity of the state bureaucracy and the attempt to exercise indirect control over capital are increasingly under challenge."⁸⁷

The welfare state however, will not simply disappear but instead, as Pierson states, it "... will be varyingly "reconstructed" so as to reflect a new pattern of rights and interests" which as clearly illustrated is already occurring. Indeed aggregate

social expenditures does not seem adequate enough to explain this 'reconstruction'. Esping-Anderson analyses this putting forward the notion of the type of welfare state regime a country has.⁸⁸

In the case of Cyprus however, difficulties are observed in actually defining the welfare state in terms of Esping-Andersons' three ideal type typical regime types. Primarily the crisis which has undoubtedly caused discussion in the traditional Western European states has not occurred. Moreover, whereby many of the Western European countries classified as welfare states seem to be curtailing their social expenditures the opposite is occurring in Cyprus. The welfare state under scrutiny is undergoing rapid structuring by strengthening its social policy as well as moving towards universalizing the system as a whole; unlike the restructuring in many welfare states. What can be claimed is that Cyprus, as a welfare state, does not fall under the *liberal welfare state* for its is not dominated by the logic of the market, benefits are not modest whereas the state is moving towards establishing a balance between public/private provision of forms of welfare. In addition to this Cyprus cannot be considered either as a social democratic welfare state. "... Universalism and the usurpation of the market" have not been fully achieved although it seems that the government is moving towards this direction. Therefore, it can be safely assumed that Cyprus, in the way it is structuring its welfare, can be placed among the *conservative / 'corporatist' welfare states*⁸⁹ and may be expected to further develop as it is striving towards harmonization with the European Union "... through the gradual adoption of secondary legislation and the policies of the European Union (EU) and its convergence with the Maastricht Treaty."⁹⁰ The goal of Cyprus to accede to the EU means that indirectly it will move to upgrade its social policy in order to actually bring it in harmony with the rest of Europe. In spite of the fact that states in Europe are evidently curtailing welfarism due to the recession, Cyprus has the economic viability to keep on structuring and expanding its welfare within pre-established guidelines and examples set by these already existing welfare states.

Overall what can be concluded is that Cyprus historically can be viewed as a contradiction when regarded side by side with already established European welfare states. Moreover, the problems faced by these latter countries can indeed be used to structure a welfare system in Cyprus free of today's ongoing debates concerning welfare states in Europe. Perhaps, as a paradox to what is occurring in general with welfare states harmonization and overall accession of Cyprus to the EU can foresee the creation of a rather well established *conservative/corporatist welfare state*, with a well structured and defined, universalistic and holistic character.

REFERENCES

Adelman, I. and Morris, C. T. (1967) *Society, Politics, & Economic Development: A Quantitative Approach*. Baltimore: The John Hopkins Press.

Attalides, M.A. (1979) *Cyprus: Nationalism and International Politics*. Edinburgh: Q Press.

Chappa, I. (1992) "Demographic Change in Retrospect." in E. I. Demetriades, W. J. House and S. Matsis eds. *Population and Human Resources Development in Cyprus: Research and Policy Issues*. Nicosia: Department of Statistics and Research, Ministry of Finance.

Charalambous, J. and Georghallides, G. (1993) *Focus on Cyprus*. London: University of North London.

Christodoulou, D. (1992) *Inside the Cyprus Miracle: The Labours of an Embattled Mini-Economy*. Minnesota: University Of Minnesota.

----- . *A Conceptual Framework for a Political Economy of Twentieth-Century Cyprus*. A Conference of the Cyprus Research Center, Nicosia and the Institute of Commonwealth Studies, University of London, 20-21 September, 1993.

Dasgupta, A. K. (1988) *Growth, Development and Welfare: An Essay on Levels of Living*. Oxford: Basil Blackwell Ltd.

Demetriades E. I., House W. J. and Matsis, S. eds. (1992) *Population and Human Resources Development in Cyprus: Research and Policy Issues*. Nicosia: Department of Statistics and Research, Ministry of Finance.

----- . "The Labor Market." in E. I. Demetriades, W. J. House and S. Matsis eds. (1992) *Population and Human Resources Development in Cyprus: Research and Policy Issues*. Nicosia: Department of Statistics and Research, Ministry of Finance.

----- . "The Impact of Demographic Change on Social Expenditure." in E. I. Demetriades, W. J. House and S. Matsis eds. (1992) *Population and Human Resources Development in Cyprus: Research and Policy Issues*. Nicosia: Department of Statistics and Research, Ministry of Finance, 1992.

Gifford, P and Louis, R.W.M. (1988) *Decolonization and African Independence*. New York.

Hargreaves, J. D. (1989) *Decolonization in Africa*. New York: Longman Inc.

Hunt, D. (1990) *Footprints in Cyprus: An illustrated History*. London: Trigraph Limited West Africa House.

Katsiaounis, R. (1993) *Society and Politics During British Rule*. A Conference of the Cyprus Research Center, Nicosia and the Institute of Commonwealth Studies, University of London, 20-21 September.

THE CYPRUS REVIEW

Konis, T. (1993) "The Progress of Social Welfare Services ." J. Charalambous and G. Georghallides. *Focus on Cyprus*. London: University of North London, 1993.

Kranidiotis, Y. (1993) *Cyprus and the European Community*. A Conference of the Cyprus Research Center, Nicosia and the Institute of Commonwealth Studies, University of London, 20-21 September.

Mishra, R. (1990) *The Welfare State In Capitalist Society*. Hetfordshire: Harvester Wheatsheaf.

----- (1984) *The Welfare State in Crisis: Social Thought and Social Change*. Brighton: Harvester Wheatsheaf.

"Pensions to 13,000 Housewives." *Phileleftheros*, Tuesday 24 October 1995, p: 4.

Pierson, C.(1995) *Beyond the Welfare State?* Oxford: Blackwell Publishers Ltd.

Planning Bureau. (1994) *Five Year Development Plan 1989-1993*. Nicosia: Central Planning Commission.

The Republic of Cyprus (1989). *The Cyprus Refugee Problem: Humanitarian Aspects*. Nicosia: Press and Information Office.

----- (1994) *The Republic of Cyprus: An Overview*. Nicosia: Press and Information Office.

----- (1994) *Cyprus*. Nicosia: Press and Information Office.

----- (1994) *Address by the Minister of Finance before the House of Representatives on the Occasion of the Debate on the Budget for 1995*. Nicosia: Minister of Finance Mr Chr. Christodoulou, 22nd December.

----- (1995) *The Almanac of Cyprus 1994-95*. Nicosia: Press and Information Office.

Wilson, R. (1993) *The External Relations of the Republic of Cyprus*. A Conference of the Cyprus Research Center, Nicosia and the Institute of Commonwealth Studies, University of London, 20-21 September.

Zetter, R. (1993) *The Greek-Cypriot Refugees After Two Decades: Perceptions of Return*. A Conference of the Cyprus Research Center, Nicosia and the Institute of Commonwealth Studies, University of London, 20-21 September.

NOTES

1. Ramesh Mishra. *The Welfare State in Crisis: Social Thought and Social Change*. (Brighton: Harvester Wheatsheaf, 1984), p. xi.

2. Ramesh Mishra. *The Welfare State In Capitalist Society*. (Hertfordshire: Harvester Wheatsheaf, 1990), p. 18.

3. Ibid., p.18-19.

4. Ibid., p. 19.

5. Cyprus lies in the eastern part of the Mediterranean basin, the total area of the island is 9,251 Km² and is the third largest island in the Mediterranean Sea. It has a population of approximately 700,000 of which 79,2% are Greek Cypriots, 18,6% Turkish Cypriots whilst the final 2% is made up of Armenians and Maronites. Today Cyprus is an independent republic with a constitution modeled on Western democratic systems. It has a presidential system of government with the prime executive, the President, being elected by universal suffrage for a five year term of office. The executive power is exercised by a Council of Ministers appointed by the President. The legislative authority is exercised by the House of Representatives the latter being elected via the system of proportional representation. Justice is administered by the Republic's separate and independent judiciary. In terms of economy the island is a free market with until 1995 a large degree of government intervention in the form of indicative planning.

6. Christopher Pierson. *Beyond the Welfare State?* (Oxford: Blackwell Publishers Ltd, 1995), p. 131.

7. Rodney Wilson. *The External Relations of the Republic of Cyprus*. (A Conference of the Cyprus Research Center, Nicosia and the Institute of Commonwealth Studies, University of London, 20-21 September, 1993), p.1.

8. D. Christodoulou. *A Conceptual Framework for a Political Economy of Twentieth-Century Cyprus*. (A Conference of the Cyprus Research Center, Nicosia and the Institute of Commonwealth Studies, University of London, 20- 21 September, 1993),pp.2-3.

9. Wilson, p.3.

10. Christodoulou (1993), p. 6.

11. Christodoulou (1993), p.7-8.

12. The British, the last colonial conquerors of Cyprus (1878-1960), in 1946 had initiated a Ten-Year Development plan which had injected planned change in the infrastructure, advanced the training of cadres and advanced the development of agriculture and water resources. This was however cut short when the war for independence broke out in 1955.

Sir David Hunt. *Footprints in Cyprus: An illustrated History*. (London: Trigraph Limited West Africa House, 1990), p. 294.

13. Irma Adelman and C. T. Morris. *Society, Politics, & Economic Development: A Quantitative Approach*. (Baltimore: The John Hopkins Press, 1967), p. 231 - 265.

14. Christodoulou (1993), p. 20-21.

15. The Republic of Cyprus. *The Republic of Cyprus: An Overview*. (Nicosia: Press and Information Office, 1994), p. 34.

16. Christodoulou (1993), p. 22.

17. *Enosis* (unification with Greece) after independence was still sought by various Greek Cypriots whilst *taksim* (division between Greek and Turkish Cypriots) was sought by various Turkish Cypriots. These contrasting ideologies were to clash soon after 1960. In addition to this as Christodoulou clarifies "... 'independent' Cyprus was given an awkward and flawed constitution which furthermore was imbued with communalism and anti-majoritarian aims" thus creating even more friction.

Christodoulou (1993), p. 28.

18. Yiannis Kranidiotis. *Cyprus and the European Community*. (A Conference of the **Cyprus Research Center, Nicosia** and the **Institute of Commonwealth Studies, University of London**, 20-21 September, 1993), p. 4.

19. *The Republic of Cyprus: An Overview*, p.36

20. Christodoulou (1993), p. 30.

21. *Ibid.*, p. 7.

22. Central Bank of Cyprus, pp.2-3

23. Republic of Cyprus. *Address by the Minister of Finance before the House of Representatives on the Occasion of the Debate on the Budget for 1995*. Nicosia : Minister of Finance Mr. Chr. Christodoulou, 22nd December, 1994, pp..4-5.

24. *Ibid.*, p. 6.

25. *Ibid.*

26. Demetrios Christodoulou. *Inside the Cyprus Miracle: The Labours of an Embattled Mini-Economy*. (Minnesota: University of Minnesota, 1992), p. 7

27. Chappa claims that the apparent decrease in the proportion of males could be attributed to one or more of the following factors:

1. Improvement of the enumeration. Some under-enumeration of females in the early Census years might be suspected.

2. Decline of mortality at a higher rate for females than for males as evidenced by the widening of the disparity in life-expectancy in favor of females.

3. Continuing emigration consisting mainly of males

4. The participation of males in wars (i.e. World War I) must have also contributed to the sharp change after 1920.

In Ioanna Chappa. *Demographic Change in Retrospect*. in E. I Demetriades, W. J. House and S. Matsis eds. *Population and Human Resources Development in Cyprus: Research and Policy Issues*. (Nicosia: Department of Statistics and Research, Ministry of Finance, 1992), pp. 35-38.

28. *Ibid.*, p. 29.

29. *Ibid.*, p. 41.

30. Planning Bureau. *Five Year Development Plan 1989-1993*. (Nicosia: Central Planning Commission, 1994), p.41.

31. *Ibid.*, p. 42.

32. Christodoulou (1992), p. 7.

33. It is a fact that Cyprus too like its European counterparts is a welfare state and has mixed economy however as evident "welfarism" is very recent in Cyprus.

34. Takis Konis. " *The Progress of Social Welfare Services*." J. Charalambous and G. Georghallides. *Focus on Cyprus*. (London: University of North London, 1993), pp. 90-91.

35. In the early 1960s using UN assistance, plans were made to upgrade professionally staff of the Department of Social Welfare Services with long-term fellowships abroad and an intensive in-service training program. Konis, p. 92.

36. Konis, p. 89. 37. *Ibid*, pp. 92-94.

38. Christodoulou (1992), p. 11.

39. Republic of Cyprus. *Address by the Minister of Finance before the House of Representatives on the Occasion of the Debate on the Budget for 1995*. Nicosia: Minister of Finance Mr Chr. Christodoulou, 22nd December, 1994, p. 6.

40. Roger Zetter. *The Greek-Cypriot Refugees After Two Decades: Perceptions of Return*. (A Conference of the **Cyprus Research Center, Nicosia** and the **Institute of Commonwealth Studies, University of London**, 20-21 September, 1993), p.15.

41. *Ibid.*, p. 3.

42. The Republic of Cyprus. *The Cyprus Refugee Problem: Humanitarian Aspects*.(Nicosia: Press and Information Office, 1989), pp.11-12.

43. The Republic of Cyprus. Cyprus. (Nicosia: Press and Information Office, 1994), p. 159.

44. Ibid.

45. Christodoulou (1992), p. 11.

46. Ibid.

47. Ibid, p. **xxxiii.**

48. E.J. Demetriades, W.J. House and S. Matsis."The Labor Market." in E. I Demetriades, W. J. House and S. Matsis eds. *Population and Human Resources Development in Cyprus: Research and Policy Issues*. (Nicosia: Department of Statistics and Research, Ministry of Finance, 1992), p. 155.

49. Ibid, p. 163.

50. Ibid, p. **xxxvi.**

51. For a comprehensive understanding of the current policy of the government towards indicative planning see: Planning Bureau. *Five Year Development Plan 1989-1993*. (Nicosia: Central Planning Commission, 1994).

52. Kanis, p. 99.

53. The Republic of Cyprus. *The Almanac of Cyprus 1994-95*. (Nicosia: Press and Information Office, 1995), pp. 234-235.

54. 1,619 people have been declared Missing In Action since the invasion.

55. "Pensions to 13,000 Housewives." *Phileleftheros*, Tuesday 24 October 1995, p. 4.

56. Cyprus, pp. 177-181.

57. *The Almanac of Cyprus*, 1994-95, pp.231-234.

58. *Cyprus*, pp. 159-160.

59. The per capita Gross National Product for 1995 was CY£6,057 (U.S.\$ 12,720), *Economic and Social Indicators*, p. 19.

60. *The Almanac of Cyprus* 1994-95, pp. 214.

61. Ibid., p. 216.

62. It must be pointed out that in 1993 there were 433 persons per doctor, 235 persons per nurse, 191 persons per hospital bed; these evidently can be considered as quite high.

In Republic of Cyprus: Cyprus in Figures 1994. p. 8.

63. Cyprus, p. 160.
64. *The Almanac of Cyprus: 1994-95*, p. 219. 65. *Cyprus*, pp. 161-165.
66. *Ibid.*, pp. 102-103.
67. *Ibid.*, p. 105.
68. For a full description of the origins and development of the welfare state see Pierson (1995) pp. 102-140.
69. *Ibid.*, p. 107
70. For an account of these turbulent years in the history of Cyprus see: M. A. Attalides. *Cyprus: Nationalism and International Politics*. (Edinburgh: Q Press, 1979) and R. Katsiaounis. *Society and Politics During British Rule*. (A Conference of the **Cyprus Research Center, Nicosia** and the **Institute of Commonwealth Studies, University of London**, 20-21 September, 1993).
71. Pierson (1995), pp. 125-140.
72. P. Gifford and R. W. M. Louis. *Decolonization and African Independence*. (New York: 1988), p. xi.
73. J. D. Hargreaves. *Decolonization in Africa*. (New York: Longman Inc., 1989), p. 230.
74. Wilson (1993), p. 3.
75. Konis (1993), p. 90-91.
76. Pierson (1995), p. 140.
77. *Ibid.*
78. Christodoulou (1992), pp.: xxiii-x1ii. 79. Mishra (1990), p. 18.
80. *Ibid.*, (1984), pp. 18-19.
81. *Ibid.*, p. 19.
82. E.I. Demetriades and W.J. House. "The Impact of Demographic Change on Social Expenditure." in E. I. Demetriades, W. J. House and S. Matsis eds. *Population and Human Resources Development in Cyprus: Research and Policy Issues*. (Nicosia: Department of Statistics and Research, Ministry of Finance, 1992), p. 123-152.
83. *Ibid.*, p. 133.

84. •Ibid., p; 129.

85. Ibid.

86. Pierson (1995), p. 177.

87. Ibid., p. 177-178.

88. Ibid., p.184-186.

89. Ibid., p. 187.

90. Republic of Cyprus. *Address by the Minister of Finance before the House of Representatives on the Occasion of the Debate on the Budget for 1995*. Nicosia: Ministry of Finance Mr. Chr. Christodoulou, 22nd December, 1994, p.6.