

Labour Utilization and Income Distribution in Cyprus

E. Demetriades, N. Khoury and S. Mattis (eds)

"This isle, who has got so far as to know it?" mused the unrivalled Greek poet, Nobel laureate, George Seferis, who fell in love with Cyprus at first sight. Four decades later many and varied have the illusion that they know this isle. After all, there is not much to it. Cyprus now boasts an educated population (10 per cent of whom are university graduates) and also its own new university in addition to its thriving private tertiary education sector. Furthermore, its proliferating and voluble media fill the air with a mass of "information". It is my guess that Seferis will, given the chance, repeat his agonizing question.

It is particularly gratifying, therefore, to receive a new, well-produced book and in dipping into it to find a number of essays which expand our horizons and deepen our perceptions. They do this through probing scientifically into vital areas of the economy and society of Cyprus. It is a pioneering contribution, and a second volume, dealing with crucial aspects of the most vital asset of Cyprus - its human resources. It comes from the same cooperating agencies, namely the Department of Statistics and Research of the Cyprus Ministry of Finance, the International Labour Organisation and the United Nations Population Fund. The title of this second book indicates its main content: ***Labour Utilization and Income Distribution in Cyprus***. It contains 8 chapters, written by 10 different authors and is edited by Drs Evros I. Demetriades and Nabil F. Khoury and Mr. Symeon Matsis.

The two main themes of this book, labour utilization and income distribution, have a necessary internal link, since one expends one's labour mostly to earn one's income (either directly and/or indirectly, e.g. through education) while furthermore access to employment and its rewards largely determine income distribution in our society. The editors had in mind those interlinks in selecting what to include in the book but the essays in the book seem to have been prepared independently with resulting overlaps and varied emphasis.

Substantive Matters and Issues

It should prove helpful to highlight here the following sample of issues dealt with by the authors and of their findings in order to give an idea of the flavour of this important book of essays. A previous volume dealt extensively with the reservoir from which labour is drawn, namely the population of Cyprus. It highlighted population size, composition, characteristics and trends in order to identify and to define the human resources. It was made clear that all in all these resources amounted to less than 300.000 people, actually those who happen to be economically active;

that means that they constitute less than half (some 47 percent) of the total population. They sustain the economy and maintain both themselves and those in a dependency category (those studying, the rich, the young and the old).

The calculations are that this economically active population may not be much more than 350.000 by the year 2020. This strategic fact of a minute labour force for a whole country underlines a fundamental constraint in the economy. This realisation compels a search for effective means to mitigate that handicap. The concern therefore, of the second book is to assess problems connected with strengthening the effectiveness of the labour force through attracting more people into it and tackling associated issues such as remuneration, occupational satisfaction and wider conditions of work, plus the influence of family, gender and status.

One can broadly view the contents of this second book as thematically presenting three main thrusts: (a) **labour demand and supply**, including the mobilization of "idle" female labour and the import of foreign labour; (b) **institutional and social parameters of labour utilization**, including labour market functioning, time use, social and health issues affecting labour participation; and (c) **income distribution, levels of living and poverty**. In Chapter I the reader is offered a very useful overview of the content of the rest of the book prepared by K.C. Doctor and N.F. Khoury.

a. Labour Demand and Supply

In Chapter 2, S. Matsis and A. Charalambous, concentrating on the period 1980-1992, focus on the rapid growth of the economy (average annual rate of growth 6 per cent) and on the heavy demand for labour (averaging 3 per cent growth a year), and for educational qualifications and skills. Simultaneously the economy diversified rapidly leading also to diversified labour demand, productivity, remuneration and mobility in the various sectors. Overall labour retained its share of GDP (at 45 to 50 percent) but with strong trade union support in conditions of full employment labour improved its remuneration by securing a rate of growth of real earnings (5 per cent on average a year) above the growth of productivity.

The authors reckon that the natural growth of population must have supplied less than half (45 per cent) of the new labour; some Cypriots also returned from abroad; but the bulk of the supply of new labour came from the participation of women in this force. Women in the labour force represented about 40 percent of all women of working age in 1982 rising to 47 per cent in 1992. Higher pay and higher educational attainments among women helped the process along.

Sectors, however, with low productivity and with heavy labour demand resorted to tapping an outside source of cheap and understanding work force, i.e. foreign labour from poor, mainly developing countries. The authors seem restrained in their

handling of a subject which has become quite controversial and to some extent out of hand. Since the official policy was established in 1992 foreign labour rose to some 13 per cent of the Cypriot labour force, one-third of which believed to be in Cyprus illegally. Besides the social problems hinted at in the text, the authors underline a main conclusion that the availability of cheap, relatively abundant labour, has retarded investment in technology, waived the need for modern entrepreneurship and helped in the expansion of low quality tourism.

b. Institutional and Social Parameters of Labour Utilization

There are influences at work defining both the supply and the utilization of labour, themes approached from different angles.

A comprehensive and searching treatment of the characteristics of the Cyprus labour force appears in Chapter 3 by B. Cohen and W.J. House.

The creditable educational attainments of the labour force are highlighted. As shown in the Household Income and Expenditure Survey 1990/91, over one-third of the labour force had completed secondary education, another 8.7 per cent had completed post-secondary education and another 9.6 per cent completed university education. By 1990/91 male labour registered 10 mean years of education, while female labour reached 9.6 years. In fact, the relatively few women in the better status and pay occupations were as well, or even better, educated as men. They were, however, grossly under-represented; occupational status and pay have been discriminatory for years putting women in the labour force at a disadvantage. Efforts, therefore, to increase labour supply have been vitiated.

Furthermore, efforts to raise the quality and productivity of labour have come up against the lack of sufficient employment opportunities to attract the young and educated into the labour force. Evidence includes the high unemployment of such labour and the fact that about 25 per cent of all Cypriots who complete their studies abroad do not return.

Using advanced statistical techniques, the authors detect in the data a trend according to which new entrants tend to bring additional educational attainments and qualifications to occupations aimed at competing successfully for jobs and higher earnings. Some of the educated labour opt instead for their own small enterprises which they choose to start.

Systematic observation of time-use among the population is a new tool of considerable potential in the study of labour utilisation. In Chapter 4 by D. Pitiris, results are examined of preliminary work which throws light on how age, gender, education and status in the family affect the use of one's time. Furthermore, the results give some indications of how seeking paid employment is restrained; in the case of

women, household duties and child care tend to hinder highly educated and skilled personnel from taking up such employment.

This theme is expanded and documented in Chapter 5 by E.I. Demetriades. It is shown that while men in the labour force represent around 92-99 percent of all men aged 15-54, in the case of women the picture is variable: women in the labour force represent 69.1 per cent of all women aged 15-24, while the proportion drops to some 60 per cent in the ages 25-44, reflecting the effects of child-bearing and child-care. Educated women are shown to be more motivated to work outside the home and able to find more employment opportunities.

Figures analysed in this Chapter indicate that health problems and hospitalisation for obstetric reasons have tended to prevent women from working. The general conclusion is then reached that more education, more access to health care and more provision for child care would go a long way towards attracting women into the labour force.

This thematic category is brought to a conclusion with an attempt to pull together the various threads by a close look at the labour supply source potential in Chapter 6 by R. McNabb. The focus is again on bringing women into the labour force. Male economic activity rates are high in Cyprus. It does not mean that there is no ample scope for more effective and more productive utilization of the male work force. For one thing, training or re-training to meet skill shortages, not to speak of supporting policy and management reform, have great potential but, as the author observes, they have yet to be assessed.

The author uses the Labour Force and Migration Survey, 1986/1987 as his source. Interviewees in that Survey gave the factors that prevented them from entering the labour market. The author lists them as: being in full-time education; for men, also doing their national service; and for women, also housework and child-care. Of the inactive men 93 per cent intended to seek work in the future; but only less than 30 per cent of inactive women expected to do so. It is interesting to note that about half of the inactive women interviewed had been in employment before, but that was mostly more than five years earlier. What makes re-employment difficult is the need for training or re-training after prolonged absence. A study of available figures indicates that women may leave employment for child care, but what brings them back depends on complex factors such as need, education attainment, prior experience and opportunities on offer.

c. Income Distribution, Levels of Living and Poverty

The utilization of labour available in households is directly linked to the theme of

this category. Analysis of figures from the Household Income and Expenditure Survey, 1990/1991 in Chapter 7 by D. Pitiris gives a picture of unequal distribution of incomes both per household and per capita. It seems that inequalities in Cyprus are moderate, certainly compared with what are found in developing countries, but also in comparison even with conditions in some developed countries. There is evidence that the general standard of living rose during the 1980s, but at the same time the gap between high and low earners widened, but not as much as in various developed countries. Low incomes tended to be found in large households, or in households headed by older persons, usually women.

Where the poverty line is drawn is explained in Chapter I of the book. Households whose members cannot meet basic needs and whose incomes fall below a socially acceptable level are considered as falling below the poverty line. Conventionally, that line is drawn at the level of 50 per cent of the national household income per capita. On that calculation it seems that around 4 per cent of households in Cyprus are in poverty, a level of poverty which had been maintained for some years. Single-person households, headed by an old person, usually a female of low education, tended to be the features of those in poverty. It is believed that with some assistance such households could rise above that line.

Levels of living are the subject of the last Chapter, by E.I. Demetriades and K.K. Glauser. They are approached from the angle of consumption, its level, content and quality. Based on the 1990/91 figures again, the authors indicate that the 10 per cent households in the lowest income category accounted for only 2 per cent of total consumption achieved by the 10 per cent of households in the highest income category. However, figures indicate that even the poorest 10 per cent of households possessed household durables, such as refrigerators and cookers at a remarkably high level, but to a much lesser extent others such a washing machine. The authors note also that the poorest households derived their incomes from pensions, remittances and gifts. Obviously of an old age they had need of household durables to look after themselves.

Some Observations on the Overall Contribution and Presentation

The sketch given above is a sample taken from the rich content of a very important book. It is intended to give an idea of the contribution that this work makes to our knowledge and to our deeper understanding of subjects vital to Cyprus. The book should appeal both to specialists and to the educated public. It is certainly required reading for policy makers and opinion formers including their aides and advisers, not to speak of our entrepreneurial class and the aspiring career seekers.

Specialists will find novel approaches in the application of advanced statistical methods and mathematical formulae to Cypriot economic and social data. This

reviewer, however, has some doubts as to whether the data in the main source used, namely the Household Income and Expenditure Survey, 1990/91, are sufficiently solid, comprehensive and complete to stand the rigours of application to advanced mathematical formulae with a view to testing findings and hypotheses. This cautionary comment is made here not only because of inherent difficulties in obtaining sufficient and firm data in social surveys, especially of a society like Cyprus which is largely unstudied, but also because the 1990/91 Survey happens to be the first full-scale one of its kind in Cyprus. There can be no doubt that the next one will be even more valuable and far more solid. However, the authors, not all of them widely known in Cyprus, must be experienced enough to judge; and they seem satisfied with the outcome of this pioneering approach.

One thing is clear. The authors are very reserved and cautious in their judgement of policy implications flowing from their findings, concentrating on what the analysis hinted at, while policy recommendations are eschewed. This may reflect the public service status of the authors and of the sponsoring agencies.

The data base used widely in the book, (it is noted that no statistic refers to anything after 1992), is by now dated. Cyprus, however, has moved on meanwhile. There have been rapid developments, for instance, in the acute and controversial issue of foreign labour, yielding a crop of employment, economic, social, cultural and even human rights problems. For one thing the numbers have doubled since 1992 and about one third of foreign labour are believed to be in Cyprus illegally.

An interesting and positive development has taken place in the area of boosting the incomes of older women, many of whom were below the poverty line. With the introduction in 1995 of the so-called social pension, women of sixty-eight and over who have no other pension, receive a modest pension from the state calculated to meet basic needs. A new study should show whether poverty has been lifted from the lives of many Cypriot woman.

It is clear, therefore, that studies like the ones presented in this book should be continued, expanded and intensified. Not only should this book be wholeheartedly welcomed but more of this kind of research should be demanded by legislators, policy advocates, policy makers and students and critics of the socio-economic fabric of Cyprus. Every educated Cypriot, every citizen, has the right and duty to know.

Meanwhile we must all be thankful to the authors and the sponsoring agencies for opening our eyes and minds to crucial issues embracing our most vital resource, the people populating Cyprus, who are not only the creators of its wealth but also the recipients of its benefits. This work deserves special attention.

Demetris Christodoulou