

Minimum Income in Praxis. Cyprus Reality and the European Minimum Income Network (EMIN)

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Abstract

This article presents the Cypriot reality regarding Guaranteed Minimum Income which was introduced in 2014. The introduction of a completely new social protection scheme changes the philosophy for the safeguard of vulnerable groups of people although incidentally configures a new environment within society and labour market. The historical background of Cyprus is presented briefly as well as the reasons for the evolution to the new reality, which influenced both the effectiveness and the general perspectives for improvement. The EMIN programme is considered action research while it brings together academics, non-government organisations (NGO's), social partners and people experiencing poverty and social exclusion, in an effort to progressively realise that adequate, enabling and accessible minimum income systems contribute to the reduction of poverty and additionally generate social balance. The recommendations by EMIN Cyprus present views by civil society actors and provide an independent delineate of the Cypriot system, which in this respect is considered reasonably objective.

Keywords: EMIN, Cyprus, Europe, minimum income, poverty, activation, quality services

Introduction

The discussion for minimum income systems has become quite popular the last two decades, while progressively more countries realise the need to broaden their social protection systems, in the framework of their general effort to provide support to the people in need. Marx and Nelson (2013 p. 1) refer to the call by the European Parliament on the Commission and the Member States to *guarantee the right to a minimum income irrespective of individuals' chances in the labour market*². Social protection necessity became even more crucial during the years of

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² Marx & Nelson Minimum Income Protection in Flux (Work and Welfare in Europe), (2012) Palgrave Macmillan UK, New York

austerity and especially for those countries under austerity measures. Empiricism gained more value whereas the issue of minimum income is not considered simply a theory, rather than a legal framework in all countries of the EU³ and of course in many others worldwide. Even though for countries like Cyprus, the experience is not particularly wide, bearing in mind that the new legal framework was introduced in 2014⁴, several lessons and attitudes configure the outlines and structure and consequently the general social impact on the one hand and the path for the future on the other.

Under these circumstances it is generally accepted that there is a better realisation regarding the impact of minimum income systems, not only on poverty and social exclusion, but on other benefits and labour market as well. However, it is far more important to deeply analyse each country's system separately, to better understand the trends and outcomes and even more to be able to modify the legislation where it is needed, apply administrative changes according to basic administration principles on operational level and investigate the alternatives for funding opportunities.

The case of Cyprus is quite interesting while it highlights the consequences of financial crisis in the general discussion within the EU about minimum income systems and provides knowledge to other countries regarding the evaluation of such schemes. The political EU context is relatively wide since the primary discussions started during the 90s and specifically with the 1992 recommendation of the European Council, on common criteria concerning sufficient resources and social assistance in social protection systems⁵. After this recommendation a number of new initiatives, recommendations, road maps, opinions etc., have been developed at European levels but all these are characterised by the soft governance of the EU⁶, without any specific obligations by the member States. Therefore, each

³ The last country of the EU introducing a minimum income system was Greece. The Social Solidarity Income (Δ23/οικ.30299/2377/2016 ΦΕΚ 2089/Β/7-7-2016) was introduced at the 1 January 2017, following a pilot programme of Guaranteed Minimum Income program, in 13 public authorities.

⁴ On July 2014 the Cypriot Parliamentary Body voted a new legal framework for Guaranteed Minimum Income 109(1)2014.

⁵ 92/441/EEC: Council Recommendation of 24 June 1992 on common criteria concerning sufficient resources and social assistance in social protection systems.

⁶ Soft governance is used to characterise policies without legal obligations by the States. A historical view describes soft governance or soft law as a notion created at a time when political scientists and international legal scholars needed new concepts to progress the realisation of a changing world. Ac-

country created a framework according to the existing national level economic and social circumstances and sometimes with more attention on decreasing the social expenditures in order to configure a healthy economy rather than to provide adequate support for those who really need it. The designers of the memorandum of agreement (MoU) with Troika⁷ particularly for Cyprus had limited interest on social inequalities, while the main priority was to address the issues of the problematic economy. Therefore the introduction of a new institutional framework under crisis circumstances inevitably was guided by conservative approaches regarding clear governance necessities and commonly related issues were underestimated and downgraded so that provisions of the MoU were strictly followed.

The Minimum Income Historical Background of Cyprus

The first legislation considered as a minimum income scheme was the so called Public Assistance Benefit (PAB) law⁸ which was introduced after the Turkish invasion in the country in 1975, when many people and particularly refugees needed support to survive. The legal framework was developed through the years with a number of modifications, but the adjustments did not correspond to the actual needs of the society, while the requirements were significantly higher and the vulnerable groups were becoming progressively more. In 1998 a report was drafted by the General Auditor of the Cyprus Republic⁹, identifying a number of problems regarding the general governance of the PAB system, with limited cover for those in real need, coverage of people not in real needs, problematic electronic connection between the public services etc., highlighting incidentally the necessity to apply changes that would correspond to the reality and the circumstances of those times.

ording to Snyder, (1993, p. 198), soft laws are: *“rules of conduct which, in principle, have no legally binding force but which nevertheless may have practical effects”*.

⁷ The Economic Adjustment Programme for Cyprus, (bail in) is a memorandum of understanding on financial assistance to the Republic of Cyprus in order to cope with the 2012–2013 Cypriot financial crisis.

⁸ Cyprus Republic (1975) Public Assistance and Services law (N. 10/75)

⁹ General Auditor's Report) Administrative Control, Public Assistance Benefit by Social Welfare Services, (1998) available at [http://www.audit.gov.cy/audit/audit.nsf/All/458CDBD6CD6F3781C2256D630029BBDB/\\$file/%CE%A0%CE%B1%CF%81%CE%BF%CF%87%CE%AE%20%CE%94%CE%B7%CE%BC%CF%8C%CF%83%CE%B9%CF%89%CE%BD%20%CE%92%CE%BF%CE%B7%CE%B8%CE%B7%CE%BC%CE%AC%CF%84%CF%89%CE%BD.pdf?OpenElement](http://www.audit.gov.cy/audit/audit.nsf/All/458CDBD6CD6F3781C2256D630029BBDB/$file/%CE%A0%CE%B1%CF%81%CE%BF%CF%87%CE%AE%20%CE%94%CE%B7%CE%BC%CF%8C%CF%83%CE%B9%CF%89%CE%BD%20%CE%92%CE%BF%CE%B7%CE%B8%CE%B7%CE%BC%CE%AC%CF%84%CF%89%CE%BD.pdf?OpenElement)

Public Assistance Benefit was operated under the administration of Social Welfare Services while it was considered the foundation of social welfare, but with negative criticism regarding its impact to the real problems of the society and regarding the uncontrollable spending.

Pashardes study of National Policies (2009)¹⁰ for PAB, does not identify non take up's or false take up's while at this time there is no available information, however the discussions at political circles characterised the system not only inadequate, but with consequences that broadened inequality as well. The above study however, referred additionally to the social exclusion that PAB recipients experienced, even though the benefit reduced the depth of poverty among disadvantaged groups, such as families with non working heads, especially those below 45, with dependent children, women and low educated citizens.

In March 2013, Eurogroup decided a levy on Cypriot Bank deposits,¹¹ mainly because of the exposure of these banks to high risks, which eventually created the inability to refund the States expenses from international markets.

This decision triggered a steep increase in unemployment and accordingly a rise in poverty and social exclusion, while many people lost their jobs and fell into the trap of poverty and social exclusion. It was more than obvious that the public needed support, and solidarity gained more value not only between families but by the church and everyone who volunteered to donate.

Countries that have undergone austerity policies experienced a significant decline in employment. In particular, Cyprus has seen a significant decline, from 74,4% in 2005 and 76,8% in 2007, to 67,8% in 2015. At the same time in Greece the employment decline was even greater, after falling from 64,4% in 2005 to 54,9% in 2015. The same trend is observed in another European country in Portugal which decreased from 72,2% in 2005 to 69,1% in 2015. (The following table by Eurostat analysing employment percentages between EU countries (years 2005-2015) is relevant (next page).

¹⁰ Pashardes, *Cyprus Minimum Income Schemes*, (2009) A Study of National Policies, on behalf of European Commission, DG Employment Social Affairs and Equal Opportunities

¹¹ Financial Post, *Why is Cyprus imposing a tax on people's Bank deposits?* (2013) Available at <https://business.financialpost.com/news/economy/cyprus-tax-levy>

MINIMUM INCOME IN PRAXIS. CYPRUS REALITY AND THE EUROPEAN MINIMUM INCOME NETWORK

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EU-28	67.9	68.9	69.8	70.3	69.0	68.6	68.6	68.4	68.4	69.2	70.1
Euro area (EA-19)	67.9	69.0	69.9	70.2	68.8	68.4	68.4	68.0	67.7	68.2	69.0
Belgium	66.5	66.5	67.7	68.0	67.1	67.6	67.3	67.2	67.2	67.3	67.2
Bulgaria (*)	61.9	65.1	68.4	70.7	68.8	64.7	62.9	63.0	63.5	65.1	67.1
Czech Republic (*)	70.7	71.2	72.0	72.4	70.9	70.4	70.9	71.5	72.5	73.5	74.8
Denmark	78.0	79.4	79.0	79.7	77.5	75.8	75.7	75.4	75.6	75.9	76.5
Germany (*)	69.4	71.1	72.9	74.0	74.2	75.0	76.5	76.9	77.3	77.7	78.0
Estonia	72.0	75.9	76.9	77.1	70.0	66.8	70.6	72.2	73.3	74.3	76.5
Ireland (*)	72.6	73.4	73.8	72.2	66.9	64.6	63.8	63.7	65.5	67.0	68.7
Greece (*)	64.4	65.6	65.8	66.3	65.6	63.8	59.6	55.0	52.9	53.3	54.9
Spain	67.5	69.0	69.7	68.5	64.0	62.8	62.0	59.6	58.6	59.9	62.0
France (*)	69.4	69.4	69.9	70.5	69.5	69.3	69.2	69.4	69.5	69.3	69.5
Croatia	59.9	60.6	63.9	64.9	64.2	62.1	59.8	58.1	57.2	59.2	60.5
Italy	61.5	62.4	62.7	62.9	61.6	61.0	61.0	60.9	59.7	59.9	60.5
Cyprus (*)	74.4	75.8	76.8	76.5	75.3	75.0	73.4	70.2	67.2	67.6	67.9
Latvia	69.1	73.2	75.2	75.4	66.6	64.3	66.3	68.1	69.7	70.7	72.5
Lithuania	70.7	71.3	72.7	72.0	67.0	64.3	66.9	68.5	69.9	71.8	73.3
Luxembourg (*)	69.0	69.1	69.6	68.8	70.4	70.7	70.1	71.4	71.1	72.1	70.9
Hungary	62.2	62.6	62.3	61.5	60.1	59.9	60.4	61.6	63.0	66.7	68.9
Malta	57.4	57.9	58.6	59.2	59.0	60.1	61.6	63.1	64.8	66.4	67.8
Netherlands (*)	75.1	76.3	77.8	78.9	78.8	76.8	76.4	76.6	75.9	75.4	76.4
Austria (*)	70.4	71.6	72.8	73.8	73.4	73.9	74.2	74.4	74.6	74.2	74.3
Poland (*)	58.3	60.1	62.7	65.0	64.9	64.3	64.5	64.7	64.9	66.5	67.8
Portugal (*)	72.2	72.6	72.5	73.1	71.1	70.3	68.8	66.3	65.4	67.6	69.1
Romania (*)	63.6	64.8	64.4	64.4	63.5	64.8	63.8	64.8	64.7	65.7	66.0
Slovenia	71.1	71.5	72.4	73.0	71.9	70.3	68.4	68.3	67.2	67.7	69.1
Slovakia (*)	64.5	66.0	67.2	68.8	66.4	64.6	65.0	65.1	65.0	65.9	67.7
Finland	73.0	73.9	74.8	75.8	73.5	73.0	73.8	74.0	73.3	73.1	72.9
Sweden	77.9	78.8	80.1	80.4	78.3	78.1	79.4	79.4	79.8	80.0	80.5
United Kingdom (*)	75.2	75.2	75.2	75.2	73.9	73.5	73.5	74.1	74.8	76.2	76.8
Iceland	85.5	86.3	86.7	85.3	80.6	80.4	80.6	81.8	82.8	84.9	86.5
Norway (*)	78.2	79.5	80.9	81.8	80.6	79.6	79.6	79.9	79.6	79.6	79.1
Switzerland	..	..	..	..	..	81.1	81.8	82.0	82.1	82.3	82.8
FYR of Macedonia	..	43.9	45.0	46.3	47.9	48.1	48.4	48.2	50.3	51.3	51.9
Turkey (*)	..	48.2	48.2	48.4	47.8	50.0	52.2	52.8	53.4	53.2	53.9

(*) 2010: break in series.
 (*) 2011: break in series.
 (*) 2007: break in series.
 (*) 2009: break in series.
 (*) 2005-2013: excluding overseas departments and territories.
 (*) 2015: break in series.
 (*) 2008: break in series.
 (*) 2006: break in series.
 (*) 2014: break in series.
 Source: Eurostat (online data code: lfs_emp_a)

Source: Eurostat-Employment between EU countries, years 2005-2015

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
EU-28	9.0	8.2	7.2	7.0	9.0	9.6	9.7	10.5	10.9	10.2	9.4
Euro area (EA-19)	9.1	8.4	7.5	7.6	9.6	10.2	10.2	11.4	12.0	11.6	10.9
Belgium	8.5	8.3	7.5	7.0	7.9	8.3	7.2	7.6	8.4	8.5	8.5
Bulgaria	10.1	9.0	6.9	5.6	6.8	10.3	11.3	12.3	13.0	11.4	9.2
Czech Republic	7.9	7.1	5.3	4.4	6.7	7.3	6.7	7.0	7.0	6.1	5.1
Denmark	4.8	3.9	3.8	3.4	6.0	7.5	7.6	7.5	7.0	6.6	6.2
Germany	11.2	10.1	8.5	7.4	7.6	7.0	5.8	5.4	5.2	5.0	4.6
Estonia	8.0	5.9	4.6	5.5	13.5	16.7	12.3	10.0	8.6	7.4	6.2
Ireland	4.4	4.5	4.7	6.4	12.0	13.9	14.7	14.7	13.1	11.3	9.4
Greece	10.0	9.0	8.4	7.8	9.6	12.7	17.9	24.5	27.5	24.9	24.9
Spain	9.2	8.5	8.2	11.3	17.9	19.9	21.4	24.8	26.1	24.5	22.1
France	8.9	8.8	8.0	7.4	9.1	9.3	9.2	9.8	10.3	10.3	10.4
Croatia	13.0	11.6	9.9	8.6	9.2	11.7	13.7	16.0	17.3	17.3	16.3
Italy	7.7	6.8	6.1	6.7	7.7	8.4	8.4	10.7	12.1	12.7	11.9
Cyprus	5.3	4.6	3.9	3.7	5.4	6.3	7.9	11.9	15.9	16.1	15.0
Latvia	10.0	7.0	6.1	7.7	17.5	19.5	16.2	15.0	11.9	10.8	9.9
Lithuania	8.3	5.8	4.3	5.8	13.8	17.8	15.4	13.4	11.8	10.7	9.1
Luxembourg	4.6	4.6	4.2	4.9	5.1	4.6	4.8	5.1	5.9	6.0	6.4
Hungary	7.2	7.5	7.4	7.8	10.0	11.2	11.0	11.0	10.2	7.7	6.8
Malta	6.9	6.8	6.5	6.0	6.9	6.9	6.4	6.3	6.4	5.8	5.4
Netherlands	5.9	5.0	4.2	3.7	4.4	5.0	5.0	5.8	7.3	7.4	6.9
Austria	5.6	5.3	4.9	4.1	5.3	4.8	4.6	4.9	5.4	5.6	5.7
Poland	17.9	13.9	9.6	7.1	8.1	9.7	9.7	10.1	10.3	9.0	7.5
Portugal	8.8	8.9	9.1	8.8	10.7	12.0	12.9	15.8	16.4	14.1	12.6
Romania	7.1	7.2	6.4	5.6	6.5	7.0	7.2	6.8	7.1	6.8	6.8
Slovenia	6.5	6.0	4.9	4.4	5.9	7.3	8.2	8.9	10.1	9.7	9.0
Slovakia	16.4	13.5	11.2	9.6	12.1	14.5	13.7	14.0	14.2	13.2	11.5
Finland	8.4	7.7	6.9	6.4	8.2	8.4	7.8	7.7	8.2	8.7	9.4
Sweden	7.7	7.1	6.1	6.2	8.3	8.6	7.8	8.0	8.0	7.9	7.4
United Kingdom	4.8	5.4	5.3	5.6	7.6	7.8	8.1	7.9	7.6	6.1	5.3
Iceland	2.6	2.9	2.3	3.0	7.2	7.6	7.1	6.0	5.4	5.0	4.0
Norway (*)	4.5	3.4	2.5	2.5	3.2	3.6	3.3	3.2	3.5	3.5	4.4
Turkey (*)	9.5	9.0	9.1	10.0	13.0	11.1	9.1	8.4	9.0	9.9	10.3
Japan (*)	4.4	4.1	3.8	4.0	5.1	5.0	4.6	4.3	4.0	3.6	3.4
United States	5.1	4.6	4.6	5.8	9.3	9.6	8.9	8.1	7.4	6.2	5.3

(*) Break in series: 2006.

(*) Break in series: 2007.

(*) Break in series: 2011.

Source: Eurostat-Employment between EU countries, years 2005-2015

Comparing the unemployment rates over the same period shows a corresponding increase in the countries that have undergone austerity policies. The following Eurostat table analysing unemployment percentages between EU countries (years 2005-2015) is indicative (previous page).

Moreover according to the Cyprus Statistical Services the percentage of at risk of poverty threshold (AROP) had reached in 2015 at 28,9% which is the highest of the last years, verifying that society needed social protection more than ever. In essence more than one person out of four was at the risk of poverty and this trend of increase began much earlier and particularly in 2009. The following table by Cyprus Statistical Services presents the percentages of AROP through the years:

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
23.3%	23.5%	24.6%	24.6%	27.1%	27.8%	27.4%	28.9%	27.7%	25.2%

Source: Cystat (Available at: www.mof.gov.cy)

All the above tables justify the need for broader social protection which had to be focusing on those in need, something that was considered as a challenge for the designers of GMI and at same time the new framework should promote recipients capable to work in employment.

Crisis and Guaranteed Minimum Income

The Economic adjustment Programme of Cyprus, namely the MoU¹², included the introduction of a Guaranteed Minimum Income (GMI) system, which was supposed to provide support to everyone in need and be the last safety net for those who did not have the ability to survive under a decent level of living. The fact that austerity measures and additional reduction in social expenditures reflected in the MoU, was quite an oxymoron, since a new system required, apart from social and legal reforms, an alternative financing, in order to become viable.

GMI Legislation Outlines

The aim of GMI, as set out by its designers, was to guarantee a decent level of living for all citizens, when they are unable to cover their needs, by providing the necessary amount of living and incidentally by providing quality services.

¹² European Commission, Available at https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-financial-assistance/which-eu-countries-have-received-assistance/financial-assistance-cyprus_en

The total amount of financial support is calculated by taking into account the basic needs, which are identified by the study for the Minimum Living Basket, which reflects the lowest necessary amounts of living. In cases where the applicant is renting thus paying for his home, he is covered by the GMI, which also covers municipal, and other similar taxes that each person or family is required to pay. The GMI covers care needs as well as any other emergencies cannot be anticipated in advance.

Regarding eligibility of the GMI, it is considered that it has been significantly improved compared to PAB, whereas all those who have incomes below the decent level of living are eligible¹³. Even if the source of income is an employment fund, an applicant may be considered eligible, provided that he or she meets the criteria of the legislation. Beneficiaries for GMI may be unemployed, retired or self-employed.

The capability of applying for GMI for the long term unemployed, for the pensioners below the basic needs, the working poor according to the calculation of the minimum living basket, and for those who receive unemployment benefit, are new important provisions.

These vulnerable groups of the population were not covered by PAB, something that is considered as a substantial difference from the previous institutional framework. Essentially, the new framework configures a broader social protection system, with the main aim as the provision of support to those suffering from extreme poverty, and additionally the provision of opportunities for work and the facilitation for reintegration into the labour market.

GMI eligible beneficiaries may be citizens of the Republic of Cyprus or citizens of the European Union or third-country nationals, who have a 'long-term resident' status in the Republic under the Aliens and Immigration Law.

Third country nationals who hold legal status provided by the Refugee Law, with the exception of asylum seekers or persons who are victims within the meaning of the Prevention and Combating of Trafficking in Persons and Exploitation and Protections Victims Law, are also eligible applicants.

¹³ Cyprus Republic (2014), *Law for the Guaranteed Minimum Income and generally for social benefits of 2014*, 109(1)2014, Κυπριακή Δημοκρατία (2014) *Νόμος που προνοεί για το Ελάχιστο Εγγυημένο Εισόδημα και γενικότερα περί κοινωνικών παροχών του 2014*, 109(1)2014

The applicant must be over 28 years of age, a married person of any age, a single parent of any age, an orphan of any age, a disabled person of any age, or an adult who is under the age of 18 years.

In order to be eligible, applicants must have a continuous five-year stay in the Republic of Cyprus. This restriction can also be seen as a critical one in the context of the abolition of policies that can characterise a country as a migrant subsidy paradise, which has been widely discussed in political circles during the period of PAB.

The monthly amount corresponding to the living basket is EUR480 for the beneficiary, EUR240 for the spouse and for each family member over 14 years old, and EUR144 for each family member under 14 years old.

Consequently a typical family with two dependents, one older than 14 and one younger than 14, receives a monthly minimum income as detailed in the table below:

Family Leader	Spouse	Child above 14 years old	Child below 14 years old	TOTAL
EUR480	EUR240	EUR240	EUR144	EUR1104

As far as asset conditions concerns the legislation, provisions are the following: All assets of the beneficiary unit movable and immovable are means-tested. Assets other than deposits (including bonds and shares) cannot exceed EUR5,000. The beneficiary is eligible to have cash deposits in a bank up to an amount of EUR5,000 something that increases by EUR1,000 for each additional dependent of the family. However, this amount can be increased up to EUR20,000 if there is a loan which is securing the deposits or if the deposits are under the name of a minor or belongs to disabled persons. The recipient should not have immovable property that exceeds a value of EUR100,000.

According to the audit of the General Auditor (2017),¹⁴ in 2016 the GMI covered 86,919 citizens a number that included Cypriot citizens (27,735), EU citizens (5,416), citizens of other countries (2,791), former PAB recipients (21,292), and low pensioners (29,685). Comparing these elements with PAB, there was a

¹⁴ Auditors Office of the Cyprus Republic - Ministry of Labour Welfare and Social Insurances, Welfare Benefits Administration Services, (2017), *Accounts audit for Guaranteed Minimum Income and other benefits for the year 2015*

significant increase regarding population covered, while according to the Annual Report of the Welfare Services in 2013¹⁵ this was the last year of PAB 20886 citizens received PAB.

According to Kouroufexis (2017),¹⁶ the annual cost of GMI was EUR255 million and is mainly funded by governmental funds and the European Social Fund through which are financed programmes in cooperation with the Human Resources Development Authority.

Nevertheless, the introduction of a new GMI system in a period of austerity was accompanied with a series of problems, gaps and distortions as follows:

- Understaffing competent public services both in quality and quantity, hence with inability to respond to the numerous applications.
- Long applications (ten pages) in order to obtain the most objective control possible, which in return created difficulties to complete the applications especially for low educated people.
- Inability to apply the provisions of the legislation in their entirety. For example “social intervention” could not be applied due to inability by the Social Welfare Services.
- Introducing new provisions without the necessary infrastructures.
- The new system was introduced during the period of labour market deregulation with low wages, something that created inability to find work on the one hand and disincentives to enter labour market on the other.
- Absence of a National Minimum Wage, which was a cause for undeclared work increase and at the same time the reason for uncontrollable falling of the wages. This particular deficiency broadened the gap between GMI economic assistance and the labour market which are considered and should be interconnected pillars for minimum income systems. In some cases the proposed wages for beneficiaries capable to work, were below the support provided by the benefits, thus entering the labour market was not considered as a good option while a job should essentially translated to reduction of incomes.

¹⁵ Cyprus Welfare Services (2013), Annual Report

¹⁶ EAPN-Cyprus Congress *Guaranteed Minimum Income Policies in Cyprus and Greece*, (2017), available at <https://eapncy.wordpress.com/>

However, the new legal framework introduced some innovations compared to the former PAB legal framework as follows:

- The Social Benefit Register was created.
- More vulnerable groups covered, that previously were not.
- Electronic interconnection of government departments.
- Increase in income support to the eligible applicants.
- Provisions of "social intervention" and investment in human capital (education and training of applicants).
- The GMI operates in a supplementary manner for the working poor.
- Conditional criteria's were introduced for applicants to avoid system exploitation and trapping.
- The State accepted through its legislation its responsibility that from the very first moment of joining the GMI that the State's actions for activation, were be intensified (social inclusion, labour market).

Even though the new legislation was introduced almost four years ago, there is no evaluation or impact assessment yet by the State, which is going to be analysing the three interconnected pillars of the GMI¹⁷ system, identifying the possible gaps and distortions, highlighting the good practices and most importantly recommending changes for improvement. However Pashardes and Koutsambelas (2015) Thematic Report for minimum income, evaluated the system as an adequate one, fairly comprehensive regarding coverage, with partial take by those entitled to minimum income benefits, with limited impact in reducing the AROP, yet with strong impact in reducing the AROP depth, medially effective regarding the link to Active Labour Market Policy and medially effective regarding the link to Adequate Services. However, this particular report was made one year after the introduction of the new legal framework and the results cannot be considered as fairly objective while the legislation was modified on 1 August 2015.

The first external assessment for the implementation of the provisions of the new institutional framework for the GMI, is essentially carried out by the Cyprus

¹⁷ According to the theory of minimum income systems (Marx and Nelson 2013, Moreira 2008, Van Lacker 2015), the support is provided under three interconnected pillars:

- Economic support under eligibility criteria
- Access to the labour market
- Access to quality services

Audit Office on 21 November 2017, throughout which, the Welfare Benefits Administration Services (YDEP) accounts and the overall administration of the GMI for F2015, were checked¹⁸. This report became an object of publications (Michaelides, 2017, Dialogue 2017, Phileleftheros 2017) while it was identifying weaknesses regarding operational administration mechanisms and with a number of other important problems identified at the time of reference.

The general auditor in the above inspection made recommendations in several areas of GMI administration, but most of them focused on the adaptation of control mechanisms, interconnection of software systems, improvement of the electronic governance and the creation of simple evaluation procedures concerning the applications, in order to respond on time and approve or disapprove an applicant.

The second unofficial evaluation was made by the European Minimum Income Network-Cyprus, a programme in which 32 countries participated, with the target being to raise awareness and build consensus on progressive realisation that accessible, adequate and enabling minimum income schemes contribute to the reduction of social inequalities. What European Minimum Income Network¹⁹ actually is, and how the general overviews of this programme contribute to the efforts of improvements will be analysed in the next section.

European Minimum Income Network (EMIN)

European Minimum Income Network (EMIN) is an informal Network of organisations, individuals and generally representatives of civil society committed to attain progressive understanding of the fundamental human right of dignity, hence the right to adequate, accessible and enabling Minimum Income Schemes. EMIN brings together various experts, professionals, academics, social partners and diverse entities, all active in the fight against poverty and social exclusion.

¹⁸ Cypriot Auditing Services (2017) Special Report nu YEPKA-YDEP/01/2017, available at [http://www.audit.gov.cy/audit/audit.nsf/All/B92583FA15016DF0C22581DF002706C4/\\$file/2017.11.21%20%CE%A5%CF%80%CE%B7%CF%81%CE%B5%CF%83%CE%AF%CE%B1%20%CE%94%CE%B9%CE%B1%CF%87%CE%B5%CE%AF%CF%81%CE%B9%CF%83%CE%B7%CF%82%20%CE%95%CF%80%CE%B9%CE%B4%CE%BF%CE%BC%CE%AC%CF%84%CF%89%CE%BD%20%CE%A0%CF%81%CF%8C%CE%BD%CE%BF%CE%B9%CE%B1%CF%82%202015%20\(%CE%A5%CE%95%CE%A0%CE%9A%CE%91-%CE%A5%CE%94%CE%95%CE%A0-01-2017\).pdf?OpenElement](http://www.audit.gov.cy/audit/audit.nsf/All/B92583FA15016DF0C22581DF002706C4/$file/2017.11.21%20%CE%A5%CF%80%CE%B7%CF%81%CE%B5%CF%83%CE%AF%CE%B1%20%CE%94%CE%B9%CE%B1%CF%87%CE%B5%CE%AF%CF%81%CE%B9%CF%83%CE%B7%CF%82%20%CE%95%CF%80%CE%B9%CE%B4%CE%BF%CE%BC%CE%AC%CF%84%CF%89%CE%BD%20%CE%A0%CF%81%CF%8C%CE%BD%CE%BF%CE%B9%CE%B1%CF%82%202015%20(%CE%A5%CE%95%CE%A0%CE%9A%CE%91-%CE%A5%CE%94%CE%95%CE%A0-01-2017).pdf?OpenElement)

¹⁹ European Minimum Income Network, available at <https://emin-eu.net/>

EMIN is organised at a EU as well as at national levels, in all the Member States of the European Union and in Iceland, Norway, Fyrom and Serbia. This network is coordinated by the European Anti-Poverty Network²⁰ (EAPN).

EMIN started as a two-year project (EMIN 1, 2013-2014) and was essentially funded by the European Commission. Its aim was to build consensus through the reports of each country and general synthesis reports whereas particular pillars were analysed and provided. It was to be the general framework which would allow to plan the necessary steps towards the progressive realisation of adequate and accessible minimum income schemes in EU Member States.

For the period 2017-2018 EMIN received financial support by the European Union Programme for Employment and Social Innovation (EaSI) to develop its activities in the EU Member States and at EU level as well. This was the EMIN2 project which included a number of activities not only by campaigning but by adopting any kind of method each National Network considered available, achievable and realistic, in order to embrace knowledge, create commitment for improvement by the actors and stakeholders involved and configure a general idealistic institutional framework accepted by the EU itself. In reality the main purpose of EMIN was to configure a directive within which the fundamental human rights were be practically protected taking into account under the course of a comprehensive approach, all the relevant aspects of the society.

The EMIN2 project was aiming at the progressive realisation of the right to adequate, accessible and enabling minimum income schemes, through:

- Strengthening the EMIN networks and networking at EU and national levels
- Building awareness that adequate and accessible incomes are not only good for the people who directly benefit but also for the whole of society
- Ensuring progress through engaging in relevant policy debates and initiatives at EU and national levels

Van Lacker (2015 p.8) at the synthesis report of EMIN1 highlights that *'countries involved in the EMIN project ideally consider MISs as a short-term form of assistance for people in need but the assistance should be available as long*

²⁰ The European Anti-Poverty Network (EAPN) is the largest European network of national, regional and local networks, involving anti-poverty NGOs and grassroot groups as well as European organisations, active in the fight against poverty and social exclusion. It was established in 1990, available at <https://www.eapn.eu/>

as needed if people's dignity is to be protected. All schemes are means-tested and are noncontributory, thus funded through the tax system.' In this regard a theory can be developed that MIS are not supposed to create social benefits traps, rather than to facilitate citizens and empower them in order to be able to enter the labour market on the one hand and included in the society on the other. However, there is an ongoing discussion whether means-tested benefits create inequalities in the sense that eventually a number of citizens who need support are somehow excluded (non take-ups). This is something that was observed in many countries of the EU (Van Lacker, 2015, 2017). Yet, one of the biggest issues is funding and considering the general EU policies and the focal points of Troikas memorandums, it is rather obvious that these have been influenced negatively while the States were unable to refund their expenses.

For the purposes of EMIN2, definitions were given to the three main pillars that the programme highlighted as the most critical in order to identify minimum requirements, which in return could provide the ability to each citizen in need to live in dignity and based on these pillars create the new directive. These definitions are the following:

Adequacy: The level of the income which is considered necessary to live in dignity and be part of the general society. Adequate minimum income schemes are evaluated and adjusted according to the cost of living for each country.

Accessibility: The systems, which provide comprehensive cover to all the people who need support and for the time that they need it. The accessible minimum income schemes have clear definition criteria, such as to not discriminate any vulnerable group of people and promote simple application procedures. They avoid:

- Institutional barriers like bureaucratic and complicated regulations and procedures. Accessible minimum income systems have the minimum required conditions.
- Obstacles during implementation mainly because of the approach for each applicant.
- Personal barriers like the lack of information and the stigmatisation.

Activation: It is considered the empowerment of people which is expected to enable them to enter the labour market on the one hand and to include them in the society on the other.

The three pillars are essentially the most critical issues in the framework of the effort to create a European Directive. Therefore, each country evaluates them through the activities that each network is promoting and under the particular circumstances that influence the social protection system. In reality, for the case of Cyprus EMIN, it is actually the first time that the general scheme is externally evaluated with the exception of the General Auditor's Report in 2017 for the year 2015.

EMIN published several reports and recommendations regarding the gaps and distortions identified although at the same time good practices in specific areas have been discussed and this exchange of empiricism created even more ideas on how to improve the schemes at national levels and additionally created a path through understanding and realisation which is expected to guide decision makers²¹. Among the obligations of the countries was the participation in one of the three peer reviews organised at European level. The first peer review took place at Helsinki with the subject being: *Coverage and Non take-ups*. The second one took place at Antwerp with the title: *The use of Reference Budgets²² for policy purposes*. The third one took place in Madrid and the title was the *Active Inclusion*. Each peer review was devoted to the three above pillars accordingly: The first one was about the accessibility, the second one about the adequacy and the third one about activation. For each one of the peer reviews there is a report and recommendations.

Even though there are issues relevant to each area of the three above pillars for all countries, the Cypriot delegation participated in the third pillar of the active inclusion while it was considered as the most crucial one from the day of the introduction of the new system until the time of reference. This was primarily attributed to the inability of beneficiaries' to enter the labour market as well as other weaknesses identified in this area. Another attribution was the perspective of the inclusion in the general society which was considered a problematic area as well, whereas the lack of infrastructures to promote this, was generating barriers.

However, the two previous reports (Satsias, 2014, Satsias 2017) have not only demonstrated the insufficient aspects of the Cypriot system but the innovations and good practices as well. In this respect there is a mutual communication between

²¹ Available at <https://emin-eu.net/publication-on-this/emin-publications/>.

²² Scientific methodological approach for the calculation of both the needs and the level of support. The methodology includes ten baskets of goods and services needed for a person or a family to live in dignity and according to the standards of living for each country (Penne et. al. 2016).

EMIN-Cyprus and the respective ministry and authority, which is providing the ability to evaluate and understand what needs to be done, even though most of the changes have to be made at a political level rather than civil society deliberation, especially those referring to the institutional framework. This is not exclusively a matter of the relevant legislation but it concerns the general social protection legal framework. For example what was discussed in detail, was the absence of a national minimum wage which actually works as a disincentive for the insertion in the labour market. Even more, other legal frameworks could enable the general effort for active inclusion, which EMIN-Cyprus identified as deficient fields. There was a distinctive reference for the social economy²³ and social entrepreneurship which is absent as a legal framework in the country. Social economy configures a framework with new jobs relevant to minimum income and in addition develops infrastructures for the provision of quality services. Through a different perspective social economy provides the capability for funding through other multiple resources. These resources do not only concern European Structural Funds but the business world as well. Corporate social responsibility is taken very seriously by many decent companies and businessmen who develop initiatives that will benefit society. Under these circumstances and if the legal framework allowed the development of social businesses, the business world could adopt new approaches and many issues could have been solved.

EMIN-Cyprus Reports and Recommendations

From the year 2013 until 2018 EMIN Cyprus organised several activities, drafted reports, launched campaigns and organised seminars, asked for support by different actors of the civil society, promoted coalition building for the general benefit, involved people experiencing poverty and social exclusion and raised awareness for an issue which in reality concerns everyone. In this respect from the beginning of the new legislation and even before, many worries were written while the general environment in Cyprus during the introduction on GMI was not ideal for activation. Even more of a gap was identified by the social partners and the ministry itself, regarding the States quality services infrastructures, something that

²³ The achievements of the social economy (co-operatives, mutual, associations, and foundations) have become more apparent. Their historical close ties to communities and specialised support for disadvantaged groups give them a unique advantage when dealing with the social inclusion of the disadvantaged. This has led to a substantial growth of work integration social enterprises (WISE) in Europe (Spear, 2008).

had to be covered alternatively but with the only option being the replacement of quality care services by economic support.

One of the biggest worries was the fact that there were no jobs²⁴ available due to the consequences of the economic crisis and moreover undeclared work was rising, while at the same time the responsible governmental authorities could not face the problem²⁵. This was a negative parameter which had to be taken into account before the designing, in order to develop alternative strategic approaches to overcome at least temporarily the problem, since the experts assessed that in the long term economic development was going to create new jobs. For this reason beneficiaries capable to work, could not enter the labour market because no jobs were available.

Another significant parameter is the fact that the new legal framework covers the working poor in a supplementary manner, a completely new reality which widens the eligible population and influences directly the labour market and indirectly the social security system. On the one hand this can be assessed positively while it provides support to low income employees in order to push them out of poverty and on the other hand it can be criticised while it can be used by employers as an alibi to pay low salaries.

This divergence often creates barriers to the extend and impact of activation related policies while at the same time information on minimum income protection systems has remained limited regarding their ability to activate beneficiaries. So there is a critical question which is an object of debate whether minimum income systems are enabling activation or promoting workfare²⁶ (Lodemel and Moreira, 2014). At the moment there is no clear evidence specifically about the case of Cyprus regarding this question, although the general environment is progressively improving and new jobs are created. However, this is not a problem concerning

²⁴ Στατιστική Υπηρεσία Κύπρου, available at https://www.mof.gov.cy/mof/cystat/statistics.nsf/labour_32main_gr/labour_32main_gr?OpenForm&sub=2&sel=2

²⁵ Εργατική Φωνή (2015) *Οργιάζει στην Κύπρο η αδήλωτη εργασία*, available at file:///C:/Users/orgeeklk1/Downloads/15.7.2015%20(2).pdf

²⁶ Workfare is an alternative, and controversial, way of providing money to otherwise unemployed or underemployed people, who are applying for social benefits. In a sense it is considered as an obligatory work for each applicant while in case that an applicant does not accept the job offered; he/she is considered voluntarily unemployed and therefore not eligible to benefits. Peck (2001) argues that activation policies under means tested benefits create complicate and difficult procedures for application so that the recipient is forced to accept unstable job with low pay.

exclusively Cyprus, but is considered a general deviation related with minimum income systems.

EMIN-Cyprus (Satsias, 2014) from the year 2014 promoted the following recommendations for the improvement of the general system:

- Restart social dialogue about the adequacy of the Guaranteed Minimum Income (EEE), which should involve NGOs and the civil society as well.
- Upgrade care services in the private and public sector-introduction general health plan.
- Introduction of plans to boost growth, even if there is a need to finance public works, in order to create jobs.
- Within the framework of social dialogue to conduct a study to protect and extend the minimum wage so as to cover all professions and incidentally become a reference point for reintegration into the labour market. Measures should be taken so as the minimum wage is certainly above the poverty line. Even more wages should be protected as determined by the collective agreements.
- The GMI should be progressively developed into a national development tool, which connects social protection with employment. Within the framework of the GMI (like Denmark which is considered a good practice concerning minimum income), finance public works in order to create new decent jobs.
- Individualised support by specialised employment counsellors should not only be limited to GMI beneficiaries, although should be expanded within a scientific approach and in collaboration with educational institutions, to all students. In particular, career guidance in schools and universities should facilitate development towards professions with prospects in accordance with the Cypriot reality, in order to generate direct employment after school.

Even though these recommendations were made four year ago, most of them are currently valid whereas the only legislation amendment was made in 2015 (Satsias, 2017) by improving some particular eligibility criteria and some income criteria for a specific vulnerable population (people with disabilities). In 2017, EMIN2 highlighted the fact that a new amendment for a social security law was going to be promoted to the parliamentary body as a good evolution, which was expected to reduce undeclared work. The amendment included fines increase and in general a stricter legal framework for those who violate the law. Furthermore, according to

the announcement of the Ministry of Labour, Welfare and Social Insurances, the general reform at operational level included the development of a new dedicated department with competent inspectors. However, the political discussions led to disagreements and even today, there is no evidence whether this amendment is going to be adopted eventually.

Another constituent very critical for minimum income systems is adequacy which is discussed at European level under the approach of Reference Budgets (Storms et al. 2014)²⁷. Nevertheless, Cyprus is a completely idiomorphic case study in regards with this particular aspect of minimum income, since the calculation for the decent level of living²⁸ is estimated through a method developed by exception of some of the baskets of goods and services, because they are considered that these are provided free by the State. For example, health is not included because the public hospitals provide access to the GMI beneficiaries without any cost, yet there are huge waiting lists for patients with serious health problems which need operations or advance health examinations. When this is happening to a GMI recipient, time is quite crucial and thus sometimes waiting can become fatal.

Adequacy is interconnected with dignity and the levels of relevant poverty,²⁹ however these two indicators do not only differ from each other in theory and philosophy, but are also used differently by each country. Cyprus adopted the decent level of living which is currently institutionally accepted (minimum income legislation) but in reality is below the relevant poverty threshold. The specific numbers for a single person family justify the deviance while the GMI is EUR480 which means EUR6,240 per year and for 2018 the poverty threshold was EUR9,202 per year. In essence through the legislation the State accepts the existence of the poor, even though for some the system in Cyprus is considered as a generous one. This particular point illustrates the significance of the national minimum wage, while there are cases of families who receive benefits above EUR1,100, hence the possibilities of entrapment in benefits is progressively becoming bigger. Even

²⁷ Storms et al., *Pilot project for the development of a common methodology on reference budgets in Europe, Review of current state of play on reference budgets practices at national, regional and local level, (2014)*, European Commission, Employment Social Affairs & Inclusion

²⁸ According to the legislation the decent level of living is calculated through a research made before the introduction of the legislation based on the basic needs of a single person and a family which is increased according to the number of the members of the family. The calculation is adjusted to the OECD scale.

²⁹ Relevant poverty is calculated by Eurostat as the 60% of the median country income.

though the benefits are actually inadequate there is a controversy between the economic support provided and the perspectives for re-integration in the labour market which are characterised by disincentives.

The general discussion about adequacy in the framework of EMIN2 demonstrates a convergence of views with the main element being the acceptance of relevant poverty threshold as the minimum standard that should be adopted for adequacy, which is one of the three pillars expected to configure the European Directive. The relevant poverty indicator is accepted by European Commission and by the States as well, through their statistic surveys and provides a relatively objective indication for the number of people living at risk of poverty and social exclusion and therefore minimum income should not be below this particular threshold. The existence of the poor is not a necessity for any country and a European Directive must not include indirectly hypocrisy elements. The acceptance of minimum income below this threshold is creating critical barriers for social inclusion and is considered ethically wrong.

Conclusion

The introduction of a new minimum income system in Cyprus was a necessity for social balance, especially when the economic crisis struck the country and predominantly when Eurogroup decided a levy on bank deposits. Ideally, it should have been introduced before the vast consequents to the vulnerable groups of people; however the general public opinion is that the new system is better than the former legal framework. The four years of experience provided valuable elements and information which can be used to improve the system.

Minimum income system is interconnected with many other aspects of the society (Crebaldi C. et al. 2011)³⁰, therefore is evidently considered as the cornerstone of social protection system (Marx, 2007)³¹. The Labour market, welfare services, health, social insurances, housing etc. are some of these aspects and for this reason the designing of such a system has to be based on fundamental principles and rights. The general overview of the Cypriot system provided an understanding on how the State should proceed in order to create a fairer and equity based scheme.

³⁰ Crebaldi C. et. al. *The role of minimum income for social inclusion in the European Union 2007-2010*, (2011), European Parliament, Directorate General for Internal Policies, Employment and Social Affairs

³¹ Marx Ive, *A new Social Question? On Minimum Income Protection in the Post Industrial Era*, Amsterdam University Press, (2007)

For the time being there are only three evaluations of the system but none by the responsible Ministry of Labour, Welfare and Social Insurances, which is expected for configuring improvement guidelines. EMIN Cyprus developed perspectives for European networking, selected views and recommendations by many stakeholders, recorded experiences by the recipients and applicants and drafted reports identifying gaps and distortions and yet highlighted the positive practices of the Cypriot system.

The European Social Model has been under attack during the years of austerity but the epistemic knowledge gained through continuous studies and surveys created a field of databases, synthesis reports and assessments all required to solve many crucial problems of social protection systems. In this regard there is plenty of room to upgrade existing schemes before expecting a European Directive to do so.

Most of the feasible changes for the Cypriot scheme concern operational levels and particularly the capability of the government to hire competent personnel for all relevant governmental authorities, now that the MoU provisions for no hiring have ended. This can reduce the problems of accessibility with the other two pillars adequacy and activation, depending on political will, hence political decisions to introduce new legal frameworks in order to improve the social standards.

The developments of new perspectives for activation for example, are interconnected with national minimum wage, which is expected to build and regulate at a degree the existing deregulated labour market (Tacsi, 2013)³². The most important parameter however regarding national minimum wage is the fact that it is going to motivate minimum income beneficiaries to re-enter the labour market as long as they will receive higher income than social benefits. Yet, minimum wage does not constitute the only alternative while the labour market is still suffering from austerity and other employment issues which are expected to be solved by the intervention of trade unions in the framework of social dialogue and collective bargaining.

³² Tacsi F., *Understanding Minimum Income Support through Minimum Wage*, (2013), Turkish Journal of Business Ethics, Istanbul University

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