

Employment in Crisis: Cyprus 2010–2013

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Abstract

This article discusses the conditions that prevail in the Cyprus¹ labour market after the onset of the economic crisis. The analysis takes the form of a chronological narrative on the development of the crisis, its impact on employment relations and the attempts of the political elite to manage it through austerity measures. The article argues that the recession and the rising unemployment accelerated and exacerbated already existing tendencies of labour market deregulation and trade union marginalisation while in the context of the Memorandum of Understanding with the Troika and its aftermath, historical work rights and benefits as well as living standards were eroded, extending the condition of 'precarity' to broader sections of the Cyprus labour force. It is primarily a descriptive account which reports the recent developments in an attempt to map out the changes in the field of employment, situate them in their historical context and preliminarily assess their significance.

Keywords: crisis, employment relations, Cyprus labour market, Troika

Introduction

The discourse of flexibility in the labour market (Standing, 1999; Kouzis, 2001), although in principle an EU goal and an overall framework for state policy (EU Commission, 2007), had not become dominant in Cyprus before the current crisis, not least in the ways or to the extent that it had in other countries. Undeniably, irregular work had expanded, individualist work arrangements had been diffused and trade union power had been eroded, nevertheless, these developments were primarily the consequences of social structural dynamics and less a result of conscious ideological, political or legal agency and action. Since the 1990s neoliberal ideas were evidently spreading in Cyprus and were quite influential within centre-right parties and government circles. However, neoliberalism had not intrinsically managed to dominate fully in the Cypriot political system or oust the enduring Keynesian logic from the state elite which survived throughout the 2000s. Neoliberalism, as a broad and comprehensive policy framework, closer to the third and fourth forms in Jessop's (2013, p. 71) typology,² has really triumphed just recently, in the beginning of the

1 Henceforth referring to the area under the control of the Republic of Cyprus.

2 In his attempt to sum up the debate on the character of neoliberalism, Jessop constructs a typology consisting of four distinct forms: the first refers to a 'system transformation' as in eastern Europe in the 1990s and the second to

current decade and ironically one might add with a government in office headed by AKEL.³

Although by 2009 the crisis had reached Cyprus as well, its form, magnitude and threat was not realised until 2011 and its consequences turned dramatic only in 2012–2013. The deepening of the recession and the rapid rise of unemployment created enormous pressures on employment and welfare. The Memorandum of Understanding between the Republic of Cyprus and the Troika institutionalised and sealed the framework of crisis management through the imposition of heavier austerity measures paving the way for a declining living standard and expanding poverty, further wage reductions and an increase in unemployment along with the privatisation of public services. Moreover, it created a framework for a more comprehensive labour market, welfare system and industrial relations system restructuring. Already in the currently pursued policies, there are signs of the intended direction of the planned reorganisations – state subsidies to employers for opening temporary, low wage-limited rights job positions, reduction of public assistance and linking state aid to job seeking and a generalised reduction of ‘the labour cost’. Collective agreements, the minimum wage, over-time pay, employer contributions to various funds, the wages themselves are all now under serious threat resulting in the extension of the condition of precarity to broader sections of the population.

Trade union power has essentially been substantially eroded. Its limited appeal amongst a growing precarious labour force segment, together with the disrespect shown ever more openly and bluntly by the employers to collective agreements, bi-partite memoranda and tripartite labour relations conventions, the changing institutional context after Cyprus’ entry into the EU and the substitution of some trade union functions by labour legislation were already here before the crisis. Trade unions had organisational difficulties with the immigrant, as well as the young and the irregular workers, who faced indifference and depreciation by a large segment of their own membership. A section that viewed them as distant and alien institutions and were characterised by democratic deficits and extensive delegation of power, duties and responsibilities to the trade union bureaucracy and the professionals as the local workplace committees tended to under-function. All these were exacerbated by the crisis and the unemployment milieu which caused them further loss of members and further paralysis of the local committees⁴ while the tougher stance of the state and the employers in the Memorandum era discredited them more in the eyes of their members and society in general as their weakness was gloriously revealed.

The first section of the article outlines the main characteristics of the labour market in Cyprus at the beginning of the twenty-first century. It sets the historical context and discusses briefly the

a ‘regime shift’ as in advanced capitalist countries as well as Latin American ones starting in the 1970s and continuing through the 1990s, the third form refers to ‘economic restructuring processes’ imposed from the outside while the fourth one refers to more gradual, ‘partial and pragmatic policy adjustments’.

3 For an analysis of the left in government see Charalambous and Ioannou (forthcoming).

4 SEK General Organisational Secretary, 29 January 2014.

prevailing conditions before the onset of the crisis. The next two sections refer to the arrival and development of the crisis in Cyprus, the beginning of austerity politics and the background, content and implications of the Memorandum of Understanding concerning the Republic of Cyprus with the Troika. The analysis here is primarily descriptive and chronological, leading into the final section which discusses the main consequence of the employment crisis; that is the extension of precarity. The discussion continues and is rounded up in the conclusion which also includes some modest generalisations and projections.⁵

The Labour Market in Cyprus in the Early Twenty-first Century

The globalisation processes, especially the increased capital and labour flows into Cyprus and the entry into the EU which has accelerated them, have created new realities on the ground transforming to a significant extent both the economy and the society of Cyprus by the onset of the twenty-first century. Despite the abnormal political condition in the island (partition and militarisation), Cyprus has been a place of stability in comparison with the turbulent Middle East,⁶ for financial investments that were encouraged by low tax rates. Agriculture continued its passage of shrinking and became insignificant both in terms of GDP and in terms of employment by the 1990s, while manufacturing also continued to decline at a slower but steady pace largely as a consequence of the customs union with the EU and the inability of Cypriot production to compete with the lower labour and production costs of Asia.

On one hand, at the socio-economic level the expansion of the tourist and construction industries, and the transformation of Cyprus into an international financial centre on the other, allowed the increase of living and educational standards of the local labour force, but created labour shortages in manual and unskilled work. The growth of mental work and white collar office, sales and administrative jobs, involving increased cognitive, communicative and emotional aspects, has been effected with the more generalised expansion of services and the corresponding rise in the

5 The sociology of work is one of the least developed fields within the Cyprus studies and the little interest shown on the Cyprus labour market and labour relations tends to be narrowly politicised focusing on partisan history as in trade union publications, narrowly factual and technocratic focusing on formal agreements, regulations and institutional arrangements as in the EIRO database or viewing the employment field as a subsection of 'bigger' or 'more important' fields such as law, economics or social policy. The absence of an adequate literature focusing on labour and the working class in Cyprus and approaching employment as an autonomous social field, inevitably puts restrictions on the researcher in both the breadth and depth of ones' analysis [as I came to realise some years ago while doing my PhD thesis] since one proceeds on largely unchartered territory and therefore has to be heavily empirical and descriptive before attempting to be theoretical and explanatory. The development of an approach and an analytic framework on the Cyprus employment field becomes an even more important as well as challenging task today while the reshaping of employment is a substantial and an ongoing process.

6 The civil war in Lebanon in the 1980s led to the transposition of substantial financial processes from Beirut to Limassol and Nicosia.

educational level of the Cypriot labour force. The manual and low skilled jobs were primarily taken over by the ever increasing immigrant workers from South East Asia and the Middle East, from Eastern Europe, with or without EU passports, and more recently from China and Africa who, in their overwhelming majority, remain little integrated in Cypriot society (Trimikliniotis and Demetriou, 2011).

At the political level the subjection of the country to international dynamics and forces in the setting of the EU accession process facilitated the slow yet steady development of the neoliberal discourse in Cyprus. This was further enhanced with the adoption of EU directives, the harmonisation of the national legislation and the further institutional integration in the context of the entry into the European Monetary Union (EMU). By the end of the 2000s, the neoliberal logic entrenched in the mechanics of the EU system had managed to set the framework for policy in Cyprus. The development of the crisis and the stance of AKEL in government, made this evident demonstrating at the same time how constraining that framework was, especially while being situated in the South European periphery. What is more, owing to the rapidity and severity of the crisis in Cyprus, the cracks appeared in the structural imbalances of its economy and the erosion of the effectiveness of its institutions to regulate a labour process in transition.

Offshore banking corporations that were attracted to Cyprus because of its strategic geographical location and its low-tax financial system were heightened even further in the prequel and sequel of the entry into the EU, completing the tertiarisation of the Cyprus economy (Pegasiou, 2013). In addition, the increased integration of Cyprus in the international economy along with the shifting of its geopolitical position from the periphery to the core of the global system also had repercussions on the cultural and ideological spheres. Economic growth was accompanied not only by the expansion of the labour aristocracy and the middle class but by a generalised improvement of the purchasing power of broader sections of the population which, in conjunction with the relative ease of loan-taking, increased consumption and consolidated the ideology of consumerism. This likewise involved the demise of collective values, political engagement and social solidarity and the diffusion of rampant individualism and apolitical materialism.

The size of the economy as a whole has expanded and so has the number of firms and jobs available. Yet most new entrants into the labour market of Cyprus either came or have come to face different employment conditions, relatively worse than two or three decades ago. And this seems even more pronounced if one takes into account the relatively higher qualifications and expectations of the new generation of workers as a result of the more generalised improvement in educational level and living standards.⁷ For many workers in countless sectors the rights and benefits, sometimes even the wages of their older colleagues are simply not applicable or not

7 The increasing unemployment, underemployment and irregular employment amongst the youth have been observed and are not really contained in the 2000s (Trimikliniotis, 2004).

immediately available to them. Even when there is a collective agreement in the sector or in the firm they are employed, it does not mean that they will be automatically covered by it.⁸ Often, not to be covered by an existing collective agreement is implicitly a condition for being offered the job in the first place.

The fragmentation of the workforce at all levels – workplace, sectoral and national – is not a new phenomenon. And neither, of course, is workers’ resistance – individual and collective, organised and non-organised, conscious as well as unconscious. Nevertheless, both fragmentation and resistance have been accentuated in recent decades as a result of the rapidity of the structural change in which existing divisions and factors of hierarchy were transformed. Managerial elaboration and diversification, technical and professional qualifications and ethnic origin brought in new lines of segmentation along with the older ones based on age and gender, seniority and skills. Social networks, which are always an important factor in work life, and especially so in small societies, are no longer based solely on familial and local background and relations but are now wider in scope, more modern and urban in form as the notions of community and social group themselves are being redefined in the new era. Occupational and sectoral identities remain significant for many workers, particularly the core ones, while differentials in pay, employment status and workplace power serve now, as in the past, as primary elements upon which social cleavages and notions of common interests and common fate are built in and within the labour force.

Although the deregulation of employment relations might occasionally cater for the desires of, and give some freedom to, individual workers, in practice it usually means employer arbitrariness and reflects a more general shift in power relations in favour of the employers. It is achieved through the promotion of personal contracts of work and personal contracts of services that involve essentially subcontracting and piece work.⁹ The institution of collective agreements is undermined both directly through employer refusal to have or abide by existing ones and indirectly through non enforcing particular provisions of, and excluding some workers from, the collective agreements. As a result the workforce is segmented into two parts – one employed on the basis of collective agreements and one that is not covered by them. Thus, the key regulatory mechanism in the labour process – collective bargaining – becomes relativised and the workplace becomes a hybrid space of dual or multiple terms and conditions of employment (Ioannou, 2011).

8 This has led PEO and SEK to agree and prioritise, in the context of the labour relations legislative reform process discussed in recent years, the demand that the Ministry of Labour is given the right to decree the extension of an existing collective agreement to all the firms of the sector. For more details about the bill that was eventually submitted to parliament in 2012 and which included also criteria for compulsory employer recognition and opened the way for trade unions to resort to the courts, if they wished, in a more generalised attempt to strengthen the status of the collective agreements, see PEO, 2008; PEO, 2012; Messios and Soumeli, 2011 [2010] and PEO statement, 18 May 2012. Eventually the bill was withdrawn by Anastasiades’ government in early 2013 and its future is now pending.

9 These are of course global phenomena (Schierup, 2007; Wills, 2009).

Immigrant workers, at the same time embody not only the victims of employer discrimination in terms of wages, rights and benefits (Carby-Hall, 2008) but also serve as the means through which employers threaten the long acquired rights and benefits of Cypriot workers.¹⁰ The frail labour market position of immigrant workers and their even more fragile social position render them overtly dependent on their employer, who is often their landlord too, which usually makes it inconceivable for them to join the trade unions. But even when immigrant workers do become trade union members, it does not follow automatically that they will be employed according to the collective agreements. Their terms and conditions of employment are usually pre-agreed on the basis of personal contracts that often stipulate longer than the norm hours and lower than the norm wages.¹¹ As a result, relatively few immigrant workers out of the majority that join the trade unions only gain cheap medical care and a more formalised access to trade union help in cases of specific problems they might face at work.

The more extreme form of irregular and flexible labour is informal and undeclared work which has been steadily expanding over recent years and is, of course, directly related to the more general increase in the number of immigrant workers. Around 30,000 non-Cypriots were estimated to be 'without papers' in the area controlled by the Republic of Cyprus in 2009 (IOM, 2010), while the total number of undeclared ones, that is including those that are entitled to work (from EU countries) but are working without paying social insurance is probably higher.¹² Although inspections were increased by the previous government and penalties became more severe, this phenomenon has deep roots and its eradication does not seem to be within reach. 'Black labour', characterised by super-exploitation in the form of low wages and even unpaid work, is recognised as a structural element in capitalism in the last analysis – a product of the asymmetry of power between social groups and forces and embedded hierarchies of contemporary societies. The existence of a 'black' labour market essentially defines and frames the normal labour market.

Public sector labour is broadly speaking privileged and public sector workers are viewed as constituting a labour aristocracy.¹³ Although these sorts of generalisation are not entirely accurate, as they tend to lump together all public sector workers neglecting the internal variations and hierarchies in terms of pay, power and status, they are for all intents and purposes valid in the sense that the industrial relations system in the public sector is much more advanced, structured,

10 This is a constant Cypriot workers' complaint and is also described in recent trade union research (Antoniou, 2010).

11 SEK's General Organisational Secretary stated in an interview on 29 January 2014 that both employers and immigrant workers tend to hide these personal contracts from the trade unions.

12 In *Kathimerini*, 20 February 2011 it has been argued that around 40% of EU workers are either working illegally or without being registered.

13 This is because of the many rights and benefits enjoyed by most public sector workers (whereas in the private sector there are comparatively few), the most important ones being permanent employment and relatively high and steadily increasing salaries.

adhered to and most importantly beneficial to the employees. There are many reasons for this: historical, political and socio-economic. In a nutshell these can be summed up as: a) the original need of the colonial authorities and later the young independent state to secure the loyalty of the civil service they instituted, through the offering of good pay and conditions; b) the nominal and phenomenal¹⁴ political and ideological neutrality of the civil service that allows it to rise above party and factional politics and serve as a united labour front *vis-à-vis* the employer state, and c) the higher educational level traditionally required for, and status associated with, specialised, usually mental labour and office work which prevails in the public sector.¹⁵

Trade union density in the public sector has reached 99% and public sector trade unions are particularly strong and especially efficient in securing and maintaining good pay and conditions for their members. The non-profit making rationale of the state and the structural need for the smooth functioning of the state apparatus, on the one hand, and the strong labour market position and associated social power of the civil servants as a whole, on the other, allows and facilitates the benevolent character of the state as an employer and the overall beneficial employment conditions for public sector workers. Public sector trade unions and public sector industrial relations are basically very similar to the banking sector trade union and labour system. Impersonal structures of authority, detailed procedures and regulations govern all aspects of the employment relation, including management and promotions and specifying the remuneration scales and benefits and the rights and duties of the workforce. Like ETYK, PASIDI has relatively few professional full-time trade unionists because while the local/departmental committees at workplace level are actually operative, dealing on a regular basis with everyday issues, the labour system is working and there is less need for external checks and controls.

The broader public sector extends beyond the civil servants proper who are employed according to 'schemes of service' that constitute legal documents approved by the parliament and includes workers engaged in the municipal authorities and the relatively autonomous public services. These workers of the semi-public sector are employed according to regularly renewed collective agreements, unlike the civil servants proper (including the public education workers organised in separate trade unions) who are employed directly by the state, are paid from the state treasury, and are not part of the social security system. Collective bargaining takes place at central level under the auspices of the Director General of the Ministry of Finance and the 'schemes of service' are revised accordingly. The semi-public sector workers, however, are members of the general trade unions and are employed on the basis of collective agreements negotiated every three years at enterprise level but according to framework agreements stipulating the level of the overall pay raises which are negotiated centrally

14 Nominal and phenomenal: because during the late colonial and early independence years left-wingers were largely excluded.

15 Clientelism and party patronage, beyond causing a diachronic expansion of the broader public sector may also be seen as constituting an additional factor for the better terms and conditions of employment there (Faustmann, 2010).

by the national leaderships of the trade unions and the Finance Minister himself (Soumeli, 2008). Often the framework agreements for the overall pay raises of the semi-public sector workers – most of them also part of the privileged, 'labour aristocracy' segment – serve as a reference point for the negotiations regarding the civil servants proper.¹⁶

The First Signs of Crisis and the Beginning of Austerity Politics

Although the recession had hit the Cyprus economy in 2009 causing an increase in unemployment and some fiscal imbalances due to reduced state income, the depth of the crisis was realised in 2011¹⁷ when the black holes of the banking system started to be revealed, leading to the exit of the state, which was not in a position to bail them out, from the international markets. The Cypriot banks had expanded much beyond their capabilities abroad and especially so in Greece (Stefanou, 2011). In this period the Cypriot bankers' attempt to profit from the Greek bonds during the dramatic crisis in which the Greek state had fallen in 2010, left the Cyprus banks particularly vulnerable when the EU decided to proceed to the haircut of the Greek debt (Pegasiou, 2013). By June 2012 when the banks in Europe had to strengthen their capital base in order to reach the agreed target, it became evident that Cyprus was heading for a Troika administered 'rescue plan'.

By 2011, unemployment at the level of the labour market had become a serious problem. Wages in the private sector had begun to freeze and in some cases even to decrease, while incidents of violation and non-renewal of collective agreements became more frequent. Before the magnitude of the crisis was made evident and perhaps also in order to delay the revelation of the depth of the banking sector crisis (Panayiotou, 2013), a generalised attack was launched by employers' associations, economists and opposition politicians and journalists on the fiscal policies of the government and the public sector workers in an attempt to divert public attention and distort the picture of the crisis. The Christofias government was in an especially weak position after the Mari accident and the pressure to implement austerity measures was largely successful. Additionally, civil servants had, by then, become an easy target as the recession was deepening. They were accused as being too privileged, lazy and unproductive, rendering the state apparatus expensive, and in the hysteria that followed even private sector employees came out demanding cuts on civil servant salaries.

Austerity measures were eventually implemented in the fall of 2011. These included a general freeze of all wages in the broader public sector including the COLA, plus a 10% wage decrease to

16 PASIDI has been asking for improvements in the existing collective bargaining mechanism regarding the civil servants proper, claiming that the Joint Consultative Committee is ineffective in its operation and updated statutory procedures dealing with dispute resolution are needed.

17 In the broader public this became common knowledge only in 2012 as the media censored references to the private banks' problems and shifted attention to the fiscal side and the public sector (Panayiotou, 2013).

all newcomers in the broader public sector (also affecting all current employees on temporary contracts upon their renewal), a series of small increases on the contribution of public sector workers to various state and social insurance funds, a general temporary and scaled contribution on all wages including the private sector, an increase of 2% on VAT, and a tax increase of 3% on income from dividend (PEO, 2011). These were accompanied with the re-examination of all state benefits with a view to their reduction through the introduction of income criteria, together with the offering of subsidies to business for the employment of unemployed persons, the offering of tax incentives to business for infrastructural investments, reduction of public sector spending, offering state guarantees to small and medium businesses for securing loans and simplifying licensing procedures in the attempt to 'fight bureaucracy'. These were implemented formally against the will of the trade unions, in violation of the celebrated 'social dialogue' and after a unanimous agreement of all the political parties 'in the common attempt to avert the worst'.¹⁸

Not only was the 'worst' not averted, but it soon degenerated into a nightmare. The recession deepened in 2012 with unemployment increasing further while employers in the private sector took advantage of the formalised austerity politics and the cuts in the public sector wages and proceeded to analogous and often bigger cuts in the private sector wages. Many refused to pay the COLA and the 13th salary, violating collective agreements, conventions and institutional obligations. At the same time, delay in payments, payment with coupons, abolition or substantial reduction of indirect monetary and non-monetary work benefits, as well as violating not only collective bargaining but also labour legislation, became the order of the day. The trade unions reacted with some sporadic strikes at sectors and firms where they felt they had the strength but in most cases, remained either quiet or restricted themselves to complaints.¹⁹ Although they effectively knew by then that the era of social dialogue had ended and that the era of the Memorandum had begun, trade unions continued to act as if little had changed and urged the employers to demonstrate self-restraint.

The negotiations with the Troika began in June 2012 after it became clear that the Cypriot banks were in serious trouble and the state was not in a position to bail them out while the state itself, blocked from the markets was unable to renew its older debts, and temporary solutions such

18 Trade union opposition to this, for a variety of structural and political reasons, was however mild and limited. See Ioannou (forthcoming). The Minister of Finance at the time, Kikis Kazamias said that this would prevent the country from resorting to the Troika and that this would be the last contribution from the world of labour.

19 There was a substantial increase in strike activity in 2011 compared to previous years and an even bigger increase in 2012 (PEO, 2012). Though the strikes tended to be firm based and generally short in duration with the exception of the construction sector which was hit particularly hard by the crisis and where the conflict was more generalised and prolonged throughout 2012. This culminated in a long strike in early 2013 which took an almost existential character, re-educating the workers in the experience of organised struggle as PEO's Central Organisational Secretary stated (interview, 27 November 2013). For the strike and the collective agreement that followed see Soumeli (2013a and 2013b).

as borrowing from Russia were by then evidently both uncertain and inadequate. The threat of bankruptcy of the banks taking with it the state itself and consequently the economy as a whole set the broader frame in which the recession and the political developments proceeded in the autumn. In these circumstances the prevailing uncertainty fuelled anxiety and fear amongst large sections of society and hammered in the sense of despair that strict austerity was inevitable and that the choice was between 'the painful rescue' or drowning in the chaos of collapse. It was interesting that this scenario staging the same actors had already been played in Greece (as well as Ireland and Portugal) less than two years earlier and that the Cypriots had watched it – obviously without learning anything from it.

The Memorandum of Understanding with the Troika

The fiscal side of the Troika rescue operation was agreed in November and, although not formally signed, it was put into operation a few weeks later. It involved heavy cuts in public spending, a further increase in a series of consumption taxes plus another 1% increase in VAT, significant horizontal as well as scaled reductions in public sector wages and pensions, and the abolition or substantial reduction of a series of welfare benefits. Furthermore, it raised the retirement age to 65 and reduced the pay for over-time and shift work in the public sector too. Additionally, it increased the contributions of employers and employees in the private sector and established a new property tax and a series of new fees, or increases in current fees, in public services. These measures, with the exception of the property tax, which was delayed for a few months but was finally passed in a worsened version for the small holders in the spring of 2013, were unanimously voted by the parliament in December 2012 into laws instituting the framework of the impoverishment of the Cypriot society until 2016.

As expected, the austerity policies imposed in the fall of 2012 in the context of the Troika 'rescue plan' exacerbated further the recession as consumption contracted, unemployment rose further and small businesses came under further pressure. In the public sector, fear of additional and higher cuts in wages and pensions and especially fear of heavy taxation on the civil servants' pension lump sum, increased the number of early retirements, while PASIDI which was loudly reacting during the previous period became as quiet and timid as PEO and SEK. Cyprus had already entered a new age. The Troika was already more or less in control of the situation before even giving the first instalment of the loan and before the formal signing of the Memorandum which had to wait for the investigation of the condition of the banking sector and the new government taking over in March.²⁰

20 The Troika as an external force was largely indifferent and impervious to local dynamics, pressures and politics and as the experience of Italy and Spain has shown even in the absence of a formally agreed Memorandum; its intervention could substantially reshape the employment relations field (Meardi, 2014).

In the private sector, employment conditions turned from harsh to dramatic as registered unemployment constituted more than 15% of the labour force and the proportion climbed to as high as 40% among the youth.²¹ Those retaining their jobs faced further substantial reductions in salaries and employer contributions to welfare funds, usually more than those in the public sector, while most importantly they lost whatever sense of security they enjoyed before the crisis; a very important development that will be discussed in the next section. Collective agreements that were renewed in this period became shorter in duration and these cuts were formalised. There were also cases where intermediate agreements were made to revise and make worse existing collective agreements.²² The area of indirect pay in the form of employer contributions, overtime and shift work remuneration and newcomers' wages were the regulations most successfully challenged by the employers in addition, of course, to the 13th salary and the COLA.²³ The main reason for this is that because these regulations affected primarily future or additional benefits from the perspective of the waged and thus their loss was seen as more palatable, whilst they currently presented running costs from the perspective of the employer.²⁴ More importantly however, the institutionalisation of such measures, whether formally or *de facto*, notwithstanding rhetorical references about their supposed temporariness, in addition to measures such as the lowering of the entry wage or the abolition of the 13th salary, were effectively reshaping the employment field for the coming decades.²⁵

The rapid contraction of the banking sector, that began in March 2013 through the bail-in, enforced on the Bank of Cyprus, the closing of Laiki Bank and the state take-over of the Cooperative Credit Societies, sealing the change in perspective in the employment field and concluding formally as well the Memorandum of Understanding between the Republic of Cyprus

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- 21 These figures are, of course, underestimates as they do not include non-registered unemployment (e.g. recent school, college and university graduates who have never entered employment), persons working only a few hours per month, and those considered by the state as 'voluntarily unemployed'.
 - 22 This was so even in industries that were little or not at all affected by the recession. See for example the hotel industry collective agreement signed on 29 May 2013 (Soumeli, 2013c).
 - 23 The 13th salary in Cyprus is part of the yearly remuneration of the employed person and not an extra bonus offered at the will of the employer. For those enjoying this right, it is institutionally protected as a customary labour convention and its unilateral abolition by the employer constitutes a penal offense. The same applies for COLA for all those enjoying it, although after its freezing in the broader public sector and the agreement with Troika to extend this until 2016 and then halve it, caused enormous pressures in the private sector with many employers refusing to pay for it with or without trade union consent.
 - 24 PEO General Organisational Secretary, 27 November 2013.
 - 25 The 2013 decree fully liberalising working time in retail trade; that is extending the tourist zone shop operating time to the whole country, is another instance of the same process: extending and intensifying work, increasing the pressure for the abolition of regular full time work and extra over-time pay and promoting irregular and flexible employment, part-time and shift work and undermining workers' rights as protected in labour legislation and conventions.

and the Troika. Among the great losers of the banking crisis were workers' Provident Funds which, in all sectors, suffered large and varying losses – for many small Funds the losses were so heavy that it led them to closure. The concept of the Provident Fund itself was shaken in these circumstances as gradually more workers began to doubt the utility and security of collective saving.²⁶ Thus, workers' savings, after becoming an easy target of the employers' urge for cost cutting, now faced a second blow by the banking crisis which effected actual losses and erosion of workers' trust and who, following their wage reductions, were less willing and less able to contribute to savings.

Bank branches began to close one after the other and many hundreds of employees were made redundant through the first wave of 'voluntary schemes' that offered some compensation – probably more generous than those that will be on offer in the second and third waves in 2014 and 2015. For those remaining, both in the private banks and the now state owned cooperative sector, wage cuts ranged around 15% in scaled form.²⁷ More importantly though, the uncertainty prevailing with respect to how many and who will retain their jobs cannot but make most banking sector workers insecure and anxious about their future. This is an unprecedented development because until very recently a banking sector work post was considered to be the definition and epitome of 'the good' and 'the secure' job.

The Extension of Precarity²⁸

In addition to the banking sector workers, there are now two more groups of workers, dropping from the world of relatively good salary and benefits into the pit of precarity. The decision taken by the government in 2013 for the privatisation of public services and the revelation of the deep economic problems of most municipalities effectively opened the way for a substantial restructuring that will most certainly involve 'drastic labour cost reduction'. The privatisation process has already been approved by a parliamentary majority on 4 March 2014 while the drafting of the local administration reform bill constitutes work still in process. This means that many hundreds of redundancies are due in 2015 and probably far more in 2016 as most semi-public organisations will pass into private hands and most municipalities will merge and/or outsource their functions and services, while some will be abolished through the merges altogether.

Needless to say those that will retain their jobs in public services and municipalities should expect further cuts in wages and other benefits in addition to those already enforced in the context of the public sector fiscal re-adjustment. And again, the uncertainty about how many and who can

26 PEO General Organisational Secretary, 27 November 2013.

27 *Phileletheros*, 18 June 2013 and Yiannakou, 18 January 2014.

28 A discussion of the concept is beyond the scope of this article – it suffices here to mention its doubled edged definition, both theoretical and political, as a real condition imposed by neoliberalism and post-Fordist labour flexibility leading to a 'new' socio-political and inherently revolutionary subject (Frasanito Network, 2005; Standing, 2011).

expect to stay in employment in the semi-public sector spreads anxiety and the sense of precarity to a social group previously insulated in the main, from unemployment risk. In fact this anxiety is also spreading to some extent to the public sector proper as well, although civil servants for the time being, definitely remain protected as the target of the current Memorandum for a reduction of the government sector job positions is being implemented through voluntary early retirements and their non-replacement. The sense that this arrangement is itself precarious is unquestionably widespread as the targets and terms of the Memorandum are being continuously updated and nobody can preclude some civil servant job losses if the numbers do not add up at the end of the day.

In 2012–2013, employment diminished by 11.8% while, if the European Commission predictions prove correct for 2014, the decrease for 2012–2014 as a whole will amount to 15% (INEK–PEO, 2013, p. 51). Nominal wages in 2012–2013 dropped by an average of 11% while prices did not, in fact, drop in line with the wage reductions, as firms chose to increase their profit margins rather than improve their price competitiveness (INEK–PEO, 2013, p. 56), which probably accentuated the decrease in private consumption, fuelling further the recessionary spiral.²⁹ As far as workers' income is concerned, given that the impact of increased unemployment on wages is not usually completed within the same year, even if the expected unemployment increase in 2014 is not considered, the pressure on the wages in the current year is bound to be drastic (INEK–PEO, 2013, p. 58).

Precarious conditions of work were evidently here before the crisis. In the private sector a large section of the contemporary working class in Cyprus did not enjoy the rights and benefits of stable/permanent employment while a substantial section of the waged population, estimated around 20%, was low-waged, that is earning less than two-thirds of the median wage (Ioakimoglou and Soumeli, 2008, p. 206). Precarity affected proportionally more women than men, more younger than older workers and the overwhelming majority of immigrant workers. More importantly, this condition was also already expanding before the crisis driven by the flexibilisation of the labour market and the associated deregulation of labour relations along with the increasing proportion of migrants in the Cyprus labour force. What the crisis, and especially its climax in 2012–2013 created, was the acceleration and exacerbation of an existing tendency.

As the recession set in, leading to a shrinking of the total revenue, employers' immediate reaction was the reduction of their labour cost. This was effected not only with redundancies and wage cuts but also through changes in employment contractual arrangements. This included the conversion of full-timers into part-timers, the substitution of permanent/regular workers sacked with other existing irregular and temporary workers and the increasing use of casual labour, unpaid or low-paid trainees and/or new recruits from the subsidised employment schemes of the

29 In 'real wages', that is in terms of the purchasing power of the wages in total, the decrease was 22% when comparing 2013 with 2011 as Ioakimoglou has stated in an interview, *Charavgi*, 23 December 2013.

government.³⁰ Those already unemployed and under-employed fell into a desperate situation as they witnessed their ranks been swelled by tens of thousands by 2013 and now having to compete with more people for less worthy jobs on offer. Many of them had to resort to the expanding network of charity food shops³¹ in order to survive.

Precarity nonetheless is now no longer restricted to those occupying a peripheral position in the labour force structure. The blurring of the lines between the core and the periphery, which was already underway before the crisis (Ioannou, 2011), has been substantially enhanced in the austerity context of the recent past, drawing increasingly more workers from the core labour force segment into an ever growing semi-periphery. This does not mean that core work functions have shrunk, or that the personnel performing them have decreased. The opposite, in fact, might be the case as firms struggle to maintain their operation and product quality with less staff resulting in fewer demarcated work posts, a broader scope of duties and greater responsibilities for their employees. However, it does mean that employment security that once characterised 'core workers' diminishes as their experience and expertise, age and years of service does not protect them any longer, or protects them less, from the threat of redundancy.

The extension of precarity is at the same time quantitative and qualitative – affecting broader sections of the population and hitting its subjects with an increased severity. It is not only the negative socio-economic conditions that matter here but also the speed of their deterioration. The Cyprus crisis showed some signs in 2009 but it was not until 2011 that it became and was acknowledged as a serious one; while for a substantial section of the population it only bared its teeth in 2012 and 2013. Thus, the extension of precarity for many people was a relatively sudden development and this provoked a social shock whose implications have not yet been unfolded and whose consequences lie ahead of us. There are thousands of people who are now unable to service their house mortgages and soon will risk losing their homes; there are thousands more who resort to a greater extent to their savings and family aid in order to simply get by in the face of unemployment, underemployment and lower income; there are many others who see their big plans and expectations indefinitely postponed and in general a majority who is struggling to adjust with earning and living with less.

Trade unions, already in a defensive position since the previous decade at best, now find themselves in an impossible position. Often they are not even allowed to retreat in an organised

30 These schemes were started by the previous government in 2012 but were substantially expanded in 2013 by the current government. They target the young and the long-term unemployed who are temporarily employed by firms, paid a low wage covered largely by the state, and the firm takes over the cost of their social insurance and the obligation to keep them employed for a few more months after. For more details see Lambraki, 15 September 2013 and *Phileleftheros*, 11 December 2013.

31 These were established in 2012 by municipal and Church authorities and expanded immensely in number and size by 2013, run by volunteers who collected donations and contributions from people and provided basic foodstuff to more than ten thousand families that could produce certificates of poverty from the state authorities.

fashion as employers simply ignore them in the restructuring of the employment terms and conditions. Frequently trade unions are simply informed by the state authorities and the employers on what will happen in a sector and are asked to give their consent more as a formality and in order to allow them a face-saving exercise rather than out of any consideration for their possible or potential reaction. In the best case scenario where some negotiation does happen, its limits are so firmly set that what is discussed is the method and the sharing of the direct and indirect wage decreases rather than whether the cuts are necessary or their magnitude.³² Despite the fact that trade unions do not accept without protest the deregulation of labour relations and the associated deterioration of working terms and conditions and now also the dismantling of the welfare and tripartite system, as moderate and pragmatic forces they realise what is possible today and ascertain the distinction between their rhetoric and their action to avoid becoming engaged in battles they fear that they are bound to lose.

The current crisis has, in other words, exacerbated the already existing processes of labour market deregulation, trade union decline and deterioration of employment relations. Undoubtedly the recession constituted the main catalyst and the Troika sponsored rescue plan the motor of this development. Conversely, it should always be kept in mind that the process was not and could not be exclusively external. Local dynamics and local interests oriented and aligned themselves with the broader international economic trends and political pressures effecting the completion of the shift towards the neoliberal universe, in which Cyprus is subsumed today.

Conclusion

It is obvious from the above that the immediate future of employment in Cyprus not only is extremely dispiriting, but might actually deteriorate even further after the more recent developments exhaust their impact on the labour market. What is worse, at the moment, is that there is nothing that points to a possible or potential reversal of the current situation. At the international level, the European crisis has shown no signs of retreat or raised political voices against austerity policies and Troika management seem strong and sincere enough to mean anything besides cheap rhetoric and actually achieve a policy change. The same is true at the domestic level and therefore there seems to be little possibility for subverting the current course

32 Usually trade unions propose scaled rather than flat wage cuts, temporary rather than permanent, incorporated in the collective agreements rather than as a separate regulation as mentioned by SEK General Organisational Secretary (interview 29 January 2014). Analogous and indicative examples involving PEO was the case of the strike at Sigma in May 2013 (*Ikypros*, 22 May 2013) and involving ETYK was the case of the Cooperative Central Bank employees in January 2014 (*Kathimerini*, 28 January 2014). Yet trade unions are not always allowed to save their face. In the builders' strike, before the final compromise, the employers' had rejected four mediation proposals by the Ministry of Labour which were accepted by the trade unions. In the case of ETYK members in the Cooperative Central Bank, the dispute was eventually resolved with the issue of a decree by the government which imposed the employer formula on the pay cuts.

and arresting the downturn in the employment and social field. And this situation is because what is at stake here is not a typical albeit extended economic recession, but a structural crisis with deep social and historical causes and implications.

It cannot be overemphasised that although the employment crisis in Cyprus has unfolded over the last few years, its causes, main elements and manifestations extend back in time and are of a deeper nature. They are related to the country's economic model with its imbalances, distortions and inability to develop substantially its human capital and productivity as well as the Cypriot institutional framework with its inadequacy and operational inefficiency in the provision of the preconditions and conditions of social security. Hence, there are historical and structural factors at work that are shaping the field and setting the context for the present actors' agency and current developments. In summing up, the current recession and the rising unemployment have not produced a new field but have accelerated and exacerbated already existing tendencies of labour market deregulation, trade union marginalisation and labour force precariousness.

Trade unions harvest currently what they sowed or did not sow in the last two or three decades. The relatively docile stance of the trade unions today cannot, in other words, be explained in terms of the agency of the current trade union leaderships. The role of the leadership is, of course, important and so are the factors of party alignment and systemic integration. However, these are diachronic factors and parts of a broader process of bureaucratisation and autonomisation and distance of the apparatus from the trade union base. In addition, in the more generalised avoidance of strikes and the self-restraining of the trade unions in mobilisation exercises which aim more at putting some pressure rather than imposing terms to the employers, or in symbolic work stoppages that demonstrate a conception of the strike as a weapon of 'threat' more than a weapon of 'method', for the achievement of bargaining goals, had, and has led to, the insufficient experience of organised class struggle and to the conception of the trade unions as being institutions of labour services rather than vehicles of struggle.

Today, while in the middle of a comprehensive employer offensive favoured by the context of the Memorandum of Understanding with the Troika, in which historical work rights and benefits are scrapped and the living standard is dropping, trade unions in their current form are effectively unable to put up even an elementary resistance. In these circumstances the further discrediting of the trade unions and their questioning from both left and right seems inevitable. On the one hand the precarious and peripheral labour force segment, traditionally beyond trade union reach, is expanding while on the other hand the more affluent core segment becomes less and less protected. The view that the utility of traditional trade unionism has expired as a result of increasing legal intervention in labour relations, is being expressed by some employers and workers alike. And this is certainly directly related to the more general weakness of the trade unions, both real and perceived, which come to depend progressively more on the state, with a significant part of their activity being to report to the Labour Ministry the violations of labour law and the non-enforcement of collective agreements.

The recently increased role of legislation as a means of labour process regulation both reflects and overshadows the existing reality of deregulation. Effectively there is a new form of regulation through labour law, to the extent that it is being enforced, and which is not at all satisfactory as the state itself admits. In theory the law restricts the lawlessness of capital but in practice individualises labour relations and creates a climate in which the role of the trade unions as active agents in the determination and regulation of the terms and conditions of labour is underplayed. Regardless, the production and application of law is not automatic but subject to political dynamics, and the terms of employment relations are not, in the last analysis, a matter of rules but of actual practices and hence decided by the correlation of forces at the workplace, sectoral and national level, and most definitely at the international level as well. Organisational forms like trade unions influence but do not produce power balances. They essentially express, represent and shape existing dynamics and are themselves subject to change and restructuring.

The current crisis has brought about not only the collapse of the prevailing economic model but effectively the end of an historical era. Seen in this light, the analogy with the employment crisis in the years after 1974 is probably misleading because the retreat of the labour movement then was sufficiently organised, the international conditions were favourable and the state which survived began to emerge stronger, intervening in the economy and directing the reconstruction process. The economic disaster of 1974 was thus converted into an opportunity for a new cycle of accumulation and, within less than a decade, the so-called 'economic miracle' took place. In contrast today, the neoliberal universe allows hardly any room for state agency in the economy. Trade union power is probably smaller than ever and the European periphery is undergoing an unprecedented crisis both in terms of duration and in terms of consequences.

Predictions about the future are never easy, let alone in this environment and in these times. The trends as argued above are clearly negative for the world of labour. The loss of middle-class lifestyle capacity for many and the shrinking of the relatively well-off section of the waged population amidst the generalised spread of precarity and a declining living standard of the overwhelming majority constitutes a particularly volatile situation as adaptation to the new conditions may be rough and slow, and most importantly, without guarantees that despair will not lead to social and/or political upheavals. The forms of change in the state operation and policy depend currently on external and international dynamics as much as on local forces at work. The argument that a possible solution of the Cyprus problem and the extraction of the hydrocarbons will open up development prospects and increase the income and role of the state might be true but it remains to be seen whether and when and, most importantly, how this will materialise. Economic development does not necessarily translate into generalised prosperity and it takes a number of social preconditions and political conditions for economic growth to lead into welfare. In any case the forms of social solidarity, collective action, political organisation and institutional protection need to be re-invented and practiced as the only way to achieve small and big reversals and subversions of the current course and order of things.

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