



ESPN Thematic Report on work-life balance measures for persons of working age with dependent relatives

Cyprus

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Contents

| | |
|---|----|
| SUMMARY/HIGHLIGHTS | 4 |
| 1 DESCRIPTION OF MAIN FEATURES OF WORK-LIFE BALANCE MEASURES FOR WORKING-AGE PEOPLE WITH DEPENDENT RELATIVES..... | 6 |
| 1.1 Overall description of long-term care regime..... | 6 |
| 1.2 System characteristics, recent reforms, future trends, and the role of informal sector | 7 |
| 1.3 Description of carers' leave..... | 8 |
| 1.4 Description of carers' cash benefits..... | 8 |
| 1.4.1 Subsidisation of LTC..... | 9 |
| 1.4.2 Cash benefits aimed at dependent persons and members of their family | 9 |
| 1.4.3 Social pension | 10 |
| 1.5 Description of carers' benefits in kind..... | 10 |
| 2 ANALYSIS OF THE EFFECTIVENESS OF WORK-LIFE BALANCE MEASURES FOR WORKING-AGE PEOPLE WITH DEPENDENT RELATIVES | 11 |
| 2.1 Assessment of individual measures..... | 11 |
| 2.1.1 Carers' leave..... | 11 |
| 2.1.2 Carers' cash benefits..... | 12 |
| 2.1.3 Carers' benefits in kind..... | 13 |
| 2.2 Assessment of overall package of measures, and interactions between measures..... | 13 |
| 2.2.1 Coverage..... | 13 |
| 2.2.2 Interactions between measures | 13 |
| 2.2.3 Employment effects | 14 |
| 2.2.4 Well-being of carers and the cared-for..... | 15 |
| 2.3 Policy recommendations..... | 16 |
| REFERENCES | 17 |
| ANNEX | 18 |

Summary/Highlights

Families with dependent relatives are a heterogeneous population group that includes those with frail elderly people who are in need of care, as well as families with members who have disabilities or chronic diseases. The latter group is characterised by further heterogeneity, since disabilities (as well as chronic diseases) vary in type and severity. As a result, policies targeting families with dependent relatives may vary considerably with respect to eligibility criteria, duration, conditionality, type of support and other case-specific factors.

Long-term care (LTC) services consists of long-term health and long-term social care. Long-term health care is administered by the Ministry of Health (MoH) through the organisation of a system of community nursing, which provides home-based health services to patients with chronic health problems or disabilities. Long-term social care is administered by the Social Welfare Services (SWS) of the Ministry of Labour, Welfare and Social Insurance (MLWSI) through the operation of the Guaranteed Minimum Income (GMI) scheme. In parallel, a wide array of cash or in-kind benefits are provided by the Department for Social Inclusion of Persons with Disabilities of the MLWSI. Employment legislation includes provisions relating to employees with children (in particular, parental leave and leave on the grounds of force majeure), but there are no special provisions for employees with caring responsibilities of the type analysed in this report.

The whole system is characterised not only by heterogeneity, but also by lack of comprehensiveness. The subsidisation of LTC is highly targeted, as its recipients are assessed in the context of the GMI scheme; that is, eligibility relies upon the complex income and asset criteria provided by the *GMI and Social Benefits Law of 2014 and 2015*. On the other hand, the provision of public long-term health care is quasi-universal, in the sense that the overwhelming majority of the population is entitled to it, albeit certain population groups remain uncovered. Finally, the system of disability benefits is universal, as eligibility does not depend on income but rather on the type and severity of the recipients' situation.

The lack of a comprehensive system of LTC services leaves room for the development of a large informal sector that operates either through the provision of caring services by family members or through hiring in-house domestic workers. The provision of informal care is also facilitated by the strong family ties and community norms of intergenerational reciprocity, which thrive in Cypriot society and seem to resist adaptation to modern norms. In this setting, a number of women with caring responsibilities might be pushed into flexible and/or atypical contractual working arrangements; or, even worse, out of the labour market. Although the problem is not particularly acute, the country may consider altering the structure of the LTC system in the near future to deal more effectively with coming demographic and social changes.

The assessment of the LTC policy measures that are currently in place in Cyprus is a very difficult endeavour due to the complete lack of analytic, evidence-based studies on the subject. In order to fill this information gap, this report utilises the most recent data of the EU-SILC survey in order to apply an econometric model that links the probability of being employed with a series of relevant variables, including the existence of dependant relatives in the household. The data show a negative and statistically significant relationship between the existence of a person (including children) with disability in the household and the probability of the spouse of the household head being employed. However, the existence of a negative employment effect from the presence of one or more frail elderly persons in the household is not supported by the data.

Overall, there is implicit and explicit evidence suggesting that the system of LTC should be upgraded to meet the increasing needs arising from population ageing and a gradual loosening of intergenerational family ties; as well as to improve elderly people's welfare, which appears to be contingent not only on cash subsidisation but also on the existence of developed social infrastructures. Furthermore, greater emphasis should be given to measures facilitating the labour market participation of working-age people (predominantly females) with dependent relatives.

1 Description of main features of work-life balance measures for working-age people with dependent relatives

1.1 Overall description of long-term care regime

Long-term care (LTC) services in Cyprus are provided by the public, private and community – non-governmental organisations (NGOs) or local authorities – sectors. The role of informal carers is also substantial in filling the gaps in the formal sector. In that sense, this branch of the welfare state can be taxonomised in the broader group of Mediterranean welfare states, with the family supplementing - or even replacing - the statutory provision of services (Gal, 2010). The overall framework of long-term health care is administered by the Ministry of Health (MoH); and long-term social care by the Social Welfare Services (SWS) of the Ministry of Labour, Welfare and Social Insurance (MLWSI)¹. LTC includes health, personal, and support services, targeting people in need of care due to old age, chronic disease, and physical or mental disability.

As regards long-term *health* care services, these are provided by the Nursing Services of the MoH, through a network of community nurses (General Nursing Community Nurses and Mental Health Community Nurses) paying home visits to various groups of people in need of such services, e.g. the mentally ill, disabled, artificially ventilated, and severely ill elderly people living alone. The LTC provided by the Mental Health Services includes monitoring chronic mentally ill patients in their homes or at rehabilitation units, such as Day Centres and Occupational Rehabilitation Units. These services are provided by a multi-disciplinary team of mental health professionals.

Long-term *social* care services are highly targeted and are provided in the context of the Guaranteed Minimum Income (GMI) scheme, which is established by “The GMI and Social Benefits Act of 2014 and 2015” and administered by the MLWSI. No qualifying period is defined for LTC eligibility. The GMI incorporates the “Scheme for the Subsidisation of Care Services”, which covers the long-term care needs of GMI recipients and their family members. Applicants must deposit all the required certificates and relevant forms with the Welfare Benefits Administration Services of the MLWSI. Thereafter, and subject to being granted eligibility, the baton passes to the SWS, which are responsible for determining the care needs of the claimant. Additional certificates/reports may be sought from other services, including medical reports. The information collected is assessed by Specialised Assessment Teams of the SWS. Where LTC provision is approved, a care plan is developed with the co-operation of the beneficiary and the responsible officers. If the beneficiary prefers a different type of care from the one proposed, they have the right to make their own arrangements, as long as the level of subsidy does not exceed the approved amount.

This scheme provides cash benefits and, in justified cases, may also include in-kind services. Cash benefits are provided for home care, residential care, day care, respite care, child care and incontinence pads. Home care may include personal and home care (e.g. bathing, dressing, personal hygiene, toilet), maintenance of domestic hygiene and cleanliness, meal preparation, shopping, utility bills settlement, washing of clothing, and help with taking medicines. Respite care is a temporary/short-term arrangement that allows the informal carer to take a break from the responsibility of care provision. Respite care can consist of either domestic, residential or day care and can, likewise, be claimed by people who live alone and may need short-term assistance.

¹ It should be underlined here that the distinction between long-term social and long-term health care is to a certain degree artificial, as all long-term care originates one way or another from health-related needs. The necessity to adopt this typology arises from differences in the governmental entities involved and in the types of benefits/services offered.

The SWS also subsidise social care programmes run at the local level by NGOs and/or Local Authorities². These programmes (day care, residential care, home care and child care) cover the social care needs of older people, people with disabilities, and/or children. Furthermore, the SWS are responsible for the registration and inspection of homes of: (i) the elderly, (ii) people with disabilities, (iii) carers who provide services in small homes (for up to 5 persons), and (iv) adult day care centres.

Today in Cyprus the following are in operation³:

- 114 residential institutions, including
 - 5 public residential institutions (for elderly and disabled people in need of constant care) with a maximum capacity of 200;
 - 39 institutions run by local communities (with a maximum capacity of 1,500); and
 - 70 private institutions (with a maximum capacity of 2,000);
- 18 small homes (with up to 5 elderly and disabled people in need of constant care) with a maximum capacity of 90; and
- 3,446 family carers (providing services to the elderly and the disabled in need of care), of which 3% are state, 9% private, and 88% community carers.

1.2 System characteristics, recent reforms, future trends, and the role of informal sector

Cypriots have a high life expectancy, and healthy life expectancy, at birth; but relatively low healthy life expectancy at age 65. In addition, the proportion of the very elderly (aged 80 and over) in the total population is projected to increase from 3% in 2013 to 9.5% in 2060 (European Commission, 2015). This, consequently, is expected to lead to a considerable increase in LTC needs, posing a challenge for future social care service provision. Despite the presence of gaps in the provision of LTC, few changes have taken place during recent years. The most important recent change was the reform of the social protection system in July 2014, when the previous Public Assistance scheme was replaced by the GMI scheme. The relevant law refers to the care needs of GMI recipients and their family members, for which additional assistance can be provided. In this context, the MLWSI issued a decree incorporating the "Scheme for the Subsidisation of Care Services", which subsidises social care provision to GMI recipients.

The absence of a statutory comprehensive scheme, however, has given rise to a large informal sector wherein most LTC services are provided by families and friends - mainly spouses and children - based on adhering to the traditional community values that characterise the Cyprus society and, in particular, the close ties between family members. However, the availability of informal LTC care by family members is expected to decline, as people have fewer children and family ties are weakened by geographical dispersion.

In the last decade or so, the increasing gap in LTC services in Cyprus has been largely bridged by a big increase in the number of domestic helpers, mostly immigrants from third countries⁴ cohabitating with their employers and, among other duties, taking care of older family members. Although these care providers are paid (and in that sense can be deemed professionals) we consider them part of the informal care sector insofar as their services are a substitute for the type provided by family members rather than for

² Subsidisation is possible under the State Aid Scheme, Regulation 360/2012 for the provision of services of general economic interest.

³ Information is drawn from (Amitsis and Phellas, 2014).

⁴ According to official estimates (2011 Population Census), 6,171 Sri Lankan, 9,584 Filipino, and 6,770 Vietnamese women legally resided in Cyprus in 2011.

the services offered by qualified LTC professionals. Indeed, domestic helpers are often integrated into - and function as members of - the family. Their monthly gross salary is currently set at EUR 460 (EUR 309 net), a level that can be comfortably afforded even by middle-income families in Cyprus.

It is interesting that the regulatory framework is geared towards encouraging the flow of foreign domestic workers by facilitating the issuance of employment permits to foreigners employed as domestic staff. However, one of the following criteria must be fulfilled by the host family:

- both spouses should be employed, contribute to the Social Insurance Fund, and have children below the age of 12;
- the family should have a taxable annual income of more than EUR 52,000 or EUR 86,000 depending on circumstances; and
- the foreign worker is hired to take care of (i) older people or (ii) people with disabilities, special needs, or a serious illness that leaves them unable to take care of themselves.

1.3 Description of carers' leave

Employment legislation provides very few special arrangements for employees with caring responsibilities. However, it should be clarified that the law defines a minimum threshold of rights to these employees: thus, arrangements agreed on an individual or collective basis that are more generous to them are not excluded. Such arrangements include annual⁵, maternity⁶ and parental⁷ leave. Parental leave legislation has a special provision for parents of children with disabilities: leave is available to parents of children up to the age of 8 years, but this age threshold increases to 18 years if the child suffers from a disability.

Employees with dependent relatives can also make use of leave on the grounds of force majeure. According to this leave scheme, the employee is entitled to seven days of unpaid leave each year on the grounds of urgent family reasons that include sickness, accident or similar emergencies befalling a relative of the employee. The leave may be taken over a single or several time periods.

1.4 Description of carers' cash benefits

Families with caring responsibilities might be eligible for a number of benefits depending on their needs and the fulfilment of certain eligibility criteria. In particular, LTC-related benefits are given in the context of the GMI scheme. A wide array of non-means-tested disability benefits are given to the families of disabled people; while women who stayed out of the labour market, for whatever reason, including caring responsibilities of the type analysed in this report, may be entitled to a social pension. Nevertheless, although these benefits are usually non-taxable, no special tax credits, tax incentives or reductions for families with caring responsibilities are provided.

⁵ Every worker is entitled to paid annual leave of at least four weeks, that is 20 working days for a five-day working week and 24 working days for a six-day working week.

⁶ Maternity leave is given for a period of 18 weeks starting at any time between the sixth to the second week prior to the expected week of birth.

⁷ Parental leave allows employed parents to take a short period of leave from work to care for their children. All employed parents are eligible who have completed at least six months of continuous employment with the same employer, irrespective of being based on permanent, fixed-term or part-time contracts. These employed parents are entitled to total unpaid leave of up to 18 weeks, increased to 23 weeks for widows, for each child. Parental leave can be taken on a piecemeal basis with the minimum annual duration being one week and the maximum five weeks, increased to seven weeks for multi-child families. The period of parental leave is credited as an insurance period and not counted against standard annual leave.

1.4.1 Subsidisation of LTC

As said earlier in this report, the state subsidises LTC for families in need in the context of the GMI scheme. Applications are first examined by the Welfare Benefits Administration Service of the MLWSI and thereafter, if approved, are sent to the SWS, which assess the needs of the claimant and subsidise the following types of LTC.

Home care

Home care includes a comprehensive package of personal and home care services (e.g. bathing, dressing, personal hygiene, maintenance of domestic hygiene and cleanliness, meal preparation, shopping, utility bills settlement, washing of clothing, help with taking medicines). The value of the subsidy cannot exceed EUR 400 per month per recipient. Nevertheless, the law stipulates that the amount can be increased in special cases (e.g. people with disabilities). The provision of extra support is at the discretion of the Director of the SWS. Finally, the providers of home care services can be legal or physical entities that have been approved by the SWS; but in some cases the care provider might be a domestic foreign worker⁸.

Day care

The scope of day care is to provide care services, entertainment, and other activities during the day (or part of the day). Day care is provided by officially approved adult day care centres that are operated by NGOs, local authorities or the private sector. Day care is subsidised by a cash benefit that cannot exceed EUR 137 per month.

Residential care

This type of care is offered by residential homes that might be public, private or non-for-profit entities. The beneficiary may choose between state or non-state institutions. In the latter case, the residential care is subsidised via a cash benefit, which varies from EUR 625 to EUR 745 per month depending on the needs of the beneficiary, e.g. whether the person is bedridden or faces mobility difficulties. Also, the beneficiaries of residential care may receive an additional personal comfort benefit of EUR 30 for mobility and EUR 52 for non-mobility problems.

Respite care

Respite care is a temporary/short-term type of care designed to enable informal carers to take a break from their responsibilities. The aim of this policy is to support the informal carer in their role and, at the same time, allow the person receiving care to stay at home. Furthermore, people who live alone may apply for respite care in periods when they do not feel strong enough to be autonomous. The exact content of respite care is defined on the basis of the needs and preferences of the applicant and is given in the form of domestic, day, residential or child care.

1.4.2 Cash benefits aimed at dependent persons and members of their family

The Department for Social Inclusion of Persons with Disabilities offers a wide range of benefits that target a heterogeneous group of people suffering from various forms of disabilities. It should be clarified here that these benefits are included in this report because they benefit individuals and families with special caring responsibilities, even though they are not explicitly LTC-related benefits. Entitlement is not means-tested (i.e. does not depend on income or asset criteria) but applicants should be Cypriots or European Union (EU) citizens and provide the proper certification (through a Disability Assessment Centre⁹) to establish eligibility for the following allowances:

⁸ This mode of subsidisation applies in cases where the recipient cannot accomplish even their personal care (e.g. personal hygiene) due to disability, severe illness, frailty, etc.

⁹ Since April 2014, the first Disability Assessment Centre in Nicosia has been in full operation assessing, on average, 40 cases of people with disabilities per week. In total, 460 cases were assessed in 2014. Following the

- **Severe mobility allowance**, paid to anyone who suffers from paralysis, amputation, severe deformation or severe deficiency of both lower limbs. Since 2012 the value of the benefit has been set at EUR 333 per month and it is given either to the beneficiary or to the carer who is responsible for their transportation.
- **Allowance for the care of tetraplegic persons**, given to individuals who cannot move at all or can hardly move their four limbs, due to a genetic condition, disease or accident. The amount of the benefit is EUR 854 per month.
- **Allowance for the care of paraplegic persons**, targeting paraplegic persons; equal to EUR 350 per month.
- **Allowance for blind people**, for which eligible recipients must suffer from vision less than 6/60 in both eyes even with corrective lenses. Since 2012 the amount of the allowance has been set at EUR 316 per month.
- **Mobility allowance** covering people with paraplegia, quadriplegia, amputation or deformation or weakness of the lower limbs in a degree higher than 39%; and people with severe problems in their vision (less than 6/36 in both eyes even with corrective lenses). The level of mobility allowance varies from EUR 51 to EUR 102 per month according to circumstances.
- **Financial aid for the purchase of a car for disabled people**, the scope of which is to help disabled people purchase special vehicles for their transportation. The amount of financial aid is EUR 3,500 or EUR 4,500 depending on circumstances.
- **Financial aid for purchasing a wheelchair**, targeting people with severe motor disabilities who need to purchase a wheelchair for their own use. The amount of financial aid varies considerably according to the applicant's needs.
- **Disability device allowance**, the beneficiaries of which are entitled to financial assistance for purchasing technical devices, disability instruments, and other aids that are deemed necessary for participation in social and economic life.
- **Welfare lottery fund allowance**, a special allowance offered to further support disabled people living in Cyprus.

1.4.3 Social pension

The social pension is aimed at providing a retirement income to elderly people residing in Cyprus¹⁰ who - for whatever reason - are not entitled to any other pension. De facto, the beneficiaries of this scheme are mostly women who have stayed out of the labour market due to caring responsibilities (including, of course, child care) and, as a consequence, have not accumulated the minimum amount of social contributions required for them to be eligible for a pension. Social pension is paid at a flat rate to all beneficiaries and is equal to 81% of the full old-age basic pension.

1.5 Description of carers' benefits in kind

The social protection system places more emphasis on cash benefits rather than on in-kind benefits. However, carers and, in general, families with dependent members may benefit from various services, as follows:

decision by the council of Ministers (No. 77.299) on 23/07/14, the operation of two new Disability Assessment Centres (one in Limassol and one in Larnaca) is planned. These will be financed by the European Social Fund in the context of the Operational Programme 2014-2020. Further information regarding the role and operation of Disability Assessment Centres can be found in the 2014 Annual Report of the Department for Social Inclusion of Persons with Disabilities.

¹⁰ Applicants should have resided legally in Cyprus for at least 20 years from the date on which they reached the age of 40, or have resided legally in Cyprus for at least 35 years from the date they reached the age of 18.

- **Community nursing** provided by the MoH through the network of General Nursing Community Nurses and Mental Health Community Nurses, which provides home visits to mentally ill patients, disabled people, artificially ventilated patients, and elderly people who live alone and encounter severe health problems. In this context the services offered include:
 - provision of care to ill or disabled people;
 - provision of specialised interventions to vulnerable groups;
 - precautionary measures for curbing the effects of an illness;
 - psychological support to families under acute stress;
 - training and counselling to patients and their carers in regard to health issues and for dealing with certain urgent situations (e.g. instructions for medical uptake, personal hygiene, nutrition and other specialised medical knowledge);
 - information on benefits and services provided by the state and the community;
 - identification and evaluation of health needs; and
 - other services.
- **In-kind benefits** given by the Department for the Social Inclusion of Persons with Disabilities include:
 - a scheme for renting wheelchairs, which involves renting to eligible people used wheelchairs that belong to the Department of Inclusion of Persons with Disabilities;
 - a scheme for renting devices allows successful applicants to rent devices that belong to the Department of Inclusion of Persons with Disabilities; and
 - a disability parking card that allows people with disabilities to park in designated spaces and, under certain circumstances, in roads marked with single or double yellow line.
- **Home care** provided by professionals of the SWS in some special occasions.

2 Analysis of the effectiveness of work-life balance measures for working-age people with dependent relatives

2.1 Assessment of individual measures

2.1.1 Carers' leave

Cyprus lacks a care-specific leave scheme and flexible time arrangements similar to those operating in several other European countries, such as the Flexible Working Regulations in the United Kingdom, which gives employees the right to request flexible or reduced working hours to deal with care responsibilities for dependent adults; or the Family Hospice Leave in Austria, which allows relatives to care for severely ill children. However, employees with caring responsibilities may make use of the general leave arrangements (annual leave, parental leave, and leave on the grounds of force majeure) that are available to every employee. The extent to which carers make use of these leave schemes is not known due to lack of relevant data.

Having made the points above, it is possible that the lack of care-specific leave arrangements might push a number of women with caring responsibilities into flexible and/or atypical contractual working arrangements. In 2014, the share of employed

women aged 25-64 who worked in part-time employment was 16.0% (whereas the respective figure for men was 12.7%¹¹); of those, 61% declared that they worked part-time because they could not find a full-time job, whereas 13.9% cited looking after children or incapacitated adults as the reason for choosing a part-time job¹². Additionally, caring responsibilities might push some women completely out of the labour market: in 2014, 24.2% of women aged 25-64 were economically inactive (considerably higher than men). Out of which, one-fifth attributed their inactivity to looking after children or incapacitated adults; and almost one-third to other personal/family responsibilities.

2.1.2 Carers' cash benefits

The LTC-related cash benefits that are provided through the GMI scheme are administered via the "Scheme for the Subsidisation of Care Services", which is incorporated in the GMI legislation. On that basis, LTC subsidisation is highly targeted, only covering families that conform to the strict income and asset criteria of the GMI scheme and all the other conditions that are imposed by the relevant legislation. Consequently, LTC cash benefits are characterised by the same coverage and take-up issues pertaining, in general, to the GMI scheme. This, however, is a complex topic that extends beyond the scope of this report¹³.

In short, it can be said that the 2014 welfare reform that replaced Public Assistance with the GMI scheme increased coverage in the population. However, certain population groups are excluded from the GMI and, therefore, are not eligible for LTC cash benefits. These groups include:

- people under the age of 28 years unless they are married, single parents, orphans, disabled or under the legal care of the Director of the SWS¹⁴;
- third-country nationals, except where they are considered "long-term residents", refugees or victims of human trafficking;
- monks;
- people in military service;
- people who reside in the territory that is occupied by the Turkish army; and
- students, except where they are orphans, disabled or under the legal care of the Director of the SWS before becoming 18 years old.

As of the time of writing this report (March 2016), the SWS were not in a position to deliver statistics about the number and profile of LTC benefits recipients. This is because the scheme was launched recently, and only a part (800 out of 4,000) of the applications have been processed, according to SWS officers. However, from past data (2012), it appears that 1,895 elderly people received public assistance from the SWS in order to pay their fees for residential care, and 4,146 elderly people received financial aid in order to buy services for home care (Amitsis and Phellas, 2014). To put these figures into perspective, we note that according to the most recent (2011) Census, 25,000 people above the age of 80 resided in Cyprus. Furthermore, according to Bettio and Verashchagina (2012), coverage with respect to residential care was 3% in 2008 for the 65+ population (no data are provided for home care). This coverage rate placed Cyprus slightly below the average for the countries covered by this study.

As regards adequacy, the levels of LTC benefits have been set so as to correspond to the real costs of purchasing services from the market; and recipients must prove that the money has been spent on covering LTC costs. Furthermore, their nominal value has been

¹¹ Eurostat, Labour Force Survey; data extracted from Eurostat Online Database on 12.2.2016.

¹² For the sake of completeness, we note that another 10.3% stated as the main reason "other family/personal responsibilities"; 2% "own illness or disability"; and the remaining 12.3% "other reasons".

¹³ This topic is covered in detail in the ESPN Thematic Report on Minimum Income in Cyprus.

¹⁴ Thus, young persons can benefit from the scheme only as dependants of an eligible recipient.

stable during recent years, which means that if we take into account the negative inflation rates of the same period their real value has increased. Overall, one would expect that for families receiving these benefits, the effects on employment should be positive. This, however, cannot be demonstrated empirically due to lack of relevant data.

2.1.3 Carers' benefits in kind

The majority of LTC-related benefits are in cash. However, there are also certain in-kind services provided by the Nursing Care Services of the MoH¹⁵ to people with long-term health needs. These services are part of the public health care system, which in Cyprus does not offer universal coverage. In particular, about 15%-20% of the population is not covered, with some vulnerable groups having limited access to it. Specifically, these groups include third-country nationals, illegal immigrants, asylum-seekers, refugees, and Cypriots living in the Turkish-controlled area who often face difficulties accessing health care services.

In their recent study investigating home care nursing in Cyprus, Kouta et al. (2015) suggest that the majority (79%) of cared-for people reported high levels of satisfaction regarding the nursing services offered to them. According to patients' accounts, the delivery of these services takes place in a climate of mutual trust and amiable relationship with their care-givers. However, the same study also suggests that many people receiving care lack adequate knowledge about the relevant services; and, in general, this lack of information is a barrier to access for frail elderly people who live alone, are isolated, and suffer from various health problems. Furthermore, a considerable proportion of those sampled (39%) expressed a desire to see these services expanded, claiming that more home visits were necessary to them. This lack of adequate LTC services accords with the figures reported in Lipszyc et al. (2012), which show that Cyprus spends a tiny fraction of its gross domestic product (only 0.2% in 2010, one of the lowest rates in EU-27) on LTC; out of which only around 6% represents in-kind LTC expenditures.

2.2 Assessment of overall package of measures, and interactions between measures

2.2.1 Coverage

LTC-related benefits in Cyprus are highly targeted, therefore only a rather small proportion of the population (i.e. families satisfying the income and asset criteria of the respective legislation) are covered by them. Due to the lack of available information (see section 2.1.2), it is not possible to reach an estimate of the coverage rate of these benefits. On the other hand, benefits to people with disabilities are universal (in the sense that they are not subject to income criteria) and therefore cover the overwhelming majority of the relevant population.

2.2.2 Interactions between measures

As the preceding analysis shows, Cyprus does not have a comprehensive system of LTC policies. At the same time the support of informal family carers is a neglected field of social policy, as there are no specific measures targeting the population in question. However, in many cases, carers benefit from general policies. For instance, women with long-standing caring responsibilities who have stayed out of the labour market might benefit from the social pension; which, in general, targets elderly people with an inadequate social insurance contribution record. In that context, there are no clear interactions between existing policy measures that can be expected to reinforce certain

¹⁵ However, in special situations, home care can be provided by the SWS through professional care-givers.

effects on rebalancing family life and work. However, it can be said that there is a wider, more generic, interrelationship between the existence of a large informal sector and the rather fragmentary formal sector: to the extent that the family substitutes for the state, there is a relative lack of political pressure to push the reform of the LTC system high on the social agenda.

2.2.3 Employment effects

LTC in Cyprus is perhaps one of the less well studied issues of social policy in the country. There is a limited number of policy reports - the most recent is Amitsis and Phellas (2014) - all focusing solely on administrative statistics; and, despite being informative, their utility in shedding light on aspects such as employment and welfare effects is limited. As regards employment effects, several studies have examined the relationship between non-labour income and labour market participation¹⁶; but the link between caring responsibilities and employment has been only partially examined by Pashardes and Polycarpou (2012), who analyse the labour market behaviour of public assistance recipients. The evidence in the latter study – which is based on 2009 data - shows that the presence of dependent persons discourages labour market participation among other family members.

Given this shortage of LTC studies in Cyprus, we have conducted our own empirical analysis using the most recent (2013) EU-SILC data. Due to the limited informational content of these data, it is not possible to disentangle the separate effect of each individual measure. For instance, it is not possible to identify families who receive LTC cash benefits, because cash benefits in the EU-SILC are classified in generic categories: unemployment benefits, disability benefits, social exclusion related benefits etc. Furthermore, several policies - most importantly the GMI reform - were implemented in 2014; thus, their effects on LTC are not yet captured by the most recent data that are available for empirical analysis. Nevertheless, the findings of the analysis are useful insofar as they provide an overall picture of the employment situation of people with dependent relatives in Cyprus. As such, they can implicitly reflect the effectiveness of the overall formal and informal LTC arrangements in the country.

In our empirical analysis, we use a simple Probit model that links the probability of being employed with the existence of dependent relatives in the household, controlling for other variables (gender, age, education, household income, bad health, work experience etc.) that have also been found in other studies to affect employment. Since the dataset does not include information that would enable us to identify the presence of dependent people in the household, we define as dependants (i) older people aged above 80 and (ii) people with disabilities. Those in the latter category are identified using the variable that records income from disability benefits. The model is confined to investigating the labour market participation of females only, as they are typically the potential care-givers in the family, especially, in the context of the dominant societal values in Cyprus.

The estimated parameters showing the size and statistical significance of the effect of a large number of variables on the probability of the labour market participation of women are reported in the Annex. Below we simply outline the main empirical findings relating to potential effects of LTC on this probability¹⁷.

- The presence of household members with disabilities appears to have a negative and statistically significant effect on female employment.

¹⁶ See Pashardes and Polycarpou (2010, 2012).

¹⁷ In general, the estimates obtained are in line with economic theory and findings in the literature: age is found to be negatively correlated with the probability of being employed, with women aged 55-64 having the highest probability of being out of the labour market; bad health also exerts a detrimental labour market participation effect, while the opposite is true for education and work experience.

- A similarly strong and negative effect is estimated to be exerted on female employment by the existence of family members in bad health.
- However, the same cannot be said about the effect of the presence of very elderly people (over 80), which seems to be statistically insignificant¹⁸.
- Live-in domestic workers have a strong positive and statistically significant effect on female employment.

Interpreting the above findings, and taking into account the analysis of the previous sections, one may conclude that the current LTC arrangements in Cyprus deliver reasonable results, as suggested by the finding that caring for a very old person (80+) does not seem to inhibit female employment in the way that caring for someone with a disability or in bad health does. Furthermore, the finding of a statistically insignificant effect of dependent relatives on female employment could be due to the strongly positive effect of live-in domestic workers. This can be interpreted as evidence that the traditionally substantial role of informal care (which fills the gaps in the provision of formal care) is now played by live-in domestic workers.

It is notable that the results obtained from our econometric analysis do not contradict available descriptive evidence from other sources showing that the employment prospects of informal care-givers in Cyprus are not unfavourable. For instance, according to 2010 Labour Force Survey data, within the group of people “regularly taking care of relatives/friends aged 15 or more in need of care” there is a relatively high proportion of people who are employed: 65% of all women and 82% of all men in the age group 15-64; whereas the corresponding EU averages stand at 57% and 69%, respectively.

It would not be persuasive, however, for one to argue that the current model of care in Cyprus can be viable in the long run, for two basic reasons: (i) the extended family structures and social norms upon which informal care is based are likely to be weakened in the future; and (ii) in view of the ongoing tightening of household finances, replacing out-of-pocket expenses with ‘home-producing’ care services (e.g. women staying out of the labour market for providing regular care to other family members) is likely to become economically more attractive for an increasing number of families.

2.2.4 Well-being of carers and the cared-for

The social situation of care-givers is a totally neglected topic in Cyprus. As regards dependent elderly people who are in need of care, Phellas (2012) is a rare exception in being a study that empirically examines the quality of life of this disadvantaged group. Overall, he finds that the incidence of social exclusion among the elderly is rather high, mostly resulting from poor health that impedes activity and causes high levels of stress. In particular, the combination of financial adversity and poor health can be very detrimental to well-being. Many respondents in the survey also complained about the cost of care, the quality of healthcare services, and other unmet needs such as heating. The most disadvantaged groups are elderly women, very elderly men and women, and refugees. As regards caring, the study found that among those who did not receive residential care, approximately two-thirds replied that they were in need of help concerning daily tasks; of these, 15 per cent received help either from a foreign domestic worker or from their children, while only a small proportion were reported as using the state system of domestic care. Finally, 8 per cent of the sample complained that they did not receive help despite needing it. An additional insight stemming from the Phellas (2012) survey is that intergenerational reciprocity does not always favour old age, as on many occasions elderly people offered financial and psychological support to their children, and often provided care to their grandchildren, where their capabilities allowed them to do so.

¹⁸ However, in that respect, we should acknowledge the small number of working-age people who live with very elderly people in the sample (85 cases).

Overall, the Phellas (2012) study is based on a rather small sample, and is thus not appropriate for deriving sweeping conclusions. However, its findings are helpful in showing that the welfare of elderly people is linked to their capabilities. In turn, human capabilities in older age depend not only on availability of formal and informal care arrangements, but also on the existence of social infrastructures that enable the flourishing of a wide array of human activities. As far as policy is concerned, this means that welfare services should adopt a more holistic approach that moves beyond cash subsidies and embraces more rigorous programmes of active ageing or other similar initiatives. Initiatives such as these that improve the elderly's well-being could have positive side effects for their working-age relatives, too.

2.3 Policy recommendations

LTC arrangements in Cyprus follow the *modus operandi* of the Mediterranean welfare states in the sense that family support is used to supplement the often incomplete coverage of statutory welfare provision. In Cyprus, strictly targeted social interventions are complemented by a high incidence of informal care arrangements. The high frequency of households employing foreign live-in domestic workers to provide care services to dependant relatives is a particularly salient feature of the Cypriot situation. In other cases, informal care may be provided by children, grandchildren or other relatives.

The large size of the (quasi) informal sector might be one of the reasons why the lack of comprehensive social care has not had, until now, severe repercussions for female employment as one would normally expect. Furthermore, this societal context, based on pooling risks within the family, ameliorates the effects of the economic crisis on several vulnerable groups - including the very old and their relatives. On the other hand, it could be argued that these patterns of family obligation and reciprocity are responsible for creating an anti-reformist trap for the welfare state: the prevalence of in-kind or in-cash informal intra-household transfers, prevents the formation of the critical mass of political support that is necessary to trigger far-reaching structural reforms.

A reform that would gradually substitute informal for formal care might be inescapable in the near future due to changing demographic and other factors. In this scenario, the state should come up with a plan for financing and building a comprehensive public LTC system. This upgraded system could be financed by a combination of general taxation and social insurance contributions. This would decrease out-of-pocket expenses and enable households to achieve smoother income patterns across their life-cycle. Indeed, consideration is being given to creating such a system in the future, as indicated in SWS (2014). However, the first step in this process should be the conduct of an actuarial study on the possibility of financing a comprehensive system of LTC through social insurance contributions. This study could be a solid basis for public consultation.

Furthermore, the existing LTC system could be upgraded in several ways such as: (i) improving the collaboration between different services provided by different public authorities (MoH, SWS of MLWSI, and local authorities); (ii) facilitating the integration and advancement of new technologies in social care; (iii) upgrading the legal framework concerning the provision of home care services; and (iv) improving monitoring mechanisms. Some of these points have been acknowledged by the study of Kouta et al. (2015) as well as by the pertinent governmental agencies (SWS, 2014).

Finally, it is imperative to highlight the lack of analytical, evidence-based studies pertaining to LTC in Cyprus. Except for a small number of policy reports that essentially describe the system, the issue of LTC has been grossly neglected. This makes the assessment of LTC a very challenging task. Our attempt in this report to apply econometric analysis to EU-SILC data, in order to fill some of this informational gap, is a first step in this direction. More studies are needed where the data collected and the analytical methods applied should be tailored to the needs of the problem in hand.

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Legislation:

- [The Aliens and Immigration Law](#)
- [Annual Holidays with Pay Laws of 1967 to 2011](#)
- [Parental Leave and Leave on the Grounds of Force Majeure Law of 2012](#).
- [The GMI and Social Benefits Law of 2014 and 2015](#)

Statistical Sources:

- [Population Census 2011](#), Statistical Service of Cyprus
- [European Union Labour Force Survey](#), Eurostat
- [European Union Statistics on Income and Living Conditions](#), (EU-SILC), Eurostat

Annex

Table 1: Probit model of labour market participation in Cyprus

| VARIABLES | (1) model | (2) model 1 | (3) model 2 |
|---|--------------------------|--------------------------|--------------------------|
| Dependent variable: Being employed: yes=1, no=0 | | | |
| Covariates: (d): dummy variable, (c): continuous variable, (i) interaction | | | |
| age 35-44 (d) | -0.630*** (0.0860) | -0.631*** (0.0861) | -0.632*** (0.0861) |
| age 45-54 (d) | -1.236*** (0.101) | -1.238*** (0.101) | -1.240*** (0.101) |
| age 55-64 (d) | -2.064*** (0.121) | -2.064*** (0.121) | -2.066*** (0.121) |
| upper secondary (d) | 0.122* (0.0700) | 0.122* (0.0700) | 0.123* (0.0700) |
| higher education (d) | 0.364*** (0.0719) | 0.363*** (0.0719) | 0.364*** (0.0719) |
| experience (c) | 0.160*** (0.00877) | 0.160*** (0.00877) | 0.160*** (0.00878) |
| experience squared (c) | -0.0023*** (0.000196) | -0.0023*** (0.000196) | -0.0023*** (0.000196) |
| fair bad health (d) | -0.318*** (0.0667) | -0.320*** (0.0667) | -0.320*** (0.0667) |
| married (d) | -0.0534 (0.0931) | -0.0529 (0.0931) | -0.0521 (0.0931) |
| divorced or separated or widowed (d) | -0.0304 (0.115) | -0.0282 (0.115) | -0.0236 (0.116) |
| one dependent child (d) | -0.0487 (0.0813) | -0.0481 (0.0813) | -0.0497 (0.0813) |
| two dependent children (d) | -0.162* (0.0944) | -0.163* (0.0945) | -0.162* (0.0945) |
| three dependent children (d) | -0.331** (0.131) | -0.332** (0.131) | -0.326** (0.131) |
| log of household income (c) | -0.0189*** (0.00684) | -0.0190*** (0.00684) | -0.0190*** (0.00685) |
| log of gross mortgage (c) | 0.0225** (0.00932) | 0.0224** (0.00932) | 0.0224** (0.00933) |
| disabled person in the household (d) | -0.346** (0.152) | -0.348** (0.152) | -0.315** (0.155) |
| elder person (80+) in the household (d) | 0.0173 (0.215) | 0.0892 (0.229) | 0.0888 (0.229) |
| domestic servant (d) | 0.477*** (0.180) | 0.527*** (0.190) | 0.581*** (0.199) |
| disabled person and domestic servant (i) | | -0.583 (0.628) | -0.635 (0.630) |
| elder person and domestic servant (i) | | | -0.996 (0.888) |
| Constant | -0.468*** (0.100) | -0.468*** (0.100) | -0.469*** (0.100) |
| Observations | 3,422 | 3,422 | 3,422 |

Sources: EU-SILC 2013, own calculations. Notes: standard errors in parentheses, *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

