



ANNUAL REPORT FOR 2012

EXECUTIVE SUMMARY

OEB IN EUROPE

OEB officials attended specialised seminars and conferences, both in Cyprus and in Europe. OEB was also present and active at EU decision-making centres on issues of relevance to enterprises and employers. It was particularly active in EU bodies such as the European Economic and Social Committee, the board of the European Foundation for the Improvement of Living and Working Conditions, the European Committee on Social Dialogue, CEDEFOP (the EU body responsible for training) and other committees. OEB also took part in selected European programmes and specialised advisory groups of the European Commission.

OEB took part in the **tripartite social summits** on development and employment held in 2012 aiming to safeguard social dialogue between European institutions and representatives of the employers and the employees. These were jointly chaired by the EU Commission Chairman Jose Manuel Barroso and EU Council chairman Herman Van Rompuy and attended by senior representatives of social partners from the current and two forthcoming EU presidencies. At both, OEB Director General Michalis Pilikos set out the Organisation's positions on growth the employment in Europe, stressing the need for radical decisions at European level to boost competitiveness, support employment, promote research and protect the common currency.

OEB took part in EU developments, both as the representative of Cyprus in **BUSINESSEUROPE**, the European employers' organisation, as well as directly in other committees and bodies. This role was particularly prominent in 2012 when it hosted in December the meeting of the chairmen of organisations members of **BUSINESSEUROPE** in Cyprus.

The **European Economic and Social Committee** is the most important advisory body in the EU. The committee is made up of three groups - employers, employees and various interest groups. Cyprus is represented with six delegates, two for each group. The main issues discussed in 2012 included protecting the rights of workers on secondment, pensions and youth employment in the EU, the future of the EU's Solidarity Fund, employment, active ageing, the labour rights of vulnerable groups, corporate social responsibility and recognition of professional qualifications.

On the occasion of the **Week for Small and Medium Sized Enterprises (SMEs) of Europe** a national event was held in Cyprus on October 17 entitled "Women's and Youth Entrepreneurship: The road to growth". The event was supported by OEB, the CCCI, the Association of Women Entrepreneurs and Professionals as well as the European Commission Representation and the European Parliament Office in Cyprus.

Cyprus' first presidency of the European Council was a success and marked a landmark in modern Cyprus history. All contributors are worthy of congratulations, most notably the deputy minister of EU Affairs Andreas Mavroyiannis. The organisers worked methodically and in a collective spirit to make Cyprus proud.

INTERNATIONAL ACTIVITIES

OEB took part in the **annual meeting of the ILO**, held in Geneva between May 29 and June 15, the focus of which was Crisis in Youth Employment. Other issues discussed were Autonomous Recommendation on Social Protection Floor as well as Recurrent Discussion on the Strategic Objective of Fundamental Principles and Rights at Work, under the follow-up to the ILO Declaration on Social Justice for a Fair Globalization of 2008.

OEB continued to promote the best interests of employers at the **International Organisation of Employers**. The Director General of OEB is a member of the Organisation's council which in 2012 also discussed its contribution to business development, labour relations at a world level, corporate social responsibility, the challenges facing companies in Europe and how the ILO can help companies' efforts.

OEB also represents Cypriot employers in **BUSINESSEUROPE**, which brings together 40 members from 34 countries. Issues discussed in 2012 included Europe's energy policy and climate change, the need for economic reform in EU member states, BUSINESSEUROPE's position on the EU's multiannual framework (budget) and labour and social issues, particularly as regards working hours.

On December 6 and 7 OEB hosted the **meeting of the presidents of member organisations of BUSINESSEUROPE**, the top meeting of European employers. It was attended by 56 chairmen and directors general of the 34 national employers' federations from 29 European countries. Within the framework of the conference – which dealt with Europe's economy and labour relations as well as a long term energy strategy and negotiations with the European Trade Union Confederation on organizing working hours -- participants met President Christofias.

TROIKA

The deterioration in the economic climate, lack of courage in the taking of drastic and structural reforms to consolidate public finances and tackle distortions in the economy, the problems in the banking sector and repeated downgrades of the economy brought the state close to default in 2012. In order to cover the state's financing needs and banks' recapitalization, the government in June applied to the European Support Mechanism for support.

A delegation from the Troika (International Monetary Fund, the European Central Bank and the European Commission) held a series of meetings in Cyprus with a view to collecting information and determining the country's needs. During their contacts, the Troika team met with OEB twice in July during which OEB replied on specific issues and set out its views as regards COLA, pensions, the need for radical structural changes in the economy, the need to streamline public finances and ensure liquidity for companies. OEB's proposals covered all aspects of the economy. The Federation also stressed the importance of retaining corporate tax at existing levels.

In November the government reached an in-principle agreement with the Troika. OEB welcomed the development as positive for the economy. As regards fiscal consolidation, a number of bills were approved by the House of Representative at the end of the year covering

among other public sector wage cuts, changes to working hours in the public sector, the extension on the freeze on COLA and on hiring in the public sector, an increase in fees for companies and higher excise and fuel taxes. A property tax bill was postponed for discussion after the presidential elections.

As regards the banking sector, international companies were commissioned to evaluate the portfolios and determine banks' needs. The results are expected in 2013.

OEB believes that the signing and strict implementation of an agreement is essential for the economy. The situation offers an excellent opportunity to take substantial measures to consolidate public finances and remove weakness that have burdened the economy for years.

THE ECONOMY

The world financial crisis continued to have a negative impact on the economy which shrank by 2.4% in real terms in 2012, compared to growth of 0.5% in real terms in 2011. This was primarily due to the negative growth rate in secondary sectors of the economy (Construction, Industry, Electricity, Water) as well as in commerce and transport despite the positive growth rates in tourism, banking and services (health, scientific activities and education).

Inflation was relatively high, with the consumer price index at 3.1% compared to 3.5% in 2011. The slowdown in inflation was primarily due to lower prices for food and non alcoholic drinks and for clothing and footwear.

The unsatisfactory performance of the economy is also reflected in the labour market, with unemployment exceeding 12% of the economically active population, up from 7.9% in 2011. The biggest increases were registered in commerce, construction and tourism. The average number of registered unemployed in 2012 rose to 36,362 from 28,276 in 2011 – an increase of 28.6%.

The **fiscal deficit** in 2012 was 5.3% of GDP compared to 6% in 2011 due to increased revenue as a result of fiscal consolidation measures introduced at the end of 2011. Public revenue rose by 1.2% over the previous year to €7.740m while public expenditure edged down 0.2% to €8.770m. The **public debt** (excluding inter-governmental) is projected to rise to around 85.8% of GDP in 2012, compared to 71.1% in 2011.

The current account deficit declined to 4.1% of GDP from 6.7% in 2011. The export of goods to EU member states in 2012 declined by 7% to €838m from €900m in 2011. The export of goods to third countries also rose by 16% to €588m from €504m in 2011.

The **Cyprus Stock Exchange** (CSE) ended the year with losses of nearly 61.2%. The all-share index fell to 114 points from 295 in 2011. Compared to the end of 2009 when the index had reached from 1597, it was down 93%.

During 2011, OEB sounded the alarm over the need for the government to take substantial measures to put the economy back on the track of recovery. On the issue of consolidation of public finances and the economy more generally, OEB met representatives of the International Monetary Fund (IMF) to whom it submitted its proposals for a speedy exit from the economic crisis.

SIMPLIFICATION/IMPROVEMENT OF THE REGULATORY FRAMEWORK

Through its participation in a special steering committee to improve the regulatory framework with the aim of reducing the administrative burden on companies, OEB played an active part in all the relevant meetings. The implementation on a pilot basis of proposals submitted by consultants as concerns services offered by the state continued during the year that passed with very positive results.

Unfortunately implementation of the consultants' proposals and extension of the policy of simplifying/improving the regulatory framework in the wider public sector with a view to reducing the administrative cost of companies is very slow. Further than reducing the administrative cost, procedures and the time required in providing services to citizens can also be improved, increasing the productivity of the public sector with significant benefits to the economy. Reducing the administrative cost is also a recommendation of the EU that all member states including Cyprus have undertaken to act on.

There were 26 entries from all economic sectors for the sixth **Cyprus Innovation Award Competition** (OEB's initiative) which ended in December 2011. Four prizes were awarded for the most successful implementation of innovative methods in Cyprus. These were awarded in October 2012 to Riverland Dairy Biofarm Ltd (primary sector), G M Powersoft Computer Solutions Ltd (services) and the Statistical Service of Cyprus (wider public sector). During the ceremony, researcher Dr Despo Gatta Kasinou was awarded the Nicos Symeonides Research Prize of the Research Promotion Foundation.

OEB's pioneering programme "**Epiheirin Praxi**" which was launched to offer SMEs targeted programmes focusing on specific practical work depending on each company's needs, continued to develop despite the serious problems companies face. By the end of the year 310 companies had registered as members. Unfortunately difficulties in securing working capital have severely affected companies' ability to buy services even though their benefits are recognised. OEB and the programme Epiheirin Praxi will intensify their efforts to support local companies, even under the particularly difficult current conditions.

To **promote commercial and business cooperation** OEB took a number of steps in 2012. These included participation in official delegations to various countries in a bid to promote Cyprus as a Business Centre, promoting the development of cooperation of member Associations with corresponding ones of other countries. OEB also assisted members participating in trade fairs abroad, and organised the eighth **Savenergy** and the fifth **Envirotech** Exhibition as well as briefed members on various grants announced by the state. It also held contacts with commercial attaches of Cyprus abroad, foreign businessmen, ambassadors and journalists to promote Cyprus.

The **Consultative Committee on Consumer Issues** met twice in 2012 and dealt - among other - with inflation, the establishment and operation of an out of court body to resolve disputes, the price of fuel, the height of interest rates, a price observatory, the out of court settlement of consumer demands, the price of electricity and the price of food.

ENERGY COMMITTEE

OEB's Energy Committee concentrated on preparing a comprehensive memorandum which was sent to the House of Representatives and ministers, with its positions and proposals on an energy policy as well as measures for the immediate resolution of problems. The memorandum tackles all energy issues such as the production, distribution and cost of electricity, fuel and biofuels, renewable sources of energy and the exploitation of hydrocarbons within Cyprus' EEZ. A meeting was held with the Agriculture, Natural Resources and Environment Minister in March to discuss energy issues

which come within his portfolio, including simplifying the licensing of renewable sources of energy as regards the carrying out of environmental impact studies, the promotion of a one-stop-shop for licensing and general information on energy issues and the planning of an information campaign on the production of biofuels. The OEB committee also met the energy regulator and outlined the dramatic situation facing companies because of the high cost of electricity. They also discussed the involvement of the private sector in creating the infrastructure as Cyprus moves to tap its hydrocarbon reserves as well as the need to simplify the licensing of renewable energy systems.

NEW VAT LEGISLATION

The amended VAT law that was introduced on March 9, 2012 without any prior consultation hurt the competitiveness and cash flow of local companies and created additional financing needs in the midst of an unprecedented economic crisis. The new law creates particularly acute problems for the construction sector. To resolve the problem a committee was set up under the presidency of OEB vice chairman S. Lois that decided to request the abolition of the law. Within this framework meetings were held with MPs, political parties and others, culminating in a protest outside Parliament with the participation of businessmen and employees.

SERVICES SECTOR

The wider services sector, together with financial services recorder positive growth in 2012. OEB's participation in the Union of Industrialists and Employers Federations of Europe (BUSINESSEUROPE) and the Union of Mediterranean Confederation of Enterprises (UMCE-BUSINESSMED) contributes to promoting Cyprus as an international and regional services centre.

Tourist arrivals in 2012 rose to 2,465 million from 2,392 million in 2011 or by 3% primarily due to increased arrivals from Russia (from 334,000 in 2011 to 474,000 in 2012) despite the decline in arrivals from the UK (from 1,020 million in 2011 to 959 thousand in 2011) . Revenue from tourism rose to €1.927,7m from €1.749,3m in 2011, or by 12,9%.

OEB held contacts with the government, political parties and the Cyprus Tourism Organisation and called for the speedy implementation of measures to boost tourism as set out in CTO's strategic plan.

OEB also took part in the committee operating under the Cyprus Tourism Organisation to promote **medical tourism**. OEB's participation is important since it is the only business organisation representing private medical centres.

THE MANUFACTURING SECTOR

The sector declined in 2012 by -6.9% compared to -3% in 2011. Its contribution to GDP was 5.5% compared to 5.7% in 2011. OEB attaches considerable importance to manufacturing as it believes that a healthy Manufacturing Sector is essential for economic growth. Maintaining a high level of competitiveness is essential, and this is what OEB considers a key priority. During 2012 issues highlighted by OEB include curbing the operating cost of manufacturing, particularly of the cost of electricity, water, municipal rates, rents in industrial zones and environmental obligations. The stability and robustness of Cypriot manufacturing is directly linked to containing the constantly increasing number of unemployed. OEB did whatever possible so that additional jobs were not lost in 2012. Also highlighted was securing state support for industry through financing schemes. The continued participation of Cypriot companies in specialised exhibitions abroad – despite a decrease in state funding to this end in 2012 -- as well as the exploration of new markets and the promotion of products abroad is important for boosting exports.

THE AGRICULTURAL SECTOR

The sector shrank in 2012, by -2.4% compared to 2.8% in 2011. Its contribution to GDP remained approximately the same as 2011, that is 2.1%. The average contribution of the sector to GDP in the five year period 2008 -2012 is 2.2%.

OTHER ACTIVITIES ON ECONOMIC ISSUES

Within the framework of promoting the best interests of its members, OEB offered many other services to a significant number of companies through its active participation in joint state committees that dealt with crucial issues. OEB officials also played a decisive role in the smooth and constructive operation of professional associations, took part in media debates, briefed OEB members on how to best capitalise on national and EU schemes for enterprises and organised business missions abroad.

LABOUR ISSUES AND SOCIAL POLICY

The world economic crisis continued to take its toll on the Cyprus economy and to a large extent determined developments in employment and social policy. With unemployment rising to unprecedented levels for Cyprus and the economic crisis becoming both multi-faceted and protracted, OEB adapted its aims and strategy with a view to supporting and helping companies so as to secure the quickest possible exit from the crisis with the least damage possible. It paid special emphasis to the conflict-free renewal of collective agreements that retained or reduced labour costs, to curbing the rate of increase in unemployment, to promoting measures to deal with the crisis and to the streamlining of public finances, with special emphasis on the public service and state pay roll.

Negotiations for the renewal of **collective agreements** involved a large number of individual companies and the Association of Shipping Agents (clerical staff). During 2012 the agreements for building contractors, mosaics and marbles and furniture and woodworks that expired at the end of 2012 remained under negotiation and only the collective agreement of the Association of Furniture and Woodwork was renewed.

Negotiations were affected by the world economic crisis and the recession gripping the Cyprus economy. The year ended with a negative growth rate of minus 2.3% and unemployment at 14.7% (compared to 0.5% and 7.7% in 2011). The negotiating framework was set by a special agreement signed on 31/1/2012 by OEB and trade union confederations SEK and PEO in the presence of the Minister of Labour. They were affected by further downgrades in Cyprus' credit ratings by international credit agencies, the negative developments in the Greek economy which had an impact on Cyprus in many ways and the price of electricity. Negotiations were held against the backdrop of the viability of many companies in nearly all economic sectors under threat and the reappearance of inflationary pressures. The rise in COLA in 2012 was significant but a large number of companies, because of the extraordinary situation, did not pay COLA in July. Trade unions in general showed prudence and a willingness to cooperate to reduce labour costs so as to minimise the number of job losses. In some cases collective agreements were not renewed and remained under negotiation in the beginning of 2013. With the exception of the builders, failure to renew collective agreements did not affect industrial peace.

Demands by employers related to changes in the agreements as regards working hours, overtime, the payment of allowances and the employers' contribution to provident funds and aimed to curb operating costs and boost competitiveness. The collective agreement for shipping agents (clerical staff) is before the mediation service of the Labour Ministry and is expected to be renewed in the

beginning of 2013. In the building industry, the mediation proposal was approved by the trade unions but rejected by the Federation of Building Contractors and consultations continued at the beginning of 2013.

OEB's initiative at the end of 2011 to curb labour costs with a view to protecting the viability of companies led after intensive consultations with the leadership of SEK and PEO to the intervention of the Labour Minister and the signing on 21/10/2012 of a **special agreement on curtailing labour costs**. Under the agreement and within the framework of efforts to resolve the problems resulting from the economic crisis both for companies and employees, the two sides agreed: to reaffirm their commitment to the collective agreements and the code on industrial relations; COLA will continue to be paid; because of the economic crisis, pay rises need not be paid for 2012-2013; companies/sectors not facing particular problems will continue to pay salary increases and benefits as per the collective agreements; a joint committee will be set up to ensure correct implementation of the agreement and prevent abuse and offer support to companies to keep possible job losses to a minimum. After the signing of the agreement, intense negotiations were held at branch level and at isolated companies for additional measures to curb or reduce labour costs to avoid or restrict to a minimum possible redundancies. These measures include non-payment of pay rises and increments (where salary pay scales apply) provided for in collective agreements for 2012-2013, non-payment of COLA, non-payment or 13th salary, its reduction or its payment in installments, pay cuts, reduction in working days or hours with a corresponding cut in wages, unpaid leave by rotation, increase in working hours without extra pay, a freeze on overtime pay, a reduction in employers' contribution to provident funds and a reduction or abolition of various allowances.

For the Private Nurses Association, where the collective agreement ended on 31/12/2012, a memorandum of understanding was signed with the unions extending the collective agreement for one year without pay rises until 31/12/2013, no increments until 31/12/2012 and reduction in overtime pay.

The collective agreement of furniture and wood makers was extended as is without pay rises until 31/12/2014. For car importers a memorandum was signed with unions for the non-payment of a general increase provided for in the collective agreement of 1/1/2012 and a reduction in employers' contributions to the provident fund from 6.25% to 1% for 2012 and 2013.

The new negotiating round covers the renewal of collective agreements of a number of isolated companies as well as significant sectors of the economy. Collective agreements expire on 31/12/2012 in the following sectors: metallurgical workers, electricians, print workers, car importers, shipping agents, port workers and hotels.

On 28/01/2013 OEB issued a circular to its members on managing labour costs in companies and organisations in 2013. It noted that in view of the serious dangers threatening the future of companies and employees, labour costs irrespective of the sector of the economy and whether there is a collective agreement in force should not be increased in any way, including COLA increments, pay rises or higher benefits over December 2012. Companies or employer associations facing particular economic problems should discuss measures to protect the viability of the company and protect jobs with unions and employees. OEB believes such action is essential and had already been agreed by the overwhelming majority of companies with their employees in order to deal with the unprecedented crisis.

The number of **strikes** in 2012 quadrupled over those in 2011, affecting 25 times more employees and resulting in ten times more lost work days. Significant were the strikes in the transport associations, Vasiliko Cement, Lanitis Bros, various hotels and in Vrysoules potato packing plant.

Worth noting was the completely unjustified strike by air traffic controllers which threatened to strangle the economy.

OEB condemned the strikes which had knock on negative effects on the economy. Unfortunately the continued deterioration of the economy is expected to lead to increased strike action in 2013.

In March 2012, the House of Representatives approved a law **regulating the right to strike at airports**. It amended the law on civil aviation setting the minimum service as regards air traffic. It also forbids someone to refuse to offer these services on the grounds of the right to strike should such action lead to services being offered under the minimum level or have an adverse effect on national security. On its approval OEB wrote to the Ministry of Communications seeking clarification whether it also applied beyond air traffic control to ground handling staff. The ministry replied that it did.

As a result of the deterioration of the economy, there was increased pressure on employers and the Labour Ministry to further restrict the number of **work permits for third country nationals**. This pressure was in line with the rise in unemployment, under the mistaken logic that each vacated place by a foreigner will be filled by a Cypriot unemployed person. OEB stressed this was a mistaken approach since most third country nationals are employed in posts that Cypriots and other EU nationals are not interested in filling. The cancellation or failure to renew work permits further hurt the companies that needed them, putting in further jeopardy the jobs of Cypriots and other EU nationals working there. OEB also underlined the positive impact of foreigners working in productive sectors of the economy and stressed the need to combat illegal and undeclared labour which primarily impacts on law abiding companies and the economy as a whole.

UNEMPLOYMENT

From the very early signs of the economic crisis, OEB had tabled proposals to combat unemployment while focusing on efforts to create conditions for development. The deterioration in the economy in 2012, lower turnover and the contributed decline in companies' profitability led unemployed in November 2012 to 14%, from 9.7% in December 2011. The state must immediately introduce measures that improve companies' liquidity and offer incentives to boost entrepreneurship so as to lead the economy to recovery.

The main issues discussed at the **Labour Advisory Council** in 2012 included the amendment on the protection of maternity, a training scheme for new entrants on issues health and safety, draft regulations on minimum specifications on safety and health (for lifts), harmonising the law on private job recruitment offices with EU directives, revision of the decree on minimum wages, an ILO recommendation on the creation of jobs in SMEs, a code reconciling family and working life and a bill on the implementation of an EU directive on the free movement of employees within the Union.

The main development as regards the **Social Insurance Fund** was the approval of an amendment introducing the necessary amendments to the fund in view of the Republic's application to enter the European Support Mechanism. The main changes include: the abolition of the marriage allowance; a 30% cut in the funeral allowance; a cut in the maternity allowance from 75% to 72%; a reduction in old age pensions paid before the 65th year; freezing of social insurance pensions for 2013-2016; gradual increase by one year each year of the minimum number of years of paid contributions to the social insurance fund from 10 to 15 years to entrench the right to old age pension starting from April 2013; increasing contributions to the social insurance scheme by employees and employers by 1% - that is 0.5% by each party and 1% by the self employed starting from January 1, 2014; and revising the pensionable age every five years, linking it to life expectancy starting from 2018.

The number of applications submitted to the **Redundancy Fund** in 2012 rose to 9860. The number of redundancies has increased substantially over the four year period 2009-2012 as follows: 5176 in 2009, 5409 in 2010, 7419 in 2011 and 9860 in 2012. The number of applications submitted in 2012 was 190% up on the number submitted in 2009.

An amendment was approved in December 2012 on the establishment, registration, operation and supervision of **professional pension funds**. The new law abolishes old laws on provident funds and introduces significant changes. It was discussed among social partners. OEB argued that insurance companies should have the right to set up and operate professional pension funds but its views were not incorporated into the new law.

As part of the government's decision to bring the **minimum wage** to 50% of the median national wage, minimum wage for clerks, shop assistants, nurses, teachers' aids, nursery and kindergarten teachers was raised by a decree on 1/4/2012 to €870 from €855 and to €924 from €909 after six months of employment at the same employer. For guards the hourly wage was raised from €4.81 to €4.90 on appointment and from €5.12 to €5.20 after six months employment. For building cleaners the hourly wage was raised from €4.48 to €4.55 on appointment and from €4.76 to €4.84 on completion of six months with the same employer. OEB disagreed strongly with the increase and asked that the minimum wage be reduced in 2012 by at least 15% as a support measure for companies struggling to survive in particularly difficult conditions and in order to boost employment among professions covered by the decree. It argued that retaining minimum wages at these levels during these difficult economic times would discourage the creation of new jobs and lead to the abolition of existing ones. Despite OEB's protests the minister issued the decree on 1/4/2012.

Based on the latest available figures of the Statistical Service, turnover in **retail trade** fell by 3.9% in the first 10 months of 2012, while sectors such as electrical goods and furniture registered a drop of 14.4% in the same period. OEB considers the Labour Ministry's decisions on opening hours of shops in tourist areas and the increase in minimum wages to €924 has contributed to aggravating the problems facing the sector, making any prospects for recovery even more remote. In 2012, OEB came out clearly in support of abolishing restrictions on shop opening hours which would facilitate consumers and boost employment. It asked for all of Cyprus to be declared a tourist area and for restrictions on sales periods to be abolished. A Supreme Court decision ruled that Cypriot legislation regulating the periods when sales can be held violated an EU directive on unfair commercial practices. OEB welcomed the decision as vindicating its positions and facilitating trade.

On **health and safety in the workplace**, OEB focused on briefing its members on the implementation of the *acquis communautaire*. The new legal framework imposes a series of obligations on employers, particularly the carrying out of written evaluations of the risk and the setting out of measures to avoid, prevent and deal with accidents and sickness.

In view of the complexity of the obligations the law imposes on employers, OEB has set up a special service to help companies comply with their new obligations.

OEB is active in promoting the participation of women in the work place and the economy in general as part of its commitment to **equality of the sexes**. Within this framework OEB took an active role in the dialogue underway in bodies dealing with this issue and has also undertaken its own initiatives on these matters. They include contributing to formulating a general policy on women's issues within the framework of the National Mechanism on the Rights of Women; contributing to the proper implementation of the law on equal rights through the Committee on

the Equality of the Sexes in Employment and Professional Education; and supporting and promoting the positions of the Cyprus Federation of Business Women and Professionals. OEB successfully tendered to develop a tool certifying companies as regards good practices on equality of the sexes within the workplace. The programme is expected to be completed by November 2015.

A new measure was introduced to combat **undeclared work** which hurts employees, state coffers and law-abiding employers as it creates conditions of unfair competition. The measure involves the introduction of a certificate of the start of employment of a salaried employee in triplicate, issued based on the law on social insurance. It is completed and signed by the employer and employee before employment begins. A copy is given to the employee who must present it to any social insurance inspector who may request it. A second copy is kept for inspection and the third sent to the social insurance office.

The Ministry of Labour submitted a draft bill to social partners **extending collective agreements by law**. The draft bill gives the Labour Minister the right to extend the application of a collective agreement by decree. Disputes will continue to be resolved based on the code on industrial relations. Refusal by an employer to implement the decree could lead to the dispute being referred to an inspector appointed by law or even to the courts. OEB objected to the bill, and consultations continue.

During 2012 a law was approved concerning **temporary employment**. It covers individuals and companies who reach agreements with employees with a view to placing them for temporary work with indirect employers. The law sets out a series of preconditions to secure a licence, including a bank guarantee of €100,000, as well as the credentials of the person in charge of the temporary employment office. Based on the law, an employee can be assigned to work for an indirect employer for a period of up to four months, with a possibility of renewal for a maximum of 12 months. Employees cannot be assigned to replace workers on strike, while the Labour Department can revoke the licence if the conditions are violated. The law does not apply in the construction and tourism sectors. OEB objected to these exceptions as well as to the bank guarantee, the criminalisation of possible violations and other aspects of the law. Despite its objections, the bill was enacted into law.

OEB continued to offer services to its members throughout 2012, including significant help in securing work permits for foreign workers, answering queries and providing information on issues such as the implementation of labour legislation. OEB also focused on dealing with the consequences of the economic crisis, flexible methods of employment, equality of the sexes in the workplace and protection of the more vulnerable social groups.

MANAGEMENT AND TRAINING

Training, particularly on modern management and human resources, are an integral aspect of OEB's constant efforts to support the growth of local companies. The **Human Resources Development Authority** was particularly supportive of this effort. A total of 914 managers from the private and public sector took part in a series of training programmes. And 210 took part in training programmes that focused on issues such as management, saving energy, renewable sources of energy, labour laws and health and safety in the workplace. Saving energy and use of renewable sources of energy were at the focus of human resources development programmes. Modern management programmes on labour relations were also of particular importance, and the keen response showed the strong interest of Cypriot companies in modern

management. Training programmes were also held for industry, while OEB also organised training programmes in first aid in the light of employers' obligations under safety and health laws. OEB's Department on Management Development has been certified with the EN ISO 9001:2008 for training and education. In late 2012 the Human Resources Development Authority certified OEB as a Centre for Professional Training.

STUDIES AND STRATEGIC PLANNING

As part of continued efforts to boost competitiveness, OEB promoted implementation of the "**Investors In People**" model which allows companies to set appropriate and measurable objectives for effective investment in their human resources. The programme is co-financed by the Republic of Cyprus and the European Social Fund of the European Union with companies being subsidised for successful certification. During 2012, 31 companies were certified, bringing the total number to 38, one of which is OEB itself which was certified in October 2012 by **Malcolm Lawson** – an evaluator of **Investors In People**. Also in 2012 the Investors in People – Cyprus network was set up for the exchange of ideas and good practices in issues relating to human resources at national and international levels.

Studies on human resources have looked at the effectiveness of existing management and human resources methods and formulated practical solutions, **restructuring studies** focused on the prospect of new technology and systems while **staff opinion surveys** sought to register and analyse the views of personnel to determine their satisfaction with existing human resources management practices and come up with proposals. **Training programmes on first aid** were held with some 250 participants to help inform companies of their obligations under the law. **Short term projects** were held on issues ranging from consultancy services on human resources and brainstorming sessions to finding innovative practices.

OTHER ISSUES

The Cyprus Management Development Association (CMDA), having completed eight years in operation, carried out a number of educational seminars on management, marketing, sales, retailing, human resources and operation management as well as training workshops. In addition it organised a series of seminars contributing to developing and promoting the implementation of modern management techniques. In parallel, it organised four open educational programmes in 2012 as well as series of training programmes within specific organisations and companies.

The second **Fiduciary Conference** was organised by OEB, CMDA and Infoscreen (Cyprus) Ltd on October and November 2012 aiming to promote Cyprus as a regional centre for services. More than 160 company officials took part and were briefed on developments as regards trusts. The general conclusion was that although there are many opportunities in these fields, businessmen active in services face a number of obstacles primarily due to gaps in the law.

Recognising the increased need for information and training, the CMDA resumed publication in December 2012 of the quarterly magazine **Manager** which presents modern trends in the field as well as market news. During the year, CMDA also expanded its list of members. Further information on its activities and services are available on its website on www.keade.org.cy.

CONFERENCES/SEMINARS

The **eighth Land and Building Development Conference** was held in September with the participation of more than 100 company executives. Organised by the Pancyprian Association of Land Developers, a member of OEB, in association with the Royal Institute of Chartered Surveyors (RICS) the theme was “**Land and property development: The road to recovery**”. Issues discussed included:

- The European property market, present and future;
- The world’s worst property crash? The past, the present and future of Ireland’s property market;
- Spain’s property market: How did it come to this and where to next?
- Lending today from the perspective of the banks;
- China and Russia – the new strong emerging markets;
- Evolution in property evaluations.

The Cyprus Quality Association, a member of OEB, staged a “**Quality Conference**” in November focusing on "The answer to the economic crisis: Quality".

Within the framework of its international activities, the Association of Renewable Energy Enterprises, a member of OEB took part in a conference organised by the European Renewable Energy Council (EREC), entitled “The future of renewable electricity schemes: How and when should they converge” that was held in Brussels in September.

In December a business team from the association travelled to northern Greece with the support of the Human Resources Management Authority for training on photovoltaic parks up to 2MW with solar trackers.

SURVEYS

Between May 28 and June 8, 2012, OEB carried out a survey among its members on companies’ **activities in research and innovation**.

- Asked whether they used R&D to develop new products/service 43.3% said they did so systematically, 43.3% said occasionally and only 10% said not at all.
- Asked about the importance the company attached to research, development and innovation 70% said much or very much, 23.3% said average and only 6.6% said little or none.
- Asked whether they cooperated with any other body or research institution on research and innovation, 60% said yes and 40% said no.
- Asked whether they believed that there should be more information about financing programmes in this area, 96.4% said yes, and only 3.6% said no.

The main suggestions on how to promote research were:

- tax incentives and closer cooperation with research institutions;
- increased funding for research programmes and less red tape in submitting applications for financing programmes; the holding of seminars on research and innovation;
- a review of the results of projects and studies carried out on a national and European level; those that have an impact on the market and society more generally should be promoted further;
- a more analytical national strategy which will support and finance cooperation between companies and research bodies aiming at innovative solutions;
- there is a lack of lab support for research projects. Cypriot universities must deal with European programmes in cooperation with companies.

OEB also carried out an extensive Pancyprian study among its members in the first half of September on the measures that need to be taken in the public and wider public sector to deal with the crisis. The overwhelming majority supported reducing salaries and benefits in the wider public sector (93.6%) as well as cutting down the number of public sector employees (95.2%). Companies also supported taxing public sector employees' retirement bonus (90%) and abolishing COLA in the public and wider public sector (80%) and in the private sector (72%)

EXHIBITIONS

The 8th Save Energy Exhibition SAVENERGY 2012 and the 5th Water and Environment Technology Exhibition Envirotec 2012 were held in March with great success with almost all exhibitors saying they were very satisfied and would definitely take part in the 2013 event. The fairs attracted some 25,000 visitors. SAVENERGY 2012 was staged by OEB in cooperation with the Ministry of Commerce, Industry and Tourism and the Electricity Authority of Cyprus and showcased new technology services and products on renewable energy as well as ways to save energy. Envirotec 2012 was organised by OEB in cooperation with the Ministry of Agriculture, Natural Resources and the Environment and aimed to brief consumers and productive classes on ways to save water and protect the environment.

Two **Save Energy Prizes** were awarded again this year, one for commercial and one for non-commercial recipients. The non commercial prize went to Martina Solomou from Paralimni. The commercial prize was shared between Photiades Breweries Ltd and C&S American Heart Institute. Aphrodite Hills Resort received a distinction for investing in a geothermal system.

The **Solar Energy Union** sent a business mission to the save energy fair GENERA 2012 in Spain, one of the most important of its type with five companies participating as exhibitors. The association also sent a delegation and set up its own stand at the specialised exhibition on renewable sources of energy in Paris. Both efforts were supported by the Ministry of Commerce, Industry and Tourism.

The **Motorshow 2012** organised by OEB members The Association of Car Importers in October at the International State Fair Grounds was a big success. It attracted 31,652 visitors – a record number for times of crisis. On show were 35 makes of motor vehicles.

The Cyprus Quality Association organised the first **Cyprus Quality Leader of the Year** competition. The award went to Louis Apostolides, in charge of quality at Linde Hadjkyriacos Gas. He will take part in the European competition being organised by the European Organisation for Quality (EOQ) which will select the European Quality Leader of the Year among the national representatives, members of the EOQ.

NEW PUBLICATIONS

On the occasion of the take-over by Cyprus of the presidency of the Council of the EU in the second half of 2012, OEB issued a monthly electronic newsletter reviewing the most important decisions, developments and events during the Cyprus presidency. The newsletter was sent to all the employers' organisations members of BUSINESSEUROPE, BUSINESSMED and the members of OEB.

USE OF THE INTERNET AND SOCIAL MEDIA

Recognising the continuing increase in the use of technology and social media, OEB is making their best possible use to ensure speedy and direct information reaches the business community.

It has set up the web page www.epihirimatiki.com which is the internet edition of OEB's magazine "Epihirimatiki". An easy to use portal it aspires to become an essential tool for businessmen and employers. It features rich content, such as announcements, select corporate news, financial and business features, interviews, important court decisions, information of financing schemes, seminars, events and much more. The portal also has back copies of the magazine, Epihirimatiki, while visitors can also register for the weekly newsletter. The portal is the most immediate communication channel with the business world in Cyprus and an important tool for businessmen wishing to be up to date with the latest market news, as they occur. Epihirimatiki also has a Twitter account. (<https://twitter.com/epihirimatiki>)

ANNUAL GENERAL MEETING 2011

The 51st AGM was held on May 24, 2012 in Nicosia. OEB's Chairman Filios Zachariades analysed the Federation's activities in 2011 particularly as regards the world economic crisis, the negative developments in the economy, the crisis affecting Greece and the euro zone more generally and OEB's actions to mitigate the effects of the economic downturn.

PROFESSIONAL/SECTORAL ASSOCIATIONS

OEB's professional associations were active in promoting the interests of their members during 2012 through the organisation of a series of educational and information events, participation in committees and coordination with other OEB departments. Its activities included proposals for new property taxes, promotion in consultation with the Ministry of Commerce, industry and Tourism of a subsidy scheme for innovative companies, pressure to improve save energy subsidies and much more.