



ANNUAL REPORT 2016

EXECUTIVE SUMMARY

OEB IN EUROPE

OEB executives have attended specialised seminars and conferences in Europe and were active at EU employer and business decision-making centres. Among others, OEB was particularly active in the Council of Presidents and the Executive Committee of Business Europe, in the European Economic and Social Committee (EESC), the board of the European Foundation for the Improvement of Living and Working Conditions (Eurofound) and the European Centre for the Development of Vocational Training (CEDEFOP). In addition, OEB has also participated in selected European programmes and specialised advisory groups of the European Commission.

BusinessEurope

BusinessEurope is the most representative, pan-european Employers' Federation with 39 members from 33 countries. OEB is a member and its President and Director General are members of BusinessEurope's Presidents' Council and Executive Committee respectively.

Some of the topics which were addressed by BusinessEurope in 2016 were:

- The role of the United Kingdom after the referendum on leaving the EU (Brexit).
- The future of Europe.
- The phenomena of «populism», the opposition to globalization and anti-European feelings.
- Global geopolitical challenges and the impact on businesses.
- International trade.

European Economic and Social Committee (EESC)

The EESC was established in 1957 under the Treaty of Rome it is the main advisory body of the European Union (EU) and the institutional basis allowing various economic and social Bodies of the EU Member States to actively participate in the decision-making process. Cyprus has 5 representatives, one of which is OEB's Director General Mr. Michael Antoniou.

The most important issues discussed by the Committee in 2016 were:

- Review of the Directive on the posting of workers
- Promotion of innovative enterprises with high growth potential
- Towards a cohesive EU Blue Card Policy on the immigration of workers
- Cooperation with third countries in promoting lawful immigration to the EU
- European Accessibility Act
- Long term social care, employment and mobility
- Changing employment relationships

INTERNATIONAL ACTIVITIES

International Labour Organisation (ILO)

Since 1960, OEB participates in the Annual Conference of the International Labour Organisation (ILO), the United Nation's agency dealing with labour issues and international labour standards, in Geneva. In 2016 session, OEB participated in the discussion on decent work in global supply chains.

In his speech before ILO's Plenary, OEB's Director General Mr. Michael Antoniou discussed the experiences and lessons the Cypriot economy took administrating the consequences of the economic crisis of recent years.

International Organisation of Employers (IOE)

The International Organisation of Employers (IOE), whose OEB is a member, represents the interests of employers in the employment and social sectors at the international level. IOE was established in 1920 and since then it promotes employers' interests in both the ILO (International Labour Organisation) and at international level.

International Solidarity

Regrettably, 2016 was a year rife with terrorist attacks, airplane crashes and acts of God which claimed the lives of many innocent civilians. Terrorist attacks occurred in Brussels, Nice, Istanbul, Ankara and Berlin whereas catastrophic earthquakes cause havoc and large scale destruction in Italy. In each case, OEB communicated its sincere condolences, solidarity and support.

BREXIT

Following a referendum held in June 2016, United Kingdom (UK) voted in favour of leaving the European Union (Brexit). UK is an important trade partner for Cyprus and for that reason OEB examined and assessed the potential impact and risks of Brexit for our economy. OEB has submitted a position paper to competent bodies and participated in various meetings for preparing and reducing unforeseen effects of Brexit for the island's economy. At the European level, OEB has sent a letter to the Confederation of British Industries (CBI) conveying that Cypriot businesses will continue having close relationship between the two countries. OEB believes that a significant impact of Brexit to Cyprus is the devaluation of the British pound against the euro. As a result Cypriot products and services will be more expensive for British citizens. In general, Brexit causes uncertainty throughout the European and global economy as no one can accurately predict the short and long term economic or political consequences. The actual effects of Brexit, will depend on the negotiations between EU and UK and the possible bilateral trade agreements to be concluded with other countries and with the EU.

EXIT FROM MEMORANDUM OF UNDERSTANDING

Having fulfilled most of our obligations and achieving a significant improvement in many important economic indicators, Cyprus has successfully managed to outperform the targets set by Troika and exited from the economic adjustment programme ahead of the official expiration date. That efforts were done mainly by the business community and private sector

workers. Further improving fundamentals and sustaining efforts to strengthen the resilience and flexibility of the Cypriot economy are essential to ensure that the legacies of the economic crisis are left far behind. The real economy has still many important challenges to deal with, like the high percentage of non-performing loans, unemployment especially among young people, public debt, reforms in the public sector and strengthening the confidence of foreign investors to the island's economy.

THE ECONOMY

During 2016, the economy exhibited economic growth around 2.7%, in real terms, compared with a growth rate of 1.7 % in 2015, and negative growth rates between 2012 and 2014. The positive performance of the economy is a result of positive growth rates in almost all sectors of economic activity.

The harmonized inflation rate in 2016, as measured by the Consumer Price Index, was again negative 1.2% compared to negative 1.5 % in 2015. The decelerated inflation is mainly attributed to the reduction of prices in almost all economic sectors.

The uptrend of the economy is reflected in the labour market, resulting in a decrease in the unemployment rate to 15% as compared to 16.2% in 2015.

Fiscal deficit for 2016 stood at 0.5 % of the GDP, compared with a deficit of 0.2 % in 2015.

During 2016, exports of goods to EU member states declined by 15.1% and increased by 12,8% to all other countries compared to 2015.

Cyprus Innovation Award

The tenth competition for the Cyprus Innovation Awards ended successfully in March 2016. A total of 25 applications from all sectors of economic activity were submitted.

The Innovation Awards Committee evaluated the applications and presented four companies / services with the award in a stunning ceremony on November 14th 2016 as follows:

- **Primary Sector: The Land of Dreams** for the cultivation of sturgeon fish and for the group of the products and services offered on the premises.
- **Manufacturing sector: A.C. Technometal Ltd** for the design and production of a series of sliding aluminum systems «Rabel Super Thermal», capable of covering large-span areas and providing insulation to extreme weather conditions.
- **Tertiary sector: Axiom Consulting Ltd** for the development and marketing of innovative software loyalty schemes which allow fast processing of data through central database systems.
- **Public Sector: Drug Law Enforcement Unit (YKAN)** for the innovative rehabilitation and reintegration service of young drug users.

The Cyprus Innovation Award is an initiative of OEB, which is supported by the Ministry of Energy, Commerce, Industry and Tourism and the Research Promotion Foundation and is the highest distinction recognized for the successful application of innovation in Cyprus. During the same ceremony, the Research Awards 2016 were also awarded by Research Promotion Foundation.

All awards were presented by H.E. the President of the Republic of Cyprus Mr Nicos Anastasiades.

Trade and Business Partnerships

In 2016 OEB promoted trade and business partnerships through:

- Promotion of collaborations of its Member Associations with their counterparts in other countries.
- Conducted a survey among its member companies regarding its image, the quality and type of services provided.
- Participation in official missions aimed at promoting Cyprus as an international business centre.
- Organisation of the Savenergy, Envirotec Water and Environment Technologies and Education Exhibitions.
- Briefed Members on Governmental grant schemes.
- Cooperated and maintained communication with the Republic's commercial attachés, foreign businessmen, ambassadors and journalists to promote Cypriot commercial interests.

Consumer Advisory Committee

OEB participated at the 2016 sessions of the Consumer Advisory Committee at the Ministry of Energy, Trade, Industry & Tourism and dealt with the Bill 'On the Certain Aspects of the Sale of Consumer Goods and Related Guarantee (Amendment) Law of 2016', the commercial register of the mechanism-off-court settlement of consumer requirements (ADRs), and the consumer Code of Ethics (CPR).

Services Sector

The Services sector excluding the Financial Services and the Information and Communication Sectors recorded positive growth in 2016.

The involvement of OEB in the Union of European Federations of Employers and Industrialists (BusinessEurope) contributes significantly towards the promotion of Cyprus as an international and regional business center. The efforts of OEB are based on processes at European level, in view of the liberalization of economies in the Mediterranean region and in clear competitive advantages of Cypriot enterprises, particularly in the services sector.

Tourism

New record in the history of the Cyprus Tourism industry was recorded in 2016 in terms of tourist arrivals. The number of tourists visiting Cyprus was 3,186,531 compared to 2,659,405 in 2015, or an increase by 19.8%.

Arrivals from the United Kingdom, the largest tourist source for Cyprus reached 1.15 million,

an increase of 11.2% compared with 2015. In 2016, arrivals from the UK accounted for 36.4% of total arrivals. Followed by Russia with 781.634, an increase of 49% compared to 2015. Arrivals from Greece totalled 160.254 representing an increase of 15%. Arrivals from Israel increased by 51% on a yearly basis amounting to 148.739, while arrivals from Germany stood at 124 030 representing an increase of 10.5% compared with 2015.

The summer period April - October was historically the highest with 2,722,804 tourist arrivals.

The winter season of 2016 (January-March and November-December) recorded 463.727 tourist arrivals, an increase of 23.2% compared with the number of tourist arrivals in the corresponding months of 2015. The performance of the winter months of 2016 is the fourth best performance in the history of Cyprus, marginally behind 2001 and 1997.

Growth was also recorded in revenues from tourism in 2016 which amounted to 2.363,4 mil. euro compared to 2.112,1 mil. euros in 2015 or by 11.9%. The overall benefit in absolute terms for the year was about 2.51,00 mil. euros versus 2015 and 3.40,00 mil. euro in 2014.

OEB participated in the debate on the study forming the National Tourism Strategy by participating in the focus group on "Local Administration, Infrastructure and Built Environment". Also, supported the promotion of thematic tourism mainly through private initiatives related to the enrichment of our tourism product.

Through the actions of OEB Tourism Committee and in partnership with organized groups such as the Association of Cyprus Tourist Enterprises (STEK), OEB continues and will intensify its efforts to further strengthen our tourism industry.

Industry

The growth rate of the Manufacturing Sector rose by 6,1% in 2016 compared with an increase of 3,6% in 2015. The contribution to GDP in 2016 remained at 3,6% which is the same level as the year before.

Despite deteriorating conditions, OEB still considers the manufacturing sector as a key factor for sustained economic growth while maintaining competitiveness and employment levels is crucial. The following were among the issues raised and promoted by OEB in 2016:

- Design of the new industrial strategy which aims to increase the contribution of the industry to GDP.
- Problems at the Industrial Estates and Zones.
- Business Delegation to Tehran organized by OEB with the participation of Cyprus Industries.
- Cost containment, especially with regard to inelastic expenditure such as electricity, water, local council and other taxes or obligations.
- Participation of Cypriot industries in specialised or general international trade exhibitions.

Agriculture

A moderate growth increase of 1,9% was observed in 2016 for the Agricultural Sector, compared with 8,8% in 2015.

The contribution of the sector to GDP in 2016 remained at the same level as 2015, namely 1,5% which is also the average contribution of the sector to GDP over the five years 2012 – 2016 period.

Agricultural exports rose by €13,7 million reaching €102,8 million in 2016 from €89,1 million in 2015. This is mainly due to the increase in potato exports by €11,6 and fish (fresh / frozen) by €1,6 million.

OEB COMMITTEES

Energy Committee

The Energy Committee of OEB developed intensive activities in 2016 and has enlarged composition. In the permanent composition of the Energy Committee, participate representatives of all Associations operating under the auspices of OEB and their activities directly or indirectly relate to energy and environment issues. Some of them are the Cyprus Energy Saving Companies (PASEEXE), the Cyprus Association of Renewable Energy Enterprises (SEAPEK), the Cyprus Association of Mechanical and Electrical Contractors (SEMHEK), the Cyprus Union of Solar Energy Industrialists (EBHEK), the Biofuels Association, the Association of Engineering Consultants, Electrical, Mechanical & Energy, the Cyprus Biogas Producers Association, representatives from the EAC, the Oil Companies and the Association of Wind Energy in Cyprus. In many cases, depending on the topic, representatives from academia, investors, the Environment Commissioner, government officials etc are invited to participate.

The Energy Committee meets regularly with a wide range of topics on the agenda. Also, meetings are held with various stakeholders which put business positions on important issues of energy and environment.

The main issues addressed by the OEB Energy Committee were:

- Support schemes for renewable energy and energy efficiency.
- The cost of energy in Cyprus and the restructuring of electricity tariffs.
- Electricity market rules, new electricity market model and transition.
- Legislation / Legislative Proposals relating to the energy sector.
- Energy Saving Exhibition «Savenergy 2016».
- Sustainability of the Special Fund for Renewable Energy Systems (RES) and energy saving.
- Preparation of detailed memos with OEB 's position on energy hot topics.

The OEB Energy Committee held meetings with the Chairman of the Cyprus Energy Regulatory Authority, with institutions and organizations, as well as with several other state officials dealing with energy and environment issues.

Manufacturing Committee

In 2016, the Manufacturing Committee focused on issues relating to the bill 'About Clusters Law' for local government that aims to reform each province for real estate licensing and with bill for creating one-stop-shop for large investments, prepared by the Presidency of the Republic. Other issues that were discussed, included the Ministry's of Finance decision to reduce property tax in 2016.

Industry Committee

The Industry Committee, dealt with the various problems faced by Cypriot industries. To this end, a research was conducted among industries-members of OEB for identifying and finding solutions to address these problems. The Committee, also submitted recommendations to the Ministry of Energy regarding the preparation of the new industrial strategy for Cyprus, which aims to increase the sector's contribution to GDP.

Competitiveness Committee

The newly established ad hoc Competitiveness Committee met for the first time in 2016. The Committee was formed following an initiative of OEB's Executive Committee in order to examine the reasons behind Cyprus' low rating in the Annual Competitiveness Report 2016 which is prepared by the World Economic Forum and to contribute to the improvement of Cyprus' ranking.

NEW ASSOCIATIONS

Cyprus Organisation of Internet Publishers becomes member of OEB

In 2016 the Cyprus Organisation of Internet Publishers (KOED) became member of OEB. The purpose of KOED is to create an environment of trust and transparency for online media, implement the code of conduct and train its members for upgrading online media issues. The founding members of KOED are ANT1iwo, CYPRUS NEWS MEDIA, DIGITAL TREE, DPG MEDIA, IMH, MC MEDIA, NIKODEA, SIGMALIVE, SPP MEDIA, CITIZENS and Phileleftheros.

Cyprus wind Energy Association becomes member of OEB

In 2016, Cyprus Wind Energy Association became member of OEB. The purpose of the Association is to achieve maximum penetration of renewable energy in Cyprus.

Other Economic And Business Activities

In the year 2016, OEB's officers in close cooperation with the professional member associations, focused on the following activities:

- Re-establishment of the old vehicles withdrawal Plan.
- Adoption of standards for the installation of photovoltaic systems.

- Promotion of energy saving and renewable energy technologies.
- Submission of complaints to the Ministry of Labour, Welfare and Social Security and the Ministry of Finance of undeclared work and thus unfair competition in the field of private Photographers.
- Re-establishment of grants for the replacement of old solar systems by the Ministry of Energy, Commerce, Industry & Tourism.
- Reform of the tax system for real estate property.
- Promotion of legal regulation for commonage buildings.
- Promotion of legal regulation for swimming pools.
- Suggestions for fast-track processing for granting immigration permit to third-country nationals that aim to invest in Cyprus.
- Improvement of the licensing system and deeds.
- Active involvement in the General Health Scheme (GHS) consultations regarding the application of the system and the autonomy of public hospitals.
- Improvement of the Grant Scheme for Innovative Enterprises.
- Improvement of the applications evaluation procedure of Grant Scheme from the Special Fund for Renewable Energy Systems (RES).
- Improvement of the operation of the "Save - Upgrade" Grants Scheme to homes and businesses and how to promote energy efficiency.
- Improvement of legislation for buildings with nearly zero energy consumption.
- Achieve sponsorship for participation of professional associations in trade fairs abroad for promotion of industrial products.
- Support of industries for adoption of the CE marking and Eco Labelling.
- Combat unfair commercial practices in the furniture sector.
- Reduce waste management costs in furniture industries.
- Combat unfair competition from non-licensed and illegal crafts in various sectors.
- Attract foreign students by establishing Cyprus as a regional training center.
- Submit requests to the Ministry of Labour, Welfare and Social Security for changes to the legislative framework for kindergartens.
- Draft a Grant for active companies in the field of early childhood care and education with the use of European funds.
- Proposition of tax incentives to businesses related to accelerated depreciation of investments in software and IT equipment via the 'Digital Strategy Group'.
- Organization of specialized lectures on energy and environmental issues.
- Organization of trade mission to promote Cypriot furniture in Great Britain.

LABOUR RELATIONS AND SOCIAL POLICY

The consequences of the global financial crisis and the unprecedented Eurogroup decision for a bail-in on deposits in March 2013, continued influencing and shaping developments in the field of industrial relations and social policy.

Undoubtedly, the main features of the year were the efforts made by the country's productive forces to mitigate the effects of the crisis, especially in relation to the stabilization and gradual restoration of the banking system, the businesses' lack of liquidity, high interest rates and the administration of non-performing loans. Despite the many challenges, the economy in 2016 presented signs of growth and stability and achieved to exit the Memorandum of Understanding (MoU) signed in 2013. However, many reforms included in the MoU, including the introduction of a National Health Insurance System (NHIS) and privatisations, were not implemented.

Gross Domestic Product (GDP) grew by 2,8% (1,7%: 2015) while inflation remained negative -1,4% (-2,1%: 2015) for the fourth consecutive year. Unemployment declined at 13,3% (15,5%: 2015) whereas public debt, despite a decrease, remained high at (110,6%). Non-performing loans continued to limit market liquidity.

Trade union aspirations for restoring salaries and benefits reduced through agreements with employers to support businesses and retain jobs, to their pre-crisis levels adjusted OEB's objectives and strategy accordingly. Emphasis was placed in addressing the problems businesses face due to the crisis and in the peaceful renewal of collective agreements.

Cost of living adjustment (COLA)

OEB firmly believes that the Cost of Living Adjustment Mechanism (COLA, or ATA as the acronym is commonly known in greek) is an outdated, obsolete and counterproductive practice that erodes business competitiveness and should therefore be abolished. COLA automatically raises labour costs for business, irrespective of their ability to afford the additional expense, and undermines their competitiveness. During the crisis years, COLA was paused throughout the economy.

In 2016 a dialogue begun between employers and trade unions with the aim of reaching an agreement on how to restart the implementation of COLA in the private sector. It is worth noting that in the public sector, COLA from now on will be paid only once a year (instead of twice) at half the rate, provided that there was growth in the second and third terms of the preceding year.

Social partners will continue discussions in 2017 with the Minister of Labour, Welfare and Social Insurance acting as a mediator.

Labour Demands and Collective Agreements

The main characteristics of the 2016 collective bargaining cycle were the following:

- Several company and sectoral collective agreements and special agreements had expired in 2015. Affected sectors included master printers, the mosaic and marble manufacturers, shipping agents, private hospitals, the hotel and the construction industry.

- Collective agreements were still under negotiation for the metal industry. Companies operating in the aforementioned sector have concluded individual agreements with trade unions to contain labour costs.
- Despite signs of economic stabilisation, the impact of the economic crisis affected negotiations as many businesses from all sectors struggled to remain viable. By the end of 2016 GDP grew by 2,8% and unemployment stood at 12% (compared with -1,5% and 15,5% respectively in 2015).
- Generally, trade unions were not too confrontational, demanding in most cases the restoration of wages and benefits reduced in the previous years.
- Failure to renew collective agreements did not affect labour peace with the exception of strikes in the Limassol Desalination Plant and Larnaca international airport. In the case of the Limassol Desalination Plant, trade unions rejected the Ministry of Labour's mediating proposal for full restoration of benefits and salary increases and, in violation of the provisions of the Industrial Relations Code, prompted employees to strike. At Larnaca airport the strike was instigated by a group of workers demanding salary increases despite the fact that their wages had not been affected since May 2015 and in violation of the Industrial Relations Code.
- Strikes also took place at semi-governmental organisations under privatisation with workers demanding the annulment of the privatisation procedure. Strikes in seaports paralysed economic activity and caused damages to businesses. In addition, public hospital nurses went on strike demanding pay scale upgrades. In response to the aforementioned strikes, OEB repeatedly called on the state to promote effective mechanisms regulating the right to strike in all essential services.
- In some cases, collective agreements were not renewed by the end of 2016 and remained under negotiation. In most cases though, special agreements were concluded maintaining part of the labour cost savings already achieved, while gradually restoring salary and benefit cuts.

At the Association / sectoral level, the following agreements were concluded:

- The Hotel Industry's collective agreement was renewed for 1/3/2016 – 31/12/2018 restoring part of the employees' benefits, following intense negotiations and the submission of a mediation proposal by the Minister of Labour. Moreover, it was agreed that specific provisions of the collective agreement will be regulated by legislation.
- The Master Printers Association collective agreement was renewed for another year (1/1/2016-31/12/2016) preserving the reduced employer contributions to the Provident Fund (at 2%, was 6.25%).
- Shipping Agents renewed the collective agreements for both clerical staff (until 31/12/2016) and dockers (until 31/12/2017) with no labour cost increase.

The Construction Industry's Special Agreement expired on 30/06/2015 and since then there are ongoing negotiations to renew the collective agreement. An important element of the negotiating process involves the drafting of a bill proposal to regulate certain collective agreement terms by law. The precondition set by employers in order to conclude such an agreement is the overhaul and modernisation of the collective agreement.

New Round of Negotiations

During the last quarter of 2016, collective agreements and/or special agreements expired for the following sectors: Banking, Master Printers, Motor Vehicle Importers, Citrus Fruit Exporters,

Ship Owners, Shipping Agents (clerical staff). In addition, the Cyprus Furniture & Woodworking Industry Association's collective agreement expires on 30/6/2017.

The collective agreements of the following sectors remain under negotiation: Construction, Mosaic and Marble manufacturers and Private Hospitals.

Industrial Action

In 2016, strikes were significantly reduced (23.3%) in number compared to 2015 (2015: 30, 2016: 7). However, the total number of work days lost increased by 62.5% (from 13.224 days in 2015 to 35.302 days in 2016). This increase is largely attributed to the 18-day nurses' strike in public hospitals by the members of Pancyprian Trade Union of Nurses (PASYNO) which victimised thousands of vulnerable citizens.

Almost a quarter (24.13%) fewer employees were involved in industrial action in 2016 (2015: 6393, 2016: 4850). Of the 7 strikes recorded, 3 occurred in the private sector, 1 in the semi-governmental sector and 3 in the public sector. Besides public hospitals, the strikes affected bus companies, seaports and desalination plants.

With regard to essential services, the state still remains defenceless against arbitrary abuses of the right to strike. Without objecting the constitutional right to strike, OEB in 2015 submitted a proposal to regulate the right to strike in essential services which has yet to be adopted. OEB is resolute in continuing to pursue this goal in 2017.

SOCIAL INSURANCE FUND

Repaying debts in instalments

A most positive development regarding overdue payments to the Social Insurance Fund took place in 2016; new legislation was introduced allowing employers to settle outstanding debts to the fund in instalments.

This facilitation was one of OEB's key recommendations to the government aiming to help businesses who were severely affected by the crisis, through no fault of their own, meet their obligations while ensuring that contributions to the fund are collected.

Bill for undeclared/illegal employment

OEB has repeatedly stressed that illegal and/or undeclared work constitutes a scourge affecting public finances, deprives pension and other benefits from workers and creates unfair competition at the expense of law-abiding businesses; actively addressing the phenomenon is crucial.

In 2016, a bill on combating undeclared work was introduced by the Ministry of Labour for discussion, with OEB expressing its disagreement on the proposed fines. The discussion will continue in 2017 and OEB will be monitoring developments closely, intervening and being a catalyst in creating effective tools to be used in the war against undeclared work.

Actuarial Review of the viability of the Social Insurance Fund

In April 2016 an actuarial review of the Social Insurance Fund was presented with 31/12/2014 as reference date. The main conclusions of the review were: (a) The Fund is viable until 2080, (b) in 2015 there were 5 people between 15-64 years of age supporting each person over 65. By 2080 this ratio will drop to 2,5:1 and (c) pension expenditure stood at 7% of the GDP in 2015 and will rise to 9,5% by 2080.

Redundancy Fund

Redundancy payment applications were considerably reduced in 2016. Until September 2016, 33,3% fewer applications were made compared to the same period in the previous year (Sep. 2015:4280, Sep. 2016:2855).

It is worth noting that the number of applications for payment submitted to the Redundancy Fund in the last four years (2012 - 2015) are as follows:

2012: 9860
2013: 13592
2014: 6846
2015: 5123

Considering the downward trend in applications, the fact that the Fund has sufficient reserves to meet its needs for many years to come and the fact that it is financed entirely by employers OEB, proposed that contributions are halved to 0,6% (now it is 1,2%). Reducing employer contributions to the Redundancy Fund will not threaten its sustainability, will have a positive effect on public finances (government, in its capacity as employer, contributes 1,2% on civil servants' salaries) and will constitute an essential support measure to businesses.

Conference on the Cypriot Pension System

In October 2016, OEB held a conference on the topic of "Challenges and Prospects of the Cypriot Pension System" with the participation of industry experts, pension and provident funds and the insurance industry.

The sustainability of the Cypriot pension system is of utmost importance to OEB since it directly affects the economy, the labour market and living standards of citizens. The conference acted as a forum to discuss the challenges posed by increasing life expectancy, declining birth rates, economic conditions, and the relevant legal and institutional frameworks to the pension system.

Employment of Third Country Nationals

Employment policy for third-country nationals remained restrictive for 2016, although no final statistics were available for the year by the time this report was prepared. Most third-country nationals were employed in the agricultural sector (farming and livestock) and intermediary financial institutions.

OEB has repeatedly highlighted that third-country nationals have a positive impact on the economy and are employed in jobs for which Cypriots and EU nationals show no interest (such as the broader agricultural sector) or in new and developing sectors, such as Forex, that require specific language skills not found in the European labour market. The Federation also stressed the need to address illegal and undeclared work that primarily affects legitimate businesses.

Employment and the Labour Market

Economic growth and the stabilisation of the economy reduced unemployment to 12% (was 15% in 2015); there were 38.378 unemployed in 2016 and 43.159 in 2015.

OEB submitted numerous proposals to help create new jobs including, among others, the re-launching, improvement and expansion of various employment schemes, exempting employers from paying contributions for people under 25 (to encourage youth employment), making permanent the extended shop opening hours and outsourcing work from the public to the private sector (as a means to improve civil service efficiency, reduce costs and create new jobs in the private sector).

Labour Advisory Board

The main issues addressed by the Board in 2016 included:

- The Organisation of Working Time (Amendment) Law of 2016
- The Fixed-Term Employees (Prohibition of Unfavourable Treatment) (Amendment) Law of 2016
- The Part-Time Employees (Prohibition of Unfavourable Treatment) (Amendment) Law of 2016
- The Employer's Obligation to inform Employees of the Particulars of their Contract of Employment (Amendment) Law of 2016
- The Protection of Wages (Amendment) Act 2016
- Proposed amendment to the Social Insurance Law and relevant Regulations (Undeclared Work)
- The Law on the Implementation of Measures to Facilitate the Exercise of Employee Rights in the Context of the Free Movement of Workers Law of 2016
- The Safety and Health at Work Law of 1996

Minimum Wage

Minimum wage has remained unchanged since 2012 when the last Minimum Wage Order was issued.

Specifically, the minimum wage for clerks, shop assistants, personal care workers (nursing assistants) and child-care workers (assistant baby and child minders) stands at €870 per

month at recruitment and rises to €924 per month after 6 months of service with the same employer.

For security guards the minimum hourly rate is €4,90 at recruitment and €5,20 after 6 months of service with the same employer, while for cleaners the respective rates are €4,55 and €4,84.

OEB maintains the position that the minimum wage is too high, beyond what the economy can afford (approaching the minimum wage of far wealthier countries), is a serious disincentive for creating new jobs and should be abolished.

National Health Insurance System

2016 was an important year for the implementation of the National Health Insurance System (NHIS). The President of the Republic and the parliamentary parties reached a consensus regarding the framework of NHIS and, after many years, two bill proposals (one for the autonomisation of public hospitals and the other for the introduction of NHIS) were submitted to parliament for debate.

OEB has strong reservations and disagreements regarding the content and philosophy of the two bills and has submitted a comprehensive memo with its proposals. In addition, many important aspects of NHIS, such as the rate of employer contributions, are either not determined in the bills or will be determined at a later time with Regulations.

As deliberations for the NHIS bills will continue in 2017, OEB along with its Committee on Health & NHIS, will monitor closely all developments and will liaise and work with all stakeholders to help introduce an operational, viable, effective and competitive NHIS.

Civil Service Reform

In 2017 the House of Representatives rejected, regrettably, a set of bills for civil service reform submitted by the government, including a bill for the rationalisation of the state payroll which would prevent it to grow faster than the economy. Despite its many reservations, OEB supported the proposed bills considering them to be an improvement over the existing state of affairs.

OEB proposed that all measures taken to contain the state payroll remain in effect until the end of 2018 and that all deduction or increased contributions imposed on civil servants be made permanent. Planned wage increases for civil servants for 2017-2018 were estimated to cost 75 million euros and OEB proposed that this money be used to support vulnerable groups of the population such as the long-term unemployed, the elderly receiving low pensions and single parents.

Civil service reform is crucial in the effort to return Cyprus to economic growth and therefore a priority. OEB, and its Committee for the Reform of the Civil Service, will closely monitor any developments and continue pursuing its goal for a modern, effective, sustainable and productive civil service.

Shop Opening Hours

Initially introduced in July 2013, extended shop opening hours increased the retail sector's

turnover and government revenue, created new jobs and accommodated the needs of consumers without burdening the taxpayer. Despite the efforts of the Minister of Labour, Welfare and Social Insurance, stakeholders could not reach an agreement to regulate shop opening hours in 2016.

Legal uncertainty was further prolonged when a court ruling identified certain provisions regarding shop opening hours in the existing legislation as unconstitutional. OEB is committed in working with stakeholders in 2017 to reach a permanent solution provided that any such arrangement will not result in the dismissal of any person hired since extended shop opening hours were introduced.

Health and Safety at Work

OEB's efforts to promote health and safety at work are primarily focused on informing and assisting businesses properly implement relevant legislation which also integrates the *acquis communautaire*. To this end, OEB has undertaken various initiatives, including the implementation of professional training programs for employers and senior executives of private enterprises and organisations.

The legislative framework imposes a series of obligations on employers with the aim of preventing and managing accidents and occupational diseases. Due to the wide scope and complexity of the subject, OEB has established a helpdesk to assist businesses to comply with their obligations.

Promotion of Gender Equality

The promotion of women's participation in the labour market, entrepreneurship and the Cypriot economy in general is a timeless issue of particular importance to OEB. With a view to promoting gender equality, particularly in employment, OEB is actively involved in various bodies in which gender equality is addressed and also undertakes numerous initiatives. Specifically, OEB:

- Contributes to policy development through its participation in the Council of the National Mechanism for Women's Rights and its various sub-committees.
- Promotes the correct implementation of legislation pertaining to the equal treatment of men and women through its active participation in the Committee for Gender Equality in Employment and Vocational Training.

In addition, OEB and the Cyprus Federation of Professional Women-Entrepreneurs (KOGEE) established in 2016 the annual "*ERIFYLI*" *Women of Excellence Awards*. The aim of the awards is to recognise, reward and honour the strategic and important role of women in the development of the modern economy, innovation and the promotion of entrepreneurship through global competitive standards.

Other Activities in Labour Relations and Social Policy

In 2016, as in previous years, OEB provided support and guidance to many individual businesses and professional associations on all matters relating to industrial relations, including the proper handling of labour disputes, the implementation of labour law and practice, equality and sexual harassment, social insurance, health and safety at work, and company policy formulation.

OEB was also represented at numerous television and radio shows, discussing and debating a wide range of topics. Furthermore, OEB's officers and managers, almost on a daily basis, participate in parliamentary committees discussing draft bills affecting the economy, society and the business community.

MANAGEMENT AND TRAINING

Upgrading management through an extensive network of training programmes is an integral part of OEB's continued efforts to support the growth of Cypriot enterprises.

Developing our people is both a business and social imperative for industry skills enhancement leads to innovation, innovation leads to growth and growth leads to prosperity. To help meet this challenge the Research, Training and European Programmes Department has organized during 2016 training programmes on entrepreneurship, management, labor relations, energy saving, health and safety at workplace, first aid and other topics.

All training programmes had pioneering themes with rich and quality content, providing value to the participants that have attended them.

The department has also organized in-house training programmes for senior managers, made to order to meet the specific training needs of each enterprise.

The Research, Training and European Programmes Department is certified with the EN ISO9001Q2008 for providing educational and training services and as a center for providing professional training by the Human Resources Development Authority.

RESEARCH AND EUROPEAN PROGRAMMES SERVICE

Sound Labour Relations – Contemporary Enterprises

Near the end of 2015, the Council of Ministers has approved the Cyprus Employers and Industrialists Federation's (OEB) proposal for the implementation of the project titled "Sound Labour Relations, Contemporary Enterprises" (B phase) to be co-funded within the new programming period 2014 - 2020 by the Republic of Cyprus and the European Social Fund of the European Union.

The project aims to bridge the gap caused by the economic crisis and functional pressures on SMEs and the need for proper and effective implementation of labour legislation and legislative framework.

Within 2016, OEB:

- carried out a Survey among 210 SME's to examine their understanding of the legal and institutional framework governing industrial relations and compared these results with the previous survey among 801 SME's held in 2014.
- Revised the 'Sound Industrial Relations 2014' (SIR2014) Standard.
- Determined the Advanced Professional Skills of Industrial Relations Officers.

- Trained and accredited the Advanced Professional Skills of 62 Professionals in the field of Industrial Relations.
- Provided Advisory Services in nine enterprises, preparing them for Assessment against the SIR 2014 Standard.
- Initiated the Sound Labour Relations Network of Professionals in the field of Labour Relations and Human Resource Management (SLRN). The initial meeting of the SLRN took place on 13th December, 2016.

More information on the project's description and deliverables are available on www.slr.com.cy

First Aid at Work Training Programmes

OEB trained more than 100 individuals in 2016, as per the Safety and Health at Work (First Aid) Regulations of 2009. The two types of trainings offered, provided by an approved instructor by the Labour Inspection Department of the Ministry of Labour, Welfare and Social Insurance of the Cyprus Republic are:

- First Aid at Work (18 hours) and
- Emergency First Aid at Work (6 hours)

Human Resources Advisory Services

Tailored solutions on issues dealing with the Administration and Development of Human Resources of OEB's members were also provided. The studies varied from evaluating the effectiveness of existing management and human resources practices within organisations to the formulation of new practical and effective solutions. Additional HR services included the creation and updating of job descriptions, the drafting of employee handbooks, the assessment of provided services on a 360° feedback methodology and the conduct of brainstorming sessions for the resolution of issues faced by companies by applying innovative practices.

EVENTS AND CONFERENCES

Meetings with parliamentary parties

Following the 2016 parliamentary elections, OEB met with all parliamentary parties. At the meetings OEB advanced its agenda, highlighting important issues including the implementation of a National Health Insurance System, public sector reform, the need to regulate the right to strike in essential services and the introduction of incentives to attract foreign investments.

Business delegation to Tehran

OEB organized for the first time in its history, a business delegation to Tehran, Iran, between 5-7 March. The delegation, headed by the Chairman of OEB Mr. Christos Michaelides, was also accompanied by the Minister of Agriculture, Rural Development and Environment, Mr.

Nicos Kouyialis. The delegation consisted 46 entrepreneurs from nearly all sectors of economic activity such as banks, land development companies, manufacturing industries, shipping, construction companies and firms providing legal and audit services.

During the stay at Tehran, a Seminar was organised aimed at presenting the investment and business opportunities offered in Cyprus as well as the business environment in Iran after the lifting of international sanctions. During the Business to Business Meetings (B2B) Cyprus enterprises had the opportunity to meet with more than 150 Iranian businessmen with whom they explored the possibility of cooperation. OEB and Iranian Confederation of Employers' Associations signed a "Memorandum of Understanding", for strengthening bilateral cooperation for mutual benefit.

OEB Economic Conference

During 2016 OEB organised its annual Economic Conference in Nicosia, with main areas of discussion the role of government sector for enterprises in Cyprus, the importance of adoption of more e-government policies and the need for more support for companies on behalf of the Republic of Cyprus for export issues. Main speakers of the Economic Conference were the President of DYSI Mr. Averof Neophytou, the General Secretary of AKEL Mr. Antros Kyprianou and the President of DHKO Mr. Nicholas Papadopoulos.

Quality Conference 2016

During the European Quality Week, the Cyprus Association for Quality organised on November 10, the annual Quality Conference. The conference was organised within the framework of the continuous effort to upgrade services offered to members of the Association and the society in general. The main conclusion of the Conference was that Quality provides the necessary tools and knowledge to companies in order to address their various business challenges.

Presentation of «RESTART 2016-2020»

On October 19, OEB organized in collaboration with the Research Promotion Foundation a short briefing of the new «RESTART 2016-2020 Programs» for Research, Technological Development and Innovation.

8th Conference for Telecommunications, Information Technology & Media: «InfoCom Cyprus 2016»

The 8th Conference for Telecommunications, Information Technology and Media Infocom.cy 2016 was held on November 29th 2016 at the Hilton Hotel in Nicosia. The conference was once again organised under the auspices of OEB and the Association of Telecommunications Companies (SETIL), member of OEB.

The President of the Parliament Mr. Demetris Syllouris, the Director General of OEB Mr. Michael Antoniou and the President of SETIL Mr. Solomos Kyriacou addressed the conference.

This year's conference was titled "A Brave digital World: Challenge Unlimited" and included panel discussions with technology pioneers in Cyprus as well as exhibition stands by companies that promote innovative ideas in the market.

OEB at the European SME Assembly

OEB participated between 23-25 November 2016 at the European SME Assembly in Bratislava entitled "Helping Europe's entrepreneurs reach new heights", organized by the European Commission in cooperation with the Slovak Presidency of the EU Council.

The Assembly takes place once a year during the week of European SMEs and it is the most important event for small businesses in Europe.

With the aim of creating a favorable business environment for SMEs and policy-making, the Assembly included in its program lectures by distinguished economists and professors, and presentations included Elzbieta's Bienkowska, European Commissioner speech on the 'Review of the SME Performance and Annual Report of the European SMEs'.

During the Assembly high-level political meetings were held with the aim to bring together, policy makers and business leaders on economic issues.

Regional Meeting with members from Limassol and Paphos

On July 19, OEB held a meeting in Limassol with its members from Limassol and Paphos, in order to discuss issues and problems that businesses face, exchange views and make suggestions on how to improve the business environment. The Chairman of OEB and General Manager briefed the members on the latest activities of the Federation.

Presentation for the Public Procurements

OEB in cooperation with the Treasury of the Republic organised on July 6, an informative presentation for the new legal framework for public procurements and especially how businesses are affected. The aim of the new framework, is to modernize procedures for increasing the efficiency of public spending and to assist in achieving the strategic objectives for smart, sustainable and inclusive growth by facilitating SME participation.

12th Energy Saving Exhibition «SAVENERGY 2016» and 9th Environmental and Water Technologies Exhibition «ENVIROTEC 2016»

OEB organised between 29th of September and 2nd of October 2016 the 12th Energy Saving Exhibition «SAVENERGY 2016» and 9th Environmental and Water Technologies Exhibition «ENVIROTEC 2016».

Savenergy and Envirotec Exhibitions are considered the most successful trading shows in Cyprus on energy saving, renewable energy technologies, environmental and water treatment technologies.

Cyprus Quality Leader of the Year 2016

The Cyprus Association for Quality organized the national contest «Cyprus Quality Leader of the Year 2016». The prize is awarded to a senior business executive who promotes Quality with his or her organization. Winner of the competition was Mr. Polys Georgiades, CEO of Aretaieio Private Hospital. The winner of the competition represented our country at the European contest organized by the European Organisation for Quality.