

# BUSINESSES ARE THE ENGINES OF ECONOMIC GROWTH

CHRISTOS MICHAELIDES, CHAIRMAN OF THE EMPLOYERS AND INDUSTRIALISTS FEDERATION (OEB), ON THE STATE OF THE ECONOMY, WHAT STILL NEEDS TO BE DONE, HOW TO RETAIN TALENT AND THE ROLE OF WOMEN IN BUSINESS.

In 2014, you said that *“Solving social problems created by the economic crisis will eventually start from the businesses and therefore high priority should be given in ensuring their sustainability.”* Do you think that you have been proven correct?

Yes, OEB has been proven correct and there is considerable evidence to support this. Cypriot households experienced the effects of the financial crisis directly, in many cases to a devastating extent. At the height of the crisis, tens of thousands of private sector employees had lost their jobs and many more saw a reduction in their wages and benefits as businesses struggled to weather the financial storm and safeguard as many jobs as possible. In many instances, businesses retained their workforce despite becoming profitless. The cause and effect relationship between the economic crisis and unemployment is self-evident. A government's ability to support its citizens in times of hardship through social transfers relies, to a great extent, on the ability of the private sector to finance said policies. Although social transfers can help mitigate the effects of the crisis, they are no substitute for gainful and productive employment and the creation of new jobs remains, primarily, the prerogative of the private sector. As our economy improves, we see a reduction in unemployment, a gradual restitution of wages and benefits,

and an increase in consumption. Businesses are the engines of economic growth and we must do everything in our power to help ensure their sustainability. Simply put, making businesses and the economy a priority is the most effective way of helping create jobs.

Do you believe that Cypriot businesses have been strengthened and improved by the influence of the many international companies that have set up in Cyprus?

The increasing presence of international companies in Cyprus has had a positive impact on Cypriot businesses and our economy in general. It has enriched the professional services that are provided on the island, improved competitiveness between businesses and helped enhance the quality offered by local enterprises. New jobs created by international companies have resulted in both an inflow of skilled workers as well as the training of the existing personnel. They have also brought an exchange of knowledge and expertise. In-

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ternational companies operating in Cyprus tend to bring along new methods which are used worldwide and their presence here helps Cyprus adopt such practices faster. So they certainly have both a direct and indirect impact on the economy in various forms and ways.

You have also stated that *“to revive entrepreneurship, the state's contribution must be significant to support businesses”*. Are you satisfied with the state's contribution and support? Could it do more?

A lot has been done so far by the Government, some at the request of OEB, for the revival of business activity. The results have had a positive effect on the economy, in areas such as the diminishing unemployment rate, the rate of growth, record tourist arrivals, the rebounding of the construction sector, retail, etc. On the other hand, we strongly believe that further measures are needed to tackle the structural problems of the business ecosystem and to create a more business-friendly environment. We have to manage the major challenges of the economy, namely to eliminate red tape, facilitate easy access to finance, resume public sector reform, consider digital transformation, strengthen incentives for investment and undertake reorganisation for the optimum utilization of the public sector, particularly in the form of effective and targeted incen-



tives for mergers & acquisitions, export orientation, etc. At the same time, we are deeply concerned by the decision of the House of Representatives and the Government to restore salary cutbacks for workers in the public sector and by labour unrest in critical sectors of the economy, which poses serious threats to economic growth and public finances. We hope that the economy will continue to grow at a high rate in the following years, to enable a gradual and reasonable restoration of employees' wages, within the economy's potential.

Many young Cypriots with high educational qualifications are choosing to start a career abroad rather than stay in Cyprus, where they may not find a job and a salary commensurate with their expertise. What can be done to retain talent?

The 'brain drain' is a serious issue that small countries often face, especially after a long and intense economic recession like the one experienced in Cyprus. Highly-skilled young individuals tend to seek employment abroad in order to fulfil their expectations and aspirations of building a better future for themselves and their families. The key to retaining talent in Cyprus is economic growth. We believe that Cyprus is already on the way to economic recovery and we now see many new businesses opening up new large-scale investments being materialized and initiatives for startups and hi-tech

companies being generated on the island. All these opportunities are constantly creating vacancies for a skilled workforce and there is proof that many young and talented Cypriots who worked abroad are now returning to Cyprus. The unemployment rate in Cyprus has dropped significantly over the past few years. More specifically, during the last 12 months, there has been a decrease from 10.7% to 7.7%, which is creating a higher demand for skilled professionals and good job opportunities even at the highest level.

How do you view this decrease and how can it be reduced further?

This reduction in unemployment is testament to the resilience and perseverance of our economy, made possible by the sacrifices of businesses and workers, fiscal discipline, the implementation of various reforms and hard work. We are proud of what we have achieved and we are very happy for the many unemployed who are finding jobs as the economy recovers. If anything, this success makes us even more determined to continue along the same path. Unemployment has fallen because businesses have created new jobs and the only way that this trend can continue is through sustainable private sector growth. OEB has submitted numerous proposals to this end, on issues such as reducing bureaucracy, public sector reform, the continua-

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tion of subsidised employment schemes, shop opening hours liberalisation, entrepreneurship promotion and other structural and legislative reforms.

How do you see the economy progressing over the next few years?

As mentioned earlier, Cyprus is on the way to economic recovery. The economy is recording growth rates close to 4% and unemployment has fallen significantly. If we manage to maintain a similar discipline in the years to come, I believe that we can reach the economic stability that we have been longing for. The recent rating of the economy as investment grade will automatically improve the outlook of Cyprus to potential investors. Furthermore, we believe that recent developments in the banking sector and the action taken regarding the management of non-performing loans (NPLs) will have a positive impact on business activity and on the financial services sector in Cyprus. This is crucial for the creation of liquidity in the market. Other sectors of the economy, such as construction and tourism, have improved tremendously in recent years but strategies, effective