

# **FLEXIBLE FORMS OF EMPLOYMENT INTEGRATION. ASSESSING THE IMPLEMENTATION OF EMPLOYMENT POLICIES WITH FLEXIBLE WORK ARRANGEMENTS. THE CASE OF CYPRUS<sup>1</sup>**

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## **ABSTRACT**

This paper examines the dynamic relation between flexible work arrangements and effective employment policies. It analyzes the regulations that form the integration frame of the flexible forms of employment based on the country's social model and the labour legislation. Moreover, it examines the active employment policies as a tool of increasing the flexibility of labour market, in conditions of macroeconomic crisis. The results that emerged from the implementation of two employment policy plans with flexible work arrangements in Cyprus, are assessed. The employment policies were implemented in order to promote flexible forms of employment in the country's labour market. Through the application of the ex-post evaluation methodology and the process of qualitative and quantitative data, we try to assess the outcomes, draw conclusions and provide proposals that promote the conditions for a flexible, decent and productive work. Those three characteristics are the key points/elements of the International Labour Organization's (ILO) engagement for achieving an inclusive sustainable economic growth, as recorded in Goal 8 of the 2030 Agenda for Sustainable Development, adopted at the United Nations Sustainable Development Summit on 25 September 2015.

**Keywords:** *employment policies, flexibility in labour market, policies assessment, decent work, labour market policies, work arrangements, sustainable economic growth*

**JEL Classification:** *J08, J78, J21, J28, J41*

## **1. Introduction**

The fiscal adjustments imposed since 2010 for the production of primary budget surpluses in order to payout public debt interest, plugged the economy of Cyprus into recession, increased unemployment and income inequalities and thereby exacerbated population's living conditions. These aftereffects are illustrated in the main statistical findings for people at risk of poverty or social exclusion in Eurostat.

During the recent economic crisis, households had to deal with unemployment, income and credit rating reduction. Increased and prolonged unemployment results to difficulty of getting a job, even after persistent pursuits. Therefore, changes in the Cypriot workforce are caused by

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two opposing forces: the discouragement of unemployed people, and the pressing need for income increase and safeguard against uncertainty caused by unemployment.

After the economic crisis the Cypriot economy is in a slow recovery. In particular, it is in a divestment process from 2014, hence the net fixed capital investment is negative, meaning that the investments made are not sufficient to replace part of the capacity that is discredited. More specific, according to European Commission's forecasts the three-year period 2015-2017 will be characterized by low growth of GDP rates and high level of unemployment rates. Therefore, the deterioration of labour market's quality indicators is still significant. Temporary and part-time employment, long-term unemployed and despondent workforce are phenomena of great and crucial extent, whereas before the crisis there were apparently limited (Cyprus PEO Labor Institute, 2015).

## 2. Employment policies and Flexible Forms of Employment

Modern economies are characterized by increased and prolonged unemployment rates. In order to deal with this phenomenon, a variety of tools at both macroeconomic (macro settings) and microeconomic level, is implemented. These tools are widely known as employment policies, while their aim is to address the causes and manage the consequences of unemployment.

Employment policies are examined by a great amount of researchers, Calmfors (1994) defines active employment measures as, "*Measures targeted to improve labor's market functioning and are addressed to unemployed*". According to ILO, Labour market policies (LMP) comprise all kinds of regulative policies that influence the interaction between labour supply and demand.

- **Active employment policies** focus on tackling unemployment and refer to cyclical unemployment, work allocation, training, job creation, incentives to self-employment or starting a business, integration of social groups etc. (Gravaris, 1991; Peterson, 2001; Karamesini, 2005).
- **Passive employment policies** focus on managing the consequences of unemployment and are discerned into those that promote early retirement and those seeking income supports for the unemployment (European Commission, 2006).
- **Employment services** focus on services provided by private or public employment services to operators/parties that contribute to the integration of unemployed and other job seekers.

Although, European Economic Community (EEC) was established in 1975, the creation of a European Institutional Framework for Industrial Relations was not a priority, until the late 80's. The structure of a central guidance for industrial relations for the member states of the European Union (EU) started in the '90s. The European guidance focused in flexible forms of employment in order to strengthen competitiveness and employment in European member – states (Spiropoulos, 1998).

The Lisbon Strategy, also known as Lisbon Agenda, was a development plan devised in March 2000 and aimed to declare Europe the most competitive and dynamic knowledge based economy in the world by 2010. Nowadays, Europe has developed the appropriate institutional framework for the operation and implementation of flexible forms of employment, accompanied with the recognition of rights to flexible workers (fixed-term contracts, part-time workers, lending of employees etc.).

International literature uses a number of alternative names, such as informal (nonstandard), atypical, special, flexible, marginal contingencies (contingent) or dreadful (precarious) employment forms.

Flexible forms of employment are distinguished in the following categories according to the international and European practice (Kouzis, 2001; KEPA, 2010):

- **Temporary employment:** This form of employment differs from the “typical” form of employment in terms of duration. The duration of temporary employment is limited and is mainly expressed through fixed term contracts.
- **Part – time job:** The employees of part – time jobs, work in the same or similar objects with the employees of full – time jobs, though they have reduced work hours.
- **Flexible working hours:** In this form of employment the employee decides himself the arrival and departure time of each day, within a specific framework set by the employer.
- **Scaled working hours:** Employees or groups of employees agree to have different time schedules (they start and stop their work at different time), but the same fixed working hours.
- **Intermittent job/employment:** In this form of employment there is a distribution of working hours in irregular intervals or in indeterminate time periods, depending on the demand/needs of business’s goods and services.
- **Job availability:** In this form of employment, the employees are not supposed to show up at work unless they are said/ invited to, or they are employed only in time periods of increased business demand/needs, while they are not employed during time periods of reduced business demand/needs.
- **Compressed weekly employment:** The employee is able to complete his total weekly working hours in fewer days.
- **Job sharing:** Is a flexible employment arrangement where typically two people share (after their request) their tasks/responsibilities, rights, working hours and remuneration, arising from a job.
- **Cyclical employment:** Replacement of an employee in a professional license (parental, educational, personal etc.) with an unemployed, for the time period of the employee’s professional license.
- **Individual working time accounts:** The working time of an employee is calculated/ recorded in total at some point basis (annual, half yearly, quarterly etc.) and the employee is able to distribute it, depending on the needs/demands of the business or the needs of the employee.
- **“Lending” of employees:** In this form of employment there is a “lending” contract between the employer and a third, while it takes place only with after the agreement of the employee.
- **Telecommuting:** Fulfillment of work duties by the employee, solely from his house, or the physical space of his preference, though the employee must be electronically connected to the working location during working hours.
- **Working from home:** In this form of employment, the employee works in his own home.
- **Rotating employment:** The employee is employed full-time, though less working days a week or month.

### 3. The Labour Market of Cyprus

This section captures the prevailing trends of the Cypriot labour market and draws conclusions regarding the flexibility of work and its development during the economic crisis.

The following graphs (see. Figure 1 & 2) present the evolution/progress of full-time and part-time employment in Cyprus for the time period 1999-2016. The upward trend of part-time employment, especially after the outburst of the economic crisis and the downward trend of full employment, indicate the adoption of flexible forms of employment.

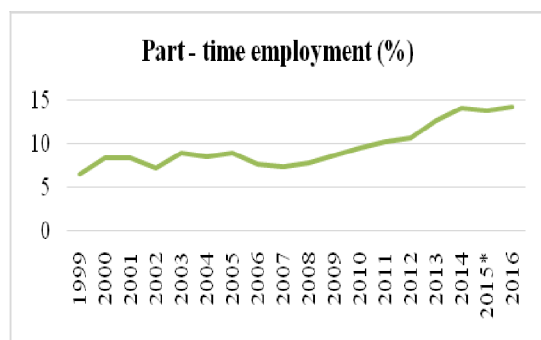


Figure 1: Percentage of part-time employment in Cyprus during the time period: 1999-2016

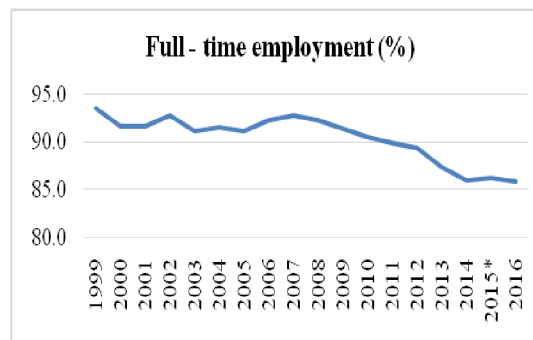


Figure 2: Percentage of full-time employment in Cyprus during the time period: 1999-2016

Examining the data provided from the Survey of the Labor Force of Cyprus, for the third quarter of 2016, we draw the conclusion that the superabundance of Cypriot employees are Officers/Clerks (85.6%), while 11.7% are Self-employed. Regarding the age distribution of the Cypriot workers, as illustrated in Figure 3, the majority of Cypriot employees are productive as they belong to the age group 25-34, followed by groups of 35-44 and 45-54. It is worth noting that the distribution between men and women is almost equal to those three age groups.

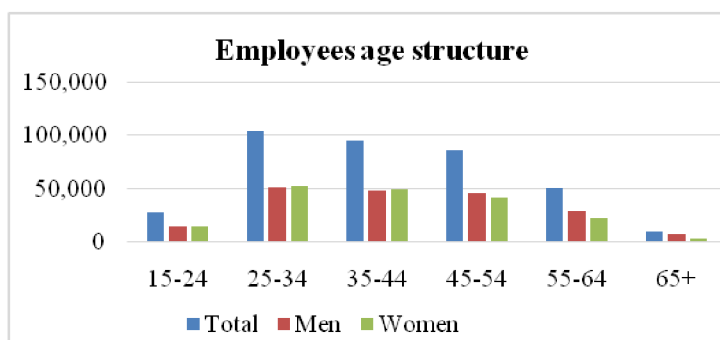


Figure 3: Age structure of employees

Figure 4 illustrates the evolution of unemployment in Cyprus. As reflected in the figure the unemployment rate had an upward trend during the period 2008-2014, immediately after the outburst of the economic crisis, while a downward trend began after 2014. However, despite the decline, unemployment remains at significantly higher levels compared to the period 2004 - 2008.

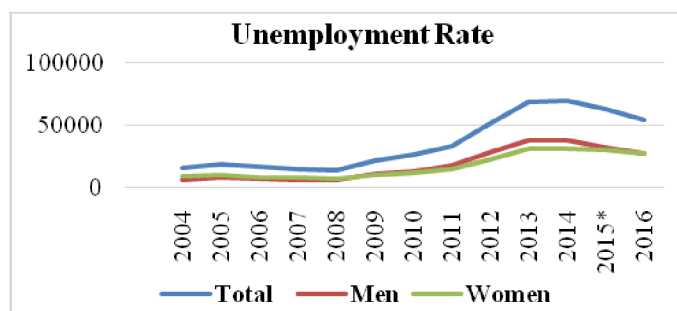


Figure 4: Evolution of Unemployment rate during the period 2004-2016

Moreover, in accordance with the EU trends, young people in Cyprus have the highest percentage of participation in unemployment. Specifically, the age groups 15-24 and 25-34 account for 53% of the unemployed (20.3% and 32.7% respectively), while the 35-44 group concentrates 17.5% of unemployed.

As expected, 73.6% of the unemployed were employed as Officers, while 16.4% were newcomers that failed to establish themselves in the labour market of Cyprus. At last, 17% of total employees are occupied as temporary workers, while 83% are occupied in a permanent basis.

#### 4. Application of flexible forms of employment in Cyprus: Case study of Subsidy Schemes for 2010 and 2013

Cyprus implemented two Sponsorship/Grant Plans related to flexible forms of employment, the “**Subsidy Scheme for attracting people in the Labour Market through Flexible Forms of Employment (2010)**” and the “**Subsidy Scheme for Employment with flexible arrangements (2013)**”.

Objective of the “**Subsidy Scheme for attracting people in the Labour Market through Flexible Forms of Employment (2010)**” was to raise the employment of economically inactive women, economically inactive elderly (older persons) and economically inactive persons that seek/need flexible employment due to family obligations.

**Objective of both Plans** was:

- The grant of businesses/organizations for the wage costs of people hired in jobs with flexible arrangements, in order to encourage employers to create such positions and to recruit interested individuals who satisfied the inclusion criteria.
- The grant of those who were employed through the Plan for their transportation, to and from their workplace.

In the frame of the Subsidy Schemes’ implementation a field research was contacted to both employees and employers, in order to assess these Schemes. The research’s goal was to include a sufficient number of respondents of each category, so that the results are representative and in addition able to draw statistically reliable conclusions about any differences in relation to the rated parameters between individuals in different categories.

#### 4.1 Evaluation of Subsidy Schemes in terms of employees

The employees' opinion survey/poll, examined the following topics:

- Employees' evolution and their salary/remuneration after the expiration of the flexible arrangement.
- Preferences in particular forms of flexible employment.
- Degree of employees' satisfaction from their participation in the program/plan, plan's correspondence/coherence to the needs of employees and acquirement of new knowledge and skills.
- Problems encountered by employees, benefits gained and respondents' proposals, in order to improve relevant future plans.

The main findings resulting from the opinion survey questionnaires to **employees** for the Subsidy Schemes of 2010 and 2013 are as follows:

The **main reason for adopting flexible forms of employment** is the simultaneous favoring of businesses and individuals, and to a lesser extent, to serve the employee's individual needs, such as: childcare (caring of children), financial support/enhancement, facilitation in the attendance of curricula and employability under favorable terms due to pregnancy.

The majority of working respondents, **42%** of **2010 Subsidy Scheme** respondents and **34.5%** of **2013 Subsidy Scheme**, replied/claimed that the plans contributed immensely in acquiring skills, knowledge and other skills, while a significant lower percentage of working respondents, **9%** of 2010 Subsidy Scheme respondents and **8.5%** of 2013 Subsidy Scheme claimed that they had minimal contribution.

Regarding the *evolution/performance of employees after the expiration of the arrangement*, the majority of employees, remained in their position/job for at least four months, with the same flexible form of employment. Though, there were some cases, where the employment was terminated, **before the expiration of their contract**, after a unilateral decision of the company.

On the other hand, the main reasons that resulted in the interruption/discontinuation of employment **after the end of the contract**, according to employees were company's/organization's decision, low wages and unfulfillment of employee's needs or expectations.

For those who remained in business after the end of the plan, working conditions did not changed/were the same. Specifically, the majority of respondents, **75.3%** and **73.8%**, reported that they were occupied with the same form of employment, while there were cases, where the employees contract adapted to the contract of their colleagues.

The opinion survey examined, *the level of satisfaction of employees on flexible employment form in which they worked*, since the plans aimed to serve not only the needs of businesses, but also to encourage economically inactive people and the unemployed to enter the labor market through flexible forms of employment. According to employees the *main benefit* gained by their participation in the examined plans, was the opportunity to work through a flexible form of employment and ensure a stable personal income (**47%** of 2010 Subsidy Scheme and **39.5%** of 2013 Scheme, respondents). Also, a very important benefit, was the acquisition of additional work experience and the preservation of employment after the end of the project/program (**16.9%** of 2010 and **25.6%** of 2013 Scheme, respondents).

The vast majority of working respondents, **89%** and **80%** of 2010 and 2013 Subsidy Schemes, did not face particular problems during their integration in their new working environment.

Overall, the vast majority of working respondents declared very or extremely satisfied with their participation in the project. Therefore, most respondents, **87.1%** of 2010 Scheme and **68.6%** of 2013 Scheme, responded that they are willing to participate in similar projects in the future.

#### **4.2 Evaluation of Sponsorship Plans/ Grant Schemes in terms of employers**

The employers' opinion survey aimed to assess the level of satisfaction and the benefits reaped after the implementation of both Subsidy Schemes.

The main forms of flexible employment adopted by businesses under the 2010 and 2013 Scheme, were related to flexible hours (52.7% of 2010 Scheme and 52.8% of 2013 Scheme), and employment with continuous working hours (21.2% of 2010 Scheme and 27.3% of 2013 Scheme). Notably, the most favorable form of flexible employment for businesses with up to five (5) employees was shift work, while larger companies preferred less common flexible forms such as, telecommuting, job availability and working from home.

The main reason for implementing, the aforementioned forms of flexible employment is related to the simultaneously favoring of business's needs and employee's needs and to a lesser extent merely the satisfaction of the individual's needs.

Regarding the contribution of flexible forms of employment in business operation:

- 37,8% and 36,9% of 2010 and 2013 Subsidy Schemes respondents claimed, that they contribute greatly to the reduction of labor costs.
- 53,7%, and 48,5% of 2010 and 2013 Subsidy Schemes respondents claimed, that they optimize work's organization.
- 50% and 52,3% of 2010 and 2013 Subsidy Schemes respondents claimed, that they provide opportunities to deal with the fluctuations in the demand of labour market.
- 52,4% and 47,7% of 2010 and 2013 Subsidy Schemes respondents claimed, that are important means for attracting competent employees.

A topic of particular interest is the evolution of employees, at the end of their contract. The results reveal that, most employers, **80.4%** of 2010 and **70%** of 2013 Subsidy Scheme, renewed the employee's contract, for at least four months after the end of the initial contract, while in several businesses employees terminated their employment after the end of their contract, **18.2%** of 2010 and **23.1%** of 2013 Subsidy Scheme. The fact that a minimum percentage, **4.8%** of 2010 and **6%** of 2013 Subsidy Scheme, of employees left from their workplace, highlights the high degree of success for both Subsidy Schemes. Additionally, according to the responses of employers, most employees terminated their employment by the end of contract, after their own decision, while in few cases the termination occurred due to reduction of businesses activity or payment difficulties.

Furthermore, the opinion survey examines *the level of employer's satisfaction* in respect to employees' skills, amount of the grant, grant's payment flow, and cooperation with the Business and Cultural Development Center. More than half of employers were satisfied from the process of fitting the employees' profiles (skills) to the business's needs, the amount of the grant and the program's management framework.

The majority of employers mentioned that they did not encounter any problems/difficulties in the employment of working people, but they mainly encounter/face problems in the payment flow (payout) of the grant from the Business and Cultural Development Center. Finally, the majority of employers were willing to participate in similar projects in the future.

## 5. Conclusions

The recent financial crisis had a significant effect on the general conditions of Cypriot employment. The increased use of flexible forms of employment reacts with the continuous expansion of globalization. Flexibly forms of employment are considered to contribute in the reduction of unemployment, which is a major structural problem of modern economies and societies. Main concern of the European Employment Strategy nowadays, is the preservation of a balance between businesses' demand for flexible arrangements and employees' job security. This balance is expressed by the term flexicurity, and indicates the composition of these two concepts through a European employment policy, the fundamental basis of which is to protect employees, promote quality in workplace, and enhance competitiveness and the creation of favorable conditions for the inclusion of unemployed.

The experience of implementing subsidy schemes to promote employment with flexible arrangements in the labour market in Cyprus, provides an indicative implementation framework that serves the above targets. However, in a possible future implementation of such plans we should give special attention and consider not only the strengths, but also the weak points in order to limit or even eliminate them. The main topics that we should pay attention are the following:

- ⇒ Targeting of any future interventions to preserve and enhance the quality of work and the combination of flexibility and security between employees and employers.
- ⇒ Adjustment of the respective interventions in selected target groups, such as women, elderly, and vocational education system learners, that can benefit from the implementation of flexible working arrangements.
- ⇒ Take the necessary action (information and publicity actions) in order to disseminate the objectives, goals and results of future plans.
- ⇒ Effective and methodical functioning of control mechanisms, in order to ensure the high degree of compliance with the requirements and conditions of each plan, as well the effective implementation of labour and social security legislation. Provision for short-term training of workers before placing them in a flexible job in order to integrate them into the operational environment and responsiveness to the needs of each job.
- ⇒ Develop functional and efficient system which fits employees' profiles with the needs of the business, in order to serve highly expectations of both businesses and workers, placed in jobs under conditions of flexicurity.

In any case, successful transition to a flexible, socially equitable and efficient labour market, is achieved through interventions that deviate/forgo from the rationale of a development model, based on low labour costs and deregulation and deterioration of labour relations. In this direction, corrective actions are required to eliminate ambiguities and shortcomings/deficiencies of the current legal and institutional framework for flexible forms of employment.



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