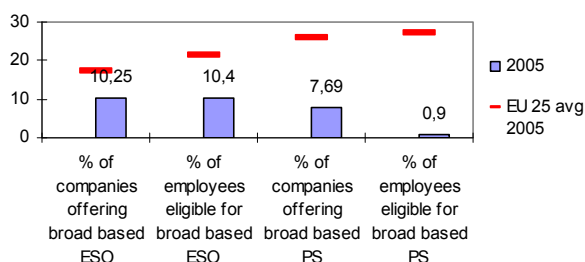


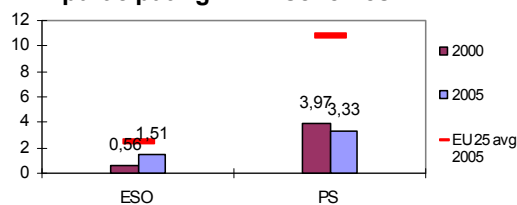
## IV. Cyprus

Neither employee ownership nor profit-sharing have a significant extend in Cyprus. The country has developed financial institutions, with more than 50 per cent of households holding shares as financial assets, as well as a co-operative sector in which more than 50 per cent of the population are members. The industrial relations system is based largely on voluntary regulations that allow room for joint initiatives; it has at the same time a relatively high number of unions. Nevertheless, employee participation, either financial or in decision-making, does not appear on the agenda of either the government or social partners.

**CRANET - Offer in firms with > 200 Empl.**



**EWCS - Proportion of employees participating in FP schemes**



### 1. General Attitude

The long tradition of tight regulation of financial markets, capital controls, and limited financial assets available to households underwent change in the mid-1990s. A modern capital market has evolved through the Cyprus Stock Exchange (CSE), which officially launched operations in March 1996. Nevertheless, the boom and crisis of the CSE left the public sceptical of the financial markets.<sup>97</sup> With respect to the average size of enterprises, in 2000 only 70 companies in Cyprus employed more that 250 employees.<sup>98</sup> Self-employment is a permanent feature, with self-employed persons accounting for 20 per cent of the active labour force.<sup>99</sup> Voluntarism has been developed through the Industrial

<sup>97</sup> By October 2001, the market was approaching the 100 level, having fallen from 800 at the peak of a short-lived boom in 1999. During 2002/03 the market continued a long-term decline, reaching a level of 80 in late 2003.

<sup>98</sup> 58 per cent of the enterprises employed one person; 37 per cent two to nine persons; 4 per cent ten to 49 persons, and only 1 per cent had more than 50 employees (this amounts to 99.9 per cent), see Census of Enterprises 2000 (CYSTAT, 2001).

<sup>99</sup> It has also been observed that salary and wage earners undertake small-scale entrepreneurial activity, and are thus 'multiple jobholders' - especially with regard to the development of the services sector.

Relations Code and operates via National Tripartite Bodies, among them the Labour Advisory Board, dealing with the main issues of industrial relations, and an equally important Economic Advisory Committee, dealing with economic policy issues.

Trade Unions are mainly organised at the industry level and belong to strong federations or confederations, the most important being the Cyprus Workers Confederation (SEK, affiliated with the ETUC) the Pancyprian Federation of Labour (PEO), and the Democratic Labour Federation (DEOK). Employers are also organised into industry or branch level associations, most of which are members of the Cyprus Employers' and Industrialists' Federation and the Cyprus Chamber of Commerce and Industry. During the 1990s, only SEK initiated a stance in favour of employee representatives' participation in decision-making through participation of labour representatives at the board level of public and semi-public sector institutions and organisations; this effort met no success. While the social partners shape the evolution of industrial relations, employee financial participation has not been an issue on their agendas.

Government economic policy in the last decade has not embraced the idea of financial participation of employees, favouring voluntary arrangements in industrial relations instead. The current government, which took office in February 2008 for a five-year mandate, is unlikely to usher in any changes in relation to this issue. The process of harmonising national and European law has recently led to debates concerning the evolution of the voluntary system of industrial relations, but issues of employee financial participation have been left untouched.

## 2. Legal and Fiscal Framework

The Cypriot legal system is based upon the same principles as those of the United Kingdom; all laws regulating business matters and procedures are based essentially on English Common Law.<sup>100</sup> The institutional and legal framework generally does not, at least intentionally, create incentives for the development of PEPPER schemes, but neither do they prevent it.

### a) Share Ownership

Registered companies in Cyprus are mainly governed by the Cyprus Company's Law (hereinafter referred to as CL), Chapter 113 of the Laws of Cyprus, as amended, which is identical to the UK's former Companies Act 1948. Under the CL, companies can be divided into companies limited by shares<sup>101</sup> and companies limited by guarantee<sup>102</sup>. There is

<sup>100</sup> English case law is cited in the Cypriot Courts and is of persuasive authority.

<sup>101</sup> Private companies limited by shares are those whose articles restrict the right to transfer their shares, limit the number of their member to 50 and prohibit any public subscription to shares or debentures. A public company limited by shares is one whose Articles do not contain these restrictions and thus may obtain a listing on the Cyprus Stock exchange.