Chapter 6
Cyprus: a divided island – diverging collective bargaining patterns, weakened yet still standing

Gregoris Ioannou and Sertac Sonan

Cyprus is a small island in the south-eastern Mediterranean with a population of about 1 million. Greek and Turkish are the main languages spoken. Cyprus came under British rule in 1878, was made a British colony in 1925 and became an independent republic in 1960. The political antagonism between the two main communities of the island, the Greek Cypriots and the Turkish Cypriots, who in 1960 accounted for 77 per cent and 18 per cent of the population, respectively, resulted in inter-communal violence and the forced withdrawal of the Turkish Cypriot community from state institutions in 1964. The interventions of Greece and Turkey in 1974 led to the island’s de facto territorial partition and the total separation of the two communities, thus completing a process that had begun in the late 1950s. Consequently, roughly 37 per cent of the northern part of the island came under Turkish control. The island remains divided as all attempts to negotiate a settlement have thus far failed.

Whereas the Greek Cypriot community in the south, maintaining control of the Republic of Cyprus, achieved significant economic growth in the 1980s and 1990s and joined the European Union (EU) in 2004 and the euro zone in 2008, the Turkish Cypriot community has been unable to follow a similar route, largely because of the refusal of the international community to legitimise its secessionist initiative in the form of the establishment of the Turkish Republic of Northern Cyprus (Kuzey Kıbrıs Türk Cumhuriyeti, KKTC) in 1983, which is recognised and bankrolled only by Turkey.

Both sides’ economies are oriented towards services, which account for almost 80 per cent of total employment (Eurostat and State Planning Organisation 2016), and both have sizeable migrant labour populations; in the North around one-third of the workforce is made up of migrant workers, while in the South the proportion is around 20 per cent. The southern part of the island has a labour force currently just over 400,000 people, while the northern part has a smaller labour market with a labour force of around 130,000.

Historically, the two communities have had different economic structures and income levels. From the Ottoman period, Turkish Cypriots were generally employed in the public administration and agriculture, while Greek Cypriots specialised in trade. By 1961, the average per capita income of the Turkish Cypriot community was approximately 20 per cent lower than that of the Greek Cypriots (Nötel, cited in Kedourie 2005: 653), and this gap grew substantially after the first geographical segregation following the inter-communal clashes in 1963. By 1971, Turkish Cypriot per capita income was 50 per cent lower (ibid.). The gap has narrowed slightly since 1974; by 2016, Greek Cypriot per capita
income reached 22,000 euros compared with 12,569 euros among Turkish Cypriots. In terms of industrial relations traditions, in the South a fully-fledged tripartite system was constructed and strengthened after 1974 with strong collective bargaining, while in the North the abnormal political situation and the public sector’s economic dominance since the division of the island in 1974 has resulted in weak collective bargaining: the public sector share in total employment in the North, at 28.1 per cent, is very high.

Over the past two decades, collective bargaining and industrial relations in both parts of Cyprus have been characterised by a continuing decline of trade union density and influence. This has taken place gradually alongside other processes, such as the increasing hegemony of neoliberal doctrines, the diffusion of depoliticisation and

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<td>Importance of bargaining levels</td>
<td>Industry-level and company level</td>
<td>Industry-level but company level increasingly important</td>
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<td>Favourability principle/derogation possibilities</td>
<td>No</td>
<td>Unilateral employer action and/or ad hoc bilateral agreements because of the crisis</td>
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<td>Collective bargaining coverage (%)</td>
<td>&lt;61*</td>
<td>61 (2013)</td>
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<td>Extension mechanism (or functional equivalent)</td>
<td>No</td>
<td>No</td>
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<tr>
<td>Trade union density (%)</td>
<td>63.4 (2001)</td>
<td>45.2 (2013) in terms of active employees</td>
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<td>Employers’ association rate (%)</td>
<td>N.A.</td>
<td>48 (2013)</td>
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Note: * No figure is entirely reliable but definitely higher than 61 per cent because a decline has been reported since 2007, accelerating after 2010.
Sources: EIRO/Eurofound [based on Trade Union Registrar, ICTWSS Database Version 5, European Company Survey.]

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<th>North</th>
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<th>2000</th>
<th>2016/2017</th>
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<tr>
<td>Actors entitled to collective bargaining</td>
<td>Trade unions, municipalities, Ministry of Finance, semi-public institutions</td>
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<td>Company level (semi-public institutions, municipalities) and sectoral level (public sector)</td>
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<td>Favourability principle/derogation possibilities</td>
<td>Not applicable</td>
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<tr>
<td>Collective bargaining coverage (%)</td>
<td>Above 33.7</td>
<td>Above 26.2</td>
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<tr>
<td>Extension mechanism (or functional equivalent)</td>
<td>Only in public sector</td>
<td>Only in public sector</td>
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<tr>
<td>Trade union density (%)</td>
<td>33.7*</td>
<td>26.2</td>
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<tr>
<td>Employers’ association rate (%)</td>
<td>Employers’ association is not a party to collective bargaining</td>
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Note: * The figure is for 2004; the first relatively reliable figure available.
Sources: State Planning Organisation’s annual Household Labour Force Statistics and Statistical Yearbooks.
decollectivisation at all levels of society and declining trust in established organisations, such as trade unions and political parties. As the two communities’ collective bargaining landscapes are almost entirely different from one another, we shall analyse them separately, although as in the introduction, the concluding section covers both.

**The South**

**Industrial relations context and principal actors**

The Cypriot system of industrial relations was constructed on the British model, based on voluntarism and codified in the Basic Agreement of 1962. This stipulated a procedure for negotiations and the settlement of labour disputes within the framework of free collective bargaining. The Basic Agreement did not have legal status, however; rather it was a ‘gentlemen’s agreement’ constituting simply an expression of political will, a moral obligation and mutual understanding of the parties’ voluntary adherence (Slocum 1972). The Industrial Relations Code was signed in 1977 (Republic of Cyprus 1977) and reflects the need for stability in the wake of the 1974 war. The Code is still in effect today and stipulates the social partners’ rights and obligations with regard to collective bargaining, joint consultation and management prerogatives, with procedures for the settlement of disputes, mediation, arbitration, public inquiry and grievances arising from the interpretation or implementation of collective agreements. The Code itself does not constitute legislation but, again following the British voluntarist tradition, is another ‘gentlemen’s agreement’ (Soumeli 2005). It differentiates between disputes of ‘interests’ and disputes of ‘rights’ and it provides for a four-stage dispute resolution procedure concerning disputes over both. The Code expresses and reflects the logic of the tripartite system in Cyprus, whose elaboration and diversification in the 1980s and 1990s (Sparsis 1998) have enabled the social partners to have a say on many policy issues, albeit on a consultative basis.

The trade union landscape that developed after 1974 in the South comprises three major trade union confederations and several smaller independent trade unions. The confederations include the Pancyprian Labour Federation of Labour (Παγκύπρια Εργατική Ομοσπονδία, ΠΕΟ), affiliated with the left-wing Progressive Party of Working People (Ανορθωτικό Κόμμα Εργαζομένου Λαού, ΑΚΕΛ) and made up of eight industrial unions, and the Workers’ Confederation of Cyprus (Συνομοσπονδία Εργατών Κύπρου, ΣΕΚ), which although not formally affiliated to a political party is centre-right in orientation and composed of seven industrial trade unions. Whereas ΠΕΟ is active mainly in the private sector, ΣΕΚ is also very strong in the semi-public sector. In the public sector proper the main union is the Pancyprian Union of Civil Servants (Παγκύπρια Συντεχνία Δημοσίων Υπαλλήλων, ΠΑΣΥΔΥ), which is formally non-partisan but in practice leans centre-right. Banking has a separate union, as does primary and secondary public education. It is also important to note that the Democratic Labour Federation of Cyprus (Δημοκρατική Εργατική Ομοσπονδία Κύπρου, ΔΕΟΚ), a smaller trade union federation active in the private sector, is usually excluded from collective bargaining and is rarely a signatory of collective agreements. The employers are also organised at the industrial level, in various associations, while at national level
there is the Federation of Employers and Industrialists (Ομοσπονδία Εργοδοτών και Βιομηχάνων, ΟΕΒ) and the Cyprus Chamber of Commerce and Industry (Κυπριακό Εμπορικό και Βιομηχανικό Επιμελητήριο, ΚΕΒΕ).

In terms of the political framework in the South the main change since the 1990s has been the Republic of Cyprus’ accession to the EU in 2004 and the employers’ increasing power, whether real or perceived, to resort to individual contractual arrangements outside collective bargaining. In parallel there has been a slow but steady encroachment of legal regulation as collective bargaining is pushed back. This trend has not been completed, nor has it been able to change the industrial relations system substantially at the institutional level, but it is relentless. Unions and employers in Cyprus are centralised in terms of organisations but bargaining is predominantly decentralised to industry and firm level, and takes place through a procedure outlined in the Industrial Relations Code (Κώδικας Βιομηχανικών Σχέσεων, ΚΒΣ) (Ioannou and Sonan 2014, 2017; EurWork 2017). The state remains an observer and mediator in the private sector and there has been no fundamental labour-related change through new legislation in the semi-public sector either.

There is no national minimum wage in Cyprus, but there is a ministerial decree that covers nine occupations, stipulating a minimum entry wage and a minimum wage after six months of employment. This is occasionally revised to adjust for inflation and prevailing economic conditions. The monthly minimum wage for seven of these nine occupations, including sales staff, clerical workers, auxiliary health-care staff, auxiliary staff in nursery schools, crèches and schools, and caretakers, currently stands at 870 euros and 924 euros after six months, respectively, and has not changed since 2012. For cleaners, the hourly rate is 4.55 euros and 4.84 euros and for security guards 4.90 euros and 5.20 euros (Eurofound 2018).

In the economy the main change in the past two decades has been the rapid expansion of construction and, even more so, of banking, resulting in continuous positive growth rates and low unemployment, at least until the financial and economic crisis. There has been an increasing migrant presence both from third countries and, since 2004, from EU countries, while the proportion of Cypriots entering higher education and seeking white-collar employment has also risen. Although living standards were relatively high prior to the crisis, employment conditions were far from satisfactory for the young and new entrants into the labour market and deplorable for regular and, especially, irregular migrants (Trimikliniotis 2009). The increasing presence of multinational companies has reinforced flexibilisation trends, such as subcontracting, outsourcing and personal contracts, and has contributed to the segmentation and fragmentation of the labour force in Cyprus (Ioannou 2015b).

Thus when the financial and economic crisis of 2008 struck, reaching its peak in 2012 and producing negative growth, rising unemployment and austerity policies, it exacerbated existing tendencies of labour market deregulation and union marginalisation. In the context of the Memorandum of Understanding between the Republic of Cyprus and the ‘Troika’ consisting of the European Commission, the European Central Bank and the International Monetary Fund (2013–2016) and its aftermath, workers’ rights and
benefits, as well as living standards were eroded for the overwhelming majority of the population, extending the condition of ‘precarity’ to broader sections of the Cyprus labour force (Ioannou 2014; Ioannou and Sonan 2016). As far as the institutional order of industrial relations and the tripartite system are concerned, however, no significant changes took place despite the strong pressure exerted by the crisis and the imposition of austerity policies.

**Extent of bargaining**

Although no accurate, comprehensive and updated figures are available, the extent of collective bargaining coverage is very close to union density as there are effectively no other forms of collective bargaining and no other agents are involved, although sometimes the terms of an existing collective agreement may shape individual contracts as well. The absence of extension mechanisms at industry level and effective *erga omnes* rules at company level leads to the convergence of trade union density and collective bargaining coverage. Thus the overall trend in collective bargaining coverage is a decline in tandem with the decline in union density (Ioakimoglou and Soumeli 2008; Ioannou 2015b). It is therefore possible to infer that the decline of density from 63.4 per cent in 2001 to 45.2 per cent in 2013 has led to a decline in collective bargaining as well.

There is no legal extension mechanism with regard to existing collective agreements that would oblige employers to abide by them in respect of their non-unionised employees. The unions’ increasing difficulties in maintaining existing levels of collective bargaining coverage, let alone extending it to the growing number non-unionised workers led ΠΕΟ and ΣΕΚ to attempt to push through an extension clause in the union law reform in 2012. That was blocked by the employers, however. The unions remain committed to this policy and continue their attempts to strengthen collective agreements as primary regulatory tools, with priority over legal means (Tombazos 2017). They have had some success in the hotel industry with regard to working time and provident funds, which are pension schemes funded directly by employer and employee contributions and indirectly by the state through tax concessions. They are currently focusing on minimum wage rates for each pay grade in the hotel and construction industries through the institutionalisation of an accreditation system for skill and experience (Tombazos 2017).

Union density thus remains the key factor in determining collective bargaining coverage, especially in industries in which collective bargaining exists at industry or firm level. Typically, collective agreements have a two- or three-year duration, after which negotiations take place for their renewal. As a result of the financial crisis and the volatility brought about by the economic recession, the duration of collective agreements has been shortened, in the metal industry for example to one year (Rigas 2017). Because they are not legally binding there are no legal instruments to impose their implementation after expiry; in practice, the previous agreement remains in force until it is renewed. Institutionally speaking, however, this is a grey area and it remains unclear what should or could happen when employers refuse to enforce an expired collective agreement. Employers often violate collective agreements in various ways, directly as well as indirectly (Ioannou 2014). This does not happen only in the gap
between two collective agreements, nor is it a sufficient reason for unilateral employer action. The unions frequently issue public statements condemning employers’ violation of collective agreements. The industry in which this happens most frequently is hotels and restaurants.

There is no functional equivalent of legal extension mechanisms. Existing collective agreements do sometimes act, however, as a sort of benchmark for at least some non-union workers not formally covered by collective agreements in a given industry. Nevertheless, this is usually informal, uncertain and often only refers to wage levels, excluding a range of other monetary and non-monetary benefits that unionised workers enjoy from the collective agreements (Ioannou 2015b).

Level of bargaining

There are effectively only two levels of bargaining in the southern part of Cyprus: the industrial level and the workplace/enterprise level. There is no substantive articulation between these two levels and no systematic bargaining coordination either. It is important to note, however, that some major collective agreements informally set the pattern for smaller ones in various industries (Eurofound 2018; Soumeli 2005) and the public sector sets the benchmark for the private sector. There is no national-level bargaining setting standards, however, and no cross-industry or regional-level bargaining. In industries in which industry-level bargaining co-exists with firm-level bargaining, such as the metal industry, the content of the collective agreements at the two levels is very similar (Rigas 2017).

Framework agreements are important especially in times of changing economic or political conditions. They may be negotiated by the social partners and signed at national level but more often at the industry level and operate as a sort of codification of changes in industrial relations approach. More importantly they reflect the terms of compromises made at a particular time and as such are indicative of the balance of power. Framework agreements effectively set the range of bargaining objectives for the collective agreements that follow. They are never detailed and usually do not specify actual terms of employment and can therefore not be considered a third, cross-sectoral level of bargaining. These national-level framework agreements should be understood as policy statements and social dialogue rather than as collective bargaining. Sometimes they are made for special issues and are then incorporated in the next collective agreement (Papanicolaou 2008).

The contents of such framework agreements may range from welfare measures and provident funds to wage setting mechanisms and the Cost of Living Adjustment (COLA), as well as special austerity measures adopted as a result of national, industry or company crises. The framework agreements signed in early 2017 in the semi-public and subsequently in the public sector are particularly significant as they instituted a mechanism that links the sum of wage increases (COLA plus wage increases plus yearly increments) to the nominal GDP increase, which operates as a ceiling. The government tried to enshrine this in legislation, but was unable to secure a parliamentary majority
and thus had no other option than to institute it in a framework agreement with the unions. Although the agreement is for a fixed three-year term, it is the first time that such an automatic mechanism has enforced parameters with regard to wage bargaining and in this sense, it sets a precedent.

Sometimes during the term of existing collective agreements, when one of the two sides manages to convince the other, interim agreements or memoranda, or both, may be signed modifying, adding or removing some clauses of the existing agreement. These agreements are often seen by the unions as the means through which they can avert the worse in the form of unilateral moves by the employers and often serve as a process of organised retreat due to changes in the economy, a particular industry or even firm (Ioannou 2014). A series of such agreements were signed during the crisis years in various industries and firms.

Overall, the international trend of collective bargaining decentralisation, driven by employer preferences and made possible by union weakness in the neoliberal age, also applies to Cyprus. Decentralisation is taking place in a disorganised fashion, however, more de facto, as a result of changes in the structure of the economy, than through the decisive agency of the social partners. Some of the industries in which bargaining was conducted at industry level, such as leather goods, clothing and footwear, have shrunk, while other tertiary sectors, in which collective bargaining takes place primarily at enterprise level, have expanded. Although there are no reliable figures across time the fragmented evidence seems to suggest that there has been a decrease in the number of collective agreements and their coverage, with enterprise-level bargaining growing at the expense of the industry level, signalling enhanced decentralisation.

The crisis has also played a role in the increasing trend towards disorganised decentralisation, as it has affected different firms in different ways. In industries in which industrial and firm-level bargaining co-exist, such as the metal industry, the volatile conditions of the crisis exacerbated decentralisation trends (Rigas 2017). In banking, for example, there has been a shift from industry- to firm-level bargaining as a result of the crisis, which led to the collapse of a systemic bank in Cyprus, the second largest in the country, and the shock visited on the whole industry by the turbulence and restructurings of 2013. The Employers’ Association was disbanded in 2015 as in the wake of the financial crisis its members decided to handle labour affairs on their own account (Rougala 2015).

**Security of bargaining**

Security of bargaining refers to the factors that determine trade unions’ bargaining role, such as legislation on union recognition and strikes or any other forms of support offered to unions by employers or the state. Union recognition is a prerequisite for collective bargaining. It is not automatic and is often contested. The new union law of 2012 ‘On the recognition of trade union organisation and the right of trade union facilitation for the purpose of recognition for collective bargaining’ (Περί της αναγνώρισης της συνδικαλιστικής οργάνωσης και του δικαιώματος παροχής συνδικαλιστικών
Gregoris Ioannou and Sertac Sonan

Collective bargaining in Europe

διευκολύνσεων για σκοπούς αναγνώρισης για συλλογική διαπραγμάτευση) has improved the situation for unions by establishing a procedure to overcome an employer’s refusal to grant recognition through a decree by the Trade Union Registrar. Previously, the only option was full-fledged industrial action to try to force the employer to back down. The high cost and high risk of this often dissuaded unions from embarking on such a course. With the new law, the Trade Union Registrar may, at the union’s request, directly issue a decree of obligatory recognition if, at a firm employing more than 30 people, unions represent at least 50 per cent of the employees. If unions represent at least 25 per cent, the Trade Union Registrar may organise a secret ballot on the firm’s premises without the employer’s permission whose result, whether for union representation or not, shall be valid with a simple majority if there is 40 per cent participation or above. The law has extended union rights, allowing easier access to workplaces and allocating more time for shop stewards to perform their union duties.

The right to strike is fully protected by Article 27 of Cyprus’ constitution, with the exception of the armed forces and the police. The prohibition may be extended to the civil service in the interest of the security of the Republic and the maintenance of public order in case of a ‘national emergency’. Similarly, when ‘essential services’ such as water, electricity and telecommunications are threatened, the government may invoke a national emergency and restrict the right to strike through special defence regulations, although this has not been very effective when attempted in the past (Sparsis 1998). In 2004, the government concluded an agreement with the three main trade union federations reaffirming the right to strike in all essential services, but at the same time stipulating a guaranteed minimum service provision. This agreement regulated the right to strike in essential services, not with legislation but through a tripartite agreement in the spirit of the Cyprus industrial relations system and the Industrial Relations Code.

Employer associations have on many occasions in the past decade demanded legislation restricting the right to strike in essential services, claiming that the agreement mentioned above was insufficient. Due to the resistance of both the unions and some political parties the employers were unable to push it through parliament. After a decisive strike in civil aviation by air traffic control personnel in 2012, however, the government and the parliament proceeded to pass a special law applicable only to civil aviation, stipulating severe restrictions to the right to strike in airports. Although the right to strike was not fully ruled out the ‘minimum service provision’ clause instituted effectively rendered any legal strike more symbolic than substantial by restricting disruption of flights to a very low level.

**Depth of bargaining**

The trade union leadership and the union apparatus play a key role in collective bargaining at both the industry and enterprise levels. Negotiations are almost always conducted by full-time officials and very often by the union leaders in the relevant industry, even if the collective agreement sought is at enterprise level. Full-time officials are trained, knowledgeable and experienced and thus lead the bargaining process. Where there is a well-functioning and active local or workplace committee it may also
play a significant role. In the Cypriot single channel system of interest representation, these local/workplace committees are union structures.

Depending on the general state of the economy and of the industry or company more specifically, the union leadership starts preparing for negotiations several months before the expiry of the collective agreement. These preparations are in line with the general strategy and policy decided at the top level of the union federation. Demands are then formulated by the full-time officials and the workplace committee members and presented to the union members in assemblies, at which they are formally approved. The Pancyprian Federation of Labour (Παγκύπρια Εργατική Ομοσπονδία, PEO) and the Workers’ Confederation of Cyprus (Συνομοσπονδία Εργατών Κύπρου, SEK), the main union federations, usually coordinate their strategies, attempting to present a united front at the negotiating table. They also hold joint meetings both before and after negotiations and adopt proposals by simple majority, irrespective of the membership numbers of each union in an industry or firm (Tombazos 2017).

Coordination between PEO and SEK usually takes place at the leadership level first, but it is cemented at the level of the rank and file, especially if collective bargaining drags on and further joint meetings of union members are called. Once the demands are coded, prioritised and approved by worker assemblies, the composition of which is mixed in terms of union affiliation, they are subsequently submitted to the employers. Bargaining begins usually two months before the expiry of the collective agreement and, especially in large industries, if conflict is regarded as possible or inevitable, the two sides usually make bold public statements before the culmination of the negotiations to prepare their members, opponents and public opinion. If the negotiations fail, the Labour Relations Department assumes its mediation duties, which usually ends up with a specific proposal that the two sides are called upon to accept or reject. Once an agreement has been reached or a mediating proposal is offered, the unions call a joint general assembly to ratify it or obtain permission to accept or reject it.

**Degree of control of collective agreements**

The increasing fragmentation of the labour market is a key factor negatively affecting the degree of control of collective agreements. The impact of collective agreements on employment terms and conditions is always relative, very often partial and frequently selective. Even in industries with extremely high union density, such as the public and semi-public sectors and banking a small and recently growing segment of the workforce is employed that is outside the framework of collective agreements. These employees may have fixed-term or service contracts. In the latter case, this is usually what is termed ‘bogus self-employment’ in the sense that it is often performed on the premises of the employer and without the employees having any control over it. The employers who outsource work in this way thereby become exempt from employer responsibilities concerning not only social security contributions but also health and safety, infrastructure and equipment, medical care and welfare. Fixed-term employees, whether working on externally funded projects, or paid directly by the employer, irrespective of the duration of their fixed-term contract and the number of times this
is renewed are ultimately temporary employees and treated as such. Although, unlike outsourced workers, they may enjoy some of the benefits of regular employees, such as holiday pay, they are usually excluded from other benefits, such as the thirteenth month salary and the provident fund and are often outside the coverage of collective agreements (Ioannou 2015b).

Even though employment conditions in the broader public and private sectors are substantially different, with the former offering much better terms of employment for the overwhelming majority of employees, the growing minority of peripheral employees in the broader public sector is directly comparable with the situation in the private sector. Public education at all levels is one example, as more and more teachers are employed on a temporary basis under various personal contract schemes, with inferior employment conditions compared with those of regular employees. This predates the financial and economic crisis but was exacerbated by it, for instance by the imposition of a freeze on new regular employment. As needs continued to grow, these were covered by various new irregular regimes of employment that were much cheaper and wholly precarious. The primary school teachers’ strikes in 2016 focused on precisely this newly established employment regime of temporary teachers. This trend has continued, provoking further disputes and strikes in 2017 and peaking in 2018.

In industries in which trade union density and collective bargaining coverage is not as high as in the public sector, or are close to the national average, such as construction or hotels, the peripheral workforce is much larger. Although collective agreements may still have some sort of impact on the wages offered to non-unionised workers, these workers’ terms and conditions diverge from collective agreements. Personal contracts, subcontracting and casual work are the norm for those on the periphery of firms and the industry. Needless to say precarious workers have little if any access to grievance articulation, dispute resolution or arbitration procedures (Carby-Hall 2008; Trimikliniotis and Demetriou 2011; Ioannou and Sonan 2016; Ioannou 2018).

The multitude of terms and conditions in some industries inevitably reduces the degree of application and thus the control of collective agreements concerning the unionised segment of the workforce. In a fragmented workforce with multiple employment regimes, union power vis-à-vis intransigent employers is often inadequate. Thus, the Labour Relations Department of the Ministry of Labour is frequently contacted for mediation concerning compliance with collective agreements, as well as on the interpretation of some of its clauses. The fact that many existing collective agreements are old documents that are maintained and revised has led to a complex network of rules that are often misunderstood and misinterpreted. As a result, many labour disputes arise from questions of interpretation (Soumeli 2005).

Concerning the implementation of collective agreements, the division of labour between full-time officials and workplace committee members is reversed. It is now the local committee that has the initiative in finding out the extent to which the agreement is being enforced and judging whether the union should take corrective measures. Usually the first step is a complaint to the employer and then the Ministry of Labour. Depending on the seriousness of the violation and, more importantly, the union’s power at the
workplace this may be followed by a strike warning and even strike action. Whereas the full-time officials issue the written complaints, it is the local committee that is in a position to know what sort of reaction is possible and to mobilise support.

**Scope of agreements**

Collective agreements in the South are primarily substantive and secondarily are procedural or deal with ‘qualitative’ issues. They define the terms and conditions of employment, covering in considerable detail a series of employee obligations, on one hand, and employee rights and benefits, monetary as well as non-monetary, on the other. Where there is a strong union presence and collective bargaining, unilateral management decision-making is more likely to be on disciplinary and dispute procedures and ‘qualitative’ issues rather than terms and conditions.

Although matters of discipline, grievance and dispute within a firm are considered to fall under the managerial prerogative and are not usually included in bilateral collective agreements, unions do not automatically accept internal firm rules and reserve the right to intervene if they consider that an injustice has been committed against their members (Tombazos 2017; Rigas 2017). Depending on how strong and established the union is in a firm it may also manage to insert a reference to the collective agreement in the firm’s statutes.

The scope of collective agreements typically covers basic pay, COLA and the design of the overall pay structure by assigning different ranks to different jobs, as well as internal pay scales. It also covers the remuneration rate and estimation procedure for the different forms of overtime pay. Agreements also stipulate the breaks allowed during work, time off, public holidays, rest leave and sick leave and the procedures through which these are granted. Furthermore, agreements may stipulate the contributions to various welfare schemes, such as a provident fund or a pension fund, a welfare fund or a medical scheme. These funds are usually administered by mixed committees, whose members are elected or appointed by the employees and the employers. Depending on factors such as the history, balance of power and specific features of the industry and the firm, collective agreements may include all or most of the above and sometimes some further, smaller benefits, such as travel expenses, extra bonuses besides the thirteenth salary, special remuneration rates for unexpected eventualities, extension of medical care coverage to dependents and further minor welfare benefits.

Issues such as work–life balance, early retirement and employment protection are not the subject of bilateral collective agreements. Aspects of these issues are, however, discussed at the policy level in the institutionalised social dialogue that takes place in the Labour Advisory Council. Aspects of early retirement schemes are also connected to provident or pension funds, the so-called second pillar of social security, and these are a product of collective bargaining and linked with collective agreements.
The North

Industrial relations context and principal actors

Unlike the situation in the South, industrial relations in the North are regulated by law rather than voluntarism, inspired more by the Turkish model. Trade unions, the main protagonists of collective bargaining, are small, fragmented and operate almost exclusively in the public and semi-public sectors with a negligible level of unionisation in the private sector (Ioannou and Sonan 2016). Overall, there are around 25,000 union members (Can 2018), organised in 53 unions (Güler 2017). Only six of these unions have more than a thousand members, while 34 have more than one hundred members.

The union scene is dominated by three major union federations organised in the public and semi-public sectors, and several independent unions in public administration, and primary and secondary public education. The biggest federation is the right-leaning Federation of Free Labour Unions (Hür İşçi Sendikaları Federasyonu, Hür-İş), which comprises seven unions. At the end of 2017, Hür-İş had 5,174 members. The biggest union within this federation is the Union of Public Sector Workers (Kamu İşçileri Sendikası, Kamu-İş), which has 2,900 members. The left-leaning Federation of Turkish Cypriot Labour Unions (Kıbrıs Türk İşçi Sendikaları Federasyonu, Türk-Sen) is composed of ten unions and has 1,748 members. The leftist Federation of Revolutionary Labour Unions (Devrimci İşçi Sendikaları Federasyonu, Dev-İş) is the smallest federation, with 1,188 members. It comprises three unions and is active mainly in municipalities and a few private-sector companies. In public administration, there are two main unions: the left-leaning Union of Turkish Cypriot Public Servants (Kıbrıs Türk Amme Memurları Sendikası, KTAMS) and the right-leaning Turkish Cypriot Public Officials Trade Union (Kıbrıs Türk Kamu Görevlileri Sendikası, Kamu-Sen), which have 3,322 and 2,171 members, respectively. There are also two teachers’ unions, the Cyprus Turkish Primary School Teachers’ Union (Kıbrıs Türk Öğretmenler Sendikası, KTÖS) and the Cyprus Turkish Secondary School Teachers’ Union (Kıbrıs Türk Orta Eğitim Öğretmenler Sendikası, KTOEÖS), with 2,199 and 2,635 members, respectively.

On the employers’ side, there are three main organisations. The Turkish Cypriot Chamber of Commerce (Kıbrıs Türk Ticaret Odası, KTTO) and the Cyprus Turkish Chamber of Industry (Kıbrıs Türk Sanayi Odası, KTSO), which have around 3,500 and 900 members, respectively. The third is the less influential Cyprus Turkish Employers’ Union (Kıbrıs Türk İşverenler Sendikası, KTİS), which currently has 258 members. KTİS is represented in the Minimum Wage Determination Commission. Other than that, the employers’ associations in general do not take part in any form of collective bargaining.

The small size and the public sector–oriented nature of the unions play an important role in explaining the state of affairs in collective bargaining and it is worth elaborating the reasons underlying this weak union landscape. First, because of the ethnic conflict between the two main communities of the island, modern economic institutions and unionism did not develop in the North until the mid-1970s (see Ioannou and Sonan 2016). Furthermore, the Turkish Cypriot parliament passed a law regulating collective
agreements and strikes (Toplu İş Sözleşmesi, Grev ve Referandum Yasası, henceforth CAL) rather late, in 1996, although both the constitution of the Turkish Federated State of Cyprus (KKTC’s predecessor, which was declared in 1975) of 1975 (Article 44), and the KKTC’s constitution of 1985 (Article 54) recognised the right to collective agreements and the right to strike for the whole working population.

This, together with far-reaching decisions by the Constitutional Court facilitating the laying-off of striking employees, made private sector unionisation very difficult. According to a survey, there are no union members in 95 per cent of privately owned workplaces (PGlobal 2014: 11). It is also true that the small size of companies is not conducive to unionisation, but even if we take firm size into consideration, the outlook is still gloomy. According to the State Planning Organisation’s workplace census, there were 565 enterprises with more than 20 employees and 169 enterprises with more than 51 in 2015, while the Trade Union Registrar’s annual activity report reveal that when cooperatives, local administrations and semi-public companies are left aside, only eight workplaces were unionised in that year.

Until the CAL was passed in 1996, there was no ‘regularly functioning collective bargaining order and the signing of collective agreements [was] out of the question’ (Gülmez 1996: 63). Since its inception, collective bargaining has been the privilege of a small group consisting mainly of manual workers in the public and semi-public sectors, particularly in local administrations. Given the deteriorating economic conditions in the past decade and government measures taken to reduce budget deficits, this small group is likely to get even smaller. Collective bargaining even in the public sector has increasingly come under pressure due to new legislation passed in 2010, which, to the unions’ chagrin, further restricted the scope of collective bargaining for public sector workers who were employed after this date.

Furthermore, the Ministry of Finance became more involved in bargaining with semi-public institutions because of the tightening budget conditions dictated by austerity measures imposed by the Turkish government, whose influence in the North has been similar in this respect to that of the Troika in the South (see Sözen and Sonan 2018). In line with the three-year economic programmes implemented since 2010, the Turkish government has been providing less and less funds to finance the budget deficit. Accordingly, while the share of Turkish financial contributions used to plug the budget deficit reached almost a quarter of the Turkish Cypriot government’s budget in 2009, it was only 4.5 per cent in 2017 (Kalkınma ve Ekonomik İşbirliği Ofisi 2018: 187). This apparent decline in financial dependence on Turkey notwithstanding, Turkey still has considerable influence on the Turkish Cypriot government’s economic policies because the latter is entirely dependent on Ankara for public investment and its political survival.

Another form of collective bargaining in the public sector is the so-called protocol talks between the Ministry of Finance, as the representative of the employers’ side, and unions. According to Article 135 of the Public Employees Law (1979), a meeting is held annually between the Ministry of Finance and the two civil servant unions with the largest membership. This is done with a view to protecting and developing their economic and social conditions and regulating their working procedures. If the two
sides reach agreement, they sign a protocol whose provisions come into force following the approval of the legislature if the issues agreed require legislation (Sonan 2018). The fact that the last protocol was signed in 2007 shows that austerity policies are also taking their toll on this mechanism of collective bargaining.

The business community’s hostility to unionisation and collective bargaining, as well as government unwillingness to enforce legislation protecting labour rights are the most important factors underlying the lack of progress in extending unionisation and collective bargaining.

It is important to keep in mind that, although in legal terms the island as a whole became part of the EU in 2004, in practice the northern part is still outside it. Therefore it has not implemented harmonisation with the EU’s acquis. Indeed, the Trade Unions Law of 1971 has remained untouched since 1974 and hence, as acknowledged by the Ministry of Labour is in need of revision; see, for instance, the activity report for 2008. This is not a priority for trade unions, however, because they are afraid that nothing good will come of it; one of their main concerns is the probable elimination of the check-off system, under which the employer deducts the union membership fee from employees’ wages and pays it directly to the trade unions. This is a legitimate concern as the elimination of the check-off system has been floated by several governments.

**Extent of bargaining**

Similar to the South, no figures are available on the extent of collective bargaining coverage in the northern part of Cyprus. Even union density figures are not to hand. Based on available data, from 2004 to 2016 density declined from 33.7 to 26.2 per cent. Density is declining overall not only because there has been virtually no success in expanding unionisation in the private sector, but also because it is falling in the public sector. This is largely because of the so-called ‘extension clause’: white-collar public sector employees such as civil servants, teachers, doctors and nurses are covered by protocols negotiated by unions regardless of whether they are union members and therefore they have little incentive to join a union. Overall therefore it can be argued that collective bargaining coverage is higher than union density.

In terms of both the number of employees and social benefits covered, the most comprehensive of all collective agreements in the northern part of Cyprus is the one agreed between the Ministry of Finance and Kamu-İş, which represents public sector workers. In the case of local government, where collective agreements are regularly signed, collective bargaining applies only to blue-collar workers; the remuneration of administrative personnel is subject to protocols. Despite that, in practice they are entitled to the same social benefits and rights as stipulated in the collective agreement.

1. Calculated by the authors based on the household labour force statistics (number of salaried employees) and trade union membership figures provided by statistical yearbooks.
Those who are not union members cannot benefit from the collective agreement, although they can be covered if they pay the union a monthly ‘solidarity fee’, which however cannot be higher than the membership fee (Article 8.2 of the CAL). In practice, only a negligible number of employees choose not to join the union and do so for ideological reasons (Felek 2017). It is therefore possible to say that *erga omnes* applies. Completely excluded are workers on temporary contracts and cleaning and security workers, whose services are outsourced in almost all cases.

According to the CAL, the duration of collective agreements cannot be shorter than one year or longer than two years (Article 7.1). In practice, most collective agreements are valid for two years with the possibility to reconsider monetary provisions after a year, to protect employees in case inflation drastically increases. Employees’ benefits secured in the collective agreement remain in force until a new collective agreement is agreed (Article 6.1).

**Level of bargaining**

Collective bargaining in the North is very decentralised. In contrast to the South, collective bargaining takes place exclusively at workplace level. The exception is the public sector agreement negotiated between the Ministry of Finance and Kamu-İş (Dev-İş 2016: 72) and the protocol talks between the Ministry of Finance and white-collar employees in the public sector.

The number of workplaces in which collective bargaining takes place seems to be frozen. According to the Trade Union Registrar’s annual records of collective agreements concluded since 2007, the number of agreements fluctuates between 60 and 67. As unions, in effect, can organise only in the semi-public sector and local administration, this figure looks like a natural limit given the existing institutional framework. As already mentioned, there were only eight collective agreements in private workplaces. Three (BEM, ICP and Taşel) of these were at foreign-owned companies in manufacturing, one in a recently privatised public enterprise in the energy industry (Turkish Cypriot Petroleum), three in media and printing, with close ties with a centre-left political party, and one in a former cooperative, which became a commercial bank. The total number of employees covered by these is around 300.

Bargaining takes place between individual unions and individual employers. Although there is an employers’ association, KTİS, it is not involved in collective bargaining. KTİS becomes relevant in two instances. First, in the administration of social security and provident funds, and second, in the determination of the statutory minimum wage, which is very important as this sets a benchmark for the non-unionised workforce in the private sector. Migrant workers, who make up one-third of the labour force, are the most vulnerable group and the statutory minimum wage is probably the only safety net they can rely on. The minimum wage is determined ‘at least once a year’, by a commission made up of 15 members: five representatives from the largest union, five representatives from the employers’ association and five members representing the government.
Security of bargaining

In 1978, the Constitutional Court made a far-reaching decision that essentially ruled it constitutionally permissible to sack employees who go on strike. Since then, this has set a precedent, which is extremely unfavourable for unionisation, killing all initiatives to unionise in the private sector by effectively giving employers the right to lay off those who join a trade union and start a collective bargaining process. Thus, although the CAL explicitly states that employees cannot be punished for joining a union (Article 18.3), in practice, there are many cases, including a semi-public university and a company of which two ministries are shareholders, at which unionising employees were laid off without any consequences for the employer (Felek 2017).

Similar to the South, there are no legislative or institutional obstacles hindering unions from organising in a workplace. On paper, the union with the highest number of members in a given workplace has the authority to negotiate a collective agreement. The similarity ends there, however, as the law does not regulate what happens when a union establishes a presence and calls for the commencement of collective bargaining but the employer does not respond. The CAL does not lay down a recognition process and there is no mechanism or legal sanction to bring non-complying employers to the negotiating table. Employer hostility towards unions has seriously undermined not only the bargaining role of trade unions, but also unionisation in the private sector. Given these circumstances it is no wonder that collective bargaining is almost non-existent outside the public and semi-public sectors, and even in these sectors, employers have become more confrontational and hostile. In several cases in the recent past the employer rejected collective bargaining and went as far as laying off the workers who had initiated the formal process of collective bargaining by unionising (see, for instance, Kıbrıs 2016).

The key factor that provides security of bargaining, once the recognition of the employer has been secured, is the right to strike. Legislation regulating the right to strike is quite similar to that in the South. The right to strike is protected by the constitution, as well as the CAL. The government can postpone a strike, however, for up to 60 days, a maximum of twice a year, if it is considered likely to disrupt general health, national and public safety, the constitutional order or if it is in essential services (Article 16.3). Lately, the government has used this clause several times to postpone strikes by air traffic control personnel.

Depth of bargaining

Collective bargaining is conducted by full-time officials. It is important to note that union organisations are very small. Dev-İş, one of the three federations, which is involved in one-third of all collective agreements, has only four full-time officials, including the presidents of two of its constituent unions, while only the president of Hür-İş, the biggest federation, is a full-time official. In a similar vein, Koop-Sen, which has more than 700 members and has signed more than 10 collective agreements, has only two full-time officials.
According to the CAL, unions are obliged to inform the employer in writing of revisions they would like to negotiate in an agreement at least 30 days before expiry. In practice, some unions prefer to do this 60 days beforehand. The union leadership calls for a meeting with all members and, in coordination with shop stewards, formulate demands based on the wider economic context and the problems experienced in implementing the existing agreement. The small size and less developed union apparatus are a minor advantage with regard to the strength of relations between individual members and full-time officials. Unionists are constantly in touch with their members and most of the time the rank and file prefer to call the president of the union directly if they have any problems. Therefore the leadership is normally well aware of their members’ demands and problems.

There is no need for coordination between unions because only one union can be authorised to negotiate a collective agreement in a particular workplace. If there is a conflict between two or more unions over this authority, a ‘referendum’ is called and the winner represents all workers in a given workplace. Therefore all workers join the winning union or pay a ‘solidarity fee’, which is a prerequisite to benefit from the collective agreement.

Similar to the situation in the South, the Trade Union Registrar under the Ministry of Labour acts as mediator when the two sides have difficulty reaching agreement. The Registrar’s annual activity reports show that every year on average three to four disputes are referred to the Registrar and half of them are resolved amicably. If a disagreement continues and particularly when there is a threat of serious losses in collective bargaining, federations tend to hold wider consultations with rank and file members and occasionally call a strike. During the implementation process, the close collaboration between full-time officials and members continues.

**Degree of control of collective agreements**

When it comes to the degree of control of collective agreements, the situation in the North is black and white. An overwhelming majority of those working in the private sector are not covered by any collective agreement whatsoever, while almost all those working in the public or semi-public sectors are covered by either a collective agreement or a so-called protocol. The exception in the public sector are those few workers on fixed-term contracts (around 200 in 2016). By contrast, public servants working on a temporary basis (around 3,000), as well as temporary teachers and workers are covered by collective bargaining. This means that in contrast to the South there is no trend towards employing teachers systematically on precarious conditions and those who are employed on a temporary basis enjoy the same terms and conditions as permanent staff members. It is also worth adding that temporary employment of public servants was abolished in 2014.

Overall, compliance with collective agreements seems to be the norm rather than the exception and agreements as a rule set the actual terms and conditions of employment. Although sometimes with a delay, employers tend to fulfil the requirements of collective
agreements. There are very serious problems in certain local administrations, however, which are mired in financial difficulties. To be more specific, according to Dev-İş, 17 out of 28 municipalities do not pay their employees’ social security and provident fund premiums, although they deduct the employees’ contributions from their salaries (Dev-İş 2016: 58). This problem is likely to become even worse in years to come because a new law, due to come into force in 2018, caps the personnel expenditure of local administrations.

**Scope of agreements**

In general, the scope of collective agreements in the North is very similar to that of the South. One notable distinction is that most collective agreements in the North also include chapters outlining procedures dealing with discipline, grievance and disputes. Usually, union representatives participate in disciplinary committees.

A typical collective agreement identifies both parties’ rights and obligations, including procedures regarding shop stewards or union representatives. The various chapters of a collective agreement usually cover the following issues: employment and promotion; working conditions and annual leave; pay and other social benefits; safety at work; and discipline, grievance and dispute procedures.

**Conclusions**

The key tendency in both the southern and the northern part of Cyprus in the past two decades has been the decline of union power and the shrinking of collective bargaining as a regulatory instrument in the labour market. The change has not been dramatic but gradual in the South, while in the North the special conditions have marginalised unions and collective bargaining in the private sector. The financial crisis, experienced in different ways across the dividing line, has brought about a deterioration of living standards in the past decade, while unions have been unable to challenge this even in the public and semi-public sectors where they continue to be relatively strong.

In recent years, as a result of the impact of the crisis (Ioannou and Charalambous 2017) the unions in the South have demanded legal tools from the state to oblige employers to abide by collective agreements and the establishment of a minimum set of rights for all those not covered by collective agreements, including the extension of the existing minimum wage. The key challenge for the unions in the South is to maintain their density and even increase it through recruitment campaigns in partially unionised as well as non-unionised industries. The prevailing economic and ideological climate is not conducive to this, however, as more and more people, especially the young, are reluctant, indifferent and even cynical with regard to political and collective action in general. The unions can only push their agenda of including extension mechanisms in collective agreements if they become stronger in terms of membership and profile. There is plenty of scope in the 2012 union law to force recognition and collective bargaining on resistant employers, but this can come only after the establishment of union committees.
at the workplace level that can persuade a sufficient number of workers and majorities to join a union and bargain collectively.

In the past ten years, in the North, the politico-economic scene has been shaped by growing Turkish influence in economic policy-making, which is shaped by neoliberal principles. In 2010, at Turkey’s behest, the government passed a very unpopular bill, the Law Regulating the Monthly Salary, Wage and Other Allowances of Public Employees, which considerably narrowed the scope of collective bargaining by setting wages by law for those who have joined the public sector since 2011. After failing to stop the passing of the abovementioned bill, which brought together all trade unions across the political spectrum and provoked two general strikes, the unions will be content if they manage to retain what they already have and are careful in formulating their demands. Against this backdrop, in the absence of a negotiated settlement of the Cyprus problem, the key challenge in the North is to slow this process down; reversing it seems to be almost impossible. A more optimistic scenario may be conceivable in case of a solution of the Cyprus problem, which may make it possible to effectively enforce the existing laws protecting labour rights and to introduce far-reaching reforms.

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All links were checked on 21 January 2019.
Abbreviations

ΔΕΟΚ  Δημοκρατική Εργατική Ομοσπονδία Κύπρου (Democratic Labour Federation of Cyprus)
CAL  Toplu İş Sözleşmesi, Grev ve Referandum Yasası (Law regulating collective agreements, strikes and referendums)
Dev-İş  Devrimci İşçi Sendikaları Federasyonu (Revolutionary Trade Unions Federation)
Hür-İş  Hür İşçi Sendikaları Federasyonu (Federation of Free Labour Unions),
ILO  International Labour Organisation
ΚΒΣ  Κώδικας Βιομηχανικών Σχέσεων (Code of Industrial Relations)
ΚΕΒΕ  Κυπριακό Εμπορικό και Βιομηχανικό Επιμελητήριο (Cyprus Chamber of Commerce and Industry)
Kamu-İş  Kamu İşçileri Sendikası (Public Workers Trade Union)
Kamu-Sen  Kıbrıs Türk Kamu Görevlileri Sendikası (Turkish Cypriot Public Officials Trade Union)
KKTC  Kuzey Kıbrıs Türk Cumhuriyeti (Turkish Republic of Northern Cyprus)
KTAMS  Kıbrıs Türk Amme Memurları Sendikası (Union of Turkish Cypriot Public Servants)
KTÖS  Kıbrıs Türk Öğretmenler Sendikası (Cyprus Turkish Primary School Teachers' Union)
KTOEÖS  Kıbrıs Türk Orta Eğitim Öğretmenler Sendikası (Cyprus Turkish Secondary School Teachers' Union)
KTİS  Kıbrıs Türk İşverenler Sendikası (Cyprus Turkish Employers' Union)
KTSO  Kıbrıs Türk Sanayi Odası (Cyprus Turkish Chamber of Industry)
KTTΟ  Kıbrıs Türk Ticaret Odası (Turkish Cypriot Chamber of Commerce)
ΟΕΒ  Ομοσπονδία Εργοδοτών και Βιομηχανών (Federation of Employers and Industrialists)
ΠΕΟ  Παγκύπρια Εργατική Ομοσπονδία (Pancyprian Federation of Labour)
ΣΕΚ  Συνομοσπονδία Εργατών Κύπρου (Workers' Confederation of Cyprus)
Türk-Sen  Kıbrıs Türk İşçi Sendikaları Federasyonu (Federation of Turkish Cypriot Labour Unions)