

Re-thinking approaches to labour migration

Potential and Gaps in EU Member States' Migration Infrastructures Case Study Summary — **Cyprus**



KEY MESSAGES

- The Republic of Cyprus is located on an island in close proximity to countries of the Middle East. The political landscape is divided, which sometimes hinders the implementation of effective policies, including those related to the labour market and labour migration.
- Inhabited by a population of less than one million people, Cyprus is particularly vulnerable to large inflows of migrants. There is little political will to allow labour migrants, especially non-Greek speaking ones, into the labour market.
- Access to both the island and its labour market is heavily regulated for third-country nationals. While the government and organisations dealing with labour migration acknowledge the local economy's need for expansion and workers from abroad, policy focuses on restricting and controlling access. Priority is given to highly-skilled, white-collar immigrants, preferably speaking Greek or English. Greek, Greek-Cypriot and Western cultures of origin are preferred, despite the very high level of average education of Cyprus' own population, which – according to estimates – is already overqualified in relation to the local labour market, and skill mismatches are evident.
- The priority legal pathways are those designed to attract foreign capital and foster an innovative business environment, such as Digital Nomad and Startup Visa schemes and Investment Programmes.
- Irregular migration to the island is perceived as a threat to stability, and access to the labour market is restricted for asylum seekers. In the past a high percentage of workers who had lost their status and work permit attempted to use the legal pathway of asylum seeker or student to stay in Cyprus, and as a result further restrictions were introduced: asylum seekers and TCN students have very limited access to the labour market, their employment being possible only in a narrow list of low-paid, low-skilled blue-collar jobs.



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BACKGROUND AND CONTEXT

Cyprus is an island located between Europe and Asia, the third largest and third most populous island in the Mediterranean Sea. The island is *de facto* divided between the Republic of Cyprus (controlling 59% of the territory) and the internationally disputed Turkish Republic of Northern Cyprus (controlling 36% of the territory).

In 2023 Nikos Christodoulides was elected as the eighth president of Cyprus after winning the elections as an independent candidate with an academic background, receiving 51,92% of the votes. The top priorities for the current government are finding a solution to the 'Cyprus problem' and tackling high inflation, labour issues and inter-ethnic relations – including combating xenophobic incidents and irregular migration.

The UN buffer zone separating the Turkish Cypriot administration from the rest of the Republic of Cyprus forms a *de facto* exclave (although not *de jure*). The UN recognises the *de jure* sovereignty of the Republic of Cyprus over the entire island. The issue of the island's division is closely linked to the problem of migration, as many irregular migrants enter territory controlled by the Republic of Cyprus through the demilitarised zone, otherwise known as the Green Line, from the Turkish-occupied side.

The migration and labour trends in Cyprus have been a topic of discussion in recent years. According to data, from 1983 to 2011 Cyprus experienced positive net migration. However, with the onset of the economic crisis, this trend reversed between 2012 and 2015. Since 2016, the country has once again been experiencing positive net migration, with an estimated positive migration balance of 8.797 in 2019.

According to Eurostat data from 2022, the top five countries of origin for resident permit receivers were Russia (37,8%), Syria (9,2%), Nepal (8,7%), India (7,7%), and Sri Lanka (4,2%). This is consistent with data from 2019, although the number of Indians accepted into the economy has been gradually decreasing.

When it comes to labour migration, Cyprus has one of the highest percentages of employees born outside the EU who are employed on temporary contracts, at 35,8%. This places Cyprus second only to Poland, with 40,6%. Conversely, for inter-EU labour migrants, Cyprus has one of the lowest percentages of employees with temporary jobs in the total

number of employees, at just 7,3%. The diversity of nationalities on the island is significant, with data from 2021 showing 26,7 immigrants per 1.000 inhabitants, which places Cyprus in third position in the EU, after Luxemburg (39,6) and Malta (35,0); the level in Cyprus is over five times the EU average (5,0 per 1.000 inhabitants).

CURRENT AND FUTURE LABOUR SHORTAGES

The labour market in Cyprus has experienced fluctuations over the past two decades, with the 2013 crisis followed by a rebound that saw unemployment rates fall while employment and labour force numbers increased.

Trade, financial services, and ICT are among the top contributors to Gross Value Added by economic activity in GDP, with trade accounting for 11,4%, financial services for 10,2%, and information and communication for 9,0%. The governmental institution HRDA is responsible for systematically monitoring trends in the Cypriot labour market and projections for labour demand. The institution issued a study titled *Forecasts of labour demand and supply in the Cyprus economy 2022–2032*, which includes forecasts for labour supply. However, it is important to note that projections in Cyprus do not explicitly include migrants as a labour force in demand. HRDA only provides statistics for sectors based on general data, without considering the origin of employees.

Forecasts predict that the financial, professional services and ICT sectors will continue to expand and participate in exports. While the tourism sector and other professional services sectors are also expected to expand, it is predicted that this growth will be at a slower rate than in recent years.

Demand for labour in Cyprus is characterised by changes in the level of specialisation within occupations, with a focus on skilled professionals, managers, technicians, senior officials, and customer service clerks. The requirement for highly-skilled professionals, including educators, teachers, health professionals, and science and engineering associates, is related to the expansion of the services sector and the need for human resources management, as well as the broadening and deepening of digitalisation of services, including public services and bank services that require high-level security. Highly-skilled occupations are expected to grow at the expense of medium- and low-level ones, with the latter expected

to decrease, apart from the sector of elementary occupations. Medium-qualified jobs that are still in demand include construction workers, sales workers, and related trade workers.

The sectors that are predicted to experience the most robust annual expansion in Cyprus are health and social work, IT and programming, and food and beverage services. The tertiary sector is expected to retain most employed persons, with 8 out of 10 persons being employed in this sector. As a result, Cyprus' economy will become increasingly dependent on services, with 4 in 10 employed persons being in high-level occupations that require tertiary education, and almost half being in medium-level occupations that require secondary education.

Shortages in medium- and lower-qualified personnel are expected. Medium-skilled workers, including those skilled in agriculture and fishery, crafts, plant and machine operation, and assembly, will be in demand. Elementary occupations will need to find workers from outside. Service workers and shop and market sales workers are expected to find employment with ease.

Cypriot employers are already seeking TCNs for highly-skilled occupations, including professionals and legislators, managers, and senior officers, as local supply is inadequate. Job vacancies that can be filled by labour migrants include those in sectors such as information and communications technology, business and administration, and legal, social, and cultural professionals. Between 2018 and 2030, Cyprus is expected to create 37.000 jobs for sales workers, 35.000 for business and administration associate professionals, and 31.000 for cleaners and helpers. Science and engineering professionals and teachers, especially those who are TCNs, are expected to experience relatively low levels of hiring.

LABOUR MIGRATION POLICY IN CYPRUS

Historically, Cyprus has experienced migration as a natural phenomenon, serving both as a destination and origin country. The Cypriot government includes Cypriots born outside of Cyprus in the migration data. Immigration is currently increasing in Cyprus with regular immigrants searching for temporary jobs or permanent settlement, asylum seekers, and immigrants whose status remains unregulated for a variety of reasons, from awaiting a decision on the

granting of asylum to the expiration of their work permit.

Since the 2012–2013 financial crisis, Cyprus has once again become an attractive destination, with a growing economy currently experiencing labour shortages in the IT, financial, tourism, and service sectors. The Cypriot employers' organisations have requested the government's support in facilitating the hiring of non-EU residents, in response to the current labour shortage. As a result, the Ministry of Labour, Welfare, and Social Insurance revised the decree on the employment of TCN students in 2022. This revision expanded the sectors and occupations in which they may be employed, including the hotel sector, food industry, ward assistants in health clinics, and carers in elderly shelters.

To simplify the hiring process, on 2 January 2022 the government adopted the October 2021 Strategy for Attracting Business and Talent in Cyprus. The country has a quota system in most sectors and labour schemes. The strategy abolishes quotas for specialised and managerial positions at foreign companies operating in Cyprus, and allows them to locate and employ highly-qualified TCNs without a labour market test. However, TCNs must meet specific criteria, including a minimum gross monthly salary of EUR 2.500, an employment contract of no less than two years, and a university diploma or degree, or an equivalent qualification or confirmation of relevant experience in a corresponding job of at least two years' duration.

The strategy also simplifies the hiring process for support personnel, grants the right to family reunification of TCNs, simplifies and speeds up the process of granting a Category E work permit (Long Term Resident Status), and introduces a Digital Nomad Visa for self-employed TCNs or TCN salaried employees who work remotely for employers or clients outside Cyprus, using information and communication technologies. In addition, the strategy secures pension contributions through the Social Insurance Fund, facilitates naturalisation by shortening the time required for applying for citizenship to five years of residence and work in the RoC (instead of seven), and further reduces the duration to four years if the criterion of holding a recognised certificate of very good knowledge of the Greek language is met.

In 2022 the Minister of the Interior confirmed that the relaxation of quotas is valid until 31 December 2026, meaning that foreign interest companies in

Cyprus registered by the Business Facilitation Unit and able to hire unlimited TCNs will be capped again from 2027, restricting TCNs once again to 70% of the companies' workforce. In 2023, with a further relaxation of quotas, companies that had signed collective agreements could hire up to 50% of staff recruiting from non-Cypriots (up from 30%).

LEGAL LABOUR MIGRATION PATHWAYS

The *Aliens and Immigration Act* provides the framework for employment of third-country nationals in Cyprus. Various categories of workers, such as **domestic workers, employees in international companies** and **seasonal workers**, are subject to specific requirements when it comes to their employment contracts and visa regimes.

Seasonal workers Directive

The Directive 2014/36/EU incorporated into national law is represented by the Aliens and Immigration Law of 2017 and introduced a Seasonal Worker Permit for a duration of 90 days, including agriculture as a sector of seasonal work. Employers must fulfil a set of requirements, including quotas and a labour market test, before applying for a non-EU national's work permit. These requirements also involve applying for a job vacancy and passing a medical examination and criminal record checks. The 3-month validity period can be extended to eight months (4+4) after meeting these requirements. During the Covid-19 pandemic, asylum seekers were allowed to work as seasonal workers in the agricultural sector, and from June onwards they and TCN students were permitted to work in specific agricultural sectors. The tourism industry's seasonal workers fall under a non-compulsory collective agreement between the state and employers' unions. Most temporary contracts for seasonal labour are private arrangements between employers and employees, usually from April to November. These contracts frequently follow non-compulsory collective agreements, with remuneration freely negotiated, subject to compliance with the Organisation of Working Time Law of 2003. While proof of health insurance and accommodation arrangements are necessary, there is no automatic deduction of rent from remuneration.

EU Blue Card and Intra-corporate transfers

There is no use of the EU Blue Card or issuance of it, but a unit at the Ministry of the Interior has been

created to implement the EU Blue Card scheme. Intra-corporate transfer permits are available for TCNs, covering a maximum of 90 days within a 180-day period. The transferee can be employed by any company in Cyprus belonging to the same group as abroad, subject to specific regulations requiring the company of the first Member State to notify the Civil Registry and Migration Department in writing about the intention of the transferee's work for a company of the same group in Cyprus.

Work and Holiday visa

A bilateral memorandum of understanding was established between Australia and Cyprus in 2002, introducing a multiple-entry visa programme for work holidays, valid for a period of one year. The programme is exclusively designed for young people aged 18–30 who have not already used the scheme, have no accompanying spouses or children, and intend to travel for leisure while being permitted to work to sustain their living expenses during the extended vacation period. No other similar initiative is currently in place.

Cyprus Digital Nomad Visa scheme

Introduced on 15 October 2021 by the Council of Ministers as a part of the Strategy for Attracting Businesses for Activities or Expansion of their Activities in Cyprus, this scheme initially had a ceiling of 100 residence permits, which was raised to 500 on 3 March 2022. It allows TCNs from non-EEA countries who can work remotely using telecommunications technology, to reside temporarily in Cyprus while working for employers or clients located abroad, with the aim of transforming Cyprus into a centre providing electronic services and hopefully contributing to the local business ecosystem and economic development. Applicants are required to be able to document a stable and sufficient monthly net income of at least EUR 3,500. The Digital Nomad Scheme has been met with interest. Its second round with raised quotas began in March 2022, and by the end of August that year 127 TCNs had applied for and been granted visas. By August 2023 the cap of 500 had been reached.

The Cyprus Startup Visa Scheme

The scheme, valid from 1 June 2022 to 31 May 2024, is designed for talented entrepreneurs from third countries (non-EEA), either individuals or teams, to enter, reside, and work in Cyprus to establish, operate, or develop a high-growth startup. The aim is to create new jobs, promote innovation and research, and enhance the business ecosystem by either founding

innovative startups in Cyprus or relocating existing ones to Cyprus. The current 2022–2024 scheme is the programme’s third round, but the programme’s renewal expresses the will of the government to promote the scheme rather than its success.

SUGGESTIONS FOR POSSIBLE FUTURE ADAPTATIONS TO LABOUR MIGRATION POLICY AND THE USE OF EXISTING PROVISIONS

Facilitation of medium- and highly-skilled workers’ access to the labour market

The requirement of Greek language knowledge in such jobs as nursing at times results in migrants working below their qualification levels (nurses hired as domestic aides, who do not have to speak the Greek language). Facilitating access through looking more carefully into existing requirements, the constraints they pose and the unintended effects they have can help to design a more flexible system for international talent.

Consider country specifications in the envisaged EU Talent Pool

In facilitating communication between potential employers and employees, the envisaged EU Talent Pool could be beneficial, but only if it gains wider recognition and is looked upon favourably by both Cypriot institutions and employers. Some fear however that Cyprus will not be able to compete with the significantly stronger and better paid job markets of the EU, such as those of Germany or the Netherlands, where the economy is stronger and the language barrier lower. For the EU Talent Pool to be effective for Cyprus, the country’s vulnerabilities and concerns would need to be taken into consideration in the process of developing the tool.



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