

The All Cyprus Trade Unions Forum in dialogue with the society for the future of our country

## Conference

**Wages setting mechanism and the protection of wages in the envisaged unified Cyprus**

**10<sup>th</sup> of July 2015, ETKA/PEO Building,  
Simonidou 14 (3<sup>rd</sup> Floor), Nicosia**

**PROTECTION OF WAGES IN THE  
ENVISAGED UNIFIED CYPRUS**

# 1. OUTLINE

- Protection of Wages Law 35(I)/2007
- Protection of Worker's Rights in Case of Employer's Insolvency Law 25(I)/2001
- Other Legal Protection
- Protection of Wages in the course of the Economic Crisis
- Protection of Wages in the envisaged unified Cyprus

# PROTECTION OF WAGES LAW 35(I)/2007 I

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- 1. Who is protected: any person with employment contract or apprenticeship or in a circumstance from which an employment relationship can be derived.**
- 2. What is wage/salary: any monetary (cash) remuneration resulting from employment and any profit from employment that can be monetized (incl. contributions to Provident Funds and to the Central Annual Leave Fund. Not included: commission and ex-gratia payments)**

## Main provisions of the Law

1. **Means of Payment: Cash in legal currency or transfer or cheque**
2. **Payment in KIND:**
  - absolutely not allowed with alcoholic drinks
  - Otherwise possible if: a) useful, quantity and quality adequate, b) price is rational and fair, c) with the consent of the employee
3. **Wage payment immediacy: wage to be paid directly to the employee**
4. **Freedom of wage disposal**
5. **Prohibition to execution of pressure on employees to purchase goods and services from shops belonging to the employer**

## Main provisions of the Law

6. **Place and time of wage payment: if payment in cash, at the work place and during working time.**
7. **Frequency of payment: at least weekly for weekly employees or monthly for monthly employees.**
8. **Deductions from wage solely as provided : by law and regulations; regulations of pension, provident and medical funds; court decision; for compensation of damage caused by the employee purposefully or by negligence → deductions to be limited to a level enabling the sustenance of employee and his/her family**

## Main provisions of the Law

9. **Prohibition of cession of wage, unless provided expressly by law or regulation (any cession cannot compromise sustenance of the employee and his/her family)**
10. **Employer to keep data and records and proof of payment – burden of proof by employer**
11. **Inspectors may be assigned to observe and regulate the effective implementation of the law.**
12. **Employees may submit complains – mediation by inspectors – resorting to Labour Disputes Court.**

## Main provisions of the Law

- 13. Employers who were found guilty by the court -- > sentenced up to 6 months imprisonment and/or €15,000 fine.**
- 14. Abusive recourse to insolvency with intention to avoid payment of wages is an offense that may lead to up to 6 months imprisonment and/or up to €10,000 fine.**

## Protection of Worker's Rights in Case of Employer's Insolvency Law 25(I)/2001 I

1. Who is insolvent employer: the legal or natural person that has submitted application for insolvency to the competent court
2. Who is protected: any person with employment contract or apprenticeship or in a circumstance from which an employment relationship can be derived.
3. What is wage/salary: any monetary (cash) remuneration resulting from employment and any profit from employment that can be monetized (incl. contributions to Provident Funds and to the Central Annual Leave Fund. Not included: commission and ex-gratia payments)
4. What is the Fund: is the Fund set up under this law for the protection of employees' rights in case of employer's insolvency



### Main provisions of the Law

1. Employee whose employment is terminated due to employer's insolvency is entitled to payments from the Fund
2. Not entitled to payments from the Fund: share holders of the insolvent company and members of the board
3. Payments from the Fund:
  - Outstanding wage/salary of the last 13 weeks employment prior the insolvency date;
  - Proportion of outstanding annual leave for the last 13 weeks of employment prior the insolvency date;
  - Proportion of the outstanding 13<sup>th</sup> and if applicable 14<sup>th</sup> salary for the last 13 weeks of employment prior the insolvency date.

### Fund for the Protection of Employees' Rights in Case of Employer's Insolvency

1. Fund solely financed through employer's contributions
2. Employer's contributions to the Redundancy Fund (1,2% on Gross Salary)
3. 16,6% of employer's payments to the Redundancy Fund are reserved for the Fund for the Protection of Employees' Rights in Case of Employer Insolvency

1. **Companies Law Chapter 113, Article 300:** Preferential payments in case of company liquidation: a) taxes to government and local authorities, b) wages and wages related payments to funds (social security, provident fund, unions etc.)
2. **Obligation of the Employer to Inform the Employee on the Terms governing the Contract of Employment, Law 100(I)/2000:** information of the employee of the terms of his employment → employee can therefore observe whether his/her/ employer fulfils the terms of the employment contract and/or collective agreement.

# Protection of Wages in the course of the Economic Crisis I

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1. **Unilateral cuts on wages/salaries by employers (mostly observed in non-unionised undertakings)**
2. **Non payment of 13<sup>th</sup> salary (and/or 14<sup>th</sup> salary) or reductions (also mostly observed in non-unionised undertakings)**
3. **Both present flagrant violations of the Protections of Wages Law**
4. **Initiative by the Ministry of Labour and Social Insurance (Dec 2012 and 2013): non payment of 13<sup>th</sup> salary is a violation of the Protection of Wages Law**
5. **Intense Trade Unions activity for the protection of the 13<sup>th</sup> salary, the wages and the workers rights in general.**
6. **Special agreements (time limited derogations from provisions of collective agreements) on wage cuts, reductions of provident and welfare funds payments, overtime regulations etc.)**

## Protection of Wages in the course of the Economic Crisis II

Year	Complains	Prosecutions
2011	1569	52
2012	1776	187
2013	2527	402
2014	2114	255

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### Complains and Prosecutions in Violation of the Protection of Wages Law

Data from the Labour Relations Department, Ministry of Labour, Welfare and Social Security, which has the responsibility for the implementation of the Law.

# Protection of Wages in the envisaged unified Cyprus

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1. Incorporation in the federal constitution of the right to just and fare remuneration ensuring for employees and their families dignified standard of living
2. General minimum wage standard?
3. Collective Agreements Extension mechanism?
4. Legal safeguarding of basic terms of employment and worker's rights (e.g. 13<sup>th</sup> salary...)?
5. Protection of wages and worker's rights by law **is good**, however **control and enforcement** by strong trade unions is even better