European Foundation for the Improvement of Living and Working Conditions

Social dialogue and conflict resolution in Cyprus

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Context

This report is part of a series of projects from the Foundation which focuses on aspects of industrial relations in the run-up to enlargement. The national report for Cyprus is part of the second phase of a project on 'Social dialogue and EMU' carried out by the European Foundation for the Improvement of Living and Working Conditions in 2002-3, in cooperation with the Swedish 'Work Life and EU Enlargement' programme. This phase of the project looked at the current mechanisms for resolving industrial conflicts prevailing in each of the ten acceding countries involved in the project: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

The main report provides an overview of the whole project and is available online at http://www.eurofound.eu.int/publications/EF0421.htm. It looks specifically at the role of social dialogue in resolving industrial relations conflicts. In most of these countries, both the systems of industrial relations as well as conflict resolution mechanisms are relatively new and have been subject to intense upheaval during the transition phase to market economy. Collective and individual industrial disputes are a new phenomenon for these countries as well. The report gives an overview of the existing institutional and regulatory frameworks for industrial action prevailing in each country, then goes on to describe the various systems in place to deal with conflict resolution. The overall aim of the research is to show how social dialogue can be harnessed to devise a road map for industrial peace.

Introduction

This paper aims to examine conflict resolution mechanisms in Cyprus and to assess the system's effectiveness in preserving industrial peace. Conflict resolution will be examined mainly for the private and semi-government sectors, whilst a brief description of mechanisms in the public sector will also be provided.

In a wider perspective the paper will also examine the implications the voluntary nature of the Cyprus conflict resolution model has on the economy and the socio-political scene.

Industrial strife is an inevitable result of change, and change remains the main driving force behind modern economic development. Adaptability must, however, be achieved in a harmonious manner, a manner that seemingly blends the needs of employers for flexibility and a robust business environment on the one hand and the rights and needs of employees on the other. Within this context, the existence of effective conflict resolution mechanisms is necessary to ensure that change, adaptability and flexibility are protected from social and labour unrest that culminates in strikes and lockouts.

It is an undeniable fact that industrial peace is a necessary prerequisite for growth. In light of this governments must design and adopt an industrial relations system that is the most appropriate for the social and geographical characteristics of a country. Since the establishment of the Republic of Cyprus in 1960 social partners have approached industrial relations and conflict resolution mechanisms in a voluntary manner, with minimum legislative measures introduced to govern the relations between employers and employees. The government's philosophy behind the promotion of a voluntary system has been the fostering of strong employer and employee organisations, with a view to maintaining a balance of power between the two sides.

Even though it could be said that such a system would have been bound to fail the maturity and social responsibility shown by the social partners has led to a system that can be characterised by relative industrial peace, with strikes and lock-outs limited to very few cases. Furthermore, experience has shown that the two sides show a higher respect for the functioning of the voluntary conflict resolution system than they actually do for issues regulated by legislation. With regard to days lost to strikes, Cyprus' performance compares well with international figures.

Industrial relations framework for conflict resolution

The right to strike, but also the right to lockout (though not specifically mentioned), is guaranteed by the constitution of the Republic of Cyprus. The legal basis guaranteeing these rights will be examined in detail in the next section.

Under the system operating in Cyprus, official strikes and lockouts are the natural legitimate outcome of the failure of the mediation process to bring employers and employees together to reach a mutually acceptable agreement. Though collective bargaining is not governed by law, the number of strikes registered each year in Cyprus remains considerably low, a fact that shows that the two sides are gifted with a high level of social responsibility, and on the other hand, that the existing conflict resolution mechanisms (i.e. the Industrial Relations Code) have a high level of effectiveness. This is especially true if one considers that the Department of Industrial relations mediates in around 250-300 industrial disputes every year, a figure which is comparatively high, considering the relatively small size of the country. Of course it should be stressed that if the coverage provided by industry-wide collective agreements was not as significant as it is today industrial disputes would definitely be a much more often occurrence.

The Industrial Relations Code (Attached as Appendix 1) is a gentleman's agreement signed by the social partners in 1977, which lays out in detail the procedures to be followed for conflict resolution. Prior to the signing of the Industrial Relations Code, a Basic Agreement governed conflict resolution. The Basic Agreement was signed in 1962, shortly after the island's independence, and provided for a procedural framework for dealing with industrial disputes. The Basic Agreement was a more simple set of 'rules', which after 15 years of implementation was succeeded by the Industrial Relations Code, an agreement which was to a much larger extent in a position to ensure the fundamental rights of both participating sides in the field of industrial relations. These four fundamental rights are:

- the right to organise;
- the right to collective bargaining, collective agreements and joint consultation;
- the definition of issues proper for collective bargaining, joint consultation, and management prerogatives;
- affirmation of the strict adherence to the provisions of international labour conventions which the Government of Cyprus has ratified.

Conflict resolution in the private sector

Conflict resolution in the private sector is governed by the Industrial Relations Code. The Code provides for separate procedures for the settlement of the two main types of industrial disputes - disputes over interests, and disputes over rights.

'Dispute over interests', as defined in the Industrial Relations Code, means a dispute arising out of negotiations for the conclusion of a new collective agreement, or for the renewal of an existing collective agreement or, in general, out of the negotiation of a new claim.

Again as defined by the Industrial Relations Code a 'grievance' or 'dispute over rights' means a dispute arising from the interpretation and/or implementation of an existing collective agreement, or of existing conditions of employment, or arising from a personal complaint including a complaint over a dismissal.

It should be noted that the mediation service deals with both these types of disputes. In the period between 1999 and October 2003, 60.4% of disputes dealt with were disputes over rights (grievances) and the remaining 39.6% were for disputes over interests.

Trade unions and employers' organisations review developments in the labour market and the economy on a regular basis. Co-ordination is achieved at summit meetings and trade unions and employers' organisations agree amongst their members on a yearly basis on the strategy to be followed with respect to the renewal of collective agreements. This practice has major implications on the outcome of negotiations for the renewal of collective agreements, both at the national/sectoral level and the enterprise level. It should be stressed that in many cases the strategies followed by individual organisations from the same side may differ. For example, the two main trade union federations may agree on different targets for pay increases, or for any other terms of employment included in collective agreements, or even new claims to be included in agreements. The same variances may exist among the two employers' organisations. This fact sometimes makes the whole process of renewal of collective agreements much more complex, especially when both of the main trade union federations participate in the negotiations for the renewal of a specific collective agreement, which is more often the case than not.

On a more positive note, biannual indexation of wages makes two to three (or in some cases even four) collective agreements a year more likely - a fact that reduces the need for negotiating on a yearly basis, with all the costs this entails. Of course, the issue of wage indexation (Cost of Living Allowance - COLA) is a subject that has led to numerous talks at the higher level, between social partners. Obviously employers criticise the system for undermining flexibility and competitiveness and for not responding to real increases in productivity in specific sectors or individual enterprises. On the other hand the wage indexation system is strongly supported by the trade unions, which have only accepted minor changes to the system in the last three years (for the non-inclusion of excise duty increases). It remains a fact, though, that the provision of the COLA through collective agreements remains a non-negotiable issue, accepted by both sides, with absolutely no reference made during direct negotiations for the renewal of collective agreements. Furthermore, it should be noted that the COLA system has not proved to be the cause of inflationary pressures on wages. This is mainly due to trade union strategies that limit wage increase demands to the height of yearly national productivity. Furthermore, over the last three years many collective agreements have been signed with insignificant wage increases in companies or sectors that are experiencing financial difficulties.

National and sectoral collective bargaining

National level collective bargaining is limited to the constraints of sectoral level bargaining, obviously due to Cyprus' small geographical size. Consequently, a national level collective agreement is also a sectoral agreement, whilst due to the small size of Cyprus sectoral agreements are also national (since they have pancyprian coverage).

Currently in Cyprus there are 13 national/sectoral collective agreements in the private sector. The following table shows the sectors which have national/sectoral collective agreements and the number of employees covered by these agreements. From the table below it can be concluded that 23.9% of the gainfully employed population are covered by national/sectoral agreements (gainfully employed in 2001: 307,800 persons), or 26.7% of the total number of employees in Cyprus (total number of employees in 2001: 275,400). The same figure represents 41.4% of all trade union members (trade union members in 2001: 177,600 employees).

Table 1: *National/sectoral collective agreements and number of employees involved*

SECTOR	No. of employees
Leather products	200
Clothing	5000
Footwear	800
Wood products	2500
Metal products	4000
Construction	23000
Construction companies	500
Electrical equip. installation	1500
Vehicle importers	600
Hotels	15000
Catering establishments	11000
Petrol companies	200
Banking sector	9200
TOTAL	73500

The majority of agreements have a two-year duration, whilst in some cases sectoral collective agreements are signed with a three-year duration. It should be noted that the duration of the collective agreement remains a negotiable subject.

Direct negotiations are always held between the two sides, namely the trade union federations and the employers' association, usually assisted by an employers' organisation, either the Employers and Industrialists Federation (OEB), or the Chamber of Commerce and Industry (CCCI).

Due to the extensiveness of these collective agreements direct negotiations are usually long, arduous, and complex. In general, sectoral collective agreements, like for example for the hotel and catering industry, the banking sector and other industry wide agreements cover to a much wider extent terms and conditions of employment and also regulate other particulars pertaining to much more specific details of the functioning of the companies involved. Of course, with the enforcement of the EU acquis in the area of labour legislation a significant number of terms of employment are now also regulated by law, and in many cases provide for more favourable terms than what was provided for in collective agreements (for example annual leave).

The majority of national/sectoral collective agreements were first agreed upon a number of years ago and have already been renewed many times, with further additional agreements also signed, leading to a very complex network of rules regulating employment in these sectors. Also the need for coding and keeping the basic agreements up to date - a process that has yet to be seriously undertaken - leads to misunderstandings, misinterpretations and differences of views as to what applies for a number of articles of these agreements. It should also be concluded from the above that due to the complex nature of the agreements in many cases industrial disputes arise from the interpretation of the agreements (disputes over grievances), leading to an ongoing stream of industrial disputes.

The complexity is further accentuated by the strong position trade unions have in each sector, since for some industries trade union membership approximates, or even equals, the total number of employees employed in the sector (banking sector, construction industry etc).

Obviously it can be understood that within such a complex negotiating environment, direct negotiations are extremely difficult, and very rarely do they lead to agreement at this stage. Consequently, with both sides acknowledging the existence and importance of the mediation service at the Ministry of Labour, and with strict adherence to the provisions of the Industrial Relations Code, in the majority of cases direct negotiations end in a deadlock, with both sides agreeing that the services of the Ministry are required to mediate in the industrial dispute. In many cases both sides prefer the involvement of the mediation service since if the service makes a proposal for settlement it is sometimes much easier for either side to convince its members of the logic behind accepting the proposal.

What remains noteworthy is the fact that even though these agreements are complex, which makes the process of negotiations and mediation difficult, very few industrial disputes end in a deadlock. As a result strikes and lockouts due to the complete breakdown of negotiations are few (the majority of mediation deadlocks do actually lead to industrial action). If a deadlock is declared by the mediation service then either side can give the other side ten days notice about their intention to take industrial action (strike or lock-out). Usually this ten-day period provides an excellent opportunity for further talks behind the scene, unofficial conciliation, and even political intervention.

It is at this stage that the national or sectoral industrial disputes receive widespread media coverage, forcing both sides to act in a much more conscious and sensible way since they are now under public scrutiny. Of course, it goes without saying that when industrial disputes of this magnitude and importance both for the sector involved and for the economy get to the point where industrial action is imminent or possible, behind the scene conciliatory initiatives are taken by political parties and also by members of the government.

The conciliatory or mediatory role is undertaken by political figures as a final resort in an effort to find a mutually acceptable solution since it is widely agreed that the cost of industrial action in most cases outweighs the actual benefits derived by the demanding side. It should be stressed that such interventions do not always benefit the settlement of the industrial dispute in question, since behind-the-scene interventions may be made with a view to satisfying the demands of one side or of a specific group of employees.

Though no statistical data can be presented as to how many strikes are prevented (or worsened) due to political intervention, the fact is that strikes in industries with national or sectoral agreements are few and far between. On the other hand, industrial disputes in these cases are rife and are a consequence of the complexity, importance, and extensiveness of these collective agreements.

Company-level collective bargaining

It is estimated that over 450 company-level collective agreements are currently in force. These collective agreements are more predominant in the manufacturing sector. Such agreements are rare in the agricultural sector, mainly due to the fact that most farmers are self-employed. Collective agreements are more common in the wholesale sector and the tertiary sector. Again the provisions of the Industrial Relations Code apply to these agreements, which again predominantly have a two-year duration, although the length remains a negotiable subject. It should be noted that the longer the duration of the agreement the better for the employer's side (especially in the case of industry-wide collective agreements) since mid-term planning can be achieved without the possibility of costs being disrupted by new wage or benefit demands. Of course, during negotiations with a view to agreeing on the renewal of a collective agreement with a three-year duration employers are forced to be more lenient when agreeing on wage increases, but this remains a bearable cost since it is outweighed by the increase in the duration of the agreement and the preservation of industrial peace.

According to paragraph 1(b)(i) of Part II of the Industrial Relations Code, the party seeking the modification of an existing collective agreement should give the other party at least two months' notice of its intention to seek modification of the agreement prior to the expiration of the agreement. The notification has to be accompanied by a list of claims

and/or modifications, except where, in the case of small-size businesses, it is otherwise stipulated in the collective agreement.

Again, according to the Industrial Relations Code, direct negotiations follow with a view to reaching an agreement. As is the case with national sectoral agreements, if the direct negotiations reach a deadlock then either side may apply for the industrial dispute to be submitted to the mediation service.

It should be noted though that to a larger extent company-level collective agreements are resolved at the direct negotiating stage since employers prefer to resolve issues as quickly as possible instead of engaging in lengthy procedures. Furthermore, trade union representatives in private companies usually have more close and harmonious relations with the employer, making the settlement of issues much simpler. Of course, this is not always the case, since in many cases financial problems in the company, the relative complexity and cost of the trade union's demands, or even bad interpersonal relations with trade union representatives necessitate the involvement of the mediation service as the employer is not willing to accept certain demands at the initial direct negotiations stage.

Semi-government organisations

The term 'semi-government' essentially means state-owned organisations/companies like the Cyprus Telecommunication Authority, the Electricity Board, the Cyprus Broadcasting Corporation, Cyprus Airways and other similar organisations. In total there are over 20 semi-government organisations in Cyprus. In essence, collective bargaining in these companies is similar to that done in the private sector, with the procedures for reaching an agreement adhered to in the same way.

Workers in these companies are organised in the main trade union federations (SEK and PEO) or in independent enterprise trade unions, and direct negotiations are the main method by which terms and conditions of employment are agreed upon through collective agreements. In a number of cases the mediation service is requested to mediate in direct negotiation deadlocks, but its role is frequently hampered because management fails to follow the guidelines issued by the Ministry of Finance for wage increases or for agreeing to other employee demands. Consequently, if these guidelines are not followed by the organisation's management, the final say for the approval of a given agreement lies with the Ministry of Finance. This makes deadlocks in these companies much more complex. Furthermore, it should be kept in mind that wage increases in the semi-government organisations spill over to the public sector in the form of demands that are of equal cost to the government as an employer.

This creates a paradox in that demands for improvements in wages and other terms and conditions of employment in the semi-government sectors may be justified by higher levels of productivity and by surplus revenues that take the form of profits, whilst similar productivity increases, or at least equalization of expenditures and revenues is not present in the public sector.

In conclusion, even though the trade unions representing employees in these state- owned companies hold direct negotiations with the management of these companies, if the Ministry of Finance guidelines are not followed, the final approval lies with the Minister of Finance, which essentially does not participate in the collective bargaining process at any stage. This has proved to be a major restraint in the whole conflict resolution process. Furthermore, direct negotiations may not be carried out effectively, in the sense that management may accept certain trade union claims, knowing that these claims will be rejected by the Ministry of Finance just to relieve pressure from the trade union side during the direct negotiation or mediation stage. Finally, it should be noted that the above practices also lead to a large number of industrial disputes over rights, which the mediation service is requested to settle.

Local authorities

Local authorities have agreed to apply the same terms and conditions of employment that are applicable for civil servants (Kapartis, 2003). Even though this is the case, municipal authorities in many cases have to fulfill different roles which derive from the various services they offer. This in effect leads to the need for direct negotiations to examine specific demands and claims made by employees. The mediation service intervenes quite often in these cases as well as in other industrial disputes over grievances.

Government sector

In the government sector, the rules of the Industrial Relations Code do not apply since neither the government as an employer nor PASYDY (Pancyprian Public Servants Trade Union) signed the Industrial Relations Code in 1977. A different set of rules applies for the public sector, with collective bargaining held between PASYDY and the government through the joint staff committee. The joint staff committee is the recognised official consultative body in the public service and consists of members from the government and the trade union side.

Basically, there are four different bodies that represent various government employees (public employees, primary and secondary education teachers, police and blue collar government workers). These are:

- the joint staff committee;
- the joint committee for staff in the educational service;
- the joint committee for staff in the police;
- the joint workers committee.

The existence of four different bodies of collective bargaining in the wider public sector has been widely criticised. For example, Sparsis notes that ‘the existence of these four bodies has led to the fragmentation and confusion over the responsibility for negotiations, whilst the government does not have the opportunity to collectively deal with the problems of public servants in general’. (Sparsis, 1995)

Further problems are created from the fact that the terms of reference of the above mentioned committees do not make any distinctions between issues proper for collective bargaining, for joint consultation and management prerogatives, resulting in confusion on what are the rights and responsibilities of both sides in the event of a breakdown of direct negotiations.

The joint staff committee and the permanent staff sub-committee function according to rules laid down and approved by the Council of Ministers. In general, the role of the two committees is to achieve, to the largest extent possible, cooperation between the government as an employer and public servants. The committees do not deal with individual grievances but with the general principles pertaining to terms and conditions of employment in the public sector, including issues relating to appointments, promotions and any other issues that affect terms of service of any position, or group of positions, or the public service in general.

The decisions and findings of the committee are set out, following a consensus of the two sides, in the form of recommendations to the Council of Ministers and are promoted for implementation in accordance with existing procedures. The recommendations are normally binding for both sides. However, this is in no way to be interpreted as violating the inalienable authority of the Council of Ministers to reach final decisions contrary to the unanimous recommendation of the committee when the Council of Ministers deems this necessary, or expedient. The fact that the Council of Ministers has the right to reach a final decision which is contrary to the agreement made by the members of

the joint staff committee, though rarely used, defies both the nature of free collective bargaining and the right of employees and employers to freely reach an agreement amongst themselves.

Furthermore, if a consensus is not reached at the joint staff committee on any one item the conflicting views are recorded and referred to a ministerial committee for further consideration and submission to the Council of Ministers. Unanimous decisions of the joint staff committee are submitted to the Council of Ministers by the Minister of Finance, provided that before such submission to the Council the views of the joint staff committee and ministerial committee may also be requested.

The decision of the Council of Ministers on any matter dealt with at the joint staff committee is notified to the public service by the public administration and personnel service of the Ministry of Finance in a circular, which is official and binding for the government. Essentially, public servants may resort to industrial action at any stage since clear-cut rules for when they can resort to industrial action do not exist.

Summary

Conflict resolution in Cyprus is dealt with in different ways, depending on the sector involved. In general the Industrial Relations Code governs conflict resolution for the private and semi-government sectors, with the public service following its own set of rules.

The success and effective operation of the conflict resolution system lies with the goodwill of the social partners to respect and abide by the provisions of the voluntary agreement (except in the public sector). The fact that the system actually functions in an acceptable manner is evidence to the voluntary, tripartite nature that is deeply embedded in Cypriot society and especially in the relations upheld amongst social partners. Evidently, due to the voluntary nature of industrial relations in Cyprus, it remains unproven whether legislative regulation of conflict resolution would actually be more successful. Despite this, it should be stressed that there is still room for improvement, which should be closely examined in the near future.

Legal framework and industrial disputes procedure

Legal basis for the right to strike and lockout

We shall first look at the legal framework for collective bargaining since strikes and lockouts are the natural outcome of the failure to reach agreement at the various stages of collective bargaining.

Collective bargaining

Article 26 of the Constitution refers to the possibility for legislation to ‘provide for collective labour contracts’, though no specific reference is made to collective bargaining as such. Whilst it should be noted that there is no specific legislation regulating collective bargaining, Cyprus has ratified ILO Conventions No.98 (Right to Organise and Collective Bargaining Convention), and No. 154 (Collective Bargaining Convention), which means that the necessary legislative framework for the promotion of collective bargaining already exists. Further indirect reference to the legality of collective bargaining is also made in the Trade Unions Law, which provides a definition for the term ‘industrial dispute’.

The right to strike

Article 27 of the Constitution recognises the right to strike. More specifically article 27 reads as follows:

> '1. *The right to strike is recognised and its exercise may be regulated by law for the purposes only of safeguarding the security of the Republic or the constitutional order or the public order or the public safety or the maintenance of supplies and services essential to the life of the inhabitants or the protection of the rights and liberties guaranteed by this Constitution to any person.*
>
> 2. *The members of the armed forces, of the police and of the gendarmerie shall not have the right to strike. A law may extend such prohibition to the members of the public service*.'

In relation to para. 1, strikes in essential services are an issue that has been under discussion for a number of years. Government policy on the issue remained stagnant with the previous government favouring the legislative regulation of the right to strike in essential services. The new government has re-examined the issue and favours the regulation of conflict resolution in essential services through the signing of a voluntary agreement by the social partners, a policy that is in line with the industrial relations system in Cyprus. A similar agreement was signed between OEB, SEK and PEO in 1999, but was not, at that time, accepted by the rest of the social partners and has thus remained inoperative.

In relation to para. 2, the defense regulations 79A and 79B are relevant. Regulation 79A governs the prohibition of the right to strike in essential services, whilst regulation 79B may force various categories of employees to show up at work.

These regulations have not been enforced for years and are expected to be withdrawn by the government at some point in the future.

Cyprus has also signed the European Social Charter and has adopted Article 6, which refers to the right to bargain collectively. More specifically, article 6.4 affirms 'the right of workers and employers to collective action in cases of conflicts of interest, including the right to strike, subject to obligations that might arise out of collective agreements previously entered into.'

It should also be noted that according to the trade union laws, the articles of association of every trade union have to include a provision that for a decision to strike to be legitimate, a general assembly of the employees involved needs to be held with secret balloting as to whether the employees are in favor of striking or not. Non-adherence to this legal provision, which is included in the union's articles of association, will lead to an 'illegal strike'.

The right to lockout

There is no specific reference in the constitution, or any other law, concerning an employer's right to lockout. This, of course, does not mean that lockouts are illegal or that they are not allowed. In a study of the matter by the attorney general it was concluded that '.... in accordance with existing legislation in Cyprus, lockout, though not recognised by the Constitution, is a right the employer has, provided it is exercised for safeguarding or promoting the lawful interests of the employer during a trade dispute and without committing any penal or illegal act or activity' (Kapartis 2003).

Furthermore, the Industrial Relations Code, although a voluntary agreement, mentions explicitly under part II, section B, paragraph 1(d), (Violations of Collective Agreements) that '.....the aggrieved party may resort to any lawful action, including a strike or lockout, in defence of its interests'.

Procedural provisions of the Industrial Relations Code

Disputes over grievances

The Industrial Relations Code provides for the procedure for resolving disputes on the interpretation of the content of an agreement. It should be stressed that since collective agreements are not legally binding, such cases are not submitted to industrial tribunals, or to the labour disputes court, as may be the case in other countries.

According to the Industrial Relations Code, a dispute arising from the interpretation of a collective agreement is defined as a 'grievance'. The grievance has to be presented to the employer by the union in writing, and if specific procedures for grievance settlement exist in the enterprise, these procedures should be followed. During direct talks for the settlement of the grievance, representatives of the trade union and the employers' association, or the employers' organisation, may participate in the discussions over the grievance. The Code also places time constraints for the examination of the grievance, which should be completed within a month at the most.

If the grievance is not settled at the direct talks stage, then it should be either submitted to the Ministry of Labour for mediation or referred to binding arbitration.

If the grievance is submitted to mediation, the Ministry undertakes to deal with it no later than 15 days from submission. If no settlement is achieved the dispute must be submitted to binding arbitration. If the dispute is submitted to arbitration, the Ministry sees that a mutually accepted arbitrator is appointed within a week of receiving a request to this effect by either side, and assists him/her to carry out his/her task speedily by providing such facilities as may be requested. The two sides share arbitration costs equally, unless the arbitrator, in consultation with the Ministry, issues special directions on this matter.

It should be noted that in the case of direct negotiations, mediation or binding arbitration for grievance settlements, the Code does not allow either side to resort to industrial action. If such action is taken the strike, or lockout, is considered to be irregular (but not unlawful, since the procedures are part of a voluntary agreement).

Disputes over interests

According to the Industrial Relations Code a 'dispute over interests' means a dispute arising from negotiations for the conclusion of a new collective agreement or for the renewal of an existing collective agreement or, in general, from the negotiation of a new claim.

The Code lays out specific time limits for the submission of claims for the conclusion of a new collective agreement, and for the renewal of an existing collective agreement (see Appendix 1). In both cases direct negotiations should take place, and only when all possibilities of direct negotiations have been exhausted may the industrial dispute be submitted to the mediation service for mediation. The industrial dispute may be submitted for mediation by either side, and the other side is obliged to accept the mediation.

It should be further noted that the Ministry of Labour may offer to mediate in a dispute, even where such mediation has not been requested, if it considers it expedient to do so. In such a case acceptance of the offer for mediation by one side implies a similar obligation of the other side.

If the Ministry cannot effect a mutually accepted solution to a dispute, it shall, at the request of either side, or if it so decides (without the consent of either side), declare the dispute as having reached a deadlock. In that case either side will be free to take any lawful measures in furtherance or support of their claims or interests. However, before such measures are taken, ten days notice should be given to the other side and communicated to the ministry. According to the Code,

the ministry should not declare a dispute about interests as having reached deadlock before the lapse of at least six weeks from the date of submitting the dispute to the ministry, unless, in the opinion of the ministry, no useful purpose is served by further mediation.

Statistics relating to strikes and lockouts

This section examines the available statistical data referring to industrial disputes and strikes and lockouts.

Mediation in labour disputes

The following table and graph depict the number of industrial disputes submitted to the Ministry of Labour and Social Insurance for mediation.

Table 2: *Disputes referred to mediation*

	Disputes	*Workers involved*
1983	237	64796
1984	266	46054
1985	261	29255
1986	356	85755
1987	343	54695
1988	293	72859
1989	339	45422
1990	316	77095
1991	319	54788
1992	260	99792
1993	245	88269
1994	234	69473
1995	270	94460
1996	225	23289
1997	237	23269
1998	192	63944
1999	185	33891
2000	166	35992
2001	236	61257
2002	173	44336
2003 (Jan. - Nov.)	228	61668

Source: *Department of Industrial Relations*

As can be seen from the above table, industrial disputes submitted to the Ministry for mediation on a yearly basis, have shown a notable decrease over the last 20 years. The average yearly number of industrial disputes for mediation for this period is 258 (1983 to 2002). Whilst over the last ten years (1993 to 2002) the average fell to 216. The average for the last five years (1998-2002) is further reduced to 190 industrial disputes.

In conclusion, one can ascertain that since the number of collective agreements in force has increased during this twenty year period and the number of industrial disputes submitted for mediation has actually decreased, it is evident that direct

negotiations are playing an increasingly important role and have been effective in resolving industrial disputes. Furthermore, the fact that mediation cases are on the decrease means that the two sides are showing higher levels of responsibility, with real efforts being made to resolve differences at the direct stage of negotiations in an effort on both sides to preserve industrial peace and to maintain the efficient operation of the involved company or sector.

It should also be made clear that even though the mediation service receives a marginally smaller number of industrial disputes on a yearly basis, these disputes have become more complex and are consequently a lot more time-consuming and require at the same time considerably more effort on behalf of the mediator. This explains why mediation cases dealt with on a yearly basis are markedly more than the actual number of cases submitted in that given year (see Table 4). Furthermore, it is evident that the time constraints laid down in the Code for dealing with industrial disputes at the mediation stage are rarely followed and adhered to. This is mainly due to the lack of a sufficient number of mediators, but also due to the Ministry's leniency in its effort to provide the two sides with ample time to resolve the industrial dispute.

It should be noted that the industrial dispute figures are misleading, in the sense that in many cases mediators from the Ministry may undertake a conciliatory role in disputes over grievances, without an official application for mediation having been submitted or without direct talks actually taking place. Furthermore, disputes also regularly arise from the non-abidance of employers to legislative responsibilities - a fact that leads to the adoption of an unofficial conciliatory/mediatory role by the Ministry.

Obviously the above cases remain an integral part of conflict resolution, but they do not come under the procedures followed by the Industrial Relations Code for the submission of industrial disputes. Consequently, records for these kinds of disputes are not kept since most cases are resolved by phone or in personal meetings.

Industrial disputes in various sectors

Table 3: *Labour disputes by sector/type of collective agreement*

Sector/Type	For the year 2002**	Percentage
Enterprise collective agreements	124	41.84%
Semi-government collective agreements	58	19.73%
Cyprus Airways	56	19.05%
National/sectoral collective agreements*	30	10.20%
Banking sector	27	9.18%
TOTAL	**295**	**100%**

Source: *Department of Industrial Relations*

* See also Table 1. Figures exclude the banking sector. Due to the large number of industrial disputes submitted for mediation for the banking sector, this figure has been presented separately

** The figure includes industrial disputes submitted in 2001, but eventually resolved in 2002.

It is obvious from the above table that over 58% of the industrial disputes dealt with in 2002 involved sectors or companies with very high trade union representation. For example, semi-government organisations, companies falling within sectoral agreements, and the banking sector have unionisation rates that range between 90% and 100%.

On the other hand, the case of Cyprus Airways is indicative of the complex industrial relations that prevail in the company, since employees are organised in at least 5 different trade unions, with sometimes conflicting interests. Whilst Cyprus Airways employs around 2,000 workers, industrial disputes for 2002 amounted to a disproportionately high 19%

of the total referred industrial disputes. Consequently 2,000 employees (only 4.5% of the total employees involved in registered industrial disputes) were responsible for 19% of all industrial disputes in Cyprus during 2002, with the total employees affected by industrial disputes amounting to over 44,000.

The situation in the banking sector is similar, but in this case there is only one trade union (ETYK) representing the total workforce in the banking and the majority of the insurance sectors. The case of the banking sector is intriguing, since over the years ETYK has successfully managed to acquire a role, rights and status that in many cases reach into fields that are normally considered to be management prerogatives (as laid out in the Industrial Relations Code).

Also, in the semi-government organisations, trade union density is effectively 100%, and employment in these companies is eagerly sought after by job hunters.

In all of the above cases, employees in their respective sectors are considered to have terms and conditions of employment that are considerably higher than those enjoyed by other employees in the wider private sector.

In conclusion, it seems that the efficient organisation of trade unions in these sectors and companies provides employees with the necessary mechanisms to promote their demands, which in some cases unfortunately exceed the financial fundamentals and realities of the enterprises in question.

It should be made clear that the figures presented in table 3 are not necessarily indicative of sectoral industrial dispute distribution for other years. In general, industrial disputes in specific sectors or companies tend to arise in similar chronological periods, which means that industrial unrest can be 'contagious', spreading within the company or sector. Once the problems are resolved or at least discussed even without any solution being reached, industrial peace returns for a short to medium term period before a new cycle starts again.

Mediation by type of dispute and outcome

Table 4: *Types of disputes/outcome*

Mediation of labour disputes[1]	**1999**	**2000**	**2001**	**2002**	**2003**[3]
Disputes over interests *	85	74	131	135	123
Disputes over rights **	152	136	204	160	197
TOTAL FOR YEAR	**237**	**210**	**335**	**295**	**320**
* of which – renewal of collective agreements	71	61	98	113	102
***** of which - signing of new collective agreements	0	0	0	0	0
** of which – interpretation of collect. agreement	6	2	1	0	0
** of which – personal complaint	1	0	0	0	0
resolved	134	69	132	137	169
resulted in deadlock ***	12	4	7	5	10
*** of which resulted in strikes (or lock-out)[2]	3	3	5(1)	5	4
referred back to direct negotiations	34	32	74	69	46
referred to arbitration	6	2	4	2	1
withdrawn	5	3	3	7	4
other result	2	1	3	0	0
unresolved (carried forward to next year)	44	99	112	75	90
TOTAL FOR YEAR	**237**	**210**	**335**	**295**	**320**

1 The number of industrial disputes refers to the total number of disputes dealt by the mediation service, not the number of disputes submitted for mediation during the given year. The new industrial disputes submitted to mediation each year can be seen further up in table 2.

2 Strikes and lockouts do not include unofficial, or wild-cat strikes.

3 Data refers to January - November 2003.

The most notable observation from the above table is the number of strikes that arise from industrial disputes that result in a deadlock. If these are compared with the figures in the following table (table 5), it seems that most strikes that actually take place are either unofficial (wild-cat) strikes or involve the public sector.

Work stoppages

Table 5: *Workers involved and workdays lost in strikes*

Year	Work Stoppages	Workers Involved	Workdays Lost	Year	Work Stoppages	Workers Involved	Workdays Lost
1983	28	3975	12831	**1994**	32	15362	28911
1984	29	3915	11339	**1995**	26	64061	97609
1985	30	8082	16834	**1996**	20	3914	7705
1986	39	4796	9797	**1997**	16	2295	5240
1987	38	18257	91109	**1998**	20	6591	7948
1988	35	5590	30327	**1999**	21	2108	26037
1989	37	12462	32826	**2000**	6	180	1136
1990	20	8045	32174	**2001**	25	1699	4778
1991	31	4782	10347	**2002**	23	3464	7019
1992	27	49897	59720	**2003 ***	13	2622	4915
1993	24	16945	23883				

* Data for January - November 2003

Source: *Department of Industrial Relations and Statistical Service*

For statistical purposes work stoppages that do not exceed two hours per day are not included in the above figures. Again when comparisons are made between the 20, 10, and 5 year average of work stoppages (26.4, 21.3, and 19 respectively) it is evident that industrial action has shown a significant decrease. This is probably the result of the gradual increase in employee benefits over the last 20 years, which has led to fewer disputes remaining unresolved and consequently resulting in strikes.

Lockouts are also included in the above figures as there is no separate data kept. It must be further stressed that lockouts very rarely take place, with the most notable case being that of Lordos Hotels in 1999 (the procedures of the Industrial Relations Code were not followed in this case). From the total of 26,037 lost workdays throughout 1999, 18,960 days were a result of this lockout, which lasted four months.

Strikes by sector

Table 6: *Number of strikes by sector*

Sector	1999	2000	2001	2002	2003 (01-11)
Private *	6	3	12	15	2
Hotels	3	1	1	1	2
Construction + wood & furniture	1	0	7	2	2
Cyprus Airways	3	1	0	0	0
Banking & insurance	0	0	3	2	0
Semi-government	4	1	2	3	6
Government	4	0	0	0	1
TOTAL	**21**	**6**	**25**	**23**	**13**

* Excluding strikes in companies covered by sectoral collective agreements

Source: *Department of Industrial Relations*

From the above table one can deduce that the majority of strikes takes place in the private sector (43%). This is not an unexpected result since trade unions have less power in individual companies and often have to resort to industrial action to achieve their goals. On the other hand, between them, the semi-government and government sectors are responsible for over 23% of strikes over this five-year period (1999-2003). Reasons why strikes in these sectors are relatively frequent have already been provided earlier (ineffective conflict resolution mechanisms in the public sector, and the involvement of the Ministry of Finance in the case of semi-government organisations). It is also noteworthy that over the last three years there have been no strikes in Cyprus Airways, even though during this period a total of 131 industrial disputes were submitted for mediation.

Wildcat strikes

Wildcat strikes are loosely defined in Cyprus since even though a number of strikes take place in contravention to the Industrial Relations Code; these strikes essentially are not illegal since the Code is not a legally binding document. The Code refers to strikes as ‘unofficial’ in the following two cases:

- to resort to strike, or lockout over a dispute about rights (grievances);
- to resort to strike or lockout without providing the ten days notice after a dispute over interests has been declared to have reached a deadlock.

Table 7: *Unofficial Strikes (including lock-outs)*

Year	No. of wildcat strikes	Days lost due to wildcat strikes	Total days lost due to strikes and lockouts	Percentage wild-cat / total strikes (days lost)
1999	5	19890	26037	76,4%
2000	0	0	1136	0
2001	3	614	4778	14,3%
2002	3	659	7019	8,8%
2003 (incl. Sept)	1	50	4665	1,1%
TOTAL	**12**	**21213**	**43635**	**48,6%**

Source: *Department of Industrial Relations*

Illegal, or rather 'irregular' strikes do exist when a trade union takes industrial action without first following the defined procedure laid out in the Trade Union Law. Accordingly, before it can proceed with a strike a trade union must first seek the acceptance of the employees involved through secret balloting. The law actually requires that this provision is explicitly included in the trade union's articles of association. In a number of cases trade unions have essentially skipped this legal requirement and gone ahead with industrial action (without receiving an affirmative response from the trade union members involved). An example is the case of the company JCC, where in 2002 ETYK, the bank employees' trade union, went ahead with a strike without first putting the matter to the affected employees for a decision through secret balloting.

Conflict resolution mechanisms

The procedures provided for by the Industrial Relations Code have to a large extent been explained in previous sections of this report. The Code explicitly sets out procedures for mediation, arbitration and also public inquiry. No official role is given to conciliation in the settlement of industrial disputes, but it should be pointed out that in practice, conciliatory roles are undertaken by various 'actors' involved in, or affected by, the outcome of a industrial dispute.

Conciliation

As already stated, conciliation exists only on an unofficial level. It usually takes the form of behind-the-scenes interventions from a variety of individuals. These can be high-level trade union officials, employer organisation officials, or even negotiators (from either side) who actually participate in the direct negotiations process. In the latter case, conciliation takes more the form of bargaining, and this leads to a game of give and take with a view to satisfying both sides as much as possible. In practice, conciliation takes many forms, all of which try to resolve the differences that exist between the two sides. Conciliatory roles may be undertaken even before direct negotiations are initiated in an effort to avoid escalation of an imminent industrial dispute. Behind-the-scenes talks are regular occurrences, and although there are no statistical figures to prove the importance of conciliation, it is evident that the need for industrial peace in a much more competitive global market has led the two sides to make that little bit of extra effort to resolve problems before they actually lead to lengthy and costly procedures.

Equally important is the role of unofficial conciliation at the stage where direct negotiations have reached a deadlock and the two sides have agreed to submit the industrial dispute to the Ministry for mediation. If the seriousness of the industrial dispute is such that the two sides feel reluctant to continue with further bargaining, or even to accept the intervention of a conciliator, and if consequently either side feels that they will probably get a better deal from the submission of a proposal by the mediator, then a conciliatory role will not be of any assistance. In all other cases, there remains room for behind-the-scenes conciliations/negotiations that could prove beneficial if the conciliator intervenes to this effect.

Mediation

Mediation procedures have been extensively referred to throughout this report. In summary, mediation in the private and semi-government sector is regulated by the non-legislative provisions of the Industrial Relations Code. As mentioned before, there are two types of industrial disputes in which the Ministry mediates, and for which the Code outlines exact procedural provisions. These are industrial disputes over interests (conclusion of a new, or the renewal of an existing collective agreement), and industrial disputes over rights (grievances). The procedural time limits can be seen in detail in the Code (attached as Appendix 1).

Disputes over interests

During the mediation stage the mediator tries to find a mutually acceptable agreement to resolve the dispute. Joint and separate meetings will be held in the presence of the mediator in order to define as clearly as possible the demands,

requirements and objections of both sides. If as a result of the outcome of the talks the mediator feels confident that a formulated mediation proposal on his/her behalf would be mutually accepted, then the mediator will, and must, go ahead with presenting the proposal to the two sides. Obviously, it remains at the trade union's and employer's discretion to accept or reject the proposal.

If the proposal is rejected and no further room for mediation is left, the mediator will declare the dispute as having reached a deadlock. In that case either side may go ahead with industrial action, provided that the side intending to take industrial action provides the other side with a ten day notice period of its intention. At the same time the declaration of a deadlock may be requested by either side due to the Ministry not being able to arrive at a mutually accepted solution.

The mediator may also refrain from declaring a deadlock even in cases where it is not possible to present a proposal, if he/she believes that there remains a possibility for resolving the dispute through further direct negotiations. In this case the industrial dispute is referred back to the two sides to carry out more direct negotiations on the basis of the progress (if any) achieved at the Ministry during the mediation stage.

At the same time the mediator has the right to request that the dispute be referred either to arbitration or to a public inquiry, assuming that both sides agree to this. It should be noted that the arbitrator's award must be accepted as binding for both sides.

Disputes over grievances

In the case of disputes over grievances, whether these result from the interpretation or implementation of a collective agreement or from a personal complaint, if the dispute is not resolved at the direct negotiations stage, it should be submitted either to the Ministry for mediation or to binding arbitration.

In the case of a public inquiry, the Code stipulates that during the course of the inquiry neither side shall take industrial action. Where either side has taken industrial action before reference of the dispute to a board of inquiry (assuming the procedures laid down by the Code have been adhered to) every effort will be made to suspend such action. Nevertheless, such industrial action shall not be the reason for not conducting an inquiry. Public inquiries have never been used since trade unions fear the loss of their power and freedom of movement in dealing effectively with the industrial dispute.

Arbitration

According to part II, paragraph 3 of the Industrial Relations Code, when both sides agree, they may refer all or any of the issues of a dispute to arbitration at any point in time, either before or after the submission of the dispute to the ministry. Furthermore, when both sides agree to submit a dispute to arbitration they undertake to accept the arbitrator's award as binding.

It should be noted that seldom do the two sides decide to refer the dispute to arbitration before submitting the dispute to the ministry. This is obviously more sensible since it leaves both sides with more options and more time during the mediation stage. At the same time the possibility of either side gaining more out of the process is also a serious consideration which makes the option of first submitting the dispute for mediation much more attractive.

Over the last five years only 14 industrial disputes, out of more than 950 industrial disputes submitted for mediation, have been referred to arbitration. Unfortunately, there are no registered figures about disputes referred directly to arbitration during the direct negotiations stage, though it is unlikely that such cases exist.

If a dispute is submitted to arbitration, the Ministry makes sure that a mutually accepted arbitrator is appointed within a week of receiving a request to this effect by either side. It also assists them in carrying out their task speedily by

providing such facilities as may be requested, e.g. a conference room, clerical staff and all the necessary information. Arbitration costs are usually shared by the two sides unless the arbitrator issues special directions on this matter in consultation with the ministry.

Conclusion

This report has examined the main national features of conflict resolution in Cyprus. The country has a long tradition of tripartism and voluntarism, and this has had an undeniable effect on the formulation of conflict resolution policies. Cyprus has followed very closely the ILO guidelines for the development of tripartism and it has managed to develop a satisfactory industrial relations and social dialogue model. It should be noted that adherence to this model has been greatly assisted by the small size of the country, which seems to be an essential element for the adequate functioning of a voluntary system of tripartism. Considering that the Basic Agreement, which provides for rudimentary conflict resolution procedures, was signed as early as 1962 and that the current Industrial Relations Code has been effectively applied for nearly 28 years, it seems that Cyprus has managed to implement a conflict resolution system that, thanks to the good will and responsibility of the social partners, actually works quite well.

Obviously there are cases where the balance of power between the two sides - employers and employees - is not ideal, with one side having an excess hold on the other. In these cases, this offset balance of power can cause a disruptive effect on the peaceful and efficient operation of enterprises, and consequently on the economy itself. With Cyprus adhering to a voluntary system of conflict resolution, employers and employees are expected to have a high level of responsible behaviour in order to uphold this balance. The government has greatly assisted both sides in developing their representative organisations so that the balance of power is maintained through them. This has been achieved by means of a social dialogue and the existence of representative social dialogue bodies through which social partners can express their views.

This is not always enough, however, since at the enterprise and sectoral levels there have been a number of cases where either side resorted to extreme behaviour, which affected either employees' or employers' rights and at the same time impeded on the overall functioning of the economy. However important the conflict resolution mechanisms are in dealing with such cases, it remains true that since Cyprus relies significantly on the performance of the tourist and service sector, industrial unrest in these areas can prove extremely costly to the island's economy. Furthermore, as long as the system remains based on voluntary arrangements there are cases when individual demands will override goodwill since there are no real costs involved in acting in an extreme way. Such problems, although few and far between, still place a threat on the economic outlook of the country as the escalation of industrial unrest could prove detrimental to the economic outlook of the island in the short and medium term.

In light of the above, and keeping in mind that with any system there is always room for improvement, it should be considered that the social partners at least re-examine the Industrial Relations Code in an effort to improve the current system. Already the Department of Industrial relations of the Ministry of Labour and Social Insurance has made plans to start a new round of social dialogue with a view to examining and possibly agreeing on amended procedural improvements to the system.

This will by no means be an easy task, and it should be kept in mind that the shortcomings of the system and its relative freedom of operation obviously favour both sides. On the other hand, the adoption of stricter and even legislative governance of certain conflict resolution procedures could prove to be a destabilizing factor, which adversely affect the relatively peaceful co-existence of the social partners in the area of industrial relations. At the same time it should be kept in mind that industrial relations have moved to a much more complex environment since the Code was signed in 1977. The adoption of the acquis communataire in the area of labour legislation has significantly increased the legislative

obligations of employers, whilst EU directives in the area of inter-organisational consultation between employers and employees (Directive 2002/14/EC establishing a general framework for informing and consulting employees in the European Community) as well as the creation of European Work Councils in multi-European enterprises will definitely lead to the development of new structures that will probably overshadow a number of procedural arrangements included in the Industrial Relations Code. It should be kept in mind that especially in the area of grievance settlements, Directive 2002/14/EC will most probably open new communication channels through which employers and employees will be able to effectively deal with such industrial disputes at the enterprise level without the necessity for the mediation service to intervene.

With respect to the time limits laid out in the Industrial Relations Code and the non-adherence to these time constraints, it should be noted that more often than not these delays lead to employee dissatisfaction and increased organisational conflict, which is not dealt with in a timely manner. This leads to the erosion of productivity, a demotivated workforce and the development of non-cooperative, unconstructive relations between employer and employees. Obviously, this issue should also be re-examined.

In any case, it is obvious that for the new EU Members States industrial relations systems as well as conflict resolution mechanisms will be at the centre of attention given the extensive micro and macro economic but also structural economic changes affecting them. Consequently, existing systems will be constantly under scrutiny to assist each country in their effort to develop a flexible and adaptable system that will ensure industrial peace.

For Cyprus it remains a fact that low unemployment rates and labour market rigidities in specific sectors will continue to put pressure on the relations between employers' organisations and trade unions. These two specific factors are not expected to change significantly over the next few years and this will put further pressure on wage demands in the renewal of collective agreements. On the other hand, the importation of foreign labour, a practice that will undeniably escalate in the next few years, is a factor that has, and will, lead to the alleviation of labour market supply shortages, keeping wage increases hopefully in line with productivity increases.

It should also be noted that 2004 will be an especially interesting period for industrial relations and conflict resolution in Cyprus since a very large number of collective agreements (in excess of 250) will expire at the end of 2003, leading to a new round of direct negotiations both at the sectoral and the company level. It still remains to be seen how many of these cases will have to be submitted to the mediation service for mediation.

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Annex 1: National development project

'*Enhancement of existing conflict resolution mechanisms for disputes over interests in essential services*'

Introduction

The issue of adequately regulating the settlement of industrial disputes in essential services has remained at the forefront of talks amongst the social partners for over ten years now.

The situation in Cyprus as regards the settlement of industrial disputes in essential services is currently governed by the provisions of the Industrial Relations Code. Whilst the Code lays out procedures for the settlement of industrial disputes in general, it does not include specific arrangements for disputes in essential services. According to legislation in force, the Supplies and Services (Transitional Powers)(Continuation) Law, Chap. 175A, authorizes the recourse to the Defense Regulations 79A and 79B, and to the utilisation of the Essential Services Order of 1943. The Defense Regulations empower the public authorities to prohibit strikes and to direct any person to work, in order to ensure the attainment of a wide number of purposes. Even though the Defense Regulations have rarely been used, it remains that their existence causes compatibility problems with ILO Standards and Principles and with the European Social Charter. In particular compatibility problems arise with respect to the Abolition of Forced Labour Convention (N. 105) and the Freedom of Association and Protection of the Right to Organise Convention (N. 87), which have both been ratified by Cyprus. Furthermore, the existence of the Essential Services Order of 1943 and the Defense Regulations provide the government with unlimited powers to force workers to show up at work which can initially be viewed as a violation of Article 6(4) of the European Social Charter which affirms "the right of workers and employers to collective action in cases of conflicts of interest, including the right to strike, subject to obligations that might arise out of collective agreements previously entered into"

It is expected that the government of Cyprus will soon withdraw the abovementioned Regulations, since in practice they have rarely been used, and at the same time there is no intention by the government to actually use them. Furthermore, any agreement signed amongst the social partners, will most probably explicitly mention the social partners' acceptance of the withdrawal of the forementioned legislation.

Historical background

In an attempt to resolve the issue of strikes in essential services, the previous government decided on regulating the issue through the enactment of specific legislation. On 04.01.1995 the government submitted to the House of Representatives, the Essential Services (Prevention of Strikes and Referral of Disputes to Arbitration) Draft Legislation of 1995, prepared by the Attorney General by order of the Council of Ministers. It should be noted that the trade unions SEK, PEO and PASYDY, strongly opposed this development, remaining steadfast to their position that the regulation of strikes in essential services should be achieved through non-legislative measures. Consequently, due to trade union opposition, the matter was referred to a Ministerial Committee for further examination, and to hold talks with the trade union side to resolve the issue.

Further to the above developments the Ministry of Labour undertook, after the request of the Trade Unions, to call in an ILO expert to examine whether the abovementioned draft legislation was in accordance with international labour standards, and to also look into the principle methods by which the issue was regulated in other countries. As a result of this study, the Ministry of Labour went forward with a number of amendments to the draft legislation, but still, even though the trade union side accepted that the amended draft legislation was significantly improved, it upheld its strong opposition to the enforcement of any such legislation.

In September 1999, after four years of talks, the three trade unions (SEK, PEO, PASYDY) and the employers' organisation OEB submitted to the Ministerial Committee, a voluntary agreement for the settlement of industrial disputes in essential services. This voluntary agreement was the result of negotiations held between the abovementioned social partners, and as they stated was to be an extension of the Industrial Relations Code. Further to this, the involved parties stated their willingness to discuss legislative measures in specific areas, after the withdrawal of the Defense Regulations. In continuation to this development, and in an effort to deal with the opposition from the Chamber of Commerce and Industry, which kept insisting on the legislative regulation of the issue, the Ministry of Labour prepared a third draft law, combining legislative measures with the submitted voluntary agreement. Even this third effort still found strong opposition from the trade unions and consequently on the 19th of October 2000 the Minister of Labour declared that the Ministerial Committee talks with the trade unions had officially ended in a deadlock.

In a final effort by the previous Government, the Council of Ministers, on 03.04.2002 decided to submit the draft legislation/agreement, to the House of Representatives to be enacted. Even so the issue remained unresolved until the present government decided, in April 2003, to withdraw the draft legislation after a relevant decision of the Council of Ministers. The new government's policy, as laid out in its pre-election programme, is to promote the regulation of strikes in essential services, through consensus achieved by means of a voluntary agreement, which is in line with the Council of Ministers decision to withdraw from the House of Representatives the pre-existing draft legislation.

From the above historical overview it becomes clear that social partners have examined the issue of strikes in essential services extensively. This groundwork should be considered as an underlying strength in the efforts to successfully implement the National development project, agreed amongst the social partners in Prague, during the European Foundation's workshop on Social Dialogue and Conflict Resolution.

In detail the participating Social Partners unanimously agreed on the following National development project:

What
Enhancement of existing conflict resolution mechanisms for disputes over interests in essential services.

Why
The lack of any operating legislative framework, regulating the right to strike in general, which has had the result of strikes and the threat to strike in essential services, to be considered as the most acute problem in industrial relations over the last decade.

When
The soonest, and if possible prior to accession on the 1st of May 2004.

Who
The Social Partners. Namely trade unions, employers' organisations, and the government.

Where
High-Level Tripartite Discussions and Collaboration. On the basis of the progress achieved on the subject, the Ministry of Labour and Social Insurance has to play an increased coordinating role in achieving a final consensus on the issue.

Which
Goodwill of Social Partners

On the basis of prior experience, and the discussions held between the social partners for the regulation of the issue, it is clear that the most important factor in the achievement of the National development project is the willingness of all the social partners to reach a mutually acceptable agreement. This is central to the success of any voluntary agreement, which remains the main characteristic of the industrial relations system in Cyprus.

It is expected that the high level of responsibility shown by social partners in relation to the implementation of voluntary agreements in the area of industrial relations, provides a strong basis for the success of any agreement signed. This of course is valid only if it is assumed that all the main principles upheld by the social partners are satisfied.

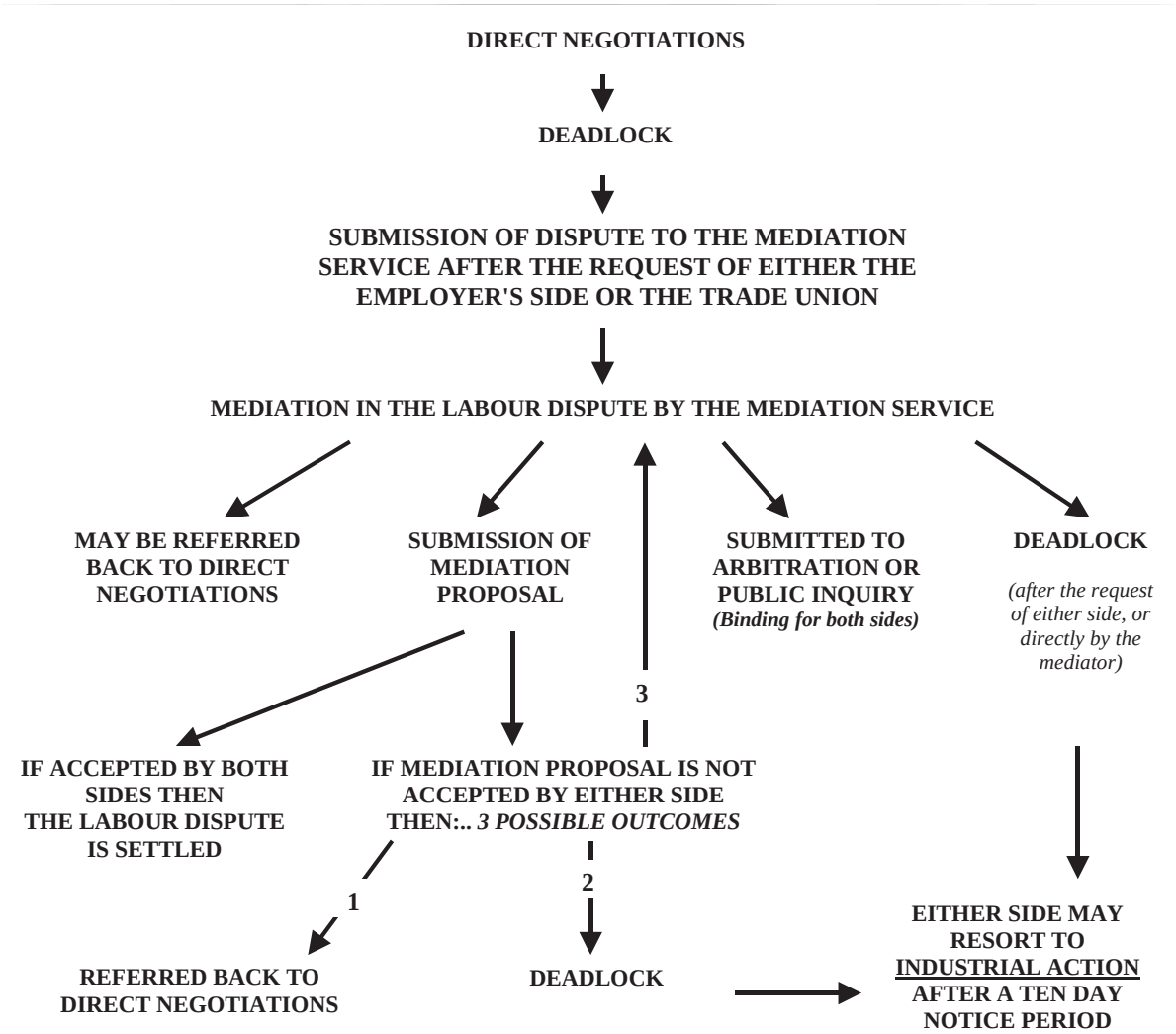
Annex 2: Road map for conflict resolution

1. Procedures for the settlement of disputes over interests, according to the industrial relations code

Definition

'Dispute over interests' means a dispute arising out of negotiations for the conclusion of a new collective agreement or for the renewal of an existing collective agreement or, in general, out of the negotiation of a new claim.

Procedures



2. Procedures for the settlement of disputes over rights according to the industrial relations code

Definition

'Dispute over Rights', or Grievance means a dispute arising from the interpretation and/or implementation of an existing collective agreement, or of existing conditions of employment, or arising from a personal complaint including a complaint over a dismissal.

Procedures