



ECONOMIC IMPACT OF A SETTLEMENT IN CYPRUS THROUGH A GENDER LENS

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This PowerPoint summarizes primarily the already published work produced in 2015-16 for the two negotiating teams under the auspices of the UN and financed by the World Bank's and OSASG's own resources, together with a UN-WB partnership trust fund. The assessments and projections are based on the state and trajectory of the talks at the time (World Bank 2016). The analysis was informed by previous work produced under the Economic Analysis Programme for Growth and Sustainable Development, which is funded through the European Union's Aid Regulation "Council Regulation (EC) No. 389/2006" of February 27, 2006. Financial support was also received from Sweden and administered by the United Nations Development Programme (UNDP), enabling the organization of focus groups in the GCc and TCc. The analysis was further informed by a focused spotlight on the gender-differentiated impact of a comprehensive settlement. The analysis benefitted considerably from informal consultations with key stakeholders in both communities, and the extensive existing literature relating to gender inequality and gender, peace and security in Cyprus, including the writings of members of the Technical Committee on Gender Equality and members of the Gender Advisory Team (GAT/PRIO 2012).

The opinions expressed in this PowerPoint do not reflect any official opinion by the UN or the World Bank's Board of Executive Directors, nor do they intend to make any judgment on the legal or other status of the territories concerned.

Outline



Do the benefits of reunification outweigh the costs?



What are the supportive policies needed to maximize the benefits of reunification?



Is there a cost to delaying settlement?



Conclusion



Do the benefits of reunification outweigh its costs?

Yes, for both sides, and in many dimensions:



Incomes



Investment



Commerce



Jobs



1



a)

Impact on incomes

- Higher economic growth will increase Cypriot incomes by an **additional 7%** in the decade following reunification.
- Reunification with supportive policies could make Greek Cypriot (GC) and Turkish Cypriot (TC) economies grow every year by an **additional 0.4 percentage points** and an **additional 1.8 pctg points**, respectively.
- In the decade following reunification, TCc incomes could reach **75%** of GCc incomes, as opposed to **67%** under a *status quo* scenario.

...but benefits differ as the environment may limit people's ability to take up opportunities available. Unlocking these constraints will increase reunification impact and equality.

This assessment incorporates a gender lens to assess how impacts may vary.*

*A full gender assessment was beyond the scope of the work conducted, notably this work does not address LGBTQI issues, legislative gaps or enforcement of anti-discrimination legislation, the issues facing migrant workers and domestic workers among others. We note however that appropriate measures would need to be taken to guarantee fair terms of employment, decent working and living conditions and the security of these populations.



1



b)

Impact on commerce

- Normalized relations and harmonized tax systems and product standards will likely triple intra-island commerce. Access to services and inputs across the island will reduce firm costs raising competitiveness.
- International trade will expand considerably:
 - GC GDP could increase by 3.4% by 2035 simply on the premise of exporting goods and services to Turkey. Service exports: include business services, shipping, financial services and tourism.
 - With supportive complementary policies, TC exports of goods and services to mainly EU could expand by 12.2% of current TC GDP by 2035. Exports: tourism and agricultural products.



1



c)

Impact on investment

- A settlement will spur investment: The integration of energy, transport, and water systems could generate €1.1 billion-worth of investment opportunities within 2-3 years of a settlement.
- Such investment will provide better and cheaper infrastructure services for Cypriots and businesses, increasing the wellbeing of Cypriots and private sector competitiveness.
- Reunification will also open a window of opportunity for greater private investment in Cyprus:
 - Cyprus could become an “island of stability” in an increasingly volatile region, and would benefit from its centuries-old cultural and economic ties to Mediterranean neighbors.
 - Lower economic uncertainty will foster a more conducive environment for business and prosperity.
- Resolving the property issue will help enhance the business climate in Cyprus, and allow the whole island to be fully developed to provide greater wealth and jobs.
- A settlement will also facilitate the exploitation of shared resources.



1



d)

Impact on jobs

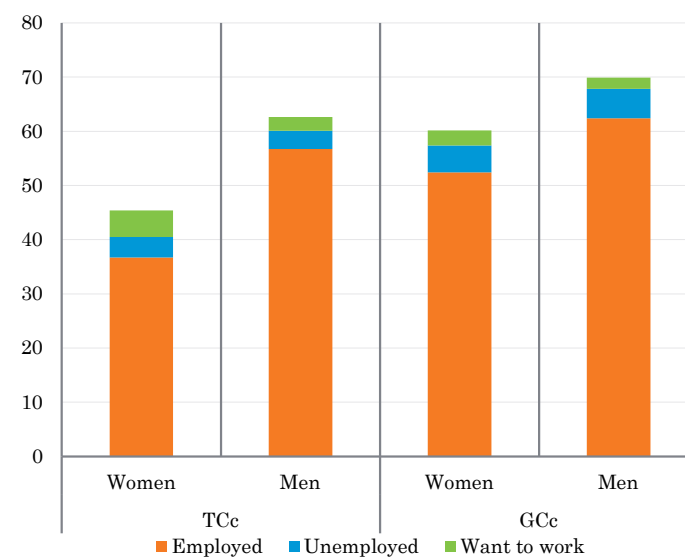
- A larger economy, increased trade, and greater investment will create many jobs across the island.
- The free movement of labor and capital will make the economy more productive, as workers and finance will be put to their best use.
- Employment rates will increase across the island in the medium term, but particularly in the TCc.
- Employment gains will be driven by construction and tourism sectors, sustained by new infrastructure investments.
- Any surge in intra-island labor mobility would likely be temporary and generate positive net effects.
- The move towards an efficient administration and a larger private sector will carry some temporary adjustment costs – employment will expand in some areas and shrink in others.
- Adjustment costs can be mitigated with social protection that helps workers to move to new jobs with retraining and assistance (as it did in the accession of new EU members).



Will men and women be able to equally engage in and benefit from the expansion of jobs?

- Gender gaps in education have narrowed over time in both communities, leaving recent labor market entrants better placed to participate in a range of jobs.
- However, gender gaps in economic opportunities continue to be highly visible, and affect the choice of jobs, careers, pay and mobility.
- Significant gaps in participation in both communities: female labor force participation 20 p.p. lower than men's in TCc in 2018, and 10 p.p. lower in GCc.
- Among those not employed, many are ready to engage. In both communities, approximately 1 in 7 of the women not working is ready and willing to work.
- TC female employment could increase by 25% with opportunities for those ready to work, while in GC it could increase by 17%.
- Strengthening gender equality at work is smart economics (↑ growth). Addressing constraints to participation in the labor force of half the population raises reunification benefits.

Employment, unemployment and those ready to work, 15+; GCC and TCC



Source: SPO 2018 LFS; CYSTAT 2018 LFS (annual data, similar to Q4 data), accessed at Eurostat.



Will there be a social system to help those in need? Will it be federal or will there be two systems?

- After some adjustment, the existing social protection systems in Cyprus will have the capacity to cushion the transformation of the entire Cypriot economy following reunification.
- It is up to each side to decide how the existing social insurance systems should evolve after reunification, starting from two parallel systems.
- Typically, small federations have one single social insurance system. This supports labor mobility, pools risk, and reduces administrative costs, compared with having multiple systems.
- Having said this, the maintenance of multiple social insurance systems in Cyprus would not significantly distort economic incentives, given similarity between the two schemes.
- But it is important to allow portability of benefits from one scheme to the other, to support labor mobility.
- It would also be desirable for the systems to converge over time to promote labor market integration and the sustainability of the social security regime.



How can the most vulnerable in society continue to get the support they need?

- Social welfare services play vital roles for the poorest and most vulnerable in society.
- For example, TC targeted social assistance reduces poverty among female headed households. After transfers, poverty rates are the same for male & female headed households (World Bank 2019).
- Provisions are needed to ensure that these vulnerable populations continue to be supported, and that social assistance gaps don't emerge as a result of mobility and evolutions of social assistance systems.
- Welfare services are key in supporting victims of family and domestic violence. Maintaining services during the implementation of a comprehensive settlement will require cooperation between police, health, education and welfare services from both constituent states.
- Such cooperation will help prevent and combat violence against women; this is particularly important in the case of mobility, to ensure coverage gaps do not occur.



Is there a cost to delaying settlement?

The cost of a stalemate increases with each round of negotiations because of **foregone benefits**:

- The inability to strategically position the entire island in the region and limitations on resource development.
- Lack of access to affected property across the island.
- The potential job opportunities that cannot be attained by TC and GC women in the absence of a settlement—the labor participation rate of TC women is half that of the EU average.
- Inefficiencies in production and in-service provision due to the small size of the two economies.
- The widening of the gap in income per capita between Greek Cypriots and Turkish Cypriots as time goes by without a settlement implies more years will be needed for incomes to converge after settlement.



Is there a cost to delaying settlement? (ctd)

The cost of a non-settlement also increases because of **costs that accumulate over time:**

- Defense costs (which on the GC side include not only defense costs but also one third of the UN peace mission yearly costs, which amounted to \$17.1 million (€15.2 million) for the GCc in 2019.
- Inefficiencies due to the suspension of the EU *acquis* in the north.



Is there a cost to delaying settlement? (ctd)

The **non-economic costs** of a non-settlement are very high:

- An estimated 1,108 dispossessed owners die every year without restoration or compensation because of delayed agreement. Most dispossessed property owners are now of an advanced age.
- The emotional benefit of reunification for the rest of the population is diminishing with time:
 - in a decade's time less than 8% of the population will have adult memories of the pre-1974 years.
 - if an agreement is further delayed, reunification will be an unaccustomed concept for most of the population.



What are the most important supportive policies needed to maximize the benefits of reunification?

As the varied experience of EU accession countries shows, increased market access is no guarantee of economic success. Supportive policies are needed:



Infrastructure investments to increase integration within the island and with the world: connect roads, ports, and electricity and water systems for greater trade, tourism, and business.



Policies to facilitate the free movement of labor and capital within Cyprus (harmonization of systems and mutual recognition of certification).



Making life easier for the private sector through reduced bureaucracy and a larger and stronger financial sector.



Stable macroeconomic-fiscal framework.



Assist vulnerable groups with social protection measures during the transition to minimize adjustment costs (support to find new sources of income, retraining, assistance to displaced).



What policies can support the benefits of reunification flowing more equally between men and women?



Strengthening gender equality in the labor market, including:

- access to affordable childcare for early and in-school ages;
- enforcing non-discrimination in recruitment and pay;
- addressing gender segmentation through proactive labor market services; and
- training and support for women seeking to re-enter labor market and those who didn't complete transition from school to work.



Deepening financial literacy and management skills.

To advance voice and agency, promote more effective management of property and assets.



Safe and reliable public transportation to advance mobility, in particular for poorer and isolated women.



Advancing services and legal enforcement to prevent and protect victims of gender-based violence.



Reducing uncertainty around reunification and its impact on daily lives, including through a human security angle.



This would also need to be supported through **gender budgeting**, to dedicate resources to meet needs, and through **raising women's voice and leadership through society**.



Supporting women in the workplace will enhance their ability to engage in labor market shifts while also furthering gender equality

Policies that support families with young children and reduce the impact of caregiving on labor force participation:

- Younger workers are typically more flexible to labor market adjustments than older workers. However, flexibility is reduced with children—affecting mothers and grandmothers.
- In both communities, expansion of affordable, and accessible childcare has the potential of supporting the labor supply of mothers and grandmothers alike.



Expanding available supply and affordability of high-quality childcare for younger children:

- Considered one of the three most effective policies to tackle the barriers to female employment by nearly two-thirds of OECD countries (OECD, 2017).
- Gap in time between end of birth-related leave and full-time early childhood support significant in both TCc and GCc, leaving families and in particular women to juggle the needs of all family members.
- Childcare costs faced by households can be reduced through a variety of approaches, including means-tested provision of free childcare hours, rebates for childcare or direct transfers.
- Timing and location of childcare services is critical for ensuring that location matches population needs.



Supporting women in the workplace will enhance their ability to engage in labor market shifts while also furthering gender equality (ctd)

2 Strengthening on-site facilities to support working parents with older children who require after-school care:

- Parents report significant time pressures linked to looking after school-age children after school. This affects women's work choices.
- Supporting on-site after-school care would strengthen the ability of families to manage these logistics and reduce the impact on work.

3 Supporting equal parenting: paid parental leave

- Restrictions in the flexibility of maternity or paternity leave policies reduces the ability of parents to use their leave benefits in a manner that suits their needs.
- Paternal engagement restricted rather than encouraged by low period of paternity leave in both communities (2 days in TCc and 2 weeks in GCc) and unpaid parental leave (in GCc).
- **Paid leave pays off!** Paid paternity and parental leave raises engagement, child outcomes and encourages female labor force participation.



Supporting women in the workplace will enhance their ability to engage in labor market shifts while also furthering gender equality (ctd)

Enforcing non-discrimination in recruitment and pay:

- Gender pay and earnings gaps reflect: education and sectoral segregation; fewer women in leadership and management roles; unpaid work and are also linked to discrimination in recruitment, pay and career progression.
- Alongside enforcement of legislation in pay, recruitment and promotion practices, raising transparency and public awareness can acknowledge good practice and highlight bad.
- For example, pay transparency initiatives, promotion of firm best practices for hiring and remuneration guidelines and approaches to strengthen gender perspectives in collective bargaining.



Supporting women in the workplace will enhance their ability to engage in labor market shifts while also furthering gender equality (ctd)

Supporting life-course transitions, framework to promote (re)entry as opportunities expand:

- Specialized labor market services and training could be used to reintegrate women that have taken a career break or who were unable to make the school to labor market transition.
- Services focusing on supporting candidates in their search for jobs, encouraging soft skills, filling targeted knowledge, education gaps and language skills.
- Development of dedicated services to advance self-employed women and entrepreneurs – such as coaching, business skills focus, mentoring and networking opportunities .



Supporting women in the workplace will enhance their ability to engage in labor market shifts while also furthering gender equality (ctd)

Deepening financial literacy and financial management skills

- Divisions of responsibility in managing financial assets noted in both communities. In households in which women are a secondary earner role or do not work, divisions linked to voice in household decision making.
- Since financial management is not evenly spread in all households, this will impact how future revenue flows are used but also reflects how assets are used for investment purposes.
- Financial education programs can be targeted to meet needs of different groups of women, for example training in business skills for self-employed workers, on how to use digital financial products and services or on the range of financial products available.



Safe and reliable public transportation can support greater gender equality in mobility and promote tourism

Mobility among women constrained by transportation access and security concerns of public spaces.



While most families own a car, access to cars prioritized for main breadwinner. This affects in particular women from poorer backgrounds, in more isolated circumstances.



The impacts of limited public transportation are felt in multiple ways:

- Reduces the locations where jobs can be considered, due to constrained commuting possibilities
- Affects access to health services and education possibilities further afield.
- Inhibits cross-island mobility for those without access to cars.
- Raises security concerns, particularly at night, and reduces the engagement of women in public spaces.
- Implies that logistics challenges faced by parents of after-school care continue for older children.

An enhanced public transportation system supports greater mobility of the workforce and students and also advances potential of increasing tourism across the island.



How much will it cost to implement supportive policies?

- If transport, energy and water infrastructure projects are identified and implemented with care they will be an investment, rather than a cost, and will bring island-wide economic benefits.
- Public investment requirements to reconnect infrastructure across the island are estimated at €580 million for transport, €325 million for water, and €180 million for energy.
- It will be important to make the most of domestic and foreign private financing, as well as public financing, including from European Structural and Investment Funds.
- The experience of lagging regions in other EU economies with European Structural and Investment Funds indicates that the main challenge will be one of absorbing the funds.
- Therefore, it is crucial to improve administrative capacity, including municipalities, to link productive investment opportunities to available public funds.



**Start
preparing
now so
you are
ready to
catch the
wave...**



Conclusion (1)



7 out of 10 Greek Cypriots and Turkish Cypriots desire a solution to the Cyprus issue, but there are concerns about the differentiated economic impact and social aspects of a solution and how they will translate into the daily lives of Cypriot men and women.



A large majority in both communities also agree that they want be better informed about the contours of a settlement and, in a position, to provide feedback to their respective leaderships.



Outreach to inform and address concerns within both communities regarding the impact of a settlement will address those knowledge gaps, build trust and garner support for a settlement



Conclusion (2)



A comprehensive settlement will open a window of opportunity for greater economic growth across the island.



It is expected to spur investment, boost trade and create jobs. This will support improvements in standards of living and a convergence of incomes across the island and with more advanced EU economies.



Delaying a settlement will result in increasing the economic and non-economic costs.



To make the most of this opportunity, the GCc and TCc will need to adopt sound policy and institutional decisions and implement any agreement effectively.



Provided appropriate supportive policies are applied, and existing gender barriers that limit the economic engagement of women are reduced, reunification will result in a “bigger pie” to be shared by both sides and by men and women more equally.

**It is not about
dividing
the benefits...**



**...it is about
increasing
the benefits**





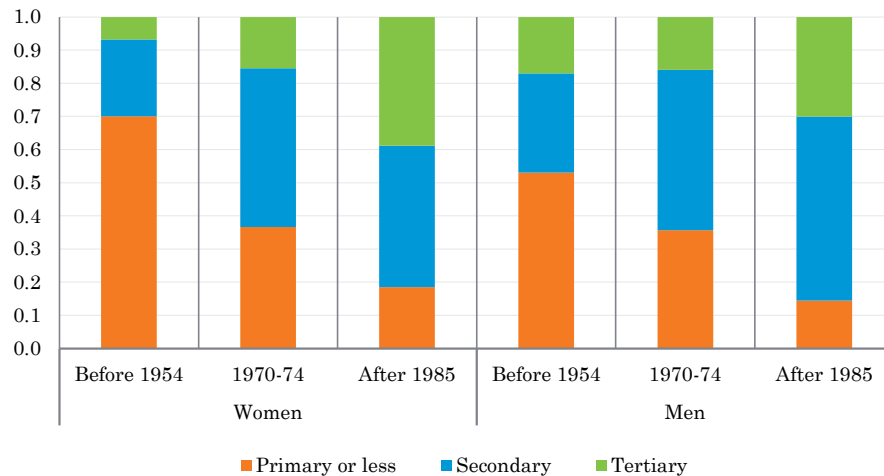
Technical annex

Selected indicators

Education levels increased across generations: closing gender gap and raising productivity of work force

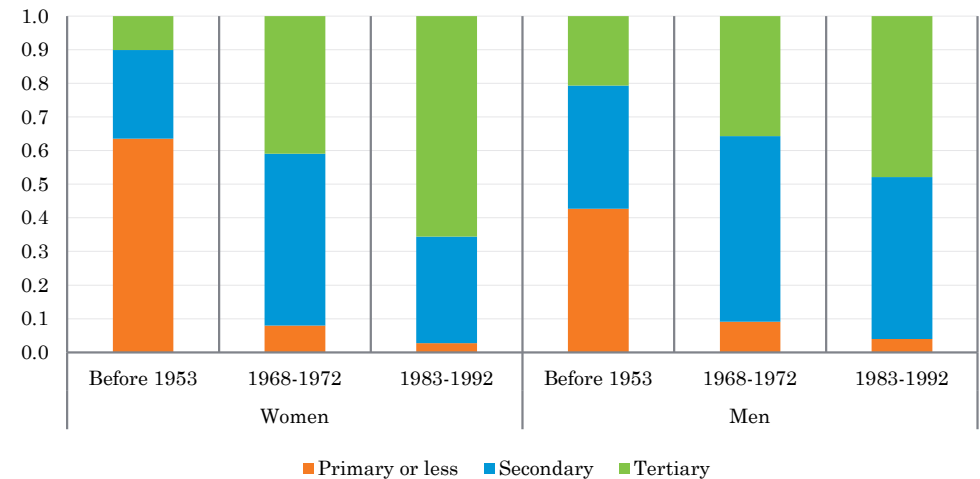
Figure 1: Education completion according to year of birth

Panel a: TCc



Source: TCc, World Bank (2019) using HBS 2014/15.

Panel b: GCc



Source: GCc, Labor Force Survey 2017.

However, despite closing gaps in levels social stereotypes at school and beyond continue to steer boys and girls into different paths – feeding into education choices, aspirations, views of role in society and their future (Angeli, MIGS 2018).

Gender differences in employment rates of people over 15 years old, clearly visible in 2018

Figure 2: Employment, unemployment and those ready to work, 15+
GCC and TCC



Source: SPO 2018 LFS; CYSTAT 2018 LFS (annual data, similar to Q4 data).

Good news: gender gap has declined considerably in recent years in GCC — 1991 31p.p. gap, compared to 10p.p. today — due to rising FLFP.

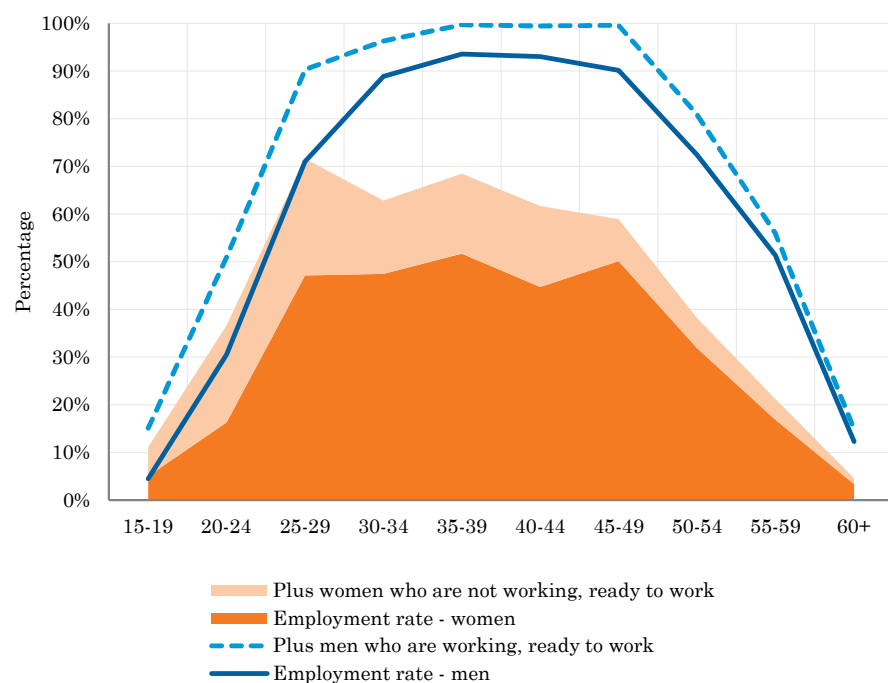
And in TCC, from 26.6 p.p. in 2007 to 20p.p. in 2018.

But: vertical and horizontal segregation visible and limited enforcement of gender-discrimination legislation in the workplace feeds into gender wage and pensions gaps. Work-life balance markers signal double-day issues.

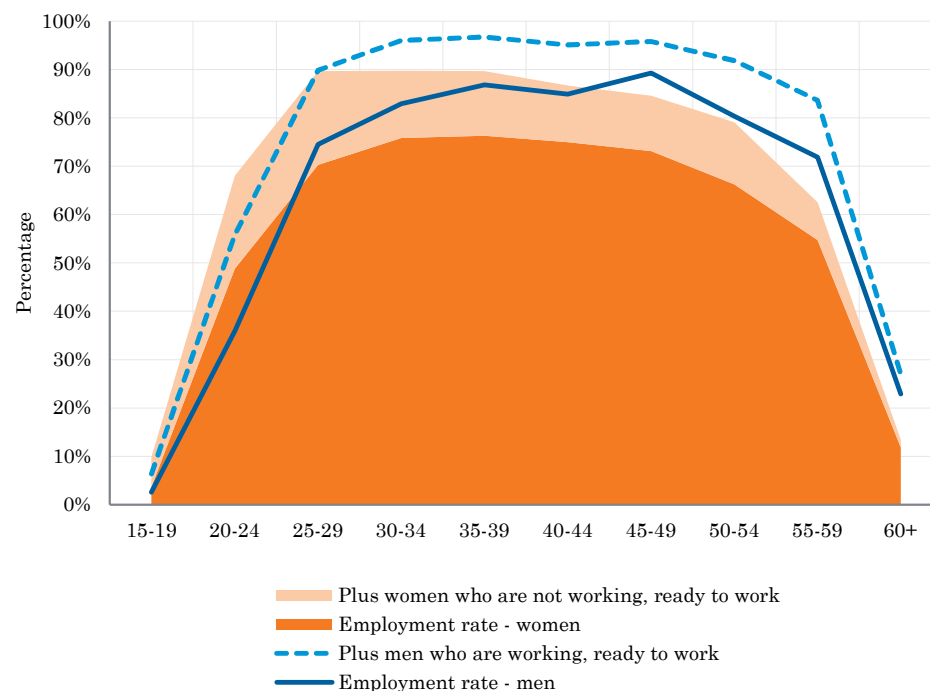
Gender gap varies by age, and there's a large unmet readiness to work.

Figure 3: Percentage of men and women working by age, including those who are ready to work

Panel a: TCc, using Household Budget Survey from 2014/2015

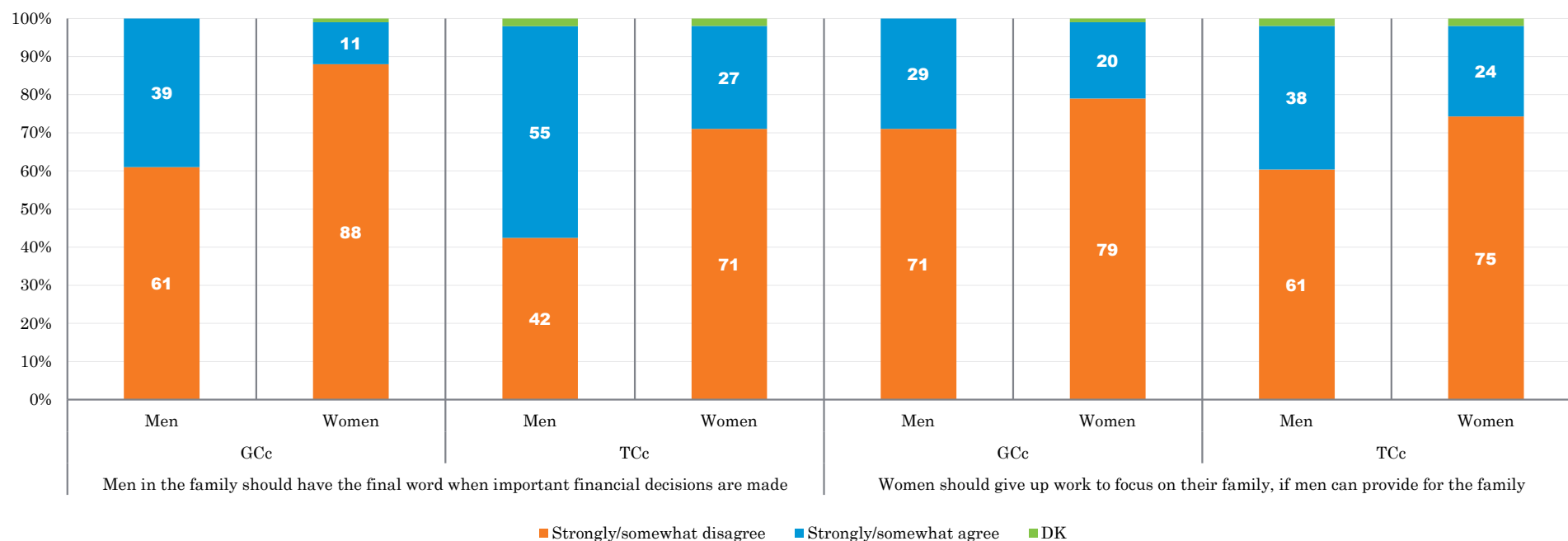


Panel b: GCc, using Labor Force Survey from 2017



Gender stereotypes persist and feed into education choices, labor force participation and career choices

Figure 4: Gender stereotypes in GCc and TCc



Source: Dagli Hustings et al. (2018a and 2018b). A more comprehensive set of indicators that was drawn upon in the analysis is available in these reports.