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The Central Committee of Panyprian Organisation of Large Families

The Panyprian Organisation of Large Families is a non profit volunteer organisation created to protect and promote the interests of large families. It was created in 1971 and has 30,000 large family members (more than 200,000 persons in Cyprus). Our organisation has been a member of the European Large Family Association (ELFAC) and CoFACE.

PREFACE

The population of Europe is reduced at a rapid pace and ages at the same time. Statistical data from the European Community shows that in 1970 the population of Europe was 11% of the world population. By 2030 it is expected that this percentage will only be 6%.

The fertility indicators of all European countries follow a decreasing path, while population aging follows an increasing trend as the average age increases.

Low birth rate has become Europe's largest problem causing a multitude of parallel problems, such as long term viability of pension systems, stalled economic growth, increase of national budget deficits, increase of national debts etc. Many countries recognise these problems and are trying to take specific measures such as increased retirement age, increased contributions in pension systems, attracting workers from other countries, increasing taxes and reducing public spending.

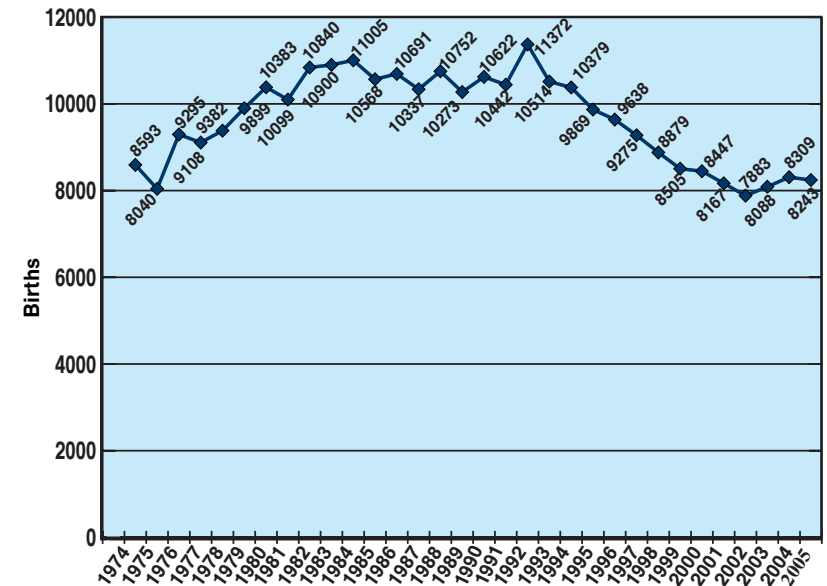
Most of the time though, these measures cause strong, adverse reaction from various social groups, as they feel that their acquired rights are affected. Besides, these measures do not offer a lasting solution but offer superficial and temporary relief. In effect they postpone dealing with the problem further in the future. The solution is not to increase contribution by the few, but to decrease contribution by a lot more workers.

One of the best ways of solving all of the above problems is by increasing the birth rate. More births would eventually increase the working force, boost economic growth, improve incomes, increase revenues from direct and indirect taxes and increase contributions to the pension systems. Long term the Gross National Product (GNP) will be increased with immense economic and social consequences for all European countries.

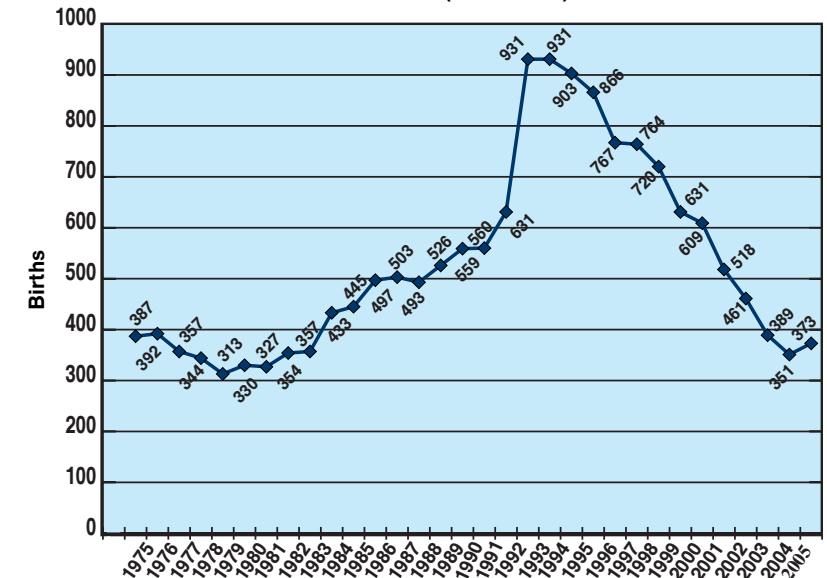
It is a fact that the E.U. leadership is deeply concerned and has recognised the problem seeking scientific solutions through seminars and funded research organised in the last 2 years.

We believe that slowly, the right understanding is being formed for the need to reverse the negative demographic trends in Europe by increasing the number of births and a more positive treatment of the large families in the context of this demographic policy. With this in mind we have gone through this study about Cyprus as a small contribution in solving the demographic problem.

Total Births (1974-2005)



Fourth Child (1974-2005)



ECONOMIC INCENTIVES CAN SOLVE THE DEMOGRAPHIC PROBLEM – THE LARGE FAMILY ASPECT

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FINANCIAL MOTIVES CAN SOLVE THE DEMOGRAPHIC PROBLEM - THE LARGE FAMILY ASPECT

Summary

The financial aspect of the social policy which the government began to apply in 1987 and 1991 towards families with many children, with the establishment and increase in child benefits, had a positive effect on the number of births. An analysis of birth data from 1987 to 2002 reveals that birth numbers in this population category increased by 6,487 and also influenced the birth of a third child, adding another 5,868 births.

Also the tax reform of 2003 has increased the births of a first, second and third child though these were declining up to 2002. The reason is because according to the provisions of this tax reform, benefits were given to all families having from one to three children to balance the tax exemptions which they were entitled to receive previously. The conclusion of the study is that financial motives offered to the family can increase births and solve the demographic problem which faces Cyprus and which will worsen with time. Research shows that 40% of Cypriot families desire to have more children and the state must utilise this fact.

The demographic problem of Cyprus appeared in 1995 when the fertility index fell under 2.1 children per fertile woman, the number that is necessary for the replenishment of the population. The reduction in the number of births leads to economic problems which get amplified with time. These problems include the lack of manpower for economic growth, the aging of the population and the consequent increase in the ratio of pensioners / employed, the viability of the Social Security System the enormous public debt of the government, the increased health expenditures, the public finance deficit etc

The Government suggests measures such as the gradual increase in the retirement age, increased contributions to the Social Security Fund, an increase in the period over which these contributions are made before one gets entitled to receive anything, combating tax

evasion and undeclared work etc. However some of these measures will have negative side effects on the economy because they equate to an increase in taxation reducing the motive to work, influencing negatively the economy's rate of increase. Also these measures are expected to create social agitation and further reduce births.

The best and most efficient measure for countering the demographic problem is the offering of financial motives to the families that wish to have more than three children. It's a measure that can accompany and enhance the other measures taken by the Government. It will in addition act as a safety valve in case the other measures fail to solve the demographic problem. It's a long term investment by the state an investment whose success is secured in advance. Every new child that comes to the world is a gain for the economy and society. The subsidising and education of this child is the best investment that the state could make today, given the inevitable problems that it will be obliged to face in a few decades from now.

The State must offer financial incentives at the child's birth as well as subsequently up to the time it becomes an adult. The logic behind this is simple. For every child that is born the State and the family spend a certain amount of money for its upbringing and education up to the time that it begins to work and contribute to society. Let's suppose the state contributes directly £20 000 for the maintenance of a child (whose birth is due to financial incentives) of a large family up to the time it becomes an adult. According to the most conservative estimates the contribution of this child towards the economy, the State Funds and the Social Security Fund will be many times the amount stated above. After all that's how the increase in the wealth of an economy has been explained since very ancient times. It's the workforce that creates the wealth in an economy. The State has the opportunity to make a long term investment so as to gain many times over with the birth of a child.

The low birth rate problem doesn't concern only Cyprus but the whole of Europe and it is particularly pronounced in countries where the fertility index was very high 20 or 30 years ago and then fell in a short period of time as for example in Cyprus. The problems mentioned above are created by the reduction of the fertility index in a short time.

In 15 to 20 years the large families of the 1950 - 1970 period will significantly increase the number of pensioners over the next decades whereas the small families from 1995 to the present mean a decrease to the number of the employed who will contribute to the sustenance of the pensioners. If the reduction of the fertility index had followed a smoother downward course and lasted more years then the above problems would have been easier to solve. However now that the problem is acute the State needs to concentrate on increasing births as the most effective way to solve the problems created by a low birth rate. More births mean greater economic development more contributions to the Social Security Fund, more revenue from taxes etc

Other countries plagued with low birth rates have realised that an increase in births is the most effective way to solve the problems created by a low birth rate. Among the countries that offer powerful incentives to increase births are encompassed France, Austria and Russia.

France offers 1000 Euro and a one year work leave to women that decide to have a third child while at the same time they enjoy many other benefits. As a result the fertility index of France (1.9) is one of the highest in the European Union. The Government in Russia offers a very generous package which includes cash money and benefits towards all families that have two or more children. Austria also offers significant subsidies, a generous package of benefits as well as cash money which increase with each additional child and according to the age of each child. Also benefits are higher for children with special needs.

There also countries like the USA and Canada which have developed support programs for families with children not simply to increase the birth rate but to also improve the living standard of the children so that they will become better citizens in society. Many studies undertaken in these countries have clearly shown that capital invested returns many times its value, in future profits for the state economy.

In Cyprus large families receive benefits which increase yearly according to the cost of living index, but due to the fact that the real increase in the cost of living is much greater, the value of these

benefits is eroded with the passage of time and their effect on the number of births diminishes constantly. In 1991 when these benefits were substantially increased births among large families increased and this increase lasted for several years. Subsequently births began to decrease due to the erosion of the purchasing power of the benefits. This study estimates that the erosion of the benefits over the last three years (2002-2005) was of the order of 22.5%. The problem with benefits is that when calculating them three basic preconditions are ignored:

The increases in the real needs of large families

The real increase in the country's wealth

The fact that large families are relatively poorer than the corresponding smaller families.

Large families are nearer to the poverty limit than the rest of the families. The reduction of the purchasing power of the benefits over time is a very significant reason for the reduction in the fertility index. This study suggests that financial incentives are a very effective way for increasing the number of births.

Introduction

Large families play a very significant role in the evolution of society the economy and the public finances of each country and especially during the times when most contemporary societies face a low birth rate problem and are threatened with a reduction in their population size. This is especially significant for a small country like Cyprus where a population increase should be set not just as an economy related target but also as a national one.

The low birth rate problem which is the main reason for the fall in the fertility index and the aging of the population¹ causes various consequent problems as problems in the viability of pension systems, stagnation in the economic growth, augmentation of the public finance deficit, increase in the national debt etc. Several studies have already proven that that the aging of the population in the period 1960-1967 contributed 10-20% in the increase of expenses for pensions in the various European countries. Now the situation is much worse. The most fundamental reason for this is the fact that with the alteration of the ratio of children/employed individuals/old age individuals the future generations of pensioners will depend on a constantly diminishing number of employed individuals².

Many countries have recognized the existence of these problems and are trying to take specific measures as an increase in the retirement age, an increase in the contributions towards pension funds, attracting workers from other countries, increases in taxation, limitation of state expenses etc. However most of the time such measures trigger off intense reactions from various social groups which feel that their acquired rights are being interfered with. Beyond that such solutions do not solve in depth and in the long term these problems but only superficially and temporarily. In essence they are not the correct solutions since they merely transpose the above mentioned problems into the future. The solution to the above problems does not consist in a smaller number of employed persons contributing more, but in a bigger number of employed persons contributing less.

One of the best ways for resolving all the above mentioned problems is an increase in the rate of births and consequently of fertility³. More

births mean an increase in the size of the work force, promoting economic development, improving incomes, increasing direct and indirect tax revenues, and consequently contributions to Pension Funds. In the long term they increase the Gross Domestic Product (GDP) bringing enormously beneficial economic and social effects.

The state can invest in this sector and offer motives and facilitations towards families that wish to have more than one or two children. A research (1998) shows that 42% of Cypriot couples would like to have more children than it actually had⁴ while another research (2002) of the EU on the 18-34 age group shows Cyprus to have a greater tendency⁵ or desire among the European countries for having a third child or more. The exact percentage stands at 40%. (See appendix III) a fact that leads to the conclusion that since there is a desire and disposition for more children any incentives could bring immediate and beneficial results.

Therefore an increase in fertility is the long term solution to the great problems of society. However for the above to be attainable, the increase in population must be accompanied by the corresponding increase in infra structure and the formation of such institutions as will create favourable conditions for a **quality** upbringing, education, and the professional and social establishment of the citizens. For example the excessive birth rate increase in poor and underdeveloped countries in Africa in combination with the lack of infra structure and new employment positions doesn't assist towards the solution of the problems of society but it rather augments them.

In the case of Cyprus however because the socio-economic conditions but also the social inclinations favour an increase in birth rates, with inevitably beneficial results, the creation and application of a demographic policy by the estate should be perceived as an investment for the future. This investment should always be perceived as profitable in the long term. The state will subsidise the children that are born and they in turn during their productive life will offer back to the state much more than the state will have paid for them in the form of taxes, contributions to the Social Security Fund etc. At the same time they will contribute to the rate of increase of the economy since the economy will have at its disposal a larger workforce.

Part I – The problem of low birth rates and ways of countering it

I.1. Modern policies in other countries

Many countries suffering from a population reduction recognize that an increase in birth rates will provide saving and permanent solutions to the above mentioned problems of society and thus they decided to invest in this area in various ways. Some countries such as the USA offer tax reductions for each child and facilities for child care mainly so that the parents will be free to work. Other countries such as Denmark, Finland Greece etc offer substantial cash payments for each child. There are even countries that offer various combinations of benefits such as cash payments, programs of infant and child care increased parental leave from work and tax reductions.

In all 88 developed countries around the globe offer family support and incentives whose effect is to increase the birth rate while there are about 100 countries suffering from low birth rates and thus face the peril of a reduction in their population with the corresponding negative repercussions on their economy⁶.

Already during the past two years the EU worried about the falling birth rates and the deteriorating course of the Pension Funds of its member states, organised in a short period of time four conventions⁷ with demography as their subject (the most recent one took place on 30-31 of October while the fifth is in progress in Brussels in January 2007) in attempt to arrive at scientific conclusions and to propose plans for remedying the situation. The president of the EU Jose Manuel Barosso insists that measures must be taken to increase birth rates in the member states of the EU.

What are we doing to examine the course of our declining demography which is already showing us its face heading us to the desolation of our countries?

What can we do to drive upwards the birth rates in Europe so that the youth of tomorrow will make Europe more dynamic and improve our ability to promote progress and create jobs?

We should be realistic in accepting that the aging of the population the low fertility rate and globalisation produce a particularly explosive mixture against the systems of social protection in our countries. This mixture is present in all European countries to varying degrees. It's the responsibility of the member states of the EU to avoid the possibility that future generations will pay the consequences for today's indifference."⁸

The issue of low birth rates and also the issue of large families⁹ were addressed by the Italian Minister of Cultural Affairs for the Family Mrs Rosa Bidi at the recent First Forum for "The Demographic Future of Europe". The Italian Minister pointed out that large families are suffering injustice whereas they should have been favourably treated by the state. Families with many children face the danger of poverty more than the rest of the families and it's the responsibility of the state to support them and offer equal opportunities to the children of large families.

The necessity therefore to take drastic measures is therefore imperative and already several countries are taking this problem seriously or are intensifying their efforts to halt the deteriorating course of the fertility index.

Russia has an enormous low birth rate problem and her population is being constantly reduced. The birth rate in Russia stands at present at 1.28 per woman (128 children per 1000 women) and is far lower than the 2.1 figure which is required to replenish the population. According to the current data the population of Russia is being reduced by 700,000 per year and if it carries on like this then by the year 2050 the country's population will drop from 150 million to 100 million. The Russian government in an attempt to face the problem has recently proposed a ten year program which includes very good benefits for women that decide to have a second child.¹⁰ According to this program women that decide to have a second child will receive from the state \$110 per month in addition to all the benefits that apply for the first child. On top of this they will be able to receive up to 18 months of maternity leave receiving during this time 40% of their salary whereas afterwards they will receive more money for child care. The more significant provision however is that that the state will offer to each woman that produces a second child \$9,200 as one lump sum

payment an amount that equates with a yearly salary in Russia! It is worth noting that these benefits **are not linked to the family's income**. The cost of this program is estimated to rise to 1% of the Gross Domestic Product, but the government believes that such a program is appropriate since it discerns that in the long term the gains will be much greater.

France has also engaged in a similar campaign to increase birth rates, it's a country that today invests significant amounts of money to increase birth rates. The measures that were taken have increased the fertility index to 1.9 by 2003 against 1.4 which is the average for the EU. Despite the fact that fertility in France is among the highest in Europe and comes second after Ireland (1.98 children per woman) the government is further improving its demographic measures by proposing an increase in child benefit from 512 Euro to 1000 Euro for women that decide to take a year's leave to have a third child.¹¹ France also offers substantial benefits to families that have more than three children (300 Euro per month) tax reductions and free use of public transport. A study recently undertaken by Larouque and Bernard Salanie¹² clearly shows that the support program for large families has increased the birth rate by 5%.

For the French state, offering incentives for more births and support for large families were always a priority and a fundamental axis of its demographic policy. Incentives for more births began to be offered from 1939 under the "Family Code" program. In 1940 the government put together a package of family benefits to encourage births. According to the study "One Good Turn Deserves Another" the generous family policy of France acted positively by increasing the birth rate during the period 1945 – 1965.¹³ In the same study the author refers to other countries where the financial incentives increased the number of births such as Hungary and the Scandinavian countries. In all instances he clearly shows the importance of financial incentives as tools in demographic policy.

Austria offers a very generous package of benefits for families that desire to have children and a substantial part of it is in cash payments. This country applies a scaled system of support according to the number of children and their ages. More specifically the first child

receives 105 Euro per month up to the age of three. Then the family receives 113 Euro per month, after the tenth year it rises to 131 Euro and after the nineteenth year the benefit rises to 152 Euro per month. For the second child the same amounts apply plus 13 Euros of additional benefit whereas for the third child the extra amount stands at 26 Euro. For children with severe special needs the additional benefit rises to 138 Euro per child per month.

There are some countries which have developed support programs for families with children not just to increase births but to improve the living standard of children so as to make them useful members of society.

Countries like Canada and the USA spend billions of Dollars each year for programs of infant and child care, programs of healthy pregnancy, correct education etc¹⁴ Many studies undertaken in these countries clearly show that the capital so invested by them produces future profits for the state economy that are many times greater.

Part II – The reduction in the purchasing power of benefits – The situation in Cyprus

II. 1. Demographic data

Cyprus is classified with the countries that have a low birth rate problem and is in peril of experiencing a population decline and seeing its funds getting exhausted. Since 1995 the fertility index is steadily decreasing¹⁵ as are the total births. It is however worth noting that births among large families had increased significantly during the periods when the state offered financial incentives (1987, 1991) and this reduced the downward trend of the fertility index. Despite all this unfortunately today the fertility index has descended to 1.42 (2005) a figure that corresponds with the European average. From 1995 to the present the fertility index moved below 2.1 which as already mentioned is required for the replenishing of the population. With this drop in the fertility index logically the population should manifest a deteriorating course. But it still continues to grow because a period of transition is required from the time that fertility drops below 2.1 and until the population actually begins to decrease. Also the net immigration over the last few years has been a positive factor.

Cyprus has established a program of child subsidising which today costs around £88 million (2005 figure) that is 1.2% of the Gross National Product. The existing funding program concerns families with one, two, or three children as well as larger families with four children or more. In total £34 million are given to large families and £54 million to families with less children. This program does not aim at combating the low birth rate in the context of a long term demographic plan as should have been the case, but is integrated in the context of the general social contribution and social support on the part of the state towards the vulnerable groups in society.¹⁶ The benefits that concern large families are shown in Table 1 below.

Table 1

The yearly benefit per child for a large family with four dependants (£)

Family categories based on income	2003	2004	2005	2006
Under £9,000*	800	833	852	874
£9,000 to £18,000*	725	755	772	792
Over £18,000*	600	625	639	655

* For the years 2003 and 2004 the income categories were £0 – 6,000 £6,000 – 12,000 and over £12,000

The average yearly increase in benefits is based on the cost of living index estimated to be 3%

To be eligible for benefits large families must have four dependent children that are unmarried and under the age of 18, or up to 23 for girls and 25 for male children provided that they are students or soldiers. The benefit of each child is increased each year on the basis of the cost of living index which is calculated from the general increase in the cost of living. As we will see however further down the increase in child benefit based on the cost of living index is not representative as it doesn't replenish the purchasing power of the benefit.

In addition to the above the state and various other organisations, educational establishments as well as local administrations offer some other benefits to large families. For example for large families the student grant increases by £500 for each dependant student. Also since 1999 families with four dependant children or more receive a subsidy of £2,000 when they purchase a car.

The above government program (benefits to all families) evolved and formed with the tax reform of 2002/2003 which as is well known had as its main guiding principles the reduction of direct taxation (income tax) and the increase of indirect taxation (VAT)

Previously child benefits were offered in the form of tax reductions (£500 per dependant) and with cash benefits towards the large family (£31.35 per dependant) which increased according to the cost of living index. In addition large families received a special benefit of £60 per

dependant at Christmas as well as a 13th benefit at the end of the year, of £31.35 per dependant.

As a result of the adjustments that that were carried out with the tax reform of 2002/2003 the financial benefits for large families that belong to the middle level of income remained about the same, while those that belong to the high levels of income, according to the opinion of the state, suffered and continue to suffer injustice, contrary to the families with few children that also belong to the high income level. The child benefit reduction for these families during the 2002/2003 tax reform is estimated to be around 11% based on the 2003 data. The injustice was further increased by the simultaneous abolition of the tax reduction for dependant children.

II 2. Fertility index and the Social Security Fund.

Despite the fact that the economy of Cyprus is believed to be a developing and healthy one, the problems stemming from a low birth rate are beginning to manifest themselves. The deficits in public finance, the enormous public debt and the expected shortages in the Social Security Fund can not be solved in a few years while the beginning of the reduction of the population is very near at hand. Whatever number of years were needed to create these problems another as many if not more will be required to solve them, if and when the state decides to apply the right solutions.

A reduction in the size of the population of Cyprus is inevitable since the birth rate can not be increased in a year or two. It will take many years to increase and reach the value of 2.1 which secures the replenishment of the population, and to be sustained there provided that the correct and proper policy is followed by the state. The rates of increase and development will depend on the measures that the government will take and which should certainly contain provisions and incentives for producing children. In addition further delays in taking measures will make the problem greater and even more difficult to solve.

A study undertaken by a specialist acturist on the viability of the Social Security Fund clearly shows that based on existing data as from

2020 the reserves of the fund will begin to decrease¹⁷ as it will pay out to pensioners and other persons that are entitled, more that it will receive from those in employment who will be constantly diminishing. And this will occur because on the one hand the population of Cyprus will have a higher average age and less people in employment will be paying for more pensioners, and on the other hand births as shown in the Table in appendix I are constantly decreasing.

The critical nature of the following years is therefore obvious. The government recognizes the problem and adopts some of the solutions of the actuarial study as the gradual increase of the retirement age (something also practiced by other countries as mentioned above), and an increase in the contributions to the Social Security Fund for acquiring the right to obtain a pension. These measures are mentioned in the convergence program of the government for the period 2005 - 2009¹⁸. These solutions appear to be logical and imposed by the circumstances but it is expected that they will result in a considerable burdening of the public economy and the economy in general as they will weaken the incentives for working because the additional contributions for a longer period of time amount to an increase in taxation.

The total public debt stands at £8.5 billion and one day it will have to be paid off. If we assume that the workforce in Cyprus consists of 400, 000 workers then each one on average receives a £22, 000 portion of debt which will be paid by the next generation unless the state continues to move the problem further into the future, a tactic applied to this day always at cost of the coming generation which will suffer the consequences of the collapse of the funds.

Basically the problem with the Social Security Fund stems (it has begun to appear and widen) **from the abrupt and continuing reduction in the fertility index**. The fertility index was very high 30 years ago while today it is much lower. If the fertility index had always been low then the problem would have been much smaller since the pensioners would not make up a large percentage of the population over the following decades. If the reduction in the fertility index had been gradual and lasted more years then combating the problem would have been much easier. With the present realities however the

most effective solution is for the state to take immediate measures to increase births thus gaining more time to solve the problem. Today a policy of stern measures as for example the increase of contributions or taxation, will endanger the development of the economy and may finally bring negative results.

The above problems need a long term strategy and permanent solutions. Increasing taxation is apparently the easiest solution for the technocrats but the worst for the families, the economy, society, and the fertility index. It will finally become a boomerang for the state since the reduction in fertility has negative chain reactions and consequences over the long term upon the state economy.

An increase in the taxation base and tax revenue through a greater development of the economy is a good long term option but this requires for several years rates of increase in the economy of the order of 3%-4% which is in fact the average for Cyprus over the last few years. What Cyprus needs is an increase in the fertility index above the critical level of 2.1 which is the replenishment limit of the population, so that the above problems will begin to be solved over the following generation. The sure and stable solution in that direction is the increase in the number of births per family.

II 3. Reasons for the fall in the fertility index

For the rate of births to increase the state must offer generous, adequate and real incentives. But for the state to offer the appropriate incentives it has to first of all detect the reasons that cause the reduction in the birth rate. The basic reasons that drove the birth rate to such low levels according to several studies¹⁹ are the following:

- Increase in the cost of living
- Increase in children's needs
- Increase of the average age of the first marriage
- Women having children at a higher age
- Women working and pursuing a career
- Weakening of the family institution and values
- Changes in the way of living and working

Migration to cities and lack of parental support
Increase in the number of divorces (disintegration of the family)
Increase in the number of individuals remaining celibate

Comments

One of the more basic reasons for the decrease in the birth rate is the fact that today women unlike in the past get educated and enter into employment either because they so wish or because they have to, in order to obtain an income to survive. Many women in order to work travel or migrate to cities far from their parents and adopt a different life style. Due to education and work and due to a lesser pressure from their parents women take longer to marry and even longer to have children.

The data of the Demographic Report of the Statistical Service for 2005 show that the average age at which women get married, increased from 23.1 in 1980 to 27.2 in 2005.

At the same time always according to data from the same period the average age at which women begin to have children increased from 23.8 to 27.4. It is worth noting that it would be interesting if the demographic report investigated and calculated the above data on the basis of women's educational level and also according to whether they work or stay at home.

Many women choose to remain celibate while others divorce at a young age from their first spouse and their future family course remains uncertain.

In our times family principles and values have been weakened while the concepts of men and women about marriage have become very loose. According to the demographic report of 2005 the percentage of divorce in Cyprus has increased dramatically from 4.2% in 1980 to 23.3% in 2005. It is worth noting that the divorce rate for families with three dependants and above is much lower, around 5.4%²⁰

For a man or a woman to remain celibate or to be divorced is nowadays an everyday fact. The times when Cyprus had a mainly religious society and an agrarian economy have irreversibly passed.

In earlier times people used to have many children because they considered them to be a blessing from God and because they needed them to assist in agricultural and in manual work. Today things have changed.

At the same time the agricultural world is gradually disappearing and those residing in the countryside emigrate to large urban centres to search for work. The isolated distant villages are vanishing from the map while urban centres, where the way of life is totally different, grow larger. For most families no surplus money is left to be placed in the bank and we all now that the cost of living increases year after year.

II 4. Investigating the value of the existing benefit – Factors that reduce its value

Based on the existing realities there are there are four significant problems that need to be resolved so that child benefits will reflect economic realities and maintain their purchasing power over the course of time.

Based on the "equivalent income"²¹ large families are generally poorer than the corresponding smaller ones. As the number of family members increases the equivalent income decreases. The first adult is assigned a value of **1.0** the second adult and children over 14 years old are assigned **0.5** which falls to **0.3** for children under 14. For example a six member family with an income of £20,000 per year having two children above the age of 14 and two below has an equivalent income of £20,000 / 3.1 which is £6,351. A family with the same income and two children one over 14 and one below will have an equivalent income of £20,000 / 2.3 that is £8,697. Similarly a family with the same income and zero children has an equivalent income of £13,333.

According to the data of the Statistical Service for the year 2003 the average equivalent income in Cyprus rises to £7,347 and the poverty limit according to the way this is calculated in the EU as 60% of that amount, works out at £4,408. Based on the above it becomes apparent that many large families are not only poorer than

corresponding smaller families but they also live near the poverty limits as is after all mentioned in the European Caritas Report²². The Caritas report mentions that large families are high up on the list of poor families.

II 5. Factors that reduce the purchasing power of the child benefit

Let's now examine the factors that reduce the purchasing power of the child benefit and let's calculate the increase that it should be given so that so that it would retain its purchasing power and thus contribute to maintaining the standard of living.

First of all the child benefit is low and can only cover a small part of the child related expenses. Expenses increase as children grow up. A 15 year old child has more expenses than a 3 year old child and a student incurs even greater expenses for understandable reasons. If the purpose of the child benefit is to support large families and to offer an incentive for having more children then the child benefit should increase with a child's age as is the case in Austria. According to a study by the Economic Research Department of the Cyprus University²³ a child's expenses increase with increasing age.

Second the benefit levels and their increases do not reflect the increasing needs of the family as well as of the children over the course of time. Today children spend more money on buying cloths and shoes than they did 10 years ago. They also spend more on their entertainment etc. Today almost all children that study at state secondary schools need extra tuition in order to respond to their educational needs. Also, today most teenagers own mobile telephones because they are by now considered to be a necessity. The above do not comprise luxuries but necessities for children.

According to a research on family budgets for the year 2003 by the Statistical Service, the average yearly consumer expense per household rises to £17,119 representing an increase of 37.6% in nominal terms and 17.8% in real terms relative to 1997. In other words today households buy 17.8% more products and services to cover their needs which augment year after year. Based on the above the

yearly increase in a family's expenses stands at 3%. Thus because the real needs of families increase in the course of time (regardless of how much they cost) benefits should be increased correspondingly otherwise the living standard of families that rely on child benefits will get eroded since part of their income derives from such benefits.

Third the child benefit should increase every year so as to reflect the increase in the country's wealth based on the real increase of the Gross Domestic Product just as do the incomes of most people employed in the economy. The above argument becomes more understandable if someone considers that those employed receive wage increases above the ATA --- due to direct increases, promotions, increased productivity etc. As a result their living standard gets higher. For large families however the elevation of their living standard is smaller because part of their income (the child benefits) is not subject to the same corresponding increases and large families get poorer relatively to small families. For example if the incomes of those in gainful employment increase by an average of 5% per year (3% due to ATA --- and 2% due to other increases) then the child benefit should also be increased by 2% to offset the reduction in its purchasing power.

Fourth the majority of large families spend most of their income on basic categories of consumer goods such as food, clothing, accommodation, electricity, water, fuel, health and education rather than on the other consumer goods categories that are included when calculating the general price index. The prices of goods and services in the basic categories have in fact increased more than the general increase in prices as this is reflected in the general cost of living index. Consequently because child benefits increase only according to the cost of living index they are not correspondingly compensated and their purchasing power gets reduced.

Part III – Financial incentives increase the number of births

III 1. Documentation

The documentation of the above hypothesis is based on the following facts:

According to the cost of living index the average yearly increase in the cost of living over recent years (2003 – 2005) is 3.0%. But households spend more money on the basic categories that make up the prime necessities of life such as food, accommodation, electricity, water, gas and transport.

According to the research on family budgets²⁴ in 2003 food items absorb **15.1%** accommodation, electricity, water and gas **21.6%** and transport **14.6%** of the expenses of the average household. All these three basic categories together absorb **51.5%** of a household's expenses. In these basic categories the price increases are greater than the general average increase in prices.

From 2003 food prices increased by an average of **3.7%** per year, accommodation, water, electricity and gas increased by **5.1%** per year whereas transport including car and fuel prices increased by **0.3%**.

The transport category expenses increased very little due to the reduction in car taxes several years ago. However fuel, petrol and diesel, as well as kerosene for heating which constitute a substantial percentage of a large family's expenses due to its greater needs, increased by **7.14%** and **24.6%** per year respectively (the average was 16% for the three most recent years).

In the transport category we also include air transport the cost of which also decreased over recent years. However large family members do not benefit that much from reductions in car prices and cheaper air tickets because they do not often change cars neither do they travel often by air.

For the purposes of the present study therefore and for a more objective approach we will replace the transport category with the fuel

category to avoid the effect of lower taxation for cars. We consider that a family spends about £200 per month or £2,400 per year for all fuel expenses, petrol, diesel, kerosene. Based on the research of family budgeting for 2003 the average yearly family expense stands at £17,000. This means that an average family spends 14% of its income just on fuel. Given that from 2003 to the present time fuel increases amounted to 16% per year $\{(7.14\% + 24.6\%) / 2\}$ then the increase in the cost of living due to fuel per year since 2003 rises to 2%.

This finding differs from the findings of the School of Economic Policy of the Department of Economic Research of the University of Cyprus (Volume 1, November 2005) which estimates the total increase in the cost of living of families from the lower income strata at 1.31%. The same study however estimates that the total increase in the cost of living for the next two years (2006 – 2007) due to fuel prices will rise to 2%.

Based on the above we are led to the conclusion that around 50% of the products and services purchased by the average household are more expensive than shown by the general increase in prices.

The increase in child benefit by 3% per year, which the state has offered, is not fair and subtracts purchasing power from large families. For the purchasing power of child benefits to be maintained the increases should have been larger and more representative. The child benefit will have to rise by about half of the increases (which exceed the average increase that is 3%) for the categories where families spend more money, as shown in Table 2 below.

Example:

The category "accommodation, water, electricity, and gas" absorbs 5% of the expenses of a family that is considered to be well off and 20% of one considered to be poor. If the increase in prices was 10% then for the well off family the increase in the cost of living relative to the above category would be just 5%, $\{(5\%) * (10\%)\}$ which is almost negligible. But for the poor family the increase would amount to 2%, $\{(20\%) * (10\%)\}$ which is quite considerable. In other words the living standard of the poor family which is already low becomes even lower and the gap between rich and poor becomes greater. The increase in

child benefit that could correct this situation can be calculated once we weigh the increases that exceed 3%, according to their expenses in each category as described below.

III 2. How much should be today the compensatory increase in the child benefit to offset the reduction in its purchasing power from 2003 to the present.

If we take into account all of the above and if we suppose that the majority of large families are classified as poor based on the equivalent income, which is the European practice, then we arrive at the conclusion that large families suffer injustice and their living standard falls every year. To reverse this injustice against the large families, child benefit has to increase as follows:

Table 2 An estimate of the necessary increase in the child benefit to reflect the increase in the cost of living, the increase in national wealth and the needs of large families per year 2003-2005					
	(1)	(2)	(3)	(4)	(5)
	% Increase	Compensation	Difference	% Expenses	Additional Charge
Food	3.7%	3.0%	0.7%	15.1%	0.1%
Accommodation, electricity.....	5.1%	3.0%	2.1%	21.6%	0.45%
Fuel*	16.0%	3.0%	13%	14.0%	1.7%
Total additional increase in the cost of living					2.25%
Increase in the wealth of the economy					2%
Increase in the real needs					3%
Total benefit increase					7.5%

* The fuel category has replaced the transportation category
 For the remaining 50% of expenses of poor households the increases are normal

The first column presents the average increase of the prices in each category that has been selected. The second column presents the compensation that the state offers for the price increases in each category. The third column deducts the compensation from the average increase in prices in each category and the difference is multiplied by the percentage of the household expenses in each category which is found in the fourth column, so as to calculate the additional burden felt by the families, in column five. Then we add the increases that large families should receive relative to their increased needs and the distribution of the increased wealth of the economy, as mentioned above. Based on the above table large families should be compensated at 7.5% for each year from 2003 to 2005. Overall the benefit should in addition be increased by 22.5%.

All the above problems and realities are fundamental and require an immediate solution. As long as these problems remain unsolved the benefits offered to large families will have an ever diminishing purchasing power with the passage of time something that will lower the standard of living of large families and will render ineffective the incentives offered to increase the fertility rate. This can be very easily proven by the aggregating tables of the yearly demographic reports, where the problem can be detected.

III 3. The relationship between child benefit and birth rate

An analysis of the birth data and the fertility percentages published by the statistical service in its yearly demographic report reveals that when the state offers substantial economic incentives to families then the number of births goes up. Examining the births table (Appendix I) we observe that during 1992 a record in births was attained in Cyprus their number reaching 11 372, an increase of 9% over the previous year while the fertility rate increased from 2.33 to 2.49.

This increase in births coincides with the offering of considerable economic incentives which the state had announced during the previous year. Basically child benefit increased from £7 to £20 and was extended to all dependant children. In other words a family with four dependant children that received £14 per month (the benefit was just

for two of the children) with the new measures it received £80 that is the benefit increased six fold.

At the same time large families were given additional benefits. The families perceived these state actions positively and came to believe that the state had decided to launch a demographic policy that favoured having a larger number of children. Total births were sustained at higher levels for two years 1992 and 1993, but then began declining to this day.

But what has special significance is the effect of such economic incentives on large families, those in other words that wish to have four children or more. If someone notes the increase in births to a 4th, 5th, and 6th child in 1992, just a year after these substantial benefits were offered to large families, one can ascertain that **they increased by 32%, 37%, and 5% correspondingly**. The most significant fact is that births of a 4th, 5th and 6th child were sustained at levels higher than those of 1990 for 10, 13, and 12 years correspondingly.

The financial incentives of 1991 also had a significant effect on the birth a third child which in 1992 showed an increase of 13% and remained above the 1991 levels over the following four years. It is obvious that the economic incentives of 1991 had a considerable positive effect in increasing the number of births particularly within large families and this effect lasted for at least ten years.

In order to detect the difference effected by the economic incentives of 1991 among large families, we have attempted a separation between births that occur without economic incentives and those that occur with economic incentives. It was calculated that from 1988 and until 2002 the average percentage drop in the birth of a third child was 2.5%.

The percentage change in the birth of a third child is representative of the rate of change of birth numbers where economic incentives are not offered for two reasons. **First** the birth of the first two children is not that much affected by economic incentives and **second** the economic incentives of 1991 did not concern a third child but a fourth or more. We therefore applied the average percentage drop of 2.5% in the births of a 4th, 5th, and 6th child starting from 1987 (because it was in 1987 that the institution of child benefit was established) in order to

create three new times series – of births for the births of a 4th, 5th, and 6th child. The times series – show that supposed births that would materialise without the economic incentives of 1991, taking into account **the European wide tendency of birth rates to fall** (see Table and graph, appendix II). The difference between actual births and supposed births over the years that followed up to 2003, are considered to be the additional births caused by the economic incentives.

Let's note that the average drop in births would logically be greater than 2.5% since the births of a third child were influenced by the benefits provided by the state to families with four children or more (because for a family to count as large and receive child benefit it had to have more than three children). The results of these calculations are shown in the table of appendix II followed by four relevant graphs.

From the analysis it emerges that the benefits offered in 1987 and 1991 brought about a total of **6 487** births stemming from the birth of a 4th, 5th and 6th child. To this number we must add **5 868** additional births of a third child which was positively influenced, to produce a total of **12 337** births at all levels of birth. (Appendix II)

An analysis of the births for the years 2003 – 2005 reveals and ascertains that economic incentives increase births. The policy on existing benefits as it has been transformed by the tax reform of 2002/2003 has brought about an increase in the number of births in families with one, two or three children while it has impacted negatively on the birth numbers of large families with four children or more since they are decreasing as from 2003. This is clearly shown in Table 3 presented further down, where the births of a 1st 2nd and 3rd child increased after the tax reform that was applied in 2002/2003. At the same time births in large families decreased during 2003 for two reasons. First the tax reform impacted negatively on the financial situation of a large percentage of large families. Second the child benefit was to a great extent eroded due to the reasons mentioned above, therefore it no longer functions as an economic incentive.

Table 3
Child births 2000 – 2005

Year	1st	2nd	3rd	4th	5th	6th
2000	3185	2808	1442	609	137	41
2001	3061	2639	1291	518	129	29
2002	3026	2551	1195	461	136	37
2003	3161	2617	1195	389	121	26
2004	3568	2900	1242	351	87	31
2005	3501	2893	1294	373	87	39

Source: Demographic Report 2005

However beyond the tax reform factor two other important factors influenced the increase in births during the last three years, the increase in church marriages (Demographic Report 2005, page 107) and the net immigration of the last few years (Demographic Report 2005, page 151)

Therefore since financial incentives seem to be effective then the state should offer more financial incentives if it desires to see an increase in births. The ascertainment that financial incentives increase births is further strengthened if someone examines how the increases in the child benefits influenced births after 1991 when child benefit given to large families was increased from £7 to £20 and was extended to all children. During the following year births increased by 930 and the fertility index showed a sharp increase from 2.33 to 2.49²⁵. A similar increase was observed for births of a first, second and third child after the institution of the £17+ benefit for families with one or two children and £34+ for families with three children. The conclusion to be drawn from the above is that the offering of financial incentives is the only way that acts speedily and effectively.

Financial incentives must be offered regardless of income or other criteria because it is not only the poor families that find difficult to

have children but also the wealthy ones. Increasing child benefits just for the poor families will increase fertility only in these poor families and this will not bring about the desired increase in births but will instead cause social agitation in all classes of the population.

III 4. Paying a lump sum to increase births

A policy that recently began to be applied in countries that suffer from low birth rates it's the offering of a lump sum upon the birth of a child. Russia offers this incentive for the second child, France for the third, while Australia? offers it for every child. In Cyprus the problem starts after the second child. Despite the desire of Cypriots to have more children, the births of a third, a fourth, and a fifth child are declining dramatically. One of the significant factors that is responsible for the decrease in the births of a third, fourth, and fifth child is the economic problem faced by most families in Cyprus.

A related research that took place in Cyprus in 2003²⁶ mentions that 71% of those questioned believe that the economic burden of bringing up children is responsible for the declining number of births. The results of this research are presented in appendix VI. It is now accepted by the Cypriot society that children cost dearly and it is very difficult for a family to face up to the increased cost of bringing up children. After all the fact that **births are going down sharply after the second child** is not merely coincidental As can also be seen from the graph in appendix IV the difference in the births between the first and the second child is very small whereas the difference between the second and third child is great. This difference grows even more for the fourth and fifth child. Another important observation is that **every year the reduction in births after the second child is becoming more pronounced.**

Thus any demographic policy of the state will have to focus on increasing the births of a third, fourth, and fifth child. For a more effective demographic policy the state must subsidise the birth of the third child and over and the subsidy should increase for the fourth and fifth child to make the incentive more powerful. **For example the lump sum for the third child could be £4,000 for the fourth £5,000 and for the fifth £6,000. With today's facts (2005) the cost or rather the investment of the state would come to £7.5 million but it can very quickly cause a considerable increase in the number of births.**

CONCLUSIONS

The support program for the large families in Cyprus must be based on the future benefits that will arise for society and the economy and not on the cost of the program or the needs of large families. No matter how great the cost for the large family support program will be, the benefits that will result will be even greater. The financial contribution of the average person to the economy is much greater than the cost of his upbringing, education and his vocational establishment. Many studies undertaken in other countries have reached this conclusion. Also the needs of each family in the upbringing of its children must be taken into account when planning the financial incentives to be offered by the state. Even if it is fairer for poorer families to receive more money, attaining the objective of higher birth rates will become possible only if all families have more children.

The offering of benefits should also be thought of as a counterbalance to the economic burdens that families have to bear due to the birth and upbringing of their children. Child benefits should be the same for all large families because it is not just the families considered to be poor but also those considered to be wealthy that contribute children to society. The generous packages offered by Russia, France, Austria etc so as to increase their fertility index are not linked to income or other criteria. It is a fact that higher benefits will have a greater effect on poorer families yet they do not cease to be a powerful incentive and therefore a demographic measure for families that belong to the middle and upper income levels.

SUGGESTIONS

With all the above as a guide, for a demographic policy that will prove productive and at the same time socially just over the long term, we recommend the following:

The economic incentives for increasing the number of birth/fertility rate must be increased considerably in order to produce the desired results. Increases must reflect a child's age since expenses increase with age.

The family income must not be a criterion for providing child benefit. Otherwise equal demographic incentives for all families rich and poor can not be achieved.

Child benefit must be provided on an increasing scale according to the number of children in a family and also their ages.

The benefit will have to be increased each year according to the percentage of increase in the country's wealth so that even large families will be in a position to enjoy the higher standard of living enabled by the increase in wealth as happens with the general increases in the wages of those employed that are provided through the -. Also the increase in the child benefit will have to reflect the real increase in the cost of living and the increases of family needs each year. For the last three years the necessary increase for the above is estimated at 7.5% per year above the cost of living index. That is a total of 22.5% for the last three years.

The state will have to develop in addition, other programs for the families such as allowances for private and state centres for infant and child care to encourage women to have children and retain their work positions. The state will have to augment benefits for women who decide to have children as more maternity leave, more paternal leave, reduced hours at work etc

The bestowal of a lump sum of for example **£4,000** as a financial incentive for having a third child, **£5,000** for having a fourth child and **£6,000** for having a fifth child so as to counter the sudden drop in

the births of a third, fourth and fifth child. The government should consider these expenses as an investment in the economy so as to realise a larger number of births. Also this policy will be the most efficient one since it will produce immediate results and in the long term it will contribute to the solution of the problems caused by the aging of the population.

The offering of low interest home loans to young couples, from which an amount according to the number of children born to them will be written off eg for the first child £2,000 for the second £3,000, the third £4,000 the fourth £5,000, the fifth or more £8,000.

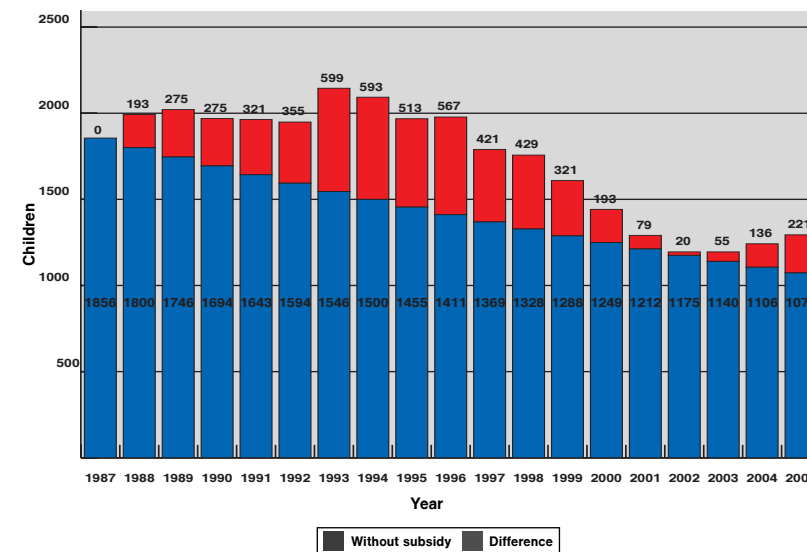
Endnotes

- 1 The demographic problem refers to the aging of the population. In 2005 the percentage of senior citizens (over the age of 65) stood at 12% of the total population and by the year 2050 it is expected to exceed 30%.
- 2 Scoutellis G. D. (1996) "The aging of the population and the problems it causes to social security" in "Aging and society", in the minutes of the panhellenic congress EKKE, p.p. 298-302, Athens
- 3 The general percentage of fertility is the number of births per 1000 women of the reproductive age from 15 to 49
- 4 Vasiliadou Eleni, Charalambous Chrysoula, Chondrogiannis G. (1998) "Factors that affect fertility. The modern Cypriot reality" Charokopio University, p.p. 48-54
- 5 Seminar Brussels 27/9/2004, source Eurobarometer 59.2, Candidate Countries Eurobarometer 2002
- 6 The Clearinghouse on International Developments in Child, Youth and Family Policies at Columbia University, Section 1.8: Child and Family Allowances
- 7 The first "Demographic seminar" took place on 27/9/2004 in Brussels. Three more followed.
- 8 An extract from the speech of the President of the European Commission Jose Manuel Barosso at the 2nd European Demographic Congress (Brussels 12/7/2005), Europe's response to demographic change, Brussels 12 July 2005
- 9 First Forum, "The Demographic Future of Europe" Brussels 31 October 2006
- 10 A second baby? Russia's mothers aren't persuaded., by Fred Weir, Correspondent of the Christian Science Monitor,
- 11 France shells out to increase births, Peoples Daily Online, China Daily, September 23 2005
- 12 Poutine veut redresser la natalité en Russie.....
- 13 T_rk_nyi _kos, "One Good Turn Deserves Another": Family Policy, Fertility, and Ageing
- 14 Social Union, Early Childhood Development, Canada, http://www.socialunion.ca/nca/supporting_e.html

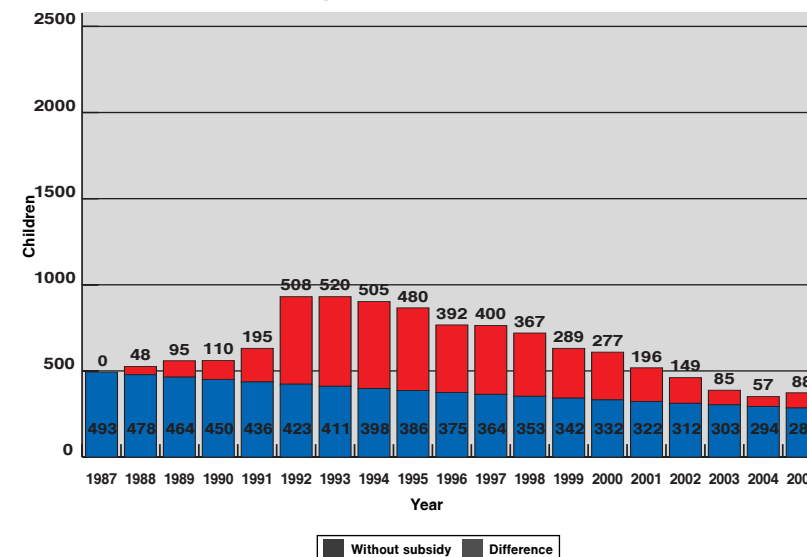
- 15 Demographic Report 2005, Statistical Service of Cyprus, p.p. 62-63
- 16 In a study investigating the demographic problem which was carried out by the Ministry of Labour and Social Security in 1998 under the title "A complete plan of demographic policy in Cyprus" the following were written: "In Cyprus there is no unified demographic policy. The measures that have been advanced at various times by different governments and which affect the population state of the country were taken within the framework of a wider state social policy and not within the framework of specific plan of demographic policy" p. 5, Nicosia, May 1999
- 17 Actuarial Valuation of the Social Security Scheme as of 31 December, 2003, Report to the Government of Cyprus
- 18 Convergence Programme of the Republic of Cyprus 2005-2009, Ministry of Finance, Dec 2005
- 19 Vasiliadou Eleni, Charalambous Chrysoula, Chondrogiannis G. (1998) "Factors that affect fertility. The modern Cypriot reality", Charokopio University, p.p. 48-54
- Peristianis N. (2003) "The social aspects of the demographic situation in Cyprus", in the demographic journal of The Pancypriot Organisation of Large Families (POP), 18/10/2003
- Intercollege (2004) "The modern state of the Cypriot family" KEA Intercollege
- Study on the formulation of Demographic policy proposal for Cyprus, May 2001 (print 2002) Intercollege for Cyprus Government
- 20 Demographic Report 2005, Statistical Service of the Republic of Cyprus
- 21 The equivalent income is the family income divided by the number of its adult members. More simply it is the per capita income taking into account the make up of the family
- 22 Poverty has faces in Europe (2004). 2nd report on poverty in Europe, The need for family-oriented policies, p. 25
- 23 How much should the child benefit be? Announcement 18/7/2006, Financial research unit, University of Cyprus
- 24 Investigation in family Budgets 2003, p. 14, Statistical Service of the Republic of Cyprus
- 25 Demographic Report 2005, Statistical Service of the Republic of Cyprus
- 26 Peristianis N. (2003) "The social aspects of the demographic situation in Cyprus", in the demographic journal of The Pancypriot Organisation of Large Families (POP), 18/10/2003

GRAPHS

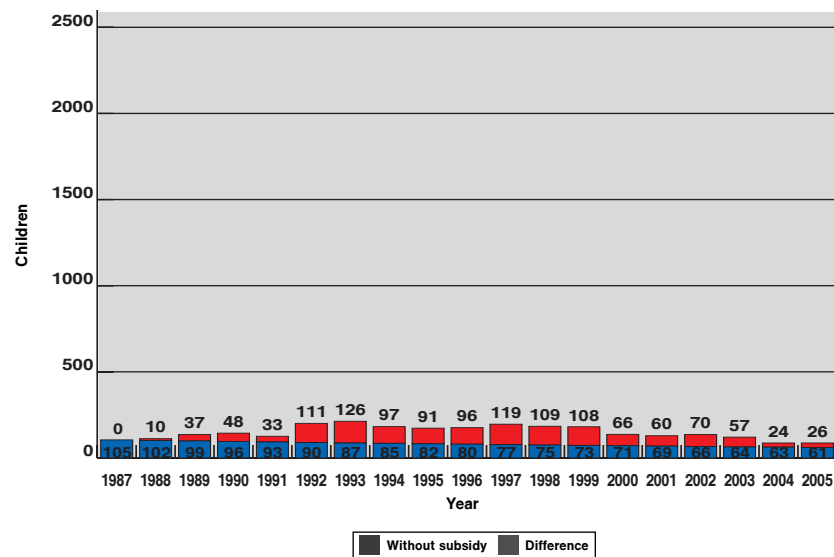
Graph 1: Birth of 3rd child



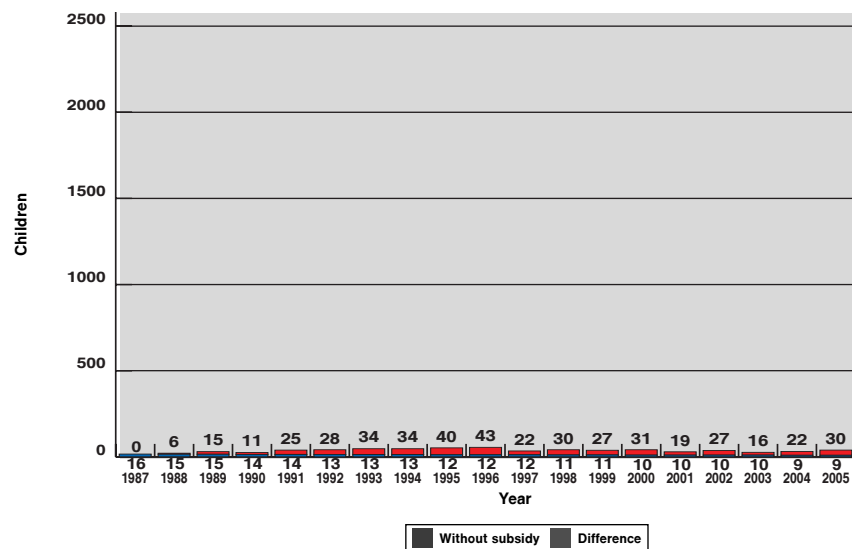
Graph 2: Birth of 4th child



Graph 3: Birth of 5th child



Graph 4: Birth of 6th child



The numbers in the purple columns represent births that occurred due to the offering of child benefit from 1987, 1991 and later

APPENDIX I

BIRTHS OF CHILDREN DURING THE YEARS 1974 – 2005

YEAR	1 st	2 nd	3 rd	4 th	5 th	6 th	7 th	8 th +	Undeclared	TOTAL	Fertility Percentage
1974	3500	3010	1324	387	139	65	43	93	32	8593	2,12
1975	3465	2627	1167	392	164	76	26	46	76	8040	2,01
1976	4417	3028	1161	357	127	63	31	44	67	9295	2,25
1977	3613	3381	1479	344	110	64	32	19	67	9108	2,25
1978	3962	3510	1369	313	82	33	15	25	73	9382	2,30
1979	4418	3500	1460	330	81	24	19	19	48	9899	2,38
1980	4726	3657	1463	327	89	35	15	16	55	10383	2,46
1981	4015	3921	1604	354	100	27	16	12	50	10099	2,37
1982	4563	3998	1740	357	94	33	9	11	35	10840	2,50
1983	4515	4004	1784	433	111	33	6	6	8	10900	2,48
1984	4466	4104	1855	445	85	26	8	7	9	11005	2,48
1985	4024	3920	1965	497	100	29	9	8	16	10568	2,38
1986	4069	4016	1951	503	104	25	15	6	2	10691	2,40
1987	4089	3763	1856	493	105	16	3	9	3	10337	2,32
1988	4298	3774	1993	526	118	21	8	4	10	10752	2,41
1989	3791	3707	2021	559	136	30	8	4	17	10273	2,37
1990	4093	3826	1969	560	114	25	10	5	20	10622	2,42
1991	3983	3646	1964	631	126	39	14	5	34	10442	2,33
1992	4145	3752	2249	931	201	41	12	4	37	11372	2,49
1993	3525	3545	2145	931	213	47	23	7	78	10514	2,24
1994	3537	3536	2093	903	182	47	14	11	56	10379	2,17
1995	3445	3313	1968	866	173	52	13	7	32	9869	2,03
1996	3411	3212	1978	767	176	55	14	13	12	9638	1,96
1997	3329	3118	1790	764	196	34	19	18	7	9275	1,87
1998	3237	2901	1757	720	184	41	21	12	6	8879	1,76
1999	3172	2843	1609	631	181	38	14	16	1	8505	1,67
2000	3185	2808	1442	609	137	41	17	9	199	8447	1,64
2001	3061	2639	1291	518	129	29	14	11	475	8167	1,57
2002	3026	2551	1195	461	136	37	13	14	450	7883	1,49
2003	3161	2617	1195	389	121	26	12	13	554	8088	1,50
2004	3568	2900	1242	351	87	31	7	13	110	8309	1,49
2005	3501	2893	1294	373	87	39	9	4	43	8243	1,42

Source: Demographic Reports of the statistical service of the Cyprus Republic

APPENDIX II

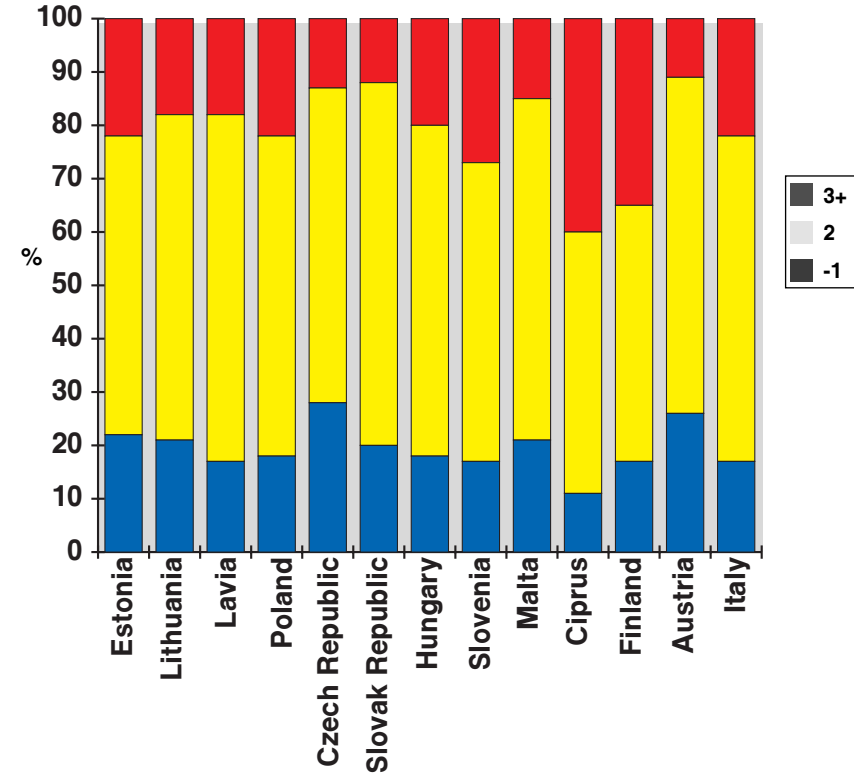
YEAR	Third child			Fourth child			Fifth child			Sixth child		
	With benefit	Without benefit	Difference	With benefit	Without benefit	Difference	With benefit	Without benefit	Difference	With benefit	Without benefit	Difference
1987	1856	1856	0	493	493	0	105	105	0	16	16	0
1988	1993	1800	193	526	478	48	118	102	16	21	15	6
1989	2021	1746	275	559	464	95	136	99	37	30	15	15
1990	1969	1694	275	560	450	110	114	96	18	25	14	11
1991	1964	1643	321	631	436	195	126	93	33	39	14	25
1992	2249	1594	655	931	423	508	201	90	111	41	13	28
1993	2145	1546	599	931	411	520	213	87	126	47	13	34
1994	2093	1500	593	903	398	505	182	85	97	47	13	34
1995	1968	1455	513	866	386	480	173	82	91	52	12	40
1996	1978	1411	567	767	375	392	176	80	96	55	12	43
1997	1790	1369	421	764	364	400	196	77	119	34	12	22
1998	1757	1328	429	720	353	367	184	75	109	41	11	30
1999	1609	1288	321	631	342	289	181	73	108	38	11	27
2000	1442	1249	193	609	332	277	137	71	66	41	10	31
2001	1291	1212	79	518	322	196	129	69	60	29	10	19
2002	1195	1175	20	461	312	149	136	66	70	37	10	27
2003	1195	1140	55	389	303	86	121	64	57	26	10	16
2004	1242	1106	136	351	294	57	87	63	24	31	9	22
2005	1294	1073	221	373	285	88	87	61	26	39	9	30
Additional children in each category		5868		4762		4762		1264		461		12335
Total of additional children												

The column "with benefit" represents the real number of births. The column "without benefit" represents the supposed number of births should benefits not have been offered. The difference is the additional number of births due to the benefits.

APPENDIX III

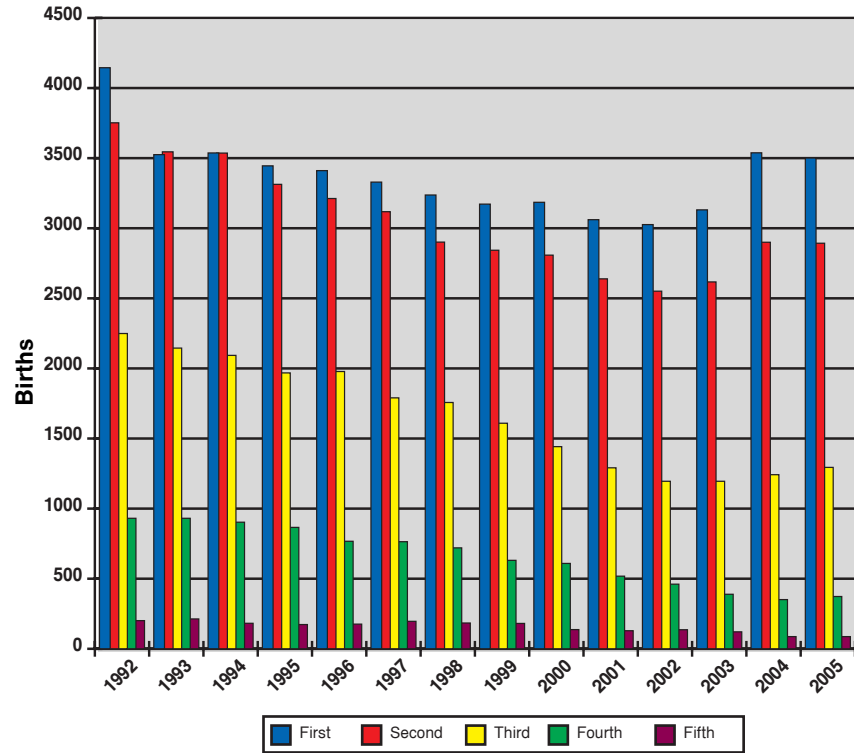
The distribution of the number of desired children (born and scheduled) among young adults aged 18 - 34 during 2001

Zsolt Spéder Demographic Research Institute, HCSO Budapest, Hung (from Eurostat) **Eurobarometer**



The tendency and disposition of Cypriots (40%) relative to other Europeans to have more than two children in the family is obvious here. This is something the state must utilise before it is too late.

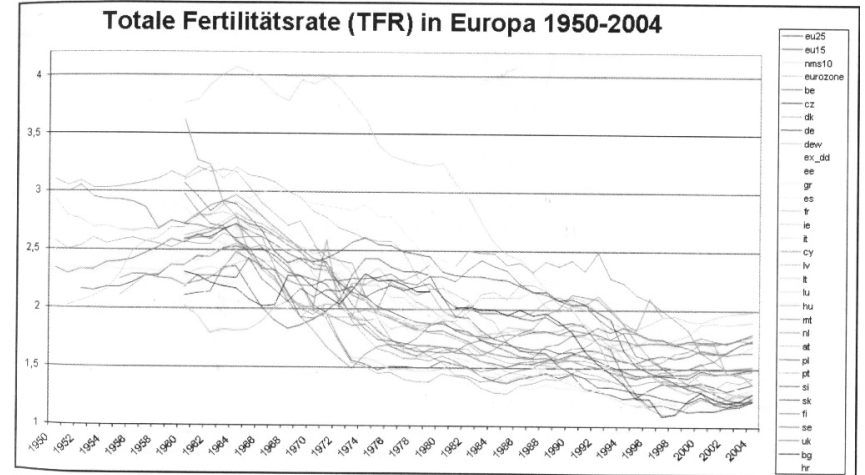
APPENDIX IV



APPENDIX V

Indexes of fertility for European countries

Aus dem folgenden Diagramm gehen die Gesamfruchtbarkeitsraten der aktuellen 25 EU-Mitgliedstaaten seit 1950 (in einigen Fällen 1960[4]) hervor. Die darin dargestellte Entwicklung zeigt deutlich den anhal-



Quelle: EUROSTAT (Daten) und IHS

APPENDIX VI

Reasons for the reduction in births										
The percentage of individuals that consider as very significant the relevant reason										
	AUS	BEL	CHE	DEN	HUG	IT	HOL	SP	SW	CY
Economic crisis and unemployment	18	20	42	50	68	31	20	73	27	64
The increasing number of women working outside the house	45	35	18	47	23	36	58	72	52	55
The large number of divorces	18	13	13	31	22	7	15	17	15	44
The sense that the population is increasing	6	2	2	18	1	7	15	17	15	8
The fact that people want to live more comfortably than in the past	56	21	22	53	13	41	56	73	54	55
The insufficient facilities for child care	14	6	6	45	39	18	21	26	23	40
The financial burden of bringing up children	24	16	31	50	63	39	30	74	43	71
The constantly increasing desire of men and women or independence and personal involvement	43	18	13	48	7	36	50	61	61	48
Fear about the problems of bringing up children	8	-	12	21	5	18	10	47	16	45
Inadequate accommodation conditions	36	3	32	50	62	23	12	43	38	30
Fear of the future	25	17	20	41	24	25	17	43	33	35
The idea that a smaller family is better for children	12	7	10	27	8	10	19	40	15	27
The increasing tendency of the population to move from the countryside to the cities	45	-	13	39	-	32	-	71	54	35

Source: Peristianis N. (2003) "The social aspects of the Demographic situation in Cyprus" Demographic Journal of "The Cyprus Organisation of Large Families" (POP), 18/10/2003

Extracts from the official talk of the Italian Minister of Political Affairs for the family Rosie Bindi on the recent First Forum "The Demographic Future of Europe" that took place in Brussels on 31st of October 2006

Over the next years we should aim at:

A) Focusing our social care on senior citizens and children with particular attention to those from **large families**.

B) opening more resolutely the door to legitimate immigration working in the meanwhile for a better integration of immigrant families with local ones.

C) Increasing the presence of women in the job market while applying new policies that will encourage couples to have children.

Let's examine the first point the focusing of care on senior citizens and **families with children**. [...]

A new system of welfare is going to be applied the new available resources of which, will be directed towards **individuals that today are truly suffering injustice** in other words the senior citizens and **the large families**. [...]

Consequently for European states to be able to guarantee what is "best" to all their citizens **they will have to place on this part of the scales ever greater resources** [...]

The same can be said for **policies aiming at supporting fertility, they should support children and large families which have suffered serious injustices from the economic point of view**. We are indeed going to apply policies that are able to complete a new network of services for the economic benefit of the family, particularly for smaller children.

We should also focus our attention **on guaranteeing equal opportunities to all children**. We know well that the birth of a second child represents for many families a total worsening of their living conditions. After all family poverty hits mainly the children and the senior citizens.

The effectiveness of these political actions is measured by their **ability to move couples to choose to acquire more than one child but mainly by reducing the danger of poverty among large families. And for us to be effective the tax benefits towards families and the cheques towards the children need to be financially considerable and to extend into the future** that is they shouldn't be confined to the first few years of the child's life. [...]

The new public finance reconstitutes and increases the economic measures taken for the benefit of families with children, offering tax reductions and larger cheques, reinforces the services network for the family and infant centres which are perceived in the main as a service which favours the educational development of children, expands maternal care with additional and **Flexible working schedule** puts in place the provisions that favour the bridging of a mother's duties towards work, the children, and old age persons.

