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Cyprus
Employment and Labour Law

Contributor

Hadjianastassiou,
Ioannides LLC

Gaston Hadjianastassiou

Partner | ghadjianastassiou@hillc.legal

Michalis Georgiou

Senior Manager | Employment Law | mgeorgiou@hillc.legal

This country-specific Q&A provides an overview of employment and labour laws and regulations applicable in Cyprus.

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Cyprus: Employment and Labour Law

1. Does an employer need a reason to lawfully terminate an employment relationship? If so, state what reasons are lawful in your jurisdiction?

Yes, for a dismissal to be lawful in Cyprus it must be based on one of the following pre-defined grounds for fair dismissal:

- The employee has become redundant.
- The termination is due to force majeure (war, political uprising, act of God or destruction of the premises by fire not caused by the willful act or negligence of the employer).
- The employment is terminated at the end of a fixed-term contract or because of the attainment by the employee of the normal retirement age by virtue of custom, law, collective agreement, work rules, or otherwise.
- The employee's failure to perform in a reasonably satisfactory manner.
- The employee behaves in a way that legitimises the employer to terminate the employment without notice, including but not limited to:
  - Gross misconduct by the employee;
  - Commission by the employee of a criminal offence, in the context of employment, without the agreement, express or implied, of the employer;
  - Behaviour by the employee that makes clear that the employer – employee relationship cannot be reasonably expected to continue;
  - Improper behaviour by the employee in the course of employment; and
  - Serious or repeated contravention or disregard by the employee of work or other rules in relation to employment.

The only exception to the rule that there needs to be a reason to lawfully terminate the employment of an employee is when such employee is on probation

2. What, if any, additional considerations apply if large numbers of dismissals (redundancies) are planned? How many employees need to be affected for the additional considerations to apply?

If an employer has the intention to terminate the contract of multiple employees within a short timeframe, it is possible that such action is regulated under the protective scope of the collective redundancies law and thus an additional consultation procedure needs to be followed and further information obligations are in place. These additional obligations are only relevant if the thresholds set by the relevant legislation are met. The thresholds take into consideration the average number of employees under employment and the number of employees dismissed over a period of 30 days (cf. table below).

Average number of employees	Minimum number of employees dismissed over the 30 days period
21 - 99	10
100 -299	10% of the workforce
300+	30

If the dismissals fall within the protective ambit of the legislation, employee representatives are to be consulted with a view to reach an agreement about possible alternatives to avoid or reduce the number of dismissals or ways to mitigate its consequences. The employer must also provide written information to the employee representatives and the relevant authority with respect to the intended redundancies and ensure that no termination of an employee's employment takes place earlier than 30 days from such notification.

3. What, if any, additional considerations apply if a worker's employment is terminated in the context of a business sale?

If the business sale falls within the protective scope of the transfer of undertakings legislation, both the transferor and the transferee undertakings must exercise caution when proceeding with any dismissals. The transfer itself does not constitute a valid reason for dismissal, unless dismissal is for an economic, technical or organisation reason.

If either the transferor or the transferee terminates the employment of any employees whether in anticipation of the business sale, or because of, or following such business sale, such termination may be considered unlawful, and may grant the right to the employee to bring a claim for damages for unfair dismissal.

Both the transferor and the transferee undertakings are under notification and consultation obligations with respect to affected employees, breach of which is an offence punishable with a fine.

4. Do employees need to have a minimum period of service in order to benefit from termination rights? If so, what is the length of the service requirement?

If the employee is on probation the employer is not required to have a reason to terminate nor provide a notice of termination. Probation is limited to 6 months for employees, while with respect to fixed-term employment relationships the length of such a probationary period is proportionate to the expected duration of the contract or employment relationship and the nature of the work. Where the contract is renewed, for the same function and tasks, the employment relationship shall not be subject to a new probationary period.

The six-month limitation is not relevant with respect to officers of legal persons and can be extended to up to 2 years, if such extended period of probation is expressly provided for and agreed in writing at the commencement of the employment relationship.

The above provisions are only in relation to the statutory right of unfair dismissal and do not cover cases of wrongful dismissal or any rights not to be terminated on the basis of non-discrimination legislation.

5. What, if any, is the minimum notice period to terminate employment? Are there any categories of employee who typically have a contractual notice entitlement in excess of the minimum period?

An employer intending to terminate the employment of an employee who has at least 26 weeks' seniority with that employer, is obliged to give the employee a minimum period of notice in writing, depending on the length of service, as follows:

Length of Service	Notice by the employer
26 to 51 weeks	1 week
52 to 103 weeks	2 weeks
104 to 155 weeks	4 weeks
156 to 207 weeks	5 weeks
208 to 259 weeks	6 weeks
260 to 311 weeks	7 weeks
312 or more weeks	8 weeks

There is no obligation to provide a notice period to any employee who is on probation, or to an employee who behaves in a way that legitimises the employer to terminate the employment without notice.

The parties may agree that a longer notice is served, but any clause in an agreement which purports to reduce the minimum amount of notice prescribed by the legislation is void.

Sometimes a longer period of notice is agreed in collective agreements or with respect to senior employees who view a longer period of notice as better protecting their interests.

An employee intending to terminate the employment relationship, who has at least 26 weeks' seniority with that employer, is obliged to give the employer a minimum period notice, depending on the length of service, as follows:

Length of Service	Notice by the employer
26 to 51 weeks	1 week
52 to 259 weeks	2 weeks
260 or more weeks	3 weeks

There is no obligation to provide a notice period to any employee who is on probation, or where the employees consider themselves to be constructively dismissed.

The parties may agree that a longer notice is served, but any clause in an agreement which purports to reduce the minimum amount of notice prescribed by the legislation is void.

6. Is it possible to make a payment to a worker to end the employment relationship instead of giving notice?

Yes, the right to make a payment in lieu of notice is provided by the relevant law even if not expressly provided for in the employment contract.

7. Can an employer require a worker to be on garden leave, that is, continue to employ and pay a worker during their notice period but require them to stay at home and not participate in any work?

Garden leave is not expressly provided for or regulated under Cyprus law.

It is not uncommon for such clauses to be included in contracts of employment for senior employees.

Such clauses can be challenged as being in breach of the

implied right of an employee to receive work.

The enforceability and scope of such clauses has yet to be determined in decisive manner by the Supreme Court of Cyprus.

8. Does an employer have to follow a prescribed procedure to achieve an effective termination of the employment relationship? If yes, describe the requirements of that procedure or procedures.

A termination notice must be given in writing and must clearly state the last date of employment. An additional procedural step that has legislative backing, is the right to be heard where termination is by reason of the employee's conduct or performance.

Although not expressly provided for in the relevant termination legislation, the Courts in Cyprus have many times highlighted the importance of following a structured procedure (depending on the reason of termination) before dismissing an employee. For example, it is expected that before an employer dismisses an employee for poor performance, it will previously inform such employee that their performance is poor, the reasons why it is poor providing examples, setting our expectations and standard of performance, and providing sufficient and reasonable period of time for such employee to improve.

Certain other procedural steps might be necessary in more specialised circumstances, for example, if the termination is by reason of redundancy. In such case, the employer must notify the relevant authorities of the impending redundancy at least one month prior to the termination date.

9. If the employer does not follow any prescribed procedure as described in response to question 8, what are the consequences for the employer?

Failure to provide a valid termination notice would enable the employee to bring a claim in order to recover the amount equivalent to the notice.

If an employee brings a claim for unfair dismissal with respect to a termination for which, among other things, no proper procedure was followed, the Courts will take such improper procedure into consideration in their assessment of the legality of the termination and may decide that such termination was unlawful. If this is the case, the employee will be awarded statutory compensation and the Court may also award increased damages since the way the termination came about is one of the factors that Courts need to take into consideration when exercising their discretion for the award of increased damages.

Additionally, if specific information, consultation or notification obligations are imposed on the employer, failure to comply with such obligations could be a criminal offence punishable by a fine.

10. How, if at all, are collective agreements relevant to the termination of employment?

Collective agreements will commonly provide additional requirements (such as consultation and notification obligations) before a termination of an employee takes place, especially with respect to redundancies or significant reductions in the workforce.

11. Does the employer have to obtain the permission of or inform a third party (e.g local labour authorities or court) before being able to validly terminate the employment relationship? If yes, what are the sanctions for breach of this requirement?

Normally, no permission or information obligation to any third party (except information obligation to employee representatives) is owed for the termination of the employment of an employee.

If the termination is due to redundancy or collective redundancies, transfer of business, merger, or other similar arrangements it might be necessary to provide termination information and/or consultation with appropriate parties/authorities.

12. What protection from discrimination or harassment are workers entitled to in respect of the termination of employment?

There is no single piece of legislation covering the protection of employees from discrimination based on protected characteristics, but there are several specific laws that individually cover different protected characteristics.

We set out below a non-exhaustive list of the protection afforded by different laws:

- No direct or indirect discrimination based on gender (pregnancy and maternity are considered as sex

discrimination factors) for equal pay for equal work.
- No direct or indirect discrimination based on gender (pregnancy, giving birth, lactation, maternity, or any disease because of the pregnancy, giving birth) and protection against harassment and sexual harassment and obligation for positive actions to promote the equality of genders in respect of employment, vocational training and orientation or access to the employment or vocational training and orientation.
- No direct or indirect discrimination, harassment, or direction for the imposition of discriminatory treatment because of religion or religious beliefs, age, sexual orientation, race, or national origin.
- No direct or indirect discrimination for people with disabilities and obligation for reasonable adjustments.
- No discrimination for employees working on a part time basis and obligation to consider requests to become full time employees.
- No discrimination for employees working on a fixed term basis and obligation to consider employees for contracts of indefinite period.
- No direct or indirect discrimination because of the participation or non-participation of a person to trade unions.
- No less favourable treatment of employees on the ground that they have applied for, or have taken, paternity leave, parental leave, carers leave, force majeure leave, or flexible working arrangements.
- No adverse discrimination against an employee who does not consent to remote work and remote workers are entitled to the same rights and have the same obligations as comparable employees working at the employer's premise.

Most of the above-mentioned laws also offer protection to victims of discrimination and/or harassment from retaliation.

13. What are the possible consequences for the employer if a worker has suffered discrimination or harassment in the context of termination of employment?

Possible consequences include orders for fair compensation, criminal liability, and fines and in certain circumstances where the employer is a company its officers may also be held liable. In certain circumstances, the Court may also request the reinstatement of the dismissed employee.

14. Are any categories of worker (for example, fixed-term workers or workers on family leave) entitled to specific protection, other than protection from discrimination or harassment, on the termination of employment?

With respect to fixed term contracts, where an employee works for the same employer for a period (whether continuous or not) of more than 30 months, the contact will automatically become indefinite, unless the employer can demonstrate objective reasons necessitating a fixed duration, including:

- The company needs for the execution of a project are temporary;
- The employee is replacing another employee;
- The specifics of the work undertaken, nature of duties and character of employment justifies fixed term employment;
- The employee is on probation;
- The fixed-term employment is in compliance with a judicial decision; and
- The physical and mental conditions of the employee are linked with the performance of the duties.

Additionally, as already discussed, there are laws protecting both fixed term employees and part-time employees from discrimination and there is a positive obligation on employers to inform and consider such employees for indefinite contracts and full time work respectively.

With respect to employees on family leave and more specifically paternity leave, parental leave, carers leave, force majeure leave, and request for flexible working arrangements, an employer is prohibited from terminating the employment, serving a termination notice, or taking preparatory actions in anticipation of a dismissal, within the period commencing from the date an employee submitted a written request of their intention to exercise any of their above rights and lapses on the date of lapse of such exercised right.

There is also a prohibition on the termination of employment of mothers (whether natural, adopting or surrogates) for a period ending 5 months following the lapse of the relevant maternity leave.

The only exceptions to the abovementioned prohibitions on termination of employment are where the employee is guilty of a serious offence or behaves in a manner which justifies the termination of employment, the relevant undertaking employing the employee ceases its operations, or the fixed term contract has lapsed.

15. Are workers who have made disclosures in the public interest (whistleblowers) entitled to any special protection from termination of employment?

Yes, such employees are protected against retaliation including termination of employment and a compensation order can be issued by the Court together with an order for reinstatement if the employee so wishes.

16. In the event of financial difficulties, can an employer lawfully terminate an employee's contract of employment and offer re-engagement on new less favourable terms?

Under Cyprus law, termination of employment due to financial difficulties can only be considered lawful if it falls within the legal framework of redundancy.

Pursuant to the relevant termination legislation, an employer who has terminated a contract of employment due to redundancy is obliged, within eight months after the redundancy occurred, to give priority during recruitment to the employees whose employment was terminated due to redundancy if the employer decides to increase the workforce of the same type or specialty as the redundant employee. Thus, the employer is anyway obliged to offer such work to an employee, and no restriction is imposed on the terms of re-engagement.

One consideration relevant to the question is the timing of the re-engagement. As the standard for proving that the financial difficulties justify a termination under the redundancy framework is rather high and will require a consistent decrease of the volume of work over a prolonged period, it is doubtful that an immediate re-engagement would make legal sense.

For the employer to be justified to proceed with making lawful redundancy terminations, the situation must be of such gravity that an immediate re-engagement is highly unlikely. Otherwise, there would be no point in terminating the employment anyway.

In any case, when the employer considers whether it should proceed with redundancies, it must firstly consider less invasive ways to tackle the issue at hand before terminating the employment of one or more employees. This can include suggesting a change of the terms of the employment with less favourable ones (whether for a fixed period or indefinitely).

17. What, if any, risks are associated with the use of artificial intelligence in an employer's recruitment or termination decisions? Have any court or tribunal claims been brought regarding an employer's use of AI or automated decision-making in the termination process?

The inherent risks with artificial intelligence are the technological and legal constraints such technology has, and the degree which artificial intelligence may simulate the myriad of considerations and factors that are taken into account during the recruitment and/or termination decision making procedures. Legal constraints include, among others, discrimination related considerations since the algorithm of such artificial intelligence can embed the conscious or unconscious bias of their programmers or of the historic data that the artificial intelligence programme will base its decisions on. Discrimination in this way can either be negative towards a specific race, ethnicity, gender, sexual orientation, background, etc. and conversely positive in favour of the same categories of characteristics. Furthermore, if the artificial intelligence programme will also be included in the actual procedure, it might be proven ineffective in identifying and assessing several non-verbal cues of a candidate and/or employee or any country specific mannerisms.

Similarly, an added risk is that candidates and employees may not respond as well to a computer programme facilitated by artificial intelligence, as they would before another human conducting a recruitment or termination interview.

A further consideration is that Cyprus, being a very small market, does not currently develop a great deal of artificial intelligence software or programs in relation to termination or recruitment of employees and will inevitably adopt or license software developed in other countries. Such programmes will naturally not take into consideration local idiosyncrasies, customs and culture in these areas and can lead to decisions taken on the wrong basis.

Depending on the nature of the processing undertaken by artificial intelligence in recruitment or termination decisions, it is also possible that personal data issues can arise and an employer needs to ensure that any such processing is lawful under the local legislation. Finally, with the adoption of the AI Act, employers need to ensure that any use of artificial intelligence in the decision making process is in line with the restrictions imposed by the said act.

We are not aware of any court or tribunal claim that was brought by an employee because of the use of AI or automated decision-making in the termination process.

18. What financial compensation is required under law or custom to terminate the employment relationship? How is such compensation calculated?

Depending on the reason for dismissal an employer will be obliged to serve at least the minimum statutory notice to an employee before dismissing such employee, unless a longer period has been agreed with the contract of employment. The employee can either continue working until the lapse of the notice period or the employer may decide to make a payment in lieu of notice.

The employer must also pay any other salary entitlement of the employee including accrued salary up to the date of termination, outstanding holiday entitlement, pro-rata 13th salary (if payable) and any other contractual entitlements, if such are payable on termination (e.g. bonus).

Other than the above amounts, an employer dismissing an employee on a lawful ground of dismissal will have no further payment and/or compensation obligations.

However, it is not uncommon when employers want to dismiss employees and there is dispute or uncertainty as to the legality of the dismissal, to offer compensation relative to the sums the employee would have been entitled to receive as minimum compensation in a claim for unfair dismissal in the Industrial Disputes Court. The minimum compensation an employee is entitled is in accordance with their year of service as follows:

Years of Employment	Weekly salary	Years of Employment	Weekly salary
1	2	14	35
2	4	15	38
3	6	16	41,5
4	8	17	45
5	10,5	18	48,5
6	13	19	52
7	15,5	20	55,5
8	18	21	59,5
9	20,5	22	63,5
10	23	23	67,5
11	26	24	71,5
12	29	25	75,5
13	32		

19. Can an employer reach agreement with a worker on the termination of employment in which the employee validly waives his rights in return for a payment? If yes, in what form, should the agreement be documented? Describe any limitations that apply, including in respect of non-disclosure or confidentiality clauses.

Yes, parties can enter into settlement and/or termination agreements to settle any employment related claims they might have against each other. There are no specific requirements that need to be followed prescribed by legislation, however in accordance with case law it needs to be clear from the wording of the agreement that the amount the employee is receiving is made in promise by the employee and in reliance by the employer that the former will not bring an action against the latter and that the amount received is in full and final satisfaction of all claims relating to the employment and its termination. The parties are free to include non-disclosure and confidentiality clauses, to the degree that such are lawful.

20. Is it possible to restrict a worker from working for competitors after the termination of employment? If yes, describe any relevant requirements or limitations.

It is not unusual for employment contracts to contain post-termination covenants. It is doubtful whether such restraint of trade clauses are enforceable under Cyprus law.

Firstly, such clauses can be in breach of the constitutional right to enter freely into any contract. It is generally perceived that an employer has a significant bargaining power over an employee and as such clauses restraining an employee from entering any other contracts might be considered to be against the relevant section of the constitution.

Secondly, in accordance with Cypriot Contracts Law, post-termination clauses in contracts are considered, in most cases, to amount to a restraint of trade and therefore are void and unenforceable, unless they fall under specific exceptions set out in the law (i.e. partnership and quasi partnership relationships).

To date, the Supreme Court of Cyprus has not examined in any useful detail the ambits of such clauses and therefore it would be difficult to predict how the Cypriot courts would approach such an issue. It is possible that a Court examining restrictive covenants seeks guidance from analogous common law treatment of the issue. If indeed this is the approach, the Court would probably

examine whether such clause as drafted (duration, geographic scope, type of restrictions, etc.) falls within the relevant legitimate interest and reasonableness tests.

21. Can an employer require a worker to keep information relating to the employer confidential after the termination of employment?

As the law currently stands trade secrets can remain confidential even after the termination of employment. The trade secrets definition is not however very broad and does not include any confidential information that could have been subject to protection during the employment period.

It is not uncommon for employers that wish to ensure further protection to any confidential information (whether it amounts to a trade secret or not) to offer a departing employee a non-disclosure agreement for an extra amount to have a contractual obligation additional to the standard implied duty arising from the employment relationship.

22. Are employers obliged to provide references to new employers if these are requested? If so, what information must the reference include?

An employee may request a former employer to issue a certificate setting out the period during which the employee was working for said employer and the type or types of work performed. The employer cannot include any derogatory comments in such certificate.

23. What, in your opinion, are the most common difficulties faced by employers in your jurisdiction when terminating employment and how do you consider employers can mitigate these?

We consider that the introduction of a statutory and/or institutionalised skeleton procedure to be followed in all different instances of dismissal which will be accompanied with approved guidelines (both from employer and employee representatives) providing further support to both employers and employees in such situations, will allow the employers to be better prepared in undertaking any dismissal exercise and would minimise terminations that could have been avoided. This becomes more important with time, since the Courts are increasingly considering whether a fair procedure was followed in the context of unfair dismissal claims. Employers can consult with professional advisors in creating a fair and flexible procedure to deal with any types of termination, to ensure that proper consideration and attention is given to a decision to dismiss, which will need to be fully justified and supported by evidence.

24. Are any legal changes planned that are likely to impact the way employers in your jurisdiction approach termination of employment? If so, please describe what impact you foresee from such changes and how employers can prepare for them?

There have been discussions for the modernisation of the current legislative framework regulating the termination of employment which is in place since 1967. Until today, no formulated policy on such reform has been published.

Contributors

Gaston Hadjianastassiou
Partner
ghadjianastassiou@hillc.legal

Michalis Georgiou
Senior Manager | Employment Law
mgeorgiou@hillc.legal