



Labour Market

2016

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Summary

In 2016, the labour market has partly recovered and the future indications are forecasted as promising.

Employment in persons and hours worked on average have risen compared with 2015 by 0.7% and 0.9% respectively.

Employment in the public sector between 2016 and 2015 remained constant in persons but denoted a decline as a ratio of employment due to the increase of employment. In 2016 public employment was reduced from 13.1% in 2015 to 12.7% in 2016. A reduction by 2.3% on average was recorded in underemployment as a ration of the labour force with respect to 2015.

In parallel, the unemployment rate as a ratio of the labour force denoted a reduction by 2 percentage points between 2015 and 2016. Youth unemployment (15-24) was also reduced to 29.1% in 2016 from 32.1% in 2015 but still remains at high level.

Furthermore the number of long term unemployed to the labour force declined from 6.8% in 2015 to 5.7% in 2016 replicating around 4.400 fewer persons.

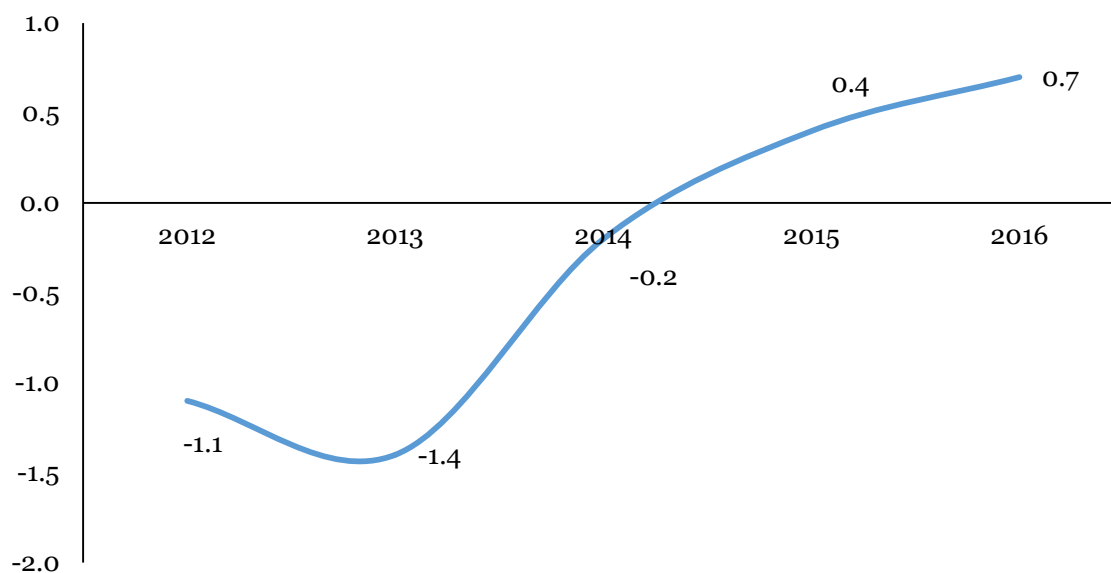
Labour market indications are positive and this encouraging picture is envisaged to continue due to estimated faster economic growth in the next three years, which it is forecasted to lead to employment growth and more jobs and hence, to a gradual downswing of the unemployment rate.

1. LABOUR SUPPLY

The positive signs in the labour market in 2016 continued as employment in SA terms, in persons, increased with a faster pace, by 0.7%, whereas in 2015 the upswing was only 0.4% (Figure 1.1). At the same time, underemployment as a ratio of the labour force in 2016 denoted on average a downswing by 2.3 percentage points compared to 2015 and the inactivity rate on average was reduced by 0.8% in 2016 compared to 2015.

In parallel, the labour force has risen in 2016 on average by 1% while in 2015 it had been reduced by 1.3%. The unemployment rate in 2016 denoted a reduction by 2 percentage points in relation to 2015 and from 15% declined to 13%.

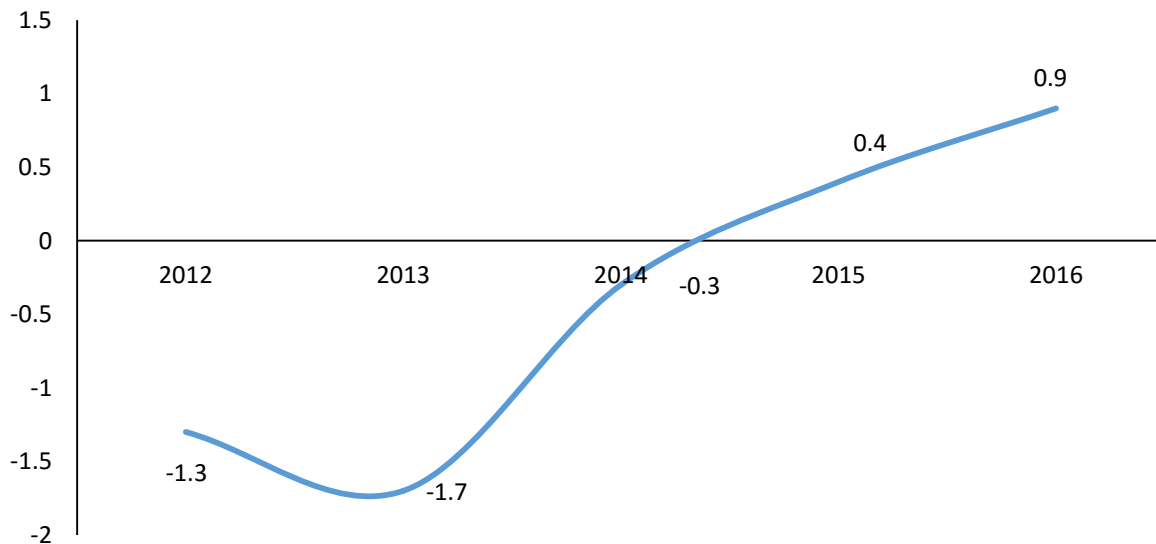
Figure 1.1: % annual change in employment SA, 2012-2016



Source: Cystat

The seasonally adjusted hours worked have increased on average by 0.9% compared to 0.4 in 2015 (Figure 1.2).

Figure 1.2: Annual % change hours worked SA, 2012-2016



Source: Cystat

During 2016, 103,078 persons were employed in flexible¹ forms of employment representing 24.4% of the labour force and denoting an increase by 2.1% compared to the previous year.

Employment in the public sector based on Public Administration and Personnel Department's (PAPD) data remained unchanged in 2015-2016 and was representing 12.7% of the seasonally adjusted employment force down from 13.1% a year earlier.

According to data by the Social Security Services² (SSS), Cypriots employed increased on average by 1.2% compared to 2015 while the Europeans working in Cyprus increased by 3.6% and employees from third countries reduced by 4.4% in relation to 2015 (Figure 1.3). As depicted in Figure 1.3 Europeans and third country nationals seem to have higher mobility than Cypriots who maintain a more constant labour mobility profile reflected in relatively constant variance.

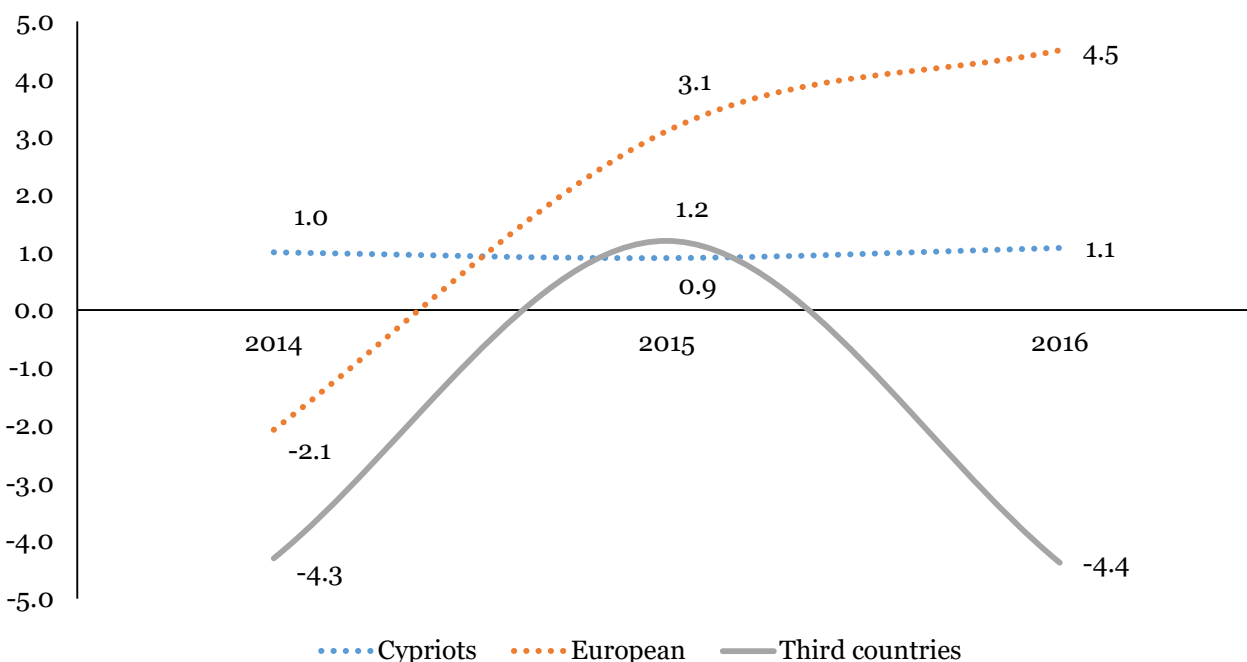
¹ Flexible forms of employment include the number of employees working part time and on temporary contracts.

² Source: Social Security Services

According to data by SSS, the distribution of employees by nationality was 80% Cypriots, 12.2% European and 7.8% from third countries.

Cypriots were employed mostly in the sectors of Wholesale and Retail Trade, Food and Accommodation services, Construction, Manufacturing and Education and to Professional, Scientific and Technical activities. European nationals were employed mainly in the sectors of Food and Accommodation services, Wholesale and Retail Trade and Construction. Lastly, third country nationals were employed to services of households as employers, constructions and agriculture.

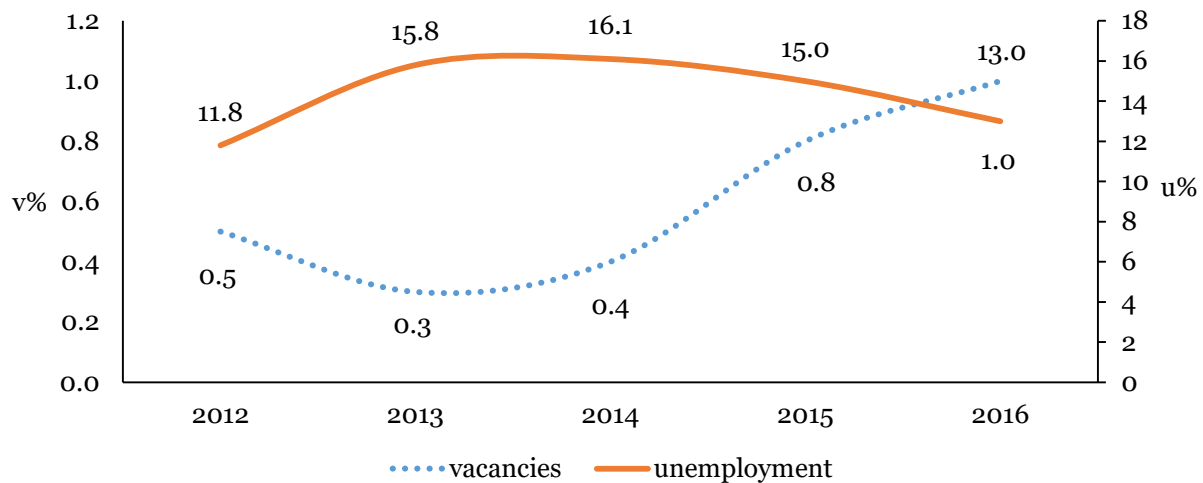
Figure 1.3: Annual % change in employment by nationality, 2014-2016



2. LABOUR DEMAND

In the demand side, the vacancy rate in 2016 increased on average by 1.0% compared to 2015. The unemployment rate has decreased to 13% from 15% in 2015 that has led the Beveridge³ curve to shift up and rightwards causing the labour market to adjust to a new equilibrium point (Figure 2.1).

Figure 2.1: Annual % change of vacancies and unemployment rates



Registered unemployment in 2016 on average denoted a small decline in relation to 2015 and from 43.159 persons reduced to 42.537 or by 1.4% of the labour force.

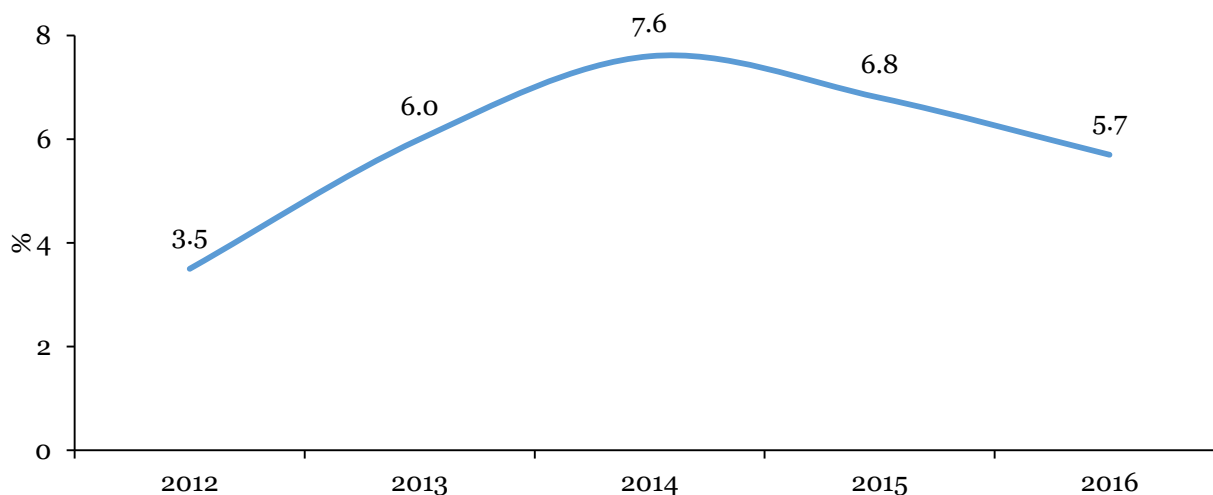
The constant restraint of registered unemployment is expected to lead to further reduction in unemployment benefit outlays improving the Social Insurance Fund's liquidity and confining public expenditure of the general government and contain pressures on the fiscal stance of the broader public sector.

³ The Beveridge curve or UV curve represents a graphical illustration of the relationship between the unemployment rates with vacancy rate (the number of empty jobs to the labour force).

Based on the results of the European Statistical Service for 2016 the average unemployment rate of 2016 was 13% of the labour force or 55.373 persons compared with 15% the previous year or 62.579 persons.

The unemployment rate for the ages 15-24 was reduced by 3.4% percentage points while long term unemployment also declined by 1.1% percentage point reflecting approximately 4.400 persons (Diagram 2.2).

Figure 2.2: Annual % change in long terms unemployment to labour force



Source: LFS

3. ACTIVE LABOUR MARKET POLICIES

The Active Labour Market Policies is a significant tool used to contain the number of unemployed persons and thus the unemployment rate. The purpose of these schemes is the reactivation of the unemployed through retraining and linking benefits to active participation in the labour market.

It is noted that the role of these schemes is catalytic amid high unemployment and also in periods of relatively low unemployment, thereby raising training and acquiring additional skills for all participants.

The active labour market policies reflected in specific schemes are targeted depending on the priorities set by the government in association with the needs of the economy while many of these policies are financed by national funds and/or co-financed by the European Social Fund of the European Union.

In the Table⁴ below the current and future active employment schemes are presented for which total real expenditure in 2016 equals €12.471.028 while the budgeted amount for 2017 is equal to €8.696.080 reflecting 7.812 participants that are equal to approximately 2% of employment in seasonally adjusted terms for 2016.

⁴ Source: Human Resources Development Authority

ACTIVE LABOUR MARKET POLICIES

SCHEME	DESCRIPTION	DURATION	2016 ACTUAL,	COMMENTS
			2017 BUDGET	
TRAINING PROGRAMMES FOR THE UNEMPLOYED	This Scheme aims at providing training opportunities to the unemployed for the acquisition, enrichment and/or upgrade of their knowledge and skills, according to labour market needs, in order to increase their prospects for the best possible integration in employment, as well as to meet their expectations for a new career.	2015-2021	Actual 2016:	Contractors (Training Institutions) are appointed by the HRDA to provide the training programmes, following a tendering procedure.
			96.655	6 training programmes were implemented in 2016 for specializations of the hotel and catering sector.
			101 participants	In 2017, 6 training programmes are being promoted for the provision of care services for the recipients of Guaranteed Minimum Income and 6 training programmes for the provision of care services for persons with paraplegia and quadriplegia.
				19 training programmes are also being promoted for specializations of the tourist sector and 20 training programmes for salespersons for recipients of Guaranteed Minimum Income.
			Budget 2017:	
			€1.200.000	
			600 participants	
Scheme for the Employment and Training of Tertiary Education Graduates	The Scheme aims at strengthening the management capacity of enterprises and organizations through the employment and training of qualified tertiary education	2015-2021	Actual 2016:	Implemented on a continuous basis.
			€4.903.322	
			812 participants	

	graduates, while helping the smooth integration of graduates in suitable job positions.		Budget 2017: €5.000.000 870 participants	
Scheme for the Training of the Long-term Unemployed in Enterprises/ Organizations	This Scheme offers training opportunities to the long-term unemployed in order to enter/re-enter employment with the parallel acquisition of the necessary knowledge and skills according to the needs of specific job positions.	2016-2021	Budget 2017: €1.500.000 450 participants	The HRDA accepts applications for participation in the Scheme from 1/7/2016 until 31/12/2017.
Scheme for the Provision of Incentives for Hiring Recipients of Guaranteed Minimum Income Combined with a three-month Training Period	The Scheme offers practical training and work experience opportunities to recipients of the Guaranteed Minimum Income in order to improve their employability and prepare their employment in a specific enterprise/organisation of the private sector.	2016-2017	Budget 2017: 203 850 participants	The HRDA accepts applications for participation in the Scheme from 15/11/2016 until 31/3/2017.
Multi-Company Training Programmes - Participation of the Unemployed	The Scheme aims at providing opportunities to the long-term unemployed to participate in training programmes implemented by Vocational Training Centers within the framework of the Scheme "Multi-Company Training Programmes".	2015-2021	Actual 2016: 19.956 129 participants Budget 2017: 600 4.000 participants	Implemented on a continuous basis. As of 1/1/2016, the scheme has been modified to include long-term unemployed persons who are non-recipients of the Guaranteed Minimum Income.
Job Placement of Unemployed Young Tertiary Education Graduates for the Acquisition of Work Experience in Enterprises/ Organizations – Scheme Co-financed by the HRDA/ESF during the programming period 2014-2020	The Scheme offers job placements to young unemployed tertiary education graduates, in order to improve their employability, providing at the same time the opportunity to enterprises/organizations to utilize unemployed persons. The Scheme is directed to tertiary education graduates less than 35 years old registered with the PES.	2014-2020	Actual 2016: €5.600.659 Budget 2017: 42.160	The latest call to enterprises and the unemployed took place in 2015. In 2016 implementation of the job placement programmes continued.