



Labour Market

3rd quarter 2016

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1. LABOUR SUPPLY

Indicators in the labour market continued to improve as employment increased (persons and hours worked) and in parallel underemployment and inactivity rates declined. The labour market developments reflect the growth reversal achieved from 2015 onwards. Despite the above satisfactory trends the unemployment rate in 2016Q3 denoted an increase from 12.2% in the 2nd quarter of 2016 to 13% of the labour force as measured by the Labour Force Survey (Labour Force Survey, Statistical Service). This increase is attributed by the Statistical Service to the termination of temporary contracts of teaching staff.

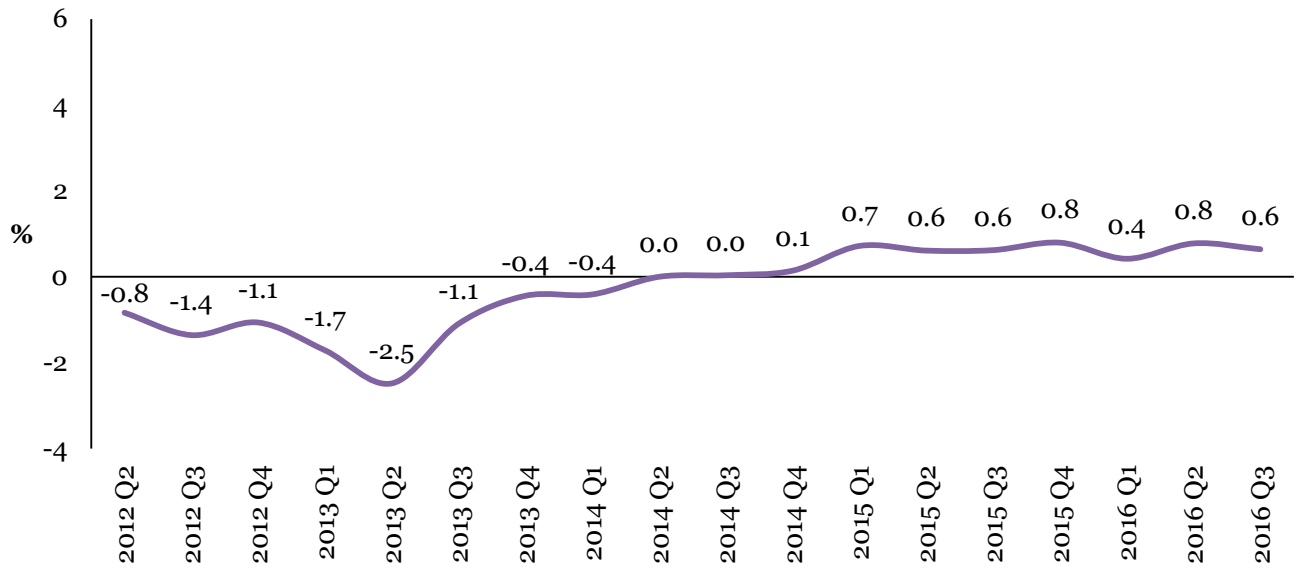
The seasonally adjusted employment¹ in persons in the 3rd quarter of 2016 increased by 0.6% in comparison with the previous quarter, as depicted in Diagram 1.1.

The number of persons employed during the 3rd quarter of 2016 was higher by 2.432 in relation with the previous quarter and by 9.888 with the corresponding quarter of 2015.

During the 3rd quarter of 2016 the number of jobs has risen by 1.305 compared with the same quarter of the previous year, while the rising trend commenced in the 4th quarter of 2014.

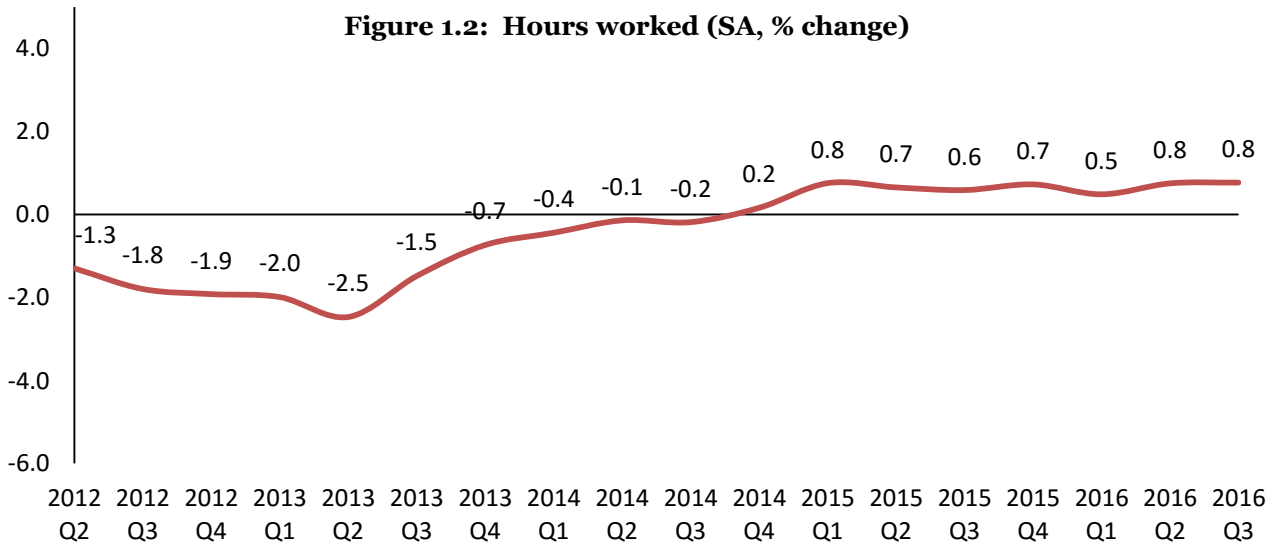
¹ Source: Statistical Service

Figure 1.1: Employment -persons (SA, % change)



Source: Cystat

Hours in seasonally adjusted terms in the 3rd quarter of 2016 have increased by 0.8 percent in relation to the previous quarter implying 41 more hours worked (Figure 1.2).



Source: Cystat

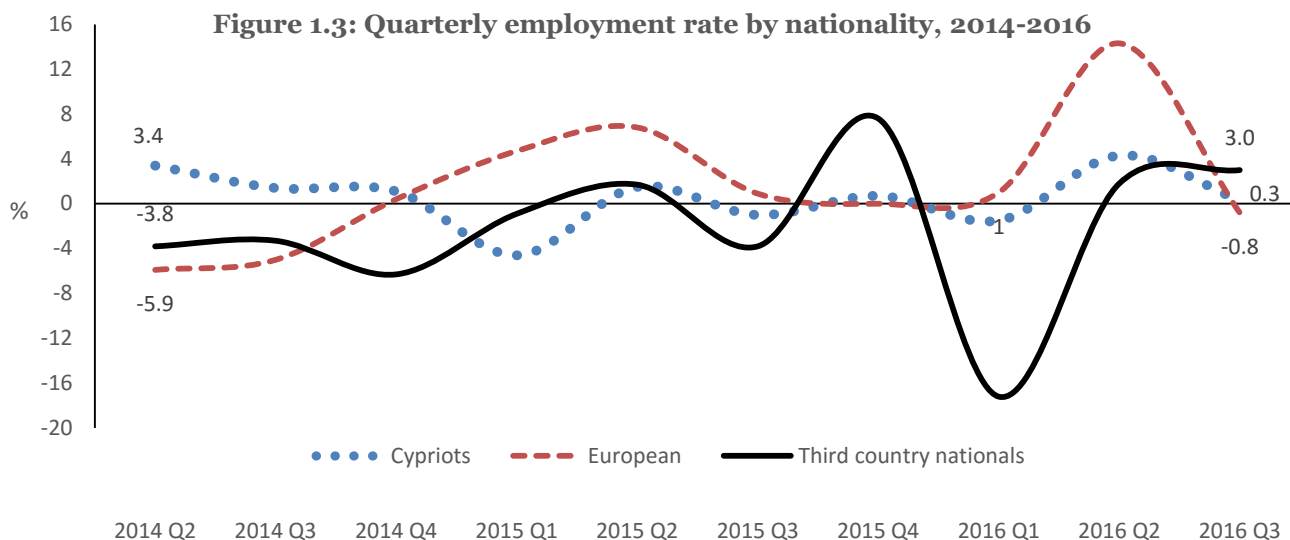
During the third quarter of 2016 it is estimated that 106.400 persons were employed in flexible² forms of employment representing 24.9% of the labour force while the number of under employed declined by 2.772 persons, representing 19% of the labour force denoting a decline by 0.7 p.p. compared with the previous quarter.

Employment in the public sector based on Public Administration and Personnel Department (PAPD) data remained unchanged to 48.000 persons compared with the corresponding quarter of 2015.

According to data by the Social Security Services³ (SSS), Cypriots employed in the 3rd quarter of 2016 compared with the previous quarter of the same year increased by 0.3% while employment of Europeans declined by 0.8% and citizens from third countries increased by 3%. Compared with the 3rd quarter of 2015 employment of Cypriots declined by 1% while employment of Europeans increased by 0.9% and third country nationals declined by 3.8% (Diagram 1.3). According to data by SSS, the distribution of employees by nationality was 80.1% Cypriots, 12.6% European and 7.3% 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.

² Flexible forms of employment include the number of employees working part time and on with temporary contracts.

³ Source: Social Security Services

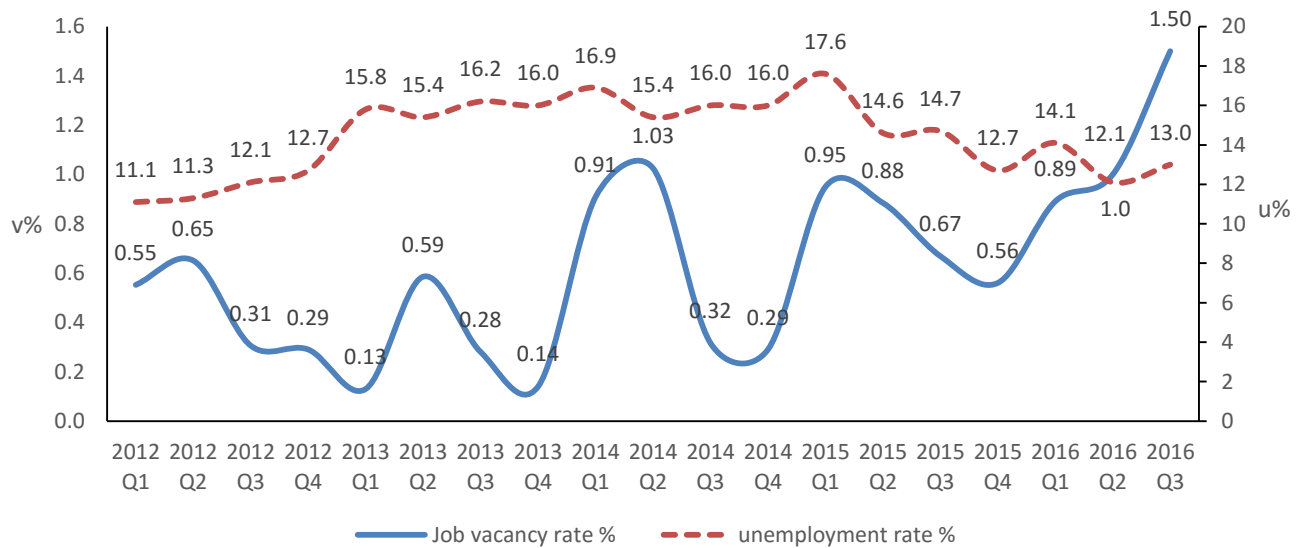


Source: SSS

2. LABOUR DEMAND

In the demand side, the vacancy rate the 3rd quarter of 2016 increased by 1.5% compared with the previous quarter of 2016. In relation to the unemployment rate that has increased to 13% that led the Beveridge⁴ curve to shift up and rightwards causing the labour market to adjust to a new equilibrium point (Figure 2.1).

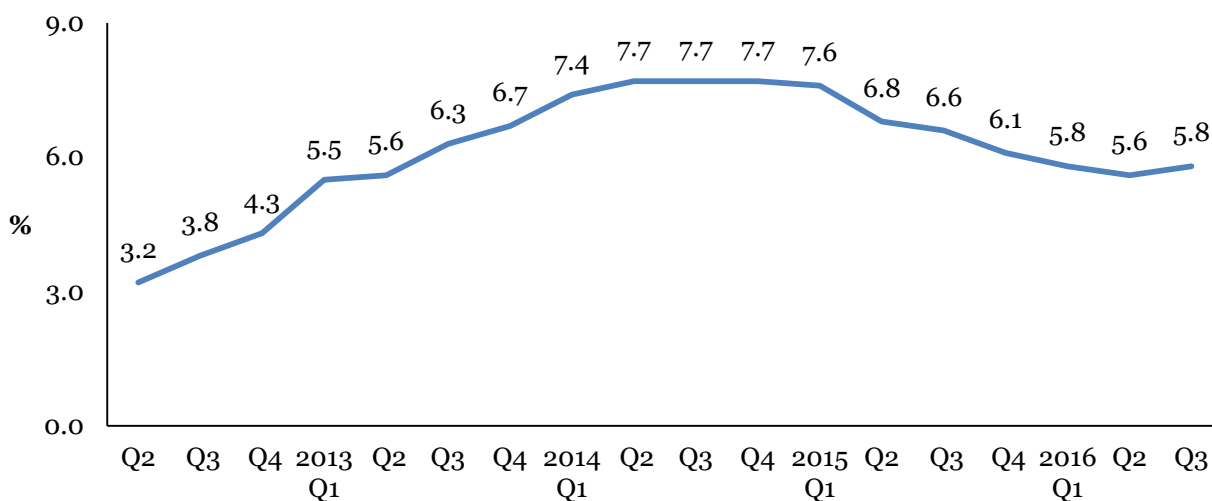
⁴ The Beveridge curve or UV curve represents a graphical illustration of the relationship between the unemployment rates with vacancy rate (the number of empty jobs to the labour force).



Registered unemployment in the 3rd quarter of 2016 remained relatively stable in relation to the 2nd quarter of 2016 while it was lower by 5.208 persons compared with the corresponding quarter of the previous year. The 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.

Based on the results of European Statistical Service for the 3rd quarter of 2016 the average unemployment rate for the first nine months of 2016 was at 13% of the labour force or 55.373 persons compared with 12.2% the previous quarter of the same year. Unemployment for the ages 15-24 increased in the 3rd quarter of 2016 and reached 30.1% from 26.7%, which was the previous quarter while it was lower with respect to the 3rd quarter of the previous year standing at 36.5%. Moreover, in the Education sector the average registered unemployed in the 3rd quarter of 2016 in relation to the previous quarter of the same year was higher by 1100 persons while the average registered unemployed for the ages 15-24 was lower by 145 persons.

In parallel, long term unemployed (above 12 months) as a ratio of the labour force in the 3rd quarter of 2016 increased to 5.8% from 5.6% in the 2nd quarter of 2016 and from 6.6% in the corresponding quarter of the previous year (Diagram 2.2). In the first nine months of 2016 the average long term unemployment rate was equal to 5.7% of the labour force.

Figure: 2.2: Long - term unemployed/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 Appendix, it is presented the current active employment schemes for which the total budgeted amount is €16.708.060 and covers 5.660 participants corresponding to about 1.5 percentage point of employment (Source: Human Development Authority Authority).

APPENDIX

ACTIVE LABOUR MARKET POLICIES

SCHEME	DESCRIPTION	DURATION	2016 BUDGET	COMMENTS
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	€1.000.000 400 participants	Contractors (Training Institutions) are appointed by the HRDA to provide the training programmes, following a tendering procedure. 6 training programmes are under implementation for specialisations of the hotel and catering sector.
Scheme for the employment and training of tertiary education graduates	The Scheme aims at strengthening the management capacity of enterprises and organisations through the employment and training of qualified tertiary education graduates, while helping the smooth integration of graduates in suitable job positions.	2015-2021	€4.000.000 720 participants	Implemented on a continuous basis.
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	€1.500.000 540 participants	The HRDA accepts applications for participation in the Scheme from 1/7/2016 until 31/12/2016.
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 Centres within the framework of the Scheme "Multi-Company Training Programmes".	2015-2021	€600.000 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/organisations to utilise unemployed persons. The Scheme is directed to tertiary education graduates less than 35 years old registered with the PES.	2014-2020	€6.370.990	The latest call to enterprises and the unemployed took place in 2015. In 2016 implementation of the job placement programmes continued.