



Labour Market

2nd quarter, 2017

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1. LABOUR SUPPLY

The positive indications in the labour supply continued during the 2nd quarter of 2017. **Seasonally adjusted (SA) employment** in persons has denoted a faster increase compared with the previous quarter of the same year (Figure 1.1)¹. In relation to the corresponding quarter of 2016 SA employment has risen by 11.500 persons or 3.4%.

At the same time, **underemployment as a ratio of the labour force** was reduced by 3.0 percentage points (p.p) in the 2nd quarter of 2017 compared with the previous quarter and the **inactive labour force** was also reduced by 2.7% between the 2nd quarters of 2016 and 2017.

Figure 1.1

In parallel, the labour force has risen by 0.7% between the 2nd quarter of 2017 and 1st quarter of 2017. The **SA hours worked** have risen by 3.0% in relation to the same quarter of the previous year and by 0.7% in relation to the previous quarter of 2016 (Figure 1.2).

Employment in the public sector² based on the Public Administration and Personnel Department' (PAPD) data was reduced in the second quarter of 2017 with regard to 2016 to 12.4% of SA employment while 1 year earlier was 12.8%. The decline is associated with the rise denoted in the SA employment.

Cypriots employed during the 2nd quarter of 2017 increased by 3.6 p.p. compared to the previous quarter of the same year, Europeans have risen by 3.8% while employment of third country nationals was raised by 5.7% (Figure 1.3).

¹ The diagrams, statistical data and the ALMPs table are presented as Appendix into the corresponding XL file of the website under the heading "Economic Indicators".

² Source: PAPD

The distribution of employees³ based on their nationality was 80% Cypriots, 13% European and 7% from third countries.

Three sectors of economic activity that Cypriots employed most were related to Retail and Wholesale Trade, business services, tourist services and professional and technical services. Europeans employed mostly in the tourist industry in the retail and wholesale trade and in construction and for third country nationals in the household services sector and in construction.

During the 2nd quarter of 2017 it is estimated that 101.887 persons were employed in flexible⁴ forms of employment representing 24.0% of the labour force.

2. LABOUR DEMAND

In the demand side, the vacancy rate the 2nd quarter of 2017 increased by 0.8% while the unemployment rate denoted a significant reduction to 11% of the labour force. The above trends have shifted outwards the Beveridge curve causing the labour market to adjust to a new equilibrium point (Figure 2.1.) compared with the previous quarter of 2017.

Registered unemployment in the 2nd quarter of 2017 was reduced further on average by 4.000 persons in relation to the 2nd quarter of 2016. According to data held in labour district offices, the number of registered unemployed was 33.938 persons in the 2nd quarter of 2017 while in the 2nd quarter of 2016 was 37.939.

The implied constraint 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.

In parallel, long term unemployed (above 12 months) as a ratio of the labour force in the 2nd quarter of 2017 was reduced to 4.9% from 5.3% that was in the 2nd quarter of 2016 (Figure 2.2).

³ Source: Social Security Services.

⁴ Flexible forms of employment include the number of employees working part time and with temporary contracts.

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 Table below it is exhibited that ALMP's cover vulnerable groups of the population, inter alia, including unemployed, unemployed and GMI recipients, persons under the age of 30, long term unemployed, long term unemployed and public assistance recipients combined in parallel with schemes offered by the Human Resources Development Authority that target to the entrance, reentrance and training of the unemployed in the labour market.

For the years 2015-2022 the total budgeted amount by national and EU funds is €91.8 million and for 2017 the amount is estimated to €33.9 million. The purpose of these funds is to reactivate unemployed persons so as to maintain their previous skills and acquire new skills.

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