



Labour Market

3rd quarter, 2017

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1. LABOUR SUPPLY

The improvement in labour supply conditions continued being significant in the 3rd quarter of 2017 in relation to the previous quarter and in comparison with the same quarter of the previous year.

Seasonally adjusted (SA) employment in persons has increased by 0.7 % compared with the previous quarter of 2017 (Figure 1.1)¹. In relation to the corresponding quarter of 2016 SA employment has risen by 12.768 persons or 3.4%.

At the same time, **underemployment as a ratio of the labour force** was reduced by 7.4% in the 3rd quarter of 2017 compared with the previous quarter and the **inactive labour force** was also reduced by 1.5% between the 3rd quarters of 2016 and 2017. In parallel, the labour force has risen by 0.7% in the 3rd quarter of 2017.

The **SA hours worked** have risen by 3.1% in relation to the same quarter of the previous year and by 0.7% in relation to the previous quarter of 2017 (Figure 1.2).

Employment in the public sector based on the Public Administration and Personnel Department's (PAPD) data has risen marginally by 291 persons in the 3rd quarter of 2017 with regard to the previous quarter of 2017 and reduced to 12.3% of SA employment from 12.6% one year earlier. The decline is associated with the increase of the SA employment.

Cypriots employed during the 3rd quarter of 2017 increased by 2.5 percent compared with the previous quarter of the same year, Europeans were reduced by 6.4% while employment of third country nationals increased by 0.7% (Figure 1.3).

The distribution of employees² based on their nationality was 81% Cypriots, 12% 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.

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: Social Security Services.

Europeans were 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 flexible³ forms of employment representing 24.0% of the labour force.

2. LABOUR DEMAND

On the demand side, the vacancy rate during the 3rd quarter of 2017 increased by 1.3% while the unemployment rate denoted a significant reduction to 10.5% of the labour force compared with 13% a year earlier. The above trends have shifted leftwards and outwards the Beveridge⁴ curve causing the labour market to adjust to a new equilibrium point (Figure 2.1.) compared with the same quarter of the previous year.

Registered unemployment in the 3rd quarter of 2017 was reduced further on average by 893 persons in relation to the 2nd quarter of 2017. According to data held in labour district offices, the number of registered unemployed was 30.208 from 35.302 that was in the 3rd quarter of 2016.

The fall in 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 3rd quarter of 2017 was reduced from 5.8% to 4.3% that was in the 3rd quarter of 2016 (Figure 2.2).

The reduction concerns 6.398 persons in one year time.

³ Flexible forms of employment include the number of employees working part time and with temporary contracts.

⁴ The Beveridge curve or the UV curve is a graphical representation of the relationship between the unemployment rate and the vacancy rate (the number of vacant jobs as a ration of the labour force).

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 Table⁵ below it is exhibited that ALMP's cover vulnerable groups of the population, inter alia, the 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 the accession, re-accession 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 at € 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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⁵ Source: Labour Department and Human Development Authority.