



Labour Market

2nd quarter, 2019

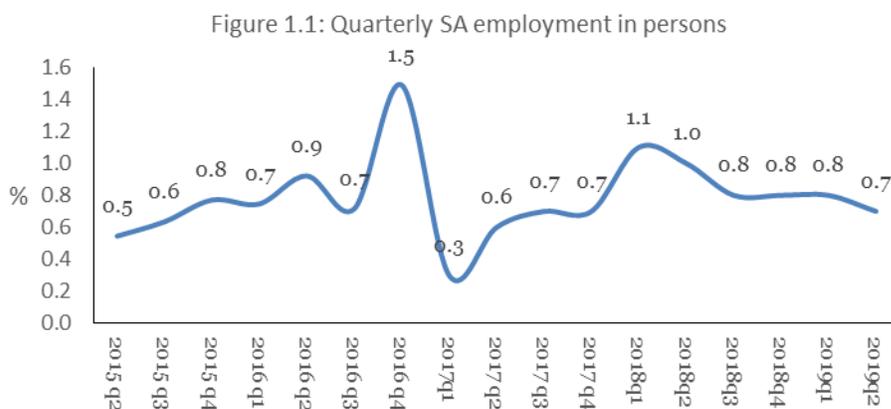
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1. LABOUR SUPPLY

Labour supply continued to exhibit positive growth rates in the 2nd quarter of 2019 in relation to the previous quarter and in comparison with the same quarter of the previous year. The labor force increased in the second quarter of 2019 compared with the same quarter of the previous year by 3% and reached 447.364 persons.

Seasonally adjusted (SA) employment in persons increased by 0.7 percent compared with the previous quarter of 2019 (Figure 1.1)¹. In relation to the corresponding quarter of 2018, SA employment in persons increased by three percent.

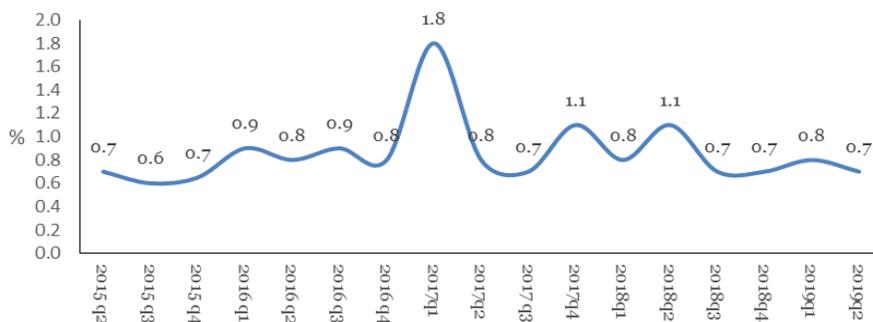


At the same time, **underemployment as a ratio of the labour force** denoted a significant downswing by 22% during the 2nd quarter of 2019 compared with one year earlier. In absolute number the reduction was 12.873 persons. The stable and large reduction of underemployment indicates the return to full or part time jobs in the labour market and equals to 10.3% of the labour force compared with 13.5% in the second quarter of 2018.

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”.

Hours worked SA increased by 0.7 percentage point in the second quarter of 2019 compared with the previous quarter (Figure 1.2). In relation to the same quarter of the previous year the SA hours worked increased by 3 percent.

Figure 1.2: Quarterly change of SA hours worked



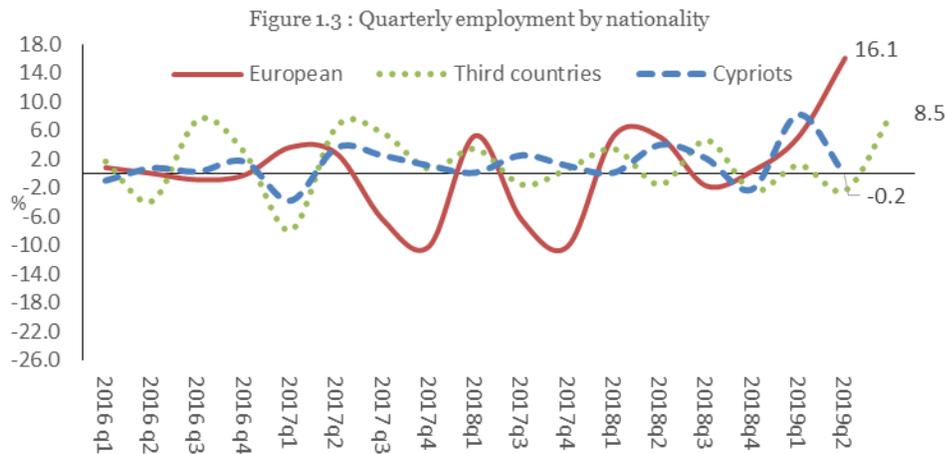
Employment in the public sector based on the Public Administration and Personnel Department’s data exhibited a significant downswing in 2019Q2. The reason behind this is the reduction of hourly paid personnel employed to the Ministry of Health and more precisely, in the public hospitals and their transfer into the State Health Services Organization as part of the broader public health reform. Moreover, it is denoted that the employment in the public sector as a ratio of the SA employment in 2019Q2 is equal to 11% compared to 11.7% in 2018Q2. The reduction is attributed to the increase of the SA employment and in the real decline of employment in the public sector.

Cypriots employed during the 2nd quarter of 2019 stabilized to 332.020 persons compared with the previous quarter of the same year. Europeans employed in Cyprus denoted an increase of 16.1% while the third country nationals increased by 8.5% in relation to the previous quarter of 2019 (Figure 1.3).

The distribution of employees² based on their nationality was 79% Cypriots, 13% European and 8% from third countries.

The sectors of economic activity that Cypriots employed mostly were related to retail and wholesale trade, business services, tourist services and professional and technical services. Europeans were by far employed in the tourist industry, the retail and wholesale trade and in construction and third country nationals in the household services sector and in construction.

² Source: Social Security Services.



During the second quarter of 2019, it is estimated that 99,983 persons were employed in flexible³ forms of employment representing 22% of the labour force.

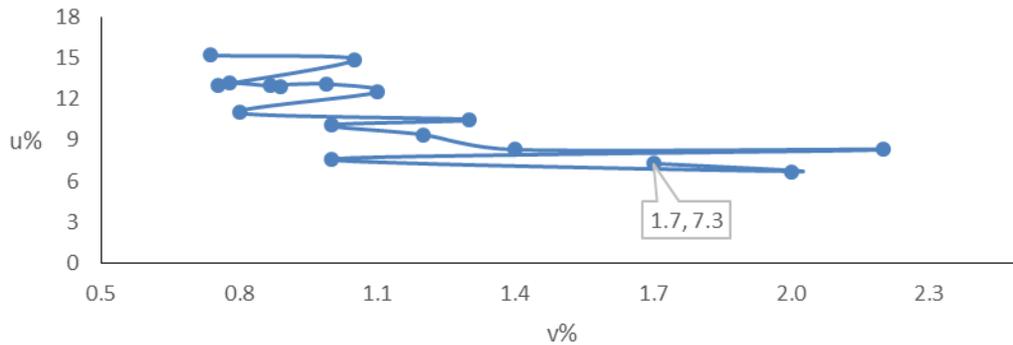
2. LABOUR DEMAND

In the demand side, the vacancy rate during the second quarter of 2019 enhanced by 1.7% while the Eurostat seasonally adjusted unemployment rate in the same quarter, stabilized to 7.3% of the labour force compared with 8.1% one year earlier. The above trends shifted leftwards the Beveridge⁴ curve causing the labour market to adjust to a new equilibrium point as shown in Figure 2.1.

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 ratio of the labour force).

Figure 2.1: Beveridge curve 2015q2-2019q2



Registered, seasonally adjusted unemployment in the second quarter of 2019 declined on average by 4.620 in relation to the previous year. Based on the data held by the district labour offices, the average number of SA registered unemployed in the 2nd quarter of 2019 declined by 18% compared with the same quarter of the previous year.

The stable 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 budget balance.

In parallel, long term unemployment (above 12 months) as a ratio of the labour force in the second quarter of 2019 fell to 2.1%. In comparison with one year earlier the percentage of SA registered unemployment in the second quarter of 2019 was lower by 0.4 percentage points (Figure 2.2).

Figure 2.2: Quarterly long term unemployment rate to labour force



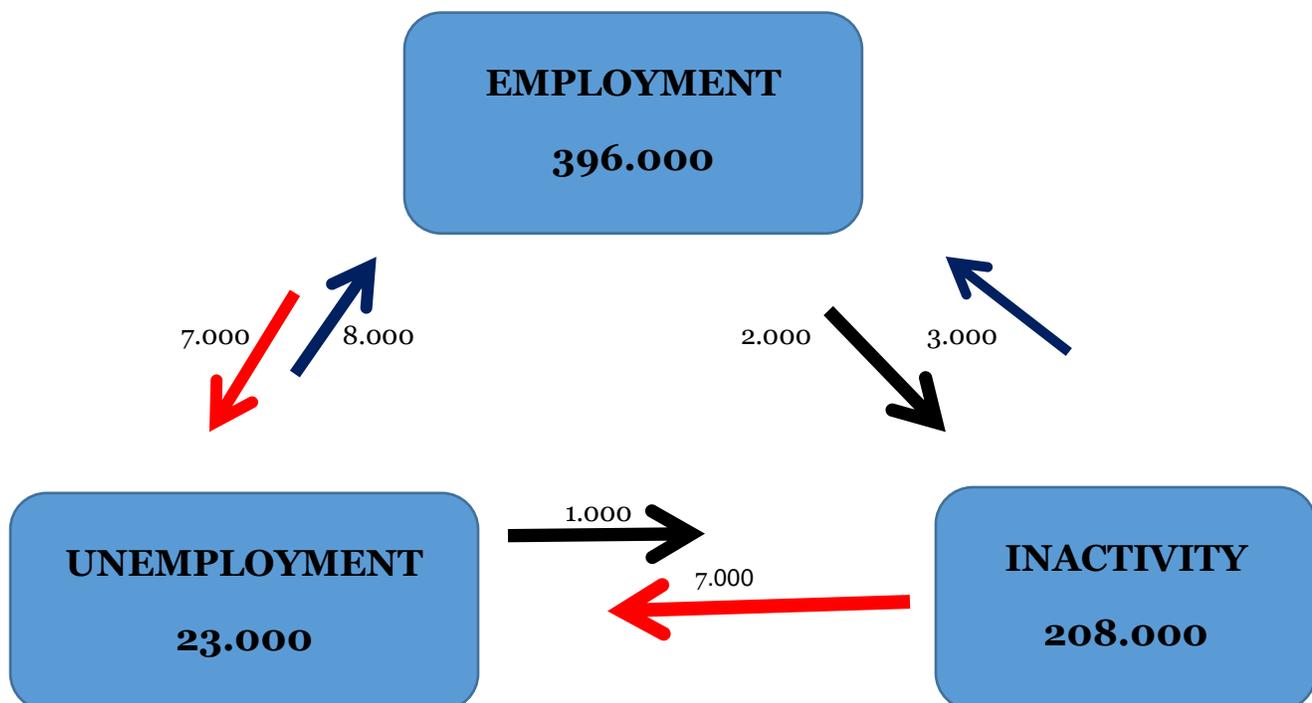
EMPLOYMENT-UNEMPLOYMENT-INACTIVITY FLOWS

Based upon the quarterly data published by Eurostat, the Employment, Unemployment and Inactivity flows are monitored so as to record the number of persons moving in and out of the corresponding pools and thus identify the relative transfers.

Under this scope, it could be pinpointed the net number of persons moving in and out of the relevant pools and thus, it can be an additional component of the current quarterly labour market analysis.

The attached diagram is based on data of the first quarter of 2019 in relation to the fourth quarter of 2018. Each pool of the three maintains a starting number of persons (stock), which changes according to the moving flows.

The concluding remark that can be reached by the below diagram is that between 2019q1/2018q4, a net increase of 7.000 persons joined the labour market via entering the employment or the unemployment pools instead of being inactive.



- a) Net increase in employment 2.000 persons.
- b) Net increase in unemployment 5.000 persons.
- c) Net decrease of inactivity by 7.000 persons or net increase in activation by 7.000 persons.

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.

The Table⁵ below exhibits 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.

Within the programming period 2015-2022 the total budget for the ALMPs equals to €125.843.000 of which €43.193.000 million are from national funds and €82.650.000 millions are co-financed with the EU.

For 2018 €9.441.270 consisted the financing from national funds and €9.000.000 were co-financed. For 2019 €9.679.430 consisted the financing from national funds and €15.100.000 were co-financed. In 2020 the total budgeted expenditure in ALMPs equals to € 13.750.030.

⁵ Source: Labour Department and Human Development Authority.

APPENDIX: ACTIVE LABOUR MARKET POLICIES