Labour Market

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Summary

During 2019, the labour market exhibited a substantial recovery pursuing the high economic growth rate, estimated at 3.2% according to the latest projections of the Statistical Service. In parallel, all other relevant indicators support the significant improvement of the labour market.

Employment in persons and hours worked have increased on average in 2019 compared with one year earlier by 3.2% and 2.9% respectively in seasonally adjusted (SA) terms.

In the public sector, employment in persons in 2019 denoted a decrease as a ratio of SA employment and declined to 10.8% from 11.4% that stood one year earlier. The decline is wholly attributed to the increase of employment in persons. Underemployment in persons denoted on average a decrease and reached 10.6% of the labour force in 2019 compared with 12.7% of the labour force in 2018.

The above promising situation in employment terms is reflected in unemployment figures. The unemployment rate denoted a significant reduction from 8.4% in 2018 to 7.1% in 2019. Youth unemployment (ages 15-24) declined to 17% in 2019 from 20.2% on average in 2018. Furthermore, long run unemployment as a ratio of the labour force continued its declining trend from 2.7% in 2018 falling to 2.1% in 2019.

1. LABOUR SUPPLY

The positive developments in the labour market continued, as average employment in persons, in SA terms, recorded an increase of 3.2% in 2019 compared with 2018. In 2019, employment recorded an increase of 3.2% (Figure 1.1). At the same time, underemployment as a ratio of the labour force in 2019 denoted a marked decline from 12.7% to 10.6%.
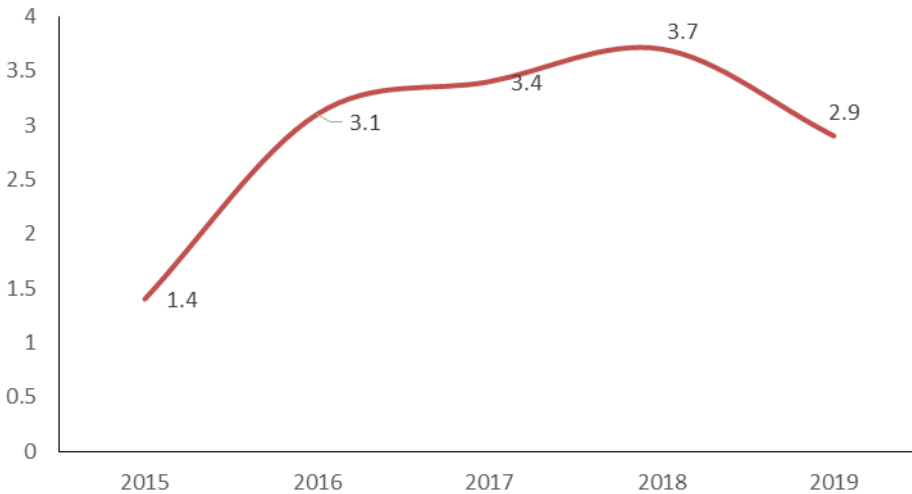
Figure 1.1: SA employment in persons
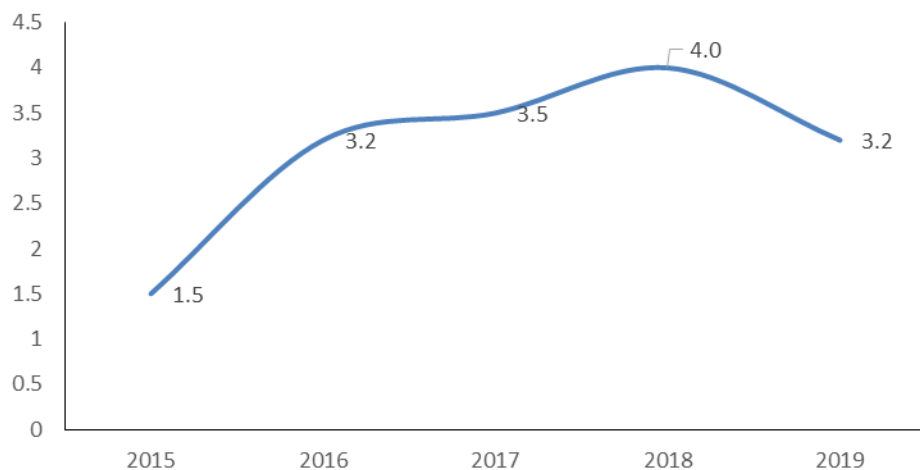
Source: Statistical Service

The seasonally adjusted hours worked exhibited a similar trend and recorded an increase of 2.9% on average in 20189 compared to 2018 (Figure 1.2).

Figure 1.2: Employment SA (hours worked, Statistical Service)

Source: Statistical Service

During 2019, on average 95.882 persons were employed in flexible[1] forms of employment representing 21.4% of the labour force and denoting a stabilization compared to 2018.

Employment in the public sector to total employment based on Public Administration and Personnel Department's (PAPD) data denoted on average a decline in 2019 falling to 10.4% from 10.7% in 2018.

According to data by the Department of Social Security Services[2] (SSS), Cypriots remained on average the same in 2019 compared to 2018, while employment of Europeans rose by 4.7 percentage point and employment of third country individuals increased by 6.7% in relation to 2018 (Figure 1.3).

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

[2] Source: Social Security Services

Figure 1.3: Employment by nationality
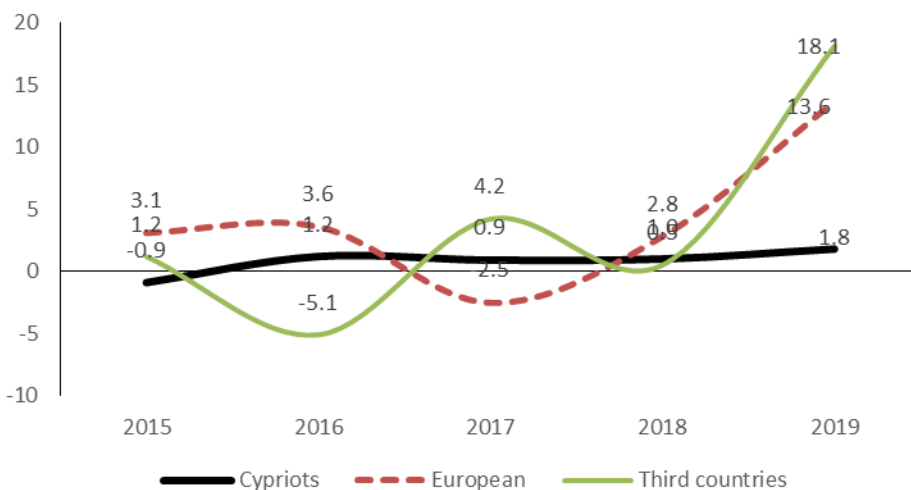
As depicted in Figure 1.3 European and third country individuals exhibit higher mobility whereas Cypriots maintain a more constant labour mobility profile reflected in relatively constant variance.

According to data by SSS, the distribution of employees by nationality was 81% Cypriots, 11.0% Europeans and 8.0% individuals 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 by services of households as employers and in sectors of construction and agriculture.

2. LABOUR DEMAND

On the demand side, the vacancy rate increased on average in 2019 by 1.9%. The unemployment rate has notably reduced to 7.1% from 8.4% in 2018 and has led the Beveridge[3] curve to shift down and rightwards causing the labour market to adjust to a new equilibrium point (Figure 2.1).

Figure 2.1 : Unemployment rate & vacancy rate
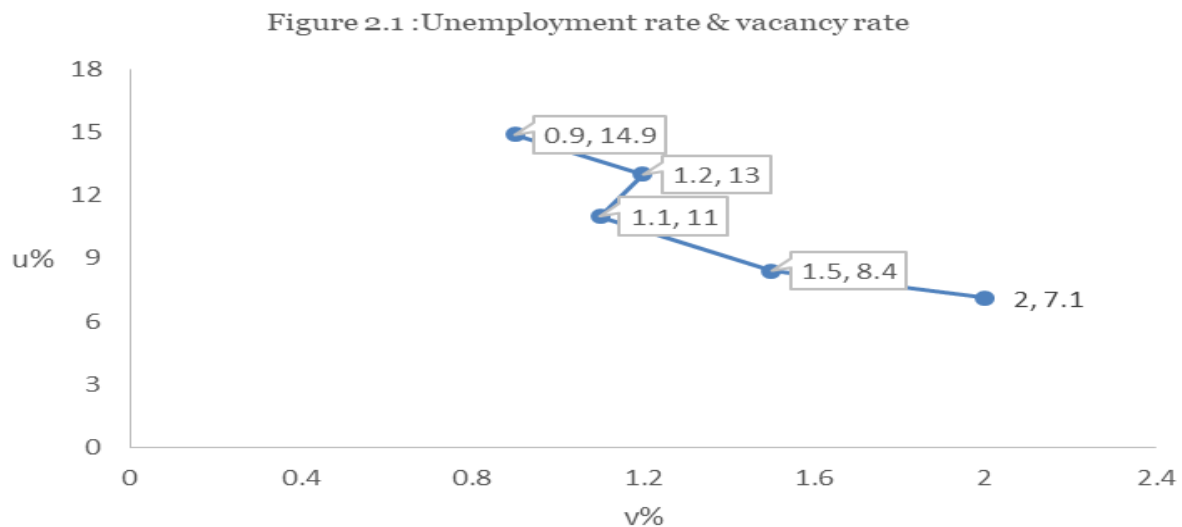
Registered unemployment in seasonally adjusted terms in 2019 on average denoted a significant decline by 4544 persons in relation to 2018.

The continuous decline of registered unemployment is expected to be reflected in a sustained reduction in unemployment benefit and redundancy outlays leading to increasing public revenue associated with higher employment impacting positively on public finances.

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[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).

The marked decline in the average unemployment rate by 1.3 p.p between 2018 and 2019 is also reflected in the unemployment rate for persons aged between 15-24 which exhibited a decline by 3.2 percentage points in 2019 and fell to 17%, while long term unemployment also declined by 0.7 percentage points falling to 2.1% of the labour force (Diagram 2.2).

Figure 2.2 Unemployed >12 months/labour force

Source: LFS
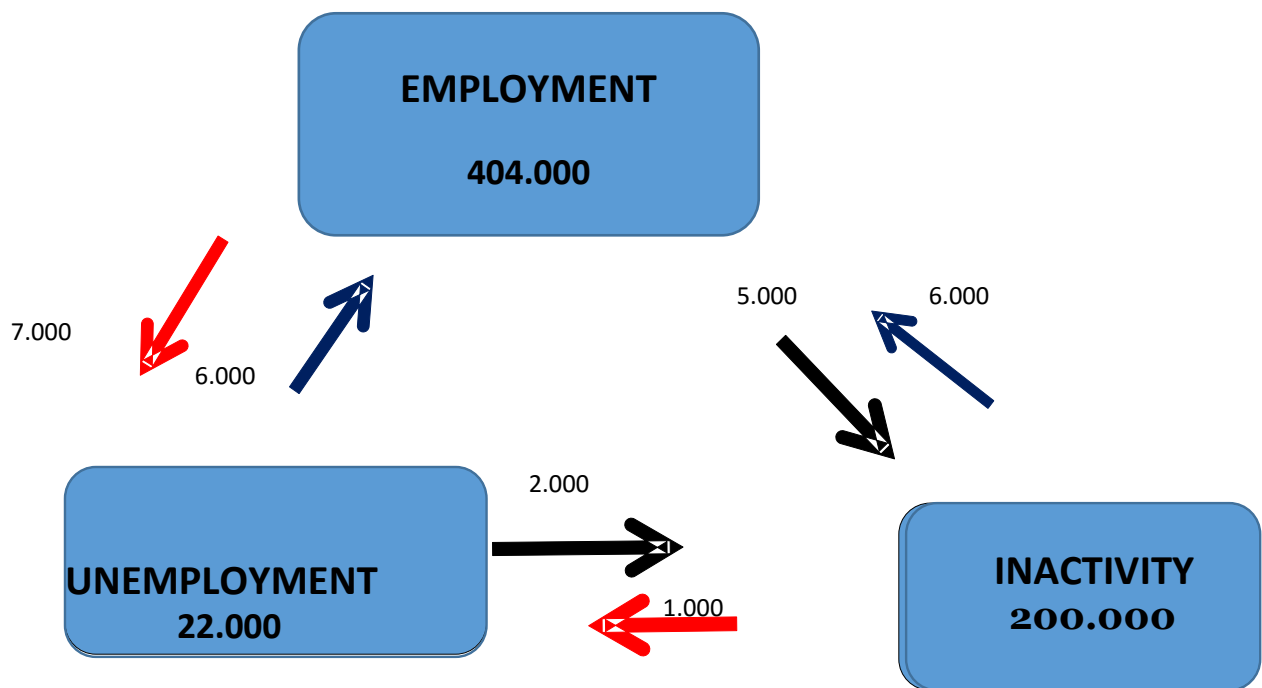
Employment-Unemployment-Inactivity flows

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 3rd quarter of 2019 in relation to the 2nd quarter of 2019. 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 2019q12/2019q3, the net result is stable representing no significant movements between the three pools.

EMPLOYMENT

404.000

7.000

6.000

5.000

6.000

2.000

UNEMPLOYMENT
22.000

1.000

INACTIVITY
200.000

a) Net employment flows remained stable.

b) Net unemployment flows remained stable.

c) Net inactivity flows remained stable.

3. ACTIVE LABOUR MARKET POLICIES

Active Labour Market Policies are effective measures used to reduce 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 matching those skills to labour demand characteristics.

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 and are financed by national funds and/or co-financed by the European Social Fund of the European Union.

Current ALMPs are targeted towards specific vulnerable groups such as unemployed, unemployed beneficiaries of GMI, youth under the age of 30, long term unemployed and long term unemployed public assistance beneficiaries.

In the Table[4] attached, the current and future active employment schemes are listed for the period 2015-22 for which total budgeted expenditure is estimated to €112.4 million while for 2018 the total budgeted amount equals €15.8 mln.

ACTIVE LABOUR MARKET POLICIES

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[4] Source: Department of Labour and Human Resources Development Authority