



MINISTRY OF FINANCE

LABOUR
MARKET
BULLETIN

Q2
2020



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1. LABOUR SUPPLY

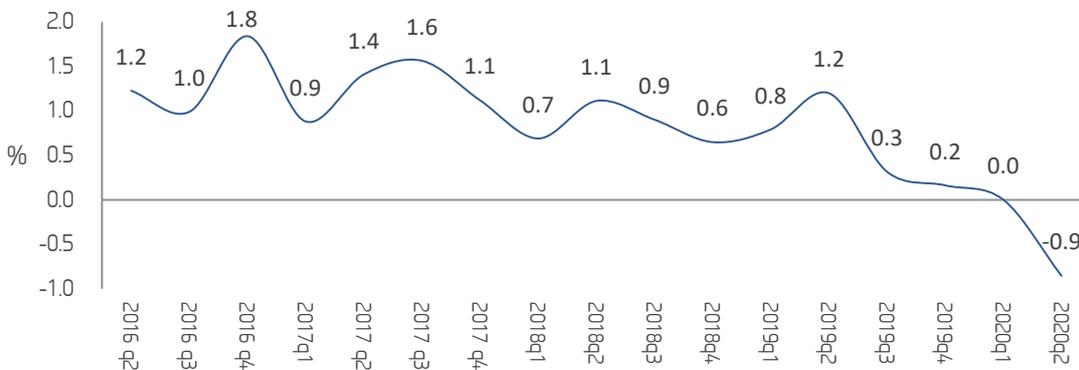
In the 2nd quarter of 2020 labour supply in persons denoted a decline by 0.4% compared to the same quarter of the previous year. The labor force has reached nearly 450.000 persons approximately the same as the previous quarter.

The seasonally adjusted (SA) employment in persons decreased in 2020q2 by 0.9 percent (Figure 1.1)¹.

At the same time, underemployment as a percentage of the labour force was reduced by 0.4 percentage points compared with one quarter before.

The developments in the labour market in the 2nd quarter of 2020 reveal that the business sector opted to reducing hours worked instead of laying off employees. This trend has maintained the unemployment rate at lower level than expected. It should also be pinpointed that the policy measures the government has adopted in benefit of employees, employers and self-employed to contain the economic impact of the pandemic have also played a significant role to keep unemployment low.

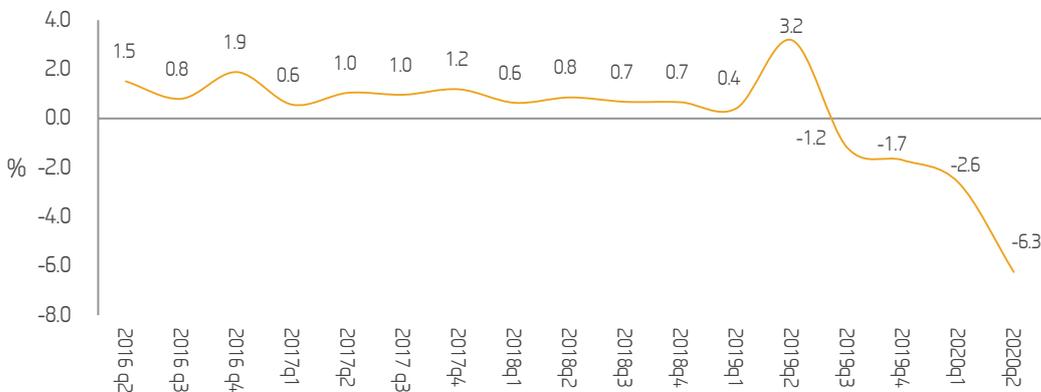
Figure 1.1: Quarterly SA employment in persons



Hours worked SA exhibited a reduction by 6.3 percentage points in the 2nd quarter of 2020 compared with the previous quarter and by 11.8 percentage points compared with the same quarter of the previous year (Figure 1.2).

These measures include, inter alia, support to businesses in funding, laying off prevention measures, wage subsidization schemes and improved adequacy of unemployment benefits.

Figure 1.2: Quarterly change of SA hours worked



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".

The above policy pursued has been leading to the containment of the short run unemployment rate and at a great extent it is also attributed to the high degree of flexibility the domestic labour market maintains.

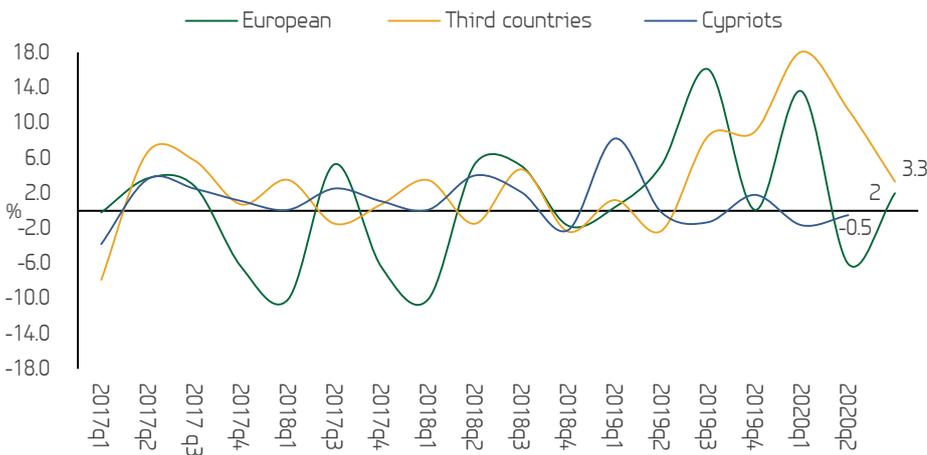
Employment in the public sector in the 2nd quarter of 2020 was equal to 47.500 persons corresponding to 10.8% of SA employment. In relation to the same quarter of the previous year employment in the public sector as a ratio of SA employment is lower by 0.1 percentage point.

Cypriots employed during the 2nd quarter of 2020 were reduced by 0.5% compared with the previous quarter of the same year. Europeans employed in Cyprus increased by 2%

During the 2nd quarter of 2020, it is estimated that around 94.500 persons were employed in flexible forms of employment representing 21.1% of the labour force.

In particular, 49.800 employees were employed in temporary contracts in the 2nd quarter of 2020 while one year earlier the number was higher by 4.2%. The ratio of persons employed with temporary contracts was 11.1% of the labour force. In part time work terms 44.500 persons were employed in the 2nd quarter of 2020 denoting a reduction of 7.3% compared with the previous quarter of the same year. In comparison with one year earlier employees in temporary contracts increased by 0.5% while employees in part time work contracts declined by 0.6% of the labour force.

Figure 1.3 : Quarterly employment by nationality



while third country nationals increased by 3.3% (Figure 1.3).

The distribution of employees² based on their nationality was 77% Cypriots, 12.5% Europeans and 10.5% from third countries.

The sectors of economic activity that Cypriots were employed mostly, related to retail and wholesale trade, business services, tourist services and professional, scientific 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

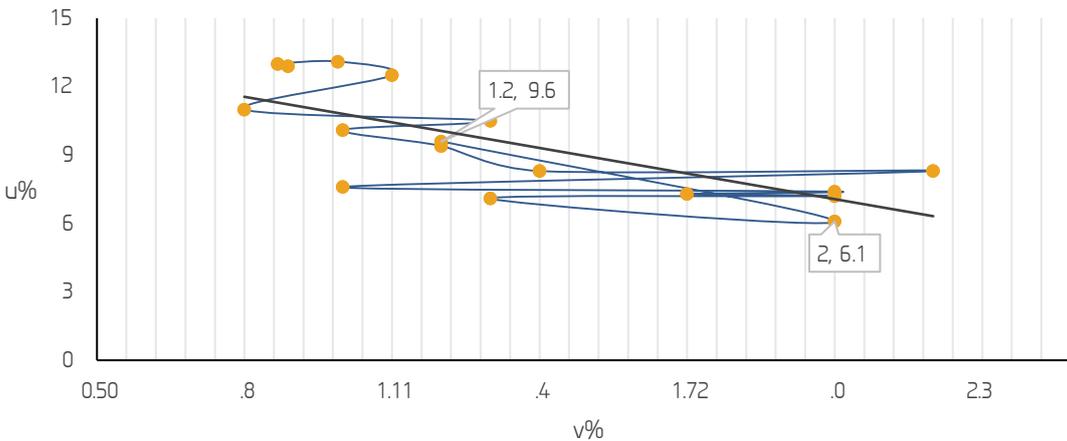
³ Flexible forms of employment include the number of employees working part time and with temporary contracts

2. LABOUR DEMAND

In the demand side, the vacancy rate during the first quarter of 2020 increased by 1.2% while the Statistical Service seasonally adjusted unemployment rate figure in the same quarter, increased to 9.6%. The above trends shifted the Beveridge⁴ curve left and upwards causing the labour market to adjust to a new equilibrium point as shown in Figure 2.1 underneath.

Registered, seasonally adjusted unemployment in the 2nd quarter of 2020 reached 33,281 persons indicating the adverse effects of the lockdown and the negative outcome the pandemic caused in the economic activity into the domestic market. The upswing of registered unemployment is mainly attributed to the fact that registered unemployed persons were automatically re registered by the Ministry

Figure 2.1: Beveridge curve 2016q2-2020q2



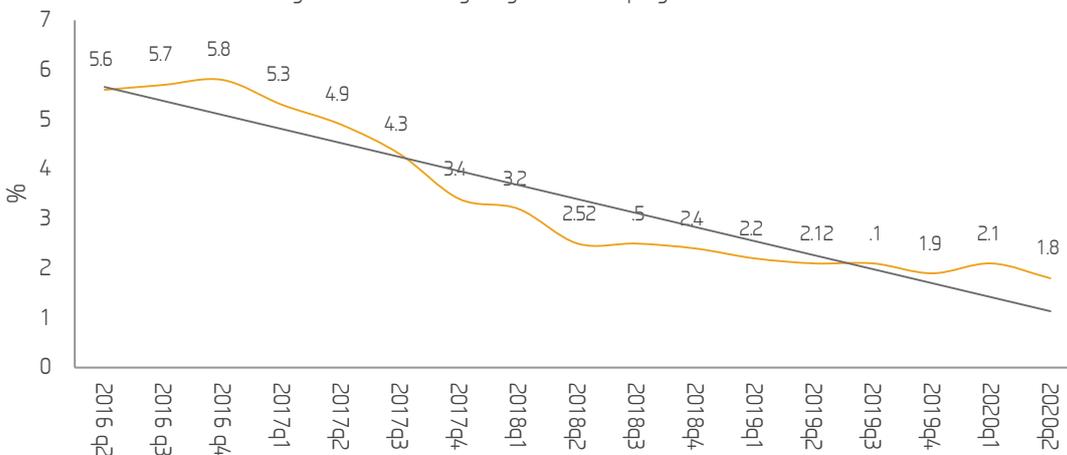
It is worthy to note that the Beveridge curve between 2020q1/q2 is found elastic once the elasticity of the unemployment rate with respect to the vacancy rate was equal to -1.4 indicating that the percentage change of the unemployment rate is higher than the corresponding percentage change reduction in the vacancy rate. The above trends imply that a relatively small increase in the unemployment rate could lead to a relatively big decline in the vacancy rate.

of Labour, once it was not possible to have access to the district offices of the department of labour due to the lockdown in the reference period.

The upswing of the registered unemployment is expected to increase inter alia outlays in unemployment benefit payments causing public expenses of the broader public sector to rise leading to a deterioration of the public finances stance and making public finances sustainability more challenging.

In parallel, long term unemployment (above 12 months) as a ratio of the labour force in the 2nd quarter of 2020 declined to 1.8% of the labour force. In comparison with one year earlier the percentage of long term unemployed is lower by 0.3 percentage points (Figure 2.2).

Figure 2.2: Quarterly long term unemployment rate to labour force



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).

EMPLOYMENT-UNEMPLOYMENT-INACTIVITY FLOWS

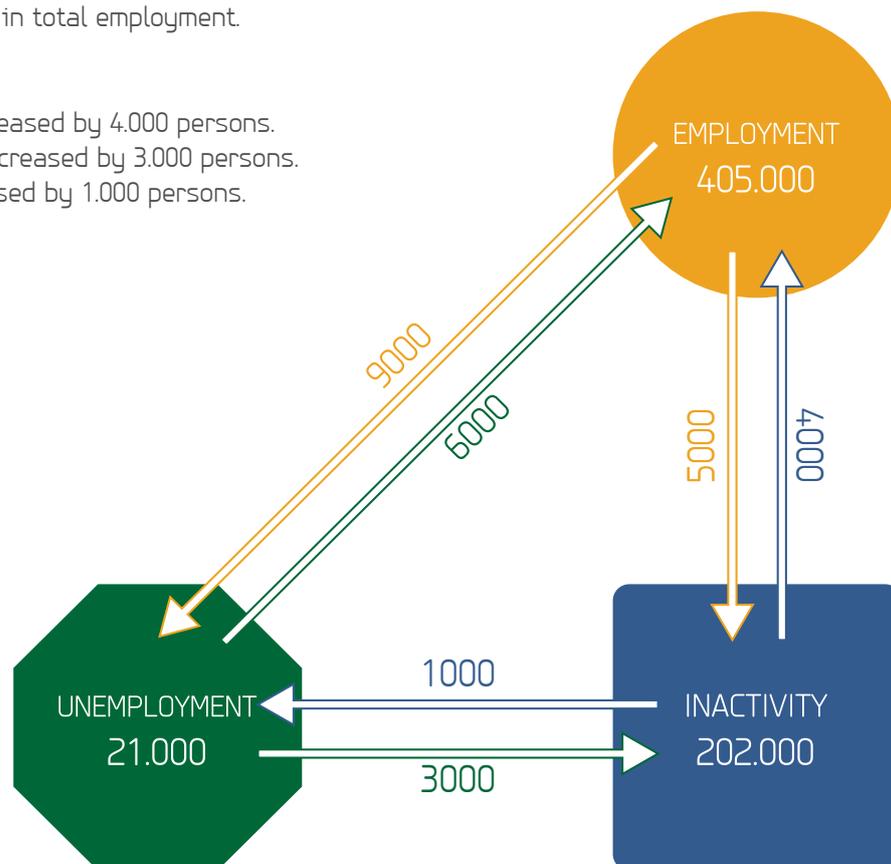
Based upon the quarterly data published by Eurostat, the Employment, Unemployment and Inactivity flows are monitored so as to record the number of persons moving in and out of the corresponding pools and thus identify the relative transfers.

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 1st quarter of 2020 in relation to the previous quarter of 2019. Each pool maintains a starting number of persons (stock), which changes according to the moving flows.

The concluding remark that can be reached by the diagram below is that between 2019q4/2020q1, the above mentioned net employment flow increased by 4.000 persons reflecting about 1% increase in total employment.

- a) Net employment flow decreased by 4.000 persons.
- b) Net unemployment flow increased by 3.000 persons.
- c) Net inactivity flow decreased by 1.000 persons.



3. ACTIVE LABOUR MARKET POLICIES

The Active Labour Market Policies are 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 Table 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 €125.850.000 of which €43.200.000 are from national funds and €82.650.000 are co-financed with the EU.

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 reached to € 13.750.030.

Apart from the Active Labour Market Policies the measures promoted by the MLWSA with HRDA to contain the repercussions of the Covid-19 pandemic are presented in the Table below. The schemes presented underneath are those that concern the training of employees of small and very small enterprises amounting to €14 million and those that concern occupational training of unemployed amounting to €7 million. Both schemes are envisaged to be implemented after October 2020.

The schemes that are envisaged to be implemented by the MLWSA through the Department of Labour and the European Social Fund concern the subsidization of wage cost for hiring unemployed persons for the period commencing after the end of 2020 costing €35 million.

Scheme Name	Cost in € million
Special training schemes offered by the HRDA	14.0
Occupational training scheme for unemployed promoted by HRDA	7.0
Scheme providing incentives for unemployed to find job	17.0
Scheme providing incentives for persons released from prison	4.0
Scheme for incentivizing persons aged 15-29 who are NEETs and are able to fill a vacant job	10.0
Scheme for incentivizing persons aged 15-29 who are NEETs and are able to fill a vacant job and receive training	4.0
TOTAL	56.0

⁵ Source: Labour Department and Human Development Authority