



MINISTRY OF FINANCE

LABOUR  
MARKET  
BULLETIN

Q3  
2020



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## 1. LABOUR SUPPLY

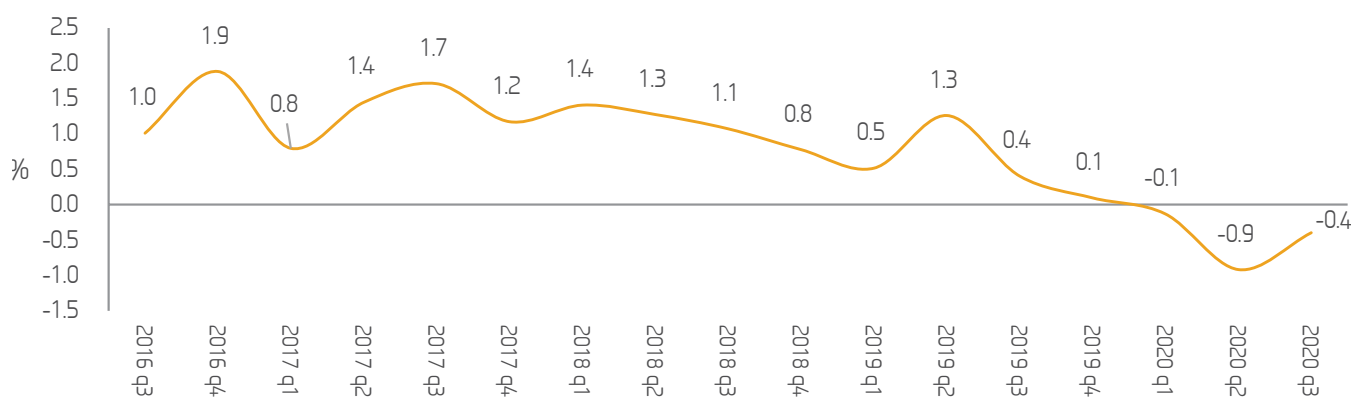
Labour supply in persons as estimated by the Labour Force Survey denoted an increase by 0.8 percentage points or 3.700 persons in the 3rd quarter of 2020 compared with the previous quarter of the same year and reached 452.154 persons.

The **seasonally adjusted (SA)** employment in persons decreased in 2020q3 by 0.4 percentage points compared with the previous quarter of the same year (Figure 1.1).

At the same time, **underemployment as a percentage of the labour force** increased in the 3rd quarter of 2020 to 10.8% of the labour force or about 1.300 persons.

The developments in the labour market in the 3rd quarter of 2020 reveal that the private business sector reduced hours worked instead of laying off employees. This trend has maintained the unemployment rate at lower level than expected. It should also be noted that the policy measures the government has adopted to mitigate the economic impact of the pandemic on employees, employers and self-employed contributed significantly in keeping the unemployment rate low.

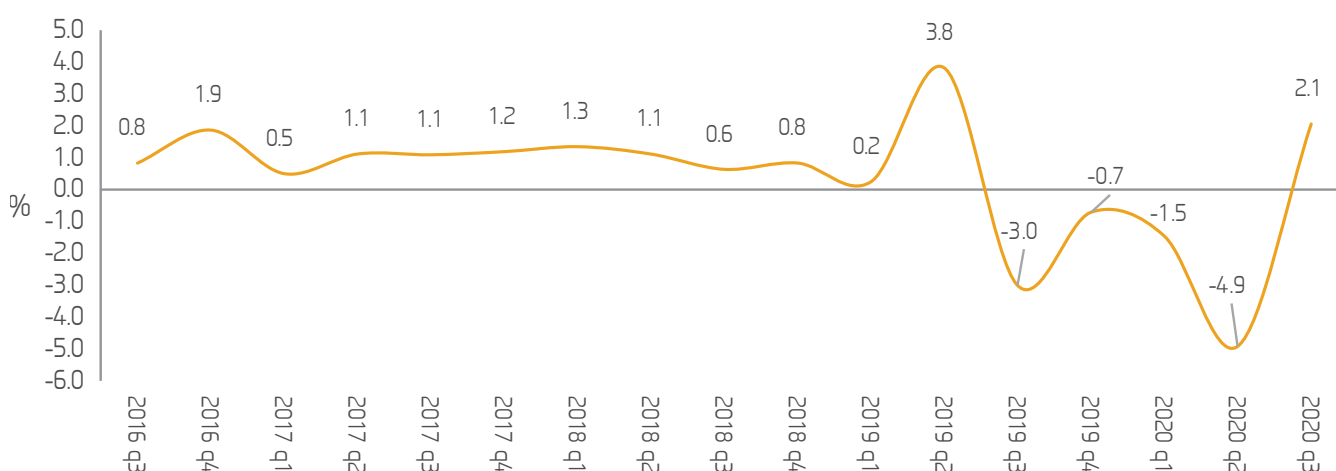
Figure 1.1: Quarterly SA employment in persons



**Hours worked SA** exhibited an increase by 2.1 percentage points in the 3rd quarter of 2020 compared with the previous quarter of the same year and a decline by 5.1% 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 in duration and adequacy of unemployment benefits.

Figure 1.2: Quarterly change of SA hours worked



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.

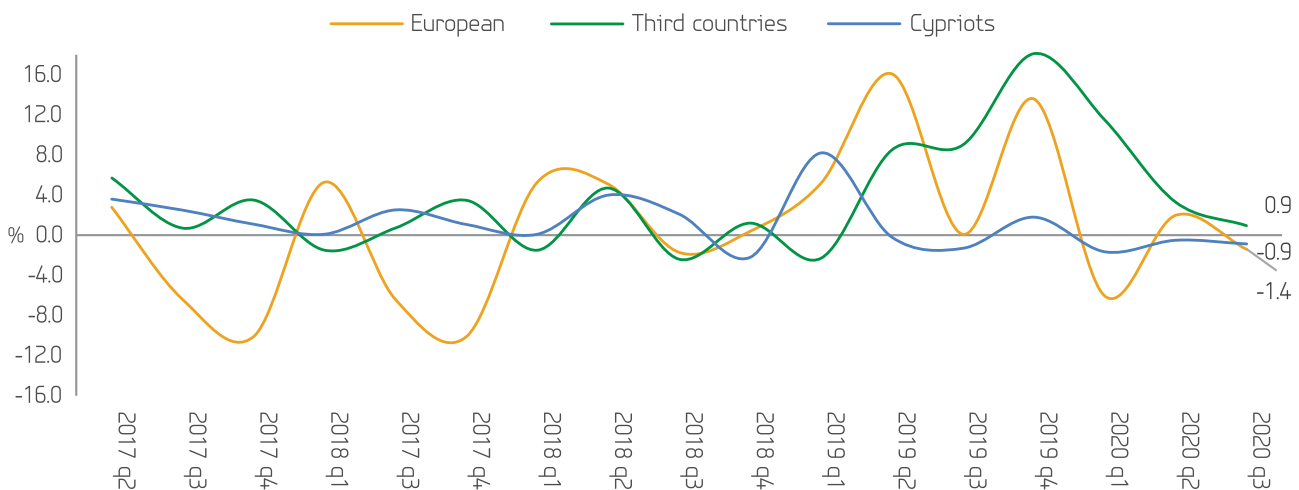
Employment in the public sector in the 3rd quarter of 2020 was equal to 47.634 persons corresponding to 10.9% of SA employment. In relation to the same quarter of the previous year employment in the public sector as a ratio of SA employment remained approximately stable in absolute numbers.

Cypriots employed during the 3rd quarter of 2020 were reduced by 0.9% compared with the previous quarter of the same year. Europeans employed in Cyprus were also reduced by 1.4% while third country nationals increased by 0.9% (Figure 1.3).

In particular, 46.849 employees were employed in **temporary contracts** in the 3rd quarter of 2020 while one year earlier the figure was 51.111 denoting a reduction by 8.3%. The ratio of persons employed with temporary contracts stood at 10.4% of the labour force.

In **part time work terms** 42.481 persons were employed in the 3rd quarter of 2020 denoting a reduction of 0.5% in the labor force while one year earlier around 1.700 more persons were employed. In comparison employees in temporary contracts decreased by 0.6% of the labour force compared with one year earlier.

Figure 1.3 : Quarterly employment by nationality



The distribution of employees<sup>1</sup> based on their nationality was 77% Cypriots, 12% Europeans and 11% from third countries.

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

During the 3rd quarter of 2020, it is estimated that around 89.330 persons were employed in **flexible<sup>2</sup> forms of employment** representing 19.8% of the labour force.

<sup>1</sup> Source: Social Security Services

<sup>2</sup> Flexible forms of employment include the number of employees working part time and with temporary contracts

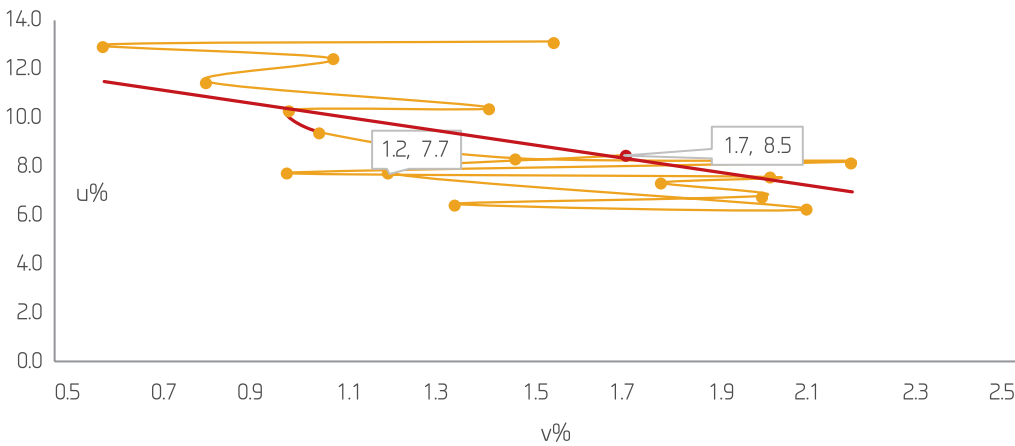
## 2. LABOUR DEMAND

On the demand side, the vacancy rate during the 3rd quarter of 2020 increased by 1.7% while the Eurostat seasonally adjusted unemployment rate figure in the same quarter, increased to 8.5%. The above trends shifted the Beveridge<sup>3</sup> curve rightwards and slightly downwards causing the labour market to adjust to a new equilibrium point as shown in Figure 2.1 underneath.

is a promising picture of the labour market and its possibilities to create jobs even under the pandemic shock.

Registered, seasonally adjusted unemployment in the 3rd quarter of 2020 reached an average of 33,700 persons whereas in the previous quarter it was less by about 500 persons. The relatively small increase in the registered unemployment

Figure 2.1: Beveridge curve 2016q2-2020q2



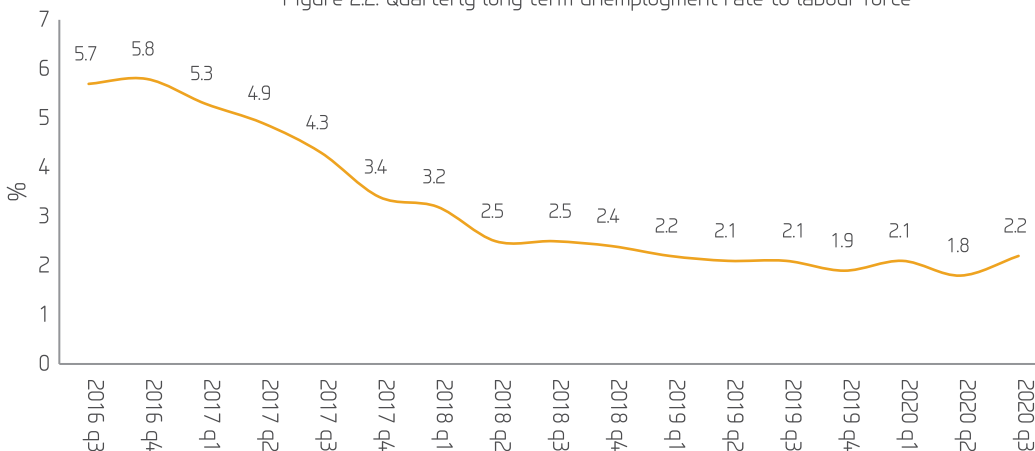
It is worthy to note that the Beveridge curve (the red line in the figure) between 2020q3/q2 is found relatively inelastic and thus the elasticity of the unemployment rate with respect to the vacancy rate was found to be equal to  $-0.375$  indicating that the percentage change increase of the unemployment rate is lower than the corresponding percentage change increase of the vacancy rate. The above trends imply that a relatively moderate decrease in the unemployment rate could lead to a relatively bigger increase in the vacancy rate, which

is mainly attributed to the fact that registered unemployed persons were automatically re-registered by the Ministry 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 3rd quarter of 2020 increased to 2.2% of the labour force. In comparison with one quarter earlier the percentage of long term unemployed is higher by 0.4 percentage points (Figure 2.2).

Figure 2.2: Quarterly long term unemployment rate to labour force



<sup>3</sup> 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).

## Diagram: Employment-Unemployment-Inactivity

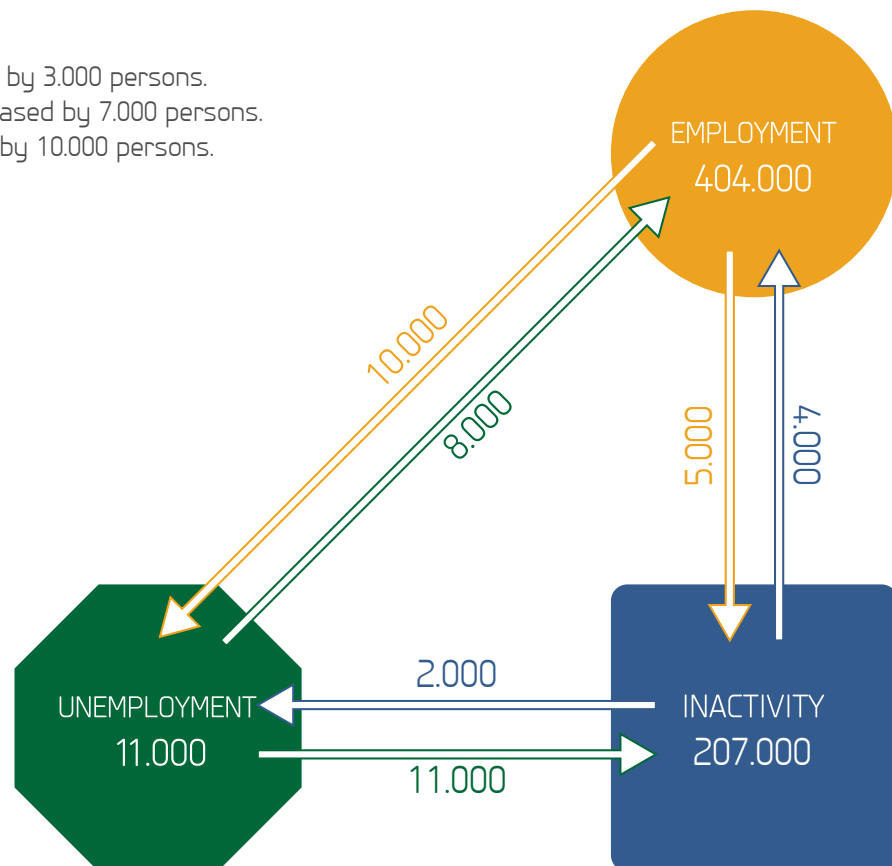
Based upon the quarterly data published by Eurostat, the Employment, Unemployment and Inactivity flows are monitored so as to record the number of persons moving in and out of the corresponding pools and thus identify the relative transfers.

Under this scope, it could be noted that the net number of persons moving in and out of the relevant pools proving to be an additional component of the current quarterly labour market analysis.

The attached diagram below is based on the latest available data of Eurostat which is the 2nd quarter of 2020 in relation to the previous quarter of 2020. Each pool maintains a starting number of persons (stock), which changes according to the relevant moving flows.

The concluding remark that can be reached is that between 2020q2/q1 the net labour market inflow reduced by 10.000 persons or the net labour market outflow increased by 10.000 persons.

- a) Net employment flow reduced by 3.000 persons.
- b) Net unemployment flow decreased by 7.000 persons.
- c) Net inactivity flow increased by 10.000 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 and important 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<sup>4</sup> underneath four Active Labour Market Schemes are presented that are currently implemented as they have been designed by the competent Department of Labour for the year 2021.

Scheme		Estimated Cost € million
i	Scheme providing incentives for the employment of unemployed	17.0
ii	Scheme providing incentives for working rehabilitation of ex-prisoners	4.0
iii	Scheme providing incentives for the employment of young persons aged from 15 until 29 years old who are not in employment, education or in training (for direct recruitment)	10.0
iv	Scheme providing incentives for the training of young persons aged 15-29 years old who are not in employment, education or training (for training and recruitment)	4.0
TOTAL		35.0

Apart from the above measures there are two additional schemes that are implemented by the Human Resources and Development Authority (HRDA) to contain the repercussions of the Covid-19 pandemic as shown in the Table<sup>5</sup> below. The schemes presented 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 in the hotels and restaurants sector. Both schemes are envisaged to be implemented after October 2020.

Scheme	Estimated Cost € million
Tailored training schemes offered by the HRDA	14.0
Occupational training scheme for unemployed promoted by HRDA	7.0
TOTAL	21.0

In addition, Cyprus is expected to receive in loans by the European Union through the SURE scheme, the amount of €479 million, which aim to foster employment mainly through financing employment schemes in 2020. The above amount of funds shall be allocated into €250 million 2020 and €229 million in 2021.

It is worthwhile mentioning that in the case of Cyprus government intervention has been immense to confront with the outbreak of the pandemic and especially, to mitigate the adverse impact on employment and the labour market<sup>6</sup> per se.

In particular, during 16/3/2020 until 12/6/2020 the government provided support to 41,690 enterprises which they were forced in partial or full suspension of their works. In parallel, a lump sum amount was provided to self-employed as financial aid for the significant reduction of their turnover.

In the same framework a substantial number of 267,625 persons who lost their jobs due to the pandemic, the government provided significant financial assistance that resulted in reducing the number of unemployed.

All the above support schemes of enterprises/ self-employed/ employees it is estimated to have cost to the government the amount of €506.2 million until October 2020 and by the end of 2020 the amount is estimated<sup>7</sup> to have reached €545 million.

<sup>4</sup> Source: Labour Department and Human Development Authority

<sup>5</sup> Source: Human Resources & Development Authority

<sup>6</sup> Source: Ministry of Labour, Welfare & Social Insurance

<sup>7</sup> Source: Ministry of Finance