



MINISTRY OF FINANCE

LABOUR
MARKET
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2020



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1. LABOUR SUPPLY

Labour supply in persons as estimated by the labour force denoted an increase by 0.9 percentage point (p.p) or 4.000 persons in the 4th quarter of 2020 compared with the previous quarter of the same year. In 2020 on average the labour force compared with 2019 denoted an increase by 3.500 persons or by 0.8 p.p.

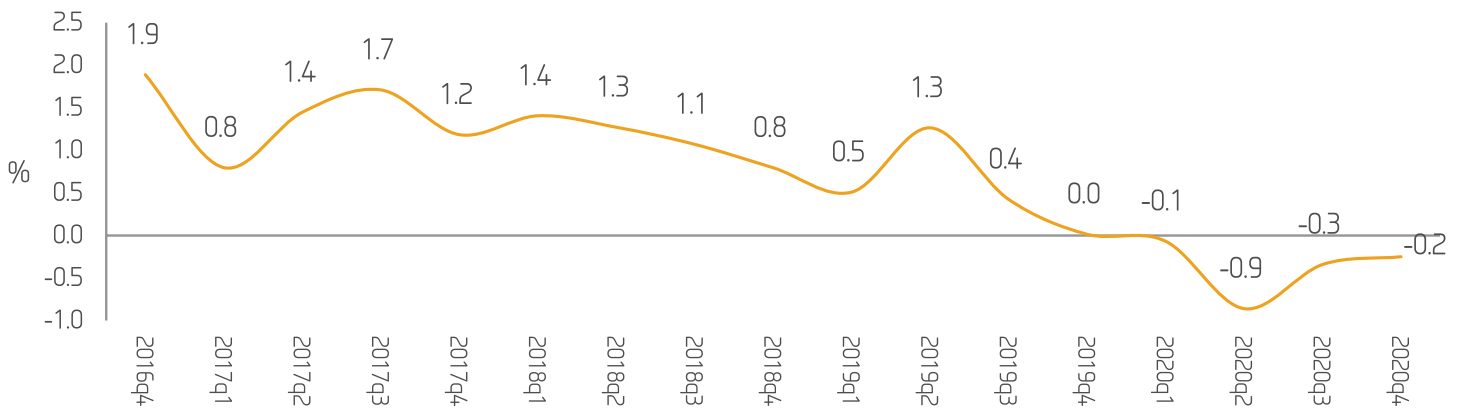
The **seasonally adjusted (SA)** employment in persons decreased in 2020q4 by 0.2 p.p compared with the previous quarter of the same year (Figure 1.1).

At the same time, **underemployment as a percentage of the**

Hours worked SA exhibited a decrease by 2.1 p.p in the 4th quarter of 2020 compared with the previous quarter of the same year (Figure 1.2) and on average in 2020 compared to 2019 the SA hours worked exhibited a reduction by 6.1 p.p.

The developments in the labour market in the 4th quarter of 2020 reveal that the 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 pinpointed that the policy measures the government has adopted to restrict the economic impact of the pandemic on employees, employ-

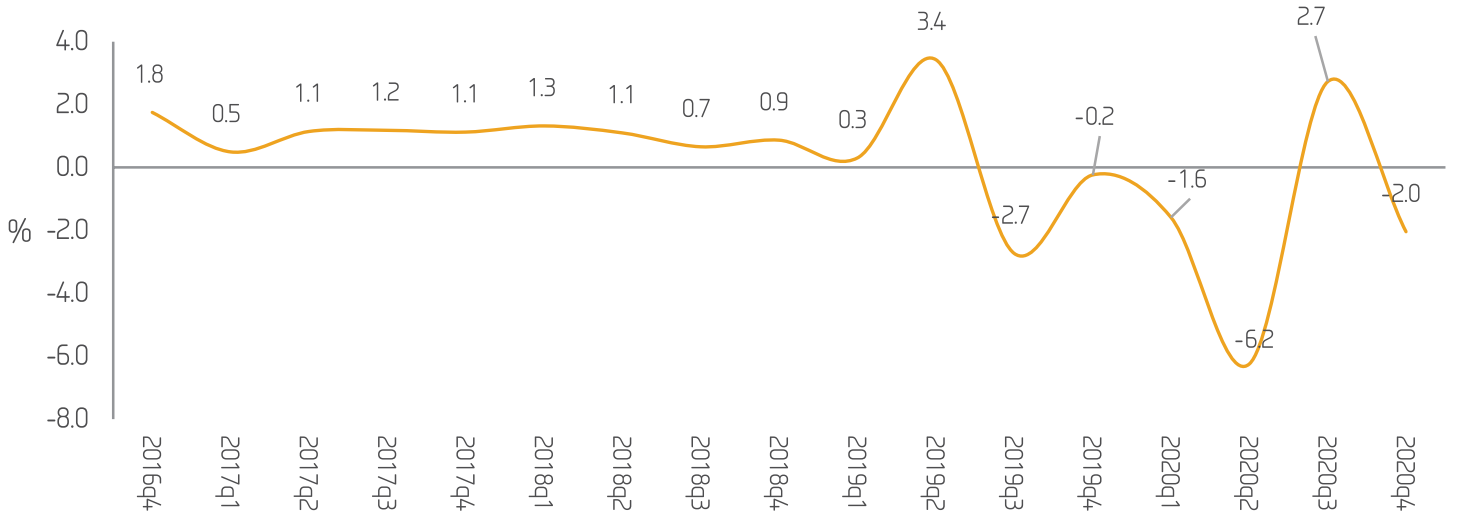
Figure 1.1: Quarterly SA employment in persons



labour force increased in the 4th quarter of 2020 to 11.5% or about 3.800 persons in relation to the previous quarter of the same year.

ers and self-employed played a significant role to keep unemployment low.

Figure 1.2: Quarterly change of SA hours worked



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

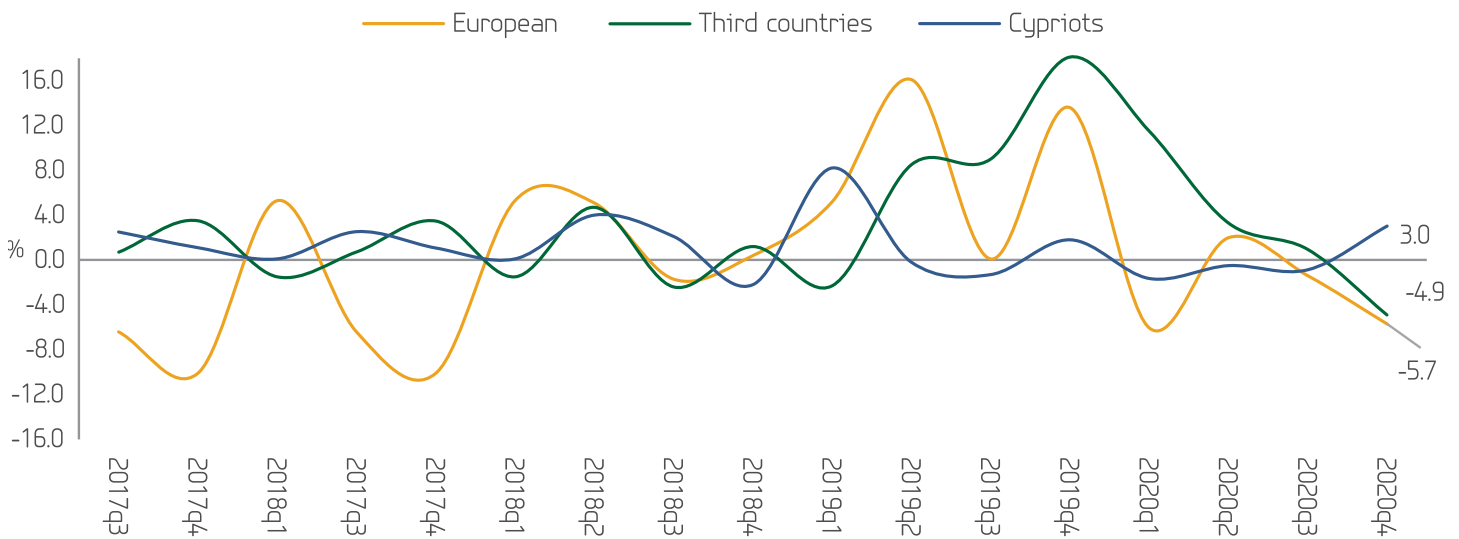
The above policy pursued has led to the containment of the short run unemployment rate and at a great extent it is also attributed to the high degree of flexibility the domestic labour market maintains.

Employment in the public sector in the 4th quarter of 2020 was equal to 47.611 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 is higher by 0.1 percentage point.

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 retail and wholesale trade and in construction and third country nationals in the household services sector and in construction.

During the 4th quarter of 2020, it is estimated that 95.189 persons were employed in flexible² forms of employment representing 20.9% of the labour force. More precisely, in temporary employment contracts, 47.473 employees were working in the 4th quarter of 2020 while one year earlier they were 51.164 persons denoting a decrease by 7.2%. Under part time working terms in the 4th quarter of 2020, 47.716 persons were working while last year the same number was lower by around 1.000 persons.

Figure 1.3 : Quarterly employment by nationality



Cypriots employed during the 4th quarter of 2020 increased by 3% compared with the previous quarter of the same year. Europeans employed in Cyprus decreased by 5.7% while third country nationals decreased by 4.9%. The decline in the number of Europeans and third country nationals was more than offset by the increase in the number of Cypriots employed in 2020q4 (Figure 1.3).

The distribution of employees¹ based on their nationality was 78.3% Cypriots, 11.5% Europeans and 10.2% from third countries.

¹ Source: Social Security Services

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

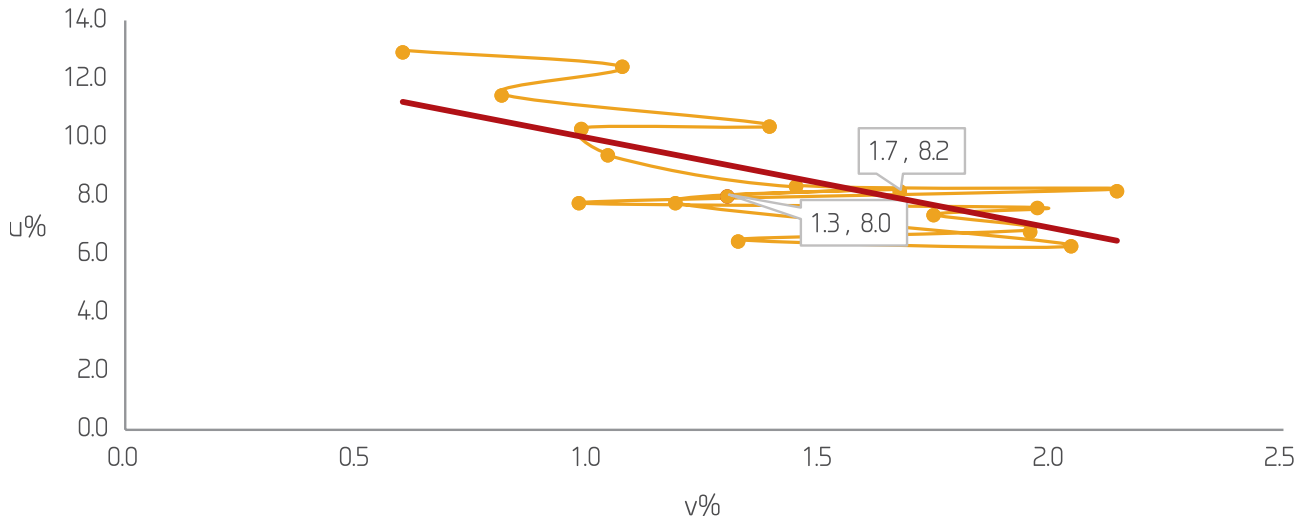
2. LABOUR DEMAND

In the demand side, the vacancy rate during the 4th quarter of 2020 increased by 1.3% while the Statistical Service seasonally adjusted unemployment rate figure in the same quarter, decreased to 8.0%. The above trends shifted the Beveridge curve slightly horizontally and leftwards causing the labour market to adjust to a new equilibrium point as shown in Figure 2.1 underneath.

Registered, seasonally adjusted unemployment in the 4th quarter of 2020 reached 33,462 persons while in the previous quarter it was lower by approximately 1,500 persons.

In parallel, long term unemployment (above 12 months) as a ratio of the labour force in the 4th quarter of 2020 increased to 2.4% from 2.2% of the labour force. In comparison with one

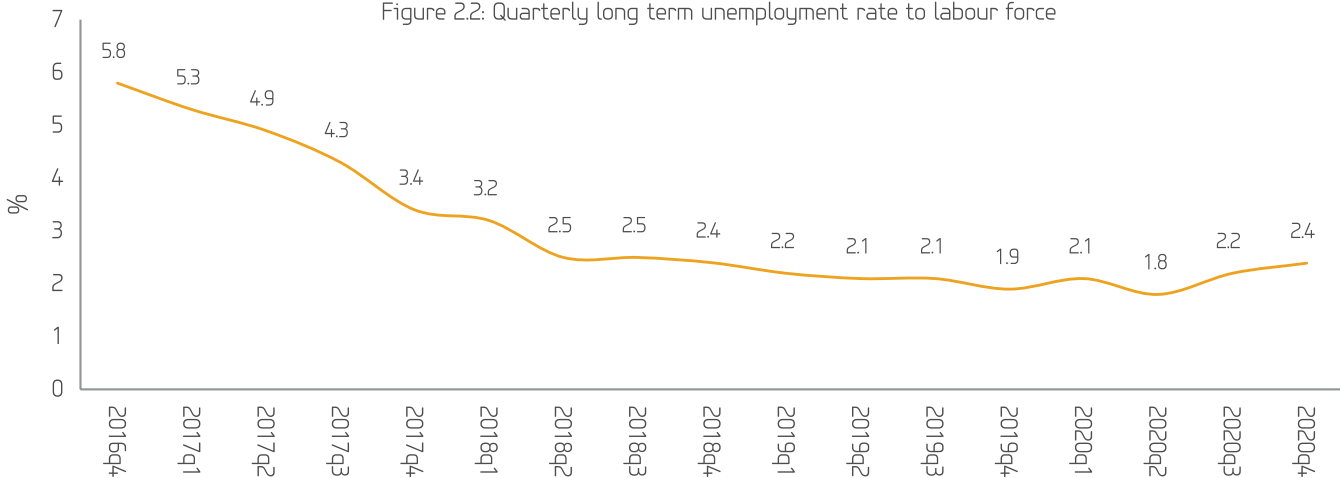
Figure 2.1: Beveridge curve 2016q4-2020q4



It is worthy to note that the relationship between the vacancy rates with the unemployment rate is negative indicating the negatively sloped Beveridge curve shown above. However, in 2020q4 and 2020q3, the relationship between v% and u% has turned positive mainly due to the supported policy measures which were promoted by the government, in a way to combat the economic impact of the pandemic on the labour market.

year earlier the percentage of long term unemployed is found higher by 0.5 percentage points. (Figure 2.2).

Figure 2.2: Quarterly long term unemployment rate to labour force



³ 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

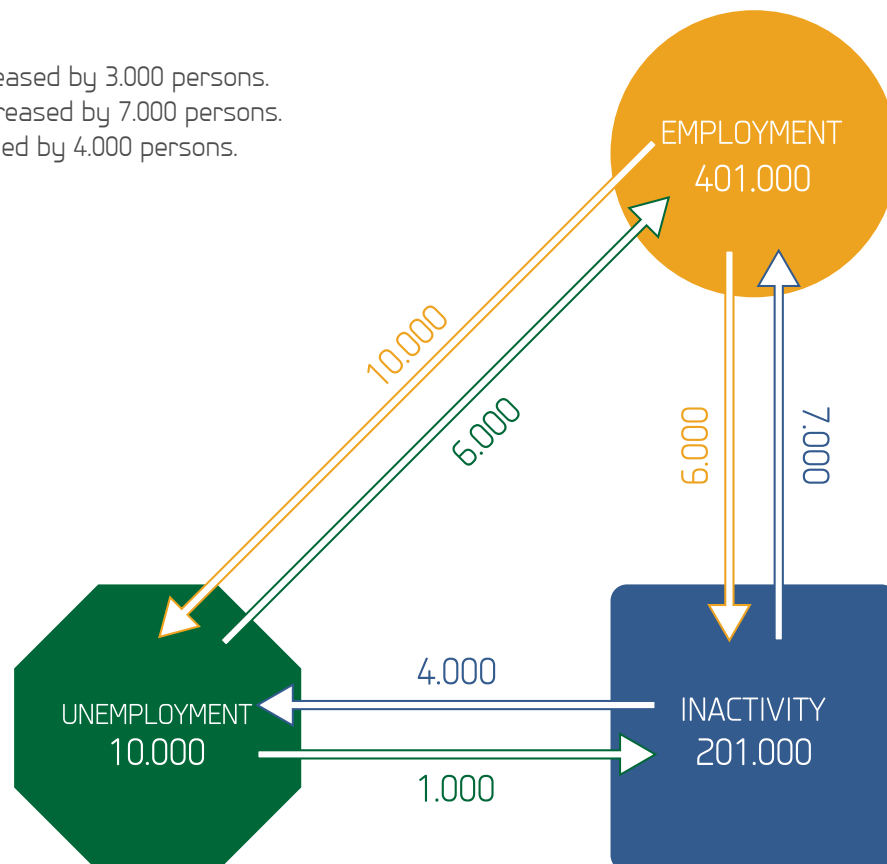
Based upon the quarterly data published by Eurostat, the Employment, Unemployment and Inactivity flows are monitored so as to record the number of persons moving in and out of the corresponding pools and thus identify the relative transfers.

Under this scope, it could be 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 2020 in relation to the previous quarter of 2020. 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 2020q3/q2 the net labour market inflow reduced by 10.000 persons or the net labour market outflow increased by 10.000 persons.

- a) Net Employment outflow increased by 3.000 persons.
- b) Net unemployment inflow increased by 7.000 persons.
- c) Net inactivity outflow increased by 4.000 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 following employment subsidy schemes and training programs are currently being implemented targeting vulnerable unemployed groups, including youth and women:

- Scheme providing incentives for the employment of unemployed (with a €17.0 million budget)
- Scheme providing incentives for working rehabilitation of ex-prisoners (with a €4.0 million budget)
- Scheme providing incentives for the employment of young persons aged 15 until 29 years old who are not in employment, education or training (for direct recruitment) (with a €10.0 million budget)
- Scheme Providing Incentives to Hire People with Disabilities (with a €4.0 million budget)
- Scheme for the Employment and Training of Tertiary Education Graduates, providing employment opportunities to tertiary education graduates less than 30 years old offered by HRDA (with a €12.0 million budget)
- Occupational training scheme for unemployed promoted by HRDA (with a €7.0 million budget)

Apart from the above measures, there are two additional employment subsidy schemes that have been designed under the ESF+ to support youth and women:

- Incentives for the employment of unemployed women (€10.000.000).

- Incentives for the employment of unemployed women and young people aged 15-29 that are not in education, employment or training (Not in Education, Employment or Training - NEETs), with flexible working arrangements (€10.000.000).

In addition to the above, the following employment subsidy schemes have been designed and approved for implementation during the Programming period 2020-2027 under the ESF+:

1. Incentives for employment of unemployed people over 50 years old (€4.200.000)
2. Incentives for the employment of people with disabilities (€2.000.000)
3. Incentives for the employment of people with chronic diseases (€2.000.000)
4. Incentives for the employment of long-term unemployed (€3.000.000)
5. Incentives for the employment of GMI beneficiaries (€5.000.000)

All the above-mentioned schemes are active labour market policies with total estimated budget of €90.2 million.

In addition, it is noted that Cyprus has received in loan the amount of €252 million from the E.U. under the SURE scheme and another €237 million shall be received within 2021.

It is worth noting that Cyprus' public intervention is characterized as one of the most generous in the Eurozone in the framework to combat the negative repercussions the pandemic caused on employment and business activity.

The schemes to support employers, self-employed and employees are estimated to have cost €640 million reflecting about 3% of GDP for 2020.

⁴ Source: Ministry of Labour, Welfare and Social Insurance