



MINISTRY OF FINANCE

LABOUR
MARKET
BULLETIN

Q1
2021



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1. LABOUR SUPPLY

In the 1st quarter of 2021 labour supply in persons as estimated by the labour force denoted a decrease by 0.5 percentage point (p.p.) or approximately by 2,400 persons in relation to the previous quarter.

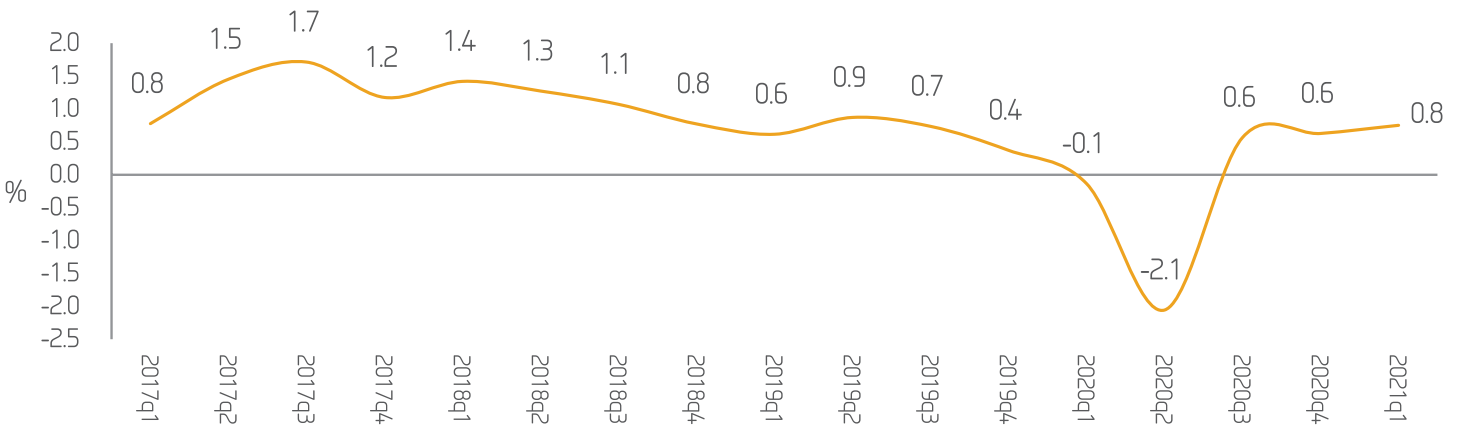
The **seasonally adjusted (SA) employment** in persons increased in 2021q1 by 0.8 p.p. compared with the 4th quarter of 2020 following a slighter increase in 2020q4 of 0.6 p.p. (Figure 1.1).

Seasonally adjusted hours worked exhibited an increase 1.3 p.p. in the 1st quarter of 2021 compared with the previous quarter of the year before (Figure 1.2) while in 2020q4

were reduced by 0.9 p.p. Employment in the public sector in the 1st quarter of 2021 was reduced to 47,594 persons corresponding to 10.7% of the seasonally adjusted employment. In relation to the same quarter of the previous year employment in

ment unchanged and raised cautiously hours worked while managed labour vigilantly. This trend has sustained the unemployment rate at lower level than otherwise could have been. It should also be pinpointed that the policy measures the government has adopted to restrict the economic impact of the pandemic on employees, employers and self-employed played a significant role to keep the unemployment rate low. 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.

Figure 1.1: Quarterly SA employment in persons

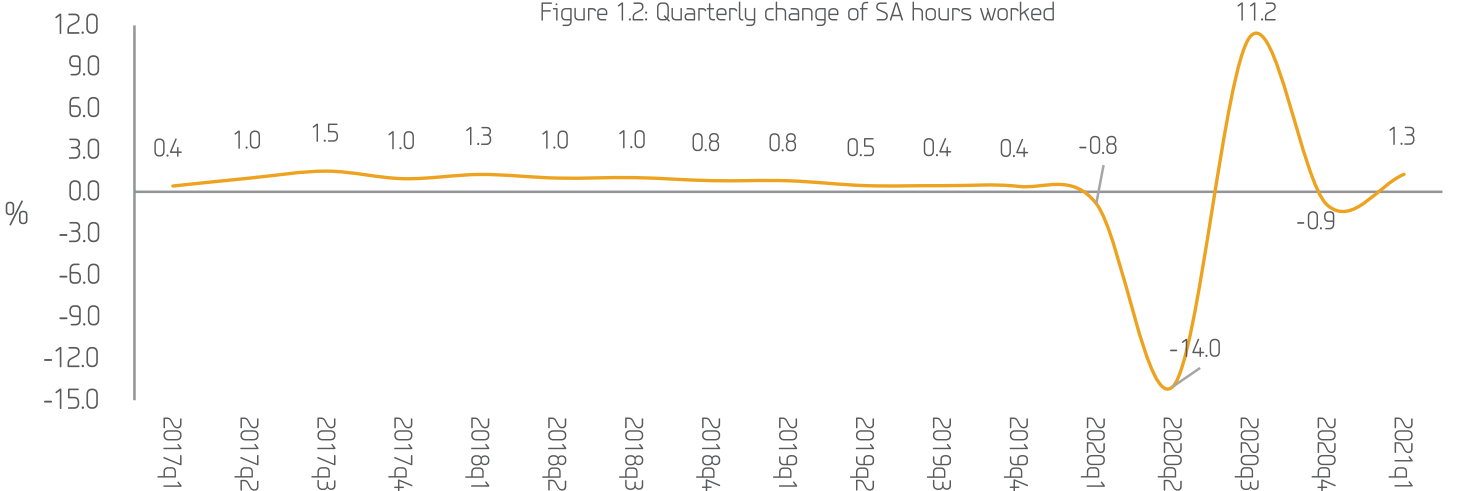


were reduced by 0.9 p.p.

The developments in the labour market in the 1st quarter of 2021 reveal that the business sector maintained employ-

ment unchanged and raised cautiously hours worked while managed labour vigilantly. This trend has sustained the unemployment rate at lower level than otherwise could have been. It should also be pinpointed that the policy measures the government has adopted to restrict the economic impact of the pandemic on employees, employers and self-employed played a significant role to keep the unemployment rate low. 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.

Figure 1.2: Quarterly change of SA hours worked



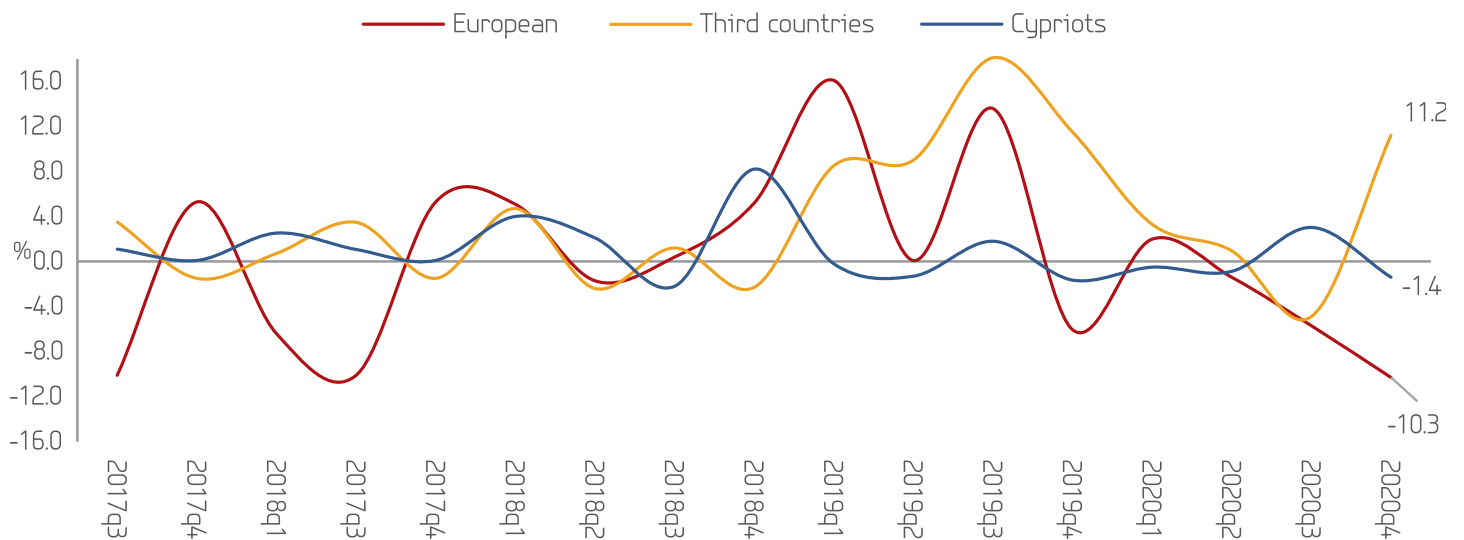
the public sector denoted reduction in the civil service and the hourly worked personnel whereas it denoted increases in the education sector.

Cypriots employed during the 1st quarter of 2021 decreased by 1.4 p.p. compared with the previous quarter. In parallel Europeans employed in Cyprus decreased by 10.3% while third country nationals increased by 11.2%. The decline in the number of Europeans was more than offset by the increase in the number of third country nationals (Figure 1.3).

The distribution of employees¹ in the 1st quarter of 2021 based on their nationality was 78% Cypriots, 10.5% Europeans and 11.5% from third countries.

temporary employment contracts, 48.026 employees were working in the 1st quarter of 2021 while one year earlier they were 47.473 persons denoting an increase by 1.2%. Under part time working terms in the 1st quarter of 2021, 50.983 persons were working while last year the same number was lower by around 3.200 persons or by 6.9%.

Figure 1.3 : Quarterly employment by nationality



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 1st quarter of 2021, it is estimated that 99.009 persons were employed in flexible² forms of employment representing 21.8% of the labour force. More precisely, in

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 1st quarter of 2021 increased by 2.0% while the Statistical Service seasonally adjusted unemployment rate figure in the same quarter, increased to 8.6%. The above trends shifted the Beveridge³ curve slightly horizontally and rightwards causing the labour market to adjust to a new equilibrium point as shown in Figure 2.1 underneath.

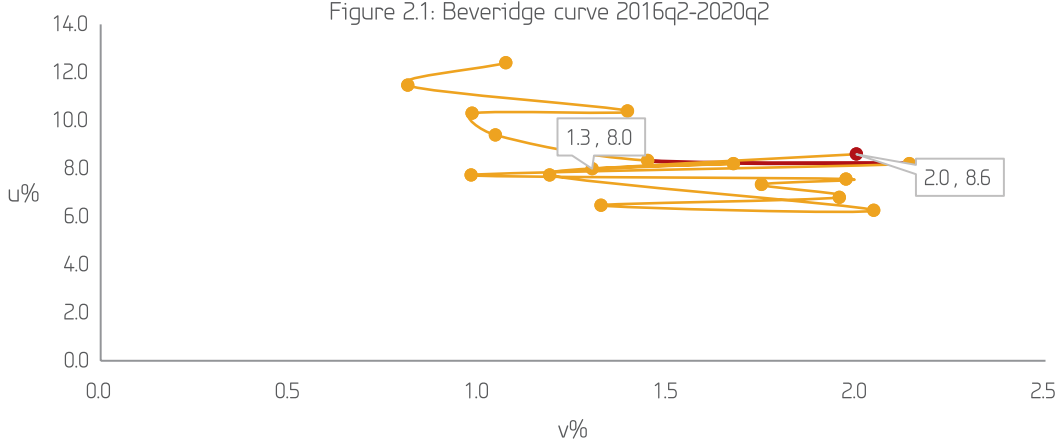
The red line illustrates the movement from 2020q4 to 2021q1 as depicted in the relevant graph above.

Registered, seasonally adjusted unemployment in the 1st quarter of 2021 reached 31,374 persons while in the previous quarter it was higher by approximately 1,200 persons.

In parallel, long term unemployment (above 12 months) as a ratio of the labour force in the 1st quarter of 2021 increased to 2.8% from 2.4% of the labour force. In comparison with one year earlier the percentage of long term unemployed is found higher by 0.4 percentage points (Figure 2.2).

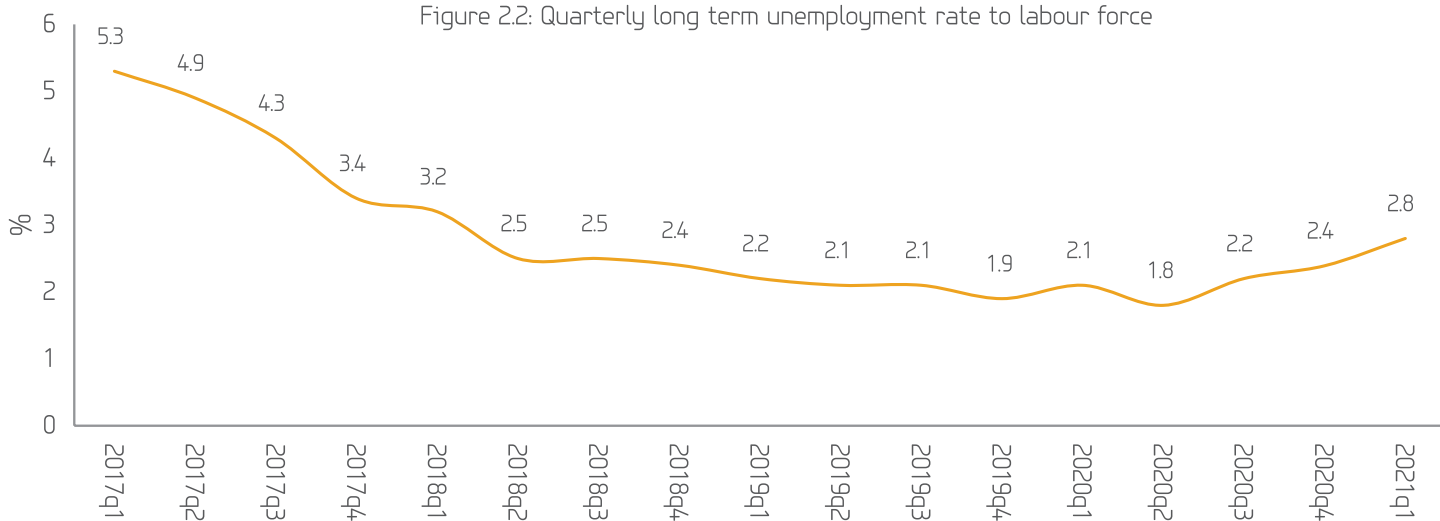
It is worthwhile noting that in 2021q1 25,712 persons or 15.5% of persons aged 15-29 were neither in employment, nor in education or training. Also, 23,607 persons aged 15-29 were part time workers corresponding to the 3.5% of the population. In parallel, 3,124 persons were seeking for job but they weren't available to work and 16,443 were available to work but they weren't seeking for a job.

Figure 2.1: Beveridge curve 2016q2-2020q2



It is worthy to note that usually the relationship between the vacancy rates with the unemployment rate is negative indicating the negatively sloped Beveridge curve. However, in 2020q4 and 2021q1, 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.

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).

Employment-Unemployment-Inactivity Flows

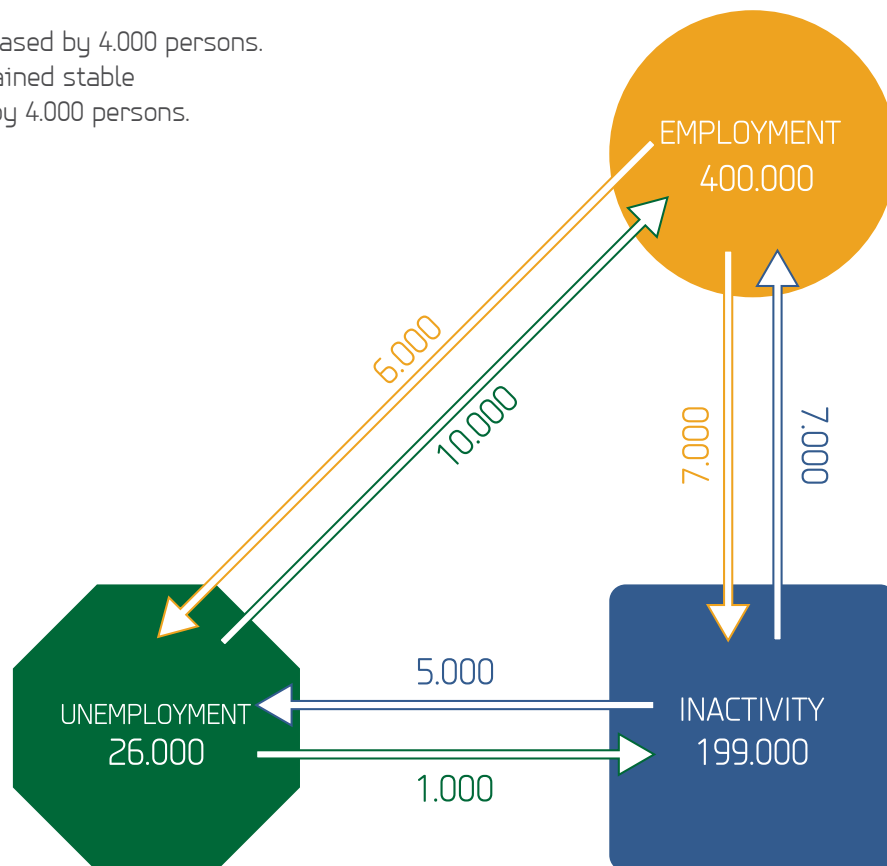
Based upon the quarterly data published by Eurostat, the Employment, Unemployment and Inactivity flows are monitored so as to record the number of persons moving in and out of the corresponding pools and thus identify the relative transfers.

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 4th 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 2020q4/q3 the net labour market inflow increased by 4.000 persons.

- a) Net Employment inflow increased by 4.000 persons.
- b) Net unemployment flow remained stable
- c) Net inactivity flow reduced 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 employment⁴ and business activity.

In the 1st quarter of 2021, the employment and business supportive schemes are estimated to €270 million.

⁴ Source: Ministry of Labour, Welfare and Social Insurance

4. CYPRUS RECOVERY AND RESILIENCE PLAN 2021-2026

Reforms and investments:

The reforms and investments included in the component contribute to addressing the Country Specific Recommendations 2 and 4 of 2020 and 1 and 3 of 2019 respectively.

Reforms:

- Reform 1: Reform of the Social Insurance System and Restructuring of the Social Insurance Services
- Reform 2: Flexible Work Arrangements in the Form of Telework

Investments:

- Investment 1: Improving the Effectiveness of the Department of Labour and Public Employment Services and reinforcing support for young people
- Investment 2: Establishment of Multifunctional Centres and Childcare Centres
- Investment 3: Establishment of home structures for children, adolescent with conduct disorders, persons with disabilities and people in need of long-term care (LTC)
- Investment 4: Child Centres in Municipalities
- Investment 5: Construction of Two Model Special Education Schools

Total estimated budget to be funded through the RRP: €78.9 million

Report on the Impact Assessment of the Recovery and Resilience Plan of Cyprus Preliminary Draft Economics Research Centre, University of Cyprus

Results show that the RRP can increase the GDP of Cyprus cumulatively by about 3.2% in the short run (2022-2023) and by 7.1% in the medium run (2022-2026), compared to the baseline development of the economy without the RRP. In the short term, GDP growth is mainly induced directly by RRP investments and to a lesser extent by an increase in productivity and by additional employment stimulated by the Plan. In the medium term, the effect of productivity becomes stronger thanks to the implementation of reforms and the investments in digital and ener-

gy efficient equipment and infrastructure. The Plan also increases employment by more than 2.5%, or by around 11.000 new jobs during the period 2021-2026, which can significantly reduce the unemployment rate in Cyprus.