



MINISTRY OF FINANCE

LABOUR  
MARKET  
BULLETIN

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# 1. LABOUR SUPPLY

In the 2nd quarter of 2021 labour supply in persons as estimated by the labour force denoted an increase by 2.8% or 13,000 persons in relation to the previous quarter of the same year.

The **seasonally adjusted (SA) employment** in persons increased in 2021q2 by 0.1 p.p compared with the previous quarter of the same year. (Figure 1.1)

**Seasonally adjusted hours worked** exhibited a decrease by 0.5% in the 2nd quarter of 2021 compared with the previous quarter of the same year (Figure 1.2).

level than otherwise could have been.

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 2nd quarter of 2021 was increased to 47,925 persons corresponding to 10.8% of the seasonally adjusted employment. The increase is mainly attributed to the education sector.

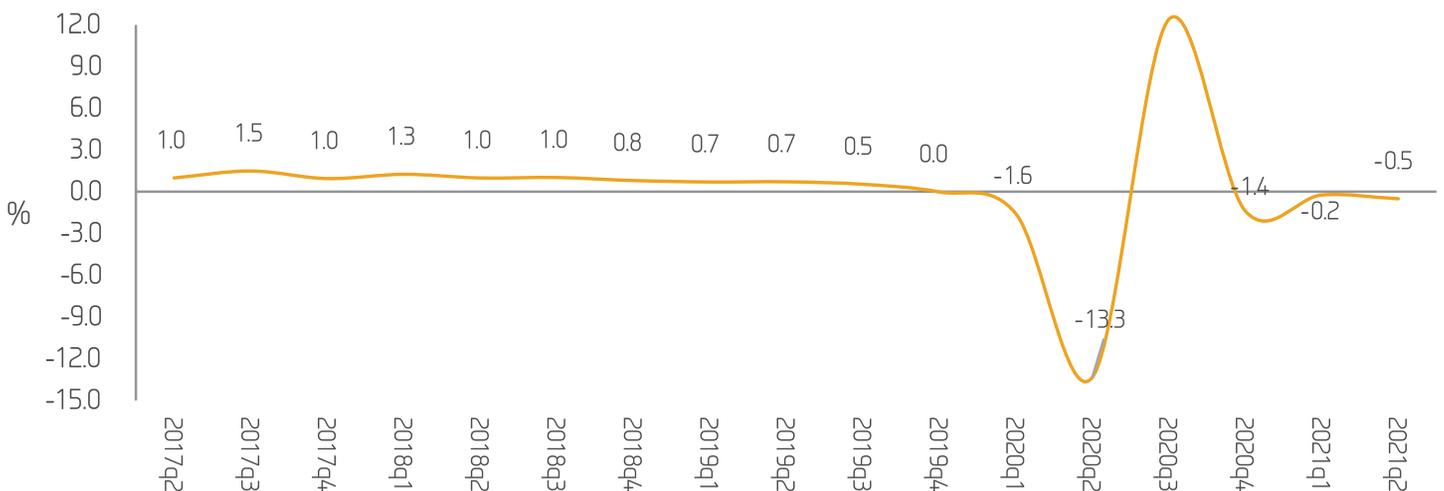
Figure 1.1: Quarterly SA employment in persons



The developments in the labour market in the 2nd quarter of 2021 reveal that the business sector maintained employment unchanged and reduced slightly hours worked. This trend has sustained the unemployment rate at lower

Cypriots employed during the 2nd quarter of 2021 increased by 2.2 p.p compared with the previous quarter. In parallel Europeans employed in Cyprus also increased by 6.6% while third country nationals increased by 5.7%. (Figure 1.3).

Figure 1.2: Quarterly change of SA hours worked

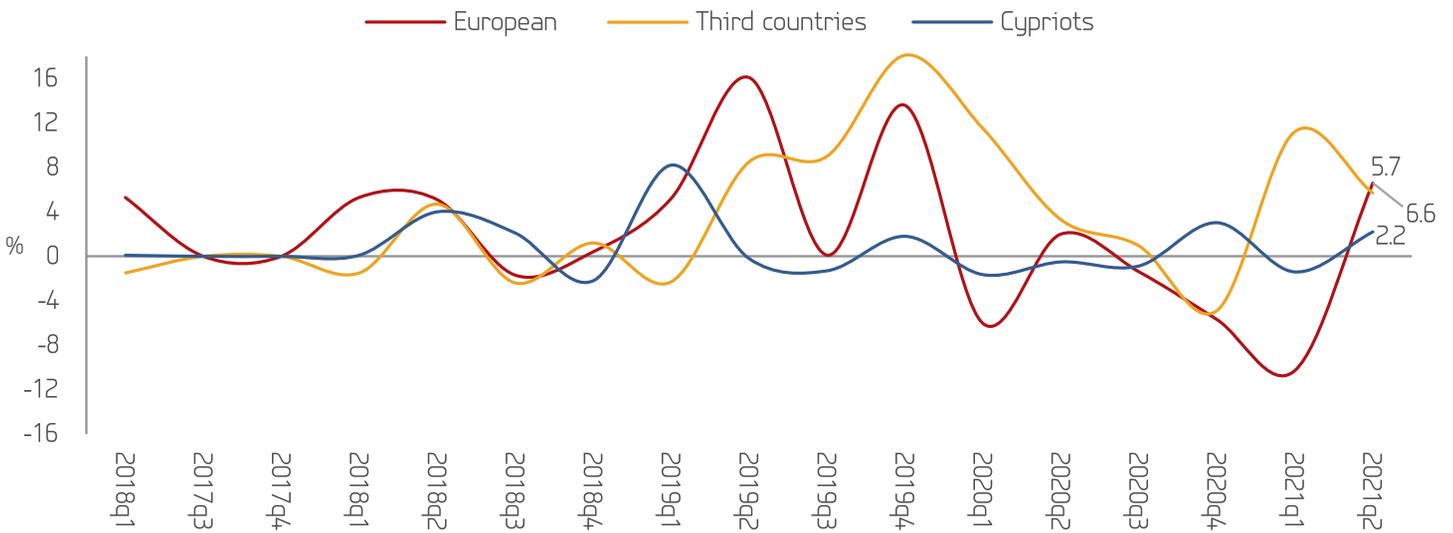


The distribution of employees<sup>1</sup> in the 1st quarter of 2021 based on their nationality was 77.5% Cypriots, 10.7% Europeans and 11.8% from third countries.

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

During the 2nd quarter of 2021, it is estimated that 97.966 persons were employed in flexible<sup>2</sup> forms of employment representing 21% of the labour force. More precisely, in temporary employment contracts, 49.461 employees were

Figure 1.3 : Quarterly employment by nationality



working in the 2nd quarter of 2021 while in the previous quarter they were around 1.400 less. Under part time working terms in the 2nd quarter of 2021, 48.505 persons were working while one quarter before they were 50.983. Temporary employment contracts represent 10.6% of the labour force whereas in part time contracts it was 10.4% 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

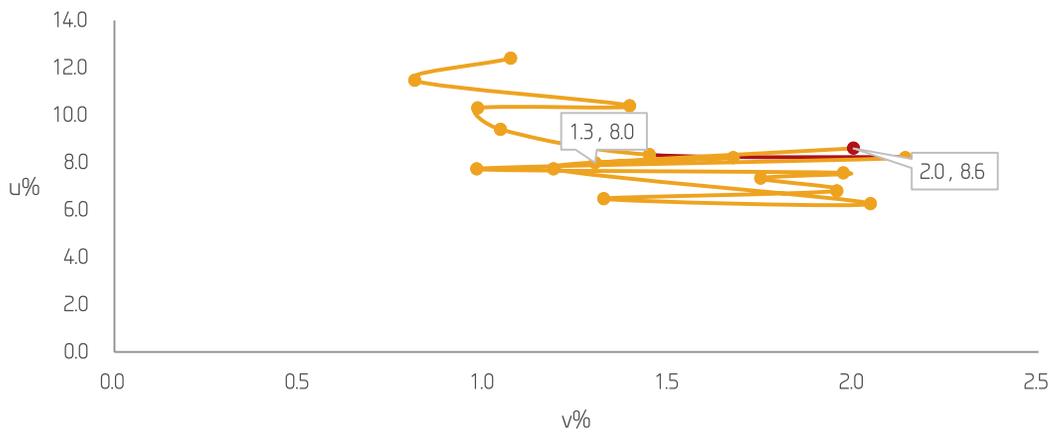
## 2. LABOUR DEMAND

In the demand side, the vacancy rate during the 2nd quarter of 2021 increased by 3.0% while the Statistical Service seasonally adjusted unemployment rate figure in the same quarter, reduced to 8.4%. The above trends shifted the Beveridge<sup>3</sup> curve slightly horizontally and rightwards causing the labour market to adjust to a new equilibrium point as shown in Figure 2.1 underneath.

year earlier the percentage of long term unemployed is found higher by 1.2 percentage points. (Figure 2.2).

It is worthwhile noting that in 2021 Q2 the percentage of persons aged 15-29 who were neither in employment, nor in education or training was reduced to 14.3% or around 2,000 persons. Also, 22,809 persons aged 15-29 were part time workers corresponding to the 3.4% of the population and it was lower than one quarter before. In parallel, the number of persons who were seeking for job but they weren't available to work was reduced by 500 persons and the number of persons who were available to work but they weren't seeking for a job was reduced by around 4,800 persons between 2021q2 vis a vis 2021 q1.

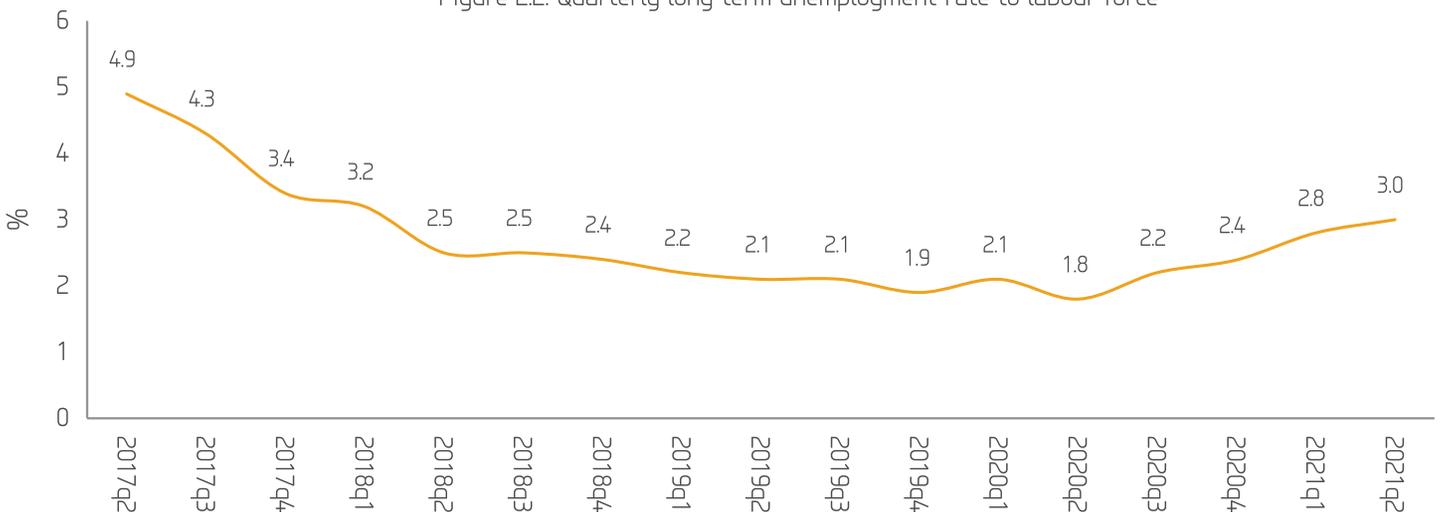
Figure 2.1: Beveridge curve 2016q2 - 2020q2



Registered, seasonally adjusted unemployment in the 2nd quarter of 2021 reached 27,465 persons while in the previous quarter it was higher by approximately 1,600 persons.

In parallel, long-term unemployment (above 12 months) as a ratio of the labour force in the 2nd quarter of 2021 increased to 3% from 2.8% of the labour force. In comparison with one

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).

## 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.

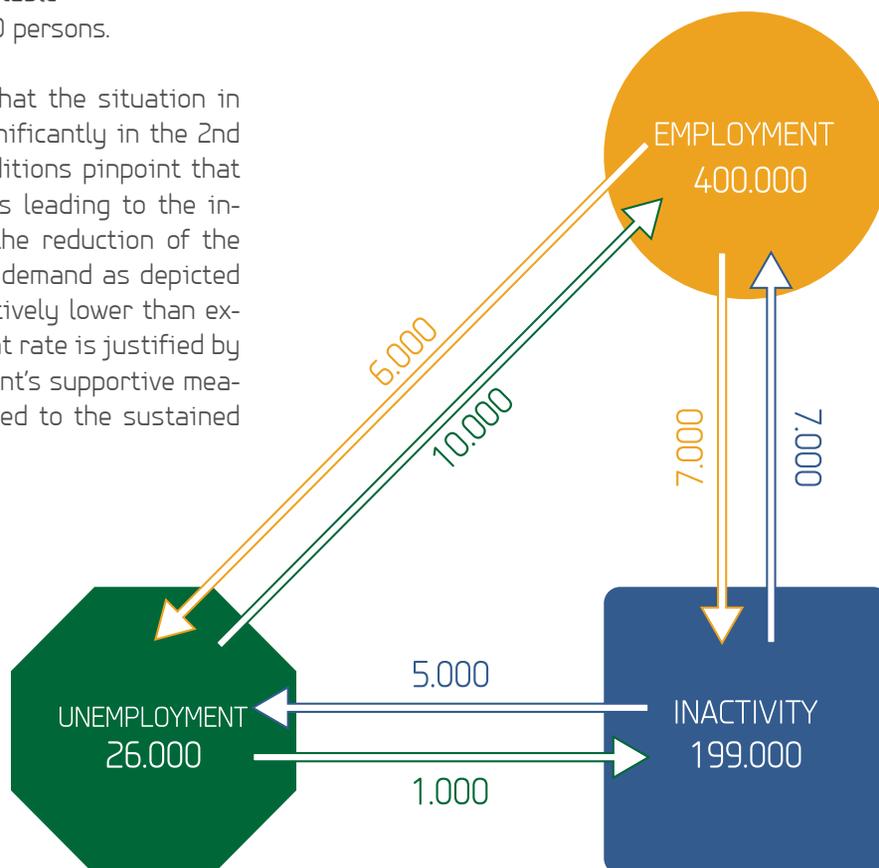
Under this scope, it could be pinpointed the net number of persons moving in and out of the relevant pools and thus, it can be an additional component of the current quarterly labour market analysis.

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.

Overall, labour market data reveal that the situation in the labour market has improved significantly in the 2nd quarter of 2021. Labour market conditions pinpoint that the expected GDP growth rebound is leading to the increase of the labour force and to the reduction of the inactivity pool and to higher labour demand as depicted in the higher vacancy rate. The relatively lower than expected reduction of the unemployment rate is justified by the fact that in 2021q2 the government's supportive measures were still on track and thus led to the sustained drop to the unemployment rate.



### 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 €250 million from the E.U. under the SURE scheme in 2020 and another €237 million shall be received within 2021. In fact, in February 2021 the amount of €229 million was received and the rest €124 million was received in May 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<sup>4</sup> and business activity.

In January-June 2021, the employment and business supportive schemes are estimated to €427,6 million whereas in January-June 2021 the amount spent was equal to €319,6 million.

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<sup>4</sup> 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 mln

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 re-

forms and the investments in digital and energy efficient equipment and infrastructure. The Plan also is expected to increase 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.