



Labour Market

April, 2018

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Summary

In 2017, the labour market exhibited a significant recovery with strong indications for a sustainable recovery. Despite the fact that the labour market is still faced with some challenges, it is obvious that in 2017 both employment and unemployment developments denote strong positive turnaround.

Employment in persons and hours worked on average have risen in seasonally adjustment terms by 3.5% and 3.4% respectively.

Employment in 2017 in the public sector between 2017 and 2016 declined in persons and denoted a decline as a ratio of employment in seasonally adjusted terms mainly due to the increase of the latter.

In 2017, public employment in percent of total employment in seasonally adjusted terms declined from 12.6% in 2016 to 12.3% in 2017. A reduction by 3.3 percentage points on average was recorded in underemployment as a ratio of the labour force with respect to 2016.

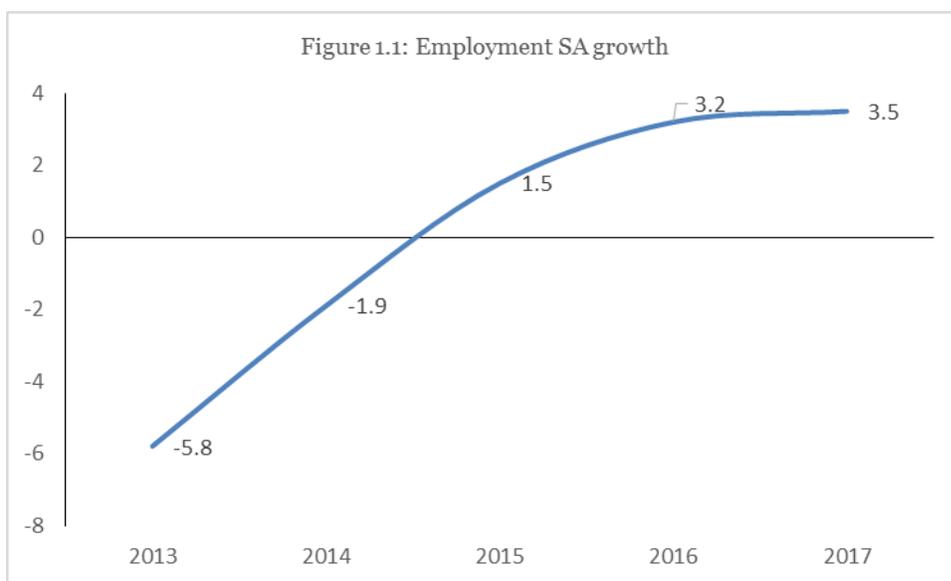
In parallel, the unemployment rate as a ratio of the labour force denoted a marked reduction by 2 percentage points between 2016 and 2017 from 13% the year before to 11%. Notwithstanding the high levels of youth unemployment aged between 15-24 has also exhibited a marked decline to 24.7% in 2017 on average from 29.1% in 2016.

Concurrently, the projected percentage of long term unemployed to the labour force declined from 5.7% in 2016 to 4.5% in 2017 reflecting its gradual but sustained downward path.

Labour market expectations are positive as leading indicators suggest that economic activity will be strong across all sectors of the economy over the next three years. The above is to lead to employment growth and job creation hence, contributing to maintaining the downswing of the unemployment rate. In 2018, the unemployment rate it is forecasted to decline further to 9.5% of the labour force.

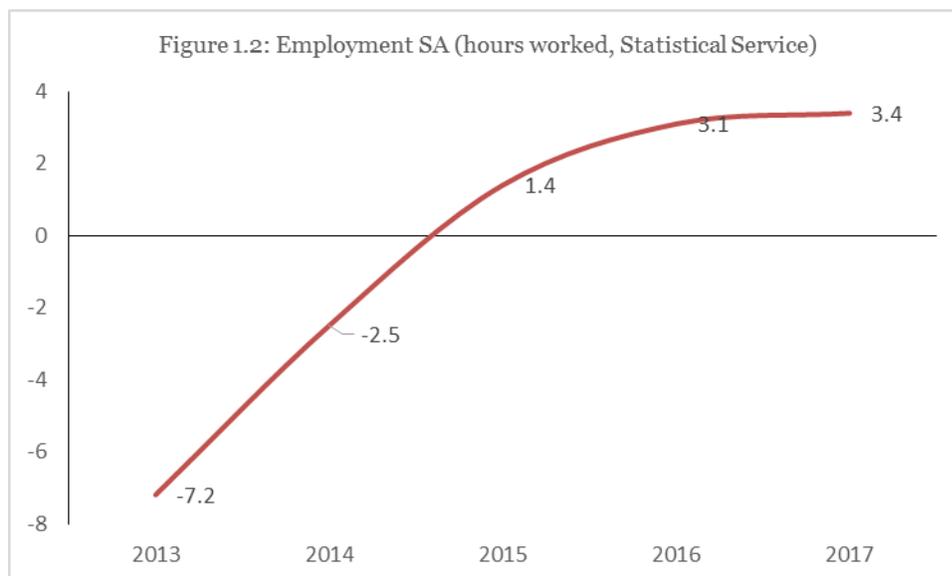
1. LABOUR SUPPLY

The positive developments in the labour market continued as average employment in SA terms, in persons, increased by 3.5% in 2017 compared with 2016. In 2016, employment recorded an increase of 3.2% (Figure 1.1). At the same time, underemployment as a ratio of the labour force in 2017 denoted a marked decline by 3.3 percentage points compared with 2016. In parallel, the labour force has risen on average by 0.9% in 2017.



Source: Statistical Service

The seasonally adjusted hours worked exhibited a similar trend and recorded an increase by 3.4% on average in 2017 compared to 3.1% in 2016 (Figure 1.2).



Source: Statistical Service

During 2017, on average 99,546 persons were employed in flexible¹ forms of employment representing 23.4% of the labour force and denoting a reduction by 2.1 percentage points compared to 2016.

Employment in the public sector to total employment based on Public Administration and Personnel Department's (PAPD) data denoted a decline in 2017 and from 12.6% in 2016 to 12.3% in 2017.

According to data by the Department of Social Security Services² (SSS), Cypriots increased on average by 0.9% in 2017 compared to 2016 while, while employment of Europeans declined by about 2.5% and employment of third countries individuals increased by 4.2% in relation to 2016

¹ Flexible forms of employment include the number of employees working part time and on temporary contracts.

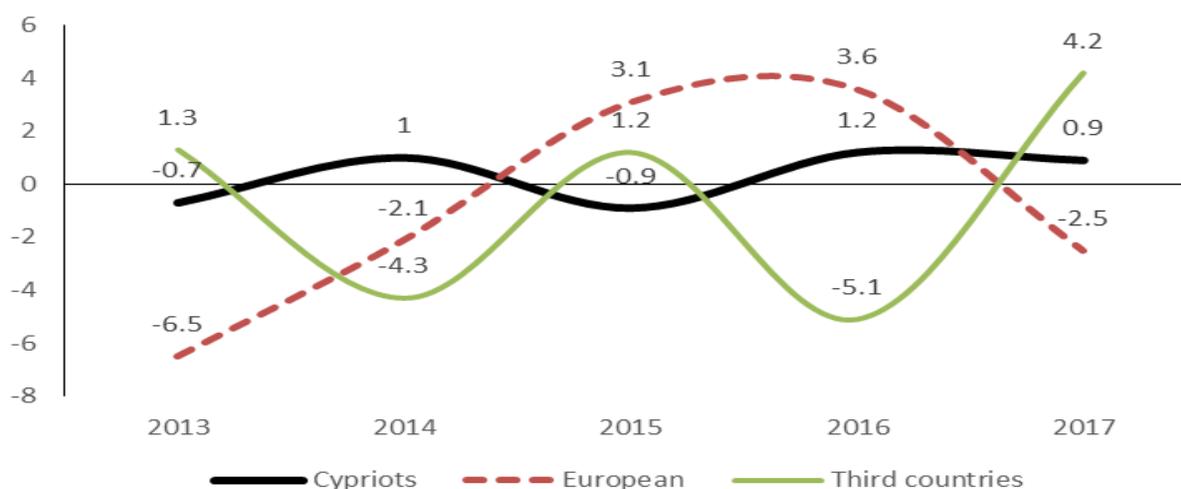
² Source: Social Security Services

(Figure 1.3). As depicted in Figure 1.3 European and third country national exhibit higher mobility than Cypriots who maintain a more constant labour mobility profile reflected in relatively constant variance.

According to data by SSS, the distribution of employees by nationality was 80% Cypriots, 12.0% Europeans and 8.0% individuals from third countries.

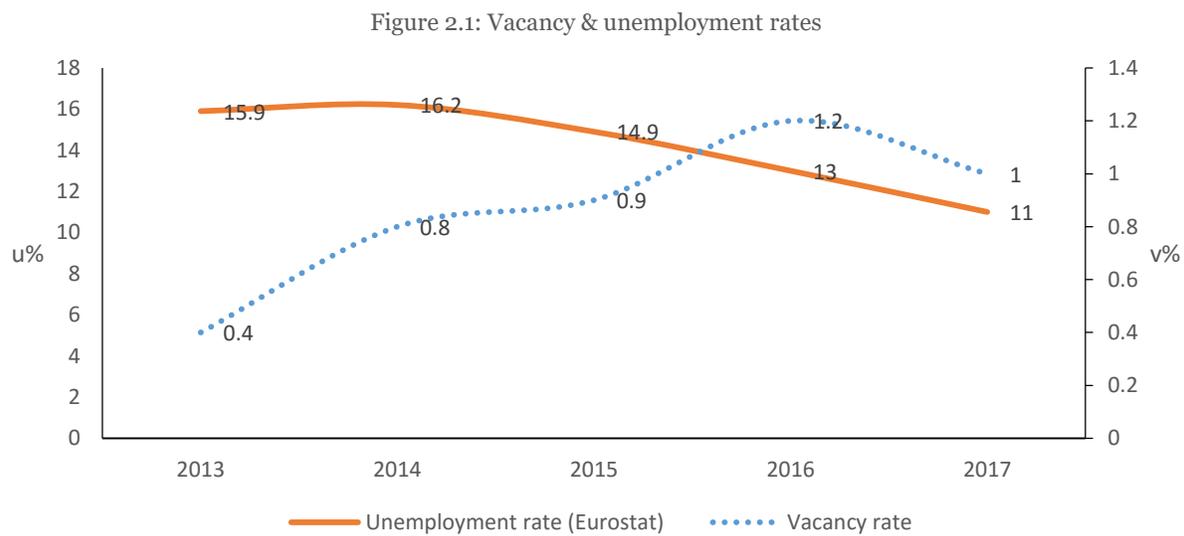
Cypriots were employed mostly in the sectors of Wholesale and Retail Trade, Food and Accommodation services, Construction, Manufacturing and Education and to Professional, Scientific and Technical activities. European nationals were employed mainly in the sectors of Food and Accommodation services, Wholesale and Retail Trade and Construction. Lastly, third country nationals were employed by services of households as employers and in sectors of construction and agriculture.

Figure 1.3: Employment by nationality



2. LABOUR DEMAND

On the demand side, the vacancy rate increased on average by 1.0%. The unemployment rate has notably decreased to 11% from 13% in 2016 and has led the Beveridge³ curve to shift up and rightwards causing the labour market to adjust to a new equilibrium point (Figure 2.1).

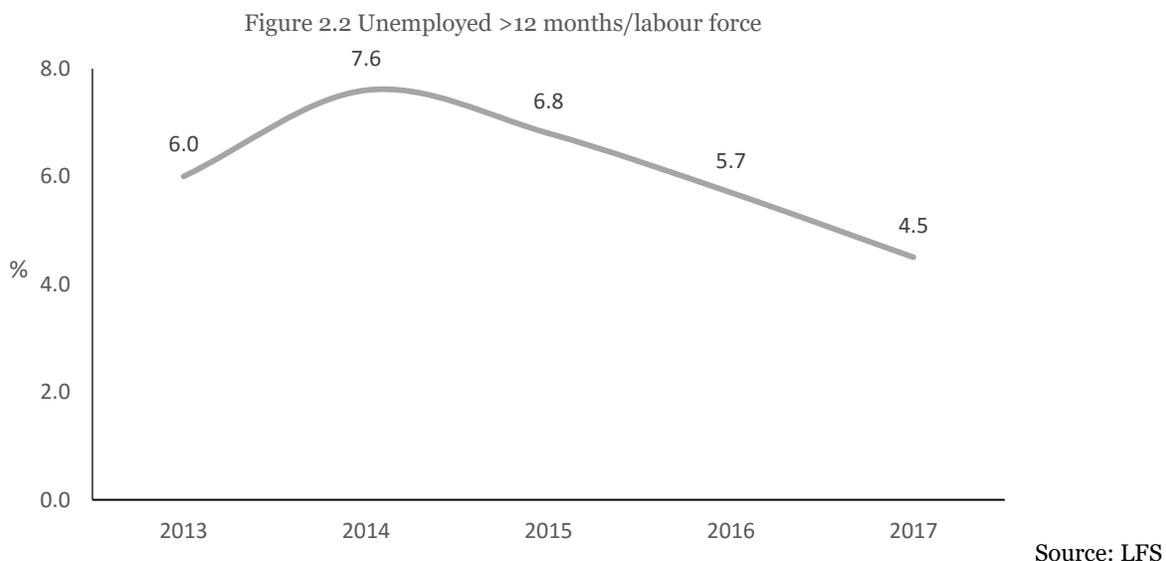


Registered unemployment in actual data in 2017 on average denoted a significant decline in relation to 2016 by 4.912 persons of the labour force.

³ The Beveridge curve or UV curve represents a graphical illustration of the relationship between the unemployment rates with vacancy rate (the number of empty jobs to the labour force).

The continuous decline of registered unemployment is expected to be reflected in a sustained reduction in unemployment benefit and redundancy outlays leading to increasing public revenue associated with higher employment impacting positively on public finances.

The marked decline in the average unemployment rate by 2 p.p between 2016 and 2017 is also reflected in the unemployment rate for persons aged between 15-24 which exhibited a decline by 4.7 percentage points in 2017 and fell to 24.7% while long term unemployment also declined by 1.2 percentage point falling to 4.5% of the labour force. (Diagram 2.2).



3. ACTIVE LABOUR MARKET POLICIES

Active Labour Market Policies are effective measures used to reduce 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 matching those skills to labour demand characteristics.

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 and are

financed by national funds and/or co-financed by the European Social Fund of the European Union.

Current ALMPs are targeted towards specific vulnerable groups such as unemployed, unemployed beneficiaries of GMI, youth under the age of 30, long term unemployed and long term unemployed public assistance beneficiaries.

In the Table⁴ attached, the current and future active employment schemes are listed for the period 2015-21 for which total expenditure for 2017 amounted to €43.1 mln while for the whole programming period is budgeted amount reaches €100.1 mln.

ACTIVE LABOUR MARKET POLICIES

⁴ Source: Department of Labour and Human Resources Development Authority