



MINISTRY OF FINANCE

LABOUR  
MARKET  
BULLETIN

Q3  
2021



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PIO 3/2022 – Electronic Edition  
ISSN 2672-8214 (online)  
Published by Press and Information Office  
Design: Antimonium Design

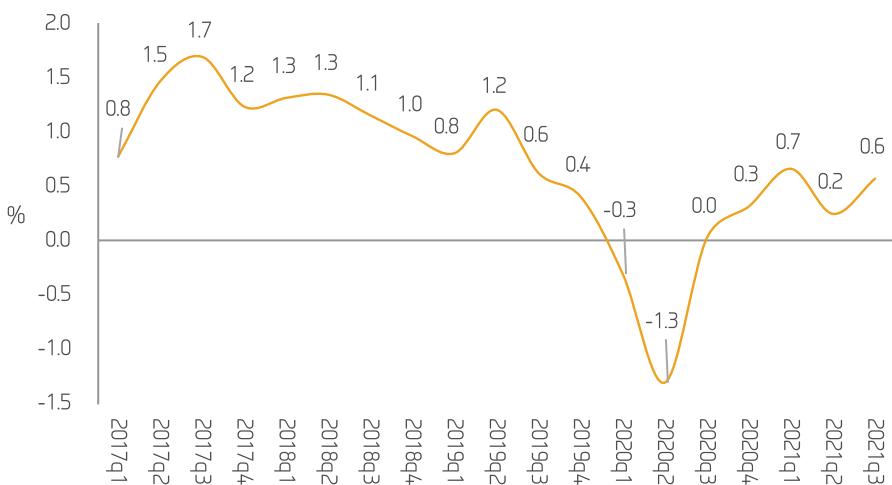
## 1. LABOUR SUPPLY

In the 3rd quarter of 2021 labour supply in persons as estimated by the labour force denoted an increase by 1.6% or 5.789 persons in relation to the previous quarter of the same year.

The **seasonally adjusted (SA) employment** in persons increased in 2021Q3 by 0.6 pp compared with the previous quarter of the same year. (Figure 1.1)

**Seasonally adjusted hours worked** exhibited an increase by 1.1 p.p in the 3rd quarter of 2021 compared with the previous quarter of the same year (Figure 1.2).

Figure 1.1: Seasonally adjusted employment in persons, %



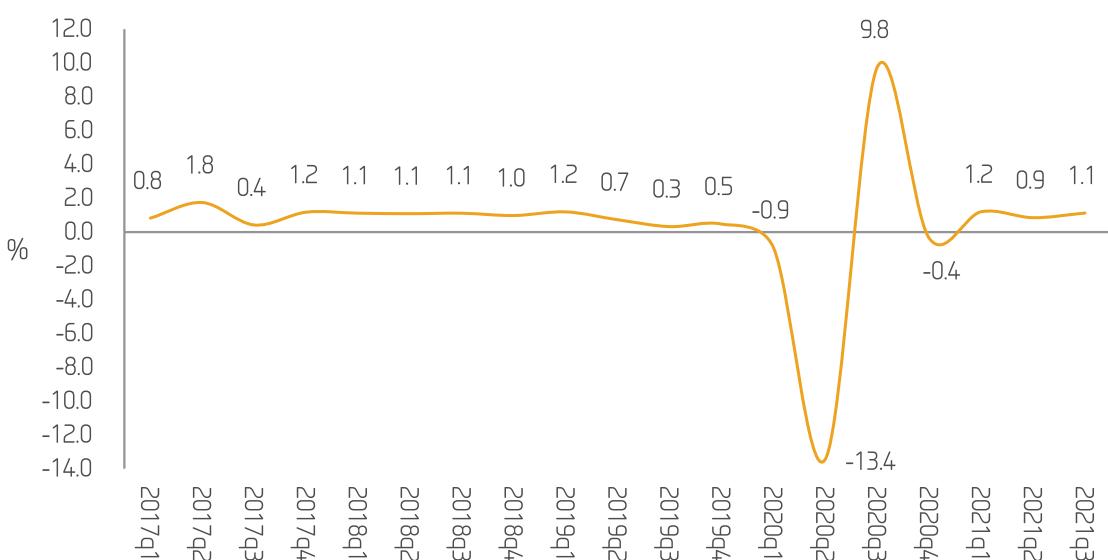
For the 9 months period, in 2021 vis a vis 2020, the labour force exhibited an increase by 3.1%, the SA employment growth by 0.9% and in raw data by 1.1% and the hours worked in raw data increased by 3.5% and in SA terms by 3.1%.

The developments in the labour market in the 3rd quarter of 2021 reveal that the business sector increased employment in persons and raised hours worked more; a strategy widely pursued by business firms during the last two quarters. This trend has sustained the unemployment rate at lower level than otherwise could have been and at a great extent was supported by the measures the government put in place to retain employment in the pandemic.

The above policy pursued is also attributed to the high degree of flexibility the domestic labour market maintains. Employment in the public sector in the 3rd quarter of 2021

increased to 48.120 persons corresponding to 10.7% of the seasonally adjusted employment. The increase is mainly attributed to the education sector.

Figure 1.2: Seasonally adjusted hours worked, %

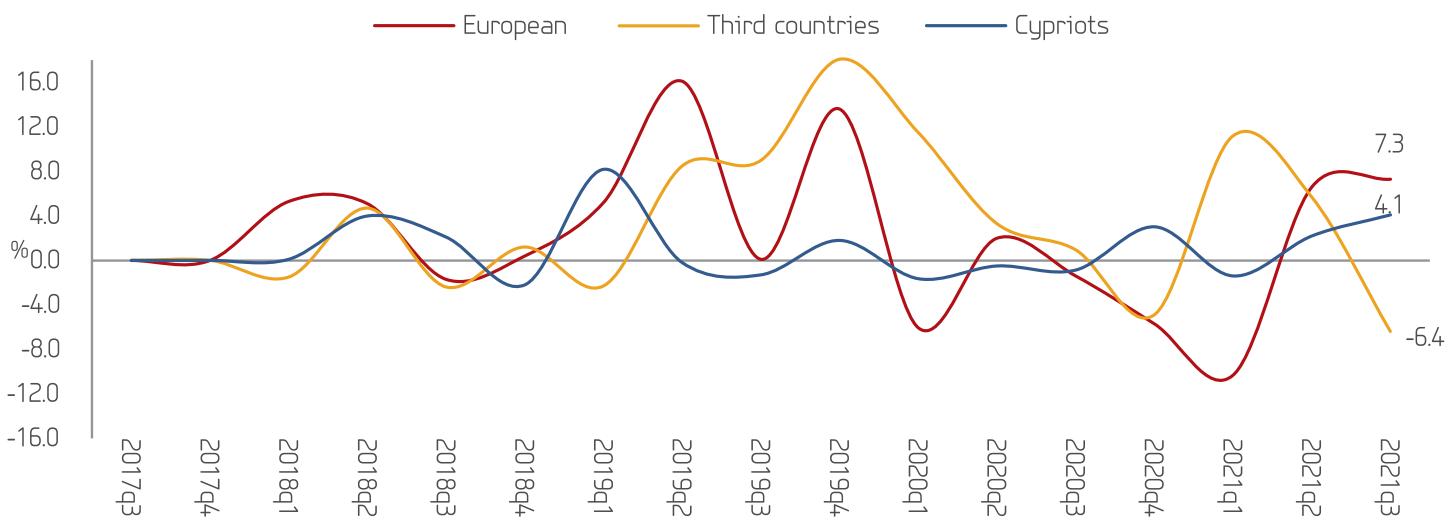


Cypriots employed during the 3rd quarter of 2021 increased by 4.1 p.p compared with the previous quarter. In parallel, Europeans employed in Cyprus also increased by 7.3% while third country nationals decreased by 6.4 p.p (Figure 1.3).

The distribution of employees<sup>1</sup> in the 3rd quarter of 2021 based on their nationality was 78% Cypriots and 11% 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 retail and wholesale trade and in construction and third country nationals in the household services sector and in construction.

Figure 1.3 : Quarterly employment by nationality



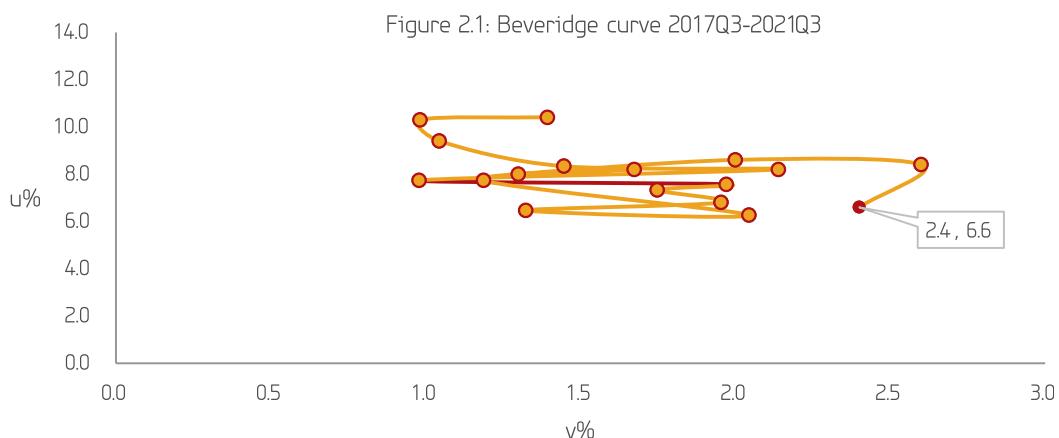
During the 3rd quarter of 2021, it is estimated that 99.030 persons were employed in flexible<sup>2</sup> forms of employment representing 21% of the labour force. More precisely, in temporary employment contracts, 50.548 employees were working in the 3rd quarter of 2021. Under part time working terms in the 3rd quarter of 2021, 48.482 persons were working. Temporary employment contracts represent 10.7% of the labour force whereas in part time contracts it was 10.3% 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

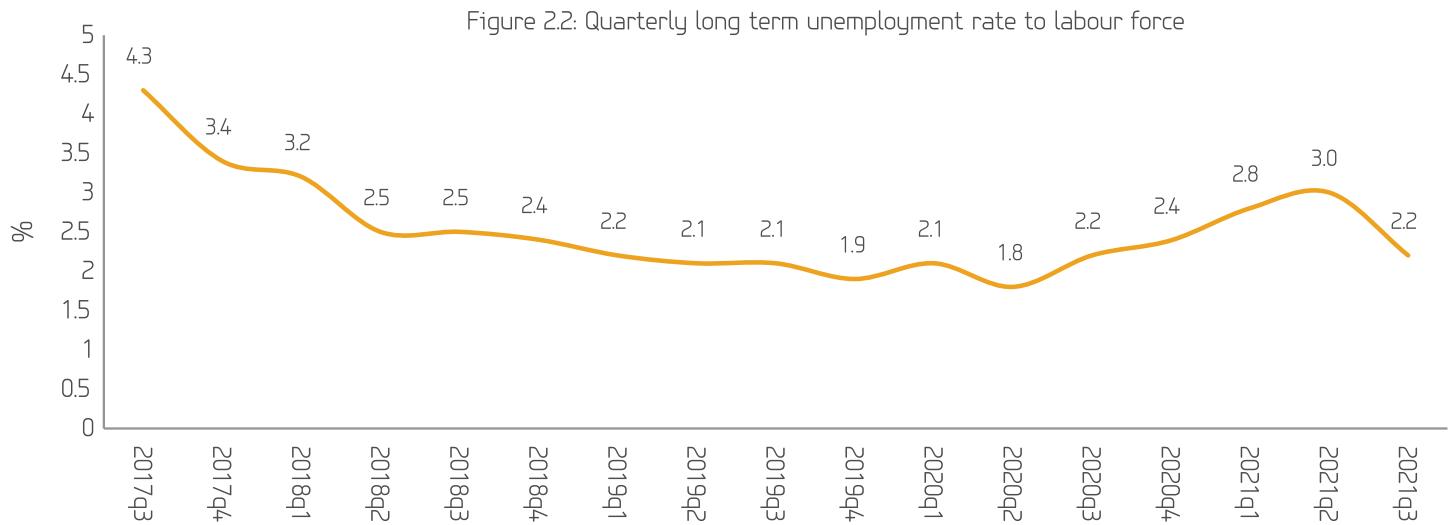
## 2. LABOUR DEMAND

In the demand side, the vacancy rate during the 3rd quarter of 2021 increased by 2.4% while the unemployment rate figure in the same quarter, reduced to 6.6% of the labour force. The above trends shifted the Beveridge<sup>3</sup> curve downwards and leftward causing the labour market to adjust to a new equilibrium point as shown in Figure 2.1 underneath.



Registered, seasonally adjusted unemployment in the 3rd quarter of 2021 reached 18.390 persons while in the previous quarter it was higher by approximately 8.200 persons.

In parallel, long-term unemployment (above 12 months) as a ratio of the labour force in the 3rd quarter of 2021 reduced to 2.2% from 3% of the labour force the previous



<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.

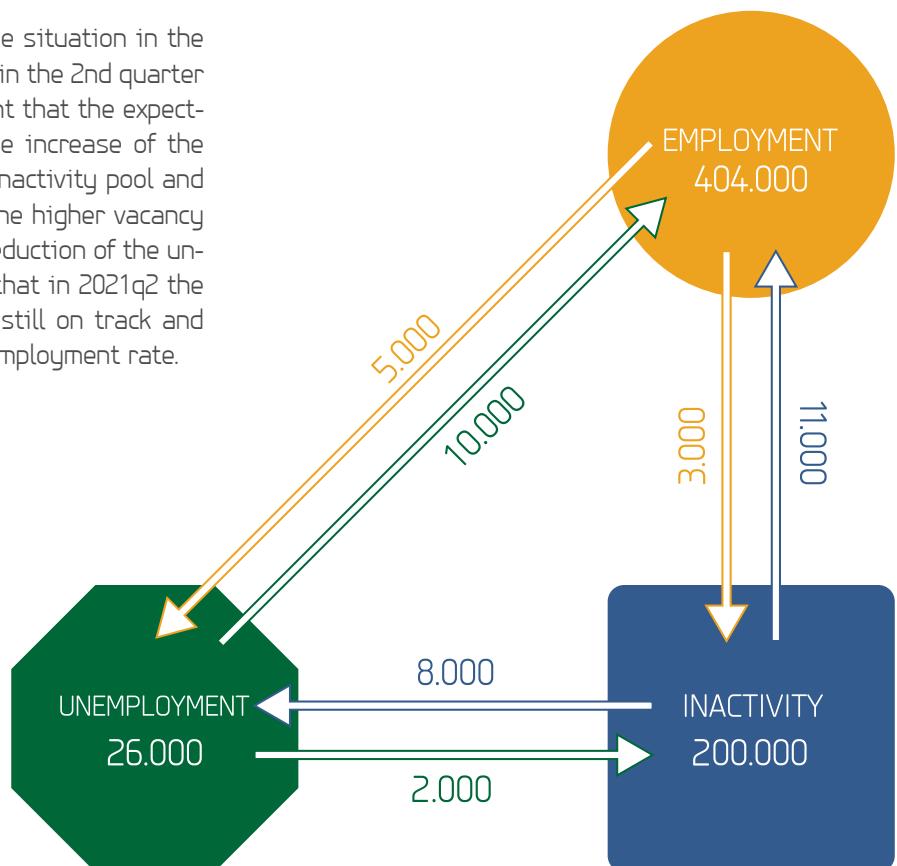
Under this scope, it could be pinpointed the net number of persons moving in and out of the relevant pools and thus, it can be an additional component of the current quarterly labour market analysis.

The attached diagram is based on data of the 2nd quarter of 2021 in relation to the previous quarter of 2021. 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 2021q2/q1 14.000 persons in 2021Q1/Q2 has been reactivated in the labour market.

- a) Net Employment inflow increased by 13.000 persons
- b) Net unemployment flow increased by 1.000 persons
- c) Net inactivity flow reduced by 14.000 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 amount of real expenses in Active Labour Market Policies in 2020 is estimated to around €307.4 million which equals 1.45% of the GDP. This figure includes the amount spent on employment supportive measures to combat the consequences of the pandemic on the labour market.

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 was 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.

For 2021 the budgeted amount to be spent on ALMPs is €322.1 million or 1.44% of the GDP.

For 2022, it is budgeted that the corresponding amount shall decline to €43.9 million or 0.18% of the GDP mainly due to the withdrawal of the supportive measures to mitigate the consequences of the pandemic on the labour market.

<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 reforms 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.