MINISTRY OF FINANCE

LABOUR
MARKET
BULLETIN

1st SEMESTER
2022

TABLE OF CONTENTS
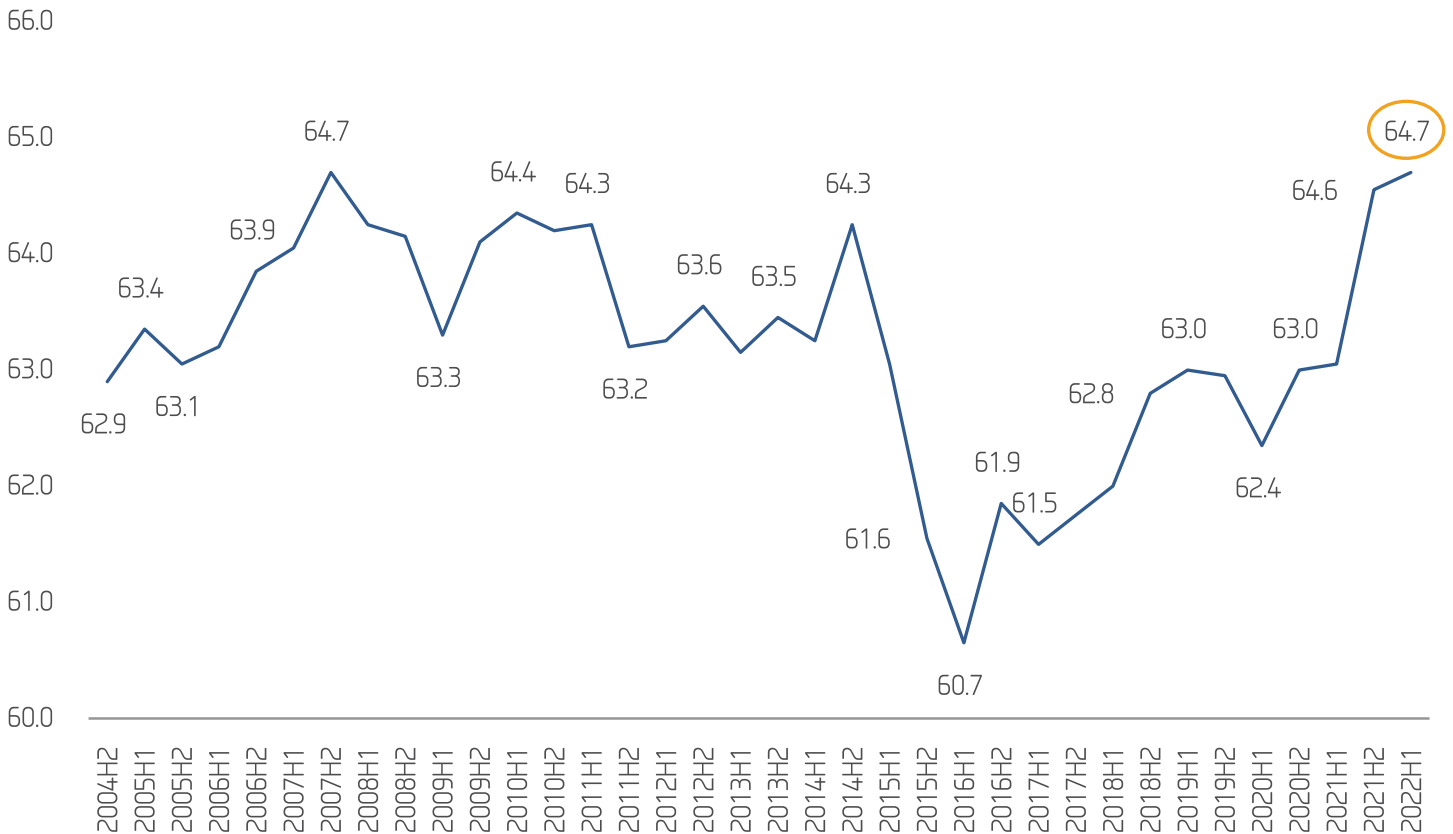
A. Labour force statistics

In the 1st semester of 2022, labour supply as a percentage of the population, denoted an increase of 1.6%, from 63.1% to 64.7% in relation to the 1st semester of 2021 and it is at its highest level for the last 15 years.

Figure 1 - Labor Force/Population

Based upon the latest available data on the stocks and flows of Employed, Unemployed and Inactive persons, it appears that in the 1st half of 2022 compared to the 1st half of 2021, the net flow of Employment was positive by 3,000 persons, the net flow of Unemployment increased by 1,000 persons while the net Inactivity flow decreased by 4,000 persons (Figure 2). The red arrows indicate the direction of the net flows; thus, they denote the positive development of the movement of the labor force from inactivity to the labor market and in particular the growth of employment.

Figure 2 - Employment-Unemployment-Inactivity Stocks and Flows 2022H1[1]
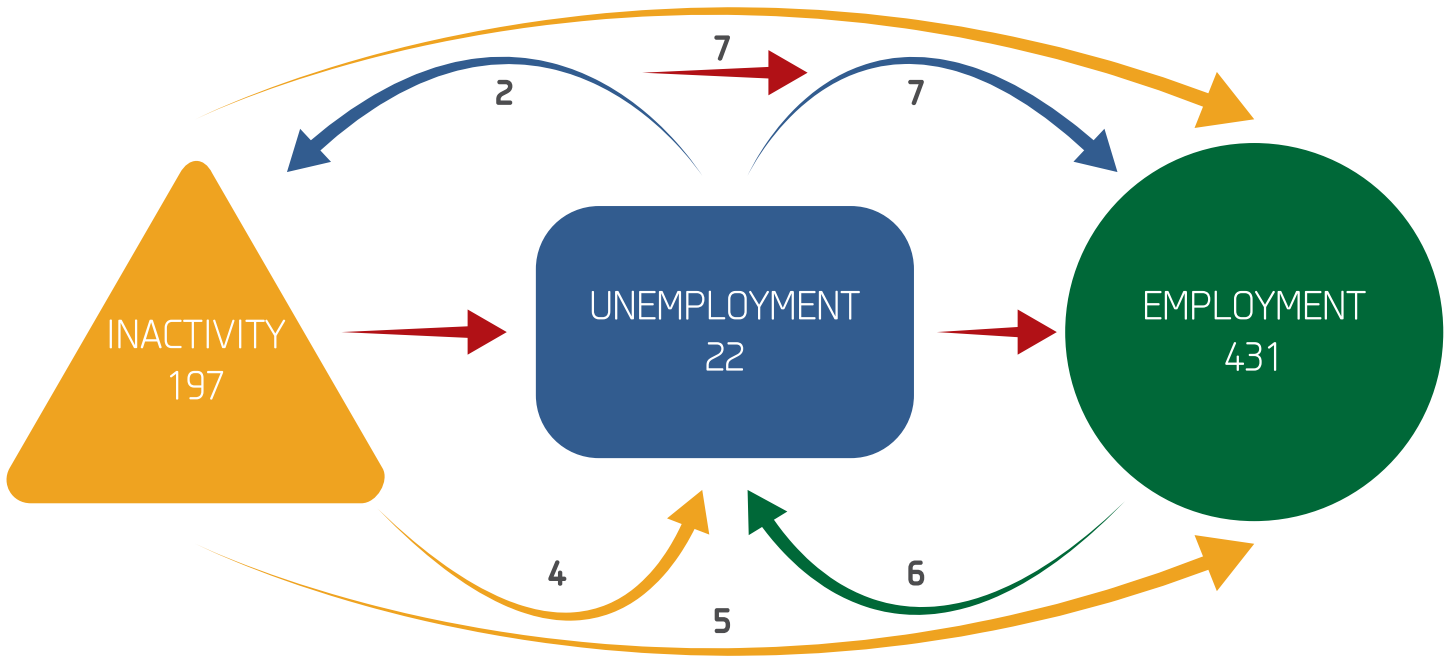
B. Labour Supply

In the first half of 2022 compared to the first half of 2021, seasonally adjusted employment in persons increased by 1.8% while hours worked increased by 4.8%. Employment for 2022 and 2023 it is projected to increase by 1.7% and 0.8% in persons and by 4.4% and 2% in hours, respectively.

Figure 3 - Seasonally adjusted employment (persons, %)
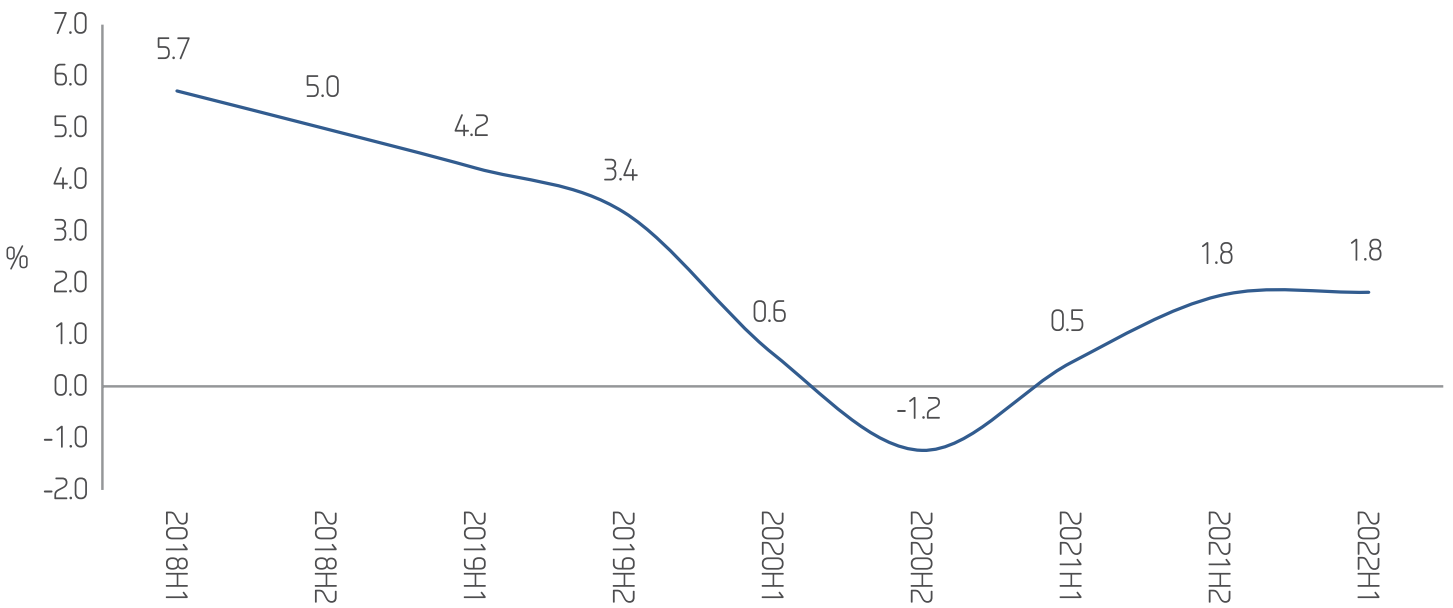
[1] The unit of measurement is thousands of persons

Regarding the public sector, employment up to the 1st semester of 2022 amounted to 48,658 persons and increased by 1064 persons compared to the 1st semester of 2021. Employment in the public sector corresponds to 10.7% of (seasonally adjusted) employment. The increase in employment is mainly attributed to the increase in employment in the education sector.

C. Labour Demand

In terms of labour demand, the unemployment rate in the 1st semester of 2022 compared to the 1st semester of 2021 decreased to 6.7% from 8.5%, while the vacancy rate increased to 2.9% from 2, 3%. The unemployment rate is expected to fluctuate around 7.0% and 6.4% in 2022 and 2023 respectively.

Long-term unemployment (12 months and more) as a percentage of the labour force in the 1st half of 2022 amounted to 2.4% of the labor force while in the 1st half of 2021 it was 2.9%. The proportion of young people (15-29) who were not in Employment, Education or Training (NEET) fell from 14.9% in the first half of 2021 to 13.6% by the first half of 2022 as a percentage of the total number of young people in the respective age group.

The natural rate of unemployment[2] in 2020 and 2021 rose to 2% and 3.9% respectively. In the 1st half of 2022, it rose to 4.4%.

GDP appears to be correlated with unemployment (actual and natural rate-NRU) (Diagram 4). Especially, when the GDP growth rates are positive (years 2004-2009 and 2015-2022 excluding the period of the outbreak of the pandemic, unemployment rates have a parallel trend and while the GDP growth rate decreases (2010-2014) unemployment rates are rising, with 1-year time lag.

Diagram 4 – GDP, Unemployment and NRU rate

---
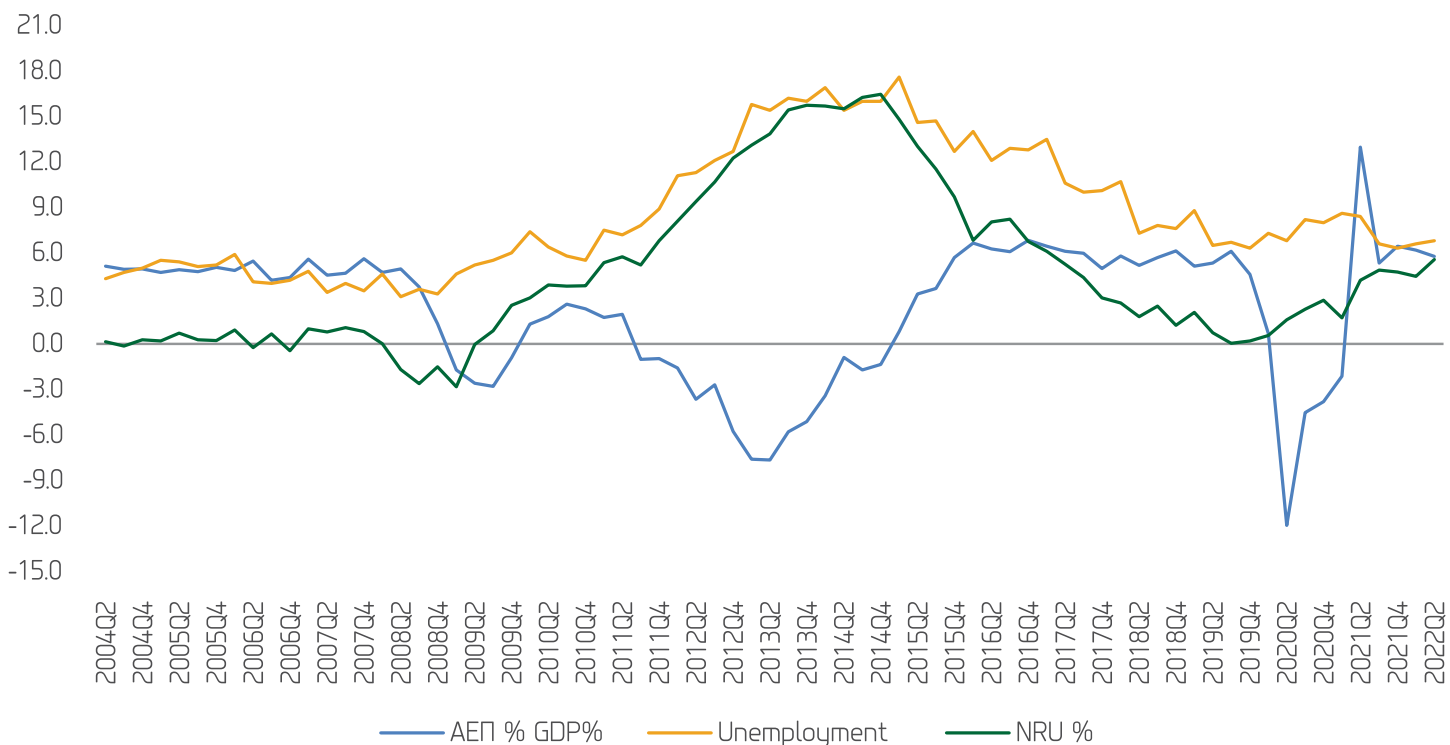
[2] The natural rate of unemployment is the unemployment rate that occurs when the economy is at full employment

Productivity increased in 2021 by 4.3% compared to 2020 and in the first half of 2022 by 4% compared to the first half of 2021. For the whole 2022, it is expected to increase by 3.9%.

D. Concluding comments

• The forecast for 2022 for GDP growth of 5.7%, justifies the increase in hours worked which are expected to increase by 4.4%. The above-mentioned trends show that labour market has recovered in regards to 2020, as can be seen from the increase in the employment, hours worked, productivity and also the lower unemployment rate.

• However, the gradual increase in the natural rate of unemployment, especiallly since 2019Q2 onwards may indicate that the labour market is facing structural changes related to skills mismatch with available jobs, an issue that must be contained by increasing training and skills programs.

• It is expected that both education and employment reforms and investments under the Recovery and Resilience Plan (RRP) will bolster up to reduce this mismatch. Also, the establishment of the minimum wage may have a positive impact on the labour market, mainly for those workers who receive wages of less than €940 per month.