

FORECASTS OF LABOUR DEMAND AND SUPPLY IN THE CYPRUS ECONOMY 2022 - 2032

The systematic monitoring of the trends in the labour market as well as the projection of the future situation, both for the quantitative needs and the knowledge and skills required, are key elements for the proper working of a flexible labour market since it supports appropriate policy decisions and corrective measures.

The HRDA, utilising its long-standing experience and expertise in labour market issues, within its sphere of competence, established the systematic forecasting of labour demand in the Cyprus economy. In this context, it carried out the study «Forecasts of labour demand and supply in the Cyprus economy 2022-2032», which, for the first time, includes forecasts for the labour supply as well.

A. Aim of the study

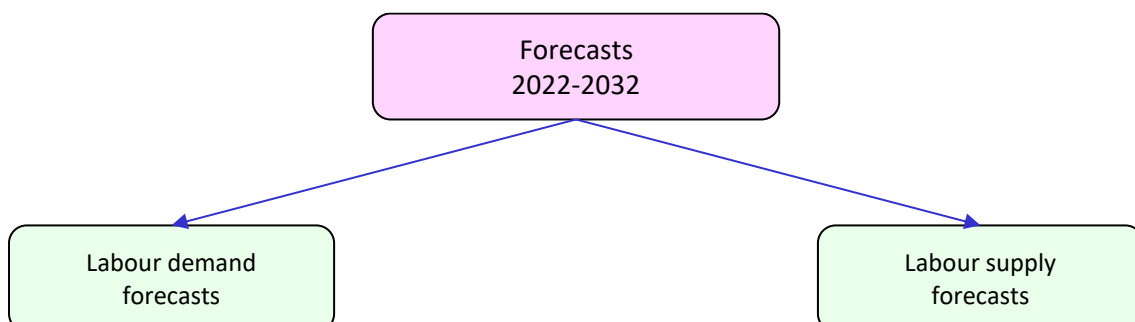
The study aims to provide forecasts of both labour demand and supply in the Cyprus economy during the period 2022-2032. This constitutes a necessary input for the proper and timely planning and implementation of education and training activities.

Labour demand forecasts are achieved through the estimation of the size of total employment and the allocation of employment in economic sectors and occupations. As a result, expansion demand, i.e. new jobs, is calculated. Replacement demand, or employment needs due to permanent withdrawals from the labour market, is also forecasted and total employment demand is estimated by aggregating expansion and replacement demand in economic sectors and in occupations.

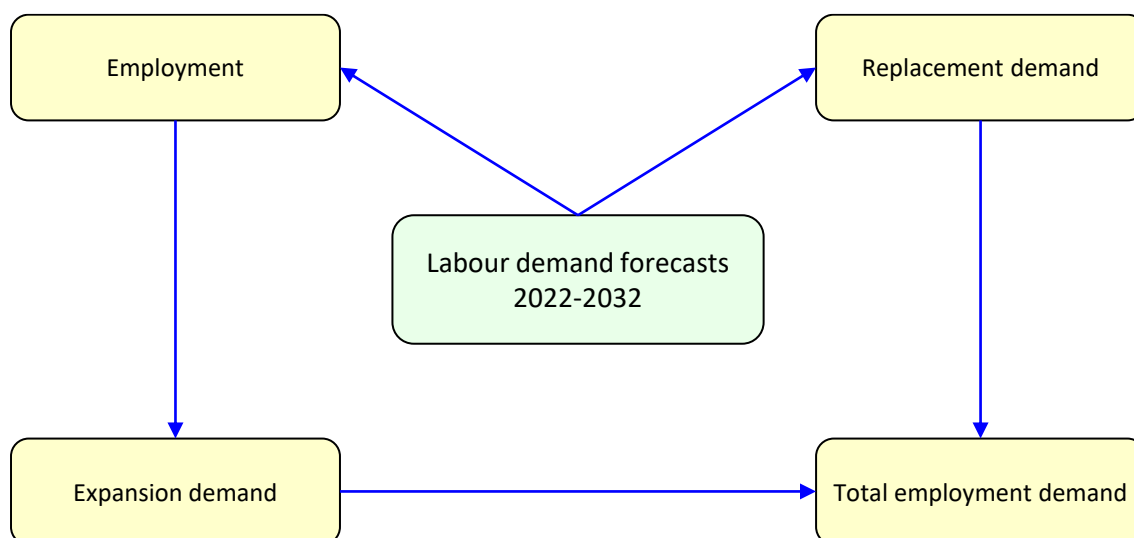
Labour supply forecasts are achieved through the estimation of the labour market participation rate for the population by gender and age group. Based on this estimation, the economically active population is calculated, that is the sum of employed and unemployed, and a forecast is made of the allocation of economically active population in the three broad education levels.

B. Scope of the study

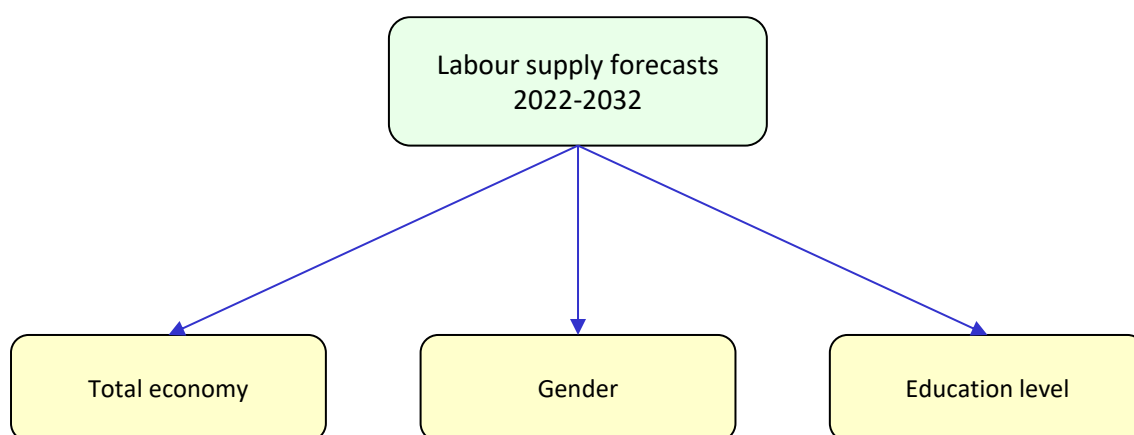
The study provides forecasts of labour demand and supply, covering the whole spectrum of the Cyprus economy for the period 2022-2032.



Labour demand forecasts are provided in economic sectors (3 broad sectors, 21 main sectors and 52 sectors) and in 309 occupations (173 high level occupations, 130 middle level occupations and 6 low level occupations).



Labour supply forecasts are provided for the total, by gender and by education level.



C. Methodology

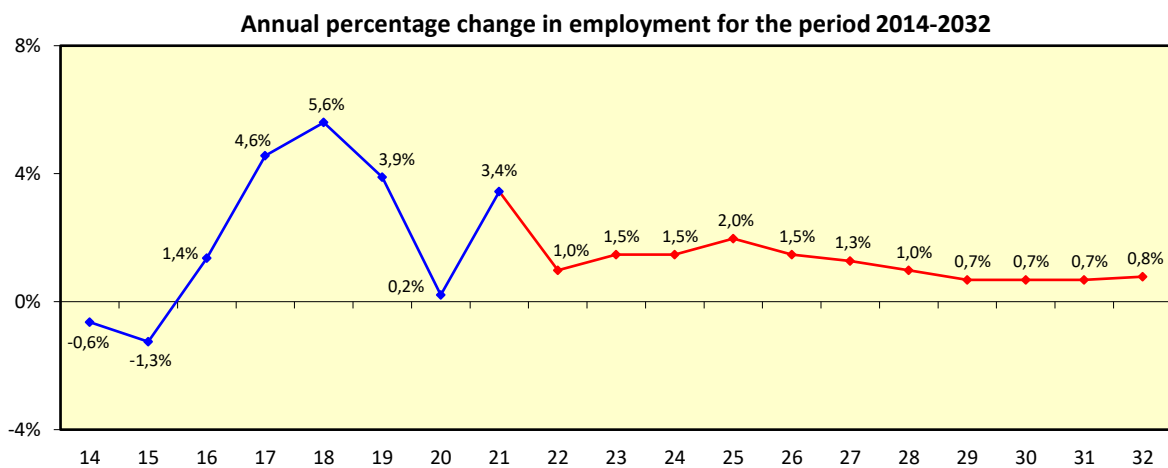
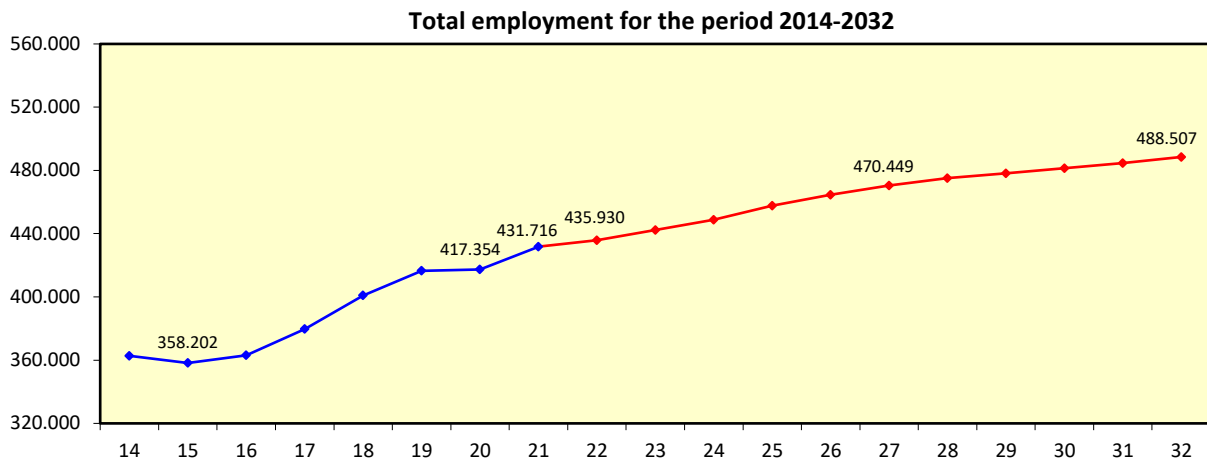
The methodology for the forecasts of labour demand and supply is divided into two main parts. The first part concerns the methodology for labour demand forecasts, while the second part concerns the methodology for labour supply forecasts.

In the first part of the methodology, forecasts are provided for employment, expansion demand, replacement demand due to permanent withdrawals from the labour market and total employment demand, both in economic sectors and in occupations. It is noted that, during the process of carrying out labour demand forecasts, the strategic objectives of Cyprus were considered, as these were expressed through the various national programming documents. Subsequently, based on the strategic objectives, specific assumptions and working scenarios were adopted, which are presented in the study.

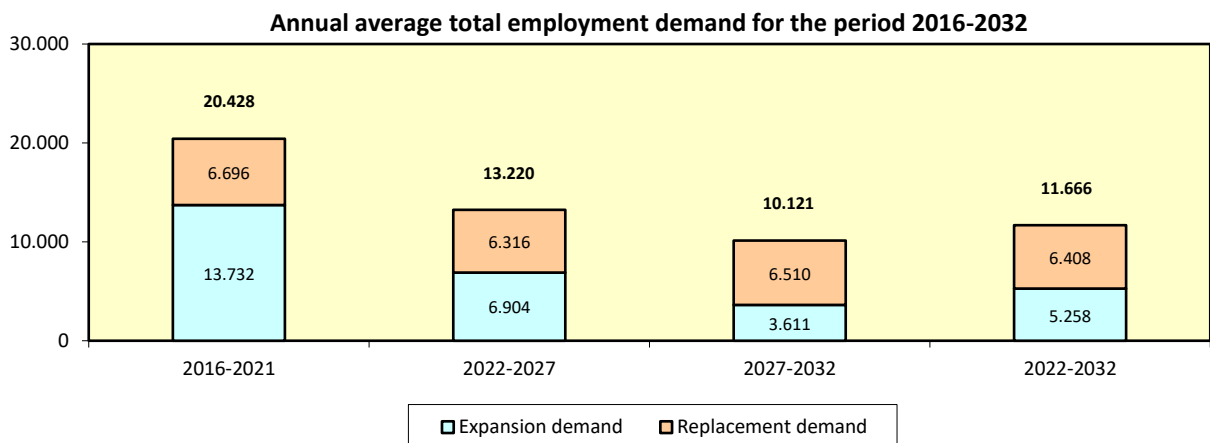
In the second part of the methodology, forecasts are provided for labour supply in the Cyprus economy. Specifically, forecasts are provided for the labour market participation rate for the population by gender in Cyprus, and as a result the economically active male and female population is calculated. Then, a forecast is made of the allocation of the economically active population in the three broad education levels (up to lower secondary education, up to post-secondary non-tertiary education, and tertiary education).

D. Forecasts of labour demand of total economy

Total employment, in the period 2022-2032, is forecasted to exhibit an upward trend. During this decade, it is forecasted that employment will increase by 52.577 persons or 12,1%. It is noted that total employment since 2015 (358.202 persons) began to gradually rebound from the significant decrease observed in the period 2011-2015, a consequence of the economic crisis that also affected the Cyprus economy (decrease by -40.012 persons or -10,0%). It should also be pointed out that a very small increase occurred in 2020, despite the effects caused by the COVID-19 pandemic.

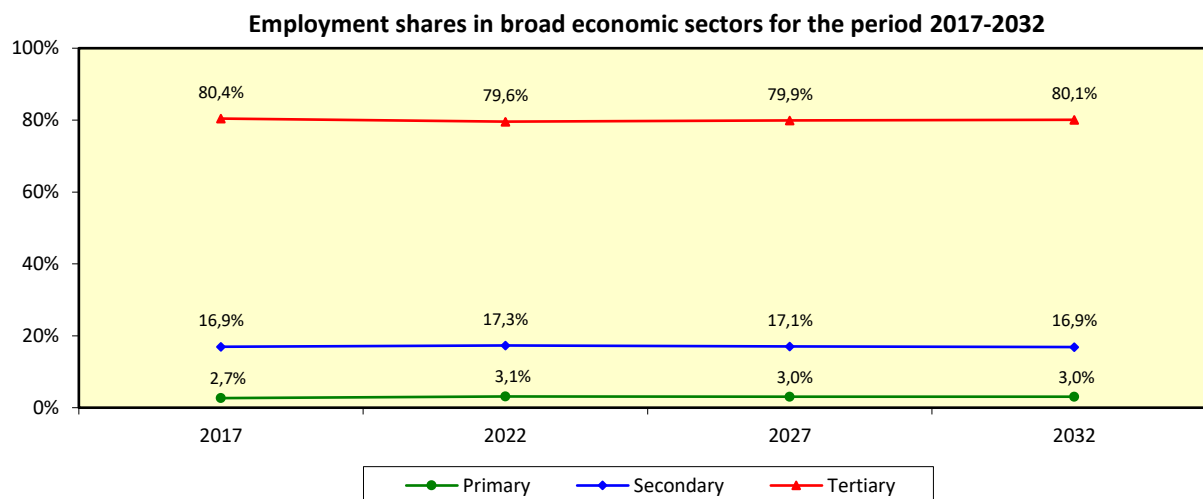
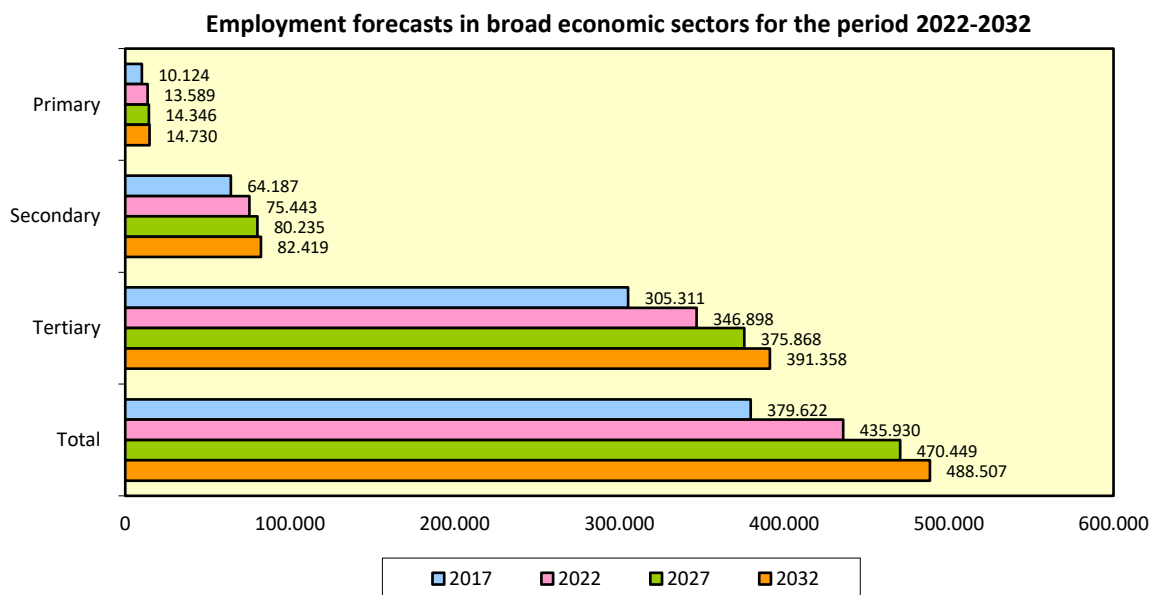


Annual total employment demand for the period 2022-2032, will reach 11.666 persons with an average annual rate of 2,5%. Expansion demand, or new jobs, is forecasted to be 5.258 persons or 1,1% per year and will be lower than the employment needs due to permanent withdrawals from the labour market which will be 6.408 persons or 1,4% per year.



E. Forecasts of labour demand in economic sectors

The vast majority of employed persons will continue to be in the tertiary sector, showing a significant increase. As a result, 8 out of 10 persons will be employed in the tertiary sector, thus increasing the dependence of the Cyprus economy on services.

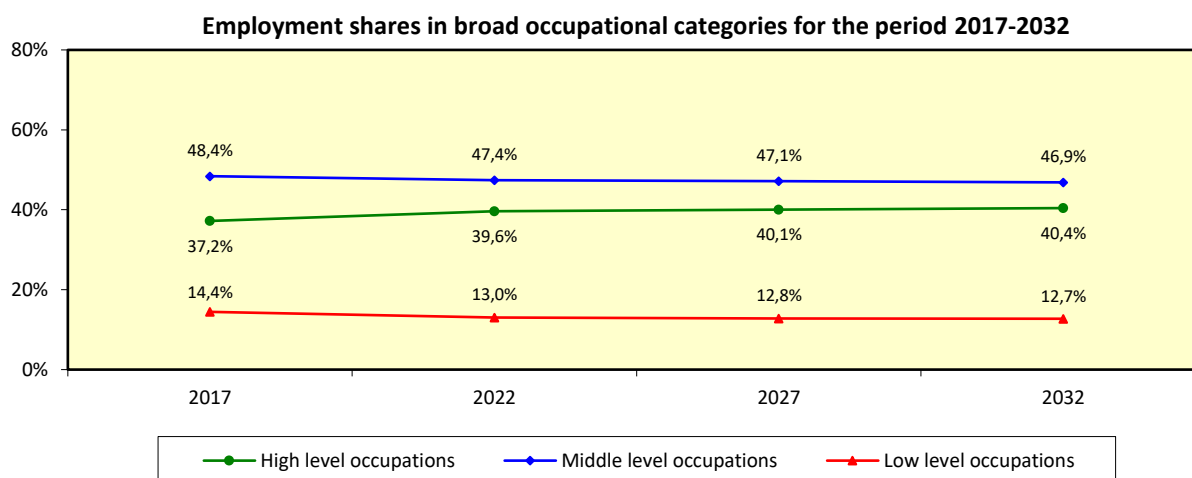
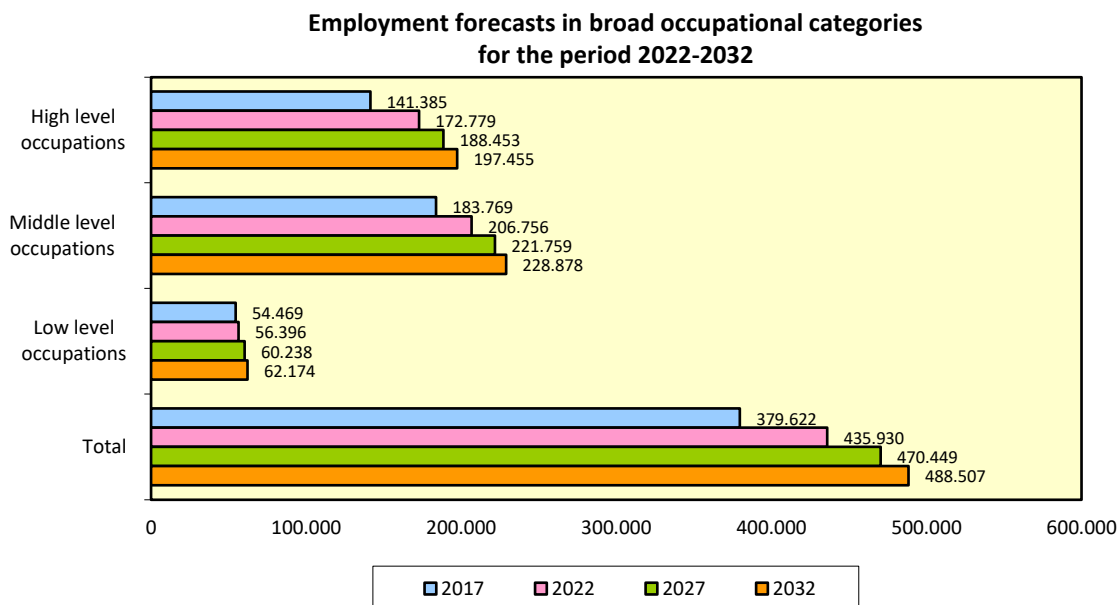


Among the 10 economic sectors with the highest total employment demand, 9 belong to the tertiary sector and 1 to the secondary sector.

- Retail trade (1.175 persons or 2,5% per year)
- Education (1.108 persons or 3,0% per year)
- Health and social work activities (1.038 persons or 4,0% per year)
- Construction (854 persons or 2,1% per year)
- Public administration and defence (782 persons or 1,9% per year)
- Food and beverage service activities (710 persons or 3,8% per year)
- Wholesale trade (565 persons or 2,4% per year)
- Accommodation (466 persons or 3,6% per year)
- Legal and accounting activities (456 persons or 2,2% per year)
- Computer programming and information service activities (371 persons or 4,0% per year)

F. Forecasts of labour demand in occupational categories

An increase in employment is expected for all three broad occupational categories. Almost half of employed persons will continue to be in middle level occupations (occupations that require secondary level education), while 4 in 10 employed persons will be in high level occupations (occupations that require tertiary level education).



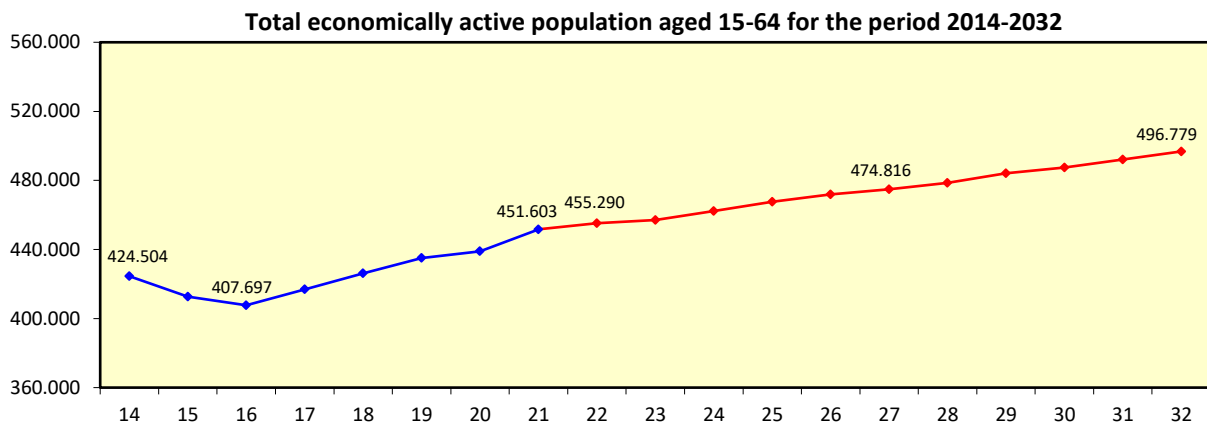
Among the 10 occupational groups with the highest total employment demand, 4 belong to high level occupations, 5 to middle level occupations and 1 to low level occupations.

- Sales workers (1.068 persons or 2,7% per year)
- Cleaners and helpers (934 persons or 2,9% per year)
- Personal service workers (868 persons or 3,1% per year)
- Business and administration associate professionals (863 persons or 2,1% per year)
- Teaching professionals (639 persons or 2,3% per year)
- Building and related trades workers, excluding electricians (494 persons or 2,0% per year)
- Health professionals (459 persons or 3,3% per year)
- Drivers and mobile plant operators (419 persons or 2,5% per year)
- Information and communications technology professionals (417 persons or 5,0% per year)
- General and keyboard clerks (411 persons or 1,9% per year)

G. Forecasts of labour supply

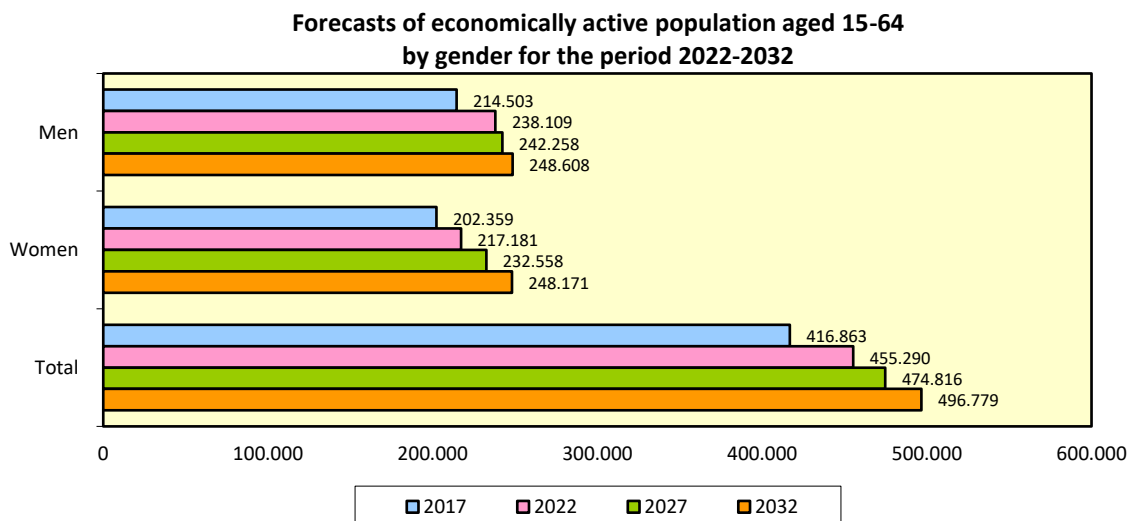
The total economically active population aged 15-64, in the period 2022-2032, is forecasted to exhibit an upward trend. During this decade, it is forecasted that economically active population aged 15-64 will increase by 41.489 persons or 9,1%. It is noted that total economically active population began to gradually rebound since 2016 (407.697 persons) after the significant decrease observed in the period 2012-2016. It should also be pointed out that this decrease was caused by the large reduction of employed persons due to the global economic crisis, even though the number of unemployed had a significant increase.

This will result in the continuation of the upward trend of the participation rate of the population aged 15-64 in the labour market, which from 76,5% in 2022, it will rise to 80,6% in 2032, showing an increase of 4,1 percentage points during the decade 2022-2032. It is noted that, in 2017, the participation rate of the population aged 15-64 in the labour market was significantly lower (73,9%).



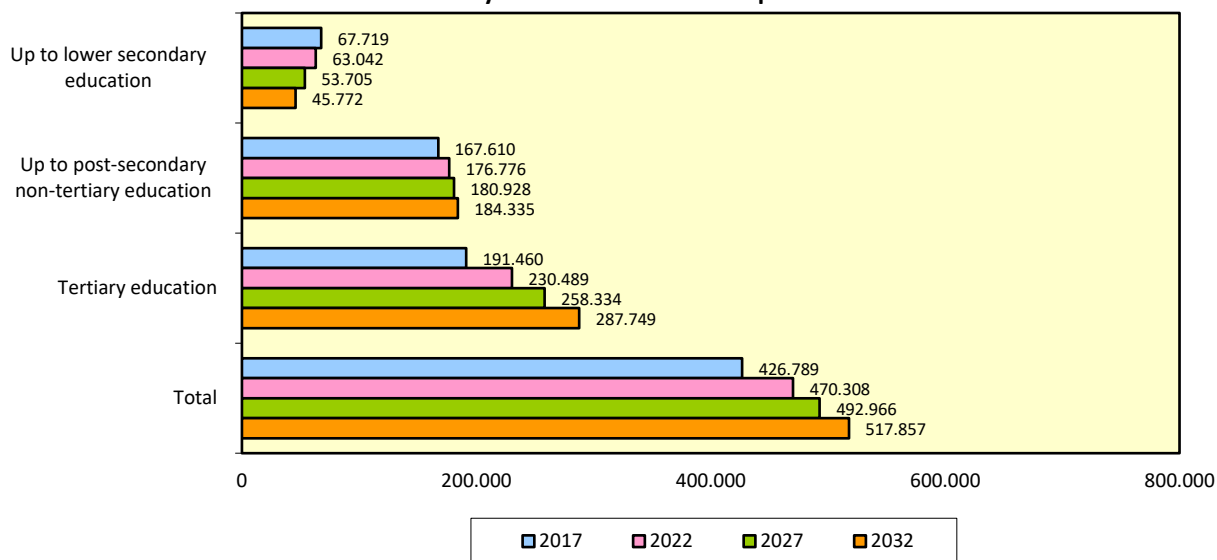
The increase in the economically active population aged 15-64 will occur to a much greater extent from the economically active female population aged 15-64 (3.099 persons or 1,3% per year) compared to the increase in the economically active male population aged 15-64 (1.050 persons or 0,4% per year). Based on these forecasts, by 2032, the economically active female population aged 15-64 will rise to the same levels as the economically active male population aged 15-64. It is noted that this trend is due to the much higher increase in the female population compared to the corresponding increase in the male population (Eurostat population forecasts «Europop2019»).

An increase will be observed in the labour market participation rate of both male and female population aged 15-64, showing, however, a decrease in the gender gap. The male participation rate from 81,8% in 2022, will rise to 84,5% in 2032 (increase of 2,7 percentage points), while the corresponding female participation rate from 71,5% in 2022, will rise to 77,2% in 2032 (increase of 5,7 percentage points).

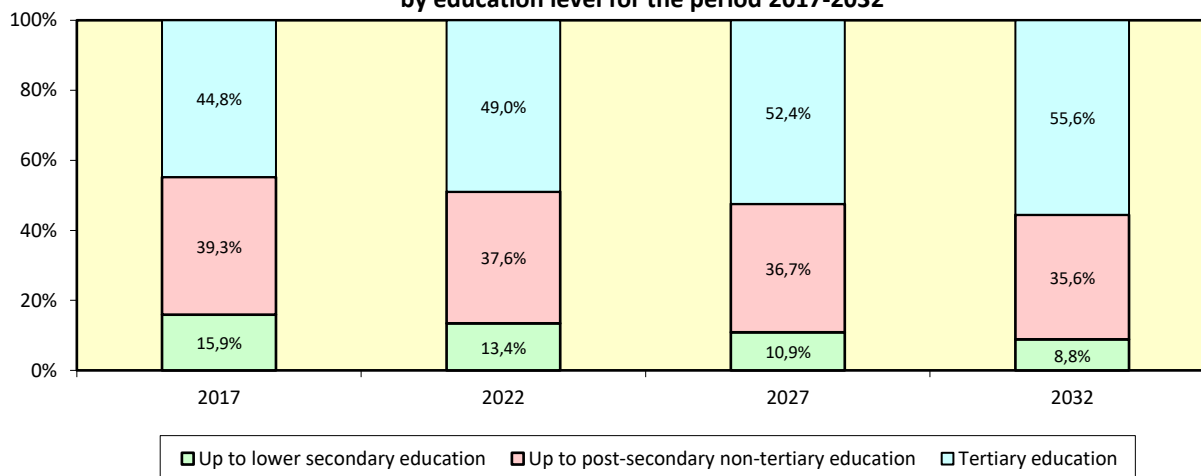


The majority of the economically active population aged 15+ will continue to hold tertiary education, also exhibiting a large increase in the period 2022-2032. The economically active population aged 15+ with up to post-secondary non-tertiary education will be significantly lower, showing a small increase, while the economically active population aged 15+ with up to lower secondary education will exhibit a very large decrease. As a result, in 2032, about 6 in 10 persons will hold tertiary education, 1 in 3 persons will have up to post-secondary non-tertiary education and 1 in 10 persons will have up to lower secondary education.

Forecasts of economically active population aged 15+ by education level for the period 2022-2032



Shares of economically active population aged 15+ by education level for the period 2017-2032



Labour demand forecasts, for the period 2022-2032, show that total employment demand in the occupations of Science, Technology, Engineering and Mathematics («STEM») constitute about 40% of total employment demand in high level occupations. Comparing these data with labour supply and in particular with the economically active population aged 25-34 in 2021, it is found that about 25% followed «STEM» fields of education, and as a result the estimated employment demand for «STEM» occupations far exceeds the corresponding supply. Consequently, significant labour shortages arise in these occupations, which largely contribute to the problem of skills mismatch in the labour market.

Additionally, labour demand forecasts in high level occupations, that require tertiary education, constitute about 40% of total employment demand, while labour supply that will hold tertiary education is estimated to reach about 55% by 2032. Consequently, a comparatively high share of tertiary education graduates employed in lower-skilled jobs will continue to be observed.