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The topics addressed in this issue of Economic Research are the following: (i) *Conference in memory of Professor Panos Pashardes*, (ii) *Competitiveness rankings for Cyprus economy*, (iii) *Non-standard employment in Cyprus: Trends and policy responses*, (iv) *Measuring the temporary-permanent wage gap in Cyprus*, (v) *Forecasting economic activity in sectors of the Cypriot economy using VAR models*, (vi) *Evaluating the Impact of Active Labour Market Policies in Cyprus*.

Conference in memory of Professor Panos Pashardes

On 11 September 2018, the Economic Research Centre and the Department of Economics of the University of Cyprus organised a small academic conference in memory of Professor Panos Pashardes. Professor Pashardes joined the newly established University of Cyprus in 1992 and had a pivotal role in the University's early development. He was one of the first faculty members of the Department of Economics and its first chairman. In that capacity he was instrumental in shaping the department's identity as a research-focused, internationally oriented unit. He was also very interested in applying economic research methods to important policy questions. To that end, in 2001 he founded the Economics Research Centre, which was the first research centre at the University of Cyprus. He was the Centre's director until his retirement in 2016.

Competitiveness rankings for Cyprus economy

The Economics Research Centre acts as a Partner Institute of the [©IMD World Competitiveness Center](#) for the 2018 edition of the [IMD World Competitiveness Yearbook](#) by contributing to the collection of the necessary data for Cyprus as well as by disseminating the results for Cyprus via a [Bulletin](#). In the [2018 IMD World Competitiveness Ranking](#), Cyprus ranked 41st in a group of 63 countries. In 2018, Cyprus dropped four places compared to the 2017 ranking. The decline in Cyprus's position resulted from lower rankings with respect to the factors of government efficiency, business efficiency and infrastructure. In 2018, Cyprus's ranking with respect to economic performance improved considerably. In the [2018 IMD World Digital Competitiveness Ranking](#), Cyprus ranked 54th among 63 countries, dropping one place compared to the 2017 ranking. The decline in Cyprus's digital position was driven by lower rankings with respect to the factors of knowledge and technology. Nevertheless, in 2018, Cyprus's ranking with respect to the factor of future readiness showed marked improvement.

Non-standard employment in Cyprus: Trends and policy responses

The recent financial crisis in Cyprus caused considerable changes in the labour market, including a large rise in the various forms of non-standard employment such as temporary and part-time work. Non-standard employment is usually met among women and young persons. However, during the years of recession, non-standard employment increased considerably among men; as it did also for persons with tertiary qualifications. Non-standard employees are wage discriminated compared to observationally similar standard employees. They also face considerably higher risk of poverty. Not surprisingly, these forms of employment in Cyprus are overwhelmingly undesired, according to Labour Force Survey, 9 out of 10 temporary employees in Cyprus stated that they work on such contracts because they could not find better ones. Non-standard workers are protected by the Part-Time Employees (Prohibition of Unfavourable Treatment) and the Fixed-Term Work Employees (Prohibition of Unfavourable Treatment) Laws. However, the available evidence suggests that the existing employment protection legislation has not been sufficient to fend off wage discrimination and involuntary non-standard employment during the recession years. Non-standard workers integrate in the social protection system at the same terms as standard workers. Nevertheless,

inequalities in the labour market (most importantly wage discrimination against non-standard workers) are translated into disparities in social provisions, mostly in regard to the adequacy and coverage of earnings-related benefits. The essay closes with a number of suggestions aiming at enhancing the policy framework so as to mitigate disparities between standard and non-standard workers.

Measuring the temporary-permanent wage gap in Cyprus

The aim of the paper is to analyse the wage gap between permanent and temporary workers in Cyprus. The use of 2009 and 2015 EU-SILC allows to get a first glimpse of the impact of recession on non-standard forms of employment. The size of the hourly unconditional wage gap is primarily sensitive to sample definitions and secondly to selection-correction procedures. Still, Cyprus can be classified among the countries with relatively high permanent-temporary gap, with the crisis having a rather marginal impact on the observed gap. The Oaxaca-Ransom decomposition technique has been deployed to decompose the wage gap into explained and unexplained components; and the latter into permanent employees' advantage and temporary employees' disadvantage. In all cases, the decomposition shows that almost half of the gap cannot be explained by productive characteristics and job attributes available in the data set. While, the unexplained component, whose absolute size is high but its relative size is close to European average, is driven by temporary employees' disadvantage. The study does not control for potential endogeneity in the form of contract-selection bias due to the absence of appropriate instruments. Still, the sheer magnitude of the wage gap and the unexplained component, alongside with other direct and indirect evidence, makes the case of wage discrimination as very plausible. The essay closes with a short discussion on relevant policies.

Forecasting economic activity in sectors of the Cypriot economy using VAR models

This paper explores the use of Vector Autoregressions (VARs) for the construction of short-term growth forecasts for the production-side components of GDP as well as for GDP growth via aggregation of its component forecasts. The production-side components of GDP are given by the gross value added in six sectors of economic activity (i.e. agriculture, industry, construction, trade and transport, financial and business activities, and other services), and import duties plus value added tax. Apart from simple VARs, we also consider VAR models augmented with exogenous variables represented by common factors. The common factors are computed from separate blocks of series in the dataset so that the resulting factors represent different aspects of the economy. The results show that, in general, component forecasts obtained from VARs with exogenous factors outperform simple VAR forecasts. Forecast gains, however, are mainly attained for short horizons. The exceptions are the construction sector in which some gains are found for longer horizons, and the sector of financial and business activities in which significant gains are attained for both short and long horizons. Component forecasts computed from single equations are at least as accurate as VAR forecasts. However, the contraction in real activity during the period 2012 – 2013 was better predicted by VAR models in the case of large components such as trade, financial and business activities, and other services. Similarly, bottom-up GDP growth forecasts from single equation models for components are at least as precise as indirect forecasts using VARs to compute the component forecasts. Direct GDP growth forecasts are the best performers over the period examined.

Evaluating the Impact of Active Labour Market Policies in Cyprus

The Economics Research Centre (CyERC), in collaboration with the Ministry of Finance and the Ministry of Labour, Welfare and Social Insurance, has undertaken a study to assess the provisions and potential impacts of Active Labour Market Policies (ALMP) in Cyprus, as well as the aspects of Guaranteed Minimum Income scheme that contain ALMP. A brief review of the techniques of evaluating ALMPs has been carried out focusing on Impact Evaluation which represents a more

recent and relatively rigorous evaluation technique of labour market policies, used by both academics and policy makers. Based on the finding of the review, quasi-experimental techniques and in particular regression methods adjusted for observables and unobservables, as well as instrumental variable techniques could be applied to evaluate specific ALMPs in Cyprus, given data availability. The application of the aforementioned ALMP Impact Evaluation approaches will face various challenges such as (i) the construction of the relevant database (ii) the specification of the counterfactual/control group (iii) the robustness of the empirical results to model specifications and (iv) the choice of instruments, among others. The CyERC has the research expertise to apply these techniques, given the relevant data are available for use.