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The topics addressed in this issue of Economic Research are the following: (i) *The link between secondary technical/vocational education and the labour market in Cyprus*; (ii) *Report on the Impact Assessment of the Recovery and Resilience Plan of Cyprus*; (iii) *A multi-objective optimization approach to explore decarbonization pathways in a dynamic policy context*; (iv) *Digital Competitiveness Ranking: Cyprus*.

“The link between secondary technical/vocational education and the labour market in Cyprus”

Maria Eliophotou and Elias Margadjis

The paper aims at investigating the link between secondary technical/vocational education and the labour market in Cyprus. Specifically, we examine the following: the main problems faced by graduates of technical/vocational education in their transition from education to the labour market; the link between knowledge and skills acquired at school, and knowledge and skills required at the workplace; the degree to which technical/vocational education succeeds in preparing graduates for the labour market; changes that can enhance the employment of technical/vocational education graduates and their success in the labour market. Data were collected from both experts and technical education graduates through qualitative research. Experts included key personnel of the Department of Technical and Vocational Education at the Ministry of Education and Culture and other officials in the area of technical/vocational education. Graduates of technical/vocational education were selected through criterion sampling based on their specialisations and their years of labour market experience. According to the findings, technical/vocational education graduates enjoy a relatively smooth transition from education to the labour market, with short periods of unemployment, underemployment or employment in non-related fields of study. Problems faced by technical/vocational education graduates after their employment included the lack of adequate preparation due to curriculum deficiencies and, to some extent, competition from foreign workers. The link between skills and knowledge acquired at school, and skills and knowledge required at the workplace was considered to be satisfactory even though the role of curriculum weaknesses was again highlighted. Respondents believed that the curriculum emphasised theory at the expense of practice and was not informed by recent developments to the greatest possible extent. Both officials and graduates were positive in their evaluation of technical/vocational education in Cyprus. However, they identified several weaknesses and provided suggestions for enhancing the link between technical/vocational education and the labour market. These included more training for graduates after labour market entry, changes in the curriculum and available infrastructure, and greater focus on student preferences. The findings are used as the basis for policy recommendations in the area of technical/vocational education in Cyprus.

“Report on the Impact Assessment of the Recovery and Resilience Plan of Cyprus”

Elena Andreou, Neophyta Empora, Elias Giannakis, Theofanis Mamuneas, George Syrichas and Theodoros Zachariadis

In response to the Covid-19 pandemic and its devastating effects on the European economies, the EU has put in place an unprecedented crisis package, the EU Next Generation. Its main instrument, the RRF, provides funding to member states over the next five years, with most funding directed to the countries mainly affected by the pandemic. Recipient countries are required to submit detail national Recovery and Resilience Plans in which their investment and reforms strategies are outlined. An economic impact assessment must accompany all Plans.

In particular, Cyprus’s Recovery and Resilience Plan (the “RRP” or the “Plan”) has been prepared taking into consideration the criteria of the Regulation of the European Parliament and of the Council. Under the Recovery and Resilience Plan (RRP), Cyprus will draw significant funds totalling around 1.2 billion euro in the period 2021-2026. The strategic objective of the RRP is “to strengthen the economy’s resilience and the country’s potential for economically, socially and environmentally sustainable long-term growth and welfare”. The RRP has been developed around five Priority Axes. Priority Axis 1: *Public health, civil protection and lessons learned from the pandemic*, Priority Axis 2: *Accelerated transition to a green economy*, Priority Axis 3: *Strengthening the resilience and competitiveness of the economy*, Priority Axis 4: *Towards a digital era* and Priority Axis 5: *Labour market, education and human capital*. Each axis comprises of appropriate country-specific investments and reforms that account for the need to mitigate the economic and social impacts of the COVID-19 crisis and to strengthen the resilience and transformation of the economy through a robust new growth model which will contribute to enhancing resilience, sustainability and efficiency of the economy and to achieving the Union’s goals for the green and digital transitions. Member States were invited to provide a consistent picture of the overall economic and social impact of the plan together with an overall assessment of the macroeconomic outlook. This included a summary of the main quantitative impact in terms of (potential) GDP, employment, and other main macroeconomic variables.

The Impact Assessment for Cyprus was assigned to the Economics Research Centre (CypERC) of the University of Cyprus. The CyERC is the primary Centre for high quality and economic policy-oriented research in Cyprus. The CypERC prepared a comprehensive macroeconomic impact assessment from the implementation of all the measures included in the Cypriot RRP and provided estimates of the Plan’s macroeconomic impact on output and employment for the short-term (2 years ahead), medium-term (5 years ahead) and long-term (20 years ahead) periods. The analysis adopts several complementary methods and techniques - Production Function, econometric models, and an Input-Output framework – in order to

obtain multiple perspectives on the potential impacts of the RRP. On average all methods yield broadly similar findings for the aggregate impact on GDP and employment growth.

“A multi-objective optimisation approach to explore decarbonisation pathways in a dynamic policy context”

Chryso Sotiriou and Theodoros Zachariadis

Climate policy is changing fast in the EU, with country leaders raising the bloc’s ambition to reduce greenhouse gas emissions by 2030 and 2050. However, there is uncertainty about the allocation of decarbonisation effort between EU member states. This paper develops a multi-objective optimisation framework to provide insights to decision-makers in this policy context by exploring trade-offs between stronger decarbonisation goals and higher costs. Applying this approach for Cyprus, we find that the maximum achievable abatement for the EU Effort Sharing sectors corresponds to a 35% target. The current 24% ambition can be achieved with net social benefits, but the transition to higher abatement results in positive costs with a gradual rate of increase. The picture changes when decision-making explicitly accounts for external costs of emissions of greenhouse gases and air pollutants in the optimisation procedure. In this case, the least-cost solution delivers an abatement of about 32% and can yield social benefits of more than one billion Euros’2020. Regarding public expenditures, it requires about 3% of the annual GDP of Cyprus each year. This indicates that the socially optimal policy mix for attaining decarbonisation of the Cypriot economy is feasible but requires a consistent allocation of public funds to build infrastructure, overcome investment barriers and mobilise capital to enable the uptake of clean technologies across the economy. Although the modelling framework has been developed for a specific country and is tailored to the specific EU policy circumstances, the proposed methodology is entirely suitable for other world regions with a demanding decarbonisation roadmap.

“Digital Competitiveness Ranking: Cyprus”

Nicoletta Pashiourtidou

The ©IMD World Competitiveness Center (www.imd.org/wcc) has published the fifth edition of the IMD World Digital Competitiveness Ranking. The Economics Research Centre and the Cyprus Employers and Industrialists Federation act as Partner Institutes of the IMD World Competitiveness Center for this edition by contributing to the collection of the necessary data for Cyprus. In the 2021 Digital Competitiveness Ranking, Cyprus ranked 43rd among 64 countries, moving down three places compared to 2020. The deterioration in Cyprus’s position resulted from a drop in the ranking for future readiness and a poor performance in terms of technology.