

# Labour Market Monitor

Issue No. 104 | March 2016

## Key points of the month

- Growth in Social Security enrolment slowed from 3.2% in January to 3.0% in February.
- The Afi-ASEMPLEO SLM Indicator suggests that YoY growth in March will be similar to February's.
- However, it will accelerate in April and May.

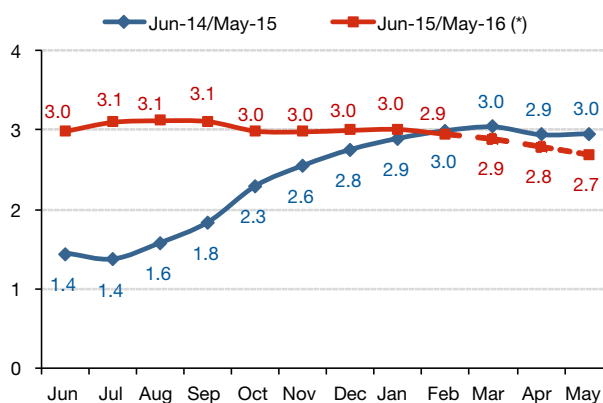
## Easter Week will contain the slowing in job creation

The February enrolment data confirm the scenario suggested by leading indicators of economic activity. The factors stimulating growth in the Spanish economy in recent months remain present, but there are signs of a gradual deterioration in the economic environment.

Growth in Social Security enrolment is slowing (now 3.0% YoY), affecting all sectors except hotels & catering. Nevertheless, it is still a strong rate of job creation, similar to that seen in the growth phase of the previous cycle. In YoY terms, growth in enrolment is close to 500,000.

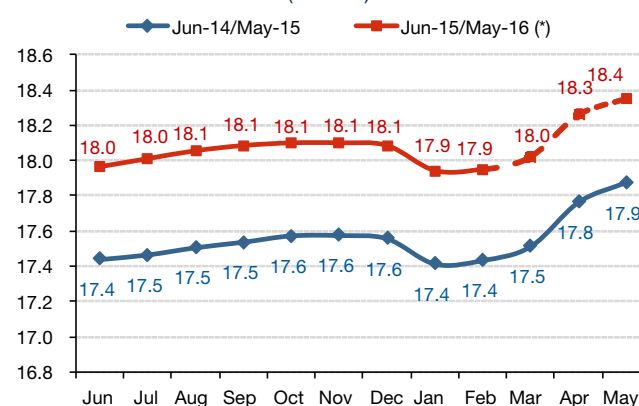
The Afi-ASEMPLEO SLM Indicator points to a gradual deceleration in the labour market, to annual job creation rates more in line with previous growth phases, of around 2.5-3%. From this point of view, the slower growth in February would mark the beginning of this adjustment. The Afi-ASEMPLEO SLM Indicator suggests that YoY growth in March, supported by the effect of Easter Week, will be similar to February's. The March data will provide important indications about the direction of employment during the rest of the year. If the forecasts are correct, growth will slow further in April and May.

SLM monthly forecast of workers in employment (% YoY change)



Source: Afi. (\*) Mar 2016-May 2016 figures are forecasts

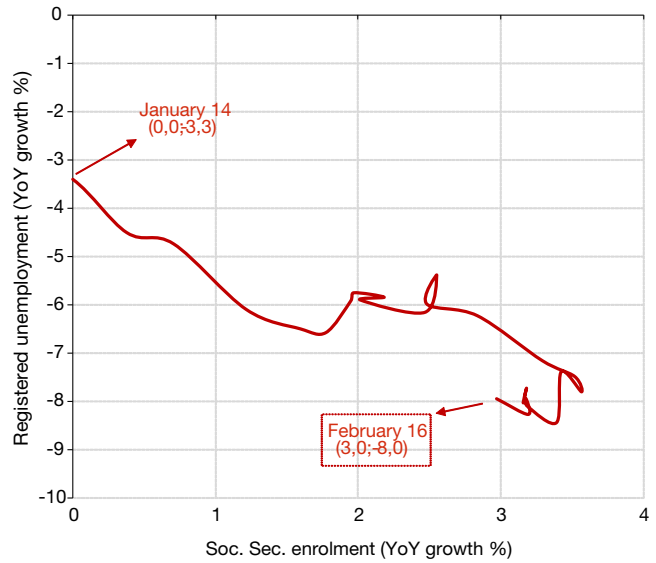
SLM monthly forecast of workers in employment (millions)



Source: Afi. (\*)Mar 2016-May 2016 figures are forecasts

YoY growth in Social Security enrolment slowed from 3.2% in January to 3.0% in February, though this is still high. The leading indicators had already anticipated this turn of events, so it was no surprise that all economic sectors except hotels & catering contributed to the slowdown in job creation. In contrast, YoY growth in self-employment picked up (1.2%), halting its slowing trend. Nevertheless, the SS general scheme continues to grow faster (3.5% YoY), bringing active workers into the system. On a seasonally-adjusted basis, the monthly increase in enrolment, at around 32,500, is similar to the levels seen in the growth phase of the previous economic cycle. Registered unemployment rose by some 22,000 over the previous month, which similarly represents a slower YoY rate of decline than in recent months (8.0% against 8.3% the previous month). Lastly, recruitment again grew at double-digit rates in YoY terms (up 12.3%), with growth in all types of contract, but especially temporary ones, which continue to account for the bulk of the increase.

Afi-ASEMPLEO SLM 'clock' 2014-2016



Source: Ministry of Employment and Social Security

## The assessment of ASEMPLEO

### Professional mediation to fill vacancies

Spanish SMEs are encountering growing difficulties in filling vacancies that are key to their new projects. The labour market must face up to new business models that require certain skills and competencies, and need professional agents to match new demands with profiles appropriate to these new positions.

The placement, temporary employment and executive recruitment agencies have shown themselves to be potentially competent, but vastly under-utilised, instruments for identifying suitable profiles for specific positions. In this process, it is essential to analyse accurately the profile required for each position, to identify the capabilities of each candidate, refocus training for employment, manage geographical mobility and to be familiar with the trends in each sector, among other factors.

It has been shown empirically that a greater participation of temporary employment agencies in the labour market would help to bring down unemployment and to bring a great many jobs out of the black economy, with the consequent benefits for the public coffers due to increased tax collection.

Hence, a greater involvement of private employment agencies would not only resolve the problem of unfilled vacancies, adding value with regard to the fit and professionalism of the positions filled, but it would also contribute to the reduction of the current levels of unemployment and increase the competitiveness of Spanish businesses.

**Andreu Cruañas,** President of Asempleo

## The highlight of Afi

### Shortage of vacancies or excess of unemployed workers?

When eighty people (with similar profiles) apply for one vacancy, the probability of any one of them being successful is 1.25%, a deterrent to potential applicants. Not to mention if, as happens at times, a thousand people apply for a vacancy (probability of success: 0.1%). Well, at the end of 2012, the ratio in Spain was 130 unemployed per vacancy, and the eighty applicants per vacancy mentioned in the in-depth study is the situation seen today. In the more efficient EU markets, the ratio is two unemployed per vacancy. It would be worth conducting a detailed study to discover why the Spanish labour market is so inefficient, but two questions immediately present themselves: why do Spanish companies offer so few vacancies? And, isn't there too much unemployment? In reality, the answer to both questions is 'yes', and moreover they are linked in the sense that the excess of unemployment is related to the scarcity of vacancies. Over the economic cycle, the ratio of unemployed workers to vacancies reduces as the economy recovers or grows. This is what has been happening recently in the Spanish economy. However, the Spanish ratio of 80 unemployed per vacancy is dozens of times higher than in the leading labour markets. One myth that is also disappearing in this crisis is that small companies (SMEs in reality) create more jobs than large corporates. Well, large corporates now provide almost as many vacancies as small companies, as the latter have ceased to be the "vacancy factories" that they were before the crisis, while medium-sized companies are also offering a declining number of vacancies.

**José Antonio Herce,** Associate Director Afi

# The Specialized Labour Market Review

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## In 3Q15, there less than 80 unemployed per vacancy

The number of unemployed per vacancy has fallen with the economic recovery, from 130 at the end of 2012 to 80 in 3Q15, though we are still far from the pre-crisis levels of 20 unemployed per vacancy, not to mention the ratios prevailing in the more efficient European labour markets. The future increase in vacancies, which would lead to a rapid decline in the ratio, requires an improvement in sales to drive the expansion of workforces.

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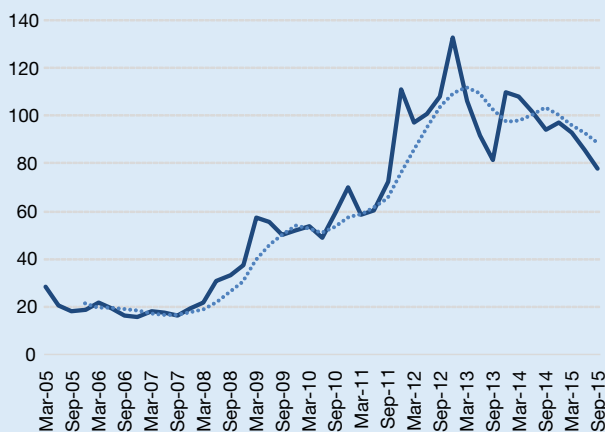
**... though we are still far from the pre-crisis levels of 20 unemployed per vacancy, or the ratios prevailing in the more efficient European labour markets.**

The recovery in the Spanish economy and the consequent creation of employment have significantly reduced the number of unemployed per job vacancy, from 130 at the end of 2012 to fewer than 80 in 3Q15 (latest available figure). This change is due to both the fall in unemployment (down 19.4% between 4Q12 and 3Q15) and the increase in vacancies (up 37% over the same period).

The movement up the Beveridge curve (which traces the relationship between the unemployment rate and the ratio of vacancies to the labour force) indicates that the economic recovery is allowing a growing number of workers to rejoin the labour market, while also revealing the reduced competition facing candidates for new vacancies.

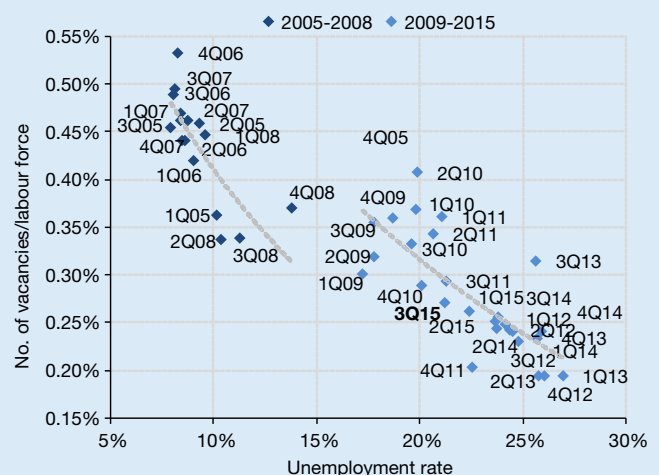
This recent trend has to be welcome in a labour market like Spain's, characterised by its extreme inefficiency in comparison with those of neighbouring European countries. In Germany and the UK, for example, there are only two unemployed per vacancy in 3Q15 (latest available figure). This is far below Spain's best figures: in the growth phase of the previous cycle there were some 20 unemployed per vacancy, a quarter of the current level. Thus there is still a long way to go before this situation is reversed.

**Unemployed per job vacancy**  
(each quarter and 4-quarterly moving average)



Source: INE, Ministry of Employment and Social Security

**Beveridge curve**



Source: INE, Ministry of Employment and Social Security

**The future increase in vacancies, which would lead to a rapid decline in the ratio, requires an improvement in sales that would create the need to expand workforces.**

**Hotels & catering has the highest number of unemployed per vacancy, due to its higher rates of staff turnover.**

The number of vacancies will only increase if the economic situation improves and this has a positive impact on companies' sales, leading to an expansion of their workforces. This is what has been happening during the recovery, though not with sufficient strength to bring about a rapid return to the pre-crisis situation. The main reason cited by companies for not offering more vacancies is precisely the absence of a significant increase in their sales (cited by 93.6% of companies in 3Q15). This situation is found in all economic sectors, except in public administrations, where the reasons are related to differences in recruiting processes (for both permanent and temporary staff).

The snapshot of the unemployment rate and the number of unemployed per vacancy by sector in 3Q15 shows that hotels & catering has the worst combination, with the second highest unemployment rate (14.0%), exceeded only by construction (15.3%), and the highest number of unemployed per vacancy (100.7). However, these figures are due partly to the fact that the statistics only link unemployed workers to a sector during the first year of unemployment, excluding the long-term unemployed who, though declining in recent quarters, still represent a high proportion of the total (59.5% in 4Q15), especially in sectors which have suffered the most dramatic adjustments during the crisis. The other factor is the high rates of staff turnover in this sector. Hotels & catering, together with artistic and entertainment activities, saw the highest level of recruitment (total and temporary) in 3Q15 as a proportion of its share of the labour force (over 400 temporary contracts and over 500 in total per 1,000 active workers).

**Reasons for absence of job vacancies by economic sector in 3Q15 (% total)**



Source: INE

**Unemployment rate and unemployed per job vacancy by economic sector in 3Q15**



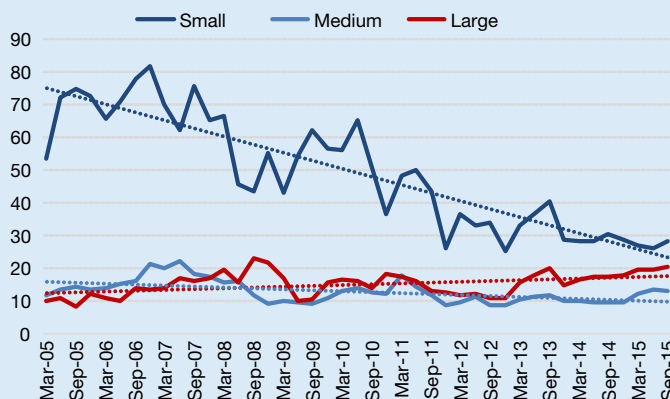
Source: INE

\* Sector (in descending order by number of unemployed per vacancy in 3Q15): "1" – Hotels & catering; "2" – Transport & storage; "3" – Construction; "4" – Ind. Manufacturing; "5" – Artistic & entertainment act.; "6" – Veh. sale & repair; "7" – Education; "8" – Admin. & aux. act.; "9" – Finance & insurance; "10" – Other services; "11" – Public Admin.; "12" – Profess., scient. & tech. act.; "13" – Healthcare & Soc. Sec.; "14" – Real Estate; "15" – Information & communications; "16" – Extractive ind.; "17" – Energy; "18" – Water supply & sanitation".

**Small companies create the most vacancies**

By size of company, small enterprises continue to create the largest share of job vacancies (46% in 3Q15), reflecting their prevalence in the productive economy and in job creation. However, before the outbreak of the crisis, they accounted for over 70% of vacancies, and they are ceding their leadership to large corporates, which were responsible for over 30% of the total in 2015, compared to some 20% until 2012. Thus, the gap between vacancies in the two types of company is now only 10 percentage points, compared to over 50 a decade ago. This represents a real structural change which calls for analysis.

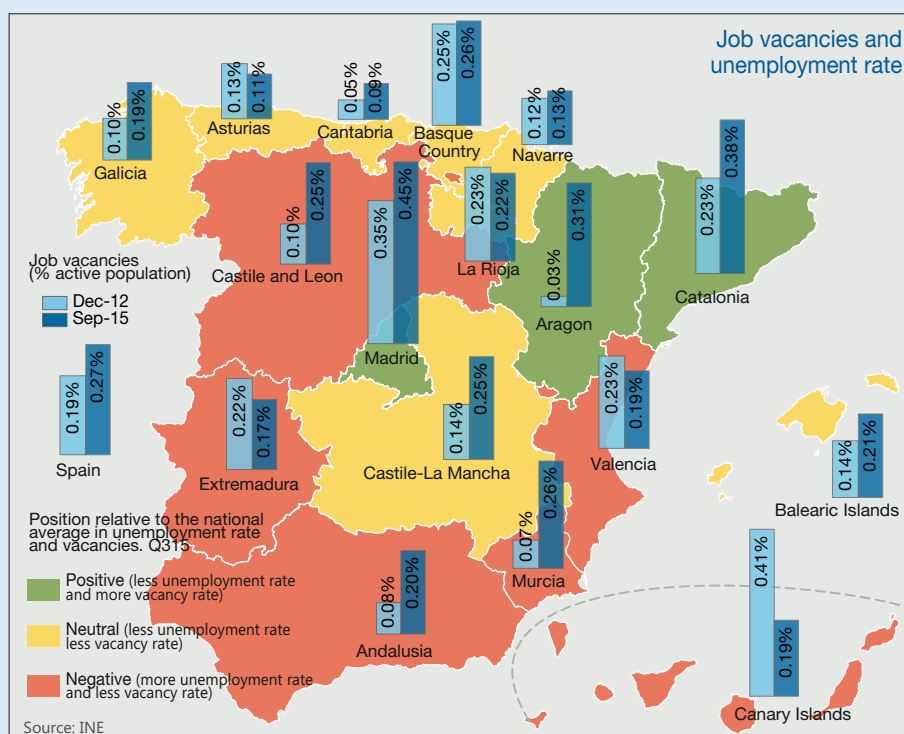
Job vacancies by company size (thousands)



Source: INE

**The regions of Madrid, Catalonia and Aragon have the most efficient labour markets in Spain.**

At the regional level, the transition from the combination of high unemployment rates and low job vacancy rates in 2012 to others in which low employment rates and slightly higher vacancy rates predominate in 2015 can be observed in a good number of regions. The regions of Madrid, Catalonia and Aragon have led the way with the most positive changes, positioning themselves as Spain's most efficient labour markets, with unemployment rates substantially below the national average and above average capacities to generate employment in terms of the number of vacancies as a percentage of active workers. In contrast, the regions of Andalusia, the Canary Islands, Extremadura, Valencia, Castile and Leon and Murcia have made little progress in this direction as, in addition to unemployment rates above the national average, they have barely increased the number of vacancies as a percentage of active workers. If this combination cannot be reversed in the near future, the problem of unemployment will become embedded in these regions, with negative consequences for their competitiveness.



Source: INE