

# Labour Market Monitor

Issue No. 107 | June 2016

## Key points of the month

- Social Security enrolment rose by 198,000 and registered unemployment, with a decline of 119,000, fell below the 4 million barrier.
- The Afi-ASEMPLEO SLM Indicator continues to forecast a slight slowdown in employment growth.
- In 2016 as a whole, EPA employment could grow by 2.7%.

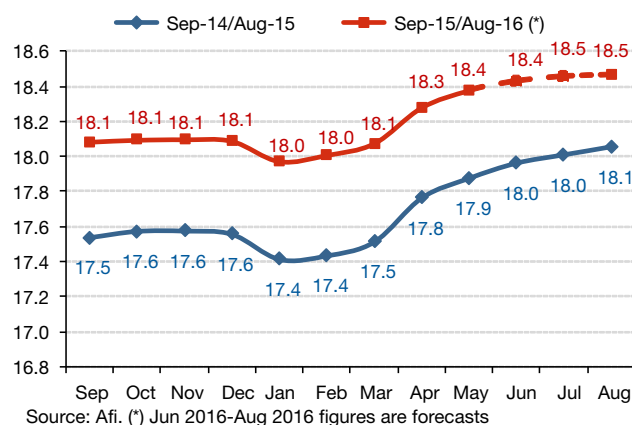
## Employment will grow by over 2% YoY in the summer

May's Social Security enrolment data dispel the doubts sowed by the marked slowdown in the labour markets in the first months of the year. As noted in previous issues of the Monitor, the deceleration in enrolment has eased. Specifically, YoY growth in enrolment is down by 0.12 percentage points (pp) in May, compared to 0.22pp in February, 0.16pp in March and 0.16pp in April.

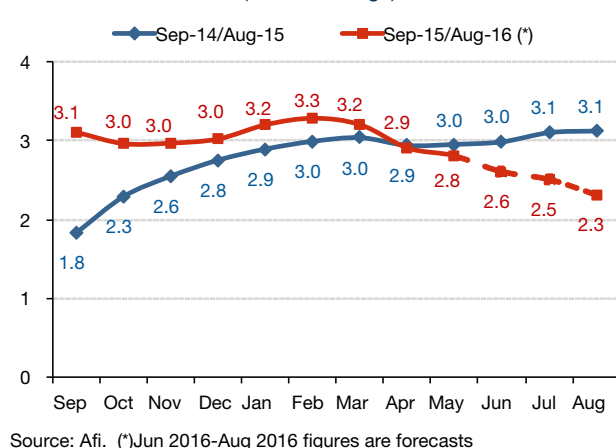
Social Security enrolment rose by 198,000. Though this job creation figure is slightly less than in the same month of last year, it is still high for the month of May (between 2001 and 2007, the previous growth cycle of the Spanish economy, enrolment rose by an average of some 160,000 in that month).

In the previous issue, we mentioned that the forecast growth rate in EPA employment had been revised up for the year. After May data, together with the positive signals from leading indicators of economic activity (a good tourist season is forecast), the Afi-ASEMPLEO SLM Indicator points to a continuation of the gradual slowing of growth in employment. The above considerations indicate that EPA job growth for 2016 as a whole could reach 2.7%, for an increase of 480,000 over the previous year. The EPA unemployment rate, in turn, would stand at around 20% of the labour force.

**SLM monthly forecast of workers in employment**  
(millions)



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

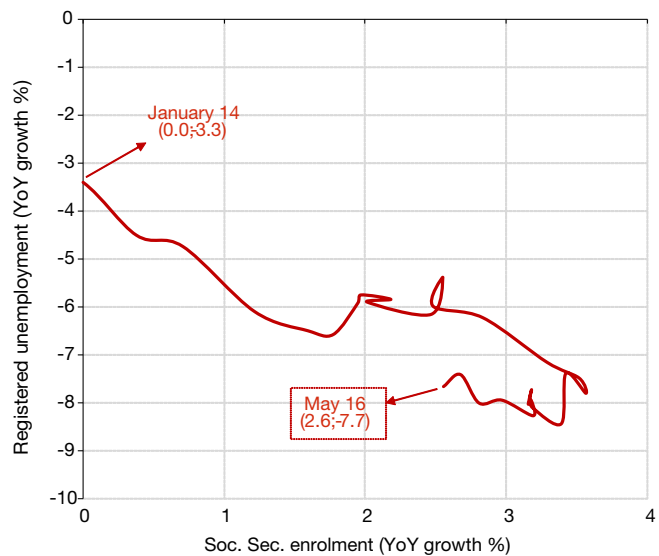


The May labour market figures are in line with forecasts of the Afi-ASEMPLEO SLM Indicator: Social Security enrolment increased by 198,000 over the previous month, and registered unemployment, with a fall of 119,000 compared to April, squeezed under the 4 million barrier for the first time since mid-2010.

The trend in enrolment is slowing slightly, which simply reflects the normalisation of the YoY growth rate (at 2.6% versus 2.7% the previous month), as the main drivers of job creation continue to be (i) hotels & catering, which is looking forward to a good holiday season, (ii) retailing and transport, and (iii) professional activities (notably those related to employment). YoY growth in registered unemployment, meanwhile, is decelerating more quickly (at 7.7% compared to 7.4% in April).

Recruitment again showed double-digit growth (11.1% YoY), with increases in all types of contracts. A notable feature was the strong growth in full-time permanent contracts.

**Afi-ASEMPLEO SLM 'clock' 2014-2016**



Source: Ministry of Employment and Social Security

## The assessment of ASEMPELO

### Systemic Risk

During the long years of the economic crisis, and especially in the "dark years" of its impact on employment from 2011 on, our attention has been fixed on the unemployment figures and we have shared hope (in 2013), clear progress and consolidation of the improvement in the following years. We have experienced further relief with the fall in unemployment below the four million mark. Of course, there is agreement that this figure, which represents a rate of 21%, is completely unacceptable and poses a very high risk if any event, domestic or external, were to "puncture" the good progress that we are enjoying in these months. At the time of writing, in addition to uncertainties about the continuance of the reforms and regulation of the Spanish labour market, there are issues such as the UK's possible exit from the European Union, the US elections, the impact of the refugee crisis and the consolidation of the labour reforms in Italy and France.

Thus, it is essential to tackle the return of unemployed workers to the labour market – or their first contact with it – as quickly as possible, using all the resources available to society. As shown by ASEMPELO's in-depth study, temporary employment has confirmed how useful it is as a bridge from unemployment to work and then to more stable employment, while temporary employment agencies have shown that they are the safest way of handling it. It is a question of preventing the deterioration of the skills and competences of those who have been out of work for too long and of avoiding them becoming discouraged. This issue is beginning to be very urgent and it would be foolhardy not to tackle it.

**Andreu Cruañas.** President of Asempleo

## The highlight of Afi

### An unbearable time

The length of time spent in unemployment by Spanish workers before they find a new job is unbearably long. It currently stands at 14 months for all categories of workers, but is only slightly less for those who take a temporary job instead of a permanent one, and for young workers, men and qualified workers. Only slightly less. In 2008, the time spent waiting to find a job was 12 months, only two less than today. It has not been the crisis, but some other underlying factor which was already present and will probably continue to act even as we leave behind the high levels of unemployment with which we are still burdened. Fourteen months is too long a time, making it inevitable that the employability (and enthusiasm) of many workers will wither, so that the most palpable result is that those who do find work generally end up in worse jobs than those they originally lost. In addition, the selectivity of the employment "waiting room" is so notable that women and less qualified and older workers are more vulnerable to long-term unemployment. Faced with this breakdown of the waiting time to find a new job, policies should be personalised to focus on the worst affected groups. Nevertheless, the variations between different groups pale into insignificance compared to the average wait for work of those who do find jobs, not to mention that of those who are still looking. Above all, policies should also seek to reduce the average time in employment for everyone. We will not achieve this by reversing the reforms undertaken to date, but by expanding them.

**José Antonio Herce,** Associate Director, Afi

# The Specialized Labour Market Review

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## Temporary work reduces the time spent in unemployment by a month for those taking it

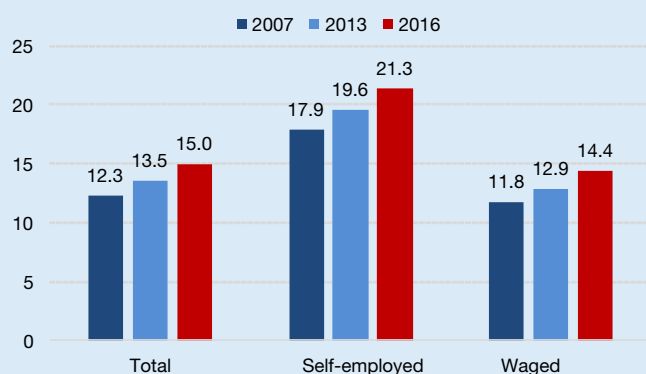
The unemployed who found a job in the past year were unemployed for 15 months, a month more than those who found a temporary job. This period is shorter for men, the under 35s, the highly educated (able to take more qualified jobs) and those residing in Navarre or Aragon.

**The unemployed who found a job in the past year were unemployed for 15 months...**

As discussed in our previous issue, the recovery in the economy and employment has allowed a growing number of the unemployed to rejoin the labour market. However, this improvement has not been across the board, as only certain groups have benefited. The May issue noted that unemployed men aged 25-34, those with higher education and less than a year unemployed are those who today have the best chance of finding a job.

It is precisely the latter characteristic (time spent in unemployment) that we will analyse in this issue, as it is a variable that measures in some way how up-to-date workers' skills are. In other words, the longer workers spend in unemployment, the higher the likelihood that these skills will become outdated or that they will lose touch with the sector in which they used to work, and hence the less attractive they will be to potential employers. An analysis of the average time spent in unemployment by workers hired in the past year, using the EPA microdata, shows that the average was over a year (15 months, in fact). Though this period has increased by 3 months since the onset of the crisis, it is quite limited, considering the current level of unemployment (21% in 1Q16), the proportion of long-term unemployed (60% in 1Q16) and the average time spent in unemployment by those who have not found work (over two and a half years in 1Q16).

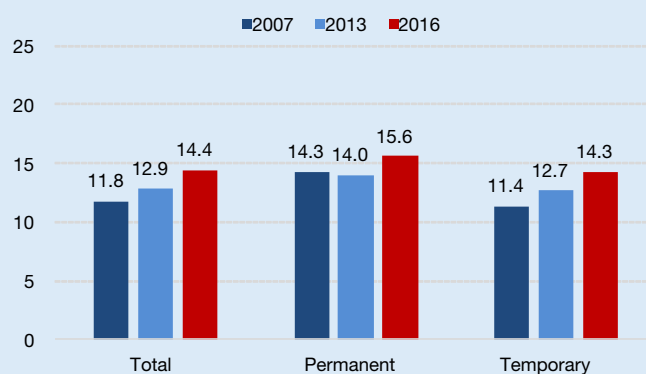
**No. of months spent in unemployment by workers who found jobs in the previous 12 months by employment status**



Source: INE

\*Figures for 2016 are the average of 2Q15-1Q16

**No. of months spent in unemployment by workers who found waged jobs in the previous 12 months by duration of contract**



Source: INE

\* Figures for 2016 are the average of 2Q15-1Q16

**... a month more than those who found a temporary job...**

By employment status, the time is longer for unemployed workers who decide to set up in self-employment (over 21 months), probably because they take up this option as a last resort (entrepreneurship has increased during the crisis due to necessity rather the perception of opportunities) or because of the bureaucratic procedures required, rather than wait (almost 14 and half months on average) until they find waged employment. In the latter case, the type of contract offered by the employer is also relevant. If the unemployed worker takes a temporary, rather than permanent, job, his/her time in unemployment is almost 2 months less. Comparing the average time that any unemployed worker takes to find a job, it can be seen that temporary work reduces it by a month, i.e. temporary work is not simply the key to emerging from unemployment, it also serves to shorten the time spent in that situation.

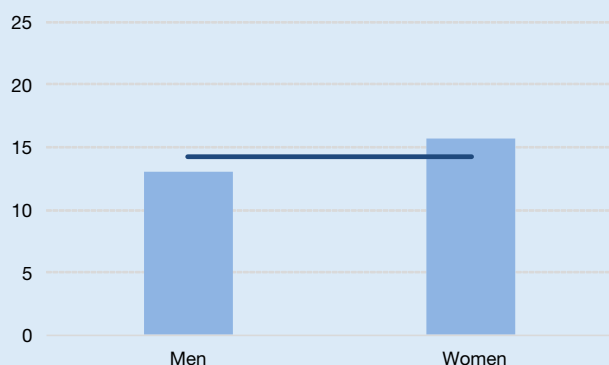
**...this period is shorter for men...**

With regard to the profile of the unemployed who found a temporary job in the past year, it can be seen that the men hired had been unemployed for less time than the women (13.1 and 15.7 months respectively), even though the current unemployment rate and proportion of long-term unemployed do not show significant differences by gender.

**... the under 35s...**

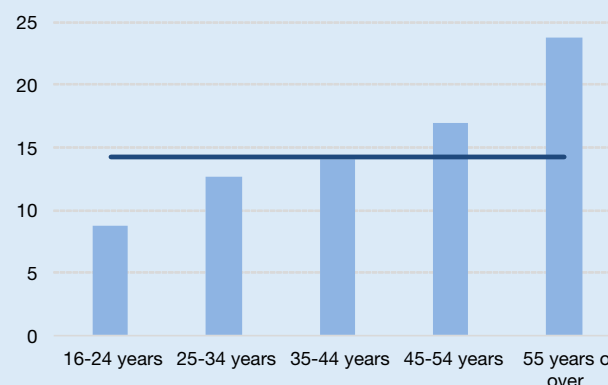
On the other hand, they can be differentiated with regard to age. Although young workers suffer one of the highest rates of unemployment, those who find temporary work have been unemployed for little more than nine months. The situation of the over 55s is different, as they can spend as long as two years unemployed. This group therefore has a higher risk of becoming stuck in unemployment, which can have a negative on their government pension when they retire (even though the system is aware of this and seeks to provide them with special protection).

**No. of months spent in unemployment by workers who found temporary jobs in the previous 12 months by gender**



Source: INE

**No. of months spent in unemployment by workers who found jobs in the previous 12 months by age group**

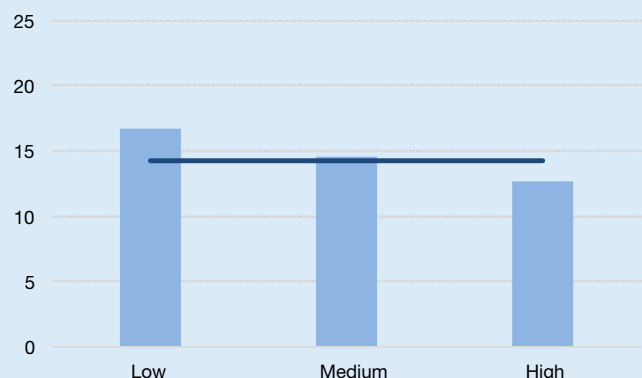


Source: INE

**... the highly educated (able to take more qualified jobs)...**

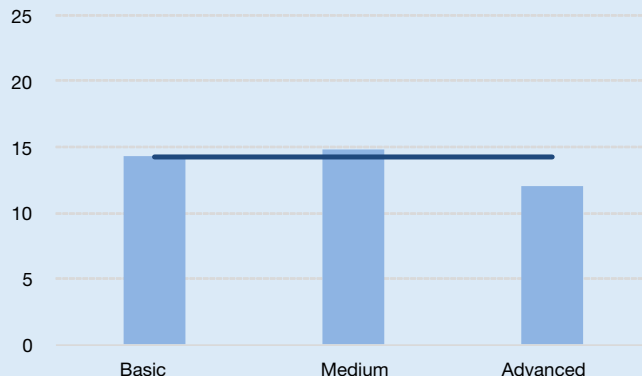
Once again, education appears as an effective tool in the search for employment and in shortening the time spent in unemployment. Unemployed workers with higher education hired in the past year were unemployed for 12.7 months, four less than those with only basic education. The same occurs with the type of occupation in the new job, which is usually related to the qualifications required for each position. For advanced occupations, the time spent in unemployment is only a year, while for those of a basic type it is 14.3 months. In other words, unemployed workers who moved into positions of responsibility were unemployed for less time than those hired for basic jobs.

**No. of months spent in unemployment by workers who found temporary jobs in the previous 12 months by educational level in 1Q16**



Source: INE

**No. of months spent in unemployment by workers who found temporary jobs in the previous 12 months by occupational level in 1Q16**



Source: INE

As noted above, taking longer to find a job can mean that the skills of the unemployed worker become increasingly obsolescent, especially in the case of the most qualified. If the work is of a basic or medium level nature, the skills are acquired more easily and quickly than if higher levels are required. This is probably the path for the long-term unemployed to rejoin the labour market and it also explains why the time spent in unemployment by those hired has been somewhat longer.

### ...and those residing in Navarre or Aragon.

Indeed, at the regional level, it can be seen, as could hardly be otherwise, that the less the time spent in unemployment by those who found a temporary job in the past year, the lower the proportion of long-term unemployed and the lower the unemployment rate. The regions where the unemployed had spent least time in unemployment when hired were Navarre and Aragon, with 9 and 11 months respectively, with the Canary Islands at the other extreme with 19 months. These periods are generally shorter than if they had waited to find permanent jobs. However, in Asturias, the Balearic Islands and Murcia, those taking temporary work have to wait longer, but this is probably due to the re-hiring of long-term unemployed workers.

