

# Labour Market Monitor

Issue No. 108 | July 2016

## Key points of the month

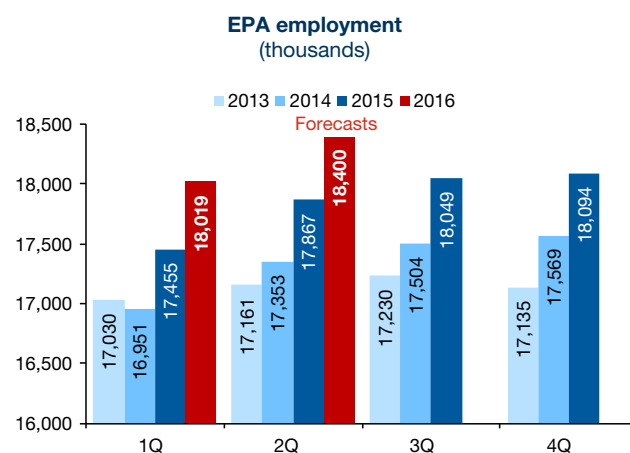
- In June, Social Security enrolment rose by 98,400 over the previous month, with the growth rate again increasing.
- The Afi-ASEMPLEO SLM Indicator points to job creation of 381,000 in EPA (labour force survey) terms in 2Q16 and a fall in the unemployment rate to 20.2%.
- The Indicator also points to a gradual return to YoY growth on the order of 2.7% at the end of the summer season.

## EPA employment is estimated to have increased by 380,000 in 2Q16

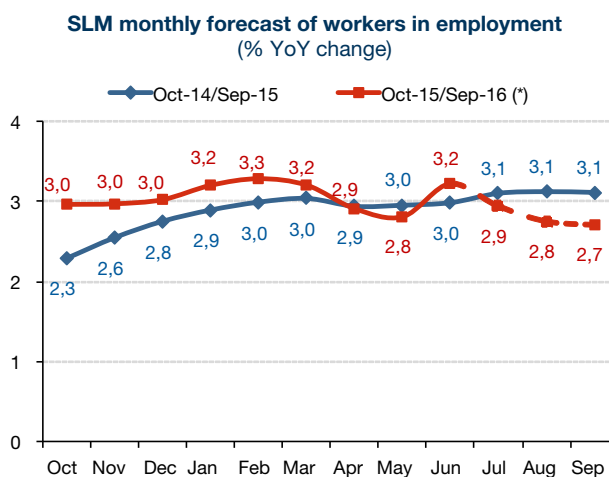
Growth in Social Security enrolment in June was almost triple that recorded in the same month last year. The monthly increase amply exceeded the most optimistic forecasts, putting an end to the deceleration in growth seen since the beginning of the year. The YoY growth rate rose from 2.6% in May to 2.9% in June, driven mainly by the exceptional performance of the tourist sector.

The Afi-ASEMPLEO SLM Indicator points to growth of 381,000 in EPA employment in 2Q16, less than the 412,000 in the same quarter last year. This expected decline in job creation, still high in any case, is due to the deceleration in April and May, which the good June figures were not sufficient to offset. This would bring the unemployment rate down by 0.8 percentage points (pp) to 20.2% (while the labour force is estimated to have increased by 0.2% YoY)

For the coming months, the Afi-ASEMPLEO SLM Indicator maintains the trend seen since the beginning of the year, though adjusted for the impact of the June figures. Hence, the Indicator points to a gradual return to YoY employment growth on the order of 2.7% at the end of the summer season. These figures are consistent with the latest forecasts for economic growth, which see GDP growing at more than 3% and the unemployment rate falling below the 20% mark this year.



Source: EPA (INE) and Afi forecasts



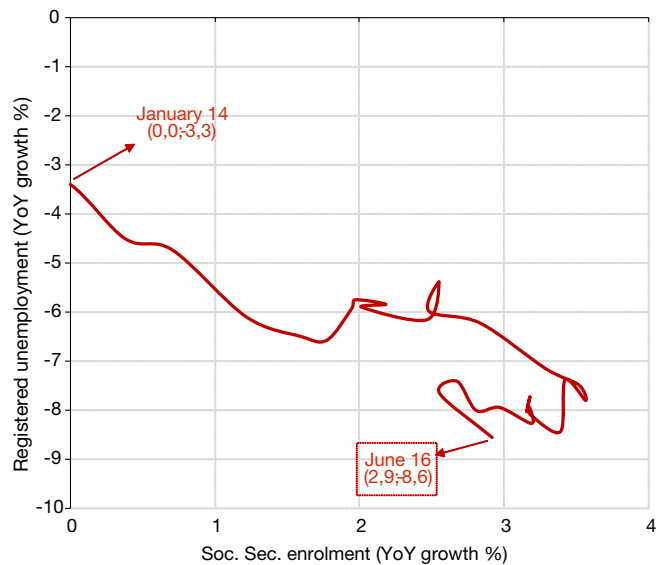
Source: Afi. (\*) Jul 2016-Sep 2016 figures are forecasts

In June, Social Security enrolment rose by some 98,400 over the previous month, three times the increase forecast and the increase recorded last year. The YoY growth rate, which has been decelerating in recent months, rebounded to almost 3%. The second quarter thus became one of the best on record with regard to job creation, with Social Security enrolment up 436,000. The increase was concentrated in the general scheme. The dynamism of the tourist sector, together with the reinforcement of workforces in related sectors, such as retailing, transport and employment services, were a major factor behind the rise.

Meanwhile, registered unemployment was down by 124,300 (8.6% YoY), the second largest fall on record. This trend has taken total unemployment below 3.8 million for the first time since mid-2009.

Lastly, recruitment again rose at double-digit rates (11.3%), with growth in all types of contract.

Afi-ASEMPLEO SLM 'clock' 2014-2016



Source: Ministry of Employment and Social Security

## The assessment of ASEMPLEO

### Rising to the challenge of the future

At this point in the economic cycle, with annual employment growth at around 3%, the debate appears to be focussing on the "quality" of employment. Commentators discussing temporary work, part-time work and job insecurity are, sometimes deliberately, sometimes carelessly, confusing the three concepts.

It is clear, as established by the International Labour Organisation (ILO) that an insecure job is one that lacks any guarantee of health and safety, with no contract or social security contributions, no clear terms and conditions and a salary unprotected by any form of collective agreement between unions and employers.

Having said this, it should be understood that the needs of the economy and production, on the one hand, and the legislation and workers' interests on the other, are the only parameters that should define what kinds of activity are covered by a temporary contract and what requirements (of the company and the worker) should be placed on a part-time contract.

In the case of part-time hiring, there are obviously cases that are outside the law, as may occur with any type of contract. This is when the job is not really temporary, but responds to permanent needs and does not provide real benefits to company or worker.

However, it should also be borne in mind that Spain's economic structure implies seasonality and volatility of 17-18%. It is true that temporary working should not hinder stability of employment, the acquisition of experience and professional progress, rather the contrary; it is also true that a permanent contract, as it does not guarantee lifelong employment, should not become a barrier hindering professional progress to better jobs when available, and that the future demands that we rise to these challenges.

Andreu Cruañas. President of Asempleo

## The highlight of Afi

### Which workers have the highest geographical mobility?

The geographical mobility of Spanish workers is very low. There are many reasons for this, ranging from cultural to economic factors, but there are two which are very important: the permanent nature of most employment contracts in Spain and the high rate of home ownership among Spanish households. We do not have an extensive database on the geographical mobility of Spanish workers and their characteristics, but what we do know from the Labour Force Survey (EPA in Spanish) is that the workers most ready to move are those with temporary contracts.

Within the general low level of geographical mobility, it is notable that the mobility ratio of workers with temporary contracts is double that of those with permanent contracts. This ratio is defined as the percentage of workers who move to another municipality in a given year (2.6% overall, 4.4% for temporary workers and 2.2% for permanent workers). This provides an interesting perspective on temporary work. Either temporary workers find themselves obliged to be more mobile, or those workers who are more ready to move take temporary jobs.

It would be useful to have more complete information on workers' geographic mobility in order to be able to design policies that help to reduce structural unemployment in the Spanish economy, as numerous experts consider that the low geographical mobility is one of the key factors behind the high unemployment rate that afflicts the country.

José Antonio Herce, Associate Director, Afi

# The Specialized Labour Market Review

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## Temporary employment favours worker mobility and the reduction of unemployment

Geographical mobility favours the reduction of unemployment. An expansive economic phase, like the present, and temporary employment boost mobility. Mobility is higher among the young, foreign workers, the highly educated and those with basic and high level jobs. The regions with highest mobility are Madrid, Catalonia, the Canary Islands, Cantabria and La Rioja.

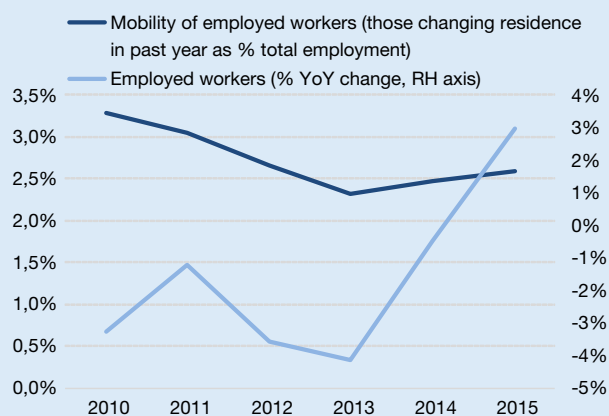
### Geographical mobility favours the reduction of unemployment

Geographical mobility is sometimes alluded to as one of the ways to improve the fit between the supply and demand for labour, as it addresses the problems of unemployment in some areas while simultaneously filling the vacancies that arise in others. Indeed, though Spain only has aggregate data at regional level, the empirical evidence shows that areas with a high level of geographical mobility generally have lower unemployment rates and vice versa. In a country like Spain, with one of the highest unemployment rates in the EU (only behind Greece), it is urgent to create incentives to boost geographical mobility among workers.

### An expansive economic phase, like the present...

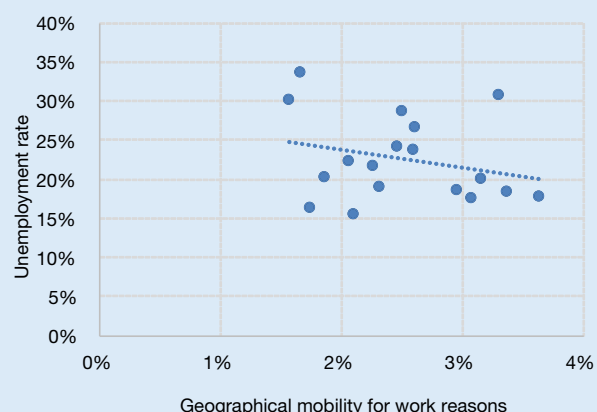
One of the instruments for increasing mobility is undoubtedly the recovery in the economy and in employment, as the growth phase of the economic cycle attracts workers from other, more depressed, areas. According to the National Statistics Institute (INE in Spanish), the ratio of geographical mobility for reasons of work, measured as the proportion of total employed workers who have moved to a different municipality in the past year, rose from 2.3% in 2013, the lowest level on record, to 2.6% in 2015 (the latest figure available). As noted above, this increase in labour mobility has coincided with the recent recovery in economic activity and employment in Spain. If this recovery is maintained as forecast, the increase in mobility and the reduction in unemployment should continue.

Geographical mobility for work reasons of employed workers and labour market cycle in 1Q



Source: INE

Geographical mobility for work reasons of employed workers and unemployment rate in 2015

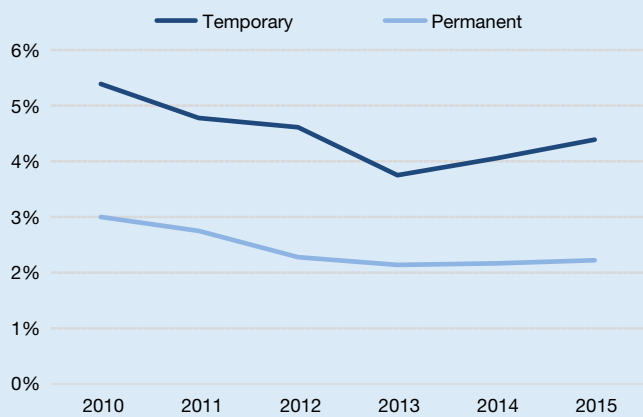


Source: INE

**... and temporary employment boost mobility**

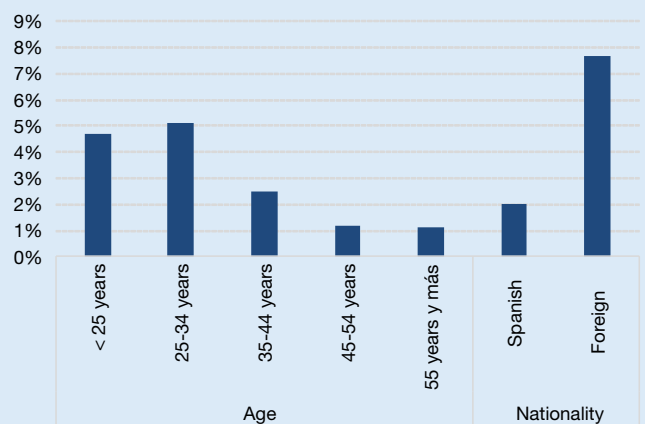
However, there are other mechanisms for encouraging geographical mobility for reasons of work, such as the use of temporary contracts. The percentage of temporary workers who have moved home in the past year is usually double that of those with permanent contracts. In 2015, the figure was 4.4% for the former and 2.2% for the latter. Moreover, in the past two years, the greater readiness to move in search of work was also reflected in the higher number of temporary workers who had moved recently (in 2013, the figure was 3.7%). In contrast, the mobility of workers with permanent contracts has remained steady at around 2%.

**Geographical mobility for work reasons of salaried workers by type of contract** (those changing residence in past year as % total employment) in 1Q



Source: INE

**Geographical mobility for work reasons of employed workers by age group and nationality in 2015**



Source: INE

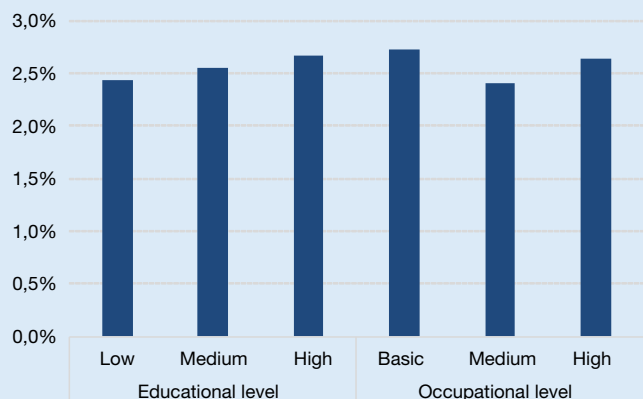
**Mobility is higher among the young, foreign workers...**

Geographical mobility may also be conditioned by other factors, such as sociocultural aspects. Young and foreign workers are more willing to move, in part because they are less attached to their place of origin and they seek to join the labour market immediately to begin acquiring experience. Moreover, these are two of the groups with the highest unemployment rates, and geographical mobility may be their only hope of finding a job. In 2015, around 5% of employed workers under 25 had moved to another municipality in the past year, compared to only 1% for the over 45s. Differences by nationality are also very eloquent, as close to 8% of foreign employed workers had moved in the past year, while only 2% of Spaniards had done so.

**... the highly educated and those with basic and high level jobs**

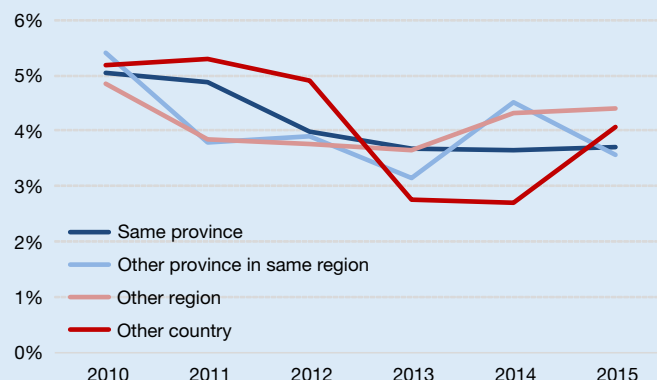
On the other hand, employed workers with university qualifications have somewhat higher mobility than those who have only completed primary school (2.7% and 2.4% respectively), probably because vacancies in their municipality do not include their professional specialisation. With regard to occupation, those in high level jobs (directors, managers, graduates, graduate engineers) and positions requiring basic qualifications have similar mobility ratios (2.6% and 2.7% respectively). In the case of the former, it is because mobility may allow them to find promotion in their career, and in the second case, because they hope to improve their chances of finding work, bearing in mind the growing demand for workers in hotels & catering and retailing, the current motors of job creation.

**Geographical mobility for work reasons of employed workers by educational level and occupational level in 2015**



Source: INE

**Geographical mobility for work reasons of employed workers by location of previous place of residence (those changing residence in past year as % total employment) in 1Q**



Source: INE

**The regions with highest mobility are Madrid, Catalonia, the Canary Islands, Cantabria and La Rioja**

In the past two years, mobility has increased and been most significant in the case of those who have moved longer distances, i.e. those who have moved to another region or country (4.4% and 4.1% of total employed workers respectively). Indeed, the Spanish regions with the greatest increases in geographical mobility for reasons of work are also those which have received the largest numbers of workers from outside. In the Balearic Islands and Murcia, for example, around 60% of workers who had gone to live there came from other Spanish regions or other countries. Mobility from other countries is most significant in the Canary Islands and Asturias, representing over 20% of employed workers who changed their place of residence in the past year). The regions with the highest ratios of geographical mobility for reasons of work in 2015 were Madrid, Catalonia, the Canary Islands, Cantabria and La Rioja. Apart from the fact that most of these are regions with only one province, which means that moving to them may involve shorter distances, they also have the capacity to generate activity and employment in the recovery phase, as discussed above.

