

Labour Market Monitor

Issue No. 111 | October 2016

Key points of the month

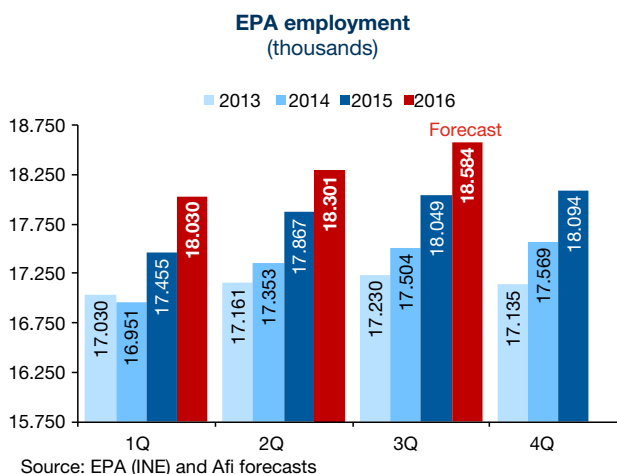
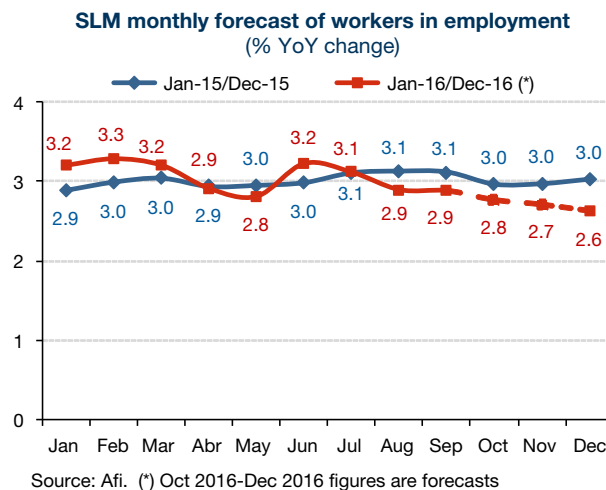
- Social Security enrolment maintained the same rate of job creation as in September, at 3% YoY.
- The Afi-ASEMPLEO SLM Indicator points to job creation of 280,000 in EPA (labour force survey) terms in 3Q16 and a 1.3 pp fall in the unemployment rate to 18.7%.
- The final quarter of the year will be characterised by a slight slowdown in job creation, in line with the signs of weakening in the economy.

The unemployment rate is estimated to have fallen by 1.3 percentage points in 3Q16, to 18.7%

The September Social Security enrolment data show a monthly increase in employment of 12,000. In a month with unfavourable seasonality, this figure means that job creation maintains a cruising speed of 3% YoY for the third consecutive month, leaving behind the slowdown seen in the spring. Though the job losses in August were larger than in previous years, the net change in Social Security enrolment in 3Q16 (down 48,000) was an improvement on 3Q15 (net loss of 66,000).

The Afi-ASEMPLEO SLM Indicator points to growth of 280,000 in EPA employment in 3Q16, notably more than the 180,000 in the same quarter last year, due mainly to the exceptional tourist season. The EPA unemployment rate is estimated to have fallen from the 20% of 2Q16 to 18.7% in 3Q16, a fall of 1.3 percentage points (pp). This fall would only be comparable to those seen in 3Q15 (-1.2 pp) and 2Q15 (-1.4 pp).

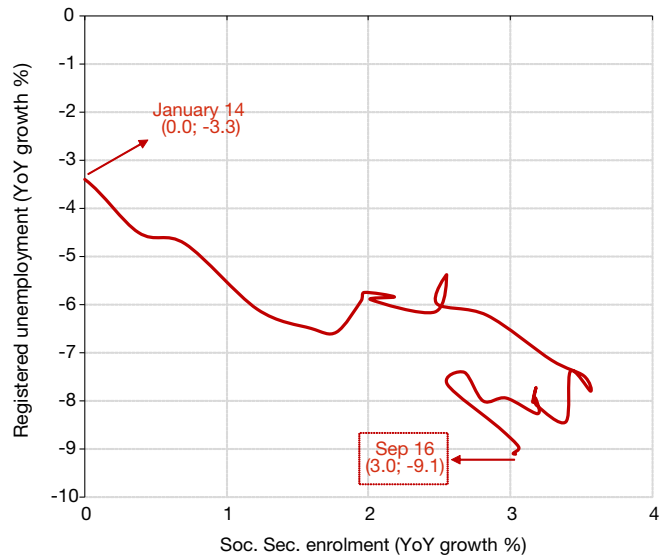
For the final quarter of 2016, the Afi-ASEMPLEO SLM Indicator points to a slight slowdown in job creation, in line with the signs of weakening in the economy indicated by the recent leading indicators. These projections show that EPA job creation will have averaged around 3% in 2016 (with GDP growth of 3.2%, according to Afi's forecast) and the unemployment rate for the year as a whole could be 19.6%.



YoY growth in Social Security enrolment again accelerated slightly (to 3.04%), with a monthly rise of some 12,000. Comparing this change with the same month last year, three factors can be seen to coexist. Firstly, stronger growth in employment in employment-related activities, extractive industry and construction. Secondly, there were fewer enrolment losses in hotels & catering, due to the longer summer season, and in public administration, due probably to the regional election campaigns. Thirdly, the agrarian enrolment scheme contributed an additional 28,000 jobs, though this behaviour is normal in September.

Registered unemployment, on the other hand, continues to fall at a YoY rate of 9.1% (an increase of 22,800 on the previous month), while the growth in recruitment was more contained (up 6.2% YoY). Nevertheless, the dynamism of permanent and full-time hiring (up 11.8% and 9.2% YoY respectively) is notable.

Afi-ASEMPLEO SLM 'clock' 2014-2016



Source: Ministry of Employment and Social Security

The assessment of ASEMPELO

Is it just chance?

It is not by chance that the employment agencies (EA) are leading job creation for yet another year. This provides more arguments to support the idea that the EA are a key component of an economy's employment recovery, especially in an economy like Spain's, which needs all its agents to find jobs for the great pool of unemployed workers that currently exists. Spain is the country seeing the greatest growth in employment agencies during the economic recovery and, if there are no surprises, we will once again experience the fastest creation of jobs in the eurozone. Temporary employment in Spain is a factor directly related to our economic structure and hence responds to the strong need for flexibility in our economy. However, we are undoubtedly speaking of temporary employment that responds directly to temporary causes and covers vacancies that are not permanent. In other words, professionalised management of temporary labour is one more way out of unemployment and a stepping stone into the labour market (in our case, 30% of those who join the labour market through an EA secure a permanent job. Thus, increased professional management of temporary work in Spain (bearing mind that the employment agencies handle only 18% of temporary work in Spain) would have a very positive effect on job creation in particular and on the economic recovery in general. This, together with greater efforts in job placement by organisations in both the public and private sectors, would stimulate the Spanish recovery above the rates currently being experienced.

Andreu Cruañas. President of Asempleo

The highlight of Afi

Mediation is the secret

It may be hard to believe, but the Spanish labour market has shown the same dynamism in the first three quarters of 2016 as it did in 2015. Moreover, in the third year of the employment recovery, certain phenomena are showing particular strength. One of the most significant is the active mediation between supply and demand for temporary labour, which is finding a vector of growing dynamism in the employment agencies, especially through the path of full-time hiring. In addition, while it is true that employment in general, both temporary and permanent, is being "masculinised" while registered unemployment is being "feminised", the mediation carried out by these agencies is concentrated among men of all ages.

The Spanish labour market has yet to identify the policies needed to reduce this duality to the minimum required from a functional point of view and meanwhile it is temporary employment that offers workers most opportunities for integration into the labour market. The recent data discussed below clearly show how active mediation is advancing rapidly, because it provides better results.

Hence, while we await real policies to reduce the duality in the Spanish labour market, we should continue to improve the active mediation mechanisms. The employment agencies will be capable of playing a greater role in mediating permanent employment than they do today, with the same effectiveness and efficiency that they do in temporary employment, when they are allowed to do so. They are already doing it to the extent permitted by the current scant regulatory incentives to stimulate permanent employment.

José Antonio Herce, Associate Director Afi

The Specialized Labour Market Review

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The employment agencies are those that create most jobs in the recovery phase

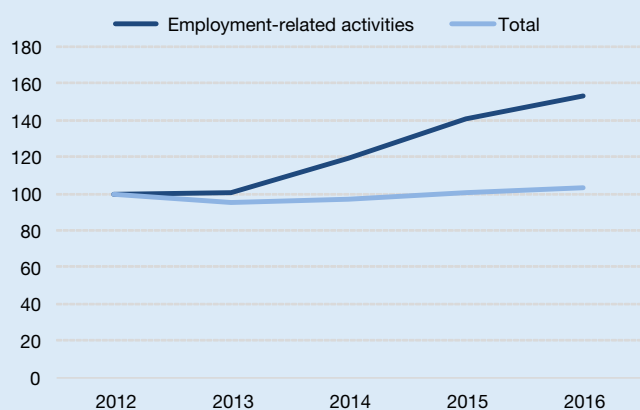
Since the onset of the economic and employment recovery in 2012, the sector has managed to increase the number of contracts it mediates by over 60% and its penetration rate by 2.8 pp. This increase has been higher in full-time contracts with men in practically all age groups.

The employment agencies are those that create most jobs in the recovery phase...

Since the onset of the economic and employment recovery, the sector of employment-related activities, i.e. the temporary work agencies and the employment agencies, has had a very favourable performance. Not only has it managed to outperform the extraordinary growth in employment in the Spanish economy as a whole, but it has become the sector which has directly created most jobs since 2012. With regard to the average number of workers enrolled with the Social Security between January and August (latest data available) in the general and self-employed schemes, the number of workers hired in this sector increased by 53.6% between 2012 and 2016 (compared to the average of 3.2% for all sectors in the same period), to almost 176,000 today.

As noted above, this is the number of people who work directly in this sector as mediators between job-seekers and companies seeking to fill vacancies. The figure does not include those workers who found jobs with the aid of these professionals. There are no statistics on such workers, but their number must have increased greatly over the same period, judging by the growth in the numbers of contracts mediated by temporary work agencies.

Social Security enrolment (general and self-employment schemes, 2012 = 100, Jan-Aug average)



Source: Ministry of Employment and Social Security

Variation in Social Security enrolment (general and self-employment schemes, Jan-Aug average) in 2016

Pos	Sector	Var. 2016/12
1	Employment-related activities	53.6%
2	Metal minerals extraction	40.7%
3	Administration	34.6%
4	Other prof., scient., and tech., activities	31.6%
5	IT and consultancy	29.8%
6	Head office activities	29.3%
7	Decontamination	28.8%
8	Real estate	26.2%
9	Offshore organisations	25.0%
10	Sport, recreation & entertainmen	21.8%

Source: Ministry of Employment and Social Security

... boosted by the higher number of contracts mediated and their growing penetration rate...

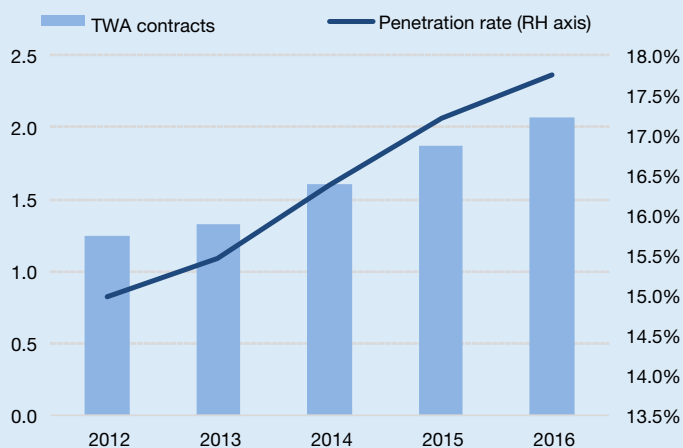
Continuing with the same period of analysis (in this case the year-to-date figures for August of each year), it can be seen that the number of temporary contracts mediated by temporary work agencies has grown from 1.2 million in 2012 to 2.1 million in 2016, a rise of 66.1%. This growth, as noted above, is consistent with the increase in the number of workers employed in the sector.

As a result of this higher growth in contracts mediated, the sector has been able to increase its penetration rate (i.e. temporary contracts mediated by temporary work agencies as a percentage of total contracts signed). Over the same period, this indicator has risen from 15% to 17.8%, an increase of 2.8 pp.

... especially in full-time contracts...

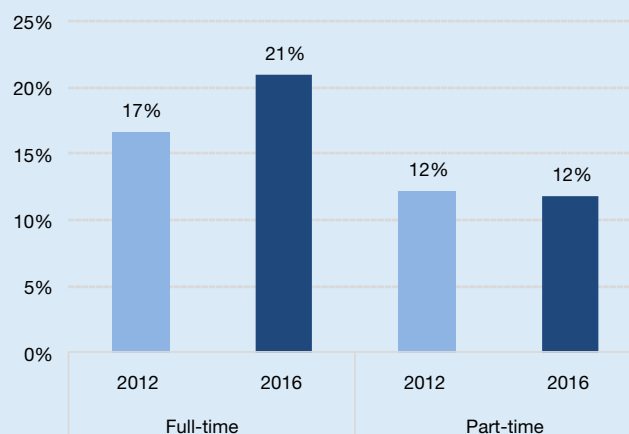
As well as increasing the number of contracts and the penetration rate, the sector has also managed to mediate a higher share of quality temporary jobs. For example, the penetration rate of temporary work agencies in full-time contracts has risen by four percentage points between 2012 and 2016, to 21% (somewhat more than three percentage points above the average). In contrast, the penetration rate in part-time temporary contracts has stagnated at 12%.

Contracts mediated by temporary work agencies (TWAs) and penetration rate 2012-2016 (YTD August)



Source: ASEMPELO, Ministry of Employment and Social Security

Penetration rate of temporary work agencies by length of working day in 2012 and 2016 (YTD August)



Source: ASEMPELO, Ministry of Employment and Social Security

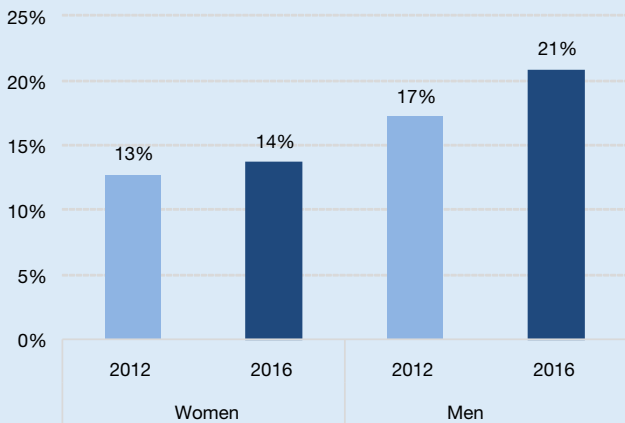
... for men...

By gender, it can be seen that the penetration rate of temporary work agencies is generally higher among men than women; in 2012, for example, the difference was about four percentage points. Moreover, during the recent economic and employment recovery, the penetration rate increased most among men (four percentage points higher in 2016 than in 2012), contributing to widen the gender gap.

... in practically all age groups.

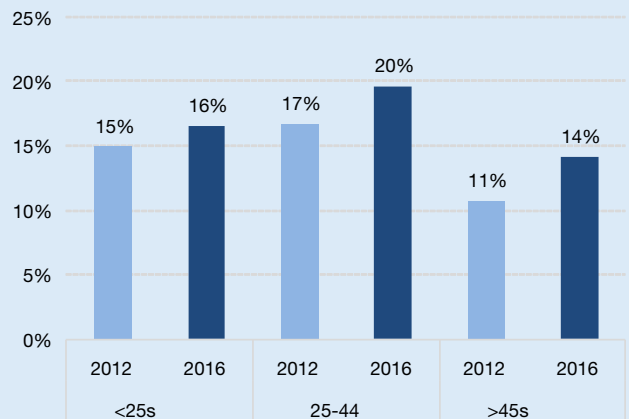
The temporary work agencies have increased their penetration rate in practically all age groups, though particularly among the over 25s, since 2012. Both in the 25-44 age groups and the over 45s, the penetration rate of temporary work agencies has increased by three percentage points between 2012 and 2016. In the latter case, it is important to underline the employment agencies' commitment to groups that experience difficulty in accessing the labour market, such as those near retirement age.

Penetration rate of temporary work agencies by gender in 2012 and 2016 (YTD August)



Source: ASEMPLEO, Ministry of Employment and Social Security

Tasa de penetración de Empresas de Trabajo Temporal por edad, 2012 y 2016 (acumulado enero-agosto)

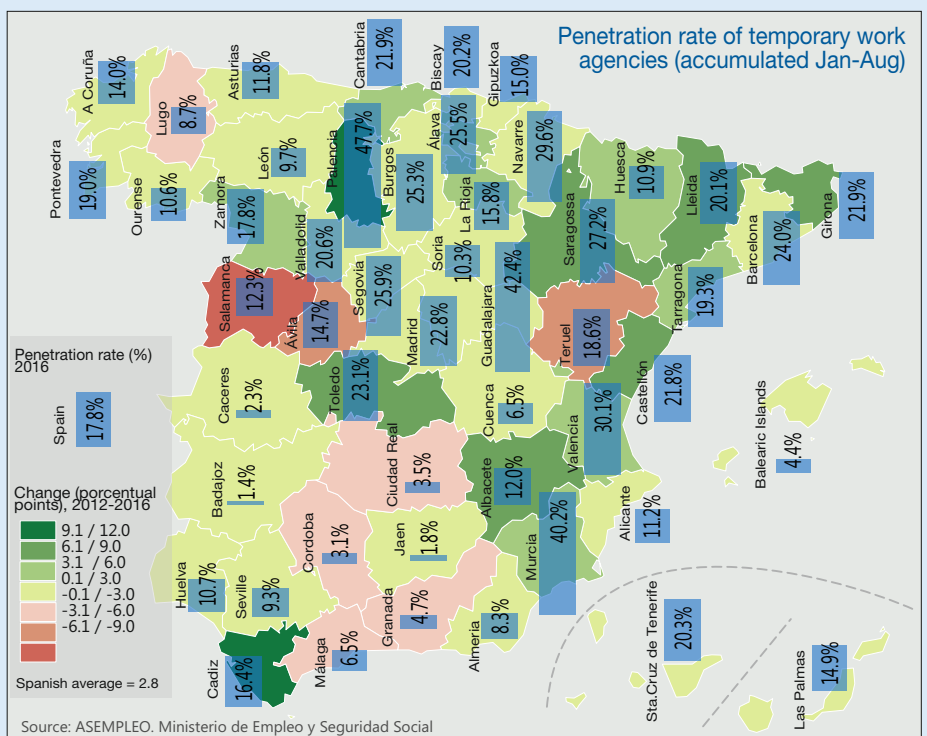


Source: ASEMPLEO, Ministry of Employment and Social Security

The penetration rate has risen most in the provinces where it was highest before the recovery.

By provinces, those where the penetration rate of temporary work agencies was already very significant in temporary labour hiring are those which have seen the greatest increases in the recovery phase in the Spanish labour market, allowing them to reinforce their labour mediation role. Thus, the outstanding cases are those of Guadalajara, Murcia and Palencia, where the penetration rates exceed the 40% threshold. The latter province, together with Cadiz, is where the rate has increased most over the past four years (over 11 pp).

At the other extreme, the lowest penetration rates are found in the two provinces of Extremadura, some Andalusian provinces and the Balearic Islands, even though they do not have the lowest incidences of temporary employment, but rather the contrary. Lastly, it should also be noted that the penetration rate of temporary work agencies has declined in Salamanca and Teruel, though this coincides with a lack of dynamism in job creation (since 2012, Social Security enrolment has remained flat in the former and fallen in the latter).



Source: ASEMPLEO. Ministerio de Empleo y Seguridad Social