

# Labour Market Monitor

Issue No. 117 | April 2017

## Key points of the month

- Social Security enrolment rose by 160,000 in March, a further acceleration in its YoY growth, to 3.5%.
- The Afi-ASEMPLEO SLM Indicator estimates EPA employment at 18.45 million in 1Q17, an increase of 415,000 over 1Q16, though 60,000 down on 4Q16. This would take the unemployment rate to 18.7%.
- The forecast for the next three months points to an acceleration in the YoY growth in employment to around 2.6%.

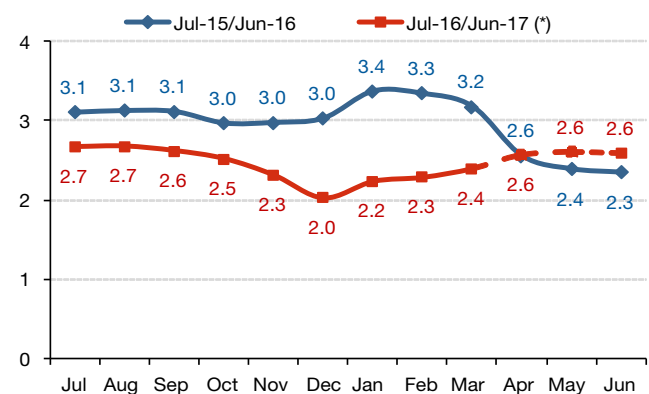
## Job creation strengthened in the first quarter

Job creation strengthened in the first quarter, with Social Security enrolment rising 160,000 in March (compared to a rise of 140,000 in the same month last year) and a fall of 50,000 in unemployment. In YoY terms, this represents employment growth of 3.5% in March, 0.1 percentage points (pp) more than in February and 0.2 pp more than January. In the past 12 months, enrolment has risen by over 600,000.

In terms of EPA employment, the Afi-ASEMPLEO SLM Indicator points to growth continuing to quicken in the coming months, especially in April, which will be boosted by Easter week. We expect employment growth to accelerate to 2.6% YoY in the second quarter as we go into the summer season, compared to the 2.4% estimated for March.

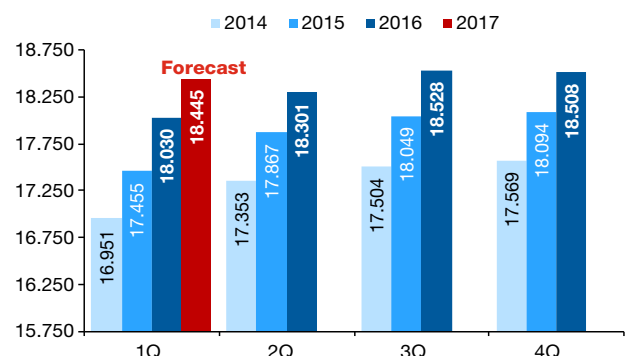
With regard to the EPA labour force survey for 1Q17, a seasonally unfavourable quarter, we expect the performance to be similar to last year. The Afi-ASEMPLEO SLM Indicator estimates a fall in EPA employment of 60,000 and an increase of 20,000 in unemployment in the first three months of the year, though this represents an increase in employment of 415,000 compared to 1Q16. It would take the unemployment rate to 18.7% of the labour force, 0.1pp higher than in 4Q16 and 1.3pp lower than 1Q16. During 2017 as a whole, the Afi-ASEMPLEO SLM Indicator forecasts a 2.5% increase in employment, which would mean 480,000 new jobs, taking the total to almost 19 million.

SLM forecast of workers in employment (% YoY change)



Source: Afi, (\*) Apr 17-Jun 17 are forecasts

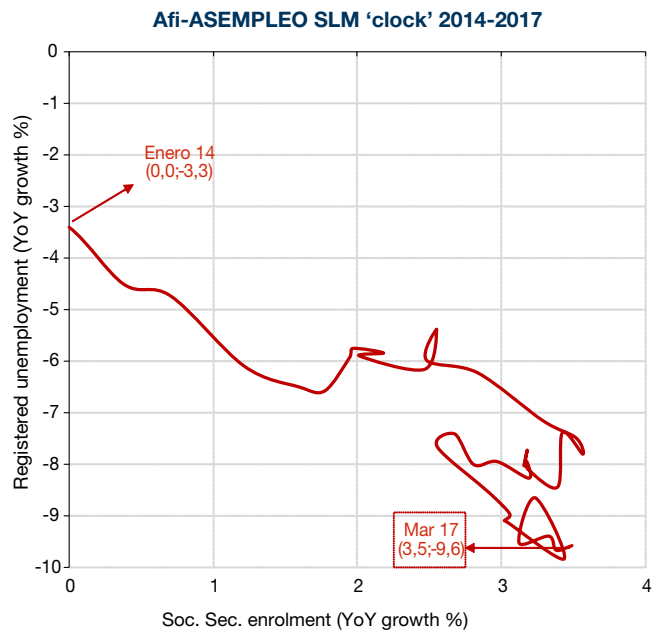
EPA employment (thousands)



Forecast; Source: EPA (INE) and Afi forecasts

Social Security enrolment grew by 160,000 in March, even though it did not include the favourable effect of Easter week, as happened last year. The strength of the labour market recovery lies in the good performance of waged work, mainly under the Social Security's general scheme, which increased by 149,100 in the month. Nevertheless, the number of self-employed workers also rose, by 15,300, reinforcing the sustained growth of this group, which had been declining in the latter part of 2016. By sectors, the YoY increase in Social Security enrolment was driven by construction, where the situation is normalising, public administration, professional activities and manufacturing industry; the latter performed markedly better than in recent months.

Recruitment grew strongly in March, up 14.8% YoY, compared to 5.4% the previous month; growth was driven by permanent (18.4% YoY) and full-time contracts (up 16.5%).



Source: Ministry of Employment and Social Security

## The assessment of ASEMPELO

### Dynamism, quality and sustainability in the labour market

The labour market's performance is exemplary and everything indicates that 2017 will be another good year. Having come this far, the challenge is no longer to slow the rate of job losses, but to create work sustainably and with a quality comparable to that of our European partners. The 1Q17 labour force survey (EPA) will show an acceleration in job creation that will increase in the coming months, and the temporary employment generated by the Easter holidays will have a significant impact on the figures. Will this employment be disparaged, then, because of its precarious nature and other negative aspects? It may well be, but it will not be a true assessment of what is happening in the Spanish economy. Temporary working is necessary as long as it is justified, especially in a country like Spain, where seasonal factors are so important. Experience shows that job creation through professional agents is the best way for the unemployed to access the labour market efficiently. It serves as a more effective bridge to stable employment than any other form of flexible working (one out of three temporary agency employees end up staying in the company to which they are assigned). Even so, this happens much less frequently than in other European countries. Now is the time to put our faith in flexible employment models; they stimulate the labour market, ensure quality jobs and create employment sustainably.

**Andreu Cruañas**, President of Asempleo

## The highlight of Afi

### 19 million employed ahoy!

In 2016, the end-year employment figures for the Spanish labour market were 17.9 million Social Security enrolments (December average) and EPA employment of 18.5 million (fourth quarter). Compared to the figures for 2013, which saw the end of the second recession of the crisis, this represented a net increase of 1.5 million in Social Security enrolment and 1.4 million in EPA employment. With regard to 2015, the increases in Social Security enrolment and employment were 540,000 and 414,000 respectively.

Afi's estimate of first quarter EPA employment, published in this issue, is 18.4 million, i.e. 415,000 up on the same quarter in 2016. This is in line with the performance of Social Security enrolment in the quarter, which was clearly good.

Everything points to the Spanish labour market keeping to this path and it would be as well to begin preparing for an unemployment rate that falls below the consensus estimate of the Spanish NAIRU, assuming that this indicator still has any meaning today. Merely by maintaining an average increase in employment of 400,000 this year, we could end 2017 with EPA employment of over 18.92 million. However, our forecasts are for considerably stronger growth, of up to 480,000 new jobs; in this case, quite a few will feel tempted to declare "19 million employed ahoy!".

**José Antonio Herce**, Associate Director Afi

# Labour Market Review

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## Temporary work agencies manage public sector temporary working more efficiently

The incidence of temporary working in the public sector is 23%. The level of mediation by temporary work agencies (TWAs) in the public sector is low, much lower than in the leading European countries, and is concentrated in certain regional governments.

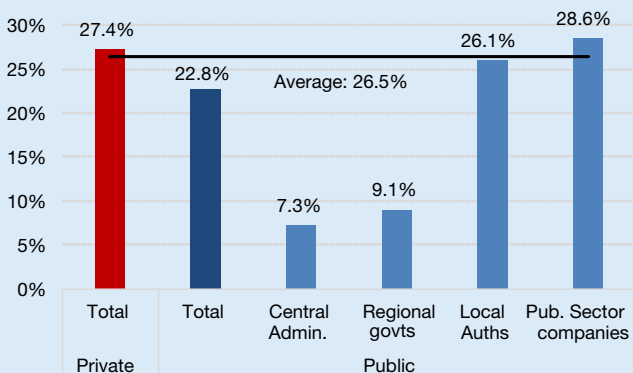
**The incidence of temporary working in the public sector is 23%.**

The recent offer of public sector vacancies by the central government highlights the need to manage temporary working in regional governments. This offer consists in the approval of recruitment competitions to fill 250,000 vacancies over the next three years, with the aim of converting temporary workers to permanent contracts in order to reduce the incidence of temporary working in public employment; this was close to 23% in 4Q16, which compares to 27% in the private sector. Within the public sector, the incidence of temporary working varies considerably, depending on the type of administration. The highest incidence is found in public companies, at 29%, followed by local authorities with 26%. The regional governments are in third place with 9%; they also account for the largest number of temporary workers in the public sector, with 64% of the total in 4Q16. This pattern is due to the concentration of public workers in the education and healthcare sectors, two important functions that have been handed over to the regional governments.

**The low penetration of the TWAs in the public sector (0.66% in 2015)...**

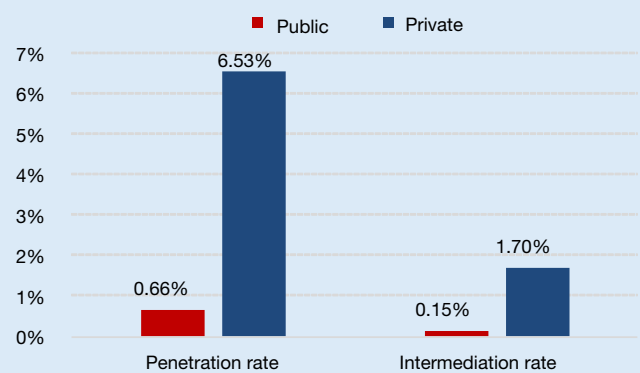
Even though public sector procedures differ from those in the private sector, the fact is that in the latter, as noted in our previous issue, a greater reliance on TWAs and placement agencies is linked to lower incidences of temporary working. However, the TWAs have only a modest role in facilitating temporary contracts in public administrations, especially compared with their activity in the private sector. In 2015, they accounted for 0.66% of all public sector temporary workers and mediated in 0.15% of all public sector employees.

**Incidence of temporary working by sector and type of public administration in 4Q16**



Source: INE

**Penetration and intermediation rates of TWAs in the public sector in 2015 \***



Source: INE; [\*latest data available]

**... which differs from the picture in the leading European countries...**

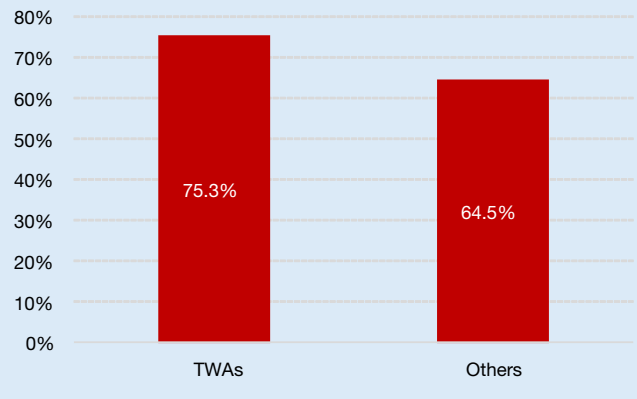
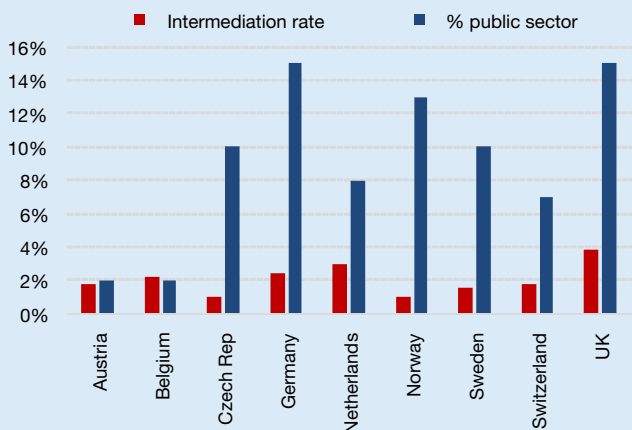
**... limiting the scope for improving the fit with the training and qualifications required for the job.**

This penetration is a world away from the situation in the leading European countries, where unemployment rates and other labour market indicators are notably better than in Spain. According to data from the World Employment Confederation (WEC), which brings together the employment agency associations in the developed world, there is a certain positive relationship between the intermediation rate of these companies and their share of temporary contracts in the public sector. The cases of the UK and Germany are particularly notable, with TWA intermediation rates of 2-4% in 2015, while their share of public sector jobs mediated was over 14%.

Moreover, the TWAs are able to manage temporary working in the public sector more efficiently with regard to the fit between workers' educational levels and the qualifications required for the temporary vacancy. In 2015, 75% of those working temporarily in the public sector as a result of TWA mediation had the educational level required for the post, compared to 65% for other public sector temporary workers. Thus, a reduced role for TWAs and placement agencies in the management of public sector temporary labour limits the possibilities of achieving a better fit between the workers' training and qualifications and the job vacancy.

**Total TWA intermediation rate and % mediated in the public sector in 2015**

**Temporary public sector employees by fit between qualifications and occupation and by mediator in 2015 \***



Source: WEC

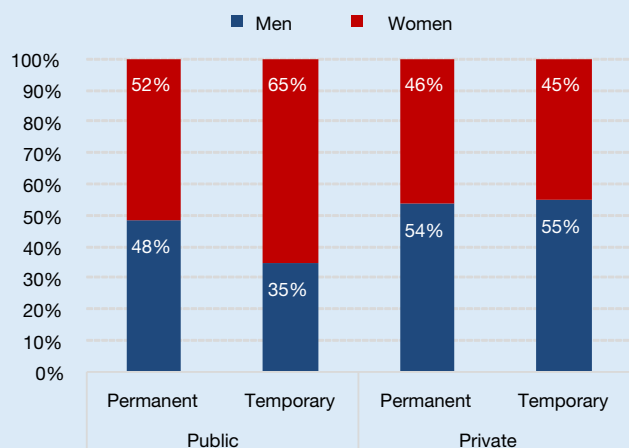
Source: INE; [\*latest data available]

**The profile of public sector temporary workers does not differ significantly from that of their private sector equivalents.**

Studying the profile of public sector temporary workers reveals that there are hardly any major differences with their private sector equivalents. This would facilitate the work of TWAs and placement agencies if there were a drive to increase their penetration in the public sector. The only differences are the following:

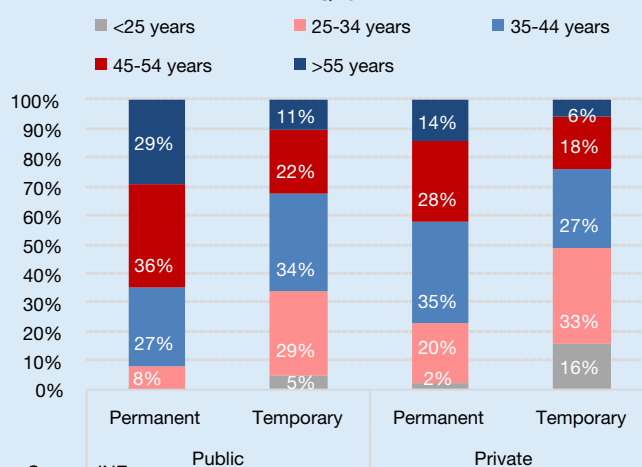
- By gender, there are more women in the public sector: 65% versus 45% in the private sector.
- With regard to age groups, there are fewer young workers in the public sector. 34% of public sector temporary workers are under 35, compared to 49% in the private sector.
- With respect to education, temporary workers in the public sector have higher levels, probably because a higher proportion of jobs require better qualifications.

Profile of workers by gender, contract type and sector in 4Q16



Source: INE

Profile of workers by age group, contract type and sector in 4Q16



Source: INE

**The TWAs' penetration by region is strongly concentrated in regional governments, with a greater predominance of public sector workers.**

The fact that temporary working in the public sector is concentrated in local authorities and regional governments calls for an analysis of its distribution by region. The regions with the highest incidences of temporary working in public employment are Cantabria, Navarre and Extremadura, while the lowest rates are found in Madrid, Galicia and Aragon. The incidence of temporary working is not necessarily related to its private sector equivalent; the regions with the highest incidences of temporary working in the public sector have lower incidences in the private sector, except in the case of Extremadura. In general, the regions where public sector employment is a higher proportion of the total tend to have higher incidences of temporary working in the public sector. The greater need to reinforce public sector employees is resolved by hiring temporary staff. However, the penetration of the TWAs is heavily concentrated in certain regions and it is therefore necessary not only to increase penetration but to extend their services to the other regions.

