

Labour Market Monitor

Issue No. 119 | June 2017

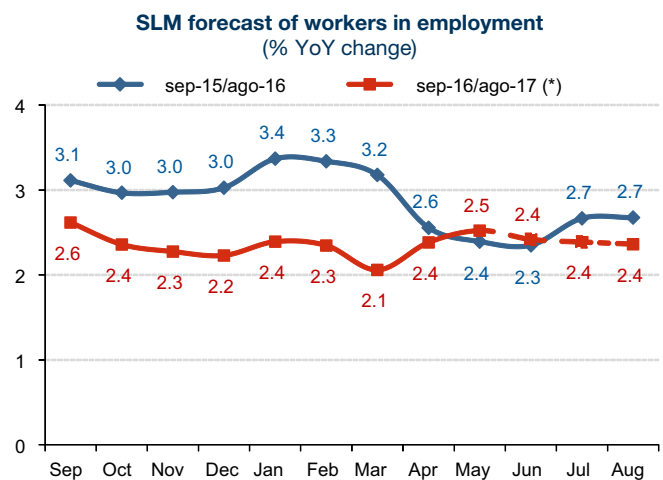
- The May data are in line with the predictions of the Afi-ASEMPLEO SLM Indicator.
- Social Security enrolment increased by 223,000, taking the YoY growth rate to 3.9%.
- The slight deceleration in YoY employment growth forecast for June (to 2.4%) is not due to the expectation of poor data, but to an adverse base effect.

Job creation will decelerate slightly in June

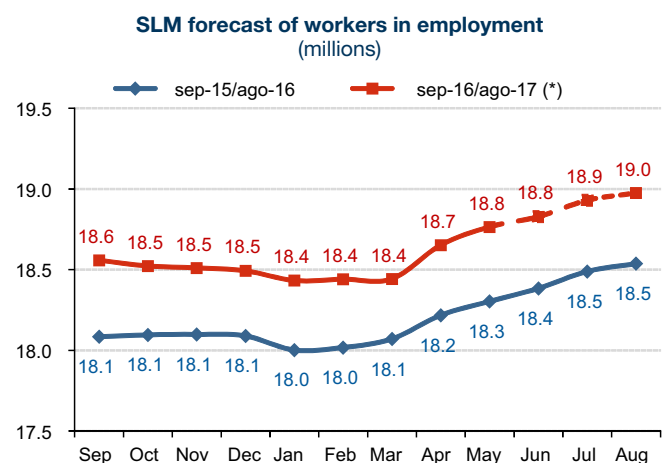
The May data are closely in line with the forecasts of the Afi-ASEMPLEO SLM Indicator, with a 223,000 increase in employment and a fall of 112,000 in registered employment. Growth in Social Security enrolment continues to accelerate, as it has done continuously since December, reaching 3.9% YoY. Meanwhile, the YoY fall in unemployment reached 11%, the best on record.

Based on these data, the Afi-ASEMPLEO SLM Indicator points to a YoY increase of 2.5% in employment in May, as forecast in our previous issue; this would be the strongest YoY growth so far this year.

With regard to June, the Afi-ASEMPLEO SLM Indicator indicates a slight slowdown in YoY employment growth, which could remain at around 2.4% for the rest of the summer. This slowdown in June is not due to the expectation of poor data, but to an adverse base effect. It should be remembered that the June 2016 Social Security enrolment figure was exceptional, with an increase three times the average for this month in other years. This was due in particular to recruitment in hotels & catering and retailing, but in 2017 this has occurred earlier with the consequent impact on the YoY rate.



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

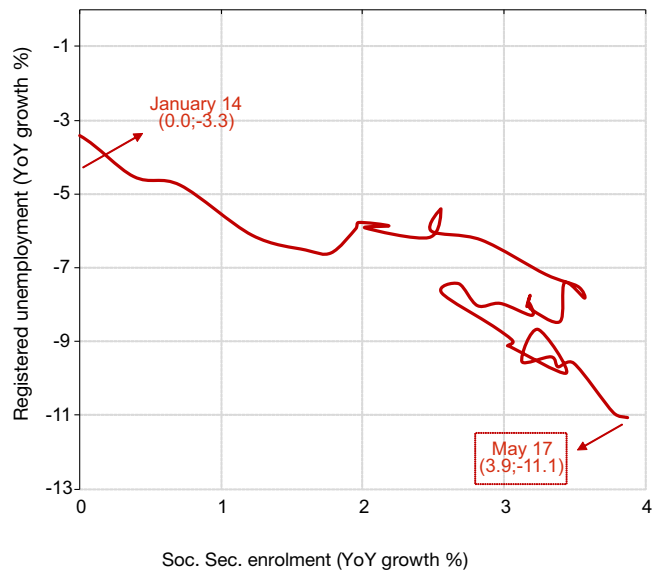


Source: Afi, (*) Jun 17-Aug 17 are forecasts

Social Security enrolment rose by 223,000 in May, with the YoY growth rate rising to 3.9% from 3.8% the previous month, the highest rate since the recovery began. On a seasonally-adjusted basis, Social Security enrolment was up by 60,815 on the month, the 42nd month of continuous growth. The increase in enrolment was concentrated in the Social Security's general scheme (up almost 208,000 in May), though the self-employed also rose by 15,000. The largest increase was in hotels & catering (up 65,400), though on a YoY basis the strongest growth has been in professional activities (up 29,600 in May) and retailing (up 26,600 in May).

Unemployment continues to fall steadily and rapidly, down 11.06% YoY. Registered unemployment now stands at 3,461,128, after falling by 111,908. On a seasonally-adjusted basis, it was down 39,566, the largest fall ever recorded in May. Recruitment in the month increased by 16% YoY, due especially to temporary contracts, up 16.1%. Permanent hiring recorded a notable increase of 14.8% YoY.

Afi-ASEMPLEO SLM 'clock' 2014-2017



Source: Ministry of Employment and Social Security

The assessment of ASEMPLEO

We have to continue studying

The Spanish labour market is still Europe's star pupil, but it has to continue studying if it wants to score top marks. For months now, we have been seeing the main labour market indicators accelerate and we expect the figures for the rest of 2017 to be similarly positive.

The word 'record' has been figuring in the reports on the data published by the National Statistics Institute and the Ministry of Employment for almost three years and obviously this cannot continue indefinitely. We have reached the point where it will be difficult to better the extraordinary figures recorded to date, but this does not mean that the trend in the labour market will be reversed, quite the contrary. The economy will continue to create jobs at a significant rate and the job placement industry will continue to play its part, ensuring the quality of jobs and the legality of contracts, of which temporary contracts will continue to form a significant part.

With regard to very short-term contracts, the issue that forms the subject of this month's in-depth analysis, ASEMPLEO wishes to insist that the government take all the necessary measures to avoid fraud in these jobs, vulnerable as they are but necessary for the Spanish economy. We also request that those agents that ensure the legality of procedures and of the working conditions of these jobs should not be penalised by tax rates that only encourage informal employment.

Andreu Cruañas, President of Asempleo

The highlight of Afi

"Level 19" is in sight

It does not often happen that the round numbers of employed can be counted in millions. Well, the forecasts of the June 2017 iteration of the Afi-ASEMPLEO SLM Indicator, ten years after its launch, point to the level of 19 million in employment being sighted in August this year. This is due to the fact that employment is also growing very fast this year, in defiance of all the forecasts and confirming, as we have shown in previous issues of the Afi-ASEMPLEO LM Monitor, that the effects of the recent labour market reforms are being consolidated.

Throughout the history of the Spanish labour market, "Level 19" has only been sighted on two previous occasions. The first was at the beginning of 2005, when the Spanish economy had been growing steadily for a decade; it went on to exceed "Level 19" by almost two million. The other was at the end of 2009, the year that saw the vertiginous fall of the labour market in the last crisis, when it crashed through the 19 million level on the way down to 17 million, which it reached in the first quarter of 2014.

Now we are once again in sight of the 19 million mark on the way up. In other words, in three years we have recovered two million jobs, though it has been more than eight years since we fell below the 19 million level. Even so, we should not underrate the achievement, because we have recovered "Level 19" in half the time it took us to fall to the bottom.

José Antonio Herce, Associate Director Afi

Labour Market Review

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It would be desirable to increase temporary work agencies' share of very short-term temporary work

During the economic recovery, the number of contracts signed has increased by more than a million, though this increase has been concentrated in very short-term temporary contracts. The temporary work agencies (TWAs) have a surprisingly low share of the very short-term segment, and moreover it has fallen since 2007.

The increased use of very short-term contracts (one out of four)...

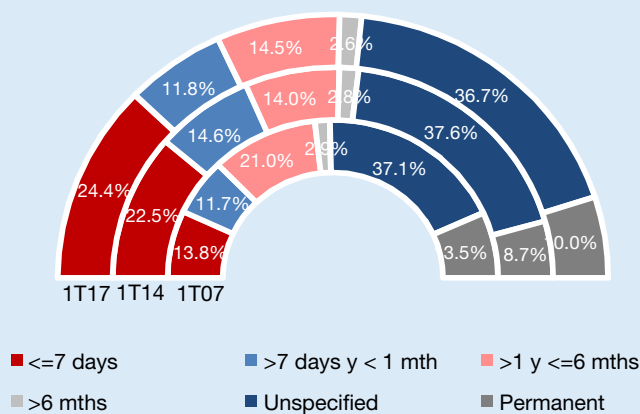
... is in response to the demands of employers, rather than to an increased participation by TWAs.

During the current economic recovery, the number of contracts signed has increased steadily, by one and a half million between 1Q13 and 1Q17. Nevertheless, this increase was not uniform across all types of contract. Very short-term temporary contracts have grown faster than others. In particular, those for less than seven days have risen to almost 25% of the total, with the average term of contracts falling steadily during the past decade, from 82 days in 1Q07 to 54 days in 1Q17.

The increase in the proportion of very short-term contracts is in response to higher demand by employers for this type of contract, rather than to an increased participation by TWAs in the labour market. Indeed, this behaviour is in marked contrast with the progressive decline of the TWAs' penetration in this segment. A larger share of this segment would allow this type of contract to be handled more efficiently and would even contribute to a reduction in temporary working.

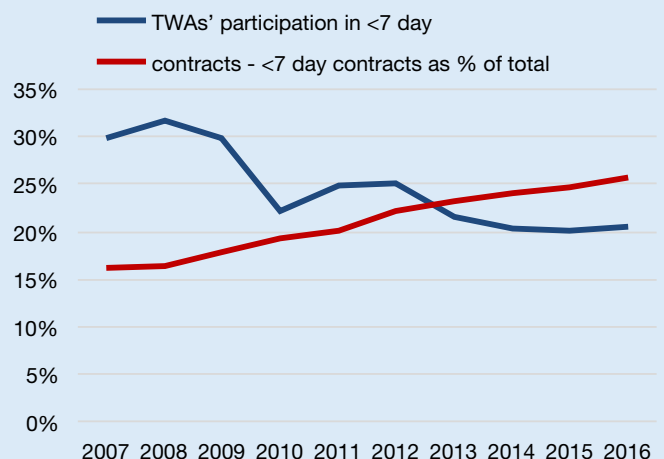
The shortest contracts are concentrated among certain categories of worker. It is useful to identify these and also the sectors which have most increased their use of these contracts.

Breakdown of temporary contracts by term (% total)



Source: Ministry of Employment and Social Security

Participation of TWAs and proportion of very short-term contracts



Source: Ministry of Employment and Social Security, ASEMPLEO

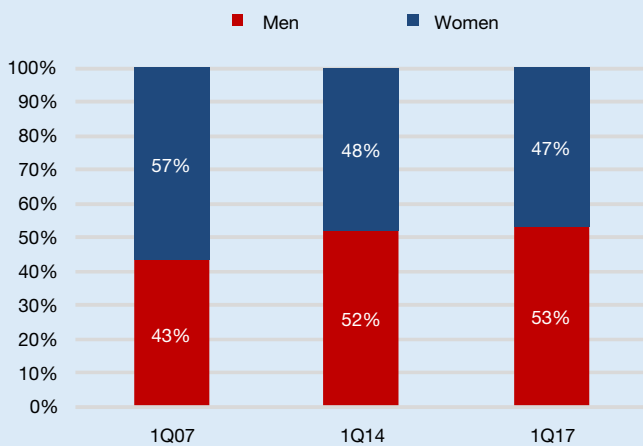
Contracts of under seven days have increased among men...

The breakdown by gender shows that, just before the crisis, the majority of very short-term contracts were signed by women (57% of the total), while during the recovery the situation has been reversed, with 53% of contracts of under seven days being with men in 1Q17.

... they have become widespread among all age groups ...

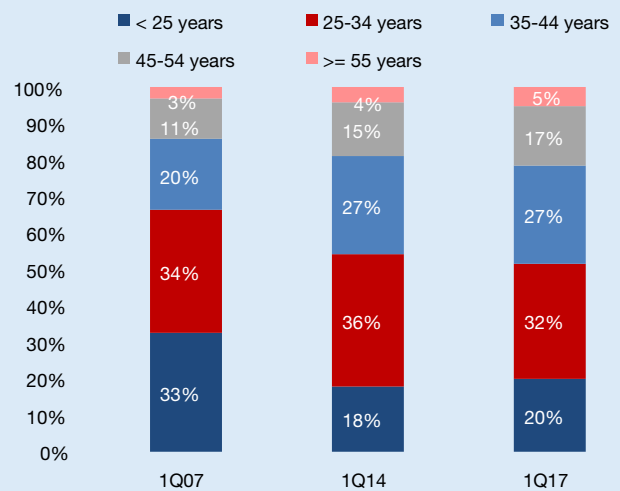
By age groups, the percentage of under 25s with contracts of under seven days fell to almost half during the crisis, while there were significant increases in the percentage of over 35s with such contracts. During the recovery, the use of very short-term contracts has become widespread among age groups with whom this type of contract was previously not commonly used, with the result that it is now in general use among almost all age groups.

Contracts of under 7 days by gender (% total)



Source: Ministry of Employment and Social Security

Contracts of under 7 days by age group (% total)



Source: Ministry of Employment and Social Security

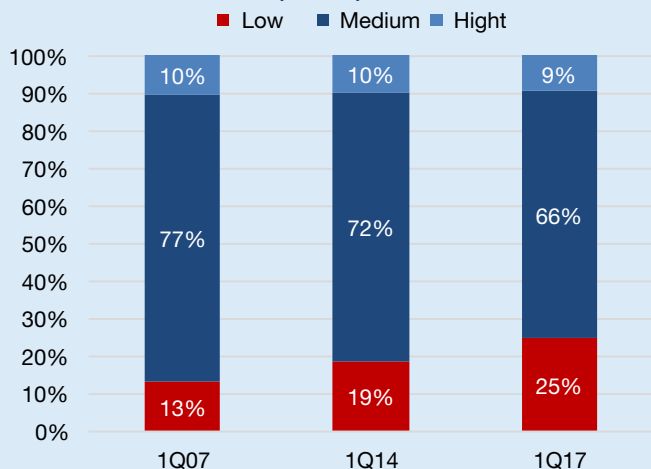
... they are concentrated among workers with low educational levels...

In terms of educational levels, the greatest increase in very short-term contracts has been among workers with low educational levels; their share has risen from 13% in 1Q07 to 25% ten years later. Given that one out of four contracts of under seven days is signed with workers with low educational levels, the latter could benefit from an increased participation by TWAs in this segment of contracts, inasmuch as, in addition to mediating in the hiring, an important part of their activity consists in providing training aimed at improving workers' professional qualifications and bringing them into line with the qualifications and skills most in demand by employers.

... and in hotels & catering, manufacturing industry and administrative activities.

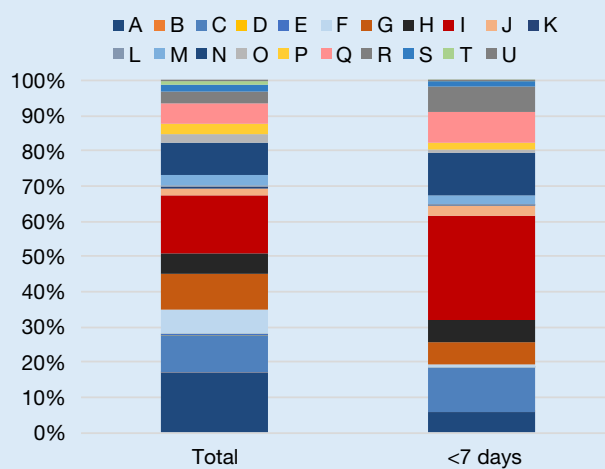
By economic sector, it is worth noting that 30% of contracts of under seven days are in hotels & catering, which account for only 16% of all contracts. This sector is followed by manufacturing industry and administrative activities, each with 12% of very short-term contracts, while they represent 9-10% of all contracts. These sectors tend to have a higher demand for temporary workers due to the nature of their activities, and thus it would be useful to increase TWAs' participation in them. They would thus contribute to the good performance of labour market mediation, as well as offering workers the possibility of transitioning into more stable work, i.e. a permanent contract; this could occur, for example, by signing a continuous chain of temporary contracts.

Contracts of under 7 days by educational level
(% total)



Source: Ministry of Employment and Social Security

Contracts of under 7 days by economic sector
(% total)



Source: Ministry of Employment and Social Security

* A: Agriculture & livestock, B: Extractive industries, C: Manufacturing industry, D: Electrical energy supply, E: Water supply and treatment, F: Construction, G: Retail and wholesale trade, H: Transport and warehousing, I: Hotels & catering, J: IT and communications, K: Finance and insurance; L: Property; M: Professional activities; N: Administrative activities; O: Public Admin., P: Education, Q: Healthcare activities, R: Artistic activities, S: Other services, T: Domestic service, U: Extraterritorial organisations and bodies.

A greater participation by TWAs in short-term contracts would lead to a reduction in temporary employment

In the first four months of 2017, the provinces with high proportions of very short-term contracts also had high levels of participation by TWAs; however, this may reflect differences in the composition of economic production. In fact, high levels of participation by TWAs coexist with lower levels of temporary employment. Therefore it should be the TWAs that handle short-term temporary employment, in the interests of improving the efficiency of labour markets. In some provinces, the incidence of temporary working can be high. Badajoz, Cordoba and Jaen notably have the highest proportions of short-term contracts, but very little participation by TWAs. Moreover, the highest proportions of short-term contracts are found in those provinces where the incidence of temporary working has risen the most (or fallen the least) in the past ten years. The TWAs' participation in the segment of short-term contracts in Spain remains too low (the national average is 26%), compared to what would be desirable for those provinces that suffer high levels of short-term hiring.

