

Labour Market Monitor

Issue No. 87 | October 2014

Key points of the month

- The Afi-ASEMPLEO SLM Indicator sees the improvement in employment continuing in the final part of the year, though at rates similar to those observed recently.
- The unemployment rate is estimated to have reduced a percentage point to 23.97% in 3Q14, assuming that the labour force declined by 0.6% YoY.
- Despite the monthly increase in registered unemployment (19,720), the continued growth in Social Security enrolment (12,182) makes September an atypical month and postpones, at least for the moment, the predicted slowing in the growth of the economy and employment.

The unemployment rate is estimated to have fallen to 23.97% in 3Q14

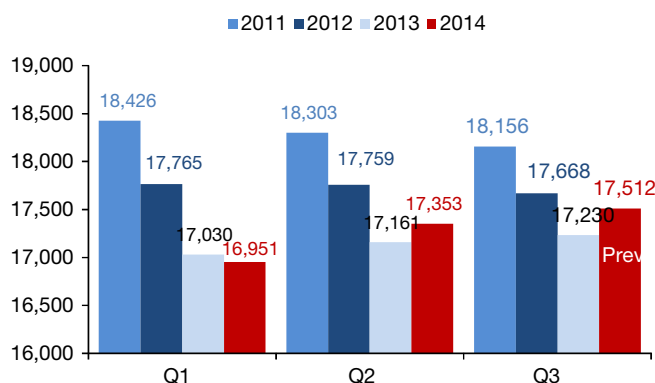
The increase in Social Security enrolment in September, even after seasonal adjustment, partly reflects the signs of deceleration seen in the June and July figures. In any case, the rise in Social Security enrolment in the third quarter as a whole is smaller than in the preceding three months, which is consistent with the confidence and business activity data published up to now.

Estimates of the employment data to be published in the EPA labour force survey point to a net creation of employment in 3Q14, on the order of 159,000 compared with 69,000 in 3Q13. If this is correct, employment would have increased by 1.6% over the same period of the previous year, with a year-to-date rise of 377,000 in 2014.

The figures for unemployment and unemployed job-seekers suggest a further quarterly rise in the labour force. Active workers would record a YoY decline of 0.6% compared with a 1% fall in 2Q14; in this case, the number of unemployed would fall to 5.52 million and the unemployment rate would reduce half a percentage point to 23.97%.

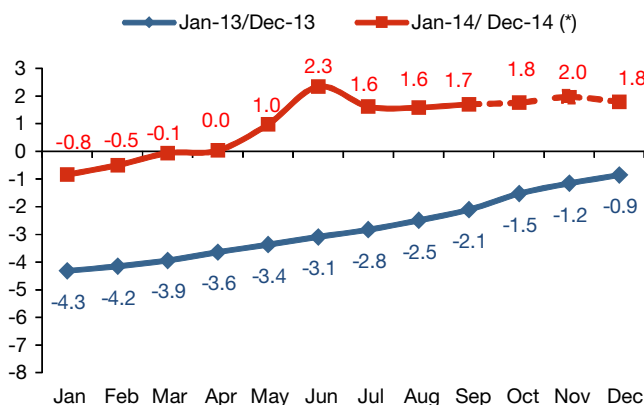
The Afi-ASEMPLEO SLM Indicator sees the improvement in employment continuing in the final part of the year, though at YoY rates similar to those observed recently.

EPA employment (thousands)



Source: EPA (INE) and Afi forecasts

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

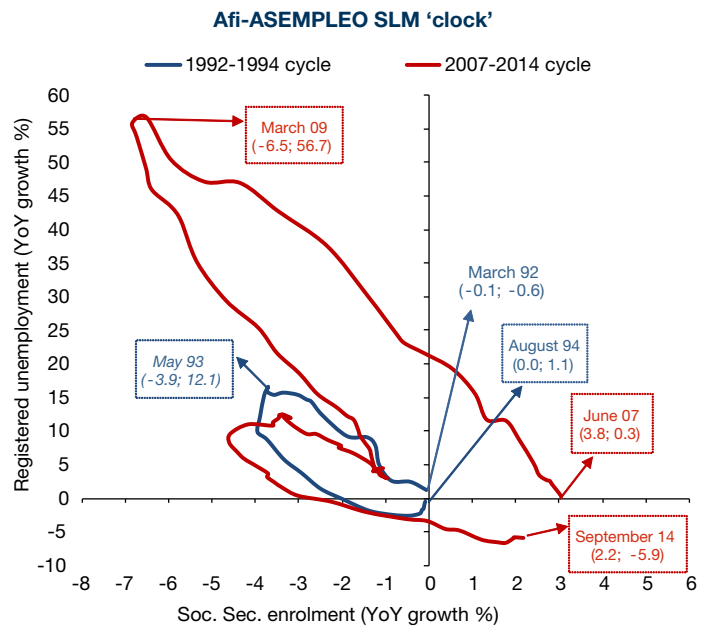


Source: Afi. (*) Oct 2014-Dec 2014 figures are forecasts

Social Security enrolment grew by 12,182 compared with the previous month, a contrast with the habitual fall in a month of September (the average decline of 2001-2007 was 7,300). On a seasonally-adjusted basis, the increase was 47,000, almost four times the rise recorded the previous year. Enrolment in the Social Security's general and self-employed schemes increased (by 2.1% and 2.6% YoY respectively), maintaining the increase recorded in recent months. In YoY terms, retailing and transportation, hotels & catering, professional activities and education continue to drive the increase in the aggregate.

The monthly increase in unemployment (19,720) was the smallest recorded in a month of September since the start of the crisis. The YoY fall in unemployment slowed somewhat (5.9% in September, compared with falls of 6.5% in May and June).

Recruitment increased again (17.4% YoY), with all types of contract contributing to the improvement. The strong increases in permanent hiring (29.3% YoY) and, especially, in full-time contracts (19.2% YoY), were particularly notable.



Source: Ministry of Employment and Social Security

The assessment of ASEMPELO

Bringing up the rear

There is an increasingly clear need to fine-tune the design of specific measures for each situation and each of the subgroups that make up the map of unemployment. In short, it is necessary to segment the unemployed. This is something that successful businesses in our country do every day.

It is a question of budgeting, but also of making use of the best and most effective resources available. So what measures should be implemented? Obviously, they should be those that offer the best capacity and flexibility, and the best experience in the past, in order to obtain the best results in the most effective way. It is necessary to activate the most appropriate mechanisms to deal with an extraordinary situation that compromises the improvement in consumption, tax collection, the pension system, social cohesion and, above all, the life goals of individuals and families.

The growth in employment over the past three quarters has been centred on the unemployed who have not spent much time in that situation. That is good to the extent that it means that the skills, competences and attitudes acquired in their previous employment have not "cooled", but it does make it more difficult for those who have been unemployed for more than a year.

Sincerely, we believe that the best course of action consists in a "combined therapy" of personalized diagnosis, knowledge of the market, improvement of employability in the form of career guidance, specific training and a search for real job opportunities. If to this we add intelligent fiscal stimuli, so much the better, but we should prioritize those that contribute to competitiveness and, at the same time, increase employability and prevent any relapse.

Andreu Cruañas, President of Asempleo

The highlight of Afi

A difficult exit

Time and again it has been shown that the longer workers remain in unemployment, the more difficult it is for them to return to employment. In other words, in areas where the proportion of workers unemployed for a year or more is very high, the probability of their finding a job is lower. In this respect, the outlook in the majority of the Spanish regions is devastating. For Spain as a whole, the long-term unemployed represent 62.1% of the total, while the probability of these individuals finding employment (in any given quarter) is 6.7%. As the more favourable tendencies in the Spanish labour market continue to consolidate, which we have been seeing month after month, the reintegration of the long-term unemployed should become a priority.

Those who have been unemployed for less than a year are already seeing an appreciable recovery in their probability of returning to work; in the second quarter it was above 25%, something which has not been observed since 2008. Such "normalization" still seems distant for workers who have been unemployed for a longer period.

A significant portion of this category will probably never return to the regular labour market, whether it be due to their age or other causes of unemployability. We should be able to define the risk of specific groups within the category as a whole and to design policies that improve their probability of returning to work, at the same time assessing the results to date of such policies. The improved situation of the Spanish labour market in these months should also benefit the long-term unemployed.

José Antonio Herce, Associate Director, Afi

Labour Market Review

Issue No. 87 | October 2014

Only 6.7% of the long-term unemployed found employment in 2Q14

The return to the labour market of the long-term unemployed poses a real challenge for the public employment services, since the probability of these workers finding employment is much lower than for those who have been jobless for less than a year. Their age, educational level and place of residence also affect this probability.

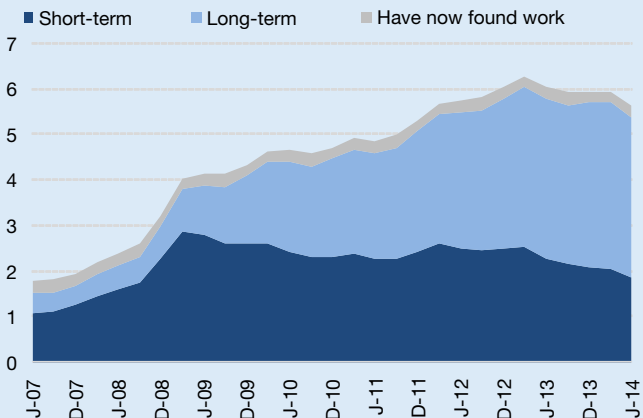
In 2Q14 there were nearly 3.5 million long-term unemployed (62.1% of the total)

In the last few weeks, the Government has approved and launched a reform of its active employment policies, prioritizing, among other things, services for the most vulnerable groups, including the long-term unemployed, i.e. those who have been in this situation for over a year. The fact is that, although the labour market data and the EPA indicate that the total number of unemployed has been falling steadily since late 2013, the numbers of long-term unemployed remain very high and are causing increasing concern. In 2Q14, nearly 3.5 million workers had been unemployed for more than a year, accounting for 62.1% of the total.

The state budget for 2015 does not increase the resources dedicated to the retraining of the unemployed

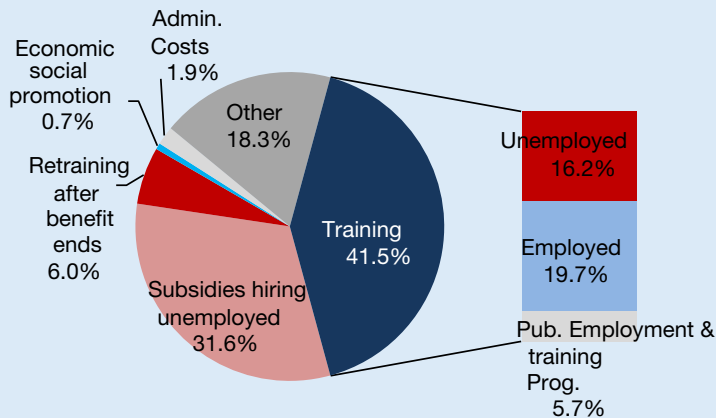
The return of the long-term unemployed to the labour market poses a real challenge for the public employment services, and for all employment mediation companies, requiring greater efforts than has been the case up to now, including the amount of the budgetary provision for this purpose. Hence, it is surprising that the 2015 state budget devotes only €4.77 billion to active employment policies (15.8% of the total expenditure on employment policies), even though this represents a 16.5% YoY increase, and there is no increase in resources for the retraining of the unemployed (subsidies for the hiring of workers remain the most prominent policy, representing 31.6% of total spending on active policies).

Unemployed by time and success in job search (millions)



Source: National Statistics Institute (INE)

Employment promotion policies in 2015 State Budget (% total)



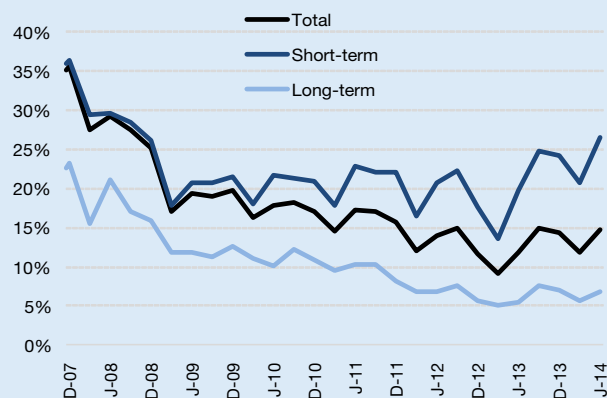
Source: Ministry of Finance and Public Administrations

The probability of the long-term unemployed finding a job is less than in the case of those who have been in this situation for under a year (6.7% and 26.5% respectively in 2Q14)

The probability of the long-term unemployed finding a job has normally been lower than for those who have been unemployed for less than one year. The obsolescence of workers, in terms of loss of skills or lack of familiarity with the changes produced in their economic sectors during their unemployment, is one of the main causes. Thus, for example, while the probability of the latter finding a job stood at 26.5% in 2Q14, that of the former was only 6.7%.

In addition to the wide difference between the probability in each case, it should also be pointed out that the long-term unemployed have yet to share in the incipient improvement of the economic environment. The increase in the flow of workers from unemployment to jobs is concentrated in the short-term unemployed and not in those who have spent more time in this situation. A year ago, the probability of those unemployed for less than 12 months finding employment was 19.8%, 6.7 percentage points lower than at the present time, while that of the long-term unemployed was similar to that found today.

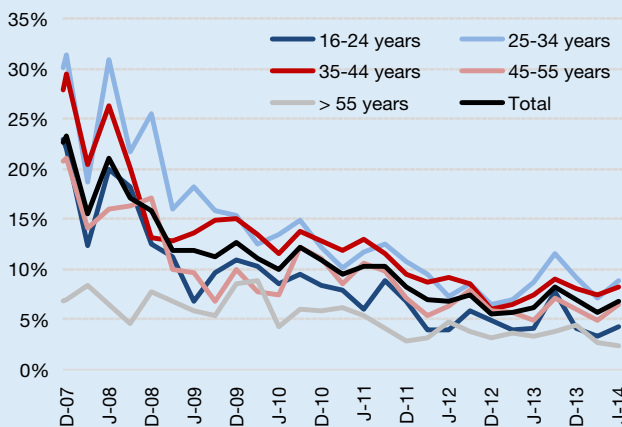
Probability of unemployed in time t-1 finding work in t, by duration of search



Source: National Statistics Institute (INE)

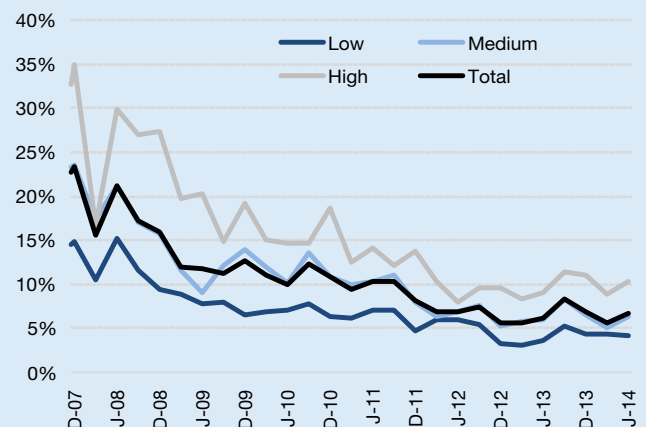
Among the long-term unemployed, the probability of finding work varies according to age and educational level, while no difference is observed when gender and nationality are analysed.

Probability of long-term unemployed in time t-1 finding work in t, by age group



Source: National Statistics Institute (INE)

Probability of long-term unemployed in time t-1 finding work in t, by educational level



Source: National Statistics Institute (INE)

The probability of the long-term unemployed finding work is lower among young people and the over 55s...

... those with a low educational level...

... and those ones residing in regions with higher levels of long-term unemployment.

The unemployed with little work experience (i.e. the under 25s) and those aged over 55 are the groups with least probability of success in the search for employment (4.2% and 2.4% respectively in 2Q14), which is related, in the first case, to their high unemployment rate (53.1% in 2Q14) and, in the second case, to the risk of vulnerability prior to their retirement. These situations account for the measures to stimulate employment, among other actions, introduced recently by the Government.

The probability is also low among the unemployed with a low educational level (4.1% in 2Q14). Again, the educational level is considered one of the most significant factors in the search for employment. The best qualified unemployed workers, in addition to suffering lower unemployment rates (14.5% in 2Q14, compared with 39.9% for those with a low educational level), also have a high probability of finding a job when they are unemployed (10.3% in 2Q14). The fact that they have more qualifications than the rest means that they are more successful in the search of employment, but not that the job they find is in line with those qualifications (which is why the phenomenon of overqualification is increasingly significant).

Moreover, the probability of the long-term unemployed finding a job varies around the country. The lowest probabilities of finding work occur in those regions with higher levels of long-term unemployment, meaning that these workers spend even longer in unemployment and this problem becomes even more chronic. Such is the case of the Canary Islands and Castile-La Mancha.

At the other extreme are the Balearic Islands. As well as having a smaller long-term unemployment problem than the other regions (in 2Q14, 48.4% of the unemployed had been in this situation for more than a year), the region's economic dynamism, probably due to strong tourist flows and the good performance of hotels & catering, is allowing slightly more than 11% of the long-term unemployed to rejoin the labour market.

