

Labour Market Monitor

Issue No. 88 | November 2014

Key points of the month

- For the rest of the year, the Afi-ASEMPLEO SLM Indicator forecasts a continuation of the path of gradual recovery in the labour market.
- The year 2014 could end with 285,000 more workers in employment than at the end of the previous year.
- The improvement in the labour market figures slowed in October: Social Security enrolment rose by 28,817 and registered unemployment was up 79,154 with respect to the previous month.

The year 2014 could end with 285,000 more workers in employment

The results of the 3Q14 EPA (labour force survey) are in line with the forecasts of the Afi-ASEMPLEO SLM Indicator, allowing convergence between the trends in the survey's employment figures and the data on Social Security enrolment.

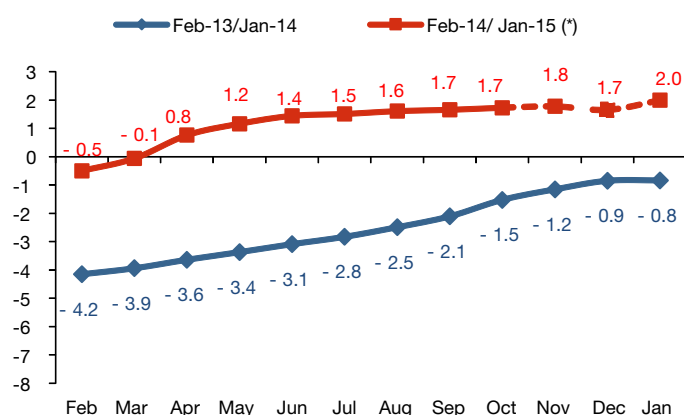
The fourth quarter began with a YoY advance in Social Security enrolment similar to that observed since July, on the order of the 2%. For the moment, the creation of employment in services shows no signs of exhaustion, while the improvement in industry consolidates and enrolment in construction has, for the first time since the start of the crisis, grown with respect to the levels of a year ago.

For the rest of the year, the Afi-ASEMPLEO SLM Indicator forecasts a continuation of the path of gradual recovery in the labour market, though it does not predict an acceleration in the rate of employment generation.

Employment could end 2014 at 17.36 million, almost 285,000 more than at the close of 2013.

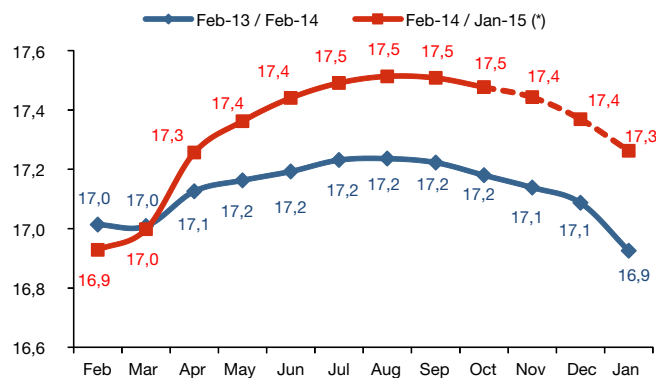
January 2015, with its inherent negative seasonality and, above all, influenced by the limitations that exist on the services sector maintaining its recent rates of recruitment, is going to be key to setting the tone for the labour market next year, when net job creation is expected, though weaker than in 2014.

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



Source: Afi. (*) Nov 2014-Jan 2015 figures are forecasts

SLM monthly forecast of workers in employment (millions)

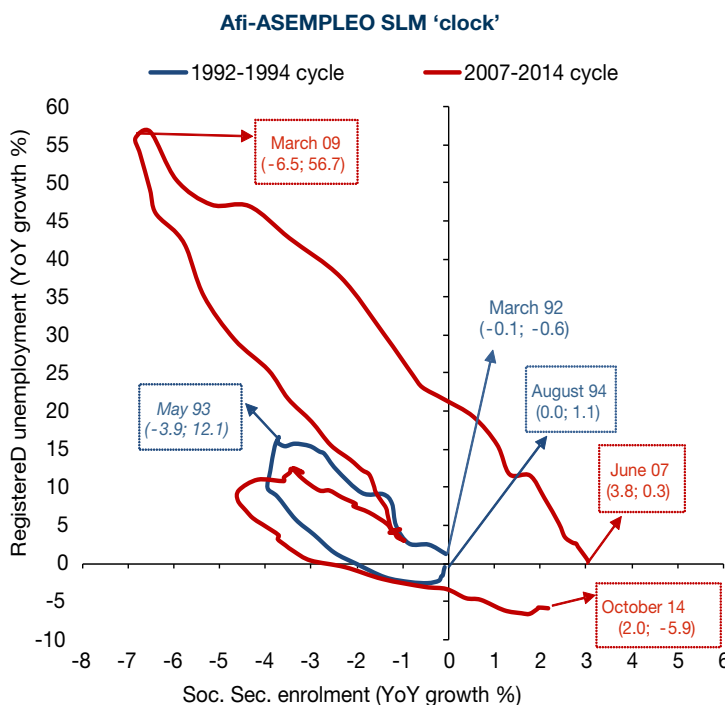


Source: Afi. (*) Nov 2014-Jan 2015 figures are forecasts

The improvement in the labour market figures slowed in October. Social Security enrolment rose 28,817, compared with 54,928 in the same month of the previous year. Even adjusting for seasonal effects, the improvement in Social Security enrolment is only a sixth of that recorded last year (specifically, 5,200 more than the previous month). The YoY growth figure stayed at 2.0%, supported partly by increased enrolment in the general scheme (2.2%), but especially by the rise in self-employment (2.7%), which continues to grow strongly in professional activities and in retailing and transportation. In this latter case, growth has slowed somewhat.

Registered unemployment, in turn, increased by 79,154, as is habitual in October, although the rise is smaller than the previous year (87,028). In YoY terms, the decline remains unchanged at 5.9%.

Recruitment continues to grow (7.6% YoY), accumulating a similar rise in the first ten months of the year to that registered in 2008. Temporary contracts again account for the bulk of the increase in the total, although YoY growth in permanent hiring remains in double digits (24.7%).



Source: Ministry of Employment and Social Security

The assessment of ASEMPELO

Is there life beyond services?

The outlook for the labour market continues to cause concern, but there are qualitative aspects that may give cause for hope: permanent hiring and full-time employment are growing at a good rate, and the recovery of employment in manufacturing industry is consolidating.

I believe that the latter is of great importance, both for what it means in terms of better quality and more sustainable employment and for the greater business confidence it promises for the future. The recovery of industry is an indispensable pillar for the achievement of a more stable and diversified competitive model.

Work in the new industry has special characteristics, both in regard to the utilization of technology-intensive equipment and, above all, because it demands more highly qualified workers with specific abilities and competences. It is surprising to observe how, in spite of the theoretically large number of candidates "available" in the market, businesses do find it not easy to fill certain positions with suitable candidates who can cover the present needs and be involved in longer-term projects. Therefore these are decisions in which businesses, in need of talent and the right attitude, entrust the success of projects that they have taken a long time to consolidate.

Fortunately, the private employment agencies are handling more and more job vacancies which entail much more specialized processes of recruitment, selection and provision, with a real understanding of the needs of each vacancy. This is the best contribution we can make to the resolution of the challenge that confronts us

Andreu Cruañas. Presidente de Asempleo

The highlight of Afi

Learning by doing

No one denies the greater average quality of employment in industry compared with other sectors. This quality is supported by higher salaries, higher productivity, greater stability of employment and a greater commitment to the company. While these may not be unchanging values, even in the new economy, in the "neoindustry", industrial jobs will retain this kind of differential attributes or their equivalent. Could we transfer these employment attributes to the other sectors? Of course. But let us note that other sectors are not necessarily based on high levels of human capital or complex training structures. The evidence could not be more convincing, quite the opposite, it seems, of our comprehension of industrial employment and its qualification.

Industrial workers are more valuable because they learn by doing, starting from medium-level qualifications oriented to their jobs. The typical industrial worker does not have a PhD in science, or even a university degree. But he has sufficient qualifications to perform the tasks required by the equipment entrusted to him. This knowledge, acquired in a vocational training course, is subsequently developed by means of in-house training as required when new equipment and processes are installed in their plant, taking maximum advantage of it.

It will not be the great training plans, far from the factory, prohibitively expensive for our country at this time, incomprehensible for the workers and their employers, which extend this logic throughout the economy. It will be the commitment of workers, employers and public administrations so that the workplace becomes a school.

José Antonio Herce. Director Asociado de Afi

Labour Market

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In 3Q14, EPA employment behaved as predicted by the Afi-ASEMPLEO SLM Indicator

Employment grew by 151,000 in the quarter (in line with the 159,000 forecast by the Afi-ASEMPLEO SLM Indicator). Meanwhile, unemployment was down by 195,200 in 3Q14, which together with a 1.04% YoY fall in the labour force, took the unemployment rate to 23.67% (slightly below the 23.97% predicted).

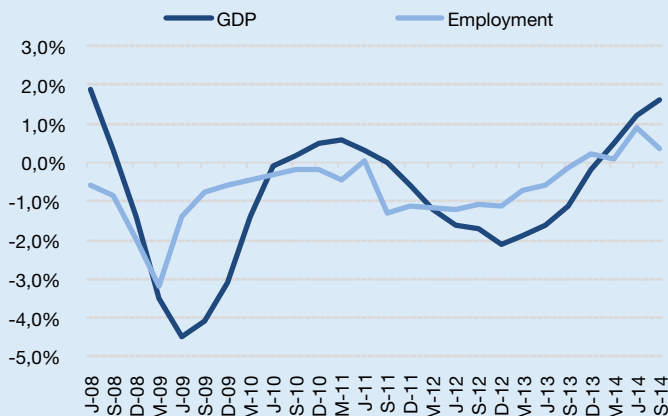
The increase in employment slowed in 3Q14, as also occurred with the number of unemployed.

The quarterly growth of employment occurred among men of over 35...

In 3Q14 employment rose by 151,000 over the previous quarter, reaching a total of 17.5 million. In YoY terms, employment maintained its growth rate (1.6%). Nevertheless, analysis of the seasonally-adjusted data shows some containment of the tendency seen in preceding quarters, which may continue in the final part of the year: up 0.36% quarterly, compared with the 0.9% quarterly of 2Q14. The reduction in unemployment also slowed in seasonally-adjusted terms, from a quarterly rate of 2.9% in 2Q14 to 2.1% in 3Q14.

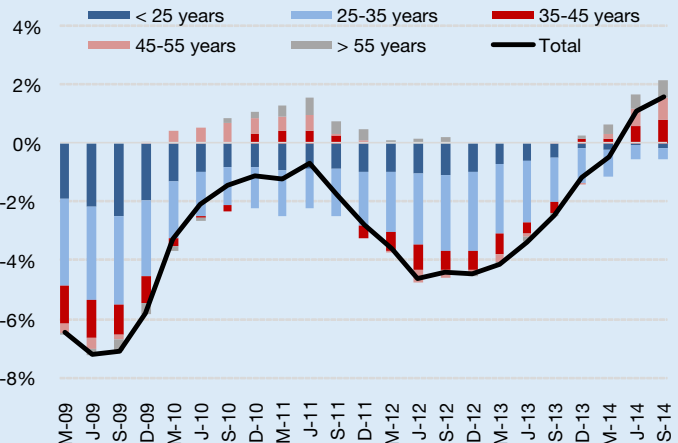
Employment increased among the over 35s, although the most notable increase occurred among those over 55 (up 53,600 on the previous quarter). This is very good news, considering that this age group has the lowest probability of finding employment when unemployed. For the under 35s, however, the fall in employment continues (2% YoY in 3Q14), especially among women. This trend may mean that this group will continue to move abroad in search of more and better job opportunities, or that inactivity among its members will increase, as has been observed since mid-2009.

Seasonally-adjusted GDP and employment (% YoY change)



Source: National Statistics Institute (INE)

Contribution to YoY change in employment by age group



Source: National Statistics Institute (INE)

... those employed full-time...

The number of workers in full-time employment rose, while the opposite occurred with part-timers. The former increased by 370,700 over the previous quarter, while the latter registered a fall of 219,600. The incidence of part-time working fell back to 15%, when in the previous quarter it was above 16%.

...temporary workers...

Temporary contracts were wholly responsible for the quarterly increase of employment in 3Q14 (122,400), as permanent contracts declined by 26,700. Nevertheless, in YoY terms, permanent hiring continues to improve (1.3%).

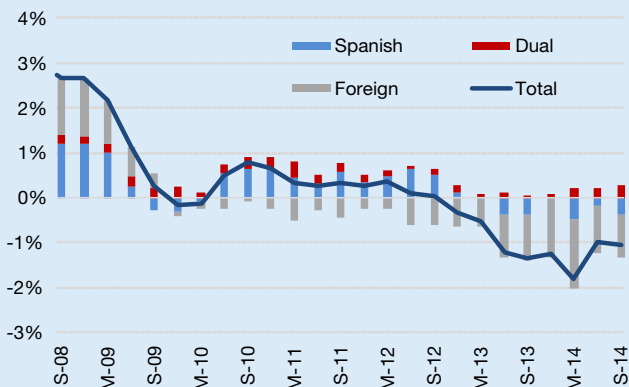
... and workers in hotels & catering, manufacturing industry and construction.

The hotels & catering sector accounted for most of the increase of employment (104,500 up on the previous quarter), thanks to the significant foreign tourist flows and the improvement in domestic tourist demand. Nevertheless, increases were also observed in other sectors, such as manufacturing industry (with an increase of 68,700 with respect to the previous quarter) and construction (43,500). The latter sector interrupted its declining path, supported by the incipient recovery in demand and residential activity.

The labour force continues to fall due to the reduction in the population of working age.

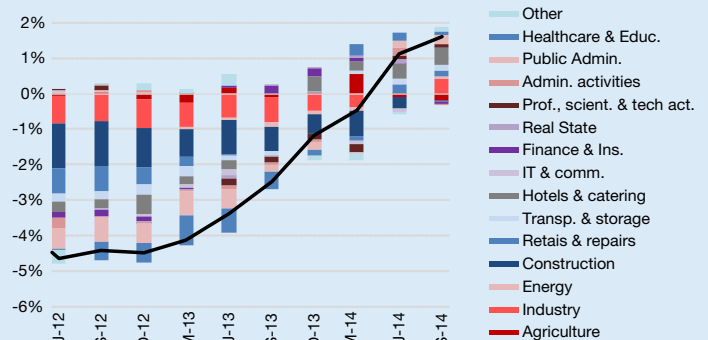
The fall of the labour force surprised; it fell as strongly as in the previous quarter (1.0% YoY), due chiefly to the reduction in the population of working age (0.2% YoY), in general, and to the departure of foreigners to other countries, in particular. The migration of this latter group one is a trend that, though it has been occurring since mid-2010, has intensified in the last year (a fall of 44,100 in the foreign labour force since 3Q13). The discouragement effect was less significant in the past quarter, as this group of inactive workers increased by only 11,200 in 3Q14 (down 6.3% YoY). One of the causes may be doubts about the strength of the economic recovery, a fact that may be influencing the decisions taken by foreign households. On the other hand, the number of Spanish households continued to rise, with the increase coming once again from single-person households, probably as a result of the rise in divorces and separations, rather than young leaving home.

Contribution to YoY change in the labour force by nationality



Source: National Statistics Institute (INE)

Contribution to YoY change in employment by economic sector



Source: National Statistics Institute (INE)

The Specialized Labour Market Review

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Urgent need to reindustrialize the Spanish economy

The reindustrialization of the economy would mean an increase in labour productivity, competitiveness and the sustainability of job creation. Workers in manufacturing industry are mainly middle-aged men with average educational levels, but by means of training other groups could be brought into this sector. It has an above-average proportion of wage earners, permanent employees and full-time jobs.

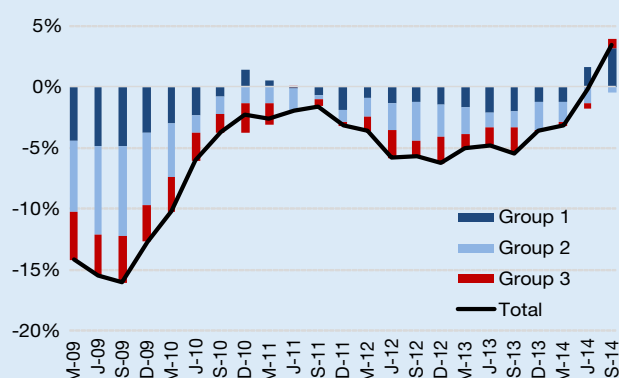
The reindustrialization of the economy would mean an increase in productivity, competitiveness and the sustainability of job creation.

In 3Q14, employment grew 3.5% YoY in manufacturing industry.

The need to boost the industrial sector in Spain is often mentioned as a way to rebalance a very services-intensive economy, to increase low worker productivity through the use of new technologies and to guarantee the sustainability of the incipient growth of employment. In short, to contribute effectively to changing the productive model in ways that modernize the Spanish economy and make it more competitive. The "Agenda for strengthening the industrial sector in Spain" launched by the Department of Industry, Energy and Tourism is aimed precisely in this direction.

Its dynamism can already be seen in the 3Q14 EPA: the increase of employment was supported by manufacturing industry, among other sectors. With an increase of 68,700 employees over the previous quarter, the sector chalked up the first YoY increase in employment since the start of the crisis (3.5%). A more detailed analysis reveals that this increase occurred chiefly as a result of the good performance of the food and agriculture industry, the leather and footwear sector and the automobile industry. The fact that GDP growth is reliant on household consumption, both actual and forecast, suggests that the new jobs created in these sectors will be relatively long-lasting. However, if external demand falls due to slowing growth in the eurozone, this could have negative effects on their turnover and employment.

Contribution to YoY change in employment in manufacturing industry by sub-sector



* Group 1: : Foodstuffs, textiles, leather, wood and paper
Group 2: Chemicals, pharmaceuticals, rubber and plastics,
Group 3: Manuf. of machinery, electrical equipment and transport equipment

Source: National Statistics Institute (INE)

Contribution to YoY change in employment in manufacturing industry by sector in 3Q14

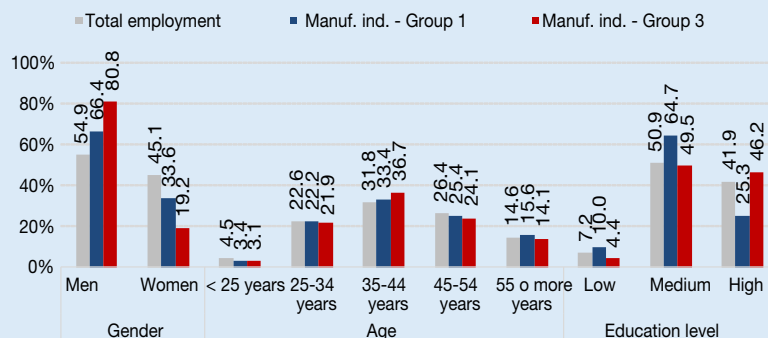
Activity	%
Foodstuffs	1,69%
Manuf. of motor vehicles, trailers and semi- trailers	1,22%
Leather and footwear	0,67%
Chemicals	0,65%
Beverages	0,64%
Manuf. of other machinery and equipment	0,22%
Repair & installation of machinery and equipment	0,18%
Graphic arts and reproduction of recorded media	0,17%
Wood & cork (excl. furniture)	0,09%
Manuf. of furniture	0,09%
Textiles	0,07%
Manufacture of coke and refined petroleum products	0,03%
Tobacco industry	0,01%
Metallurgy	-0,03%
Garment-making	-0,03%
Paper industry	-0,08%
Manuf. of pharmaceutical products	-0,09%
Other manufacturing industry	-0,12%
Manuf. of IT, electronic and optical products	-0,16%
Manuf. of rubber and plastic products	-0,17%
Manuf. of other mineral non-metallic products	-0,21%
Manuf. of electrical equipment and material	-0,34%
Manuf. of other transport material	-0,36%
Manuf. of metal products excl. machinery and equipment	-0,62%

Source: National Statistics Institute (INE)

But to stimulate manufacturing industry in the short term, it is necessary to identify the profile of the workers currently employed and what type of employment it offers in order to adapt workers' skills. In the medium term, on the other hand, it is important to aim at quality employment in terms of highly qualified labour.

By focusing on the two sub-sectors with the best performances in the past quarter, foodstuffs, textiles, leather, wood and paper (Group 1) and machinery, electrical equipment and transportation equipment (Group 3), the following differential patterns with respect to employment in the economy as a whole can be detected.

Employment by gender, age and educational level (% total) in 3Q14



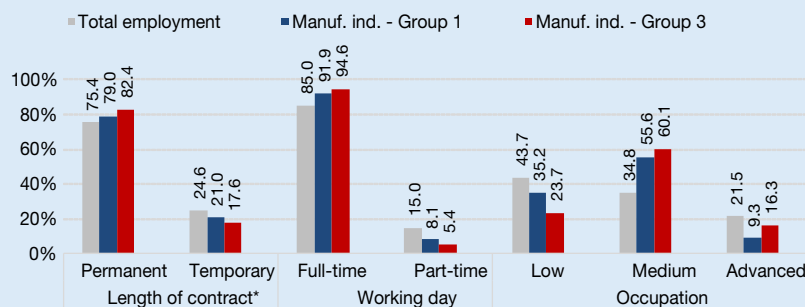
Source: National Statistics Institute (INE)

Their workers are middle-aged men with average educational levels...

With regard to the profile of the workers, in 3Q14 the manufacturing industry's employees:

- Were mainly men. Group 3 is particularly notable, with 80.8% men and only 19.2% women.
- Middle-aged, i.e. workers aged 35-45 predominate. In this case there is no significant difference with the working population as a whole.
- With predominantly average educational levels. It is interesting to note that the Group 3 workforce, in which 46.2% of employees have higher education, is probably overqualified, as will be seen further on.

Employment by length of contract, working day and occupation (% total) in 3Q14



* Wage workers only, excludes self-employment

Source: National Statistics Institute (INE)

... but by means of training other groups could be brought into this sector.

It has a higher proportion of wage earners, permanent employees and full-time jobs compared to the average of the economy.

Catalonia accounts for most of the improvement in employment in manufacturing industry in 3Q14.

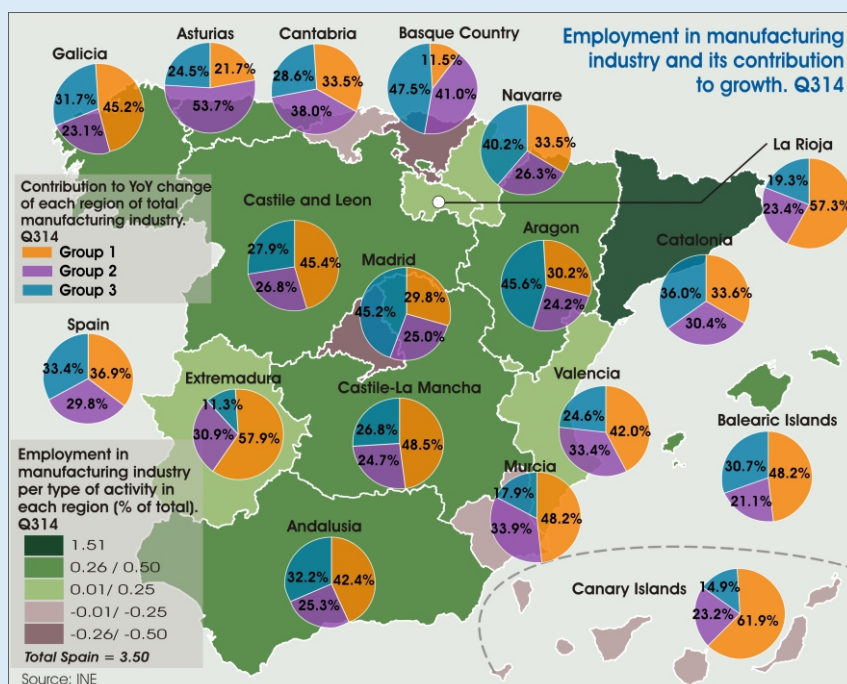
Extending this improvement in employment to young people and women, among the groups most affected by unemployment, required medium or high level training courses with a significant practical component (preferably in businesses). If the most experienced workers were to pass on their knowledge, this could also lead to gains in productivity and efficiency of the sector in the medium term.

With respect to the characteristics of positions in 3Q14, the manufacturing industry offers the following type of jobs:

- 88.1% of workers are wage earners (compared to the average of 82.3% in the economy as a whole), of whom a significant proportion has permanent contracts. The incidence of temporary work is less than 20%, when the average of Spanish wage earners is almost 25%.
- Nearly all workers are full-time (93.2% of the total), with part-time work being negligible (little more than 5% in Group 3, compared to the average of 15%).
- Slightly more than the half the workers have a medium-level occupation, and only 12.6% occupy a high-level position.

Increasing the proportion of qualified employment in manufacturing industry would also have a positive impact on an already high level of labour productivity. In 2Q14 (the latest available data) it was €68,100 per worker, higher than the average for all sectors, which in the same quarter was €64,500 per worker.

At the regional level, manufacturing activity is distributed unevenly. The regions where this sector represents the highest share of GDP are Navarre, La Rioja and the Basque Country, which are also those where it accounts for the highest proportion of total employment. Nevertheless, recent data indicate that the improvement in employment in 3Q14 occurred mainly in Catalonia (see footnote). Given that Groups 1 and 3 are the manufacturing sub-sectors with the best performances in recent months, it would be expected that further improvement will occur in the regions where these activities have more weight. In general, this would be in the northern regions of the Iberian peninsula.



Note: figures for the regional contribution seek to show the regional distribution of the improvement in employment in the manufacturing industry. Thus, given that the sector's total employment in Spain has grown by 3.5% in the last year, 1.5 percentage points, or practically half, was contributed by Catalonia.