

Labour Market Monitor

Issue No. 90 | January 2015

Keys points of the month

- The Afi-ASEMPLEO SLM Indicator again improved in December. In recent months, the labour recovery has gained strength.
- 4Q14 is estimated to have left us a rise in EPA employment for the first time in a fourth quarter since the start of the crisis.
- If the labour force is growing in response to the labour market recovery, the unemployment rate should have been 23.65% at the end of 2014. The "discouragement effect" among job seekers should have begun to weaken.

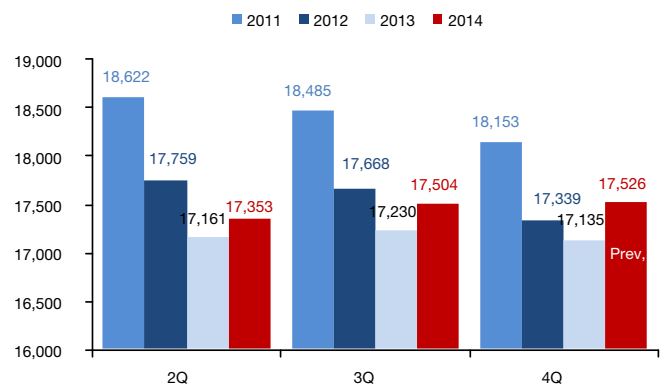
December beat all employment records

Social Security enrolment increased again in December, by almost 80,000, the best performance in a month of December in terms of employment creation, not only during the crisis to date, but also in the years of economic growth. The rebuilding of workforces in sectors such as retailing and the rise in public employment account for the bulk of the increase in Social Security enrolment (see below).

Estimates for EPA employment point to an increase of the number of employed on the order of 22,000 in 4Q14. If this is confirmed, it would be the first time this has happened in a fourth quarter since 2006. The Afi-ASEMPLEO SLM Indicator puts YoY growth in employment at 2.6% in December, 0.2pp more than the previous month. This trend will continue in the first part of 2015.

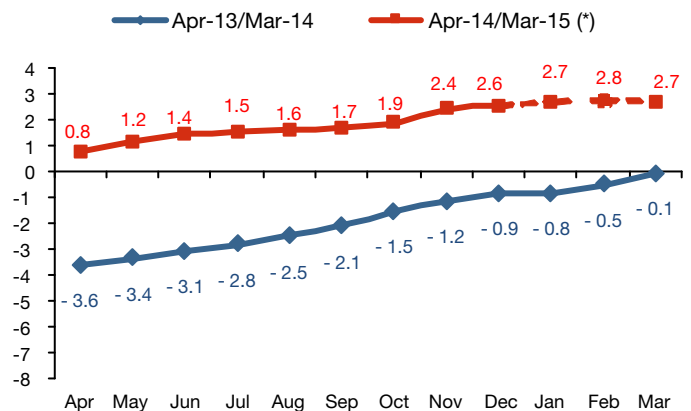
Whether this improvement of employment will be reflected in the unemployment rate will depend on the behaviour of the labour force. It should be noted that while employment will have grown in 4Q14, the number of unemployed will be unchanged from 3Q14. This difference between the two indicators would be the result of workers joining the labour market (as the "discouragement" effect among job seekers should have begun to weaken in response to the labour market recovery), and that will contain the decline in the unemployment rate. This rate is estimated to have ended 2014 at 23.65%, practically identical to 3Q14, though 2 percentage points below the 4Q13 figure.

EPA employment (thousands)



Source: EPA (INE) and Afi estimates

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

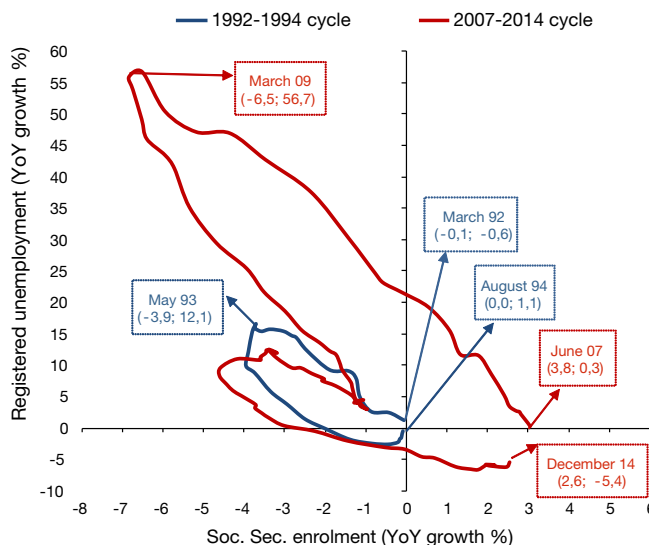


Source: Afi. (*) Jan 2015-Mar 2015 figures are forecasts

With 79,462 new Social Security enrolments more than the previous month, last month becomes the December in which most employment has been created, not only in the period of crisis, but even in the growth phase of the past economic cycle. Seasonally-adjusted Social Security enrolment rose by 46,200, with a YoY increase of 2.6%. The increase was concentrated in the general scheme (up 2.8% YoY) and in the public sector and retailing, chiefly as a result of the Christmas season and the proximity of several elections. Industry and construction continue to consolidate their YoY recovery trend. Thus, average Social Security enrolment increased by some 256,000 in 2014 as a whole.

The number of unemployed fell by 64,405, but less strongly than the previous year (when it was down 107,570), reflecting a certain slowing in the rate of decline. In YoY terms, it moderated from 6.2% in November to 5.4% in December. Nevertheless, total unemployment fell back to the level of December 2011 (4,447,711). In 2014 as a whole, the average number of unemployed reduced by some 269,400 compared to the previous year.

Afi-ASEMPLEO SLM 'clock'



Source: Ministry of Employment and Social Security

The assessment of ASEMPELO

The road to stable employment

It is satisfying to end a year full of encouraging positive signals. However, this should not distract us from the need for a qualitative leap in the reduction of the unacceptable number of unemployed in 2015, of whom six out of ten (61.9%) have been unemployed for more than a year, and especially of job seekers aged over 45. Moreover, we must pay attention to the data that indicate a path worth following: on the one hand, the increase since April in the share of new permanent contracts in total recruitment and, on the other hand, the 400,000 workers who have exchanged part-time work for full-time employment.

This evidence of companies' confidence in economic growth – accompanied by investment in capital equipment – implies a beneficial qualitative trend in the employment created in 2014 and shows how flexibility, in the form of temporary work and a working day adjusted to the needs of each activity, can act very efficiently to provide access to stable employment. Such stability is not based so much on a contract as on training, experience and disposition. In this respect, the data confirm that the higher the number of temporary contracts negotiated professionally, the greater the guarantees that they will be transformed into stability and quality.

For this, it is crucial to design the profiles correctly, to carry out a good personalized occupational diagnosis, an intelligent worker/job fit and an effective training. Doing all this quickly and flexibly is precisely the speciality of the temporary work and job placement agencies. It is a question of ensuring that temporary working does not become embedded but rather is justified and forms the natural bridge to stable employment and a tool to promote competitiveness.

Andreu Cruañas. President of Asempleo

The highlight of Afi

Towards quality of employment

The Spanish labour market is once again creating net employment after many years of contraction in the labour force. It is doing so through temporary employment and part-time working. It is also doing so in the context of a great moderation in wages and a labour relations framework which has been significantly modified by the labour market reforms implemented during the crisis. In short, it is doing so in a way compatible with modest GDP growth that has nevertheless been accelerating throughout the preceding year. With GDP growing at more than 2% in YoY terms, the coming quarters will witness a further intense creation of employment.

There are reasons to think that, sooner rather than later, quality, although timidly, will join quantity in this process. The 3Q14 National Accounts and EPA coincide in confirming that the conversion of jobs from part-time to full-time is increasing significantly. There are millions of Spanish workers who would like to work more hours and have longer contracts of greater duration, possibly permanent. Well, this is increasingly possible.

The triangle of the quality of employment is formed by length of contract, length of working day and productivity of the work carried out, from which the remuneration of the worker follows. While all workers would like more productive jobs, they do not all want the same length of contract or working day. Hence we must strive to make the Spanish labour panorama increasingly satisfy the aspirations of workers and employers by providing more productive and adaptable jobs. Employment and industrial policies should go in this direction.

José Antonio Herce. Associate Director, AFI

The Specialized Labour Market Review

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The probability of lengthening the part-time working day increased in 3Q14

The number of full-time equivalent jobs increased by 1.4% YoY in 3Q14 due, among other things, to the conversion of part-time jobs to full-time. 14.6% of part-time workers increased their working day in 3Q14. This probability rose especially among workers with a high educational level working in the public sector, retailing and the hotels & catering. The transition from part-time to full-time employment remains higher in those regions where it has been growing faster.

The number of full-time equivalent jobs increased by 1.4% YoY in 3Q14...

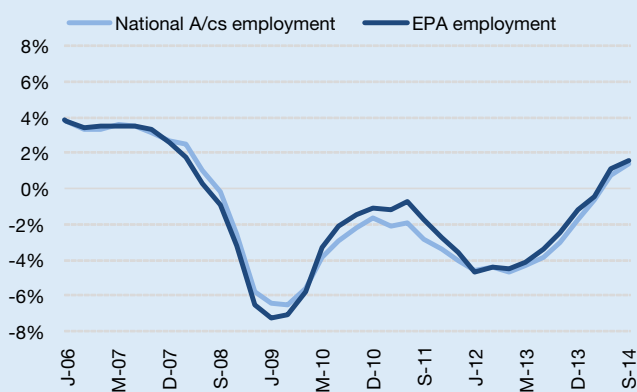
In the April 2014 issue of the Afi-ASEMPLEO SLM Monitor, we have already noted that part-time work, even when the workers would prefer a full-time job (in 3Q14, specifically, this was the case of 63.2% of part-time workers), did allow them to combine jobs that, in aggregate, were equivalent to full-time employment.

The increase of the number of full-time equivalent employed revealed by the National Accounts shows that an increasing number are now working a full day. Thus, for example, the number of full-time equivalent jobs increased by 1.4% YoY in 3Q14, the second consecutive increase, something which had not occurred since the start of the crisis.

... due, among other things, to the conversion of part-time jobs to full-time.

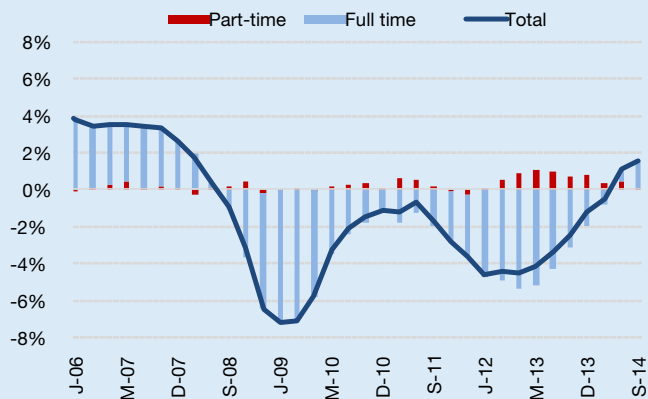
Although the EPA employment data indicates that this was not possible until the number of full-time workers had begun to rise, it should be emphasized that many of those new full-time employees were already working part-time and, therefore, they benefited from an increase in their working day.

National Accounts/EPA employment figures (YoY change)



Source: INE

Contribution to YoY change in employment by working day

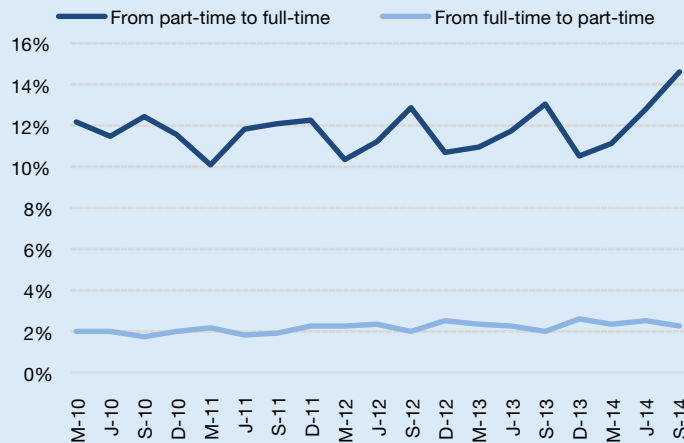


Source: INE

14.6% of part-time workers increased their working day in 3Q14.

Analysis of the EPA microdata reveals that a growing number of workers has extended their working day due to the improvement in the economic environment, in both absolute and relative terms. Thus, for example, in 3Q14, slightly more than 400,000 exchanged part-time working for full-time, 14.6% of the part-time workers in the previous quarter. This probability of such a transition, which has risen in recent months, could mean that part-time work becomes the prelude to the return to full-time work.

Probability of conversion of working day (% of employed workers in t-1)



Source: INE

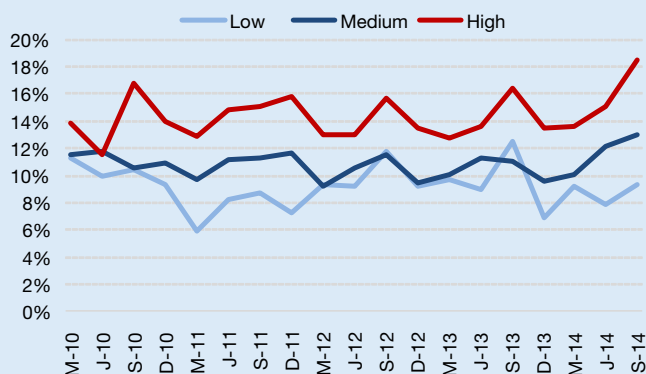
This probability rose especially among workers with a high educational level...

This probability varies according to the worker's profile. It has increased most in recent months among workers with higher educational levels (from 13.6% in 1Q14 to 18.5% in 3Q14), reinforcing their already high probability of extending the part-time working day. Better qualifications once again appear as one of the determining factors of success in the labour market. By age, the probability is increasing in all groups except the over 55s, who again are excluded for this improvement.

... irrespective of gender...

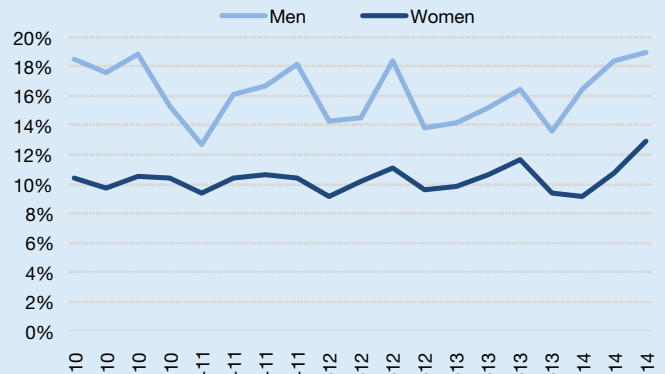
Although part-time working is more common among women than men, the increased probability of extending the part-time day is benefiting both groups. Despite this, it remains higher for men. In 3Q14, their probability was 19.0%, while for women it was 12.9%.

Probability of conversion of working day from part-time to full-time by educational level (% of part-time workers in t-1)



Source: INE

Probability of conversion of working day from part-time to full-time by gender (% of part-time workers in t-1)



Source: INE

... in the public sector, retailing and hotels & catering...

... and among both permanent and temporary workers.

The transition from part-time to full-time employment remains higher in those regions where it has been growing faster.

By economic sector, the conversion of part-time contracts to full-time has been concentrated in (i) public administration, healthcare and education, (ii) retailing, repairs and hotels & catering, and (iii) to a lesser extent, in professional services (including administrative, scientific, real estate, insurance, and financial mediation services), precisely some of the sectors that have been driving growth in employment in recent months. Nevertheless, they have some of the lowest probabilities of extending the working day. The highest probabilities are found in industry and construction, sectors that, after a long decline in activity and employment, are beginning to recover.

Among wage earners, the increased probability of extending the working day is benefiting both permanent and temporary workers, being slightly higher for the latter (12.9% and 14.2% respectively in 3Q14).

Lastly, the probability of exchanging part-time working for full-time also varies by region. At regional level, there is no apparent relationship between the incidence of part-time employment and the probability of conversion, but there is between the dynamism of this transition in the past year and the probability of extending the working day. In particular, the higher the growth in conversions, the higher the probability of transition to full-time employment from part-time.

Thus, Murcia has seen the biggest increase in the number of workers who extended their working day (71.3% YoY in 3Q14) and has the highest probability of conversion of the working day (17.8% in 3Q14). It is followed by Catalonia and Asturias. At the other extreme are the Balearic Islands, the Basque Country and Castile-La Mancha. The case of Balearic islands is surprising, given the great importance of hotels & catering in the region and the large tourist flows it receives. Perhaps because of this, the region's employers have opted to create full-time jobs directly, without extending the working day of those already employed.

