

# Labour Market Monitor

Issue No. 100 | November 2015

## Key points of the month

- In October, registered unemployment increased by some 82,400 with regard to the previous month (though it fell by 7.7% on a YoY basis) and Social Security enrolment rose by almost 31,700 (3.2% YoY).
- This behaviour was due largely to seasonal effects. The Afi-ASEMPLEO SLM Indicator points to a slight slowdown in the YoY growth in employment in the coming months.
- In any case, employment is expected to end 2015 above the 18 million mark.

## 2015 will end with employment above the 18 million mark

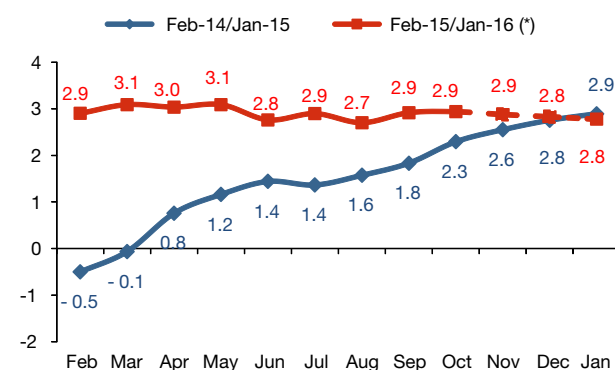
In October, Social Security enrolment recorded an increase similar to that of the same month last year, with YoY growth standing at 3.2%. The net YoY increase was 530,947.

October's rise in enrolment was due largely to seasonal effects. According to the Ministry of Employment and Social Security, the seasonally-adjusted increase was of some 35,000 (exactly the same increase as in September).

By economic sector, education accounts for a large part of the rise, while hotels & catering saw the biggest job losses, consistent with the end of the tourist season.

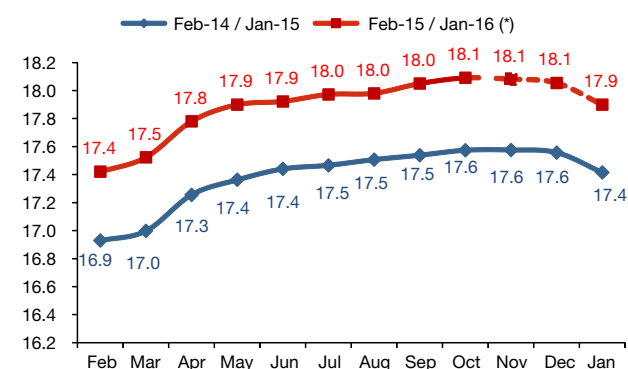
With this background, the Afi-ASEMPLEO SLM Indicator points to a slight slowdown in the YoY growth in employment in the coming months, with growth rates slightly below 3%. If this forecast is confirmed, employment will remain above the 18 million mark at the end of 2015.

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



Source: Afi.(\*) Nov 2015-Jan 2016 figures are forecasts

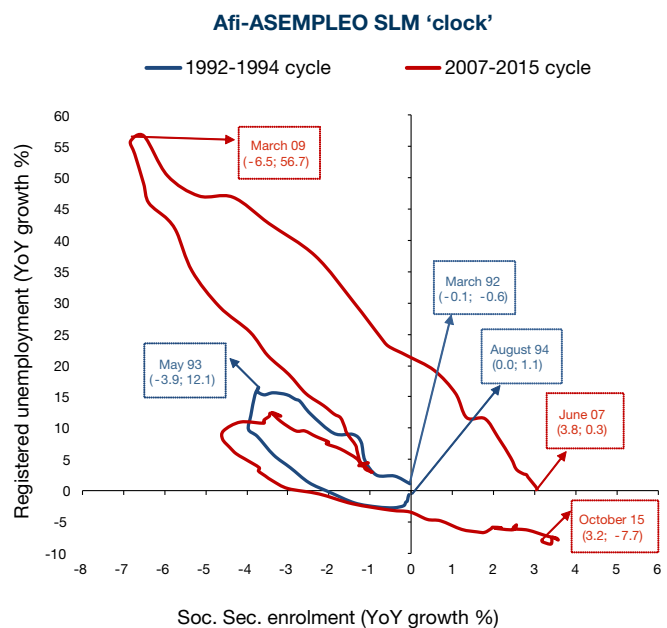
**SLM monthly forecast of workers in employment**  
(millions)



Source: Afi.(\*) Nov 2015-Jan 2016 figures are forecasts

The YoY fall in unemployment continued to slow in October, to 7.7%, as has been the case since August. This is consistent with the beginning of a slight deceleration in job creation, to which the Afi-ASEMPLEO SLM Indicator was already pointing. Social Security enrolment grew by 31,700 with regard to the previous month (it was up 3.2% YoY). The start of the academic year boosted hiring in the educational sector, which recorded an increase of 110,300 in the Social Security general scheme. Meanwhile the temporary contracts signed in hotels & catering for the tourist season expired, causing a monthly fall of 59,100 in the general scheme.

The October recruitment data show a clear YoY deceleration compared to the preceding months, especially notable in permanent hiring. This increased by only 1.9%, leaving behind the double digit growth of earlier months, while temporary recruitment was up 3.6%, also notably weaker than previous months.



Source: Ministry of Employment and Social Security

## The assessment of ASEMPELO

### *A genderless recovery*

A country's economic recovery should include each and every one of the components which support it. We cannot harvest the fruits of the first positive signs of this recovery and live off the short-termist successes which have brought us so much negative experience in the past. A labour market that begins its rise back to the figures which made us a model for others cannot present its new labour force in 'genderless' equality. The idea that diversity within organisations leads to a better performance, and hence to greater development of the global economy, is not new.

The labour market must be a system that guarantees equality of opportunity in the workplace; it must allow companies to manage the talent of human capital efficiently and provide job security which goes hand in hand with workers' needs to generate value in our economy and thus improve productivity.

Hence, we cannot afford to lose the value added represented by the incorporation of more women into the labour market during the crisis and let the wrong cause of a key component of our economic recovery take a leading role. In short, better management of female talent in Spain will be a credit on the future balance sheet of growth in our economy.

**Andreu Cruaños.** Presidente de Asempleo

## The highlight of Afi

### *Women and activity*

One of the first effects of the crisis on labour market flows was the so-called 'added worker effect'. In reality, it was women who took the leading role in this movement towards activity (i.e. towards employment or the search for it) as their partners made the transition into unemployment. In this way they sought to maintain the family's working income as much as possible. In the exit from the crisis, unemployment is increasingly borne by women, as men find it easier to get back into work. However, the biggest surprise in the third quarter labour market survey (EPA in Spanish) is that women have led an unusual increase in the inactive population by abandoning activity. Although there are no statistical data on women who joined the labour market in the first years of the crisis, the profiles of those who have recently given up activity indicates that they are women who are returning to their domestic activities as their partners return to employment. Thus the 'added worker effect' is going into reverse. Nevertheless, the women are not giving up activity, even though they are giving up their working or professional careers. The terminology of labour market analysis (activity, inactivity) is not only unfair to women, but it also conceals the profound gender differences that persist (and grow) as the crisis is overcome, with regard to employment, work-life balance and working careers.

**José Antonio Herce.** Director Asociado de Afi

# Labour Market

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## The unemployment rate fell by 1.2 percentage points to 21.18% in 3Q15

Employment rose by 182,200 in 3Q15, as a result of the boost to temporary wage workers in hotels & catering and retailing, regardless of their age, among those with medium or high educational levels, in those provinces with a focus on tourism and in full-time jobs. The unemployment rate declined to 21.18%, while the labour force declined by 0.1% YoY.

### Employment rose by 182,200 in 3Q15...

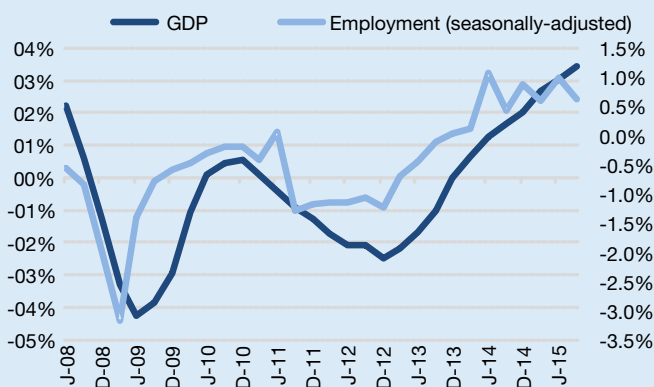
### ... as a result of the boost to temporary wage workers in hotels & catering and retailing...

The 3Q15 EPA surprised on the upside by registering an increase in employment of 182,200 (3.1% YoY), higher than forecast by the Afi-ASEMPLEO SLM Indicator. The monthly Social Security enrolment figures for the quarter did not suggest such strong growth (at least, that has not been the historical relationship between the two series). Comparison with the economic growth figure (3.4% YoY) provides evidence of the small increase in productivity during the quarter.

The profile of the newly employed confirms this behaviour, as the biggest increase in 3Q15, compared with the same quarter of last year, was among temporary wage workers in hotels & catering and retailing; the incidence of temporary working rose to 26.2%, 1.1 percentage points up on the previous quarter. The increasingly good figures for foreign tourist arrivals and the solid recovery of domestic tourism supported this trend.

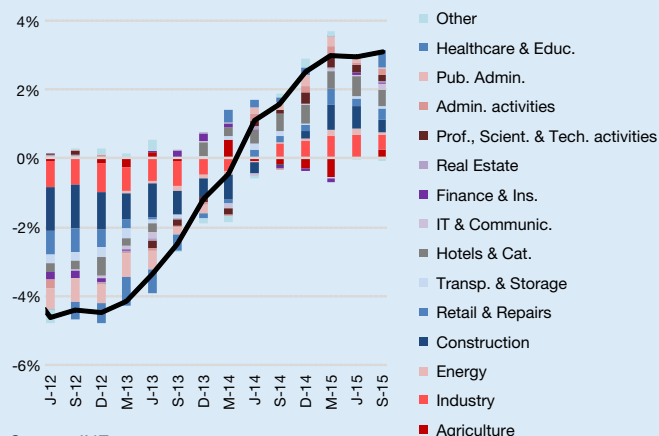
Other sectors contributing to the improvement were administrative and healthcare activities and IT & communication. This trend was already visible in the labour market records, but lacked the dynamism now being seen in the more productive sectors, such as manufacturing industry. The reading in terms of full-time equivalents (the incidence of part-time working remains above 15%) in the 3Q15 national accounts (published on 26 November) will be key to confirming these trends.

Seasonally-adjusted GDP and employment (% YoY change)



Source: INE

Contribution to YoY change in employment by sector



Source: INE

### ... regardless of their age...

### ... among wage workers...

### ... among those with medium or high educational levels...

### ... in those provinces with a focus on tourism...

### ... and among full-time workers.

**The unemployment rate fell by 1.2 percentage points to 21.18%...**

### ... while the labour force declined by 0.1% YoY.

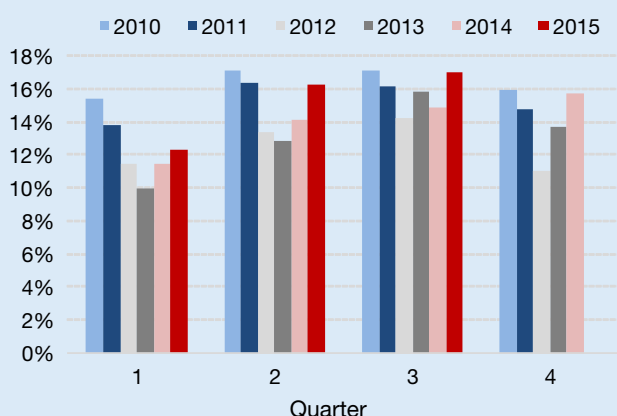
With regard to other characteristics, it can be seen that employment increased among:

- All age groups, except the 25-35 year-olds. This increase is especially notable among the 35-45 age group.
- Wage workers (up 186,600), while the self-employed declined by some 4,500.
- Those with medium or high educational levels, though the increase was especially notable among the former (149,100 and 38,100 respectively).
- Provinces with economies biased to labour-intensive sectors, especially hotels & catering. The case of the Balearic Islands is especially notable.
- Full-time workers (up 249,000 in the quarter), while the number of part-timers continues to fall.

This significant increase in employment has allowed many of the unemployed to rejoin the labour market. The probability of an unemployed worker finding a job (17% in 3Q15) has returned to the levels seen in 2010, when a certain recovery in the economy and employment began. Unemployment fell by 298,200 in 3Q15 compared to the previous quarter, with the unemployment rate down by 1.2 percentage points, ending the quarter at 21.18%. This reduction was more significant in those provinces where job creation has been stronger.

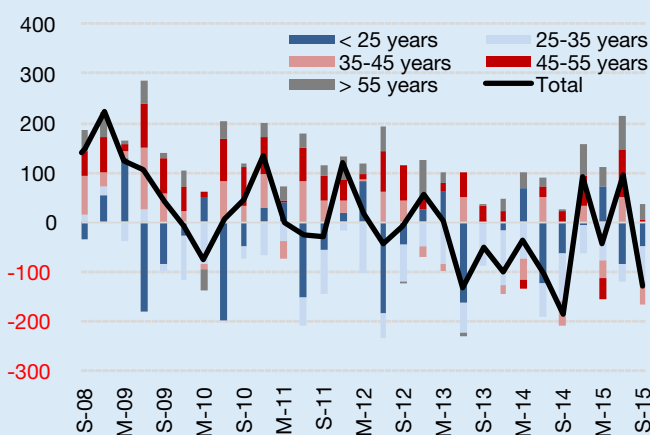
The labour force suffered a significant decline (116,000 in 3Q15), recording the biggest third quarter fall since the onset of the crisis. This interrupted the growth trend of recent quarters which accompanied the consolidation of the recovery in the economy and in employment. This turn of events is even more surprising when we consider that it was the 26-55 age group that accounted for this behaviour. This behaviour is analysed in detail in this month's in-depth report.

Probability of worker unemployed in t-1 finding work in t



Source: INE

Contribution to QoQ change in labour force by age group (thousands)



Source: INE

# The Specialized Labour Market Review

Issue No. 100 | November 2015

## The reversal of the 'added worker effect' in 3Q15

The fall in the labour force in 3Q15 is not a consequence of the economic situation, but rather of the 'added worker effect': women with partners leaving their jobs for personal reasons or to concentrate on household work. The gender differences in the remuneration of employment relegate women to second place in professional terms, while it remains difficult to achieve an acceptable balance between professional and family life.

**The fall in the labour force in 3Q15 is not a consequence of the economic situation...**

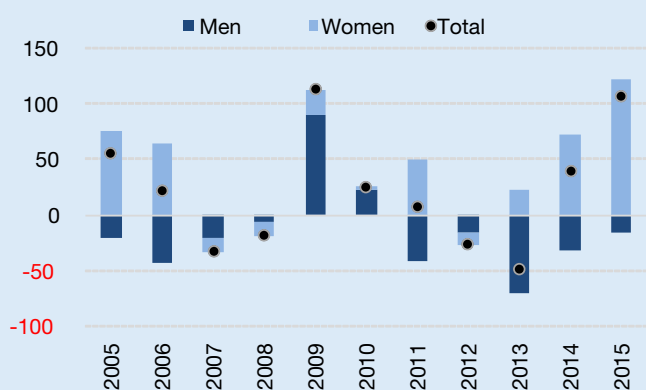
The surprising fall in the labour force in 3Q15 (116,000 in the quarter) has been reflected, immediately and by a similar figure, in the increase in inactive workers (106,200 in the quarter). Because it interrupted the rising trend in the labour force in recent months, it is worth analysing the pattern that lies behind this phenomenon, to see if this is a new trend in the labour market.

The improvement in the economy and in job creation in recent months has had the effect of containing emigration to countries offering more and better job opportunities (the over-16 population remained steady during the quarter) and of reducing the 'discouragement effect' in the search for employment (indeed, the number of discouraged workers fell by 3,000 compared to the previous quarter). Hence, none of these factors accounts for the drastic fall in the labour force.

**... but rather of the 'added worker effect': women with partners leaving their jobs for personal reasons or to concentrate on household work.**

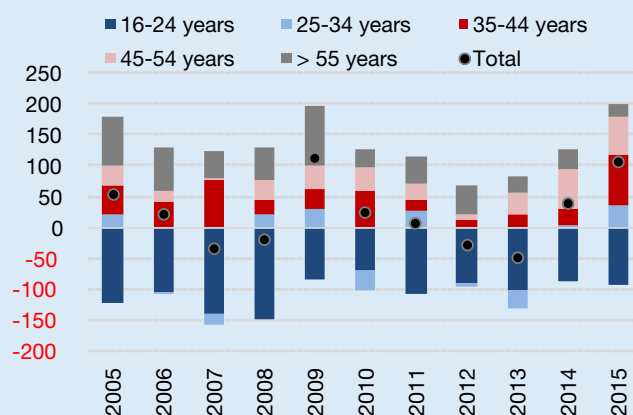
Analysis of the stock of inactive workers reveals that the differential increase in the third quarter of this year, compared to previous years, is due to (i) women, (ii) aged 25-44, (iii) who have completed middle or higher education, (iv) live with a partner (and may also have dependants, whether offspring or old or dependent persons) and (v) have opted for inactivity for personal reasons or to concentrate on household work.

QoQ change in inactive population in 3Q by gender  
(thousands)



Source: INE

QoQ change in inactive population by age group  
(thousands)



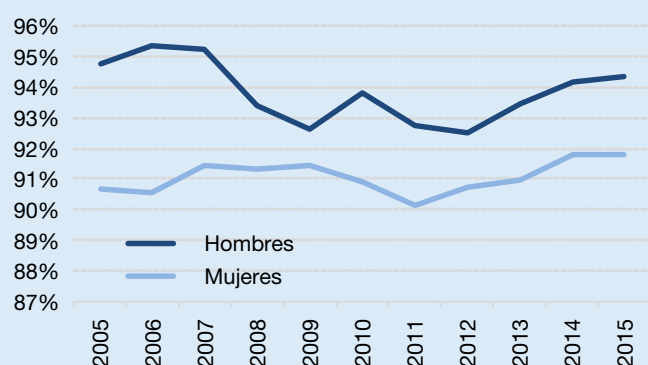
Source: INE

### The gender differences in the remuneration of employment relegate women to second place in professional terms...

Even though this idea may seem to belong to the past, to say the least, the fact is that the labour market provides evidence of situations that have yet to be corrected. The first of these, and probably the most problematic, has to do with the professional divide between men and women. According to the 2013 Salary Structure Survey (the latest available), men earn 31.6% more than women; this fact confers on men the role of head of the household and relegates women to second place in professional terms. This is the place they take when it is necessary to enter or leave the employment arena.

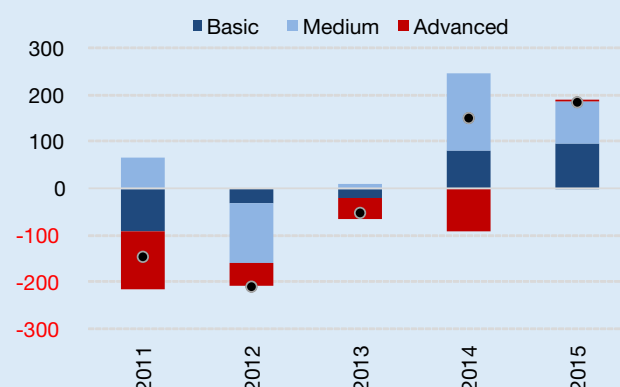
In the first phase of the crisis (2008-09), there was already a significant trend for women to move from activity to employment or the search for it., with the aim of making up the household income lost due to the men losing their jobs. What is happening today is the exact opposite, i.e. the improvement in their partners' employment situation (in 3Q15, the increased probability of remaining in employment and a slight increase in the flow into higher quality jobs) is leading women to leave their jobs and return to inactivity. In economists' jargon, this is known as the reversal of the 'added worker effect'. It seems probable that, even when these women are employed, they do not find a good fit between their job and their education or their personal situation. Hence, they consider that the best option among the range of possibilities open to them is give up activity.

**Probability of remaining in work in 3Q by gender**  
(employed in t who were employed in t-1 as % of employed in t-1)



Source: INE

**QoQ change in flow of employed in 3Q by type of occupation**  
(thousands)

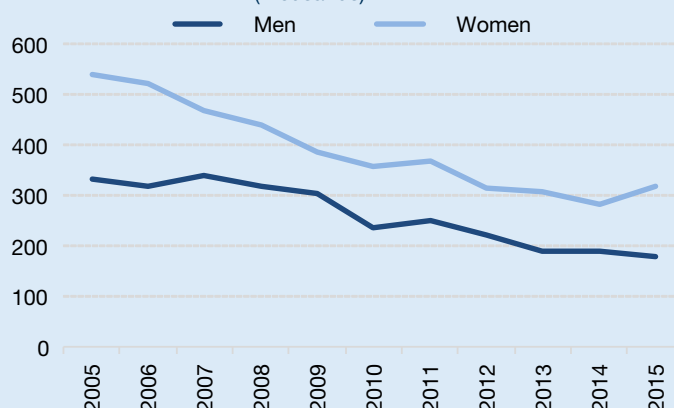


Source: INE

### ... while it remains difficult to achieve an acceptable balance between professional and family life.

It is this mismatch which could have encouraged this transition to inactivity in 3Q15. The closure of schools and day centres (for the elderly and the dependent) during the holidays creates another source of difficulty for households. The difficulty in finding an acceptable work-life balance, together with the cost of paying someone else to look after these dependants, makes it inevitable that many women will take on these chores for a time that, on occasions, continues for a long period, distancing them too much from the labour market. This is why, in an increasingly globalised and digitised world, telecommuting, flexible hours and even the distribution of household tasks between the couple are being proposed as new ways of working that, sooner rather than later, will in the end be taken up by companies, both public and private.



**Flow of employed to inactivity in 3Q by gender**  
(thousands)

Source: INE

**The regions with the highest unemployment rates and the lowest probability of keeping a job are experiencing the largest flows from employment to inactivity.**

By regions, the transition to inactivity in 3Q15 and therefore, the main cause of the increase in the inactive population is, surprisingly, higher in those regions where the unemployment rate is highest and, therefore, where the probability of remaining in employment is lowest. In general, this situation is found in the south of the Iberian peninsula and the Mediterranean regions, notably Andalusia, Extremadura, Murcia and Valencia. Except in the latter, the probability of remaining employed is less than 90%, while that of transitioning to inactivity exceeded 3.5% in 3Q15. This behaviour increased the divergence between regions, inasmuch as it implies less capacity to generate income from employment in places where these are already modest. Similarly, it is in these same regions where the transition to inactivity increased most in 3Q15, contributing even more to that divergence. The reversal of this phenomenon would thus not only respond to the urgent need to correct gender differences, but would also help to promote the convergence between regions.

