

Labour Market Monitor

Issue No. 97 | August 2015

Key points of the month

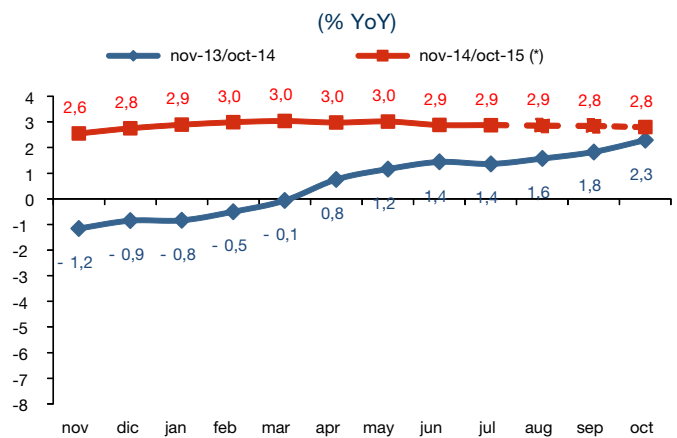
- The July market data show that the improvement seen in the first half of the year is continuing.
- The Afi-ASEMPLEO SLM Indicator forecasts that this rate of job creation will be maintained until August. From then on, it will slow.
- Nevertheless, employment will surpass the 18.1 million mark by the end of the year, a level not seen since 2011.

Job creation will slow in September

With a rise of 58,924 in Social Security enrolment and a fall of 74,028 in unemployment, the improvement in the labour market seen in the year to date continued in July. This is also reflected in the YoY growth in enrolment, which remained at 3.4%, and in the acceleration in the fall in registered unemployment, down by 8.5% YoY in July.

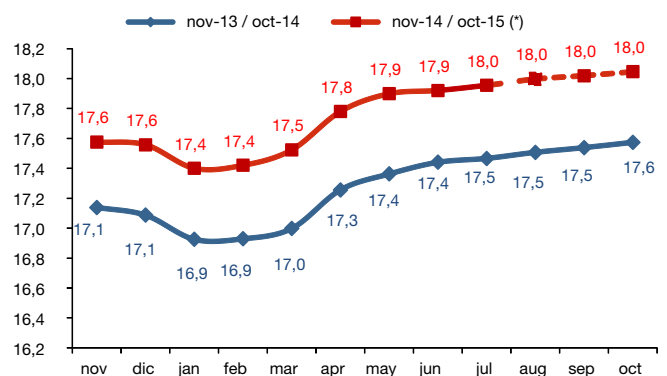
Job creation was concentrated mainly in those sectors favoured by seasonal factors (hotels & catering and retailing), suggesting that the end of the holiday season will see the loss of part of the increase in enrolment in recent months. The Afi-ASEMPLEO SLM Indicator points to the YoY growth in employment continuing until August. From then on, as is habitual in those months, the increase in Social Security enrolment and EPA employment will show certain signs of exhaustion, as the YoY growth is forecast to decline to 2.8% in October. In any case, this is still significant growth, and will take EPA employment to 18.1 million, a level not seen since 2011.

SML monthly forecast of workers in employment



Source: Afi, (*) Aug-15 / Oct-15: figures are forecast

SLM monthly forecast of workers in employment (millions)

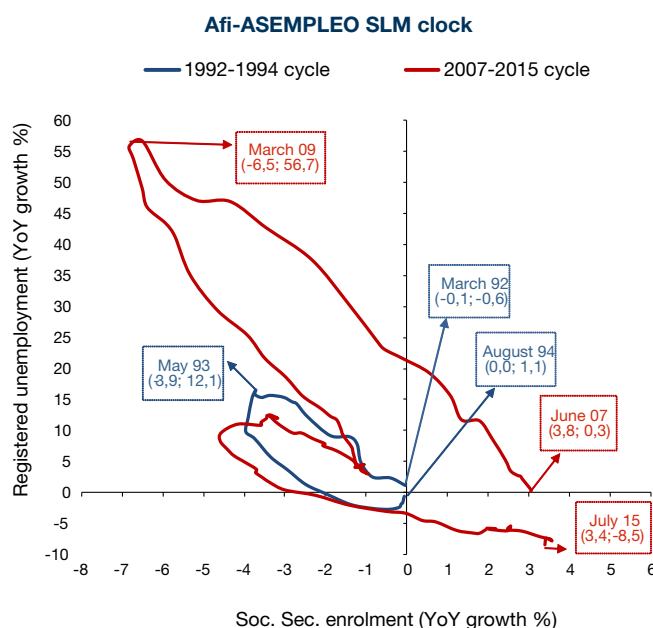


Source: Afi, (*) Aug-15 / Oct-15: figures are forecast

Enrolment rose by 58,924 in July (3.4% YoY), one of the biggest increases of the crisis period (the average for 2008-14 being around 40,300). Even though hotels & catering and retailing are the sectors that have driven enrolment in July, due to the favourable seasonality, employment also rose on a seasonally-adjusted basis (10,500). However, YoY growth in the enrolment of the self-employed slowed, and there was even a decline of 2,733 during the month..

One of the most notable aspects of the July figures is the fall in unemployment, down by 74,028 (8.5% YoY), the biggest monthly fall since 1998.

Recruitment continues to rise (9.1% YoY), boosted particularly by temporary contracts, up 9.2% YoY. The year-to-date temporary hiring in July was even higher than that recorded at the beginning of the crisis (9.68 million in 2015 versus 9.63 million in 2007). Both full- and part-time contracts showed growth (12.6% and 7.6% YoY respectively).



Source: Ministry of Employment and Social Security

The assesment of ASEMPELO

A recovery with tasks outstanding

The good July data confirm that the labour market recovery is ongoing, a trend that could take employment to levels comparable to pre-crisis years. However, unemployment remains excessively high, as does the incidence of temporary employment among the jobs created. Therefore, the stabilisation of the rate of growth in employment should not distract us from the underlying problems in the Spanish labour market, especially with regard to those seeking their first job and getting the unemployed back to work. This calls for an acceleration in the reform of active employment policies and a rapid deployment of the new vocational training model.

The employment figures and the trend in the labour market in recent months are undeniably good and show that employment growth is accelerating. However, we must insist on the need for more flexible intermediation mechanisms to consolidate the quantity and quality of the employment being created, linking the needs of employers with those of job seekers by providing each of the latter with a personalised analysis and appropriate training. In the rest of Europe, and increasingly in Spain, this role is carried out by specialised companies.

We should insist on the need to tackle an urgent reform of the Placement Agencies model and the framework for public-private collaboration on employment issues, in order to achieve the results that the situation of the labour market and of the unemployed requires.

Andreu Cruañas. President of Asempleo

The highlight of Afi

More, but not better

In Spain, part-time work is considered a curse. In many other countries, it is the "fortunate formula" available to workers and employers to optimise the match between the supply and demand of labour. In fact, it is such a fortunate formula that, in these countries, hourly pay is higher, because productivity also is. This way, everyone wins, something rarely seen in economics.

Obviously, this situation is not the result of improvisation. But, who wouldn't like to earn more and work less? This is the result of a multitude of factors: from the structure of the economy (predominance of sectors with higher value added) to the employment regulations to society's presumption of the intrinsic value of flexible working hours, and the unending result is above average hourly pay. The key is productivity, which in turn depends on a steady long-term effort with regard to the training of workers, the quality of company assets and R&D.

In the Netherlands, for example, the incidence of part-time working is 50.1%, compared to 16.2% in Spain, but hourly productivity is €48.30 while it is €31.60 in Spain.

It is no coincidence that where the highest number of hours are worked daily or weekly, each hour, especially those at the end of the day, yields less than in more productive countries. In those countries, people work more, but obviously not better. Indeed, they work worse.

José Antonio Herce. Associate Director of Afi

Labour Market

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In 2Q15 employment was created across the board

Employment rose by 411,700 in 2Q15, benefiting all groups, by age, educational level, professional status, sector, length of contract and province, meaning that the improving economic situation extended to all labour market participants. The unemployment rate fell by 1.4 percentage points to 22.37%, being also affected by an increase in the labour force (up 0.2% YoY).

Employment rose by 411,700 in 2Q15, across the board...

While the 2Q15 EPA (labour force survey) data indicate that fewer jobs were created than forecast by the Afi-ASEMPLEO SLM Indicator, they still record the biggest second quarter rise in employment since the onset of the crisis. Moreover, even adjusting for the significant favourable seasonal component, employment rose by 1.1% YoY, evidence of the strength of the Spanish economy. Hence, employment increased:

... in all age groups, though more strongly among the 35-55s...

- Employment rose in all age groups, though job creation was again focused on the 35-55s (up 241,800). Young workers remain the most disadvantaged, with the highest unemployment rates.

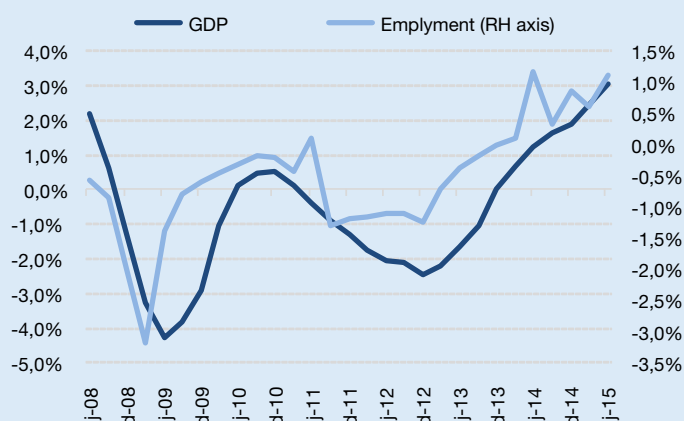
... by educational level, though the majority have completed medium-level studies...

- Employment rose among workers at all levels of education, though more notably among those who have completed medium-level studies (276,400), particularly those who have completed the first stage of secondary education or similar (170,200), showing that the jobs created do not require advanced qualifications.

... by professional status, though more among wage workers...

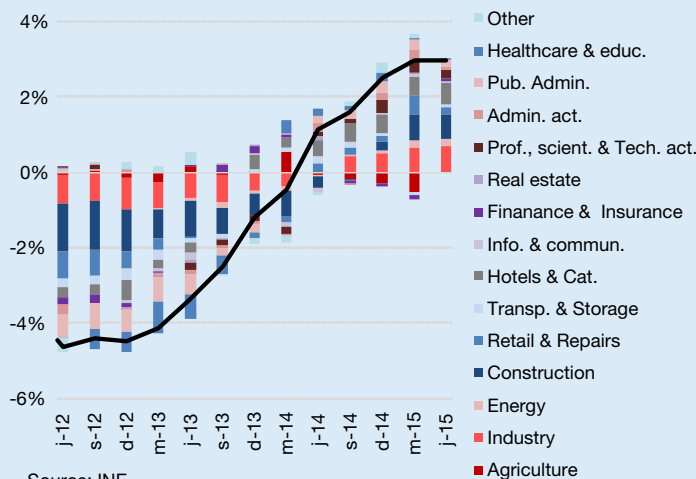
- Employment increased among both the self-employed and wage workers (43,400 and 368,400 respectively), though mainly among the latter, who nevertheless recorded a slight deceleration in their YoY growth rate.

Seasonally adjusted GDP and employment (YoY change)



Source: INE

Contribution to YoY change in employment by sector



Source: INE

... pby sector, though hotels & catering accounts for a large part...

- Employment rose in all sectors, but especially strongly in hotels & catering (up 162,200 in the quarter), construction (32,300) and manufacturing industry (57,200).

... by length of contract, though notably temporary workers...

- Employment increased among permanent workers and especially among temporary staff (up 60,700 and 307,600 respectively). The incidence of temporary employment again exceeded 25%, returning to levels recorded in mid-2011. The conversion of temporary contracts to permanent continues to rise (to 6.6% in 2Q15).

... and by province.

- Employment increased in all the Spanish provinces, though more strongly in those where tourism, retailing, administrative activities and those related to employment (temporary employment and placement agencies) play a larger part in the economy. This had already been reflected in the Social Security enrolment

By length of working day, full-time workers increased.

- Full-time workers increased (by 430,200), while part-time employment (down 18,500) decreased for the first time since the start of 2012. The probability of converting part-time employment to full-time rose to 14%, the highest in a second quarter since 2007. The increase in hours worked is another phenomenon that, if continued in the coming months, could mean an improvement in the employment situation of workers who are already employed, though at the same time it would hold back the creation of new jobs

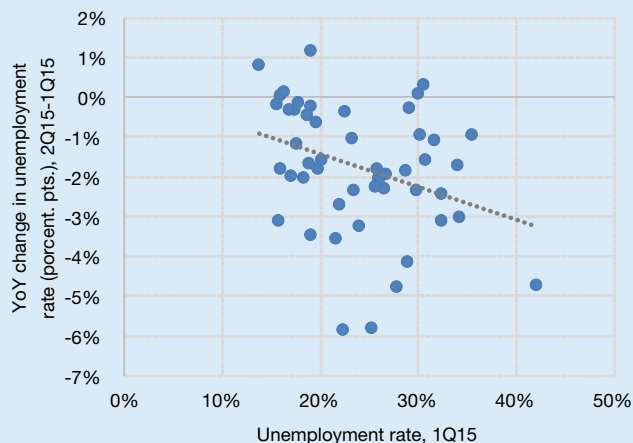
The unemployment rate fell by 1.4 percentage points to 22.37%.

The unemployment rate behaved as expected, falling by 1.4 percentage points to 22.37%. The decline was greater in those provinces which have created more jobs and where unemployment was higher. Hence, the recent creation of employment is contributing to reduce unemployment in those provinces which have suffered most from it. Indeed, the probability of an unemployed person finding work rose to 16.2%, the highest in a second quarter since 2011

The labour force grew by 0.2% YoY.

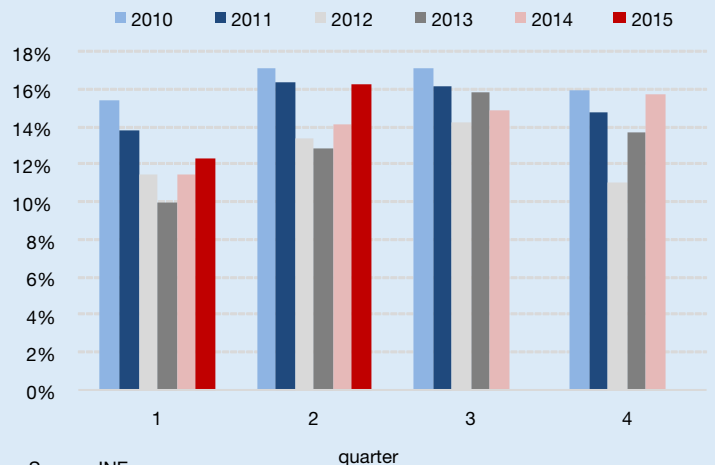
The weaker performance of the labour force, growing by only 0.2%, reflected slower employment creation than expected, and hence a smaller 'pull effect' on inactive workers, particularly those who are discouraged. The number of inactive workers declined by 24,000 in the quarter, compared to 32,000 who rejoined the labour force in the previous quarter.

Unemployment rate an QoQ change by province



Source: INE

Probability of unemployed worker finding a job in t-1



Source: INE

The Specialized Labour Market Review

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The Spanish work an hour a week more than the EU-28 average

The Spanish work almost an hour a week more than the European average, due to the lower incidence of part-time working, while full-time workers work the same hours. The prominence of retailing and manufacturing industry, where full-time working predominates, account for the higher number of hours worked. A higher number of hours does not imply higher labour productivity or higher wages for workers, rather the opposite.

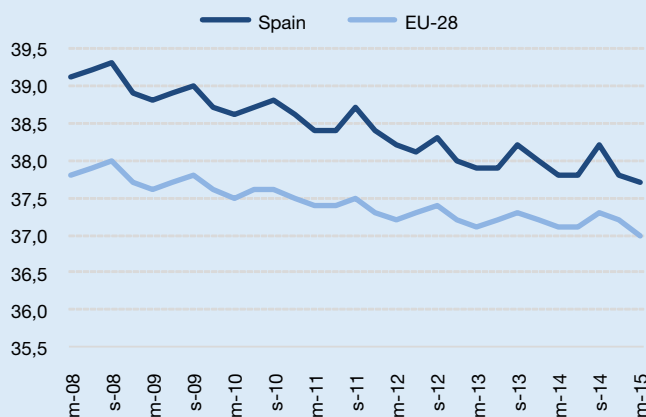
The Spanish work almost an hour a week more than the European average...

The length of the working day has been debated on innumerable occasions. A recent OECD study highlights the difference in hours worked between member countries, with an inverse relation between the weekly hours per worker and their remuneration. The Eurostat data allow a similar exercise to be carried out for the European Union. The first conclusion is that in Spain people habitually work more hours a week than the EU-28 average. In 1Q15 (the latest data available), the difference was almost an hour (the working week has 37.7 and 37.0 hours respectively)

... due to the lower incidence of part-time working...

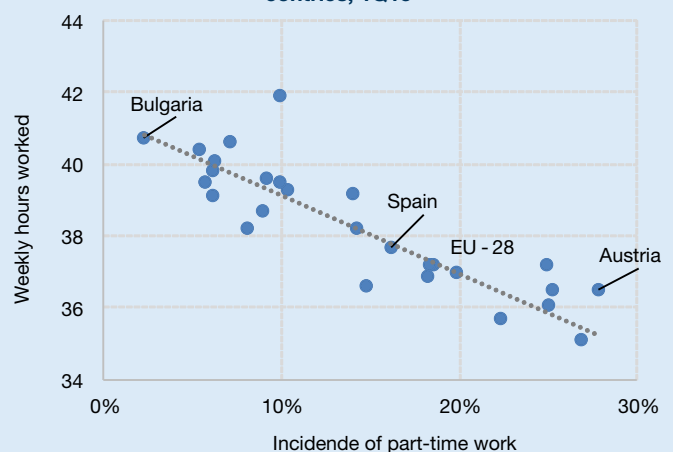
However, it should be noted that this situation is closely related to the prominence of part-time working in the labour market. Thus, in the European countries with the highest incidences of part-time working, the weekly number of hours worked is lowest, and vice versa. In the case of Spain, 16.2% of the employed worked part-time in 1Q15, compared with the European average of 19.8%, which would therefore account for the higher number of hours worked in the former. This is far from the leading European countries, such as Germany and the Netherlands, with the highest proportion of part-time workers in the EU-28 (50.1% and 26.8% respectively in 1Q15) and the lowest numbers of hours worked (30 and 35.1 hours respectively in 1Q15) The reasons for the lower incidence of part-time working in Spain vary widely, from issues of supply and demand for work to regulatory questions.

Weekly hours worked



Source: Eurostat

Incidence of part-time work and weekly hours worked in EU countries, 1Q15



Source: Eurostat

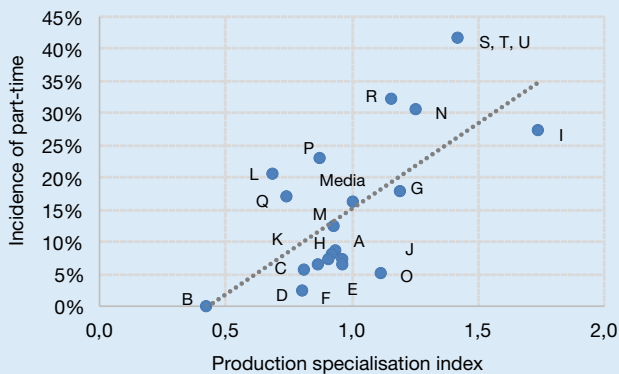
... as the length of full-time working days are identical.

Comparing similar types of working days, it can be seen that, in the case of full-time days, the Spanish work the same hours per week as the EU-28 average (41.4 hours in 1Q15). Hence, it is not that the working day in Spain is longer than the European average; rather the make-up of the workforce is biased towards full-time work, meaning that the Spanish average is higher than in Europe as a whole. Indeed, an analysis of part-time jobs reveals that in Spain these workers do fewer hours than other Europeans (1.3 hours fewer in 1Q15).

The prominence of retailing and manufacturing industry, where full-time working predominates, account for the higher number of hours worked.

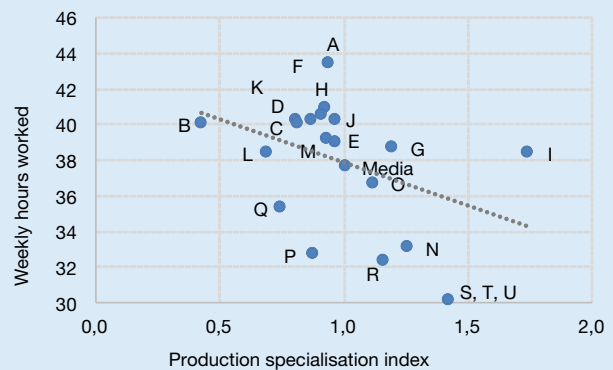
The longer working day in Spain can also be attributed to differences in the sectoral profile of the economy. With the exception of hotels & catering, the Spanish sectors which are more specialised than the European average (i.e. account for a higher proportion of total employment in Spain than in the EU-28) have higher rates of part-time working than the average for all sectors; hence, their workers put in fewer hours per week. However, these are sectors, such as administrative activities, auxiliary services, or artistic, recreational and entertainment activities, which together account for only 7.2% of employment in Spain. The fact that the overall average hours worked in Spain slightly exceed the European average is due to the prominence of sectors such as retail & repairs and manufacturing industry, in which the full-time day predominates and the number of hours worked exceeds the average for all sectors.

Product specialisation index (compared to the EU-28) and incidence of part-time work by sector in Spain, QT15



Source: Eurostat

Production specialisation index (compared to rest of EU-28) and weekly hours worked by sector in Spain in 1Q15



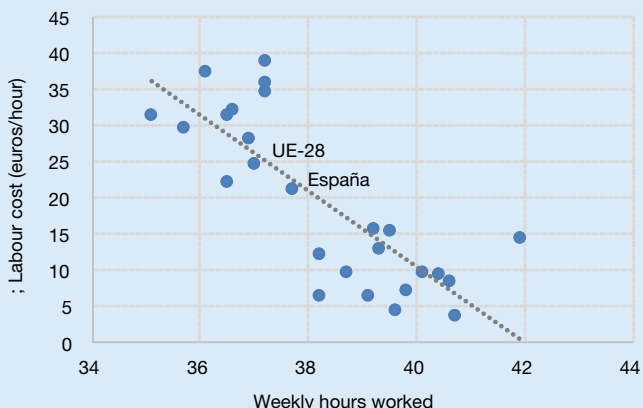
Source: Eurostat

NB: the sectors are classified according to Spain's CNAE-09, in which: A-Agriculture, livestock, forestry and fishing; B-Extractive Ind.; C-Manufacturing Ind.; D-Supp. electricity, gas, steam and air cond.; E-Supp. water, sanitation, waste mgt. and decontamination; D-Construction; G-Retailing & vehicle repairs; H-Transport & storage; I-Hotels & catering; J-Information & communications; K-Finance & insurance; L-Real estate; M-Professional, scientific & technical act.; N-Administrative act. & aux. services; O-Public Admin. & defence; P-Education; Q-Healthcare & social services; R- Artistic, recreational and entertainment act.; S-T-U-Other services (incl. domestic act. & overseas organizations & bodies).

A higher number of hours worked does not imply higher labour productivity or higher wages...

On the other hand, a higher number of hours worked does not imply higher hourly productivity or higher wages for workers, rather the opposite. The European countries where the shortest hours are worked are precisely those with the highest labour productivity. In addition to the Netherlands and Germany, Sweden and Luxembourg are also noteworthy within the EU-28 for their high capacity to generate value added per hour of work. It is this capacity that permits a higher remuneration per hour worked, which in turn reflects a higher level of economic development. This also explains why they have some of the highest incomes per capita in the EU.

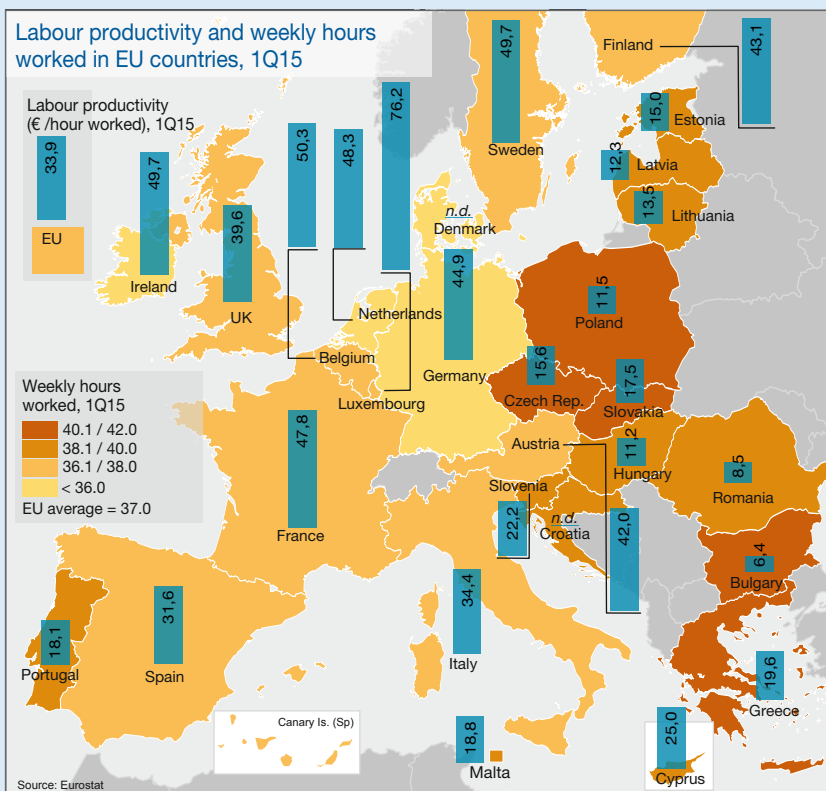
Labour cost and weekly hours worked in EU countries in 1Q15



Source: Eurostat

... which would increase if educational levels were higher and production were oriented towards sectors generating greater value added.

Evidently, it would be a mistake to think that simply shortening the working day would achieve better results in terms of productivity and remuneration. The cause and effect relation probably works in the opposite direction: greater productivity allows shorter working days. Even though a shorter working day allows employers to take advantage of workers' most productive hours, among other advantages discussed in previous issues of the Afir-ASEMPLEO SLM Monitor, it needs to be combined with better training for workers, as otherwise it will be impossible to achieve hourly productivity as high as those of the leading European countries. Hence, the important role of education in this area seems quite clear. Similarly, an economy more oriented to activities with high value added would not only help to increase workers' productivity and remuneration, but also to improve their work-life balance by providing shorter working hours than is now the case.



Source: Eurostat