

# Labour Market Monitor

Issue No. 98 | September 2015

## Key points of the month

- The decline in Social Security enrolment in August was not very different to the average for the 2001-07 period.
- It also fell in seasonally-adjusted terms (down 14,000).
- The Afi-ASEMPLEO SLM Indicator points to a slight slowdown in the YoY growth in employment in the coming months (on the order of 2.5%).

## Job creation slows in the second half of the year

In August, Social Security enrolment recorded its biggest monthly fall since 2012 (134,289), taking the YoY rise to 3.2%. Nevertheless, there are 531,379 more workers enrolled in the system than a year ago.

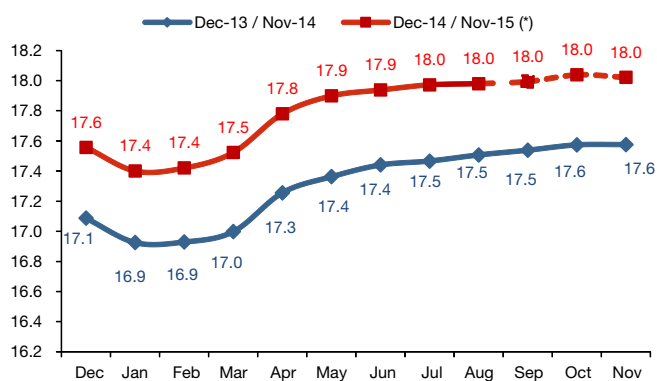
The fall in enrolment in August was due largely to seasonal effects. According to the Ministry of Employment and Social Security, the seasonally-adjusted decline was around 14,000 (alternative methods of seasonal adjustment give a smaller fall).

By sector, it was administrative activities, the public sector, education and construction that accounted for the worse performance this year compared to August last year.

Nevertheless, the figures also show the first signs of a deceleration in job creation.

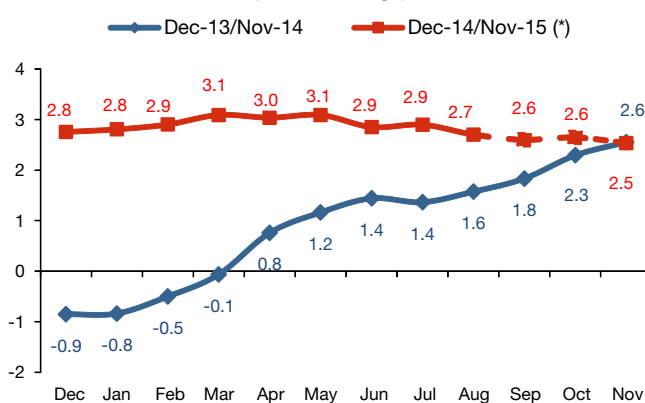
The Afi-ASEMPLEO SLM Indicator points to a slight slowdown in the YoY growth in employment in the coming months, with growth rates on the order of 2.6%. If this forecast is correct, employment would end the third quarter at around 18 million, slightly higher than the second quarter.

SLM monthly forecast of workers in employment (millions)



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

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



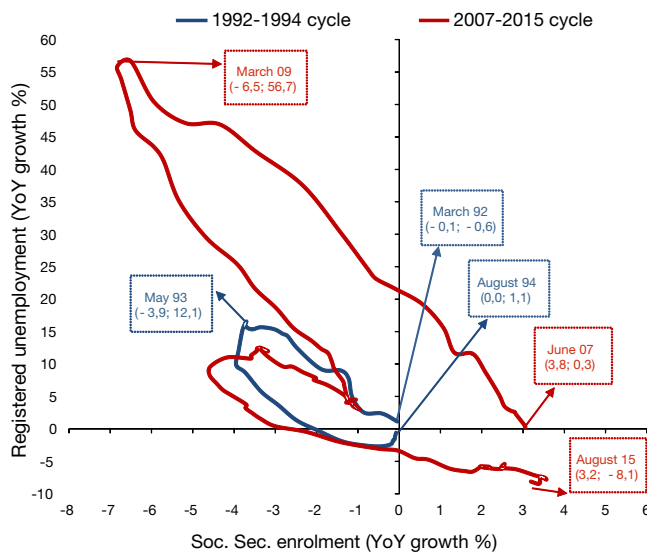
Source: Afi. (\*) Sep 2015-Nov 2015 figures are forecasts

The August data are worse than predicted by the Afi-ASEMPLEO SLM Indicator. With a fall of 134,289 in Social Security enrolment, the decline in employment is even greater than that recorded in the same month last year (down 97,000). The fall is not dissimilar to the August average in the 2001-07 period, of around 140,000 jobs, but what is different is the seasonally-adjusted figure (the decline of 14,000 in 2015 compares with an average increase of 50,000 in 2001-07). The YoY growth rate has suffered, therefore (down to 3.2% in August compared to 3.4% the previous month), but it remains significant.

Registered unemployment also rose more than expected, up 21,679 in the month. Its slowing rate of decline is also seen in the YoY figures (8.1% in August compared to 8.5% the previous month).

The YoY growth in recruitment also slowed, but remains above 10%. Permanent labour contracts accounted for only 0.6 percentage points of the growth in the aggregate. Full-time contracts continue to predominate over part-time work.

Afi-ASEMPLEO SLM 'clock'



Source: Ministry of Employment and Social Security

## The assessment of ASEMPELO

### Change of gradient

The debate about the start of the quantitative recovery in the labour market is now behind us. The total number of jobs created in 2014 and 2015 will probably be close to a million. This improvement is also seen in the conversion of temporary contracts to permanent and of part-time contracts to full-time.

However, it is also undeniable that we are facing a "change of gradient": the rapid fall in unemployment has flattened out and henceforth will require more energy and better fuel to keep it moving. Thus we can see that the job creation rocket has used up the first stage that helped it to take off, and to continue ascending, it needs to ignite a second stage with better technology.

It has to overcome the phase in which companies labour requirements have gone one way, worker's training another way and government policy has taken a third path. Now it is essential to lead, to coordinate and to have the best workers in each speciality.

The sector represented by ASEMPELO has, in the past year, handled 2.6 million employment contracts and 550,000 unique candidates. This experience in temporary employment, recruitment, placement and training is teaching us that our clients are increasingly demanding trained workers, a good evaluation of their potential and the readiness to be flexible, especially sought by SMEs. In the next 18 months, this is going to be critical in deciding whether corporate projects and workers' hopes for employment are going to succeed or stagnate.

**Andreu Cruañas.** President of Asempleo

## The highlight of Afi

### A greater margin of solidarity

Job creation remains steady over and above the seasonal effects and there can be little doubt that it is solidly based. This implies that the employment system has an increasingly wide margin to tackle one of the worst legacies of the employment crisis: the situation of the unemployed who receive no form of financial assistance. Each month, the State Employment Service's report on registered unemployment provides data on the number of recipients of unemployment benefit, the amount thereof and the monthly spending under this heading. The YoY growth in these indicators has been negative for many months past. In July, the proportion of the registered unemployed not receiving benefit was 44.9%, the number of recipients was down 11.7% on a year previously and the average benefit payment had declined by 4.5%. What is behind this effect is evidently the consequence of the mechanical working of the legislation in force: it is not the result of any decision. Moreover, it partly reflects the fact that the crisis has also been overcome in this area too. However, it is precisely this piece of good news that should lead to a decisive intervention, to the extent that the margin which has appeared allows it, to channel additional resources to support those households most affected by the loss of wages because of long-term unemployment. These would be conditional, of course, on the unemployed actively seeking work and acquiring training and skills for employment. It may be too soon to cut taxes for all contributors.

**José Antonio Herce.** Associate Director, Afi

# Labour Market Review

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## 1.8 million unemployed receive no benefit

The proportion of jobless workers covered by benefit declined to 58.5% in July 2015. Receipt of unemployment benefit has declined most among those receiving contributory benefit, due both to the length of time they have been unemployed and to not having contributed for long enough. The 2016 state budget plans a 21.7% YoY reduction in spending on unemployment benefit, but an increase of close to 10% on active policies.

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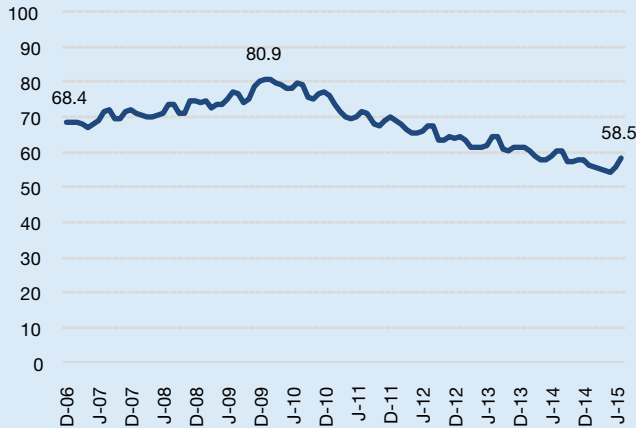
Though in recent months the main indicators have shown that the labour market has been steadily improving, we should not forget another important variable, the proportion of the unemployed covered by benefits, which has deteriorated continuously. This group, one of those most exposed to the vicissitudes of the crisis, should be the object of measures, not just to help them into employment, but social assistance too.

The unemployment coverage rate (recipients of unemployment benefits as a percentage of total unemployed registered with the State Employment System) has declined by more than 20 percentage points between its peak in 2009 and July 2015. The rate currently stands at 58.5%, meaning that 41.5% of the unemployed are not receiving any kind of benefit; in other words, 1.8 million workers are not protected by the public system.

**Receipt of unemployment benefit has declined most among those of the contributory level...**

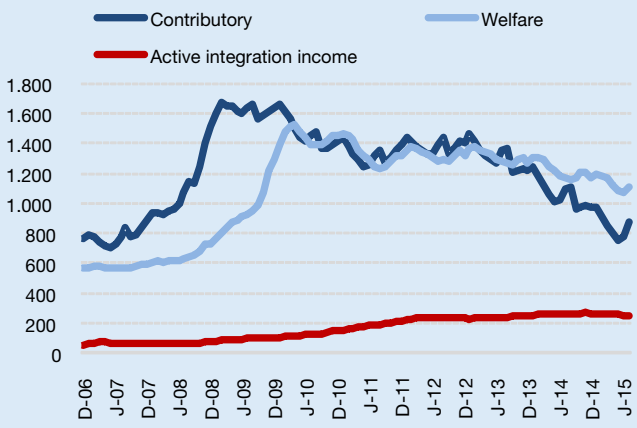
The trend in each type of benefit also reveals the degree of protection provided by the system. The number of recipients of contributory benefits, i.e. those who receive a larger average amount than recipients of social benefits, is that which has fallen furthest in recent years. In July 2015, 872,861 people were in receipt of contributory benefits, 39.2% of all recipients of benefits.

**Gross unemployment coverage rate (%)**



Source: Ministry of Employment and Social Security

**Recipients of public unemployment benefits (thousands)**



Source: Ministry of Employment and Social Security

**... due both to the length of time they have been unemployed and to not having contributed for long enough...**

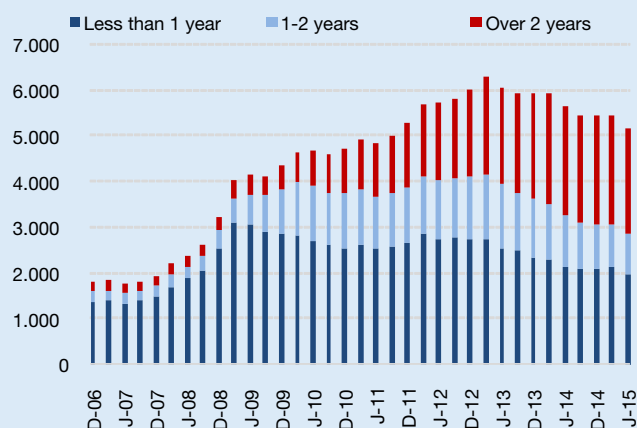
**... and to not having contributed for long enough.**

Workers who have exhausted their contributory benefits, and also those unemployed who do not have the right to this benefit, account for the fall in the number of recipients.

It should be remembered that, however long a worker has contributed, contributory benefit will be paid for a maximum of two years. The fact that in 2Q15 there were more than 2.3 million workers in this situation, close to 45% of total unemployment, accounts for the fact that a growing number of workers has exhausted this benefit. As a result, they are receiving welfare benefits or, if they do not meet the requirements for these, no benefit at all.

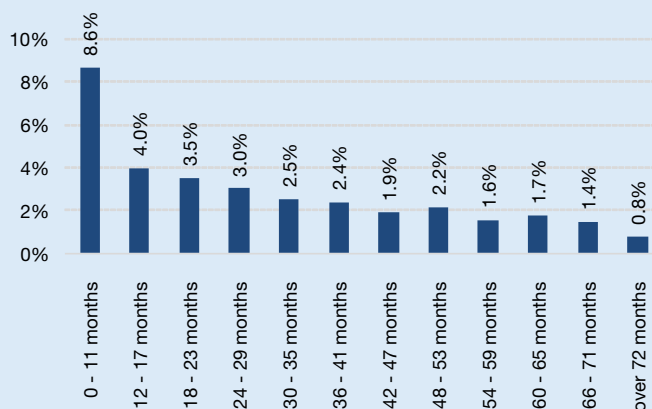
To qualify for a contributory benefit, a worker must have contributed for at least a year prior to becoming unemployed. The crisis has not only caused new jobs to be for shorter periods (in 2Q15, 2.7 million workers in employment, 15.6% of the total, had been working for less than a year, compared to 2.2 million, 13.2% of the total, two years ago), but has also meant that the risk of unemployment is increasingly high among this type of worker, increasing the probability of them not qualifying for contributory benefits and, in the worst case, not even having the right to welfare benefit.

**Unemployed by time spent in unemployment**  
(thousands)



Source: INE

**Probability of losing benefit due to prior time contributing**  
(employed in t who lost job in t+1), 2007-2015 average



Source: INE

**The 2016 state budget plans a 21.7% YoY reduction in spending on unemployment benefit...**

**... but an increase of close to 10% YoY on active policies.**

In view of the trend in unemployment benefit implied by the state budget for 2016, it would not be surprising if the unemployment coverage rate were to continue falling in the coming months. What will clearly happen next year is that the average spending per unemployed worker will fall by around 20% YoY due to the greater reduction in total unemployment benefit (27.1% YoY) than in the number of unemployed. The forecasts for the latter point to a decline of around 3% YoY.

However, a positive aspect of the 2016 budget is that spending on the promotion of employment will rise by almost 10% YoY, helping to increase the numbers of unemployed being integrated into the labour market. The average spending per worker on active policies will again exceed €1,000. In addition to the subsidies for hiring unemployed workers, spending on training will also rise (YoY increases of 9.0% and 5.9% respectively).

**Labour market policies (€ millions), 2016 state budget**

|   | 2015          | 2016          | Var           |
|---|---------------|---------------|---------------|
| Spending employment promotion                       | 4,746         | 5,215         | 9.9%          |
| Spending unemployment                               | 25,300        | 19,821        | -21.7%        |
| <b>Total</b>  | <b>30,046</b> | <b>25,036</b> | <b>-16.7%</b> |
| Estimated unemployment<br>(average in thousands)    | 4,945         | 4,807         | -2.8%         |
| Spending employment promotion<br>per unemployed (€) | 960           | 1,085         | 13.0%         |
| Spending unemployment<br>per unemployed (€)         | 5,116         | 4,123         | -19.4%        |

Source: Ministry of Finance and Pub. Admin., INE

**The south of peninsular Spain has the highest unemployment rates, but also the highest benefit coverage rate, though welfare benefits predominate.**

As might be expected, the geographical distribution of the unemployment coverage rate reflects that of the number of unemployed. By province, it can be seen that the higher the unemployment rate, the higher the percentage of unemployed who receive unemployment benefit, i.e. the higher the unemployment coverage rate. Thus, for example, the southern peninsula provinces, such as Jaen, Cordoba and Caceres, have some of the highest unemployment rates in Spain (around 30% in 2Q15), but also some of the highest levels of unemployment coverage (over 70% in all cases in July). However, the same provinces also have a higher proportion of unemployed receiving welfare benefits, with lower average payments than contributory benefits. Around 80% of unemployment benefit recipients in these provinces are receiving welfare benefit, an 'active reintegration' income or a benefit from the 'preparation for employment' program. Hence, although these unemployed are protected by the public system, the income they are receiving is probably insufficient to meet the basic needs of their household.

The integration of this type of unemployed into the labour market, together with those who do not receive any kind of unemployment benefit, should therefore be a priority aim of public employment policies.

