

Labour Market Monitor

Issue No. 110 | September 2016

Key points of the month

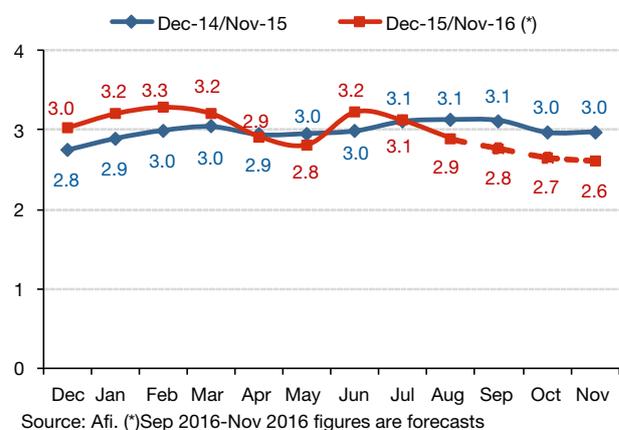
- In August, Social Security enrolment fell by 145,000 over the previous month, with the YoY growth rate remaining at 3%.
- The summer season ended with an increase in Social Security enrolment of 38,200, compared to a fall of 40,400 last year.
- The Afi-ASEMPLEO SLM Indicator points to a gradual return to YoY growth on the order of 2.7% in EPA employment in the autumn.

Employment will grow by 2.7% in the autumn

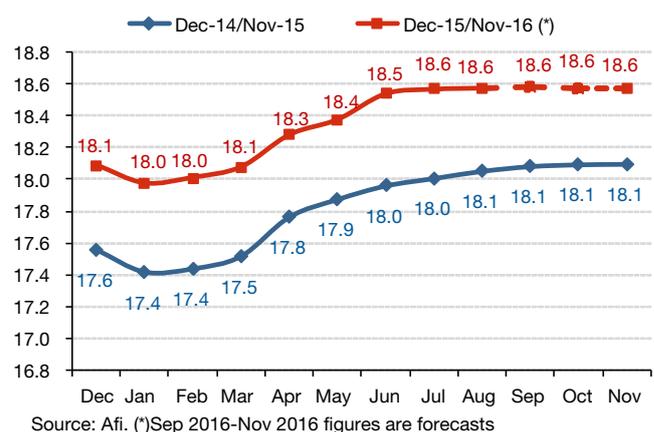
Social Security enrolment fell by 145,000 in August, reflecting the strong seasonality typical of the month, while registered unemployment rose by 14,400. These data are similar to those of August last year, when Social Security enrolment was down 135,000 and registered unemployment was up by 22,000. However, it should be noted that in June and July enrolment rose by almost twice as much as in 2015 (183,200 compared to 94,000). In relative terms, the loss of seasonal employment was clearly smaller this year. As a result, the summer season now ending leaves a net increase of 38,200 jobs, compared to a fall of 40,400 last year.

For the coming months, the Afi-ASEMPLEO SLM Indicator maintains the trend in employment seen since the beginning of the year, though adjusted for the change of level implied by the June figures and, to a lesser extent, those of July.. Hence, the Afi-ASEMPLEO SLM Indicator points to a gradual return to YoY employment growth on the order of 2.7% in the autumn. The trend in the YoY figures leads us to forecast that the average growth in employment for 2016 as a whole will be close to 2.9%, exceeding the 500,000 mark for the second consecutive year.

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



SLM monthly forecast of workers in employment (millions)

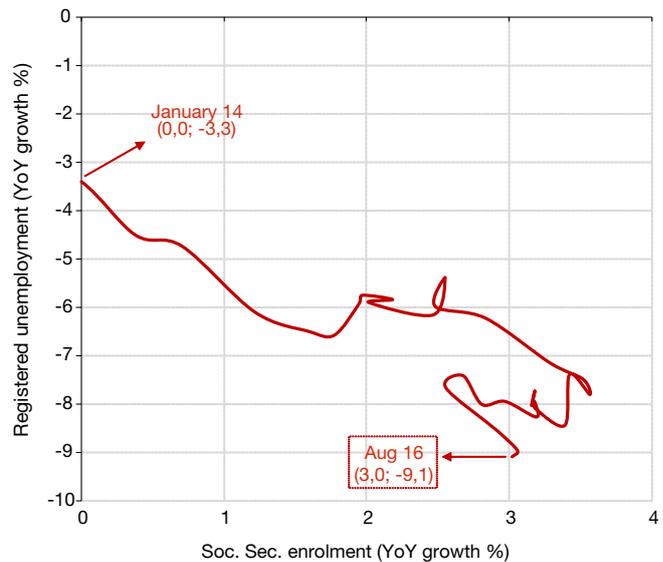


In August, Social Security enrolment fell by 145,000 over the previous month, with the YoY growth rate remaining at 3%. This fall, though larger than in the same month last year (when it declined by some 134,000), follows extraordinary increases in June and July. As a result of these increases and the excellent summer season in hotels & catering and retailing, the net change in Social Security enrolment over the past three months was positive. On the other hand, the net change in manufacturing industry and professional activities was negative.

Registered unemployment, meanwhile, was up by some 14,400 over the previous month, taking the YoY fall to 9.1% (0.1 percentage points (pp) more than the previous month). In seasonally adjusted terms, unemployment fell by around 24,500.

Recruitment again grew at double-digit rates (16.3% YoY). Permanent recruitment rose strongly, with a YoY increase of 30.9%, while temporary hiring also increased its YoY growth rate to 15.3%.

Afi-ASEMPLEO SLM 'clock' 2014-2016



Source: Ministry of Employment and Social Security

The assessment of ASEMPLEO

Temporary work: legal, good quality and with opportunities

It might seem obvious, but the fact is that nearly all the workers who find a temporary job are unemployed at the time. This helps us to see clearly that temporary jobs are a major entry point into work and the acquisition of the necessary experience.

That is not to say that in itself temporary work is unnecessary. It is a question of, on the one hand, facilitating access to the labour market for those who find it difficult, providing the flexibility required to combine work with other priorities and to match this with the opportunities provided by companies.

On the other hand, there is a consensus that Spain has legal instruments that oblige temporary hiring to be adjusted to the reality of the economic situation.

The main beneficiaries of a policy such as we propose would be young people looking for their first jobs and those workers who need to rejoin the labour market after a period of unemployment.

The placement and temporary work agencies, with figures and solid arguments, are calling for their potential to be taken into account in the effort to provide job opportunities, as happens in the rest of the European Union. They are an unbeatable tool for managing temporary employment professionally, providing full guarantees of quality jobs.

Andreu Cruañas, Presidente de Asempleo

The highlight of Afi

Temporary youth

I am not trying to warn young people that this characteristic has a 'best before' date. This happens to all of us. However, as we have known for some time, the correlation between young age groups and temporary work is very strong. Wage workers aged 16-24 struggle with an incidence of temporary employment of close to 71%, compared to 25.7% for all workers. Even so, it is possible for young workers to move from a temporary contract to a permanent one via so-called "conversion", and this is an increasingly frequent occurrence. As shown by the study published in this issue of the SLM Monitor, their access to permanent jobs is growing faster than for older age groups with higher rates of transition to permanent employment. Another favourable aspect of temporary work that affects young wage workers is that it keeps a channel to employment open for them, though highly concentrated in retailing and hotels & catering.

Nonetheless, we cannot turn our backs on a stubborn reality. Young people find it difficult to access permanent employment directly. This is bad for at least two reasons. It is bad for the workers themselves, who are starting out as workers and professionals. And it is also bad because it shows that the companies who hire them (all companies?) see no benefit in hiring them permanently. That is no way to renew companies, or workers, or the economy.

José Antonio Herce, Director Asociado de Afi

The Specialized Labour Market Review

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Temporary work favours the incorporation of young workers into the labour market

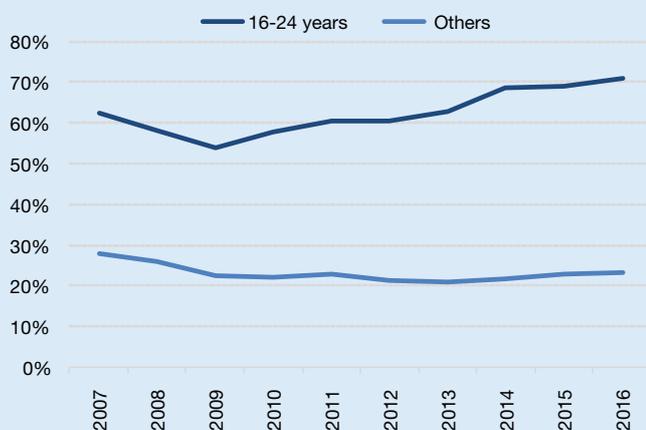
A first job is thirteen times more likely to be temporary than to be permanent. Retailing and hotels & catering provide the majority of first jobs for young workers. The probability of young people converting a temporary job into a permanent one has risen in recent years to 4.5% in 2Q16.

A first job is thirteen times more likely to be temporary than to be permanent

It is well known that the current economic cycle is favouring job creation and particularly temporary jobs. Of the 1.3 million jobs created during the recovery phase (1Q14-2Q16), half were salaried posts with a temporary contract. Thus, the incidence of temporary work has increased by 2.6pp to 25.7% in 2Q16. In the case of young workers (16-24), this ratio rose to 70.8% in mid-2106.

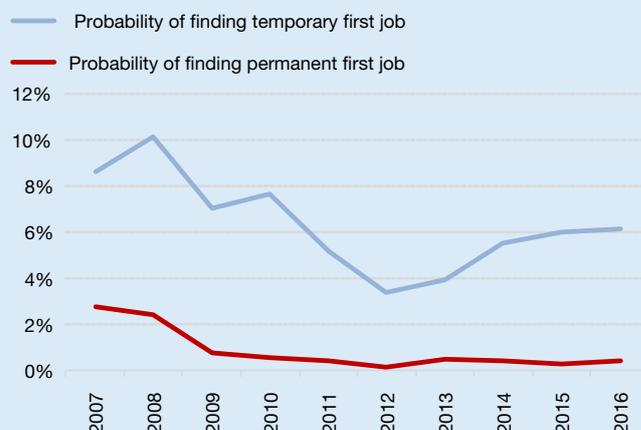
It should be borne in mind that temporary work favours the incorporation of young workers into the labour market. In 2Q16, the probability of finding a first job that is temporary during a three-month period is 6.1%, thirteen times higher than that of finding a permanent one (0.4% in 2Q16). To a certain extent, temporary contracts are used with the aim of improving the learning or training of young workers, and to ensure that they acquire professional experience that will be highly valued by future employers and which, if this type of contract did not exist, they would be unable to acquire and put to use. In 2Q16, almost 16% of young workers had a work experience contract, compared to 3% among other age groups.

Temporary employment by age group



Source: INE

Probability of young workers (16-24) finding their first job



Source: INE

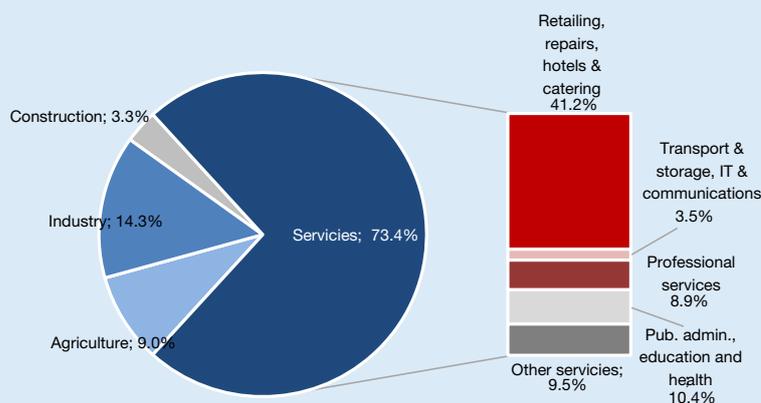
Retailing and hotels & catering provide the majority of first jobs for young workers

The work they do is generally basic: 60% of the young workers who found their first jobs in the past three years did this kind of work, compared to 30% who had tasks of medium difficulty and only 10% whose work was of an advanced nature. However, the experience they acquire in such jobs enables them to learn a series of skills that will be very useful when they apply for other jobs, or even in gaining internal promotion in the company which gives them their first employment.

The economic sector which provides the greatest number of first jobs is services, particularly retailing and hotels & catering. These activities generally require basic or medium qualifications, which is what the youngest workers have completed. The possibility of combining such jobs with their studies is another aspect valued by young age groups and for the majority is the reason why they take this kind of job. Similarly, given that these sectors are experiencing the fastest growth at the present time and have the greatest demand for labour, it is not surprising that they offer more jobs for young workers.

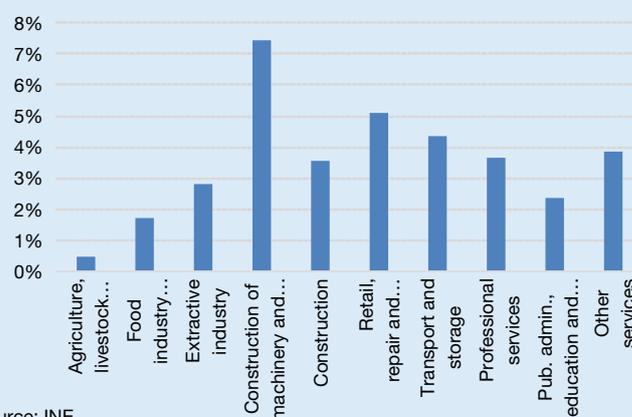
The growth of these sectors also means that they offer some of the highest probabilities of converting temporary contracts into permanent ones (an average of 5.1% during the past three years of economic recovery). The only sector with a higher conversion rate is construction of machinery and transport material (an average of 7.4% during 2014-2016).

Probability of young workers (16-24) finding first job by economic sector (% total), 2014-2016 average



Source: INE

7. Probability of converting a temporary contract into a permanent one for young workers (16-24) by economic sector, 2014-2016 average

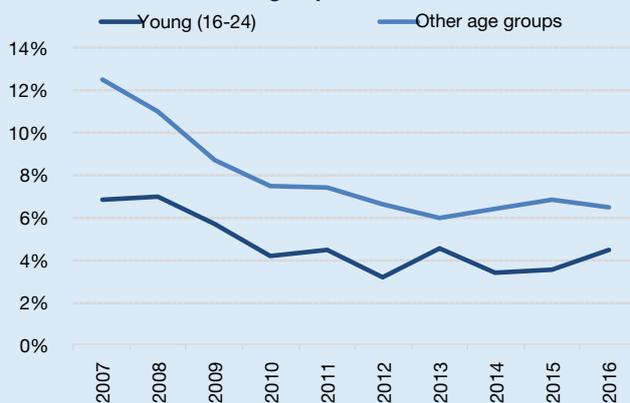


Source: INE

The probability of converting a temporary job into a permanent one has risen in recent years

Temporary contracts not only facilitate the incorporation of young people into the labour market, helping to reduce their unbearable levels of unemployment, but they also serve as springboard to permanent employment. The probability of young workers converting temporary contracts into permanent ones is lower than for other age groups (4.5% vs. 6.5% in 2Q16), due partly to their lack of professional experience, but it has been growing in recent years, coinciding with the economic recovery. To the extent that the recovery consolidates and continues to support the incorporation of young people into the labour market, through professionally mediated temporary hiring, the unemployment rate among this group (one of the highest in the European Union) could be expected to fall and their chances of moving into more stable employment could be expected to improve.

Probability of converting a temporary contract into a permanent one by age group



Source: INE

The regions that offer more jobs for young people also see more temporary contracts converted into permanent ones.

In general, the Spanish regions in which young people have a better chance of finding their first jobs, usually temporary, are also those where temporary workers have better chances of seeing their contracts made permanent. Navarre, for example, shows one of the best combinations of the two indicators, being also one of the most prosperous regions with probably the best employment opportunities for the 16-24 age group. However, it is also worth noting the cases of Valencia, Catalonia and Castile-La Mancha. In these regions, young people's probability of finding their first job is similar to the national average, but if they achieve that, their chance of this temporary job becoming permanent is 50% higher than in the country as a whole. Far behind are other regions such as Asturias and Extremadura, where both probabilities (finding the first job and making a temporary one permanent) are among the lowest in Spain. This creates a 'push' effect, motivating the youngest workers to move to other areas with better opportunities.

