

Labour Market Monitor

Issue No. 121 | August 2017

Key points of the month

- The 2Q17 labour force survey (EPA in Spanish) confirms the positive data anticipated by the June Social Security enrolment figures. Employment rose by 375,000 and the unemployment rate fell to 17.2%.
- After the strong second quarter EPA results, the July labour market data surprised on the downside, with a 56,000 increase in Social Security enrolment and a decline of 27,000 in unemployment.
- The Afi-ASEMPLEO SLM Indicator continues to forecast an increase in employment of over half a million for the whole year, which would take the total to around 19 million.

Employment rose by 375,000 in 2Q17

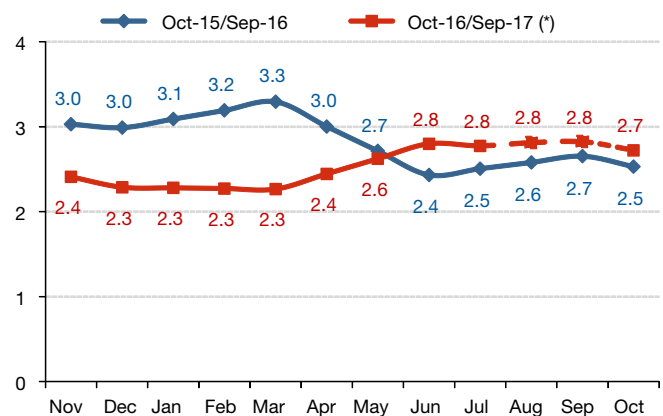
Social Security enrolment increased by 56,000 in July, below expectations, while registered unemployment was down by 27,000. Though these are good figures, they are less positive than the July results in previous years of the current recovery (e.g. enrolment up 85,000 and unemployment down 84,000 in 2016). In YoY terms, enrolment growth slipped from 3.8% in June to 3.6%, and the fall in unemployment from 10.7% to 9.4%.

Bearing in mind the strength of the 2016 data and, in particular, the fact that the slowdown in employment growth appears to be almost exclusively due to the atypical behaviour of the agricultural sector in July, the figures for the month are undoubtedly positive.

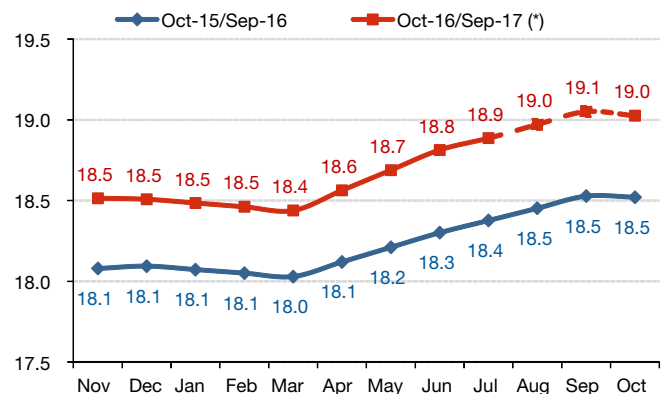
The Afi-ASEMPLEO SLM Indicator, after incorporating the 2Q17 EPA results, points to an estimated YoY increase in employment of 2.8% in July, slightly weaker than the previous month. With regard to the coming months, employment is expected to continue growing at similar rates until the end of the summer season.

For the year as a whole, the Afi-ASEMPLEO SLM Indicator maintains its forecast of over half a million new jobs, an increase of over 2.7% in the annual average. These figures, similar to those of 2015, would take total employment to around 19 million.

SLM forecast of workers in employment
(% YoY change)



SLM forecast of workers in employment
(millions)

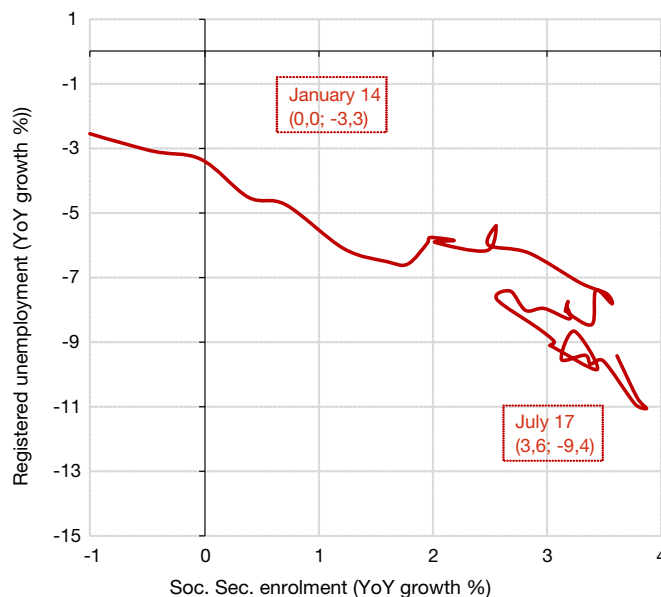


The Social Security's general scheme saw slower growth in enrolment. The biggest contribution to the increase came from healthcare and social services (up 50,584), followed by retailing and transport (45,544) and hotels & catering (39,252). However, a comparison with July 2016 highlights the weaker performance of the latter sector, with growth down by some 12,000, and of retailing and transport, down 3,943. The lower increase in hotels & catering can be attributed to recruitment being carried out earlier this year than last.

Unemployment declined by 26,887 (9.4% YoY) in July, or 11,770 (9.1% YoY) in seasonally-adjusted terms.

Permanent employment increased by 10.6% YoY, with temporary jobs (91.2% of new contracts) up by 4.8%. Full-time working rose by 13.9% YoY among permanent workers and 6.1% among temporary employees, while part-time employment rose by 5.9% and 2.5% respectively.

Afi-ASEMPLEO SLM 'clock' 2014-2017



Source: Ministry of Employment and Social Security

The assessment of ASEMPELO

Let's give the market what it demands and let's do it properly

Job creation continues. While it is true that July saw a slowdown in job creation in the Spanish economy, it is also the case that the difference has been too modest to suggest that the run of good results has ended, especially given the labour market data recorded so far this year.

The earlier start to seasonal recruitment to cover the peak in demand in the summer months, together with the longer tourist season, which this year began with the late Easter, account for the latest data. That does not mean that this summer is worse than others with regard to job creation. It is just that this year the season is spread over a longer period, reducing the overall growth recorded by the Ministry of Employment each month.

The data reveal a need for instruments that provide flexibility. Seasonality is an intrinsic characteristic of the Spanish economy, meaning that temporary employment is essential to take advantage of it and to maximise companies' productivity and competitiveness. This, in turn, maintains social harmony by incorporating more people into the labour market. However, achieving this requires that temporary employment be regulated, that it respond to real needs and be supervised, ensuring certain levels of quality for both worker and employer. It is a mistake to identify temporary work with insecurity or instability. They only coincide in certain specific situations which could be permanently eliminated if a legal framework were established to ensure the quality of jobs and the provision of adequate means, as occurs with the employment mediation professionals.

Andreu Cruañas. President of Asempleo

The highlight of Afi

How should we interpret the slowdown?

After months of excellent performance, the Spanish labour market has taken a breather, with more moderate increases in Social Security enrolment and smaller declines in registered unemployment. What is surprising is that this has occurred in a month that is seasonally favourable. Hotels & catering in particular has seen fewer new enrolments than in July 2016. Curiously, this has been the case in a year that is turning out to be spectacularly successful for tourism, with double-digit growth throughout the first half. This brilliant performance, which could bring as many as 84 million foreign visitors to Spain this year, evidently requires higher levels of recruitment, which have been occurring for months now. The bulk of the seasonal increase in Social Security enrolment took place well before July, and this is part of the explanation for the slowdown last month. To put the July figures in context, the important thing is the YoY growth, which remains high, pointing another "unrepeatable" year in the labour market. On the other hand, however, there are also other aspects of the slowdown, since the seasonally-adjusted data corroborate slower growth in the indicators, albeit in the context of continuing growth. Indeed, apart from the extraordinary peak in Social Security enrolment in the April-June period, there has been a certain return to normality. We must hope that this normality, well below record figures, gives way to the normalisation of other employment conditions, such as the length of labour contracts, training of workers and increases in productivity. Otherwise there will be no possibility of sustained increases in wages or in the competitiveness of Spanish companies. While the internal devaluation has enabled us to emerge from the crisis, it will be the optimisation of human resources that will enable us to consign it to history.

José Antonio Herce, Associate Director Afi

The 2Q17 EPA results are in line with the Social Security enrolment data

The 2Q17 EPA confirms the positive data provided by the Social Security enrolment records. Employment rose by 375,000 and unemployment declined among both genders and all age groups, with the unemployment rate falling to 17.2%.

Employment rose by 375,000, more than forecast...

... with the EPA figures again reflecting the trend in Social Security enrolment.

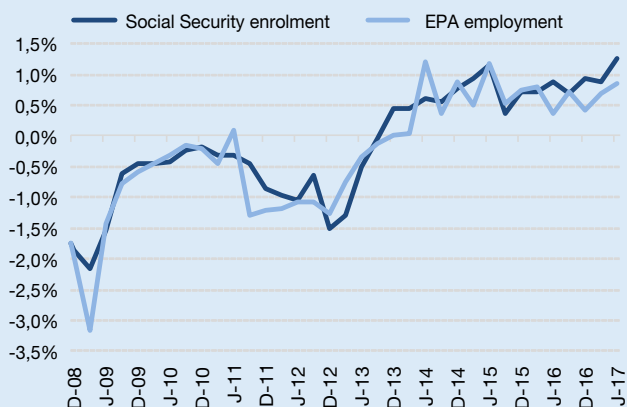
Hotels & catering continues to lead other sectors in job creation.

The EPA results were even more positive than predicted by the Afi-ASEMPLEO SLM Indicator. Employment rose by 375,000, compared to the 310,000 forecast, while the unemployment rate declined to 17.2%, whereas the Indicator had predicted 17.6%. On a seasonally-adjusted basis, employment increased by 0.9% during the quarter, in line with the 1.2% rise in Social Security enrolment.

After the mismatch between EPA and Social Security enrolment figures seen at the end of 2016, they again converged in the first two quarters of 2017. As well as agreeing on the consolidation of employment growth, the EPA data also coincided with the monthly registered unemployment figures with regard to the quarterly decline in seasonally-adjusted unemployment (3.7% and 5.1% respectively).

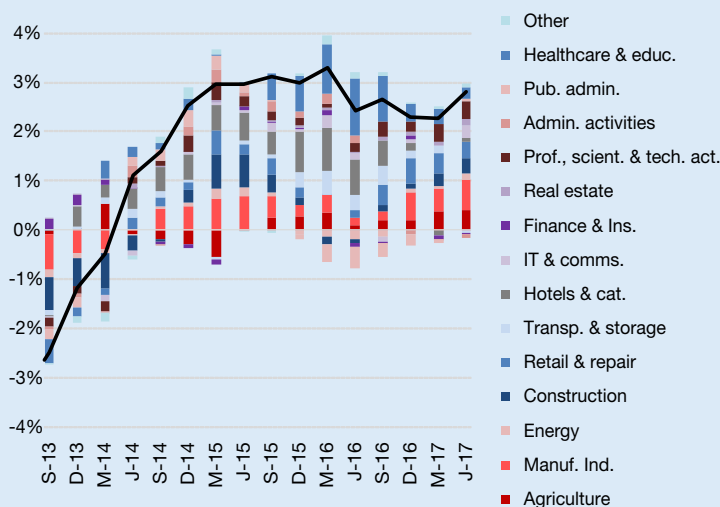
By sectors, the largest increase in employment in absolute terms was in hotels & catering (up 173,000 in the quarter), followed by manufacturing industry (53,200). In YoY terms, the latter led the field with a rise of 0.6%, ahead of professional activities (0.4%), retailing (0.3%) and construction 0.3%), again line with the Social Security enrolment data.

Seasonally-adjusted Social Security enrolment and EPA employment (QoQ change)



Source: INE, Ministry of Employment and Social Security

Contribution to YoY change in employment by sector



Source: INE

Noteworthy increase in salaried employment...

... and in temporary workers.

Young workers and the over 55s were the biggest beneficiaries of job creation...

... contributing to the fall in unemployment in all groups...

... with the unemployment rate falling to 17.2%.

In terms of workers' employment status, salaried workers performed notably well (up 3.3% YoY), while the self-employed saw no growth. Full-time workers increased by 2.4% YoY, with the incidence of part-time working declining to 15.3% from 15.6% the previous quarter.

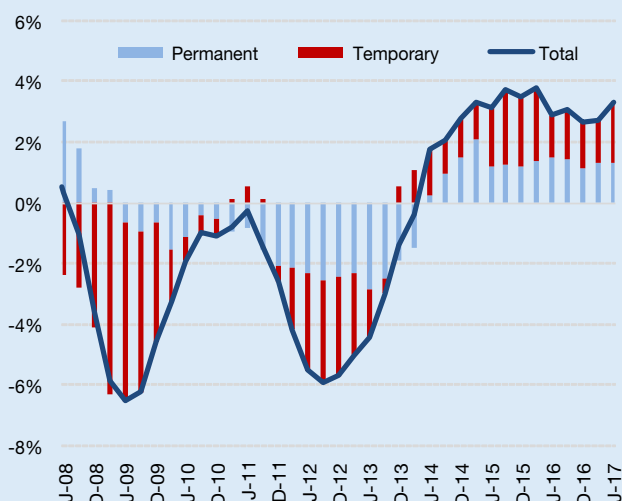
As has become normal in the current recovery, the increase in employment was centred on temporary workers, who increased by 255,000 (2.0% YoY), leaving the incidence of temporary working at 26.8%. Meanwhile, the increase in permanent workers during the quarter (94,000) maintained their moderate but stable growth at around 1.3% YoY.

By age groups, it is interesting to note the good performance of youth employment (i.e. the under 25s) and of the over 55s, as these are two of the most vulnerable groups with regard to employment. Their employment rose by 12% and 6% respectively. By gender, the increase was balanced, with both men and women up by around 3% YoY.

In the last three months of the year, the number of unemployed fell by over 340,000. The labour force increased by 34,000, helping to reduce the unemployment rate to 17.2% in 2Q17 from 18.7% the previous quarter. All age groups contributed to the fall in unemployment, but it was most evident among the 35-44 group (down 4.7% YoY) and the 25-35s (down 3.9%).

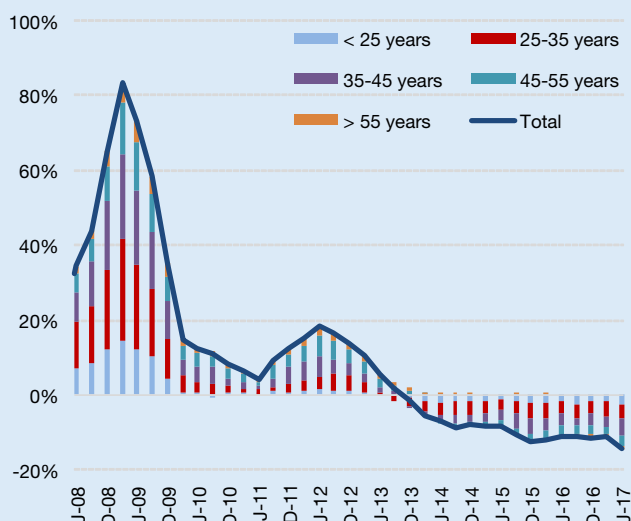
In 2Q17, the labour force stood at 22.7 million, one of the lowest figures since 2007; the fall of 0.65% was in line with the trend in the working-age population. In the first two quarters, unemployment declined by 865,200 to 3.9 million, the first time it has fallen below the 4 million mark since 2009.

Contribution to YoY change in wage workers by length of contract



Source: INE

Contribution to YoY change in unemployment by age group



Source: INE

The Specialized Labour Market Review

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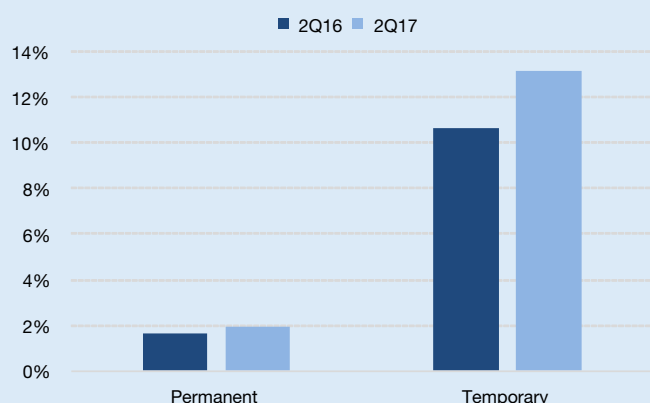
Temporary working helps the long-term unemployed to find jobs

The probability of an unemployed worker finding temporary employment is higher - and has risen more - than for permanent employment. This improvement has extended to those who have been unemployed for two years or more, which has increased the average time spent in unemployment of those finding work. The transition of these unemployed workers has increased most in those regions with the highest rates of long-term unemployment.

The probability of an unemployed worker finding temporary employment is higher - and has risen more - than for those finding permanent employment...

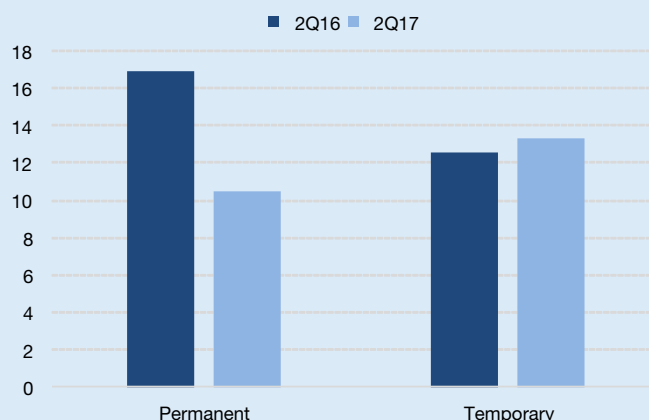
The increasing duration of the Spanish economy's extraordinary ability to create jobs is enabling an increasing number of the unemployed to find work. The number of unemployed fell below 4 million in 2Q17, 660,000 fewer than a year ago. This represents an increase in the rate of reduction of unemployment, with the YoY rate rising from 11.2% in 2Q16 to 14.4% in 2Q17. This is due to the increased probability of an unemployed worker finding work, which has risen from 13.3% in 2Q16 to 16.2% in 2Q17. As we have noted in previous issues, there is a much greater probability of finding temporary waged work than a permanent job (13.1% versus 2.0% in 2Q17). The novelty on this occasion is that the former has increased much more than the latter (2.5 versus 0.3 percentage points). This is very good news, as it confirms that temporary working favours the reduction of unemployment and the creation of new jobs much more than it has done until now. However, an analysis of the time spent in unemployment by these newly employed workers indicates that those who found a temporary job had been unemployed for longer (13.3 months in 2Q17) than those who found permanent work (10.4 months in 2Q17), whereas a year ago the opposite was true (12.5 and 16.9 months respectively).

Probability of a worker unemployed in t-1 finding a salaried job in t by length of job contract



Source: INE

Time spent in unemployment by unemployed workers in t-1 who found a salaried job in t by length of job contract (months)



Source: INE

... and this has extended even to those who have been unemployed for two years or more...

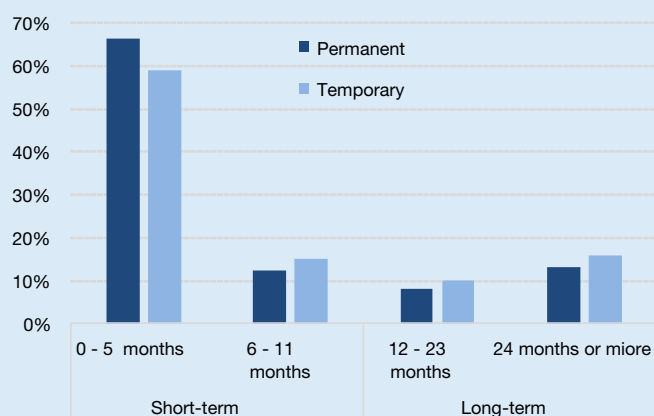
... which has increased the average time spent in unemployment of those finding work.

This has nothing to do with the former having had more time to find a job: the fact is that in 2Q17 temporary work offered job opportunities to a higher number (and proportion) of the long-term unemployed than did permanent work. In other words, temporary work not only facilitated the transition out of unemployment, but it also did so more intensively among those experiencing the greatest difficulty, because they had been out of work for longer, as is the case of the long-term unemployed.

Indeed, those who have seen the biggest increase in their share of workers moving from unemployment into temporary work are those who have been unemployed for two years or more. In 2Q16, they accounted for 14.1% of workers moving from unemployment into temporary work, and this rose to 15.9% in 2Q17.

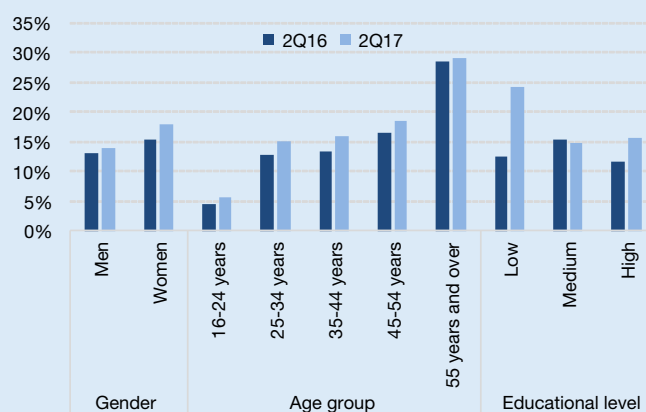
The share of the long-term unemployed among those finding new jobs has risen for almost all categories of worker (by gender, age group or educational level). However, it is the case that in the past year it has increased most among those who had spent longest in unemployment when they found the temporary waged job (women and those with low educational levels). These groups are usually considered the most vulnerable to unemployment, populating the ranks of the long-term unemployed, and their recent reincorporation into the labour market through temporary work is therefore a noteworthy achievement.

Unemployed workers who found a salaried job by time spent in unemployment and length of job contract (% of total) in 2Q17



Source: INE

Workers unemployed for 2 years or more who found a temporary salaried job by gender, age group and educational level (% of total)



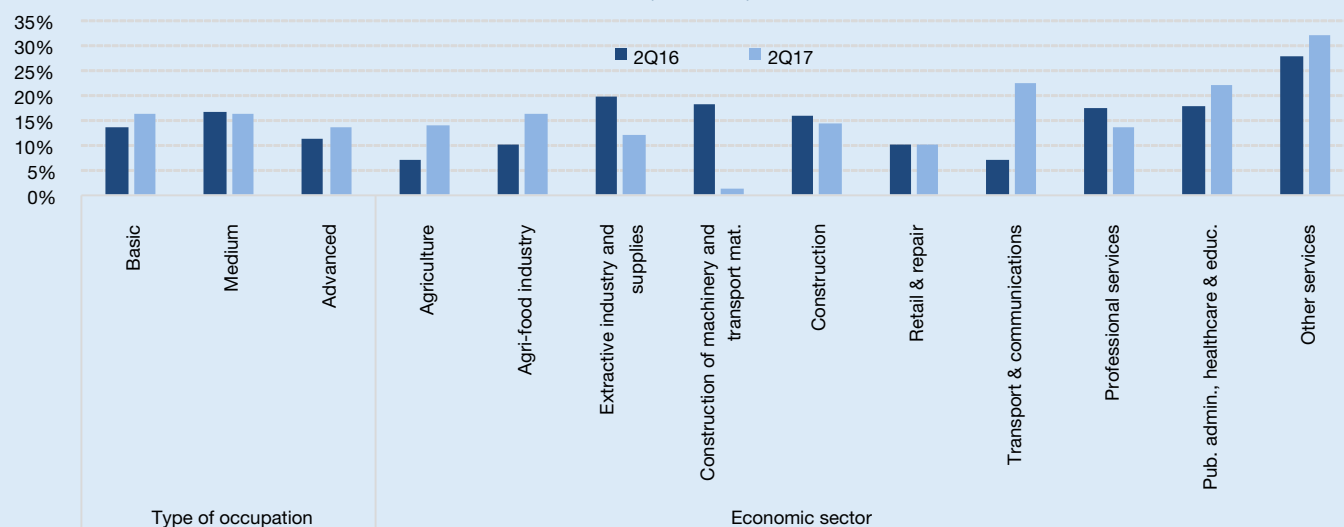
Source: INE

The newly employed who have been out of work for two years or more have found jobs in the transport and primary sectors and in the agri-food industry...

Analysis of the type of jobs found by those who have been out of work for two years or more indicates that they are increasingly employed in basic occupations (generally in hotels & catering or retailing, which moreover have driven job creation in recent years), but also in others considered advanced (management and professional positions).

The sectors in which this group has increased its presence, compared to last year, include transport & communications, the primary sector and the agri-food industry. These sectors also show a larger increase in the average time spent in unemployment by those who found a job in 2Q17; as noted above, this reflects an increase in the proportion of the long-term unemployed rejoining the labour market.

Workers unemployed for 2 years or more who found a temporary salaried job by type of occupation and economic sector
(% of total)



Source: INE

... and this has occurred to a greater extent in the regions with higher levels of long-term unemployment.

The same pattern of behaviour is seen at the regional level. The regions which saw the greatest increase in the share of the long-term unemployed among those finding work in 2Q17 are the ones that experienced the greatest increase in the average time spent in unemployment before finding a temporary job. This is particularly evident in the Balearic Islands, Extremadura and Andalusia. The latter two, moreover, have especially significant levels of long-term unemployment. Thus, the fact that temporary work is facilitating their transition into work is a source of hope for this group.

On the other hand, there are regions that are seeing reductions in the time spent in unemployment before finding a temporary job. This reflects the fact that their proportion of long-term unemployed has fallen since 2Q16, as in the cases of Castile-La Mancha, Castile-Leon and Aragon.

