

# Market Monitor

Report Nº 86 | September 2014

## Key points of the month

- The Afi-ASEMPLEO SLM Indicator forecasts that EPA employment will stabilize at around 17.5 million by the end of the year.
- EPA employment, therefore, will grow at a YoY rate on the order of 1.7% in the three next months.
- The August figures (with a monthly rise of 8,070 in unemployment and a fall of 97,582 in Social Security enrolment) bear witness to the habitual poor performance in this month of the year, but it is the first time since the start of the crisis that the monthly variations are similar to those registered before the crisis.

## Employment will stabilize at around 17.5 million

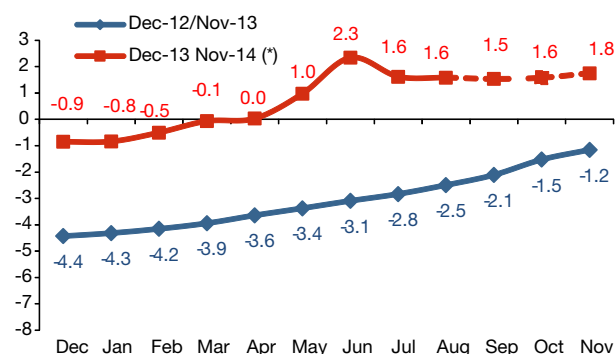
The labour market data for August practically repeat the pattern of the same month of 2013. In that moment, the second recessionary phase of the labour market was coming to an end; now, the monthly variations in Social Security enrolment and registered unemployment (down 97,582 and up 8,070 respectively) should be interpreted in the context of a year of net employment creation. That is why, after the significant improvement observed in the second quarter, the marginal advances of both indicators begin to be somewhat more contained.

Nevertheless, this trend does not put the recovery of the labour market in doubt, but rather it anticipates weaker employment creation during the second half of 2014.

This is what the Afi-ASEMPLEO SLM Indicator reflects for the next three months. EPA employment should stabilize at around the 17.5 million mark from now to year-end, bearing in mind that the net creation of employment predicted for the third quarter may be partly offset by the fall in employment expected in the final months of 2014.

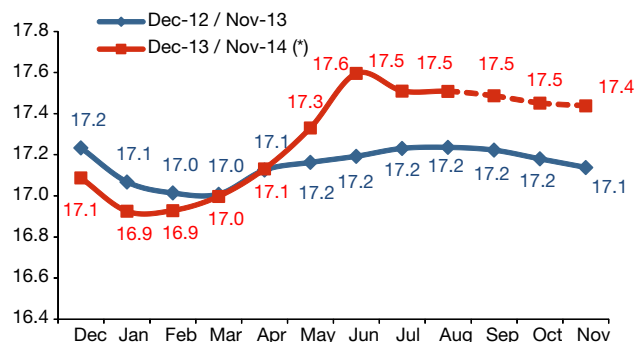
In any case, the net change for the year as a whole could be an increase in employment of close to 300,000. The extraordinary start to the year and the progressive recovery of the labour market underpin this forecast.

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



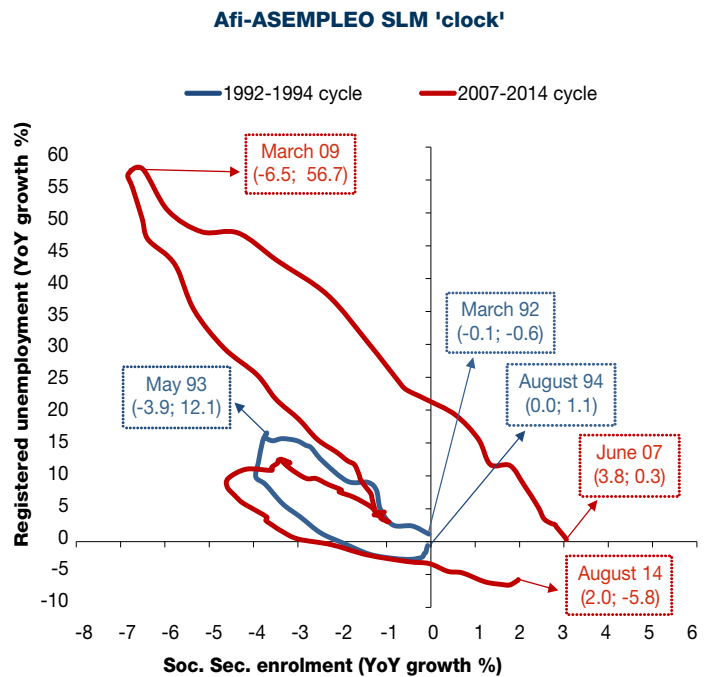
Source: Afi. (\*) Sep 2014-Nov 2014 figures are forecasts

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



Source: Afi. (\*) Sep 2014-Nov 2014 figures are forecasts

The increase in registered unemployment of 8,070 and fall in Social Security enrolment of 97,582 confirm, as anticipated by the Afi-ASEMPLEO SLM Indicator, that the month of August is habitually unfavourable in employment terms. Nevertheless, these figures contain hidden positives worth emphasizing. In the first place, this was the first month of August since the start of the crisis in which the monthly variations were similar to those registered before the crisis. In second place, the seasonally adjusted behaviour of both indicators reveals that unemployment continues to fall (by 11,090), while Social Security enrolment was down only 2,297 with respect to the previous month. The stagnation of YoY growth in enrolment in Social Security's general scheme in practically all sectors contrasts with the continued rise of the self-employed, which grew 2.5% YoY due to the increase in professionals (chiefly lawyers, accountants, clerical workers, architects and engineers). Finally, recruitment, although its YoY growth rate slowed to 8.8%, rose due especially to temporary workers (up 7.2% YoY) and those employed full-time (7.4% YoY).



Source: Ministry of Employment and Social Security

## The assessment of ASEMPELO

### Amber light

Since the middle of 2013, ASEMPELO has cheered each improvement, each sign of progress – however slight – in Spain's labour market data, both qualitative and quantitative. Moreover, we have not hesitated to trust in optimism and the first encouraging signs of a recovery that seems already established. However, we must also be rigorous in emphasizing those signs that suggest that we need to step up the creation of employment if we want to meet the 2020 Agenda target, which means we have to create 630,000 jobs a year between 2014 and 2020, in order to reach an employment rate of 75% by 2020, not forgetting the risk arising from the chronic use of unjustified temporary employment, with the consequent insecurity for workers. Lastly, we must also recognize that Spain has a worrying mismatch between the occupations demanded by the economy, on the one hand, and the system of qualification for employment, on the other. To this, we must add the weak coordination of the mechanisms that could promote a flexible and efficient mediation in the labour market, so necessary – critical even – to identify the skills required and to find suitable candidates wherever they may be. In this intelligent mobilization of resources, nobody – private or public – is surplus to requirements, and each is called upon to do his/her part.

**Andreu Cruaños.** President of Asempleo

## The highlight of Afi

### Is there a brain drain?

Young Spaniards in the 25-35 age group, both natives and immigrants, are abandoning the labour market in favour of emigration. They are not lapsing into inactivity, of course, but on finding that there is no work for them, they make a rational decision. Moreover, those who leave are those with qualifications which they would not put to good use in the Spanish labour market, even if it were to offer them some kind of job. Those who observe and comment on this situation often lament that the consequent "brain drain" that it implies is something that the country cannot afford.

Though we are absolutely convinced that it would be better if qualified young Spanish workers had better options in Spain, we must admit that it is better that options exist, wherever they may be, and that the optimal outcome is that young people make a rational calculation and go to seek them out.

There is no reason for this mobility to be a one way street. In any case, to begin with, it resolves two problems: the worker's lack of income and the surplus of labour in the Spanish market. If the Spanish economy creates decent alternatives for this group, many of them will return, and if they do not, there will be many other workers from around the world who are willing to come. What is the problem?

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

# The monographic of the Labour Market

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## Young people in the 25-35 age groups are going abroad

The 25-35 year-old labour force declined by 5.2% YoY in 2Q14 as a result of their moving to other countries in search of work, and not because they lapsed into inactivity. Reasons for this include the high unemployment rate (26.5%) and the lack of jobs appropriate to their qualifications (57.4% are overqualified).

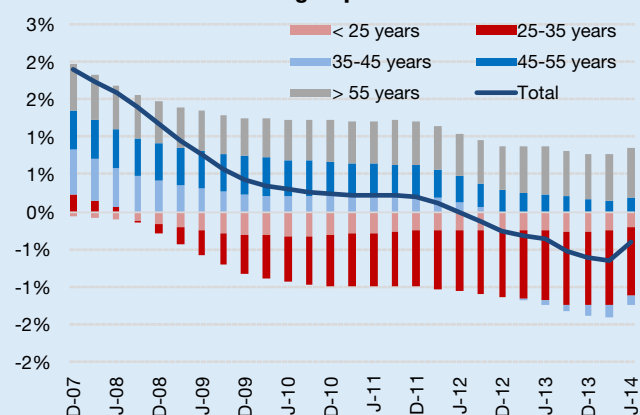
**The 25-35 year-old labour force declined by 5.2% YoY in 2Q14....**

**... as a result of workers leaving for other countries, rather than because they lapsed into inactivity.**

The latest EPA labour force survey, for 2Q14, revealed a quarterly increase of 92,000 in the labour force for the first time in almost two years. Nevertheless, in YoY terms, the labour force continued to fall at a rate of 1.0%, due mainly to a continuing fall in the number of young people willing to work. The case of the 25-35 age group was especially notable, as they were responsible for most of the decline. In 2Q14 it fell by 5.2% YoY, to 5.4 million.

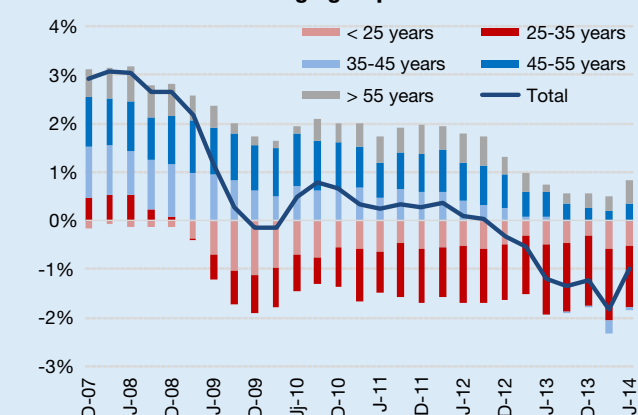
This reduction of the labour force was not due to an increase in inactivity, whether to complete education, to work in the home or simply because workers were discouraged by their failure to find a job (they represents only 0.7% of the adjusted labour force), but rather it was due to a decline in the population (5.5% YoY). Even though demographic trends imply a progressive contraction of the young population, this reduction was due more to workers departing to other countries offering more job opportunities. If this process continues in the coming months, it could lead to the Spanish economy being deprived of human capital, a key factor in the process of economic recovery.

**Contribution to YoY variation in number of over-16s by age group**



Source: National Statistics Institute (INE)

**Contribution to YoY variation in number of active workers by age group**



Source: National Statistics Institute (INE)

**The reasons include: the high unemployment rate (26.5% in 2Q14)...**

**... and the lack of jobs suitable for their educational level (57.4% were overqualified).**

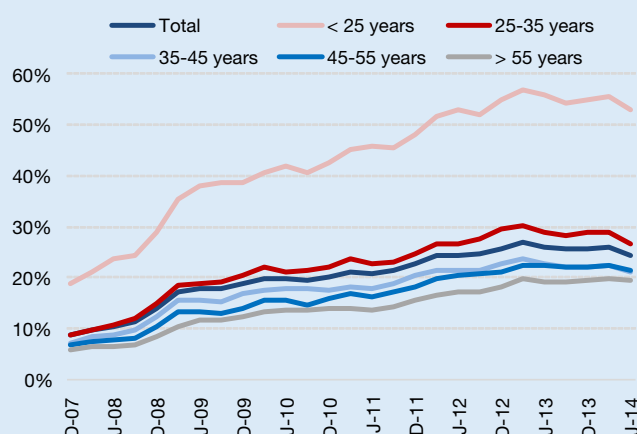
The profile of the population leaving for other countries is distributed equally between men and women, in the majority of cases married and of foreign nationality, although increasing numbers of single and Spanish workers opt to try their luck abroad.

As noted above, one reason for this exodus of young people to foreign parts has to do with their lack of success in the labour market, either because they do not find work, or because, if they do find it, it is not in line with their preferences in terms of their qualifications.

With regard to the level of unemployment, the unemployment rate of the 25-35 year-olds is the second highest by age group: in 2Q14 it stood at 26.5%, two percentage points above the average.

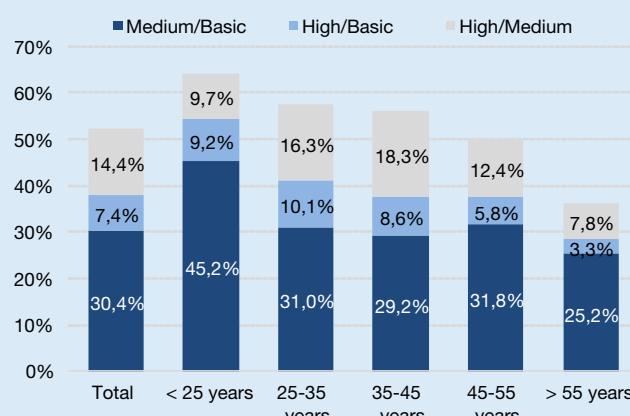
"Discouragement" also spreads among workers when they hold a job that requires fewer qualifications than they have. The phenomenon of overqualification is especially common among younger workers. 57.4% of workers aged 25-35 years were overqualified in 2Q14, the second highest percentage by age group. Similarly, if the analysis is limited to those who have completed at least one cycle of higher education, the 25-35 age group has one of the highest percentages of overqualified workers (26.4% of the total).

**Unemployment rate by age group**



Source: National Statistics Institute (INE)

**Overqualified workers by age group in 2Q14 (% total employed)**



\*The classification of the three groups is in terms of their educational level/type of occupation.

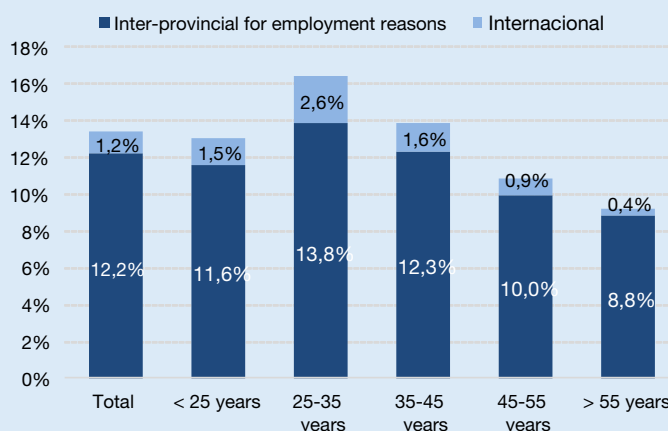
Source: National Statistics Institute (INE)

**The 25-35 age group has the greatest labour mobility...**

**... both inter-provincial (13.8%) and international (2.6%).**

Their higher than average level of education (in 2Q14, 41.3% of the 25-35 age group had completed higher education, compared with the average of 26.9%), together with their looserties to a specific place (they have only just left the parental home and may even not have bought a dwelling or formed a family), are among the factors that explain why the 25-35 year-olds have the highest labour mobility of any age group. This greater mobility is visible both in terms of inter-provincial moves for employment reasons (measured in terms of labour contracts signed which require a change of residence, as a percentage of the total registered) and in international terms (calculated as emigrants as a proportion of the total of the population).

In the former case, in 2013 13.8% of the 25-35 age group found a job in another province. As for international mobility, 2.6% of this age group emigrated to other countries in 2013, probably in search of job opportunities or those more in line with their preferences.

**Mobility rate by age group**

Source: National Statistics Institute (INE), Ministry of Employment and Social Security

**The northern regions of the Iberian peninsula have registered the largest falls in the 25-35 year-old labour force, while they also have the highest indices of overqualification**

By regions, the north of the Iberian peninsula registered the largest falls in the 25-35 year-old labour force in 2Q14. Moreover, a certain relationship can be observed between the level of unemployment and overqualification. Thus, in the regions with more overqualified workers with higher education, the falls in the labour force in 2Q14, and therefore in the population as a whole, were largest. Likewise, where the unemployment rate is highest, falls in the population have been smaller and there is less labour mobility. It is probable that these areas have higher unemployment rates due to their lack of mobility. This inflexibility may even be prolonging the situation of unemployment of this group.

