

# Spanish Labour Market Monitor

## Presentation

The month of February has constituted the turning point predicted by the Afi-ASEMPLEO SLM Indicator: Social Security enrolment grew in YoY terms (0.38%) and did so for the first time since the start of the crisis, while the YoY fall in unemployment accelerated (4.5%). This tendency will strengthen in the coming months, as a result of favourable seasonal factors. However, the number of unemployed with no previous employment again increased. According to the 4Q13 EPA labour force survey, almost 577,000 unemployed have not worked before (9.8% of the total unemployed and 2.5% of the labour force).

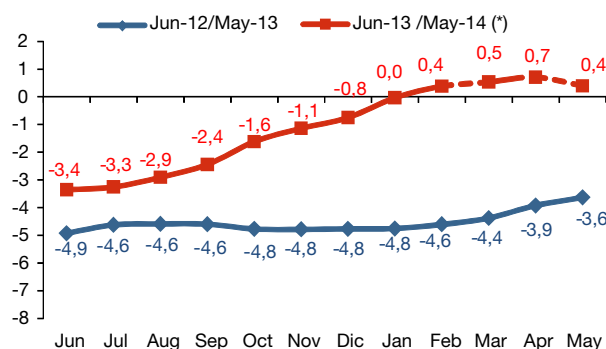
## Key Points

- For the first time since the start of the crisis, Social Security enrolment grew on a YoY basis (0.38%), while the YoY fall in registered unemployment accelerated (4.5%).
- The numbers of both contributors enrolled in the general scheme and the self-employed increased, while unemployment fell in all sectors except agriculture.
- After 68 months of continuous deterioration in the labour market, the crisis monitoring indicator is now situated in the right quadrant (i.e. that which allows increases in enrolment and decreases in unemployment to be recorded).
- According to the Afi-ASEMPLEO SLM Indicator, this tendency will gain ground in the next months, due to the favourable seasonal trends. Social Security enrolment will grow at close to 0.7% YoY in April, taking the total to over 16.8 million.
- Permanent recruiting grew again, but temporary hiring accounts for most of the growth in the aggregate (14.8% YoY).
- In 4Q13 there were almost 577,000 unemployed who had not worked before (9.8% of the total unemployed and 2.5% of the labour force).
- Workers in this group are disproportionately young, women, Spanish nationals and those with low educational levels.
- The probability of finding employment has declined with the crisis, but is habitually even smaller for those seeking their first employment than for those with prior work experience (6.6% and 12.0% respectively in 4Q13).
- In that quarter, a first employment was likely to be part-time, temporary, waged and in the services sector (chiefly, in retail and repairs).
- The regions with the highest numbers of unemployed without previous employment are where the odds of finding employment are smaller. If they do find it, in 48.2% of cases it will not be in line with their level of qualification. Over-qualification is the main reason.

## Afi-ASEMPLEO SLM Indicator

In February, enrolment rose by 38,694, achieving net YoY growth (0.38%) for the first time since 2008. The seasonally adjusted enrolment figures also improved in February (up 35,000). Employment continues to recover, led by services, but in other sectors, such as industry, a stabilization in the number of enrolments can also be observed.

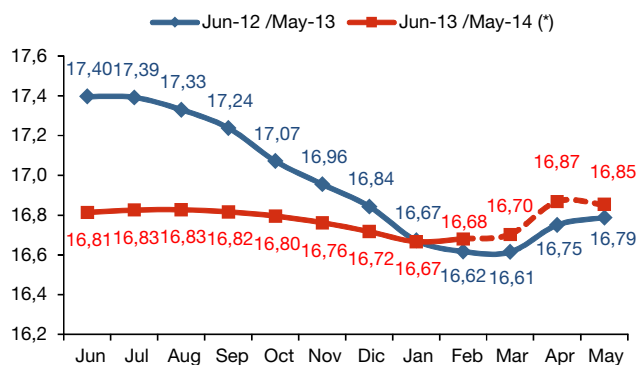
### SLM monthly forecast of workers in employment (% YoY change)



Source: Afi. (\*) Mar 2014-May 2014 figures are forecasts

The trend in enrolment indicates that the EPA employment figure was higher in February than in the same month of 2013. This tendency will probably continue during the coming months, even if job creation does not accelerate.

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



Source: Afi. Mar 2014-May 2014 figures are forecasts

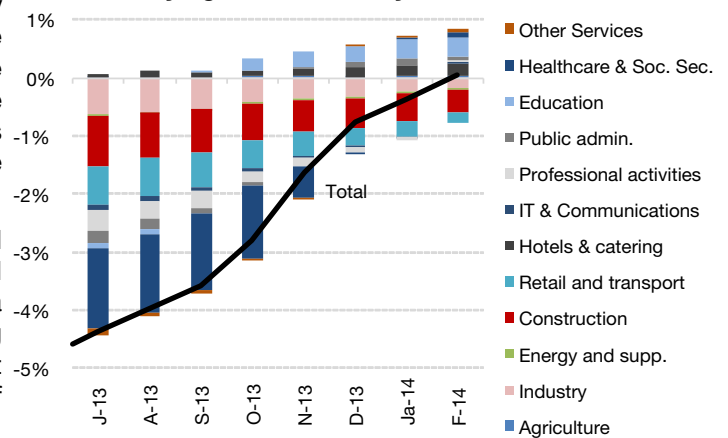
The YoY variation in employment of the Afi-ASEMPLEO SLM Indicator is currently 0.38%. In March and April, this rate is forecast to rise to 0.5% and 0.7% respectively. It is too soon to predict a strong recovery in employment, although the risk of a renewed deterioration is receding. The fact that sectors other than services are capable of generating employment will contribute to the stabilization of labour market indicators from now on.

"For the first time since the start of the crisis, Social Security enrolment grew on a YoY basis (0.38%), while the YoY fall in registered unemployment accelerated (4.5%)".

As predicted by the Afi-ASEMPLEO SLM Indicator, in **February Social Security enrolment increased by 38,694 over the previous month, registering the first YoY increase (0.38%) since the start of the crisis.** This significant progress was also reflected in the behaviour of the seasonally adjusted figures, as enrolment again grew (by 34,246 to be precise) for the sixth consecutive month.

The numbers of both contributors enrolled in the general scheme and the self-employed increased (0.13% and 1.48% YoY respectively). Within the former, there was a YoY advance in education (5.86%) and hotels & catering (3.17%). Enrolment in public administration, though it declined in February, still maintains YoY growth rates of close to 1%.

Contribution to YoY variation in enrolment in the Social Security's general scheme by economic sector

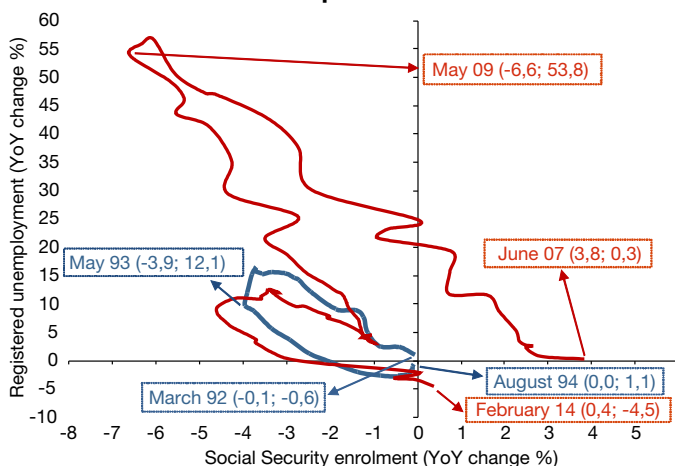


Source: Ministry of Employment and Social Security

**Registered unemployment, in turn, was down 1,949, the first February monthly decrease since the start of the crisis.** Excluding seasonal effects, unemployment likewise declined, even more steeply, in fact (55,353). This is similarly a good piece of news, as in YoY terms, the number of unemployed fell by 227,736 (4.5%). By economic sector, it declined in all except agriculture and those without previous employment (up 7,909 and 4,992 respectively).

As a result of the YoY variations registered in these two indicators, **the crisis monitoring indicator is now situated in the right quadrant** (i.e. that which allows increases in enrolment and decreases in unemployment to be recorded), **after 68 months of continuous deterioration in the labour market.** According to the Afi-ASEMPLEO SLM Indicator, this tendency will be maintained in the next months, due to the favourable seasonal trends.

Labour market cycles in Spain  
The current crisis compared with that of 1992-94



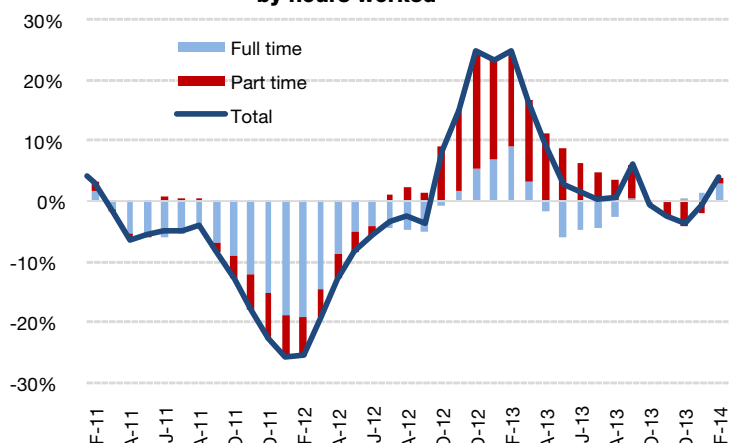
Source: Ministry of Employment and Social Security

"Permanent recruiting grew again, but temporary hiring accounts for most of the growth in the aggregate (14.8% YoY)".

With regard to recruitment, permanent hiring will need to be monitored to try to quantify the impact of the flat rate Social Security contribution recently approved by the government. Up to now, they are on a rising trend. Specifically, **with 97,804 permanent contracts signed in February (9.0% of the total), YoY growth of 6.8% was achieved.** Although most of the improvement was due to new part-time jobs, analysing the average of the last three months shows quite the opposite, as it was full-time work which made the biggest contribution to the increase in overall recruitment.

**Temporary contracts**, on the other hand, continue growing at a good rate (15.7% YoY in February) and **were responsible for the increase of close to 15% YoY in the aggregate.**

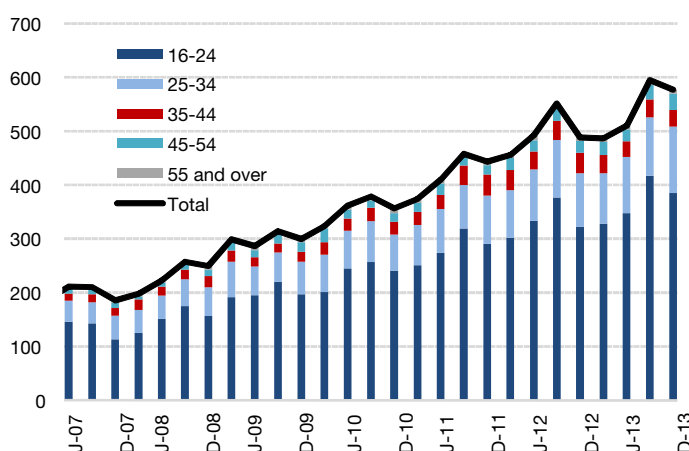
Contribution to YoY variation in enrolment in new permanent contracts (excl. regularisation of domestic staff) by hours worked



Source: Ministry of Employment and Social Security

"In 4Q13 there were almost 577,000 unemployed who had not worked before. Their chances of finding employment have already declined with the crisis, but are habitually even smaller than for those with prior work experience".

Unemployed seeking first job, by age group (thousands)



Source: INE

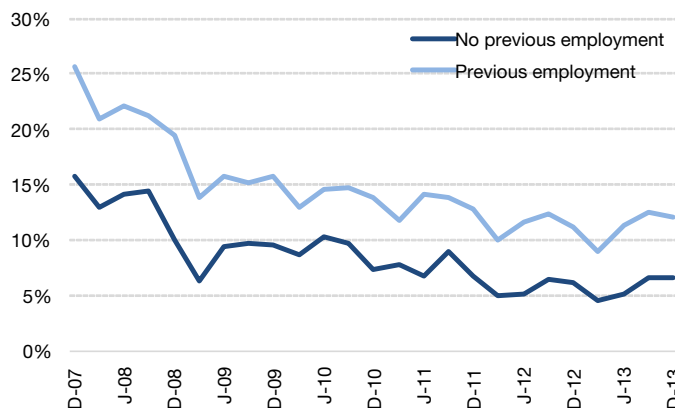
The probability of the unemployed finding a job has reduced significantly since the start of the crisis, among both those who have worked before and those who have not. Nevertheless, **the probability of someone without prior work experience finding employment is habitually smaller than that of those who have worked on other occasions.** In 4Q13, while the former was 6.6%, the latter was 12.0%, i.e. almost double.

The unemployed worker's chances also depend on his/her characteristics. Thus, for example, in 4Q13 unemployed men without previous employment had better prospects than women in the same situation (8.2% vs 5.2%), as did the 25-34 age group (9.2% vs 1.4% for the over 55s), Spanish nationals (7.1% vs 5.2% for foreigners) and those with a high level of education (13.4% vs 4.0% for those with few qualification).

Access to the labour market is not an easy task, especially for those seeking to join it for the first time, whether the economy is in crisis as at present or enjoying a boom. Even when the worker's education facilitates this transition, the lack of prior work experience limits his/her chances of success, both in finding a job and in finding one that fits his/her profile.

In 4Q13, **nearly 577,000 unemployed were seeking their first employment or had not worked before**, representing 9.8% of the total unemployed and 2.5% of the labour force. Workers in this group are disproportionately young (66.8% are under 25), women (56.4% of the total), Spanish nationals (73.2% of the total) and those with low educational levels (50.4% of the total).

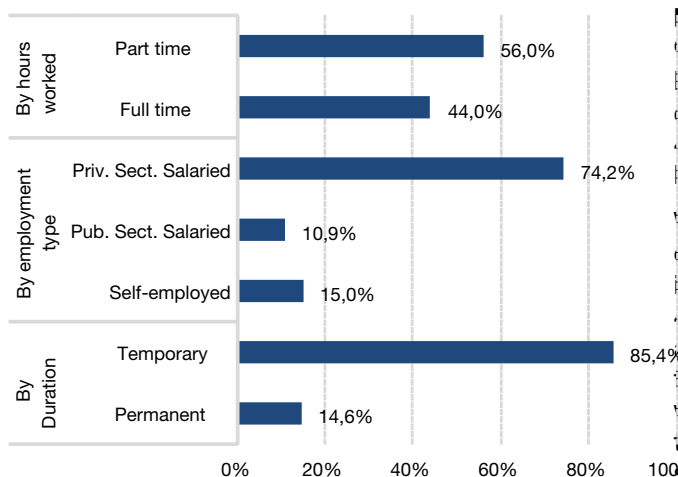
Unemployed who find work in period t having worked previously or not (% total unemployed in t-1)



Source: INE

"In 4Q13, a first employment was likely to be part-time, temporary, waged and in the services sector (chiefly, in retail and repairs)".

Profile of job found by unemployed with no previous employment (% total) in 4Q13



Source: INE

With regard to the characteristics of the jobs found by the unemployed without previous employment, **they were mainly temporary** (85.4% of the total in 4Q13) **and part-time** (56.0% of the total), although, in the latter case, nearly 40% accepted the shorter working day because they could not find full-time work. This is consistent with the current level of underemployment (in 4Q13, 62.7% of those in part-time employment would have preferred full-time work).

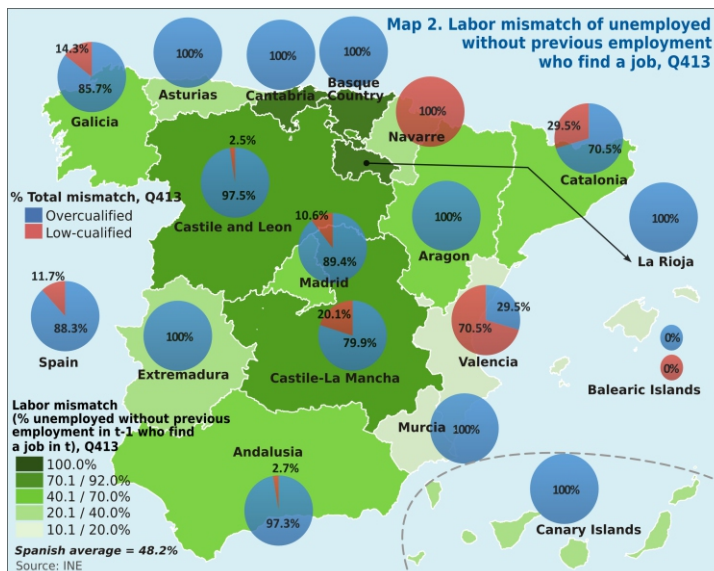
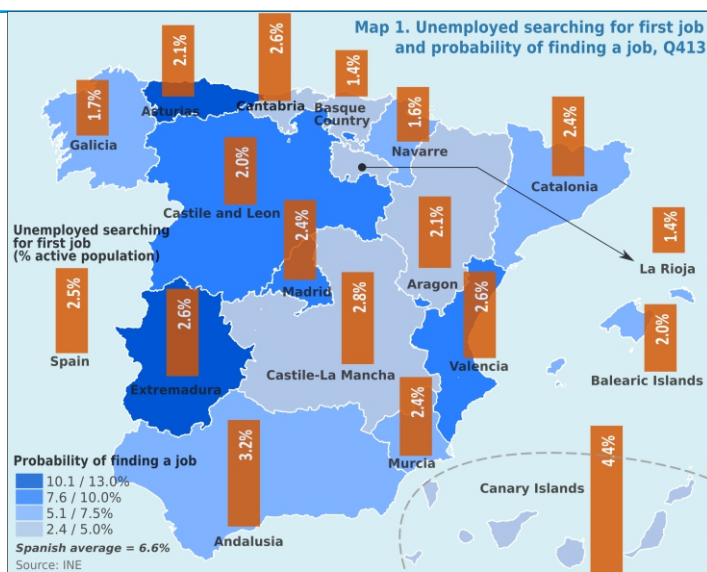
**When the unemployed without previous employment do find work, in the majority of cases it is in the services sector.** Of those who found a job in 4Q13, 34.9% did so in retail and repair, followed by public administration, healthcare and education (23.3% of the total). Likewise, **the majority found salaried work as a wage earner and in the private sector** (74.2% of the total); only 15% of those without previous employment set up in self-employment in 4Q13.



"The regions with higher numbers of unemployed without previous employment are where the odds of finding employment are smaller. If they do find it, in 48.2% of cases it will not be in line with their level of qualification".

The regional distribution of the unemployed without previous employment is, like that of the total, very uneven. Thus, for example, in 4Q13 Canary Islands was the region with the highest of proportion of unemployed without previous employment, as a percentage of both the total of unemployed and of the labour force (13.3% and 4.4% respectively), while Galicia and, in general, the northern part of the Iberian peninsula, had the smallest proportion. Besides the current numbers, when the labour market is stabilizing as is currently the case, it is useful to know to what extent these workers can escape the situation of unemployment. In this sense, it can be observed that **where there are more unemployed without previous employment, there are also fewer chances of finding a job**. This situation, if it is not reversed by providing more training, along with other active employment policies, will lengthen the time that new workers spend in unemployment and will lead to the spread of discouragement among them.

The type of employment offered by the labour market is another relevant aspect that should be monitored. As well as the characteristics of the labour contract discussed above, it is important to know how good a fit there is between the first employment and the level of qualification: generally, they are basic or elementary jobs, including catering and retail, personal services and jobs such as installation and machinery operators. In 4Q13, **48.2% of the jobs taken by the unemployed without previous employment were not in line with their educational level**, usually because they were over-qualified (88.3% of the total). The regions with the highest levels of mismatch between job and education in 4Q13 were the Basque Country, Cantabria and La Rioja, while in the Balearic Islands, Valencia and Murcia the level was below 20%.



## THE MONTHLY FOCUS

### The jobs that are coming

The available evidence on the category of unemployed without previous employment, whose probability of finding employment (around 6.5%) is half that of the rest of the unemployed, shows that the typical employment which they can find is as a wage earner in the private sector (for 74.2%), mainly in the services sector, with a temporary contract (85.4%) and part-time (56%, of whom almost 40% do so involuntarily). These jobs are inferior to those found by the unemployed with work experience, in general, but not a lot worse, and they stubbornly represent the rather more sombre flipside of the good news contained in the February data on enrolment and registered unemployment. We face the formidable challenge of consolidating both the recovery in employment and the quality thereof. It is too soon to carry out the unassailable slogan of "more and better employment" for all, as for now the Spanish economy is finding that the surest way to the recovery of employment and economic competitiveness lies in the generalization of jobs of the quality described above. While realism forbids us to close off this exit, nevertheless we should also pursue those policies that little by little will turn that slogan into a reality.

José Antonio Herce. Director asociado de Afi