

# Spanish Labour Market Monitor

## Presentation

The monthly decline of 16,620 in unemployment and, above all, the rise of 83,984 in Social Security enrolment made March an excellent month with regard to labour market data, especially bearing in mind that it does not include the favourable effect of Easter Week, as happened in 2013. In this decisive change in the Spanish labour market cycle, part-time work is becoming important (part-time employment is growing at YoY rates of 5%), while the number of employed with two jobs is increasing (they represent 2.1% of the total). Nevertheless, the regions most in need of a revival in employment (due to their high unemployment rates), albeit part-time, are not being favoured by this tendency.

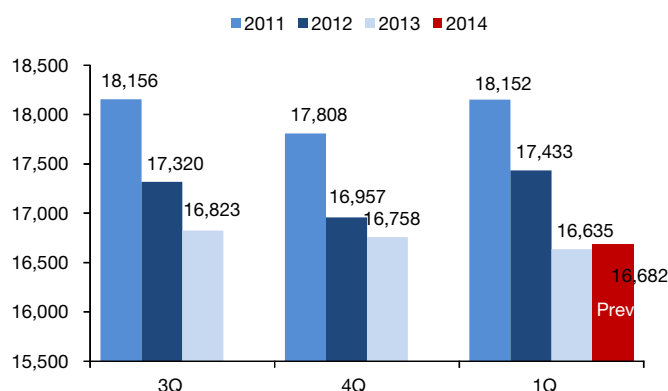
## Key Points

- Education, hotels & catering and the self-employed are responsible for the YoY increase in Social Security enrolment in March (0.71%).
- The fall in unemployment is accelerating (16,620 in the month, 4.8% YoY), centred especially in the construction and services sectors.
- The March data should result in the second consecutive quarterly rise in employment in the 1Q14 EPA labour force survey (seasonally adjusted), taking the YoY variation into positive territory (0.3%) for the first time since the start of the crisis. We expect a moderate rebound in the unemployment rate (26.23%).
- All types of contracts saw improvements, but more strongly in the case of temporary contracts (25.0% YoY).
- Part-time employment is growing at YoY rates on the order of 5%.
- The increase in part-time work is focussed largely on young men (25-34), who have found jobs in sectors that have benefited from the surge in tourism.
- The number of workers with two jobs is rising (they represent 2.1% of the total), mainly those who combine two part-time jobs.
- Despite this, they still do not work a full day. In 4Q13, they worked 28 hours a week overall, 12 less than a full-time job.
- In one out of four cases, such workers take part-time jobs of a basic nature in retail and hotels & catering, but others occupy posts of a more advanced nature in financial activities, healthcare and education.
- The regions with the biggest increases in employment in the past year have been those where the number of part-time workers has risen fastest.
- The higher the unemployment rate, the greater the incidence of involuntary part-time work, but the smaller the probability of finding two part-time jobs.

## Afi-ASEMPLEO SLM Indicator

The good performance of Social Security enrolment in March strengthens the expectation that 1Q14 will turn out to be the second consecutive quarter of increase in EPA employment (seasonally adjusted). For the first time since the start of the crisis, employment should register a YoY advance, on the order of 0.3%. The predicted fall in the labour force, although gradually moderating (1.0% YoY), should limit the rise in the unemployment rate, which could reach 26.23% (26.03% in 4Q13).

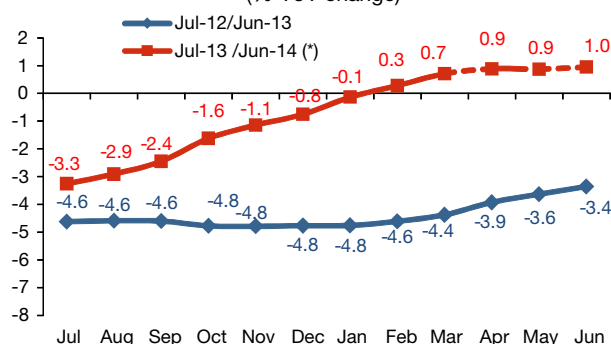
EPA unemployment (thousands)



Source: EPA (INE) and Afi forecasts

The Afi-ASEMPLEO SML indicator continues to support expectations for the labour market recovery during the second quarter. The effect of Easter Week and the employment creation expected in May and June take the forecast YoY rise in employment to 1%.

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



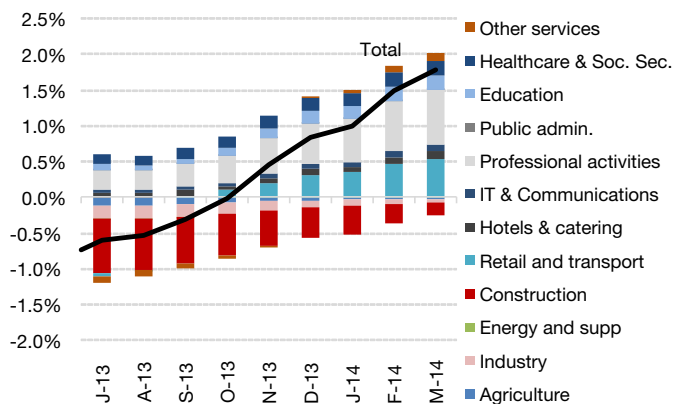
Source: Afi. (\*) Apr 2014-Jun 2014 figures are forecasts

"Education, hotels & catering and the self-employed are responsible for the YoY increase in Social Security enrolment in March (0.71%)".

**Social Security enrolment surprised on the upside, ending March with an increase of 83,984**, despite not including the favourable effect of Easter Week (unlike last year, this time it falls in April). Thus, the YoY growth in enrolment accelerated (0.71% YoY), marking the start of a labour market recovery that will probably be more convincing than anticipated initially.

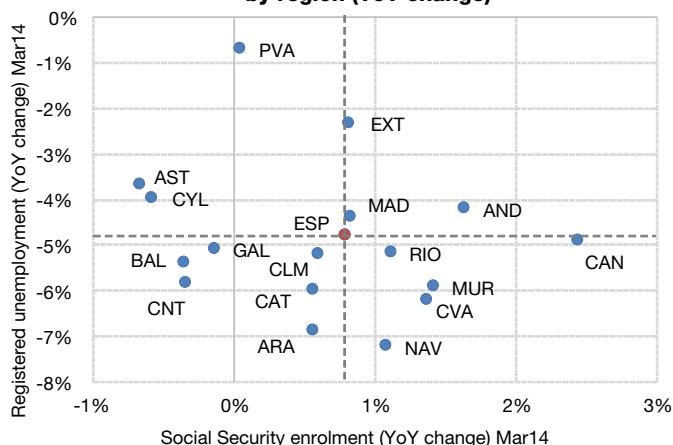
As happened the previous month, **education and hotels & catering were the subsectors that experienced the improvement** in Social Security enrolment in the general regime in March, while **the self-employed enrolled in the RETA regime grew again for the sixth consecutive month (1.78% YoY)**, once again centred on the professional activities, retail and transportation subsectors.

Contribution by economic sector to YoY variation in Social Security enrolment in self-employed scheme



Source: Ministry of Employment and Social Security

Social Security enrolment and registered unemployment by region (YoY change)



Source: Ministry of Employment and Social Security

Most of the regions saw growth in enrolment compared to the same month of the previous year. This growth was stronger in those regions that expect increases in economic activity due to the imminence of Easter Week and the concomitant tourist flows. Such is the case of the Canary Islands and the southern Iberian peninsular.

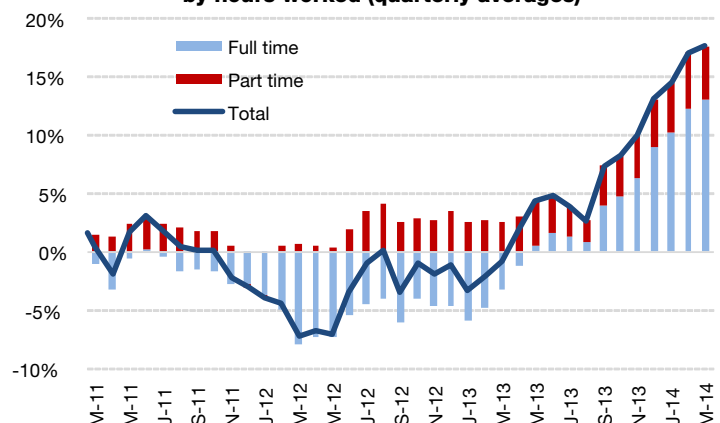
In both cases, the improvement in enrolment was accompanied by a significant reduction in unemployment. In fact, in YoY terms, registered unemployment fell in all the regions without exception. **The fall in aggregate unemployment accelerated** (16,620 in the month, 4.8% YoY), **proceeding especially from the construction and services sectors**. Nevertheless, unemployment in the primary sector and workers with no previous employment both increased.

"All types of contracts saw improvements, but more strongly in the case of temporary contracts (25.0% YoY)".

**Recruitment** also bore witness to the positive trends in the labour market, **notching up YoY growth of 24.1%**. All types of contracts saw improvements, but especially temporary contracts (25.0% YoY). The 19.6% YoY rise in new permanent full-time contracts meant that this category increased its share of total recruitment (9.4% in March).

In this respect, it is necessary to point out that although the contracts signed in recent months have created more full-time jobs, it is nevertheless the case that the creation of part-time work prevails and has lasted longer. This is shown by the fact that, as will be seen below, the number of part-time workers has been increasing steadily in recent quarters.

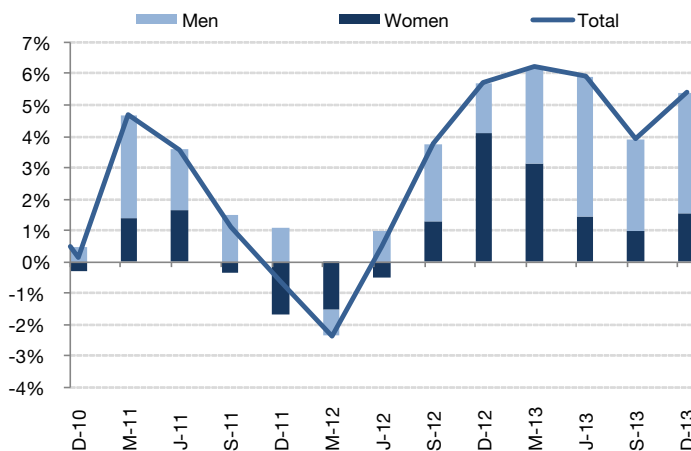
Contribution to YoY variation in recruitment (excl. regularisation of domestic staff) by hours worked (quarterly averages)



Source: Ministry of Employment and Social Security

"Part-time employment is growing at YoY rates on the order of 5%, while the number of workers with two jobs is also rising (they represent 2.1% of the total)".

Contribution to YoY variation in part-time employment by gender



Source: INE

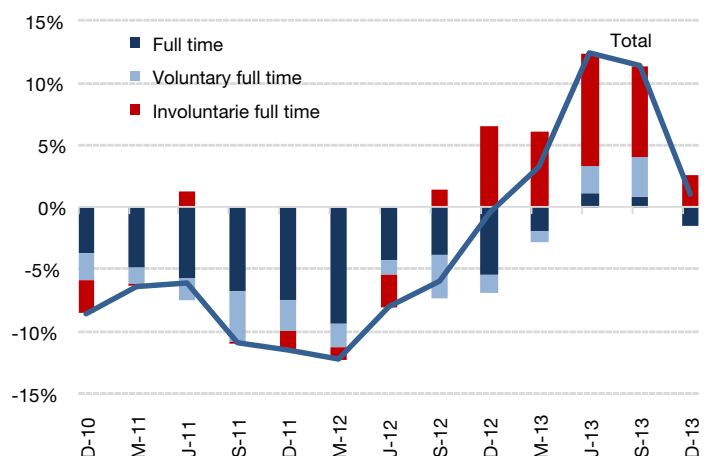
Although a very significant proportion of part-time workers take such jobs involuntarily, i.e. the fundamental reason for taking them is that they cannot find full-time employment (63% of the total in 4Q13), it should be noted that **the number of workers with two jobs is rising steadily** (at the end of 2013, they totalled some 349,800, 2.1% of the total in employment) **and this is largely due to the increase in those workers who try to combine two part-time jobs.** Thus, although the labour market does not offer them full-time employment directly, they would be approximating it through two part-time jobs.

However, when the actual hours worked in each job are analysed, it can be observed that overall they would still not be equivalent to a full day. **In 4Q13, they worked 28 hours a week overall, 12 less than a full-time job.**

The incipient recovery of the Spanish economy is based on part-time and temporary jobs, which are those that provide employers with greater flexibility at a time of uncertainty as regards the sustainability and consistency of the recovery. The boom in part-time work has been especially significant in the last year, growing to a YoY rate on the order of 5%. Thus, **more than 2.7 million workers were working part-time in 4Q13**, representing 16.3% of the total in employment.

Although part-time workers are mainly women (they represent around 73%), **the increase in part-time working during 2013 is largely accounted for by young men** (aged 25-34), and who have found jobs in activities that have benefited from the surge in tourism.

Contribution to YoY variation in workers with two jobs by hours worked



Source: INE

"In one out of four cases, such workers take part-time jobs of a basic nature in retail and hotels & catering, but other occupy posts of a more advanced nature in financial activities, healthcare and education".

Workers with two part-time jobs (% total), 4Q13				
1st job	Type of occupation	2nd job		
		Advanced	Medium	Basic
1st job	Advanced	20.2%	3.6%	2.9%
	Medium	3.7%	8.8%	7.9%
	Basic	2.7%	5.7%	44.6%
	Total	26.6%	18.0%	55.3%

1st job	Economic sector	2nd job			
		Retail, hot & cat, transp.	Finance & Real state	Pub admin, educ & health	Others
1st job	Retail, hot & cat, transp.	9.6%	2.9%	3.5%	8.3%
	Finance & Real state	2.4%	10.7%	3.0%	7.7%
	Pub admin, educ & health	3.2%	3.8%	13.3%	5.2%
	Others	2.5%	4.8%	3.1%	15.9%
	Total	17.8%	22.2%	22.9%	37.1%

Source: INE

**One out of four workers with two part-time jobs is unqualified** and generally takes jobs of a basic nature. These are likely to be in the retail and hotels & catering subsectors, which together account for almost 10% of the workers with two part-time jobs.

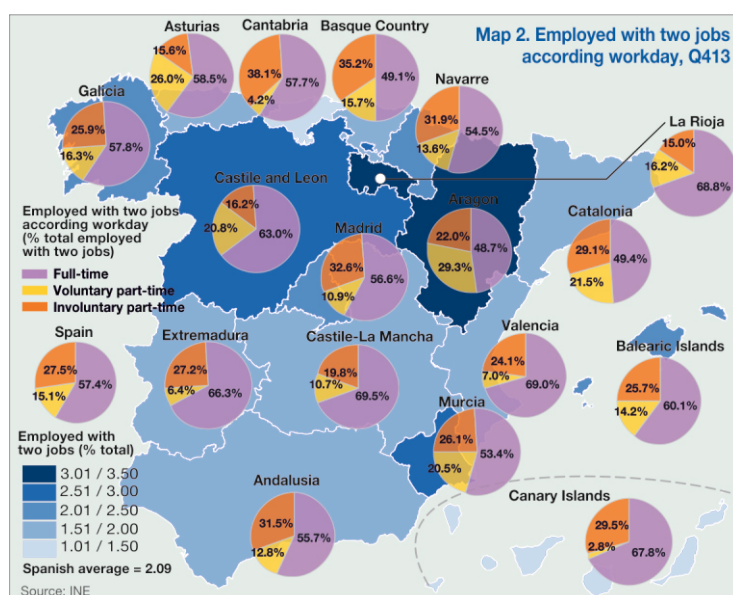
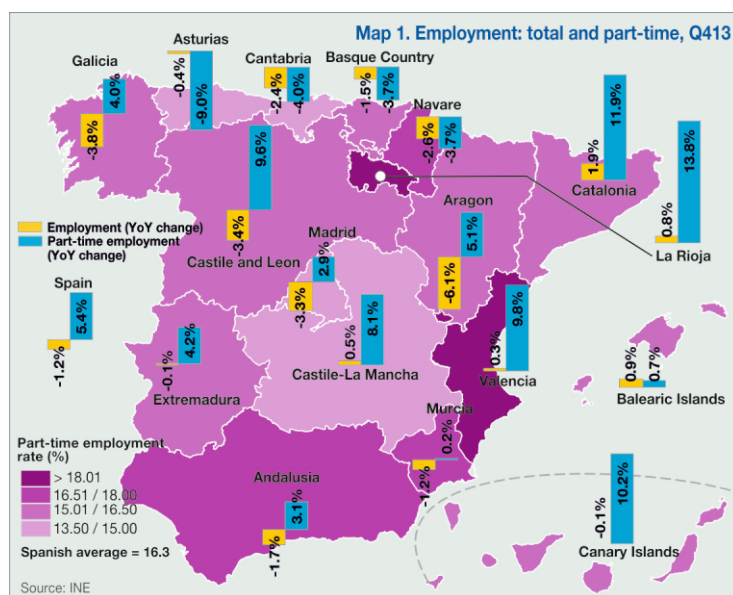
However, a significant percentage of workers with two part-time jobs are in advanced professions (technicians and scientific and intellectual professionals represent 17.3% of the total). In these cases, they are found in the financial sector and, especially, in the education and healthcare sectors (probably working in both the private and public sectors).

"The higher the unemployment rate, the greater the rate of involuntary part-time work, but the smaller the probability of finding two part-time jobs".

The regions with the biggest increases in employment in the past year have been those where the number of part-time workers has risen fastest. Though this type of job is usually associated with tourism-related economic activities, the increase has not been limited to the Canary and Balearic archipelagos. La Rioja and Catalonia have registered YoY increases of over 10% in part-time employment, even though the proportion of their economies represented by hotels & catering is similar to the national average.

On the other hand, the growth in part-time work, as noted above, is mainly involuntary on the part of workers. Indeed, it can be seen that the regions where unemployment is highest have the largest the proportion of part-time workers who would prefer to be employed full-time. This is the case, for example, of Andalusia and the Canary Islands. The weak bargaining power of the worker and the difficulties of the business community in offering other forms of employment mean that part-time work is currently one of the most widely used contractual alternatives.

The unemployment rate and, therefore, the availability of vacancies, also determine the number of workers with two jobs. As would be expected, the higher the unemployment rate, the smaller the percentage of workers with two jobs and, therefore, the lower the probability of combining two part-time jobs. In other words, the regions most in need of a revival in employment, albeit part-time, are not being favoured by this tendency, for the time being at least. Indeed, it can be seen that the regions with the highest proportion of workers with two part-time jobs also have the largest percentages of those who do so voluntarily. In this respect, the case of Aragon is notable, as it is the region with the highest percentage both of workers with two jobs and also of those who work part-time voluntarily.



## THE MONTHLY FOCUS

### Surprises on the upside

For the first time in (too many) years, the Afi-ASEMPLEO SML indicator shows annual growth rates in employment of 1%. We expect this to happen in the middle of this year. The recent evidence suggests that, once again, our indicator has, early and accurately, picked up the turning points in the Spanish labour market. Each percentage point of employment in EPA terms represents 168,000 more people in work than a year before. If the steady improvement seen until now is maintained, we would end the year with net growth of more than 300,000 in employment, an annual average of more than 150 thousand new jobs. Naturally, there may be surprises, but I am convinced that they will be on the upside. They will not be the best jobs in the world, but their effects will be soothing for the whole of society and its protection systems.

José Antonio Herce. Associate Director, Afi