

# Labour Market Monitor

Issue No. 102 | January 2016

## Key points of the month

- December ended with an increase in the month of 85,314 in Social Security enrolment and a fall of 55,790 in unemployment, bringing the totals to 17.3 million and 4.09 million respectively.
- The Afi-ASEMPLEO SLM Indicator points to an increase of 102,000 in EPA (labour force survey) employment in 4Q15 and a decline in the unemployment rate to 21.1%.
- At the start of 2016, the indicator signals a slight deceleration in the rate of growth in employment, reflecting the cooling of economic growth and the rise in labour productivity.

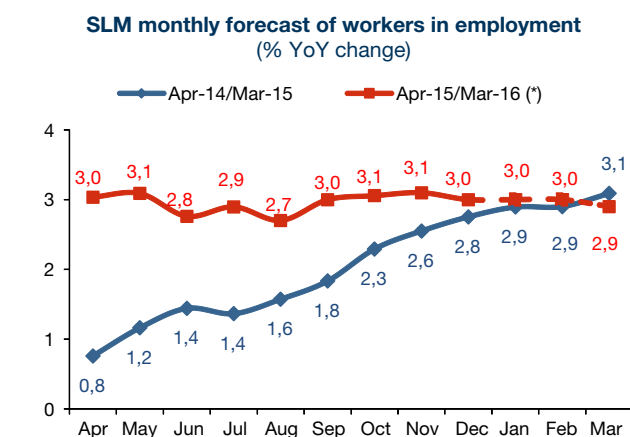
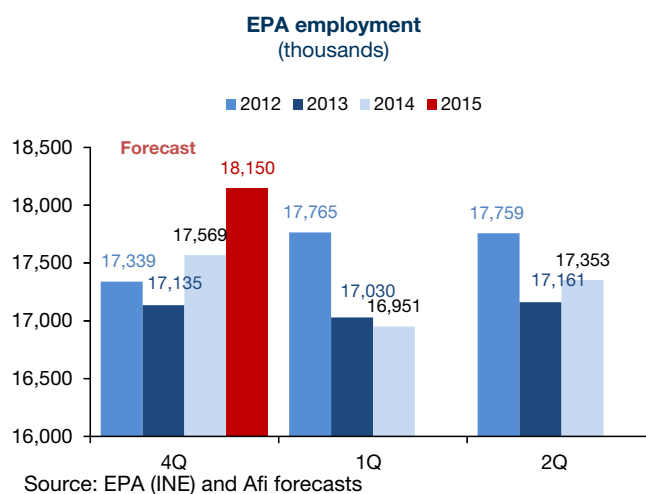
## EPA employment will grow by 102,000 in 4Q15

December's labour market figures show employment in the Spanish economy growing steadily at a good rate, despite the slight deceleration in economic growth since the second quarter of last year.

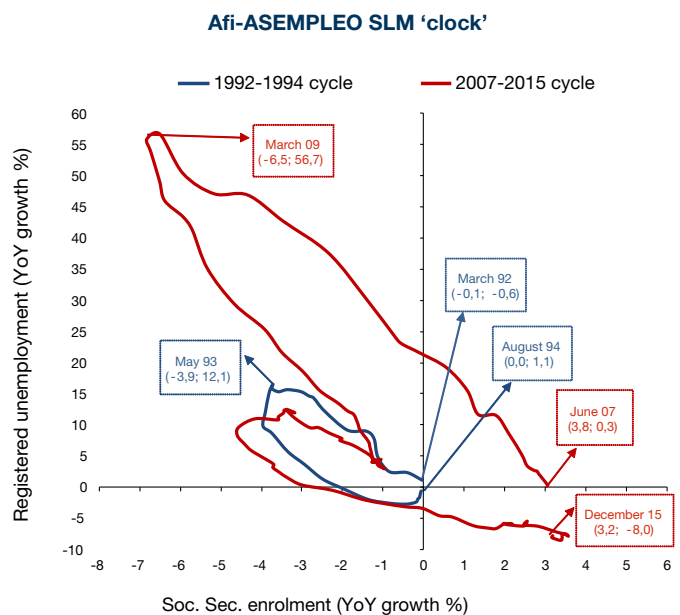
With a rise of 85,314 in enrolment in the month, the economy maintained a YoY rate of job creation similar to that of November (around 3%).

The estimate for EPA employment in 4Q15 is for an increase of 102,000 over 3Q15, a larger rise than in the same quarter last year (65,000), meaning that employment would have ended the year above the 18 million mark. Thus, the unemployment rate would fall by 0.1 percentage points in 4Q15, to 21.1%. In addition to the positive trend in employment, the indicator also reflects the stabilisation in the labour force suggested by the Social Security enrolment data, which would be in line with the trend in the EPA in recent quarters.

For 2016, the Afi-ASEMPLEO SLM Indicator keeps the YoY growth in employment at 3% in January. We expect employment growth to remain high, but to decelerate slightly, reflecting the expected cooling in economic growth and a normalisation of growth in labour productivity as the recovery progresses.



December ended with a monthly rise of 85,314 in Social Security enrolment, taking the total to 17.3 million, similar to that recorded at the end of 2011. With this increase, the YoY growth was maintained at 3.2%, with enrolment up 533,000 in the year as a whole. This was a good result, bearing in mind that economic activity grew at the same rate. Both the general Social Security scheme and that for the self-employed saw growth, of 45,500 and 1,800 respectively during the month. In the former, it was retail trade and postal activities that experienced most growth, due to the Christmas season and the strength of private consumption, among other factors. Registered unemployment declined by 55,790 over the previous month, taking total unemployment to 4.09 million, with a fall of 354,000 for the year as a whole. This level was similar to that seen at the end of 2010, evidence of the capacity of the Spanish economy to reduce drastically the number of unemployed. Recruitment again grew at double-digit YoY rates (15.2%) taking the number of contracts signed in the year above 18.5 million, similar to the figure for 2007.



Source: Ministry of Employment and Social Security

## The assessment of ASEMPELO

### The positive aspects of temporary work

The confirmation that one in ten temporary workers became permanent in 2015 is very good news for everyone.

We at ASEMPELO rejoice as citizens and also due to our share of the responsibility for this result. It shows that a part of temporary employment is fulfilling its role as a bridge to a stable job and that the economic situation is consolidating business activity and jobs. In this task, companies and job applicants know that the contribution of temporary work agencies, in the selection, guidance, training and placement of workers, is a quality factor in their success and that of their companies.

As well as providing companies with flexibility, the transition from temporary to permanent employment is one of the principal social benefits contributed by the temporary work agencies. This underlines their role as the appropriate instrument for the professional management of temporary labour in a controlled manner, ensuring that workers' rights are respected.

There is undoubtedly a need to open up a very serious and rigorous debate, taking account of the realities of the Spanish economy and labour market, about the optimal level of temporary employment needed. However, it should also consider what would be the most effective and efficient mechanisms to ensure that this temporary employment would be the "good kind", that would contribute to flexibility and workers' employability, ensuring stability of employment in the 21st century.

**Andreu Cruañas**, President of Asempleo

## The highlight of Afi

### Conversions

There remains a widespread belief that quality of employment is associated with permanent labour contracts. It is evident that many more elements contribute to the quality of any job, beginning with the worker's personal and corporate environment, in which he/she manifests his/her productivity and ending with the quality of the worker him/herself.

With regard to permanent employment, 2015 ended with more permanent recruitment than 2014, though growth was noticeably slower. In any case, permanent contracts represented 8.12% of total recruitment (1.5 million out of a total of 18.6 million).

Almost a third of permanent contracts were the result of the conversion of temporary jobs to permanent status. The good news is that the number of these conversions is rising steadily, but the increase is slow and the annual total is still only around half what it was before the crisis, and still slightly less than that seen at the end of 2010. In other words, it appears that companies are reluctant to speed up conversions, even though their activity is clearly recovering. It would be useful to investigate the reasons for this behaviour, while also studying and encouraging other aspects of the quality of employment in 2016.

The increase in permanent hiring is surely the most visible aspect of quality of employment for society, but it is not the only one, nor is it necessarily the most important for the worker. We should review the policies on conversion, bearing in mind these considerations.

**José Antonio Herce**, Associate Director Afi

# The Specialized Labour Market Review

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## One out of ten temporary workers became permanent in 2015

One out of ten temporary workers became permanent in 2015, due to the improving economic environment and business confidence. Over 90% of the conversions occur in SMEs after less than a year of probationary employment, but the conversion rate is twice as high among workers with low educational levels and it is increasing (i) among the over 35s and (ii) those working in hotels & catering, especially in the Canary and Balearic Islands.

Temporary working is not only an indicator of the initial phase of the improvement in the economic environment, but it can also become a 'springboard' for progressing towards job security in the consolidation phase of the recovery in the economy and the labour market, such as we are now witnessing. In issue 94 of the SLM Monitor, we analysed the probability of a temporary wage worker becoming a permanent employee. On this occasion, we shall study the conversion of contracts from temporary to permanent, seeking to quantify recent trends in the labour market and the situation with regard to jobs which in principle are endowed with greater security.

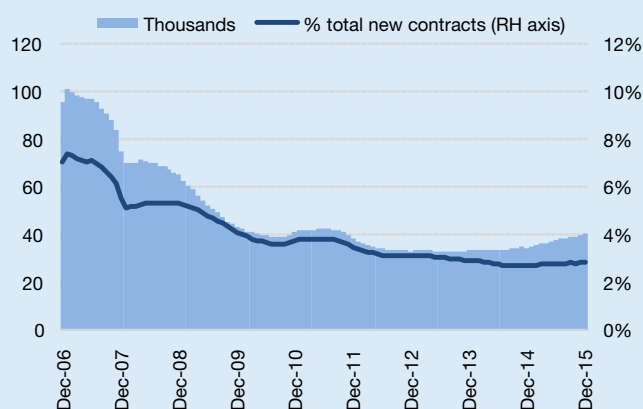
**One out of ten temporary workers became permanent in 2015...**

During 2015, close to 482,500 temporary contracts were converted to permanent, meaning that one in ten temporary workers enrolled in the Social Security's general scheme managed to convert their temporary contracts into permanent work last year. In terms of total contracts signed, this represents 2.6%, a ratio that, though improving in recent months, is lower than that recorded in the 2010 recovery phase, when it reached around 3.4%.

**... due to the improving economic environment and business confidence.**

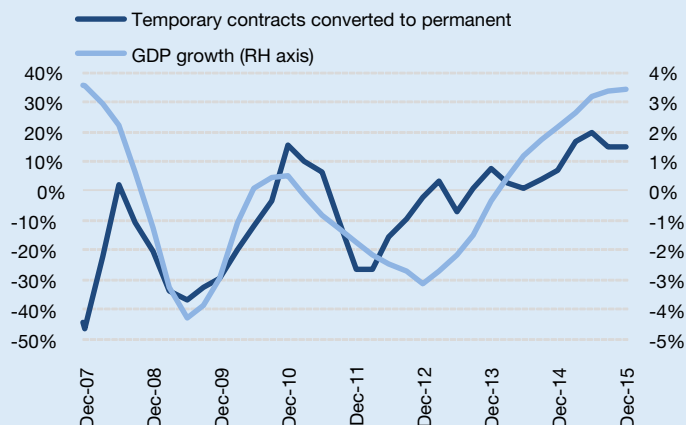
The increase in conversions to permanent employment seen since 2013 is attributable, as noted above, to the improving economic environment and business confidence. Indeed, there is a significant relationship between economic growth and the conversion of temporary contracts to permanent.

**Temporary contracts converted to permanent**  
(rolling 12-month average)



Source: Ministry of Employment and Social Security

**Temporary contracts converted to permanent and GDP growth**  
(YoY change)



Source: Ministry of Employment and Social Security

**Over 90% of the conversions occur in SMEs after less than a year of probationary employment...**

Analysis of these conversions reveals the types of jobs and workers affected by them. Though the number of conversions is currently lower than seen in 2010, there are several similarities that are worth noting:

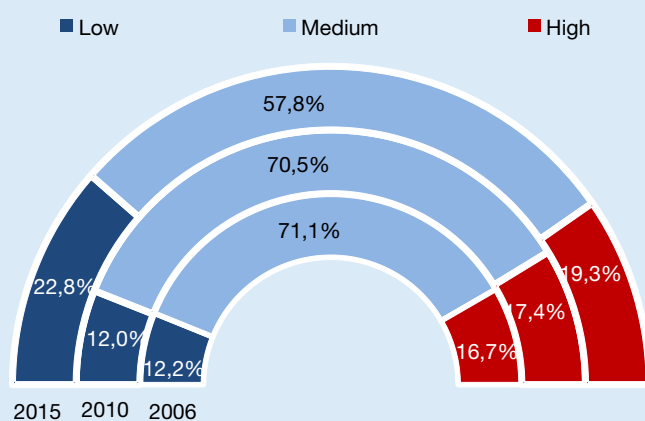
- Over 90% of conversions relate to contracts for a specific project or service or casual contracts due to temporary production requirements, in small or medium-sized companies, reflecting the nature of Spain's business economy and the concentration of employment in such companies.
- The majority of conversions to permanent employment (over 80% of the total) continue to occur after a probationary period that is generally less than 12 months, meaning that the maximum permitted period of 24 months is not exhausted.

However, it is important to focus on the differences compared to the earlier period of economic recovery, which tend to characterise the current phase of the cycle:

- The conversion of contracts from temporary to permanent has almost doubled among workers with low educational levels, from around 12% in 2010 (and even in 2006) to 22.8% in 2015. Nevertheless, with regard to these workers' occupations, there has been no change at all, suggesting that the fit between training and occupation is somewhat better than it was then.
- The conversion of contracts from temporary to permanent is increasing among the over 35s, while it is declining among younger age groups, resulting in a poorer performance by young people in their search for stable employment in the labour market.

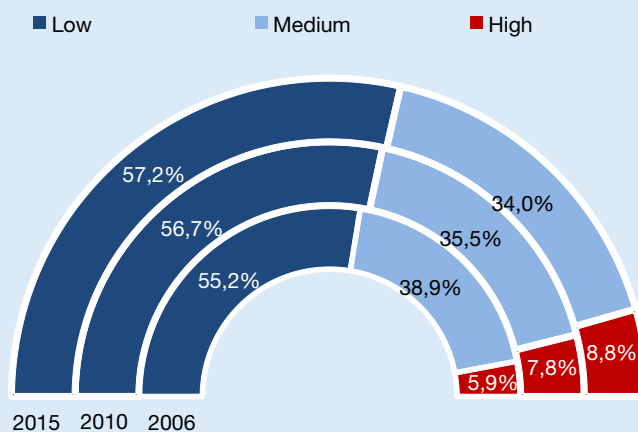
**... but the conversion rate is twice as high among workers with low educational levels and it is increasing (i) among the over 35s...**

**Temporary contracts converted to permanent by educational level (% total)**



Source: Ministry of Employment and Social Security

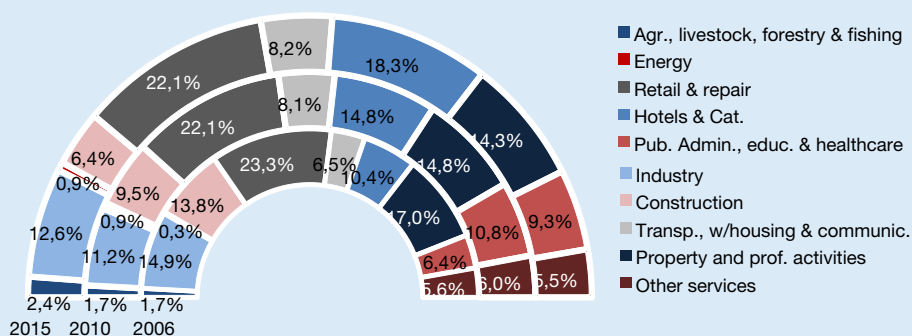
**Temporary contracts converted to permanent by occupational level (% total)**



Source: Ministry of Employment and Social Security

**... and (ii) those working in hotels & catering...**

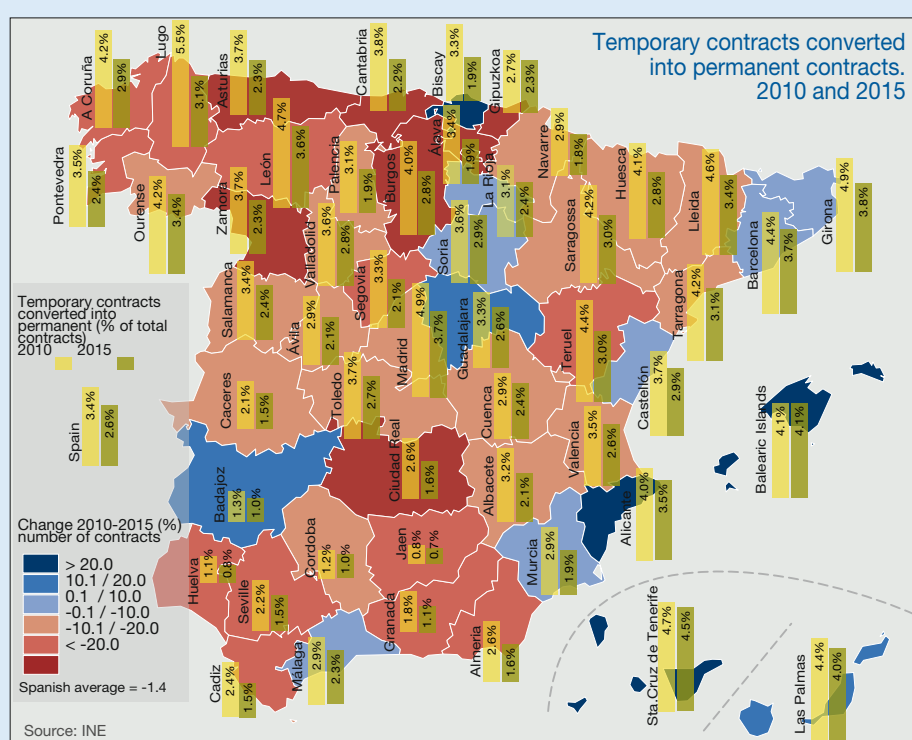
- Hotels & catering is the sector where the conversion of contracts from temporary to permanent is increasing most (up by 3.5 percentage points compared to 2010), as well as having the highest proportion, together with vehicle sales and repairs (18.3% and 22.1% respectively of the total in 2015). This pattern is unsurprising, given the favourable trends in these sectors last year. The recovery in domestic tourism and household consumption has been one of their mainstays, together with the record number of foreign tourist arrivals in Spain.

**Temporary contracts converted to permanent by economic sector (% total)**

Source: Ministry of Employment and Social Security

**... especially in the Canary and Balearic Islands.**

In line with the above, it is no surprise that the data on conversions of contracts from temporary to permanent by province has been skewed in favour of those with a greater preponderance of these sectors in their economies. Thus, for example, the island provinces (Las Palmas, Santa Cruz de Tenerife and the Balearic Islands) have the highest levels of temporary contracts converted to permanent as a percentage of all contracts signed in 2015 (over 4%). The south of the Iberian peninsula, though it also has coastal provinces with positive trends in tourism and household consumption, has a weaker economy and labour market, meaning that, for now at least, conversions of contracts from temporary to permanent are not yet significant. Judging by their trends in recruitment and Social Security enrolment, its recent economic growth remains modest, with the result that its businesses still have a greater reliance on temporary labour. However, as the economic recovery consolidates, a higher ratio of conversions may be expected. A comparison with the number of conversions in 2010 shows that current levels of conversions of contracts from temporary to permanent, compared to the total of contracts signed in the year, are lower in all provinces. The results are different when the comparison is made in absolute terms, as there are provinces where the number of contracts converted was higher in 2015.



Source: INE