

Labour Market Monitor

Issue No. 103 | February 2016

Key points of the month

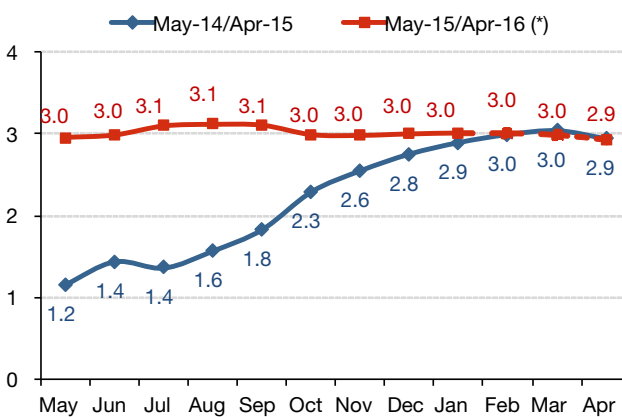
- In January, the YoY growth in Social Security enrolment remained at 3.2%.
- The inertia of the stimuli to growth, together with the fact that Easter week falls in the first quarter, will maintain the rate of job creation until March.
- From then on, the Afi-ASEMPLEO SLM Indicator points to a slight deceleration (just 0.1 percentage point less).

The rate of job creation will be maintained until March

The fact that the YoY growth in Social Security enrolment remained at around 3.2% in January means that recent rates of job creation have continued into 2016. In other words, the stimuli driving growth in the Spanish economy, which are behind the growth in enrolment in recent months, remain active and continue to exercise a positive impact on the different labour market variables in the new year.

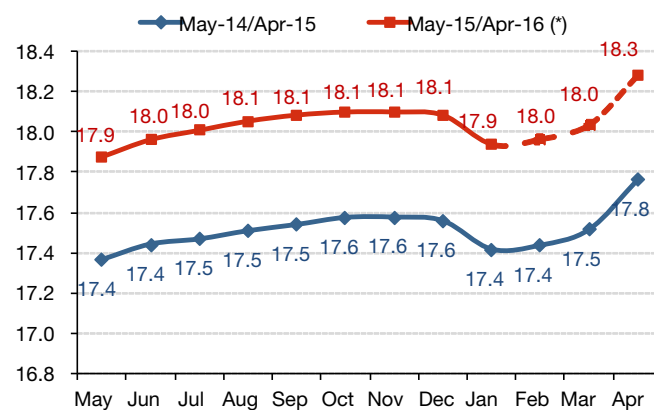
These stimuli, together with the fact that Easter week falls wholly in the first quarter, and assuming that the current political uncertainty dissipates, could maintain the rate of job creation. The Afi-ASEMPLEO SLM Indicator points precisely in this direction, forecasting the YoY growth in employment to remain stable at around 3%. Everything suggests that it will be from April onwards when the slight deceleration in employment growth starts to be perceptible. Nevertheless, employment growth will remain robust, as it is forecast to decline by only 0.1 pp to 2.9%.

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



Source: Afi. (*) Feb 2016-Apr 2016 figures are forecasts

SLM monthly forecast of workers in employment
(millions)



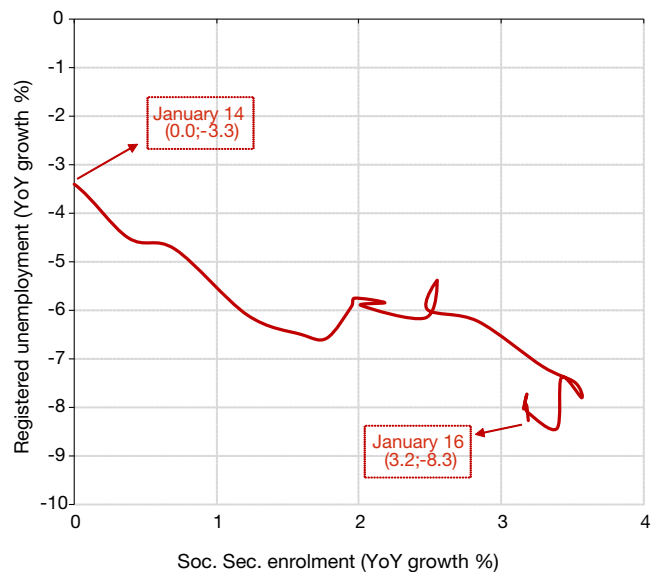
Source: Afi. (*) Feb 2016-Apr 2016 figures are forecasts

In January, Social Security enrolment behaved as expected, with a fall of 204,000 over the previous month. The YoY growth rate remains at 3.19% indicating a continuation of the trend seen in recent months. Adjusting for the unfavourable seasonal effect in January, the monthly variation was positive, with a rise of 24,600, slightly better than the same month of 2015.

Registered unemployment rose by 57,200, a much smaller increase than a year ago, and even less than seen in growth years (between 2002 and 2007, for example, the January rise averaged around 64,000 over December). The YoY growth actually accelerated (to 8.3%). This restrained increase may reflect a continuation of the fall in the labour force seen in recent months.

Recruitment maintained its YoY growth with a rise of 2.1%, but has left behind the double-digit growth of previous months. The highest growth occurred in permanent and full-time jobs.

Afi-ASEMPLEO SLM 'clock' 2014-2016



Source: Ministry of Employment and Social Security

The assessment of ASEMPELO

The challenge of making the market efficient

It is not necessary to be an alarmist: the figures speak for themselves and the task is simply enormous. A more or less optimal resolution of the unemployment problem would, of course, affect the sustainability of the pension system, tax revenues, consumption, the dissatisfaction and unease of large sections of the population, and, above all, the cohesion of our society.

Moreover, it should be borne in mind that 56.7% of employed workers are in occupations different to those for which they are qualified. Of these, 52.8% are over-qualified for the position they hold (especially those under 30) and 3.9% are under-qualified. If we think about it, these facts alone indicate a very serious disease in our labour market. This accounts for the brain drain and the discouragement effect, which have expanded in recent years. In particular, the labour force declined by over 153,000 in the past year.

It is not just a question of matching supply and demand, i.e. the needs of companies and the expectations of those who are working or seeking to join the labour market. It is necessary to provide solutions that facilitate access to that market, as broadly and quickly as possible, for those workers who are in a position to do so, with the involvement of public and private sector services and with cooperation between them. In the light of the foregoing, we repeat the need to improve this relationship and intermediation in the labour market.

Andreu Cruañas. President of Asempleo

The highlight of Afi

Struggling with the quality of employment

For some time now, we have been in need of a working definition for what we commonly call "quality of employment", i.e. an approach that is both conceptual and quantitative, as rigorous and objective as possible, that will allow us to determine whether the quality of employment is good or bad, whether it is increasing or diminishing, to design sound policies that help to increase it, to assign adequate resources to it and to be able to assess the effectiveness and efficiency of those policies and resources. It is hardly necessary to say that one way to begin to work towards a definition is to evaluate workers' satisfaction with their jobs, but we would also have to evaluate employer's satisfaction with the way those jobs are being carried out. We know very little about this. It is also important to know whether those temporary and part-time jobs that we conventionally define as low-quality have been voluntarily accepted by the workers and offered by the employers, or whether, on the contrary, the workers have been obliged to take them to avoid unemployment. We do know that 60% of part-time workers would rather work full-time and that 90% of temporary workers would prefer permanent jobs. These data alone tell us convincingly that a significant part of employment in Spain is not of good quality, but does that mean that all employment is of bad quality, even that which is created every month, quarter or year? It does not mean that, but neither could we provide a sensible answer to that question, for the simple reason that we have not yet bothered to measure quality of employment, though not for any lack of good reasons to do so.

José Antonio Herce, Associate Director, Afi

The Specialized Labour Market Review

Issue No. 103 | February 2016

The unemployment rate ended 2015 below 21%

Job creation slowed in 4Q15, with an increase of 45,500. Although there are positive aspects, such as the increase in permanent workers, in those who have completed higher education and those who work part-time voluntarily, there are also negative ones, such as the return to job creation in relatively unproductive sectors, the fall in employment of under 35s and the increase in public sector employment in regional authorities.

Job creation slowed in 4Q15, with an increase of 45,500...

The 4Q15 EPA (labour force survey) confirms the slowdown in job creation to which we have referred in previous issues. Employment rose by 45,500, 30% less than in the same period the previous year. Nevertheless, YoY growth rate remains very significant at 3.0%, considering that the economy is growing at practically the same rate (3.5% YoY in 4Q15, according to the INE).

The characteristics of the newly employed reveal positive and negative points of recent labour market trends, which are worth emphasising. Among the former, the following are worthy of note:

Although there are positive aspects, such as the increase in permanent workers...

- There was a strong increase in wage workers with permanent contracts (up 103,400 in the quarter). The majority of these new workers are women working full-time, meaning that job creation is becoming more inclusive than up to now with regard to gender.

... in those who have completed higher education

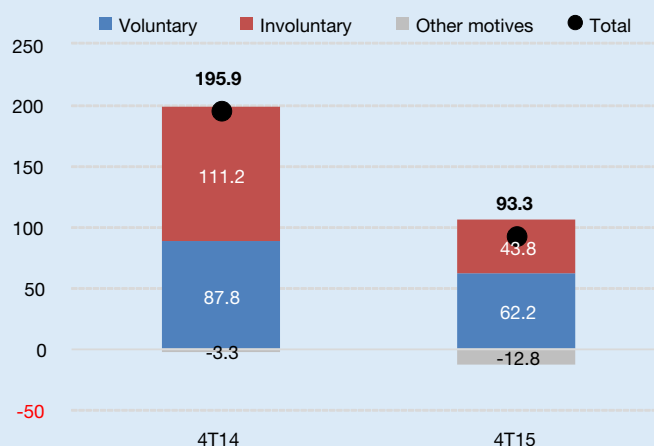
- There was also growth in employment among who have completed higher education (up 125,700), while those with lower levels declined (down 80,500 on 3Q15). However, it is very likely, given the type of jobs created, that these educated individuals have taken jobs that are not consistent with their education, as discussed in this issue's in-depth analysis.

GDP growth and employment, seasonally adjusted
(YoY change)



Source: INE

Part-time workers by motive
(QoQ change)



Source: INE

... and those who work part-time voluntarily...

... there are also negative ones, such as the return to job creation in relatively unproductive sectors...

... the fall in employment of under 35s...

... and the increase in public sector employment in regional authorities.

The unemployment rate declined to 20.9%, due to a fall in the number of unemployed...

... as the labour force again fell, by 0.67% YoY.

- There was also an increase in those working part-time, in general voluntarily. Close to two thirds of those taking up part-time working do so for personal or family reasons, or even because they do not want to work full-time. Even so, over 60% of those working part-time do so involuntarily, compared to around half at the beginning of the crisis.

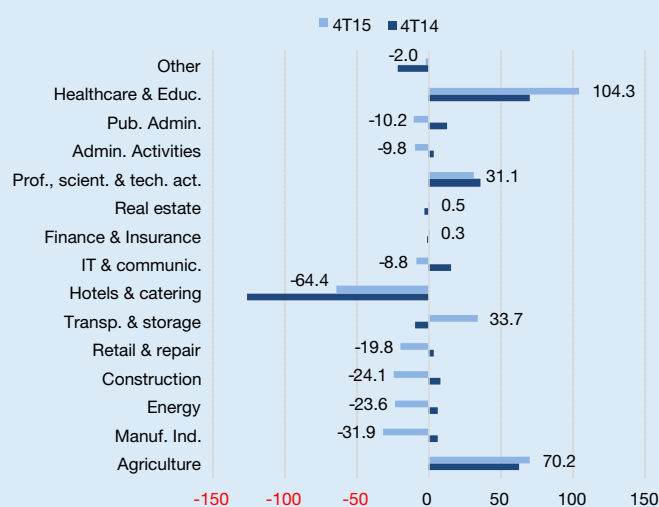
The negative points include the following:

- The rate of growth in employment in manufacturing industry slowed, and its contribution to the YoY growth in total employment was reduced by half; on a quarterly basis, jobs were lost, unlike the previous year. Employment growth in 4Q15 was centred on the primary sector, transport and storage, and education and healthcare. In general, these are sectors with low value added. This interrupts the trend seen since 3Q15 when the job creation baton was taken up by the more productive sectors.
- The number of employed workers under the age of 35 continues to decline, with the consequent negative impact on this group's performance in the labour market. Their unemployment rate stood at 28.7% in 4Q15, nearly eight percentage points above the average.
- Public sector employment again grew over the quarter (up 14,300), especially in the regional governments (up 22,600 on the previous quarter), which could hinder the achievement of the deficit targets.

Unemployment was down 71,300 compared to the previous month, taking the unemployment rate to 20.9%. This was mainly due to a monthly fall of 97,000 in the long-term unemployed, reducing their share of total unemployment to below 60% for the first time in two years.

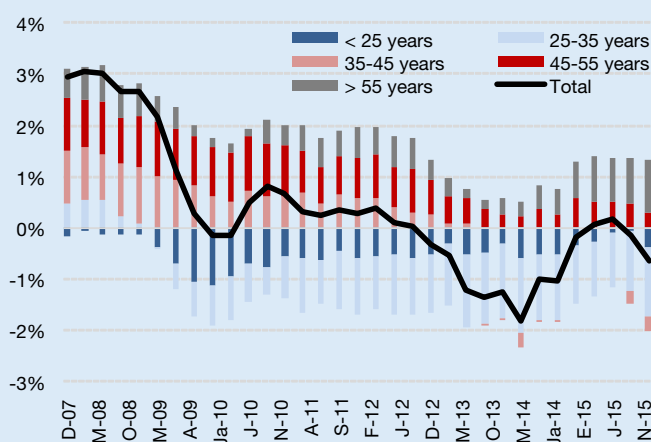
The labour force delivered another disconcerting surprise by falling 0.67% YoY. The under-35 age group declined by 235,900, probably due partly to demographic trends, but also to emigration. The number of discouraged workers remained at 374,000. Unlike the previous quarter, there was no reversal of the 'added worker' phenomenon.

YoY variation in employment by sector (thousands)



Source: INE

Contribution to YoY variation in labour force by age group



Source: INE

The Specialized Labour Market Review

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At least half the jobs created during the recovery have been filled by over-qualified workers

The increase in over-qualified workers is concentrated (i) among older workers, though the situation is more frequent among young workers; (ii) in all types of labour contract, though somewhat more commonly among temporary workers; (iii) in retailing, repairs and hotels & catering; and (iv) in regions where the number in employment has increased the most.

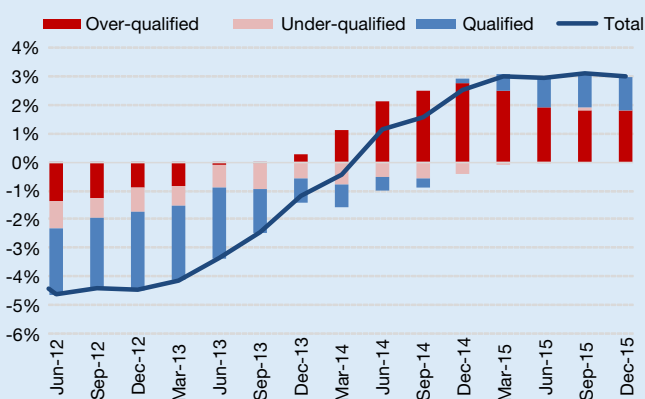
Two years into the economic recovery, employment has grown by an annual average of 727,000 between 2013 and 2015. For every percentage point of GDP growth, the Spanish economy has managed to increase employment in practically the same proportion.

However, at this time, even though there is still a long way to go to return to pre-crisis employment levels, it is worth putting the emphasis less on the number of jobs created and more on the quality thereof. As this term admits many and varied generalisations, in this issue of the SLM Monitor we shall attempt to analyse one of them, related to the over-qualification of workers, as this affects both their level of job satisfaction and their performance in the company.

At least half the jobs created during the recovery have been filled by over-qualified workers...

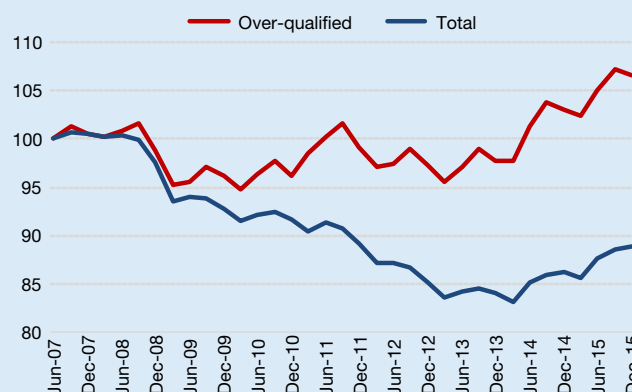
At least half the jobs created during the recovery have been filled by over-qualified workers or, in other words, they have taken jobs that require a lower level of education than they have completed. The average number of over-qualified workers in 2015 was more than 9.5 million, over half the number in employment (specifically 52.8%) and more than existed at the start of the crisis, having risen by 6.5% since mid-2007.

Contribution to YoY variation in employment according to fit between education and occupation



Source: INE

Total employment and over-qualified workers (2Q07 = 100)



Source: INE

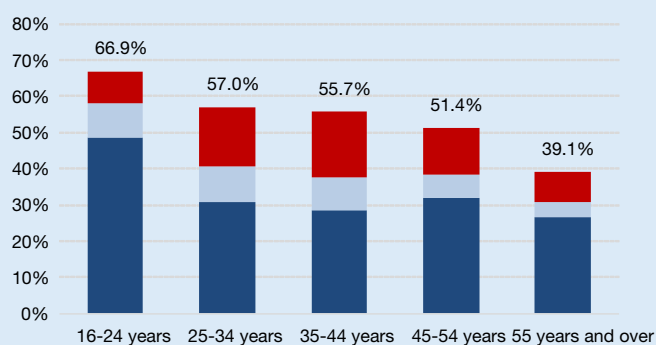
... older workers, though the situation is more frequent among young workers...

By age group, growth in over-qualified workers has been strongest among the 16-24 cohort and, especially, among the over 45s. Nevertheless, the situation is more frequent among the former. Thus, for example, two out of three workers in the 16-24 age group were over-qualified in 2015, compared to less than a third of the over 55s. The most common case is that of workers who have completed a medium level of education (basically lower secondary) and are in jobs of a basic nature (generally in catering and retailing), as this type of mismatch is more frequent among the young than the old (they accounted for 48.5% and 26.7% respectively of the employed in these age groups in 2015). One of the factors accounting for the behaviour of the former may be their difficulty in accessing the labour market, usually evidenced by their unemployment rate (an average of 48.3% in 2015).

... in all types of labour contract, though somewhat more commonly among temporary workers...

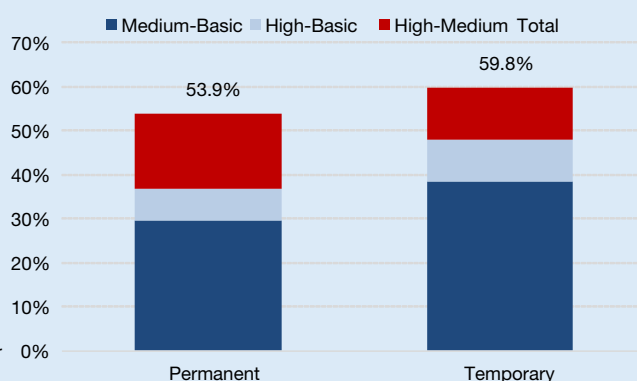
By type of contract, the number of over-qualified wage workers has risen both among those with permanent jobs and those employed on a temporary basis; among the self-employed, under-qualification is more frequent. While the proportion of over-qualified workers is higher among temporary workers than those with permanent jobs (59.8% and 53.9% of the total in 2015), the difference is not so great, at only 6 percentage points. Meanwhile, it is worth noting that the breakdown by educational level and occupational level shows that this mismatch in the labour market, where over-qualification is more prevalent, is less pronounced among temporary wage workers who have completed some level of higher education and are doing medium-level jobs, than among those with permanent contracts.

Over-qualified workers by age group (% total employment) in 2015 (annual average)



Source: INE

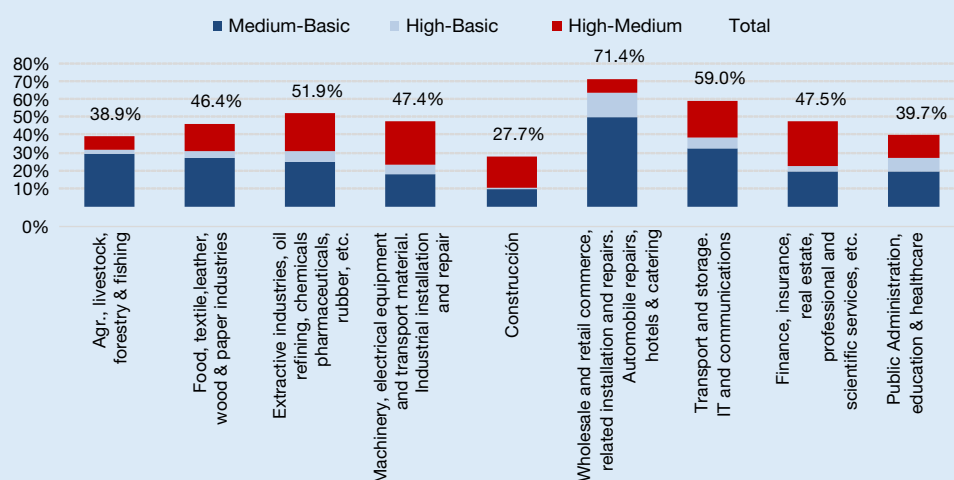
Over-qualified workers by type of contract (% total employment) in 2015 (annual average)



Source: INE

... in retailing, repairs and hotels & catering...

By sector, the increase of over-qualified workers as a share of the total has been greater among workers in the primary sector and extractive industries, having risen from 34.3% and 48.2% in 2013 to 38.9% and 51.9% in 2015, respectively. In absolute terms, however, the increase has been concentrated in retailing, repairs and hotels & catering (37.3% of the increase). The latter sector also had the highest proportion of over-qualified workers in 2015: almost three out of four workers are over-qualified, because they have completed a medium level of education while the type of work they are doing is of a basic nature.

Over-qualified workers by sector (% total employment) in 2015 (annual average)

Source: INE

... and in regions where the number in employment has increased the most

By regions, there is a certain relationship between the increase in over-qualified workers and the total increase in employment recorded over the past two years, which shows that the fit, in terms of education and occupation, has been less than ideal. The regions with most over-qualified workers as a percentage of total employment are the Basque Country and Cantabria, with both exceeding 58% in 2015. These levels contrast, for example, with the Madrid Region, where the percentage of over-qualified workers is some 10 pp less. The difference between these two extremes is generally found in workers with higher education who are doing medium-level jobs. As noted above, this is probably one of the most worrying imbalances from the point of view of the labour market regulator, as it implies an under-utilisation of human resources which, a priori, should among the most productive and, hence, best remunerated if they did the work for which they have been trained.

