

Spanish Labour Market Monitor

Presentation

After the EPA labour force survey ended 2013 with an annual decline in employment of 198,900 and an average annual unemployment rate of 26.4%, the January figures, before seasonal adjustment, record the fifth consecutive increase in Social Security enrolment and the first decline in registered unemployment in a month of January since the beginning of the crisis. In this context, the Afi-ASEMPLEO Spanish Labour Market Monitor puts the emphasis on workers aged 55 and over, the group that has seen the biggest increase in unemployment since the beginning of the crisis, that which has remained longest in this situation and the one which receives the least training to increase their chances of finding a job. If this situation is not reversed, it will have a negative impact on the public pension that they will receive on retirement.

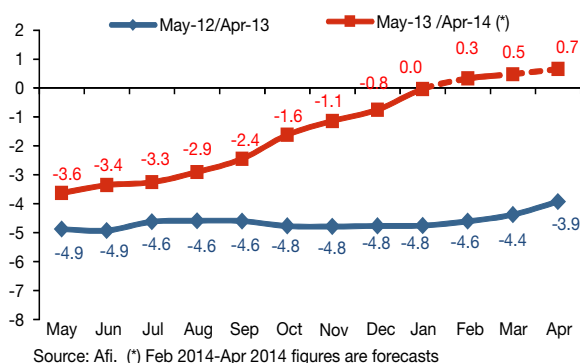
Key Points

- In January, registered unemployment, after seasonal adjustment, declined by 3,800 and Social Security enrolment increased by 35,500, the first time this has happened since the onset of the crisis.
- Moreover, for the first time since mid-2008, enrolment stands at the same level as a year ago. The Afi-ASEMPLEO SLM Indicator sees employment continuing to rise until April, with YoY growth rates of close to 0.7%.
- The EPA labour force survey has confirmed the indicator's forecast. Employment fell by 65,000 during the quarter and the unemployment rate ended the year at 26.03%.
- The decline in employment affected both wage workers and the self-employed (down 10,400 and 51,600 respectively), but part-time permanent employment increased (by close to 100,000).
- Some 300,000 of the unemployed took up self-employment (5.1% of the total unemployed at the beginning of the year and 10.1% of the total self-employed at end-year).
- Young Spanish workers and those with low educational levels are giving up the search for work, while the "discouragement" effect is spreading, especially among the over 55s.
- Among Spanish households, families continue to regroup, while those which have no active member in employment and those not receiving any type of income are increasing in number.
- The unemployed aged 55 years and over form the group which has grown most since the beginning of the crisis (they have multiplied by 4.5 times since 2Q07) and are also those who spend longest in unemployment (in 4Q13, 70.7% had been in this situation for more than a year).
- This long-term unemployment among the unemployed aged 55 years and over reduces their public retirement pension, even when they are eligible for benefit (corresponding to 80% of the IPREM [reference wage index]).
- The regions with high rates of unemployment among the population as a whole are also those where there is more unemployment among those aged 55 years and over.
- The regions where the unemployed aged 55 years and over receive least training are also those with the highest unemployment rates and the highest proportions of long-term unemployed.

Afi-ASEMPLEO SLM Indicator

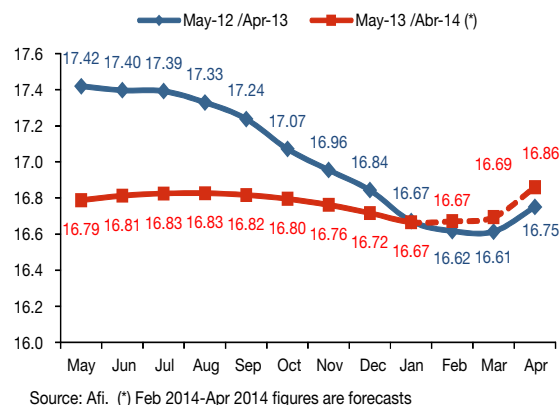
For the first time since mid-2008, the number of Social Security enrolments in January is at the level of a year ago. The behaviour of the labour force in the month was consistent with the forecasts of the Afi-ASEMPLEO SLM Indicator. If demand continues to grow, even moderately, enrolment should register sustained progress over the coming months at YoY rates that rise towards 1% (0.7% in April 2014).

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



Although the improvement in YoY rates indicated by the forecasts would be at a slower pace than was observed between August and December 2013, in April this year the enrolment equivalent to EPA employment could recover the levels seen at the end of 2012, reaching 16.86 million (up 0.7% YoY).

SLM monthly forecast of workers in employment (millions)



Job creation is forecast to accelerate in the first months of the year. Together, the trend in YoY rates and the absolute figures published month by month represent a momentum which, if maintained, would lead to the levels of employment of the preceding period being gradually recovered. In particular, to recover the level of enrolment equivalent to the EPA employment seen in mid-2012, the YoY rate in June-July, it should be over 3%, well above the growth expected in the coming months.

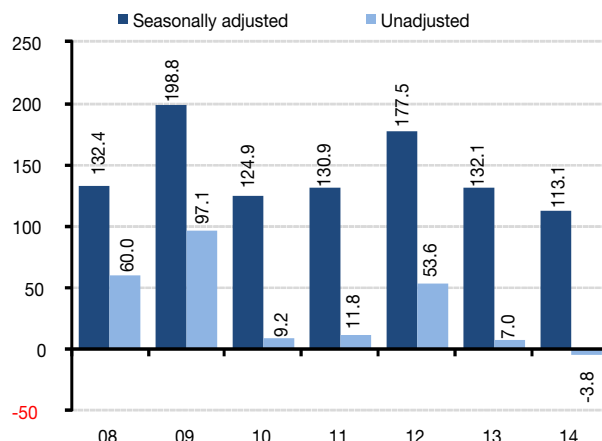
"In January, registered unemployment, after seasonal adjustment, declined by 3,800 and Social Security enrolment increased by 35,500, the first time this has happened since the onset of the crisis".

The January labour market data maintain the trend toward the stabilization of the Spanish labour market.

The number of registered unemployed, although up 113,097 compared to the previous month, bringing the aggregate to 4.8 million, recorded the lowest monthly increase since the beginning of the crisis. On the other hand, **adjusting for seasonal effects** (the month of January is characterized by the loss of jobs generated by the Christmas season), **registered unemployment fell by 3,800**. Though modest, **this is the first monthly decline in a month of January since the beginning of the crisis**. Finally, if the data are analysed from a YoY perspective, unemployment has fallen by 166,353 (about 150,000 in seasonally adjusted terms).

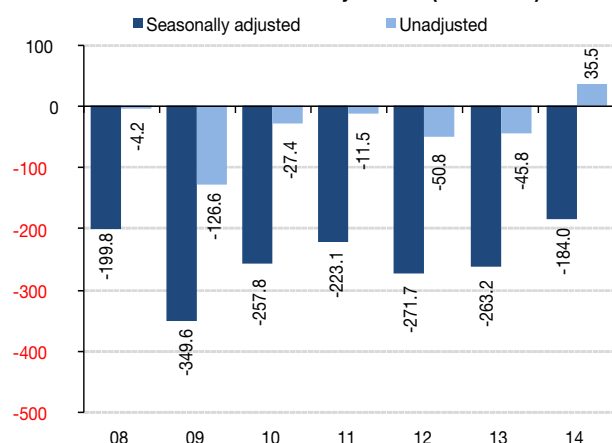
In terms of sectors, the only one in which the number of unemployed has fallen is construction (3,486 in the month) although, adjusting for seasonal effects, all except the 'previously unemployed' saw falls in unemployment.

Monthly change in unemployment with and without seasonal adjustment (thousands)



Source: Ministry of Employment and Social Security

Monthly change in enrolment with and without seasonal adjustment (thousands)



Source: Ministry of Employment and Social Security

Something very similar occurred with Social Security enrolment. Although it was down 184,030, this was the smallest decrease in a month of January since the beginning of the crisis. Moreover, **after seasonal adjustment, the series recorded a monthly increase (35,500) for the fifth consecutive month and the YoY rate is close to leaving behind negative territory** (down only 0.04%), where it has spent more than six years since the beginning of the crisis.

In relation to the same month of the previous year, agriculture and services are the sectors leading the rise in Social Security enrolment (0.29% and 0.79% YoY respectively). In the latter case, there were notable increases in hotels & catering and education, both in absolute (23,455 and 37,129 respectively), and relative terms (2.71% and 5.36% YoY). Public administration surprised by contributing almost 15,000 enrolments to the system in the year (1.52%).

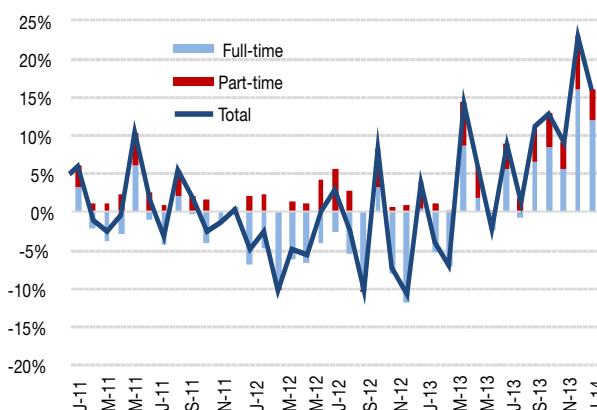
"Recruitment again increased compared with the same month the previous year, thanks to the increase in temporary hiring".

Recruitment again increased compared with the same month the previous year (14.3% YoY), thanks to the increase in temporary hiring (15.9% YoY), permanent hiring being down 2.2% YoY.

In the first case, there were increases in both full-time (17.5% YoY) and part-time hiring (12.4% YoY), although the contribution of the former to the growth of the aggregate was much more significant than that of the latter.

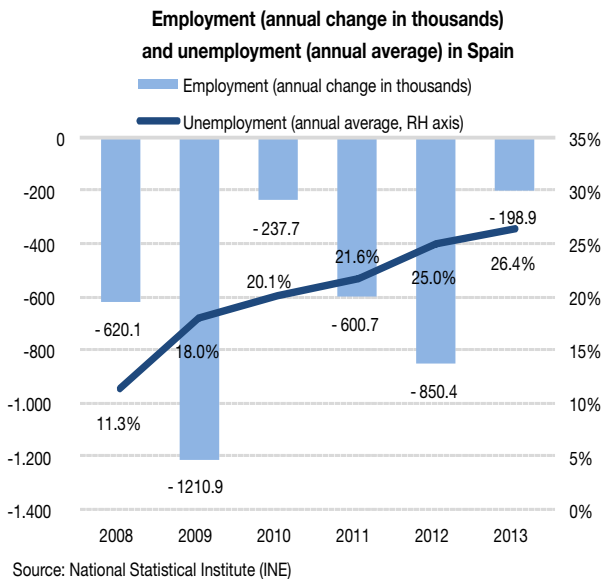
In the case of permanent contracts, the fall is wholly due to part-time workers (down 6.21% YoY), because full-time permanent hiring increased by a meagre 0.5% YoY. Permanent seasonal contracts and conversions of temporary contracts to permanent also declined (by 6.4% and 2.5% YoY respectively).

Contribution to YoY change in temporary recruitment by length of working day



Source: Ministry of Employment and Social Security

"The year 2013 ended with falls of 198,900 in employment and 69,100 in unemployment, but the unemployment rate rose to 26.4% due to the sharp fall in the labour force"

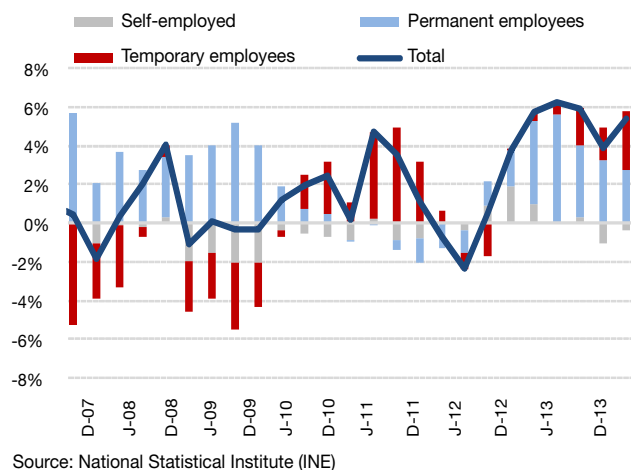


The EPA labour force survey has confirmed the indicator's forecast. **The quarterly fall in employment was 65,000**, making it the smallest fourth quarter decline in the crisis to date. The most positive note is undoubtedly that the seasonally adjusted data show the first quarterly increase since the beginning of 2008 (0.29%).

The year 2013 closed with an unemployment rate of 26.03% (slightly less than 5.9 million), despite a reduction in the number of unemployed, both in quarterly (8,400) and annual terms (69,000, the first decline since the beginning of the crisis). The larger fall in the labour force, as detailed below, accounts for this behaviour.

With regard to the fall in employment, agriculture, trade and transport, manufacturing industry and healthcare helped to contain the fall.

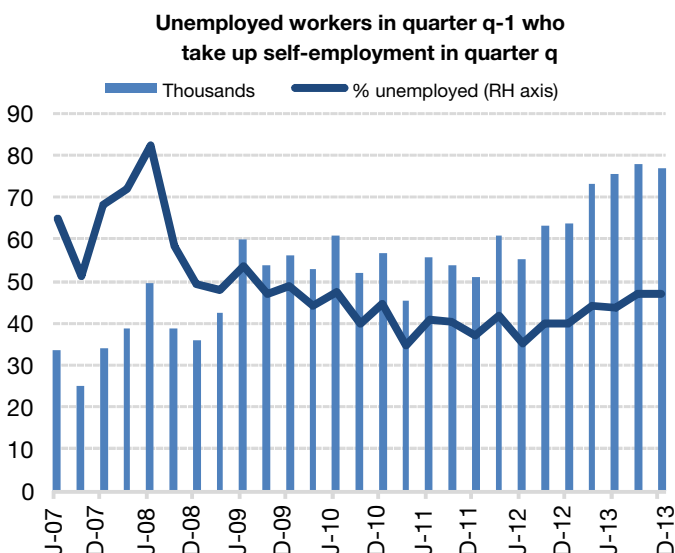
Contribution to YoY change in part-time employment by status and type of contract



The numbers of both wage workers and self-employed declined in 4Q13 (10,400 and 51,600 respectively). With regard to the former, it is noteworthy that permanent workers increased (45,600), while temporary employment declined (56,000), especially as the recruitment registered in the last months of the year reflected quite the contrary.

The fact that part-time work has consolidated itself as an alternative in recent years (part-time jobs already account for 16.34% of the total) is largely responsible for the growth in permanent contracts. Indeed, **the number of part-time workers increased by 153,000 in 4Q13, of which about 100,000 have an permanent contract**. Full-time employment, on the contrary, saw a sharp fall in the last quarter of the year (down 218,000).

"Over 300,000 of the unemployed took up self-employment in 2013, representing some 5% of the total unemployed at the beginning of the year and 10% of the self-employed at end-year".



Another point worth noting is the different behaviour of the self-employed reported by different sources. While Social Security enrolment in the scheme for self-employed workers shows an increase of 17,090 in 4Q13 (and 28,815 in the whole of the year), the EPA labour force survey, as noted above, points to a decline of 51,600 (9,000 in the whole of 2013).

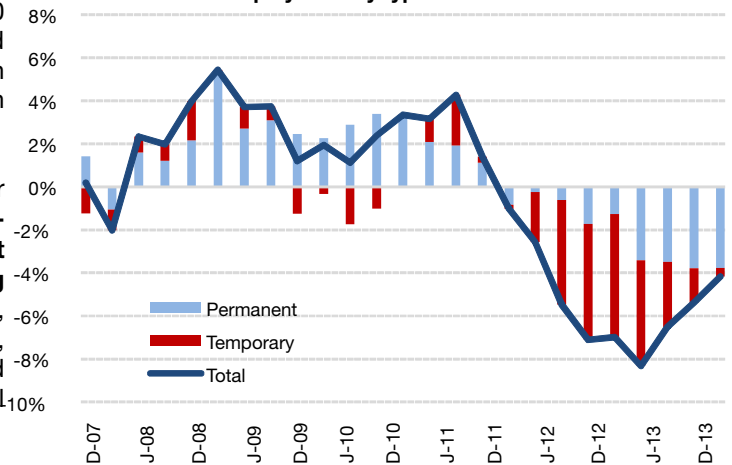
It should also be noted that the emergence of self-employed workers from the ranks of the unemployed, although increasing (in 4Q13, 77,000 unemployed opted for this form of employment, representing 1.3% of the total number of unemployed in the previous quarter), it is not without risks. In the whole of 2013, slightly more than 300,000 unemployed took up self-employment, representing some 5.1% of the total unemployed at the beginning of the year and 10.1% of the EPA self-employed at end-year.

"Young Spanish workers and those with low educational levels are giving up the search for work, while the "discouragement" effect is spreading, especially, among the over 55s"

Salaried workers in both the private and public sectors declined during the quarter (by 30,200 and 34,800 respectively). The fall in public employees is less marked than at the end of 2012, in line with a less demanding path of fiscal adjustment and a less pronounced reduction in current public spending.

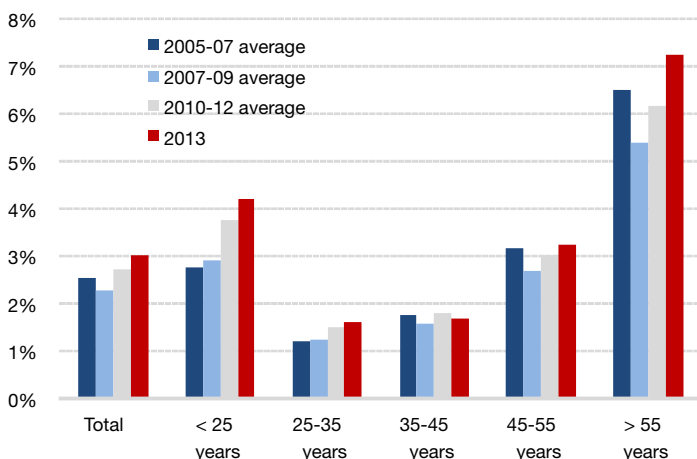
The central and regional administrations account for practically all the decline in public employees. **The non-replacement of some civil servants has meant that 90% of the annual reduction has been among permanent employees.** By type of employment, workers in personal and protection services, administration and accounting, and technical and professional staff represent more than 85% of the total reduction in 2013.

Contribution to YoY change in public sector employment by type of contract



Source: National Statistical Institute (INE)

Potential labour force in Spain by age group (% adjusted labour force)



Source: National Statistical Institute (INE)

The Afi-ASEMPLEO SLM Indicator's forecast on the behaviour of the labour force has proved accurate, with a 1.2% YoY fall (73,400 less than in 3Q13). **The reduction in the labour force affects young workers** (under 30 years of age), **those of Spanish nationality and those with low educational levels** (most have only completed primary education).

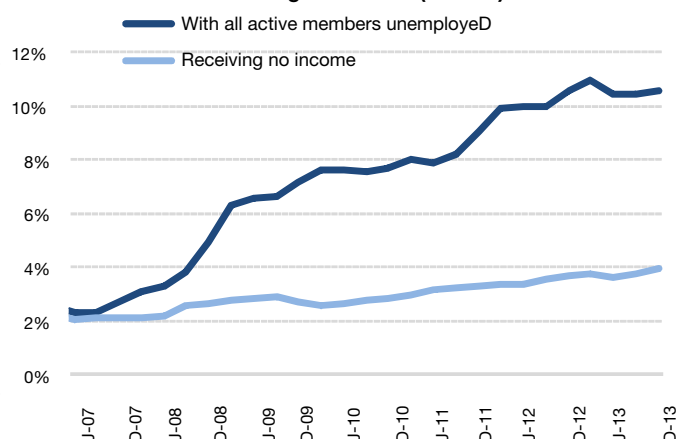
On the other hand, it can also be seen that **the "discouragement" effect is spreading among older workers.** The potential labour force (i.e. unemployed but not seeking to work) over 55 years of age (which includes discouraged workers) represents more than 7% of the total of those of this age who are willing to work, compared with the national average of 3%. Although this group does not suffer such a high unemployment rate as the young (19.2% in 4Q13, versus 55.1% for under 25s), it does have great difficulties in finding a job (see below).

"Among Spanish households, families continue to regroup, while those which have no active member in employment and those not receiving any type of income are increasing in number".

The number of households increased slightly in 4Q13 (by 12,226), interrupting the downward trend observed in recent quarters. However, the decline continues among those households in which the head of the family is young, has low academic qualifications, is single or has worked in sectors of activity with reduced employment-generating capacity, such as construction. **The regrouping of families is also apparent in the fact that the only households which increased in 4Q13 are those with four members** (up 39,700).

In any case, the persistence of the crisis makes their economic and financial conditions difficult, since **the number of households with all active members in unemployment continues to rise** (up 21,700), as do those who do not receive any type of income (up 35,400). Relative to the total of households, the former already represent 10.5% of households and the number of the latter 3.9%.

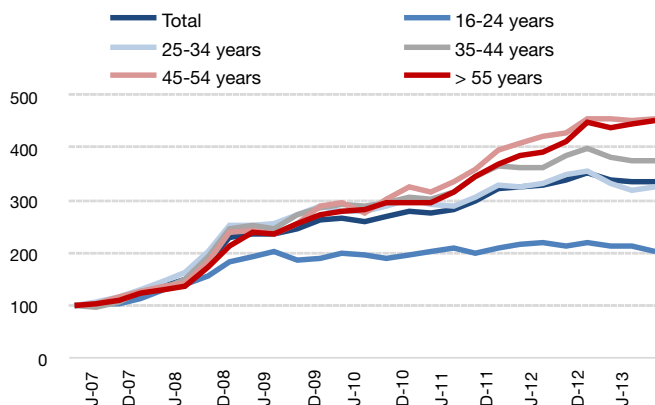
Households with all active members unemployed and receiving no income (% total)



Source: National Statistical Institute (INE)

"The unemployed aged 55 years and over form the group which has grown most since the beginning of the crisis (they have multiplied by 4.5 times since 2Q07) and are also those who spend longest in unemployment (in 4Q13, 70.7% had been in this situation for more than a year)".

Unemployment by age group (2Q07=100)



Source: National Statistical Institute (INE)

Their low probability of finding a job (8.4% in 4Q13) is related to the personal characteristics of these unemployed. **Most are men, of Spanish nationality and with medium levels of education, who have worked in construction and associated sectors.**

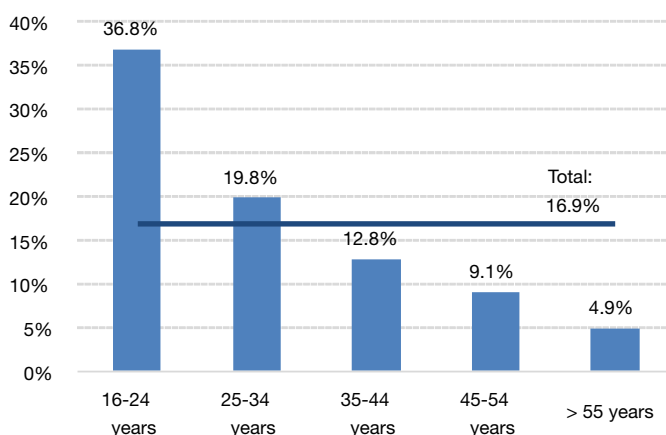
Despite the extensive experience gained in their long working lives, the low proportion of unemployed of 55 years or more who are undertaking some type of training (officially recognised or not) is another factor behind their low probability of re-entering the labour market. **In 2013, only 4.9% took a training course**, compared with one of every three under 25s who was receiving the training needed to be more successful in the search for work.

The fact of spending lengthy periods of unemployment shortly before retirement has a negative effect on the amount of the public pension that these workers will receive when they retire.

The European authorities continually issue warnings about the high levels of unemployment in Spain, especially among the young. However, there is another group that often goes unnoticed, the over 55s which, although it does not have a high unemployment rate (in fact, has the lowest of any age group), is one of the most vulnerable because of the negative consequences that can result from an extended period of unemployment.

Before mentioning them, it is necessary assess the size of the problem and to identify the profile of the unemployed in this age group. **At the end of 2013, there were 584,700 unemployed of 55 years or more, 4.5 times more than in 2Q07, the largest increase of any age group since the beginning of the crisis** (in the case of the under 25s, for example, unemployment has doubled) **and the one most affected by long-term unemployment** (in 4Q13, 75.8% had been in this situation for more than a year, the highest percentage of all the groups analysed).

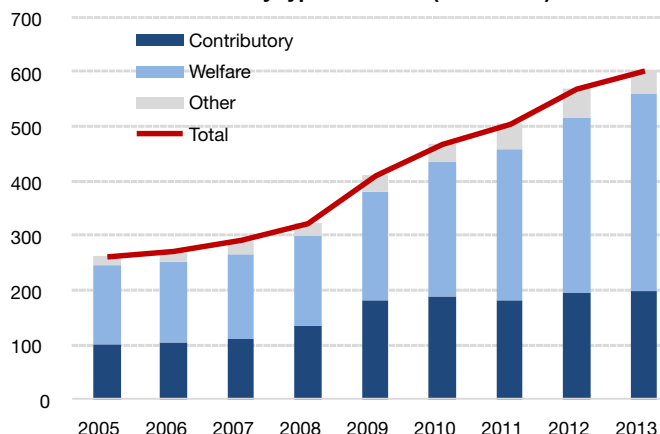
Unemployed taking courses officially recognised or not, by age group (% total) in 2013 (annual average)



Source: National Statistical Institute (INE)

"This long-term unemployment among the unemployed aged 55 years and over reduces their public retirement pension, even if they are eligible for benefit (corresponding to 80% of the IPREM [reference wage index])".

Recipients of 55 years or more of unemployment benefits by type of benefit (thousands)



Source: Ministry of Employment and Social Security

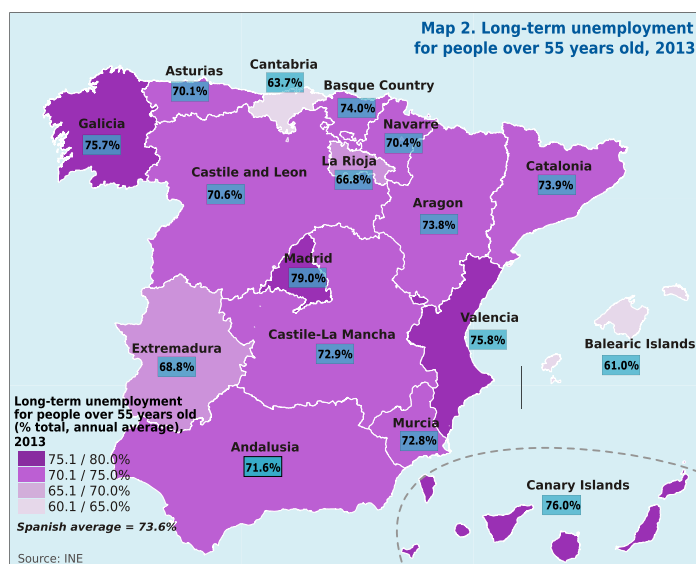
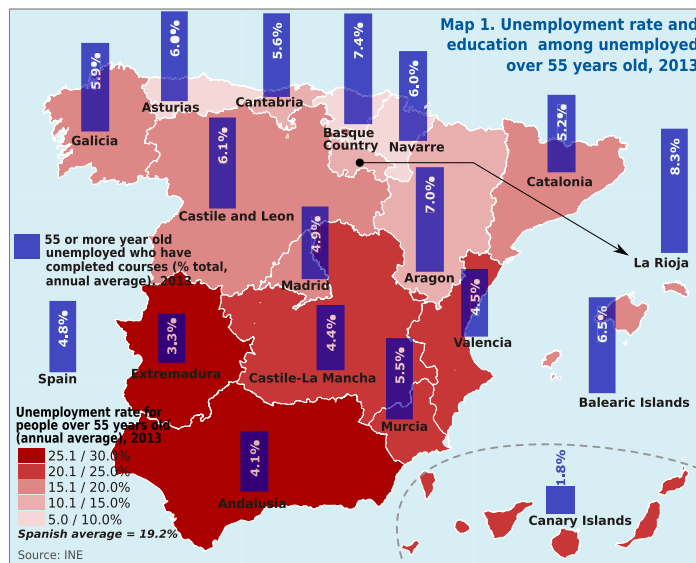
The calculation of the public retirement pension in 2014 takes into account the worker's income in the last 17 years of contributions (with the reform of the public pension system, which came into force on 1st January 2013, the period will be extended to 25 years by 2022). If the worker loses his job in these years, it is more than likely that his income will be reduced and, therefore, so will the amount of the public retirement pension that he/she receives.

In order to mitigate this negative effect, the Social Security sets a unemployment benefit (welfare benefit) for the over 55s, whose gross amount is equal to 80% of the IPREM (slightly more than €400/month). **In 2013, virtually all of these workers received some form of benefit, of which 60% were welfare benefits.**

"The regions where the unemployed aged 55 years and over receive least training are also those with the highest unemployment rates and the highest proportions of long-term unemployed".

It is useful to know the geographical distribution of the unemployed in 55 years or more in Spain, which depends both on the demographic structure and on their willingness to work (their activity rate, 22.5% in 2013, is the lowest of any age group) and on the implementation of early retirements as a result of the crisis in each region, because it marks the starting point for the design of active employment policies designed to achieve the necessary reintegration of these workers in the labour market. In this respect, **the regions with high overall unemployment rates are also those where unemployment is highest among those aged 55 years and over.** In Andalusia and Extremadura, the latter rate exceeded 25% in 2013, while the national average stood at 19.2%. At the other extreme are the regions of northern Spain. The Basque Country, Navarre and Asturias have unemployment rates among those aged 55 years and over of less than 10%.

As noted above, another of the problems of this group is that, although its unemployment rate is, in general, lower than the regional average or that of the under 25s, the proportion of long-term unemployed is the highest of any age group. Madrid is the region with the highest proportion of long-term unemployed (about 80% have been in this situation more than a year, compared with the national average of 73.6%). The longer a worker is unemployed, the lower the probability of his finding a job, basically because he loses touch with the labour market and even loses his skills. This also depends very much on whether the unemployed worker receives ongoing training to renew his skills and to try to reverse this situation. It is apparent that, **in the regions where few of the unemployed are taking courses to rejoin the labour market, the unemployment rate and long-term unemployment are higher.** In this case, the Canary Islands is the region where fewest unemployed of 55 years or more are being trained during this period and where the unemployment rate is one of the highest, as is the percentage of long-term unemployed (76% in 2013).



THE MONTHLY FOCUS

55 +

The unemployed of 55 years and over constitute a labour group that should cause constant concern. Though its unemployment rate is significantly lower than the average, the vast majority of the nearly six hundred thousand workers who make it up have lost jobs that will not return, they have been unemployed for more than a year, lack education beyond secondary level and are not receiving training in their current situation. Fortunately, the financial coverage of this collective is very broad, given the unemployment benefits available to the over 55s, but the amounts are very limited. The activity rate of this group is ridiculously low, as it barely exceeds 20% and is not rising. Precisely now, when the retirement age is being raised and the income of the last years of contribution are crucial for the computation of the corresponding pension. It is evident that the conventional labour market in this country will not absorb them easily. We need to propose solutions which are radical and imaginative, for this group and for the other workers of the same age who still keep their jobs.

José Antonio Herce. Associate Director, AFI