

# Labour Market Monitor

Issue No. 99 | October 2015

## Key points of the month

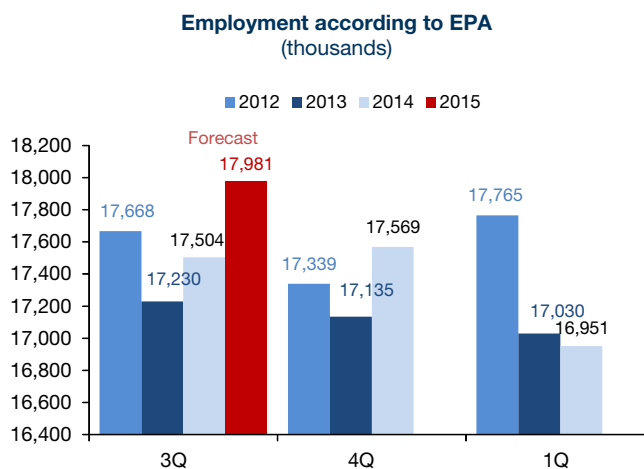
- 8,916 workers enrolled in the Social Security in September, keeping the YoY growth close to 3.2%.
- The Afi-ASEMPLEO SLM Indicator points to an increase of 114,800 in EPA employment in 3Q15 and a fall of 0.7 percentage points in the unemployment rate to 21.7%.
- The growth in employment will decelerate gently in 4Q15, according to the Afi-ASEMPLEO SLM Indicator, falling to around 2.5%.

## Employment rose by 114,800 in 3Q15 and the unemployment rate fell to 21.7%

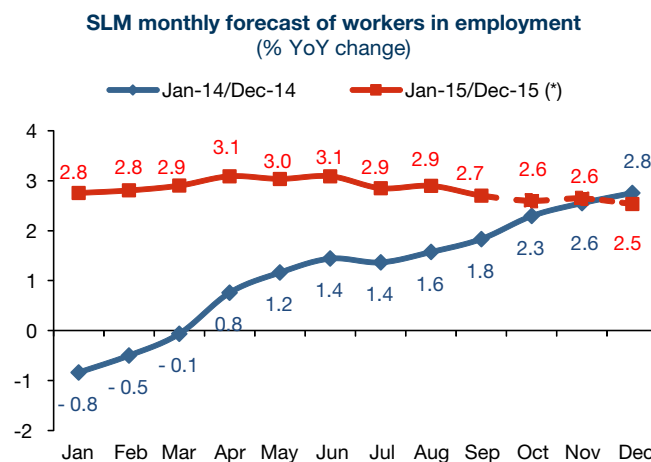
September's employment figures reflect the continuing creation of jobs in the Spanish economy, maintaining the YoY growth rates of the previous month. With a rise of 8,916 in enrolment in the month, the economy maintained a YoY rate of job creation similar to that of August. The figure is somewhat higher than predicted by the Afi-ASEMPLEO SLM Indicator (a fall of 4,970 during the month).

The estimate for EPA employment in 3Q15 is for an increase of 114,800 over 2Q15, a slightly smaller rise than in the same quarter last year (151,000). Thus, the unemployment rate would fall by 0.7 percentage points with regard to 2Q15, to 21.7%. Like employment, the labour force has also been growing in recent quarters, as the improvement in the economic situation seems to be encouraging potential workers to seek employment.

With regard to the fourth quarter, the Afi-ASEMPLEO SLM Indicator puts the YoY rise in employment at 2.6% in October, with the gentle deceleration continuing in the coming months.



Source: EPA (INE) and Afi forecasts



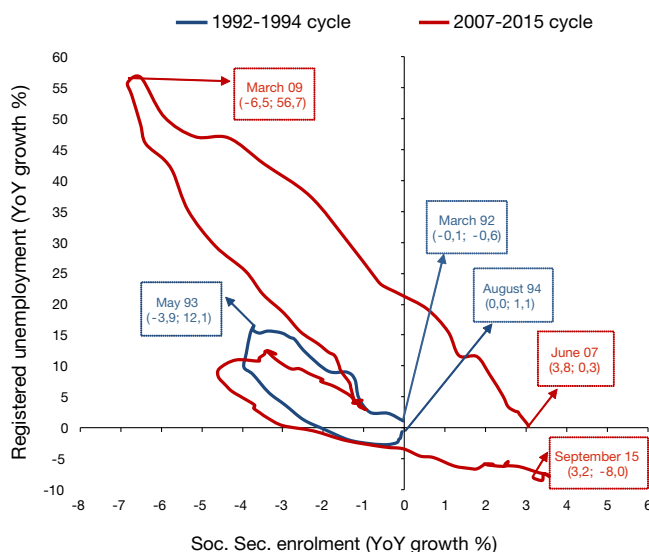
Source: Afi. (\*) Oct 2015-Dec 2015 figures are forecasts

8,916 workers enrolled in the Social Security in September, keeping the YoY growth close to 3.2%. This increase reflects higher employment in education, but also in manufacturing industry, transport & storage and IT & communications. In the first case, the rise is due to the start of the school year, while in other sectors it is consistent with the forward indicators of economic activity (especially those related to the external sector).

Unemployment rose in September, by 26,087, though the YoY figures continue show a decline of 8%. In seasonally-adjusted terms, unemployment was down by some 9,700.

Recruitment continues to grow, with the YoY increase close to double digits at 9.9%, due once again to temporary contracts. Hiring of permanent workers also rose (up 10.4% YoY), boosted by full-time contracts.

Afi-ASEMPLEO SLM 'clock'



Source: Ministry of Employment and Social Security

## La valoración de ASEMPELO

### Sum of all

The recovery in the economy and employment fulfils several aims in the framework of the real immediate needs of Spanish companies. Many groups of workers need to move to other regions and other occupations if they are to be reincorporated into the country's chain of production. The needs of each group vary and it must be the labour market that efficiently achieves the transit to employment for workers who need to update their capabilities to reorient them to the requirements of the market. The labour market must be able to manage the many challenges and opportunities, not forgetting, of course, the difficult task of reducing the number of people who neither work nor study and have no expectation of doing either, whether the reason is discouragement, financial difficulties or voluntary decisions. The labour market, together with the agents specialising in this area, must find the way to open new doors, even those which have been closed since the onset of the crisis, in order to provide new opportunities to this group, on which we cannot turn our backs at a time when it is essential to climb aboard the train of the reviving labour market. Hence, it is necessary to turn to the agents who are most specialised in helping workers to find their first job. The temporary work agencies have years of experience in this and, at times like these, they should be at the forefront of the push to find these groups a place in the labour market.

**Andreu Cruañas**, President of Asempleo

## El destacado de Afi

### Another structural problem?

One of the Spanish labour market's problems, harshly revealed by the crisis, is that of the NEETs. The good news revealed by the second quarter EPA data is that their number has fallen significantly. 608,000 young people found themselves in this situation last June, a fall of 25% since June 2013. The welcome fall in this problematic group takes their number very close to pre-crisis levels. How we would like to have seen such progress in the major labour market indicators, such as unemployment. However, it should not be forgotten that even in such propitious years as 2005 and 2006, the number NEETs stood at half a million which, incidentally, did not arouse interest or concern at the time. We have still not reached that threshold, which will let us know if the reforms undertaken and measures passed to help this group will be sufficient to break through it. However, we should sharpen our analytical tools and grease the intervention mechanisms, so that the progress observed to date is consolidated and we do not have to resign ourselves to living with the unyielding structural phenomenon of half a million 16-24 year-olds who are not in employment, education or training, as we silently did until the crisis awoke us to the problem. It is not sufficient to rely on tourism or to hope that the problem will resolve itself, as is shown by the cases of the Canary Islands and La Rioja.

**José Antonio Herce**, Director Associate, Afi

## There are 55,500 fewer NEETs than a year ago

The number of NEETs fell by 8.4% to 608,100, due to the smaller number of unemployed who are not studying or in training, and to those aged 20-24 with medium levels of education. The improved probability of young people finding work has eased their transition into employment and the reduction of the average age at which they find a paid job. The Balearic Islands is the region where the number of NEETs has fallen furthest.

Over a year ago, in our issue no. 84, we analysed the situation of the NEETs, a group made up of 16-24 year-olds who are unemployed or inactive and are not in education or training. Our interest at that time was to learn more about this group, which was the object of a series of measures approved by the government. Now that the economic recovery is under way, it will be useful to see if they are also benefiting from the creation of employment or if, on the contrary, their number is rising.

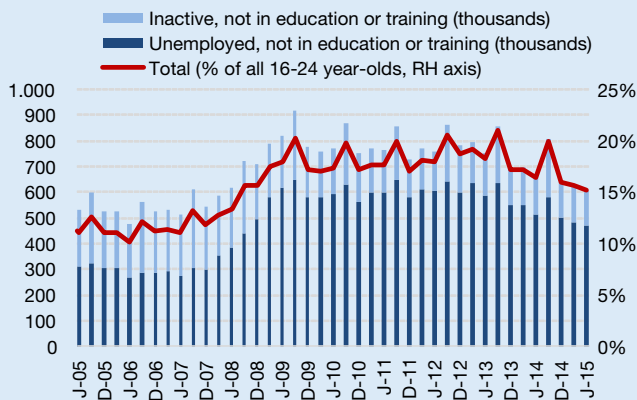
**The number of NEETs fell by 8.4% to 608,100....**

**... due to the smaller number of unemployed who are not studying or in training...**

In 2Q15 (latest available data), Spain had a total of 608,100 16-24 year-olds who were not in employment, education or training. This figure is significant, because it represents 15.2% of the total in this age group, but nevertheless it has fallen by 8.4% in the preceding 12 months (by close to 55,500).

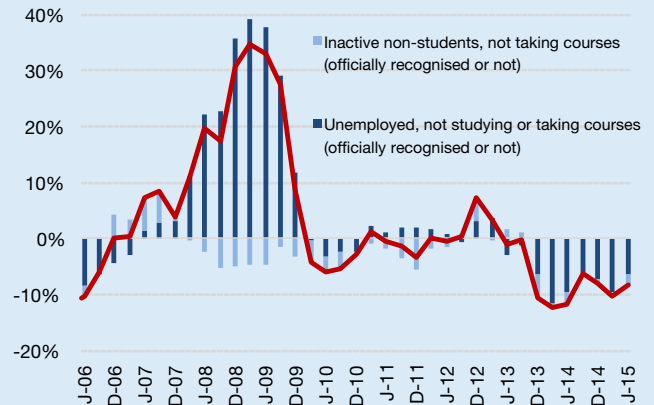
This YoY fall was due to the decline in two components of the group: those who are unemployed and not studying or in training (down 8.2% YoY) and those who are inactive and similarly not in training (down 8.8%). Though the reduction in the former group is smaller, their larger share of the total (around three quarters) means they account for the larger part of the decline in the aggregate.

16-24 year-olds not in employment, education or training



Source: INE

Contribution to YoY change in 16-24 year-olds not in employment, education or training



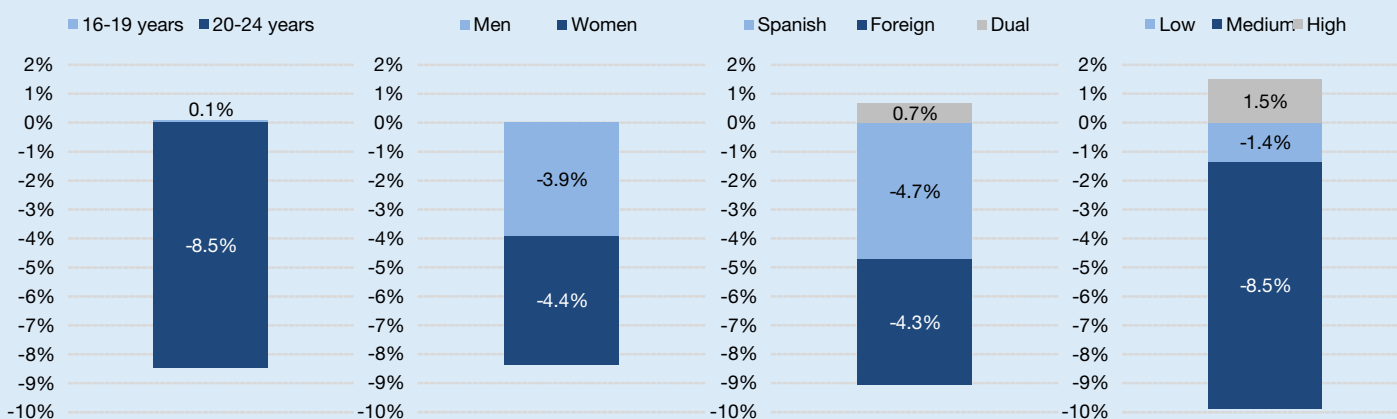
Source: INE

**... and to those aged 20-24 with medium levels of education.**

The number of NEETs in Spain has been falling since the end of 2013, coinciding with the onset of the recovery in economic activity and job creation. Hence, it is not surprising that in the past year the reduction has been concentrated at the older end of the age range and among those with medium educational levels, i.e. the same groups that have most benefited from the recent creation of employment. This is confirmed, not only by the EPA data, but also by the figures for Social Security enrolment and even for hiring.

By gender, the numerical reduction in NEETs has been almost identical, though perhaps slightly greater for women. By nationality, the decline is also similar between Spaniards and foreigners with residence in Spain.

**Contribution to the YoY variation in 16-24 year-olds not in employment, education or training by age(1), gender (2), nationality (3) and educational level(4) in 2Q15**



Source: INE

**Nevertheless, NEETs aged 20-24 of Spanish nationality and medium educational levels continue to predominate.**

Despite these reductions, the distribution of the number of NEETs in 2Q15 remains the same as a year ago, i.e. the predominant groups in 2Q15 are 20-24 year olds (76% of the total), Spanish nationals (also 76%) and those who have completed a medium educational cycle, presumably Obligatory Secondary Education (ESO for its initials in Spanish).

Thus, the key priority is to attend to the professional deficiencies of these groups. Otherwise, as the OECD warned in its recent 2015 Skills Strategy Diagnostic Report, they are destined to spend a long time in this situation and to become the 'lost generation'.

**The improved probability of young people finding work has eased their transition into employment...**

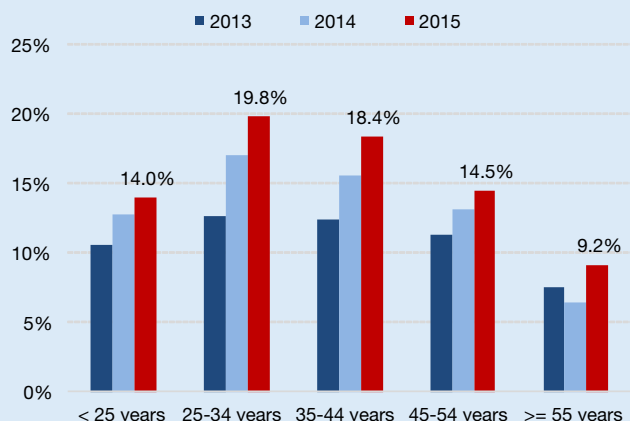
The economic and financial environment has favoured the transition of this group into employment, thus reducing the size of the NEET population in Spain. The probability of an under-25 year-old unemployed worker finding a job has increased to 14.0% in 2Q15, though it is nevertheless true that, compared with other age groups, the increase is one of the smallest.

**... and the reduction of the average age at which they find a paid job.**

This increase in the likelihood of finding work becomes more significant when we consider that, as a result, the average age at which young people find their first paid job has declined (it is currently 21.7 years, almost a year less than in 2013).

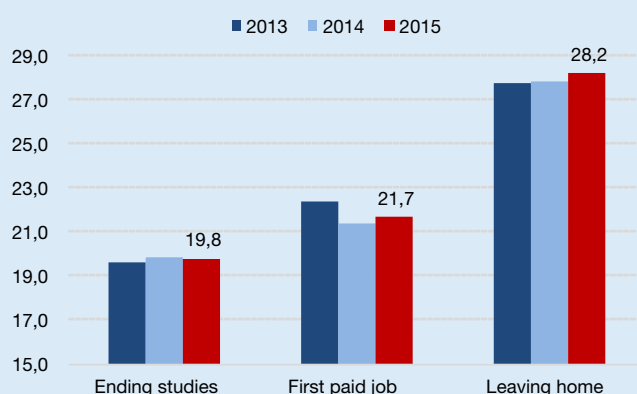
This is very good news, as, if we compare it with the situation a year ago, it implies a somewhat earlier access to the labour market, greater financial independence, a greater generational renewal of workers, increased sustainability of the pension system, etc.

**Probability of worker unemployed in t-1 finding work in t, by age group, in 2nd qtr**



Source: INE

**Average age of ending studies, first paid job and leaving home (years)**



Source: INE

**The Balearic Islands is the region where the number of NEETs has fallen furthest, due to the dynamism of the tourism sector.**

At the regional level, it can be seen that those regions where NEETs represented the highest proportion of 16-24 year-olds a year ago have experienced the largest reduction in their number. The case of the Balearic Islands is noteworthy, as they had one of the highest proportions of NEETs in 2014 and, one year on, they have achieved a significant reduction (6 percentage points). This is very likely to be linked to the good performance of the tourism sector and associated activities, as the increased demand for labour could have been oriented to the NEETs, among other groups. Andalusia, Valencia and Castile-La Mancha were the regions with the highest proportions of NEETs in the whole of Spain, and although they have managed to reduce them in the past year, the fall has been smaller than in the Balearic Islands, even though the first two also have strong tourism sectors. The same is true of the Canary Islands, though in this case the numbers of NEETs have continued to increase. In general, the northern regions of the Iberian peninsula still have the lowest percentages of NEETs, among other things because, as we noted a year ago, these are closely linked to the overall level of unemployment.

