

Labour Market Monitor

Issue No. 96 | July 2015

Key points of the month

- June's labour market figures reflect something of a slowdown in job creation in the Spanish economy.
- The 2Q15 EPA labour market survey could show an increase in employment of over half a million and a fall in the employment rate to 22.0%.
- The Afi-ASEMPLEO SLM Indicator points to a stabilisation of the employment growth rate at 3.6% until September.

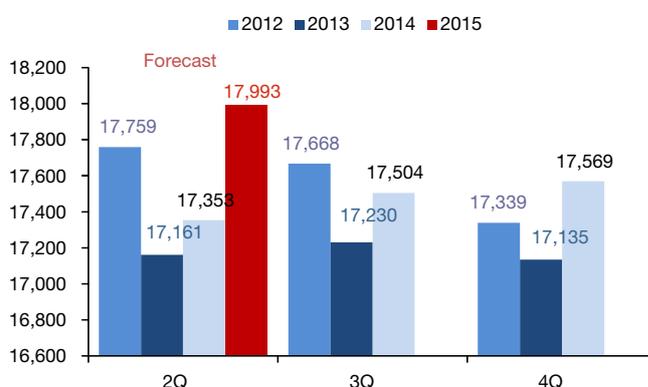
Employment will rise by over half a million in 2Q15

June's labour market figures show a steady rate of job creation, though at lower rates than in previous months. The increase of 35,085 in Social Security enrolment is lower than expected. The Afi-ASEMPLEO SLM Indicator had forecast the creation of some 56,000 enrolments. Thus, the data indicate that job creation slowed in June.

The 2Q15 employment figure is expected to show a rise of 516,000 over the first quarter, a bigger increase than in the same period last year (402,400), due to the positive data of the first two months of the quarter. The Afi-ASEMPLEO SLM Indicator forecasts that YoY growth in employment will be 3.6% in July, stabilizing at this level in the medium term.

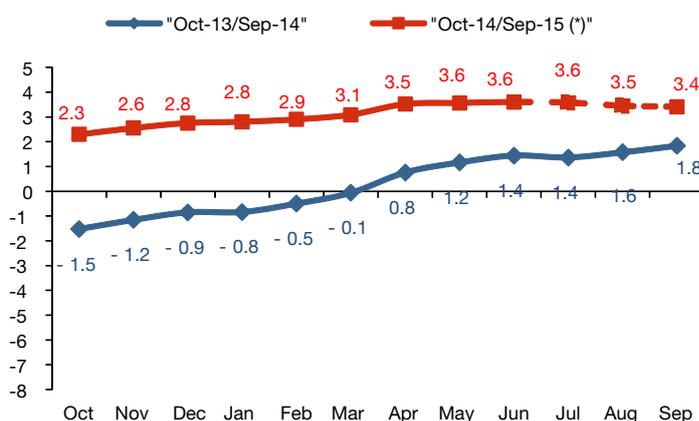
In consequence, the employment rate would fall by 1.8 percentage points compared with the first quarter, to 22.0%. As well as the variation in employment, this would also reflect an expected stability of the labour force, as the discouragement effect would decline due to the improving economic situation.

EPA employment (thousands)



Source EPA (INE) and Afi forecasts

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

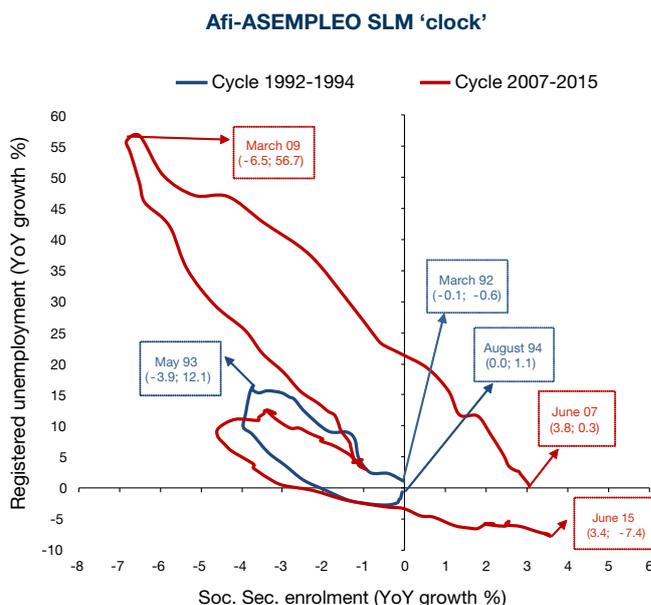


Source: Afi. (*) Jul 2015-Sep 2015 figures are forecasts

The rate of job creation slowed in June. The monthly rise in Social Security enrolment of 35,085 was only a sixth of that seen in May. On a seasonally-adjusted basis, there was a decline of 2,104. The weak performance was due to a heavy fall in employment in regional governments and in education (down 45,600 and 19,800 respectively). However, the weakness could also be due to the hotels & catering sector having brought forward its hiring in the preceding months, due to the promising outlook for the recovery of domestic tourism and for foreign tourism (forecasts for the latter point to a total of 68 million visitors for the year as a whole).

Unemployment declined by 94,727 during the month, though on a seasonally-adjusted basis there was little change.

Recruitment in the first half of the year (8.7 million) was higher than in 2008 (8.5 million), due to a further increase in hiring, of 13.6%. This was due to the strength of permanent, as well as temporary, recruitment. By length of working day, full-time working continued to rise faster than part-time (16.0% vs. 13.8%).



Source: Ministry of Employment and Social Security

The assessment of ASEMPELO

An instrument to stimulate the labour market

The private sector employment agencies have developed on three parallel planes: firstly, responding to companies' need for employment agencies capable of catering to their requirements with regard to the recruitment of staff, provision of temporary workers, appropriate training, and managing their flexibility and the process of recycling staff surplus to requirements using efficient tools to find them new placements. On the other hand, workers demand the efficient handling of their careers, as employability is the key factor for security and stability in the current labour market.

On a second plane, the employment agencies have developed into integrated companies, incorporating resources and growing networks allowing them to provide standards of quality and an extensive reach in both geographical and sectorial terms. This allows them to meet the requirements of companies and candidates, relying on staff who are highly specialized and fully capable of responding quickly and appropriately.

As a result, in recent years Spanish legislation has evolved towards a European model, eliminating rigidities and hence allowing private sector employment agencies to provide an integrated service, including recruitment, training, recycling and human resources consultancy, in addition to the traditional provision of temporary workers.

In conclusion, the private sector employment agencies have become the most powerful instrument for stimulating the labour market, providing companies with rapid, flexible services and, at the same time, offering workers employability and security.

Andreu Cruañas. President of Asempleo

The highlight of Afi

Roads to employment

The first half of 2015 shows us clearly that the Spanish labour market is managing to "extract" a lot of employment for each point of GDP growth, and moreover it is growing strongly. This is excellent news and obliges us to try to understand the causes and channels of this development. There are external factors, such as oil prices, the euro exchange rate and the ECB's expansive monetary policy, but there are also other causes. Many other countries are benefiting from the same external factors, but they are not growing so strongly nor creating so many jobs.

It should be recognised that we have also done certain things well, or at least as well as internal circumstances permitted, in reforming the labour market. It should also be noted that the temporary work and placement agencies are favouring the channels through which jobs are being created in three of the economy's major service sectors (retailing, transport and professional services); these are very representative and play a major role in stimulating production. This is happening despite the regulatory and cultural obstacles that hinder the activities of these agencies in Spain.

It should not be thought that it is the activities of these agencies that cause the high levels of temporary working that characterize Spain's dual labour model. Indeed, it is well known that those countries where such agents are most active have lower levels of temporary working. This is not a paradox, but a relationship that can be observed in the world's most advanced labour markets.

José Antonio Herce. Associate Director, Afi

The Specialized Labour Market Review

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Retailing, temporary work agencies, recruitment agencies and administrative activities boost employment

Social security enrolment is again growing strongly, boosted by trade & transport and professional activities. Job creation in retailing is driven by the ongoing improvement in household consumption. The increasing demand for professional services is behind the rise in enrolment in the temporary work agencies, recruitment agencies and administrative services. The provinces of Madrid, Barcelona and, to a lesser extent, Valencia and Alicante account for the increase in enrolment in these sectors.

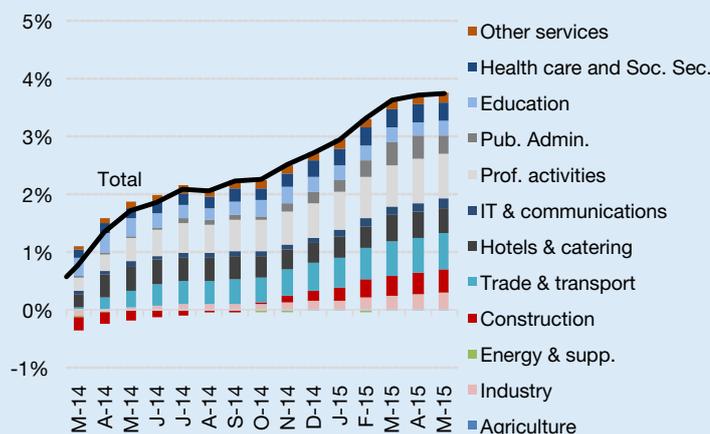
Social security enrolment is again growing strongly...

... boosted by retailing, transport and professional activities.

Following the strong adjustment in the labour market as a result of the crisis (Social Security enrolment fell 17% from its peak in July 2007 to the low recorded in February 2013), employment has begun to grow strongly in Spain. The favourable interest rate environment, the drastic fall in oil prices and the depreciation of the euro against other leading currencies are some of the factors that have been stimulating economic growth (0.9% QoQ in 1Q15) and, due also of course to the labour market reforms, growth in employment. Indeed, in the first months of 2015, growth in Social Security enrolment has accelerated to YoY rates of close to 4%.

Today, almost all the main economic sectors are contributing to the growth in enrolment, indicating that the economic recovery has reached them all. However, they are not all experiencing equally strong growth. Trade & transport and professional activities (with YoY growth of close to 3% and 5% respectively) account for half the jobs created in the economy as a whole in the first months of the year.

Contribution to YoY change in Social Security enrolment by economic sector



Source: Ministry of Employment and Social Security

Job creation in retailing is driven by the ongoing improvement in household consumption...

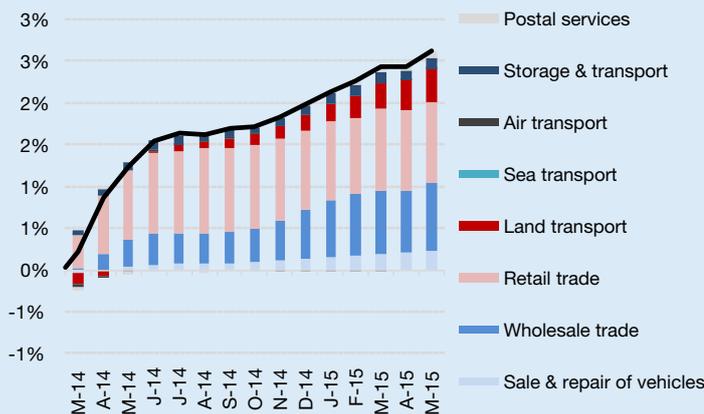
However, in order to understand better the reasons for employment growth and to form a view on the likelihood of its continuing in the coming months, we need to identify the sectors stimulating this growth and the regions benefiting from it.

Detailed analysis of the trade and transport sector reveals a generalized increase in all its component sub-sectors, but especially the good performance of trade, both retail and wholesale. The steady improvement in household consumption (which again grew 0.7% QoQ in 1Q15) is the main driver of employment growth in these activities. The rise in consumption extends to all kinds of goods (including household equipment) and establishments (including small businesses). Hence, employment in these activities can be expected to continue performing well as long as families' consumption holds up or accelerates (the Bank of Spain estimates quarterly growth of 0.9% in 2Q15).

... and is stronger in the Balearic Islands, Murcia, Valencia and Madrid.

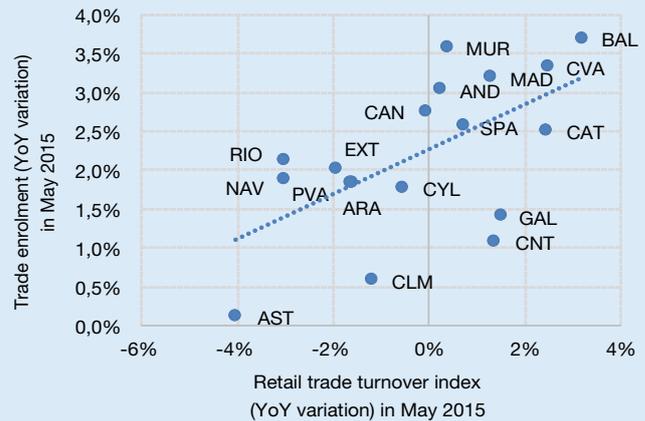
By regions, Social Security enrolment is not growing fastest where turnover in the services sector shows the biggest increases. Nevertheless, it is once again Madrid and Catalonia which contribute most to the rise in enrolment in this sector.

Contribution to YoY change in Social Security enrolment in trade & transport by sub-sector



Source: Ministry of Employment and Social Security

Retail trade turnover and trade enrolment by region



Source: Ministry of Employment and Social Security, INE

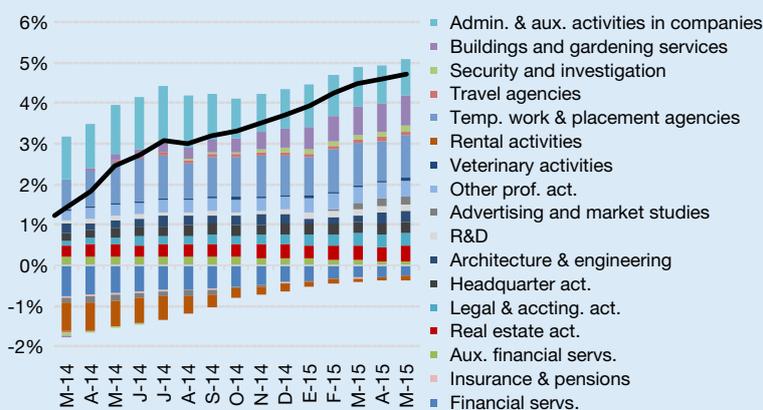
The increasing demand for professional services is behind the rise in enrolment in the temporary work agencies, recruitment agencies and administrative services...

If we focus on the sector of professional activities, it can be seen that the increase in employment is not occurring in all its component sub-sectors. Financial services and activities related to rentals continue to see employment falling, though increasingly slowly. With regard to the activities driving the growth in enrolment, it is in the temporary work agencies, recruitment agencies and administrative services where the major part of the improvement is concentrated. In these cases, it is due to the good performance of the other sub-sectors, which need their services and often opt to outsource them.

... with the highest increases occurring in Madrid and Catalonia.

By regions, those where turnover in the services sector, the most important in every region, is growing most strongly are recording the highest growth in Social Security enrolment in these activities, with Madrid and Catalonia showing the highest growth in both turnover and enrolment.

Contribution to YoY change in Social Security enrolment in professional activities by sub-sector



Source: Ministry of Employment and Social Security

The provinces of Madrid, Barcelona, Valencia and Alicante account for the increase in enrolment in temporary work agencies, recruitment agencies and administrative services.

An analysis by provinces provides permits a more detailed breakdown of the behaviour of these sub-sectors and their role in incorporating the unemployed into the labour market.

Employment in trade is increasing above all in Madrid, Barcelona, Valencia and Alicante, though in general it is growing in all the Mediterranean provinces. With regard to the temporary work agencies, recruitment agencies and administrative services, the improvement is concentrated in Madrid and Barcelona. Both these provinces have large metropolitan areas and major concentrations of companies and shopping areas. Indeed, it is the big cities that are seeing the largest increase in total enrolment.

The YoY variation in enrolment in these activities shows no relation with the unemployment rate in the same province in the case of trade, but it does with regard to the temporary work agencies, recruitment agencies and administrative services. Therefore, a future increase in employment in these would help to reduce the problem of unemployment in these provinces.

