

Labour Market Monitor

Issue No. 91 | February 2015

Key points of the month

- The job creation due to the Christmas season was interrupted in January. Social Security enrolment fell by 200,000 during the month.
- The Spanish labour market continues to generate employment once the data are adjusted for the unfavourable seasonal effects of January.
- The Afi-ASEMPLEO SLM Indicator points to a YoY rise in employment of 2.6% in February and March, 0.1pp more than in January.

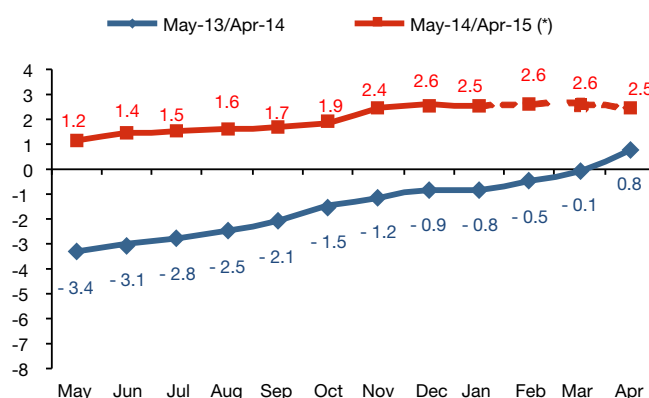
Employment will continue to grow in February and March

The first labour market figures for 2015 are worse than expected: Social Security enrolment fell by almost 200,000, a bigger correction than forecast by the Afi-ASEMPLEO SLM Indicator (165,000) and worse than that seen in January last year (184,000). The behaviour of Social Security enrolment also contrasts with the trend of employment in November and, above all, in December (the Christmas season), which appeared to augur a better start to the year in the labour market.

The signs are more favourable if the impact on Social Security enrolment of job losses in agriculture is eliminated. Indeed, the growth of Social Security enrolment accelerated in the main economic sectors, particularly construction and services, and to a lesser extent in industry. On a seasonally-adjusted basis, moreover, employment continued to be created in January.

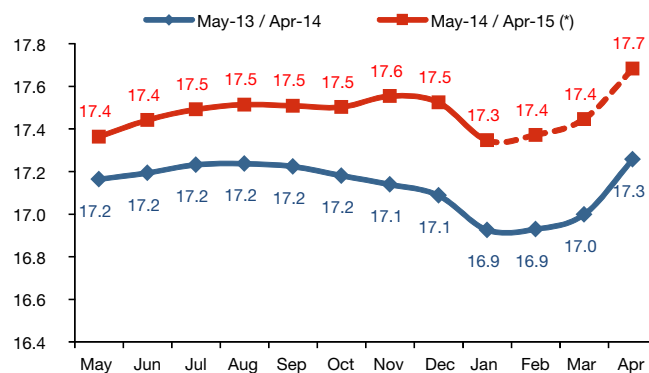
To put matters in perspective, Social Security enrolment today is 400,000 higher than in January last year. The logical expectation is for employment to maintain its dynamism in a context of significant improvement in domestic demand, particularly private consumption. This is reflected by the Afi-ASEMPLEO SLM Indicator, which points to a YoY rise of employment reaching 2.6% in February and March.

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



Source: Afi. (*) Feb 2015-Apr 2015 figures are forecasts

SLM monthly forecast of workers in employment (millions)

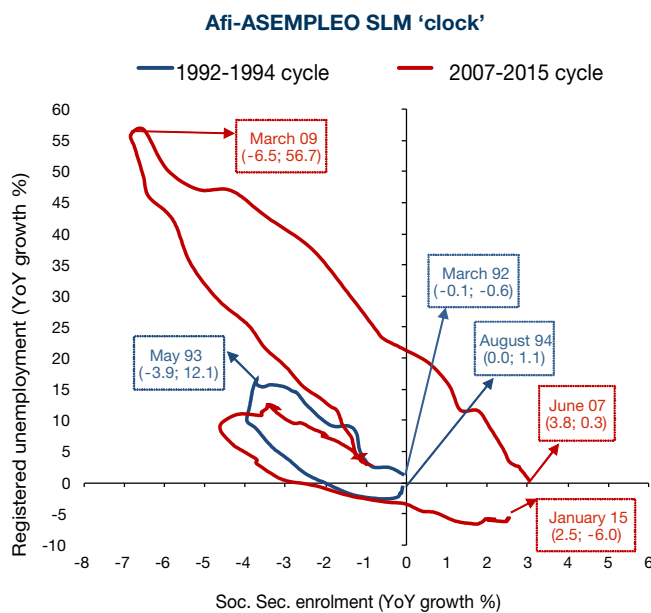


Source: Afi. (*) Feb 2015-Apr 2015 figures are forecasts

The start of 2015 has seen a slowing in the improvement in the labour market (Social Security enrolment was down 199,902 and unemployment increased by 77,980 over the month), but this was due to the unfavourable seasonal nature of January. Without this effect, the balance would have been positive, with Social Security enrolment increasing by 23,100 and unemployment falling 38,100.

YoY growth in Social Security enrolment in the general scheme accelerated to more than 3%. Professional activities (chiefly, those related to administration and employment), retailing and hotels & catering continue to be the categories driving YoY growth in the aggregate. The self-employed scheme maintained its YoY growth at 2.5%.

Recruitment continues to grow (8.6% YoY), due to both types of contract, although temporary contracts continue to make a more significant contribution, with YoY growth of 7.5%. It is notable that permanent contracts are maintaining YoY growth of more than 20%, even after the end of the reduced 'flat rate' for Social Security contributions for new permanent contracts.



Source: Ministry of Employment and Social Security

The assessment of ASEMPELO

Second opportunities

The road is clearing, allowing us to see the light at the end of the tunnel of the crisis, primarily with regard to the economy, and after seven years, we can confirm that also for the labour market. The fact is that, after a long time and great loss of optimism, we are now receiving, in parallel and at the same speed, positive news in both fronts. It is true that we have already left behind, very far behind for some but not so forgotten by others, the recession that submerged our economy in thick mud, burying the economic and employment options of many of our country's families. We have to rise to the new challenge that confronts us. The latest data confirm not only the sustained creation of employment, but also the incorporation of workers who fell by the wayside during the crisis, who have taken courage again before a new outlook that, if viewed with optimism, offers many more opportunities than in previous years.

In particular, it is mainly the over 55s who have once again caught the train back into the labour market. The question is, have we built the infrastructure of jobs and the station of arrival to bring this group to its destination? In other words, is the labour market prepared to give another chance to a group with an educational deficit, little or no labour mobility and which is hard to place in jobs which clearly bear little relation to the profiles presented by candidates from this group? Incorporating to this group into the labour market is not just a social need; it is also a question of taking advantage of its experience and capacity for commitment. In this task, as in providing young people with access to the labour market, Private Placement and Temporary Employment Agencies have a high degree of specialization and the necessary means.

Andreu Cruañas. President of Asempleo

The highlight of Afi

Overcoming discouragement

One of the better pieces of news brought by the labour force survey (EPA) for the fourth quarter of 2014, both in itself and due to its symbolic significance, was the confirmation of the progressive return to the employment ring of the discouraged workers whom the crisis had left in the gutters of inactivity. As many as half a million people were in this situation in mid-2013. Today the number of "discouraged" workers has already fallen to less than 434,000. For many of them, the fact that they have picked up the towel and thrown themselves back into the battle is doubly praiseworthy, as they have had to overcome the many difficulties which they had experienced painfully in the recent past. Because of this, we must congratulate ourselves that the underlying factors that determine the recovery in employment seem to be taking on the necessary strength and direction.

At no time in the crisis, which we can now consider to have ended in 2013, did workers' discouragement reverse with the vigour seen since 2014. This more than encouraging development deserves to be accompanied by adequate policies, among which the recently approved Activation Plan provides ground rules that could usefully be extended in programs focused on a group which is showing a great ability to adapt to the tough circumstances of the labour market.

José Antonio Herce. Associate Director, Afi

Labour Market

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Employment grows more than expected in 4Q14

Employment performed better than expected in 4Q14, with an increase (of 65,100 for the first time in a fourth quarter since the start of the crisis). The newly employed are women aged 45 to 55, working in the primary sector and education, with permanent part-time contracts. The labour force increased by 95,200, while the unemployment rate behaved as expected and ended 2014 at 23.7%.

Employment grew more than expected in 4Q14.

In 4Q14, employment rose by 2.5% YoY, the first increase in a fourth quarter since the start of the crisis (up 65,100 on 3Q14). Although seasonal effects influenced this growth, after adjusting for these, employment increased at YoY rates of close to 1%.

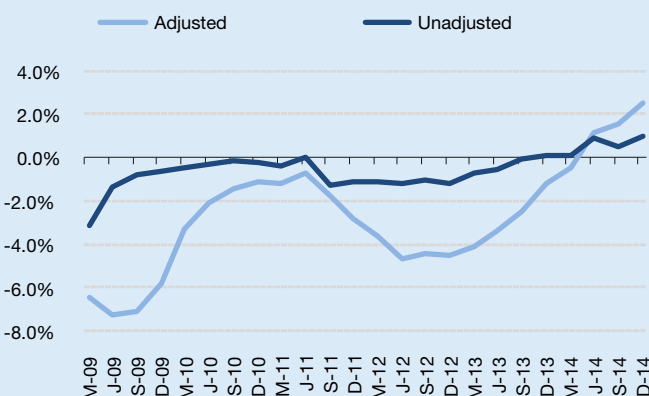
Employment increased among Spanish women aged 45-55...

Employment increased among Spanish women aged 45-55, showing (i) the return of women to the labour market and (ii) the first indication that older workers are benefiting from of the recovery in the economy and in employment. Thus, the probability of the unemployed women finding work has increased to levels similar to those registered in mid-2011. This is good news, as this is one of the group most affected by the crisis.

... in the educational and agricultural sectors ...

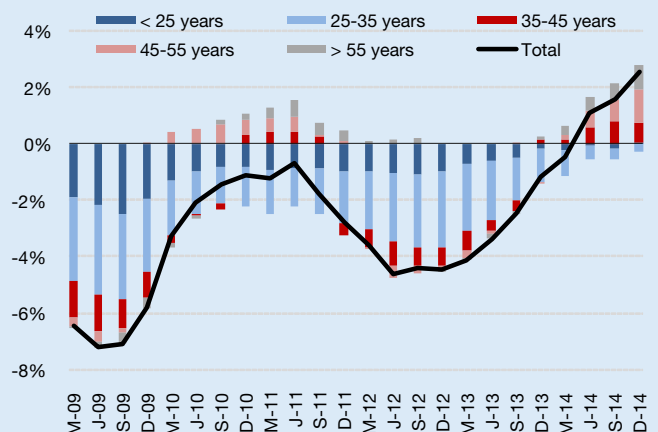
Employment in education increased by 116,200 over the previous quarter, due to the increase in workforces in public educational centres, probably reflecting the proximity of several elections. In agriculture, employment rose by 62,800, attributable to a large extent to the sector's strong seasonal component. It is worth noting the trends in manufacturing industry and construction as, although they continued to grow, they do so less strongly, reflecting a certain slowing in the speed of recovery in these sectors.

EPA employment with and without seasonal adjustment (% YoY change)



Source: INE

Contribution to YoY change in employment by age group



Source: INE

... civil servants ...

The number of civil servants rose in YoY terms for the first time since 2011 (0.6% YoY), probably due to the proximity of the elections, which could cause difficulties in keeping the public deficit on the path of adjustment.

By type of public administration, it is the central and regional governments which account for most of the YoY increase (with contributions of 1.1% and 0.2% respectively). This behaviour of the regional governments, which are responsible for education, is coherent with the growth of this sector, noted above.

...permanent workers ...

The number of workers with permanent contracts increased strongly (110,900 in the quarter), while temporary workers were down 41,000. The improvement of confidence in the economic recovery, along with the application of the reduced 'flat rate' for Social Security contributions for new permanent contracts, approved at the beginning of 2014 and in force until 31st December, contributed to an increase in direct permanent recruiting. However, there was no increase in the conversion of temporary contracts to permanent. Indeed, the probability of this conversion declined slightly to 5.3% in 4Q14.

... and part-time workers.

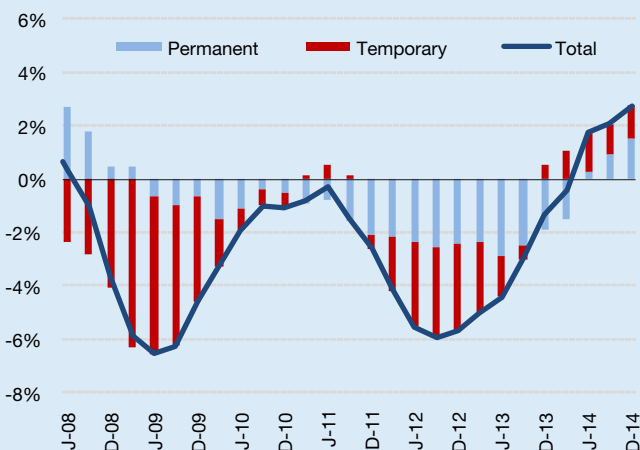
The number of part-time workers rose (130,800), after falling in the previous quarter, due mainly to workers having their hours increased. Thus, the incidence of part-time working returned to 16%.

Full-time employment fell heavily, a trend that contrasts significantly with the increase in hours worked per employee (up 3.3 hours per week over the previous quarter), which was due to an increase in overtime (with a 3% quarterly increase), especially unpaid overtime (up 8% quarterly).

The labour force is growing as the economic recovery strengthens.

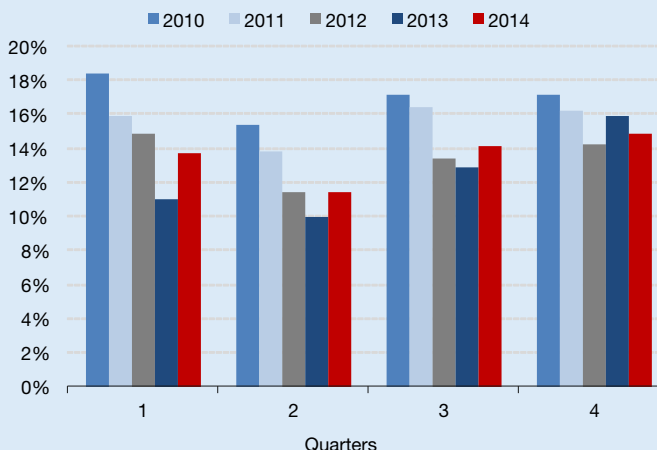
The return of workers to the labour force (i.e. to activity) is attributable to the increased probability of the unemployed finding work (around 16%, similar to mid-2011). In other words, the economic recovery and the growth in employment are encouraging the workers who had abandoned all hope of finding a job. The proof is found in the reduction of the discouraged population in 4Q14 (down 38,800).

Contribution to YoY change in number of wage workers by type of contract



Source: INE

Probability of an unemployed person finding work



Source: INE

The Specialized Labour Market Review

Issue No. 91 | February 2015

Discouraged workers are returning to activity as the economic recovery strengthens

The economic recovery is exercising a pull effect on the discouraged population, which was returning to activity in 4Q14. Discouragement is falling among women and the over 55s, although the pull effect is significant among men and young people. The Mediterranean coast is where the probability of transiting from discouragement to employment is highest.

The number of discouraged workers declined in 4Q14...

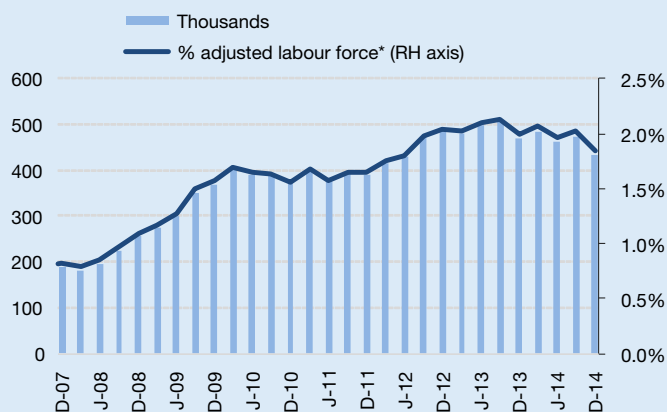
The number of discouraged workers (people who have abandoned the active search for employment), which multiplied by 2.5 times because of the crisis, began to decline in 3Q13, right at the start of the economic recovery. In 4Q14, the number of discouraged workers stood at 433,700 (14.0% less than in 3Q13), representing 1.8% of the adjusted labour force.

In relative terms, it has been observed that the probability of transiting from discouragement to employment increased to 30.3% in 4Q14, i.e. 3 out of 10 discouraged workers rejoined the active search for employment. Of these, only a quarter found employment immediately, while the remainder joined the ranks of the unemployed. Nevertheless, this return to activity reflects, in some way, workers' increased confidence in the improvement of the economic situation.

... as the economic recovery strengthened.

The crisis has shown how the number of discouraged workers increases when employment falls strongly, this transit being a synonym of the loss of all expectation of finding a job. This abandonment of activity lasts until an improvement in the economic outlook prompts them to consider a return to activity.

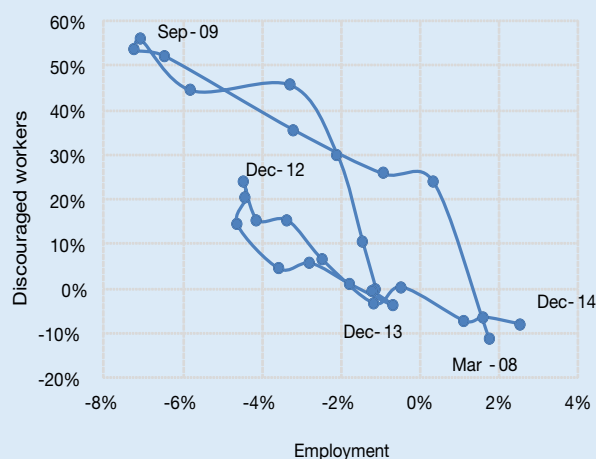
Discouraged inactive population



*Adjusted labour force = Discouraged workers + labour force

Source: INE

Employment and discouraged workers (% YoY change)



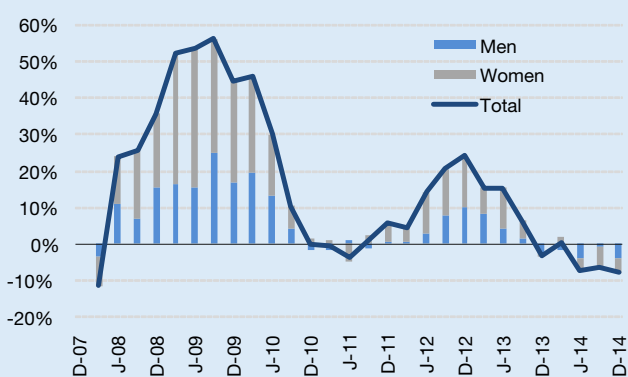
Source: INE

Discouragement is falling among women ...

By gender, it is women who represent the majority of discouraged workers (70% in 4Q14). The main cause is the difficulty of finding a job, reflected in a higher unemployment rate than men (24.7% and 22.8% respectively in 4Q14). Nevertheless, the recent increase in employment among women means they are transiting in greater numbers to activity.

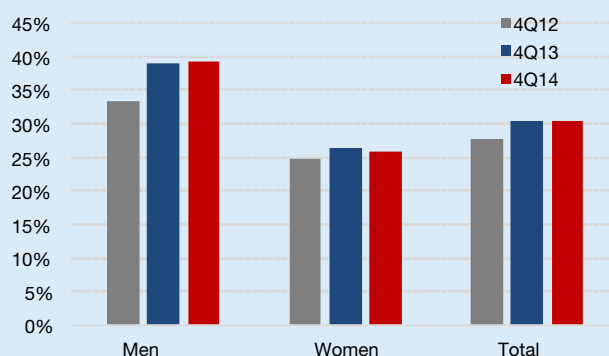
However, in relative terms, it is men who have a greater probability of transit (39.2% versus 25.9% for women in 3Q14), as well as being the group in which the pull effect (the biggest influence on this probability) is proving more significant. Hence, to reverse the feminization of discouragement, more ambitious measures to promote employment among women would be necessary.

Contribution to YoY change in discouraged workers by gender



Source: INE

Probability of transition from discouragement to activity by gender

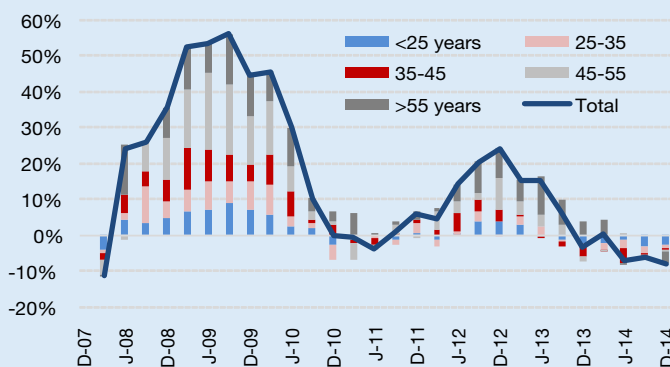


Source: INE

... and the over 55s.

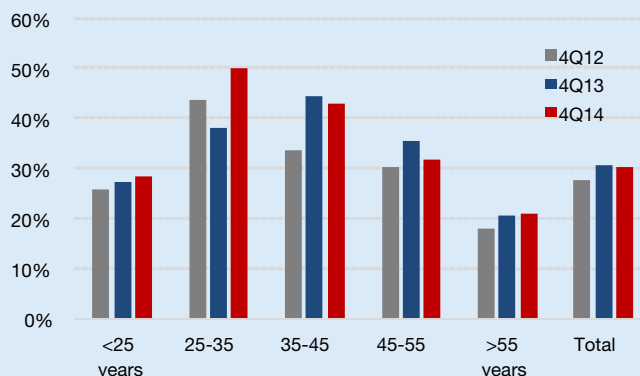
By age group, the decline in discouraged workers is occurring mainly among the over 55s, precisely those among whom a certain recovery in employment was observed in the latter months of 2014. This is a significant decrease, bearing in mind that this group represents a large part of the total discouraged population (40% in 4Q14). This behaviour is attributable to (i) its members' greater difficulty in recycling themselves through training and their lesser geographical and sectoral mobility, factors which guarantee a higher success rates in the search of employment, and (ii) their proximity to retirement. Indeed, this is the group with the smallest probability of transiting to activity. Active employment policies should make an additional effort with this group to stop discouragement from spreading excessively among the over 55s.

Contribution to YoY change in discouraged workers by age group



Source: INE

Probability of transition from discouragement to activity by age group



Source: INE

The Mediterranean coast is where the probability of transiting from discouragement to employment is highest.

The pull effect exercised on discouraged workers by the economic recovery and employment growth is greater, and has grown most strongly, among those aged between 25 and 35. This is one of the groups most affected by unemployment and most open to change (geographical and occupational, as shown by our analysis in the September 2014 issue). Their probability of transition from discouragement to activity rose to 50% in 4Q14, meaning that one out of two discouraged youths is actively seeking employment again, which is very good news.

By region, it can be seen that there are more discouraged workers in those regions with the highest unemployment rates. Thus, Extremadura has the highest ratio of discouraged workers to the adjusted labour force, more than double the national average (3.9% in 4Q14). At the opposite extreme, we find the best general performances in the coastal regions and Madrid. In this respect, Catalonia stands out as the Spanish region with lowest proportion of discouraged workers (0.7% in 4Q14).

The regions with the highest proportion of discouraged workers also have the highest probability of transit to activity. Extremadura has one of the highest probabilities of transit (38% in 4Q14), while regions like Asturias and Navarre present some of the lowest (under 10% in 4Q14).

In the Mediterranean coastal regions and the two island regions, a higher probability of transition from discouragement to activity coexists with a higher probability that this transition is to employment. In this case, the Balearic Islands are especially notable, with a probability of transition of over 30%, of whom almost half find work immediately. This behaviour may be attributable to the good performance in the final part of the year of the tourist sector, which accounts for a major part of the region's economic activity.

