

FOCUS · The good trend in the labour market is consolidating

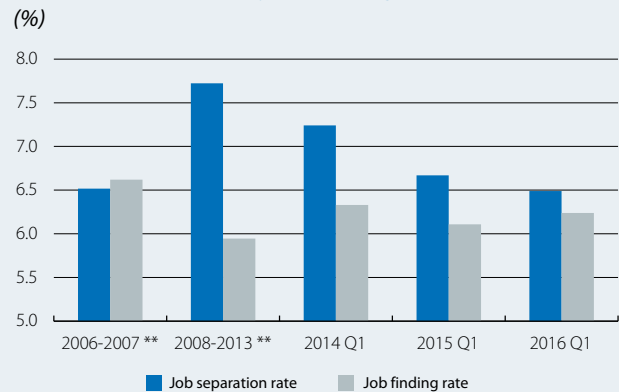
According to data from the LFS, employment saw strong growth in 2016 Q1 of 3.3% year-on-year. However, before analysing the figures, we need to make two brief technical points. Firstly, the job separation rate is the ratio between the number of people who have lost or left their employment and the number of employed people in the previous quarter. The job finding rate is defined in the same way but with those people who have found employment. Secondly, the seasonal nature of Spain's labour market means that, in the first three months of the year, there are systematic falls in employment; i.e. a higher job separation rate than the job finding rate.

Moving on to our analysis of the data, in 2016 Q1 the job separation rate was 6.5%, very similar to the one prior to the crisis, slightly lower than the one for 2015 Q1 and far below the figure recorded, on average, during the recession. The job finding rate increased a little to 6.2% but was still below its 2007 level. These data show that the improvement in employment is particularly due to fewer job losses.

Looking at the employment transitions of the three main sectors in the economy, it is encouraging to see that, in 2016 Q1, the job finding rate for industry was higher than in 2007 Q1 and that, moreover, it exceeded the job separation rate for the same quarter. The services sector also performed relatively well in 2016 Q1 although there is still room for improvement compared with 2007.

From this analysis of labour flows we can surmise that employment's recovery in industry and services is mature, something that can also be observed in the data for registered workers affiliated to Social Security. In 2015 Q1 job creation intensified, supported by employment in the public sector and in construction related to public tenders. At the time there were fears this growth in employment might quickly run out of steam once the temporary support from the public sector had dwindled. However, in the second half of the year other sectors livened up, helping employment to continue growing at a high rate. Recently it had been assumed that the fact that Easter fell entirely in March may have temporarily contributed to the growth in employment in 2016 Q1. However, the employment figures for April seem to rule out this possibility as, with the exception of public administration, all sectors (and not just tourism) made a positive contribution to the year-on-year growth rate in Social Security contributors. In summary, the favourable performance of less seasonal sectors seems to suggest that the recovery in employment will continue.

Job separation and job finding rate *



Notes: * **Job finding rate:** quotient between the number of people finding employment in the current quarter and the number of employed people in the previous quarter.

Job separation rate: quotient between the number of people losing or leaving their employment and the number of employed people in the previous quarter.

** Average of the Q1s.

Source: CaixaBank Research, based on INE data (LFS).

Job separation and job finding rate in 2016 Q1 *

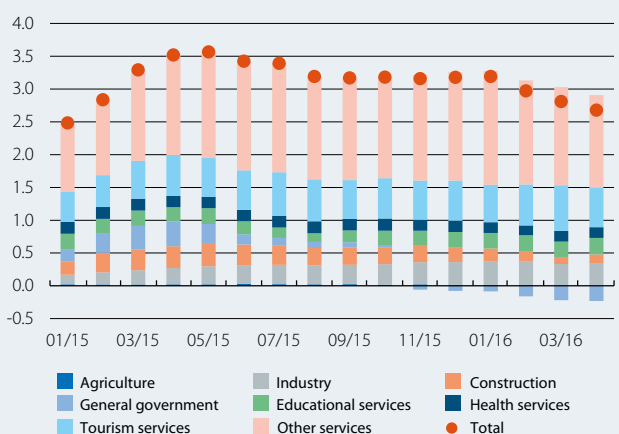


Note: * **Job finding rate:** quotient between the number of people finding employment in the current quarter and the number of employed people in the previous quarter. **Job separation rate:** quotient between the number of people losing or leaving their employment and the number of employed people in the previous quarter.

Source: CaixaBank Research, based on INE data (LFS).

Employment by sector

Contribution of the sectors to year-on-year growth (pps)



Source: CaixaBank Research, based on data from the Ministry of Employment and Social Security.