

FOCUS · Employment and productivity: positive signs

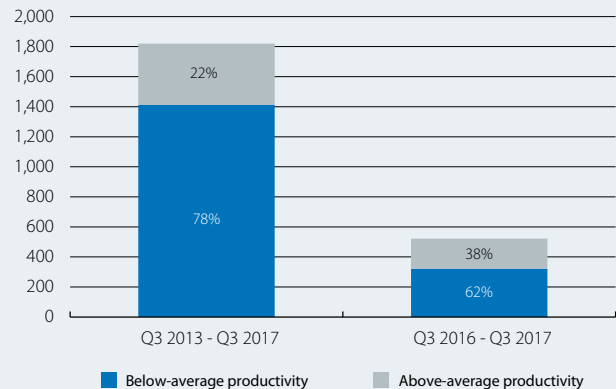
The good performance of the Spanish labour market continues, as shown by the latest LFS data for Q3 2017. In the past year, the number of employed has increased by 521,700 while the net job creation growth rate has remained at a high 2.8% year-on-year. Widening our perspective to take into account the last four years, net job creation totals an impressive 1,819,200 people, a 10.6% cumulative growth rate. This means more than half the jobs destroyed in the recessionary phase (2007-2013) have now been recovered.¹

Job creation is widespread across all sectors of economic activity, albeit with significant variation in their respective recovery rates. Dividing the sectors into two groups by productivity level,² it can be seen that most employment is being generated in low-productivity sectors, which have the largest share in the economy (see the first chart). However, employment growth is more dynamic in the more productive sectors. These have consequently been gaining weight in total employment (from 18.7% in Q3 2013 to 19.1% currently). In fact, 22% of the net jobs created between Q3 2013 and Q3 2017 were in sectors with above-average productivity, rising to 38% over the past year.

By economic activity, the two most productive sectors have posted higher job creation rates, approximately 14% cumulative between Q3 2013 and Q3 2017. These sectors are information and communications (ICT) and industry (see the second chart). Construction has also seen notable growth in employment (12.3% over four years) as the new upward cycle in the real estate sector takes hold. However, its share of the total number of employed is still far from the figure posted in the previous expansionary phase. Retail, transport and hotels & restaurants, with a 29.8% share of total employment, account for 32.4% of the jobs created in the past four years. This reflects tourism's good performance in the current recovery stage. Finally, the sectors in which employment has grown the least since 2013 are public administration, education and health, and artistic and recreational activities (8.8% and 6.4%, respectively), both with below-average productivity.

In summary, the Spanish labour market is moving in the right direction. Job creation figures are positive and the employment trend by sector reveals that, little by little, a change in the production model is underway.

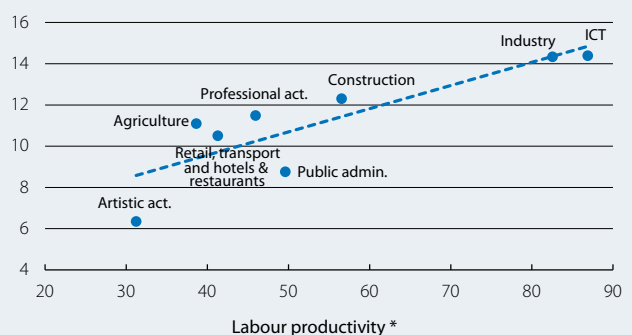
Increase in the number of employed by sector productivity (Thousands)



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

Relationship between job creation and sector productivity

Employment growth between Q3 2013 and Q3 2017 (%)



Note: * Apparent labour productivity is defined as the gross value added of each sector divided by the number of full-time equivalent workers. The financial and real estate sectors are excluded. Q2 2017 data (cumulative over four quarters).

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

1. The number of employed fell by 3,523,400 people between Q3 2007 and Q3 2013.

2. Economic activity sectors are grouped according to whether their apparent labour productivity is above or below average. Apparent labour productivity is defined as the gross value added (GVA) of each sector divided by the number of full-time equivalent workers (FTE).