

Changes in the labour market in Spain

In the current context of uncertainty, one of the most encouraging aspects of the Spanish economy is the strong performance of the labour market. Despite some loss of momentum in recent months, job creation continues apace, with permanent hiring making particularly strong inroads, and this in turn is helping to bring down unemployment and temporary employment.

On the one hand, Social Security affiliation now far exceeds pre-pandemic levels and since April has stood above the 20 million threshold (20.18 million in September), while registered unemployment lies below 3 million – something not seen since late 2008 (2.94 million also in September).

With regards to hiring on permanent contracts, it had already been showing an acceleration in its growth rates since mid-last year, but this trend intensified following the entry into force of the labour reform approved in December 2021,¹ and especially since April when the transition period for some changes to employment contracts ended.² The data paint a clear picture: the number of permanent contracts signed in the first nine months of the year exceeds 5.25 million. This is the highest figure in the series during this period and represents 37.0% of all contracts signed, compared to 9.0% before the pandemic (average for the months of January-September in 2014-2019).³ As far as temporary contracts are concerned, just over 8.9 million were signed, the lowest figure in January-September since 1999. The reduction was particularly pronounced in the case of very short-term contracts (now penalised through higher social security contributions) and construction works and service contracts, which are eliminated under the new rules.

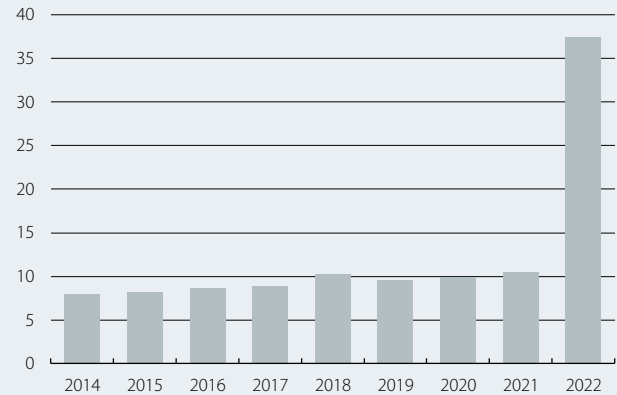
In terms of the stock of workers in the labour force, the number of registered workers with a permanent contract exceeds 11.82 million in September. This marks an all-time high and represents 74.7% of all workers registered under the General Scheme for social security, almost 13 points above the usual level for September prior to the pandemic. Consequently, the temporary employment rate within the General Scheme continues to fall, now standing at 16.9%, 12.5 points lower than in September 2019.

1. For further details, see the Focus «[The Labour reform: a balancing act with a focus on temporary employment](#)», in the MR02/2022.

2. Up until 30 March, temporary contracts could be created in accordance with the previous regulations.

3. By age bracket, and with data up to August, the growth in permanent hiring has been most pronounced among young people (under 25 years of age): 362% compared to 2019, versus an increase of 226% on average.

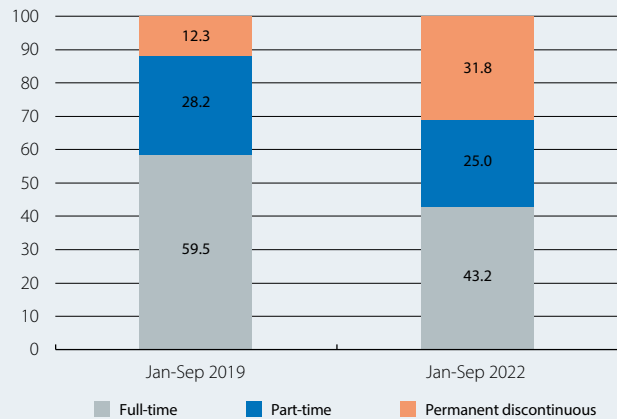
Spain: permanent contracts registered *
(% of total contracts registered in the period)



Note: * Cumulative data from January to September.

Source: CaixaBank Research, based on data from the Ministry of Work.

Spain: permanent contracts by type
(% of total permanent contracts in the period)



Source: CaixaBank Research, based on data from the Ministry of Work.

Is the labour reform responsible for the jobs boom?

It is too early to draw conclusions about the reform and its impact on the functioning of the labour market, and we will have to wait until more information is available. Firstly, we are seeing a certain «reclassification» of contracts: on the one hand, construction works contracts were previously considered temporary and are now permanent; on the other hand, many temporary contracts have now become permanent discontinuous contracts.⁴ This latter shift is due to the elimination of construction works and service contracts, as well as greater restrictions on the use of temporary contracts,

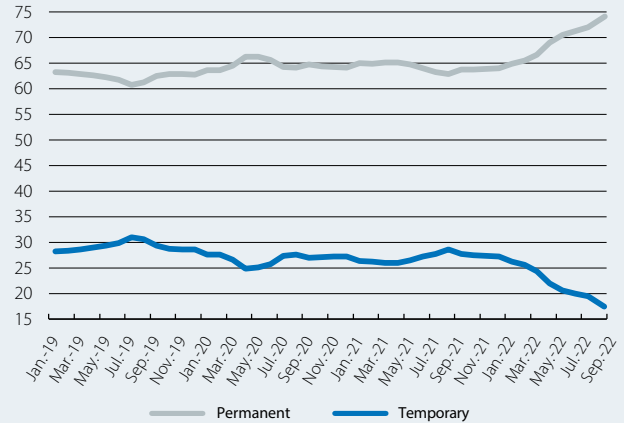
4. Permanent discontinuous contracts, regulated by Article 16 of the Workers' Statute, are permanent contracts where the worker's activity is carried out intermittently over the course of the year, as is the case in agricultural or tourism-related activities. During periods of inactivity, these workers are not counted as unemployed, but rather as job seekers (DENO), just like workers on furlough (ERTE).

which has obliged certain sectors to use this format due to their seasonality. In this regard, of the permanent contracts signed up to September, almost 1.67 million were permanent discontinuous contracts. This is an unprecedented figure for this period of the year and represents 31.8% of the total (12.3% in 2019). Among registered workers with a permanent contract, meanwhile, the number of permanent discontinuous contracts reached 896,613 in September (7.6% of the total vs. 4.3% in 2019). This reclassification process will continue until the works and service contracts have fully expired.

One positive development since the labour reform came into force is the decline of very short-term contracts (seven days or less): they account for 19.7% of the contracts signed up to August, compared to 27.2% in the same period in 2019. By sector, these contracts are still used mainly in the hospitality sector, although the sector's dominance has reduced: in the first eight months of the year, this sector accounted for 24.4% of all such contracts, compared to 34.7% in the same period of 2019; it was followed by the manufacturing industry (13% of the total) and the artistic activities sector (11.5%), although in both cases their share of the total has increased with respect to 2019 (11.8% and 8.7%, respectively).

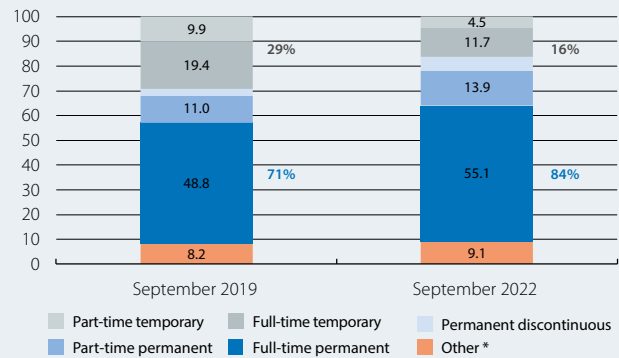
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Spain: registered workers by type of contract
(% of the total number of workers registered under the General Scheme)



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

Spain: structure of registered workers by type of contract and working hours
(% of the total)



Notes: * Learning, training, internships, registers workers without a contract (civil servants), non-professional carers, training programmes and non-employment work placements in companies, etc.
Source: CaixaBank Research, based on data from the Ministry of Social Security.