Which sectors are behind the strength of the Spanish labour market?

One of the most positive aspects of the current economic scenario is the resilience shown by the labour market, which has exceeded pre-pandemic employment levels since mid-2021. In this context, it is worth asking what lies behind the strong performance. One way to determine the factors that explain this pattern is to disaggregate job creation among the main branches of economic activity, in order to assess whether the improvement is widespread and thus responds to general factors; or whether, on the contrary, it is concentrated in certain sectors and is due to specific factors.

The statistics on registered workers according to the Ministry of Inclusion, Social Security and Migration (MISSM) show a 4.5% year-on-year increase in the number of Social Security affiliates in the year to date (January to November). The first chart details the sectors showing the most buoyancy in terms of job creation in that period, with the best performers being hotels and restaurants, leisure and entertainment, information and telecommunications, professional and scientific activities, real estate activities, and transport and storage.

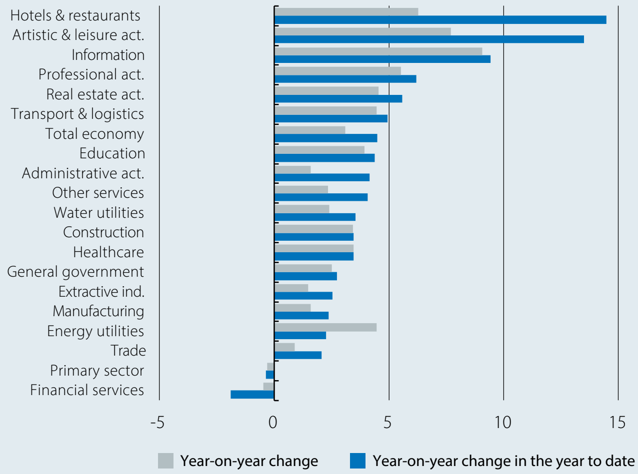
In this regard, the breakdown by sector reflects the fact that the current buoyancy in the labour market is driven, on the one hand, by the revival of sectors which depend on social interaction after emerging from the pandemic (sectors associated with tourism and leisure); and, on the other hand, those sectors related to the new post-COVID normal, with a strong revival in housing demand (real estate activities), an acceleration in digitalisation processes (associated with professional activities or information and telecommunications) and greater penetration of e-commerce (related to transport and logistics).

On the other hand, the sections performing the worst include financial activities (due to the gradual consolidation of the financial sector), the primary sector (adversely affected by the energy crisis and adverse weather), the energy and utilities industries (weighed down by the rising energy prices) and trade (due to weak consumption in the face of rising inflation), which are the activities most affected by the challenges that have dominated the economic scenario in recent months.

Looking ahead to the next few months, given that most sectors have been gradually recovering previous employment levels (see second chart), which sectors could contribute the most to job creation? To analyse this point, we must investigate which sectors were the most dynamic in terms of job creation prior to the outbreak of

Spain: job creation by sector

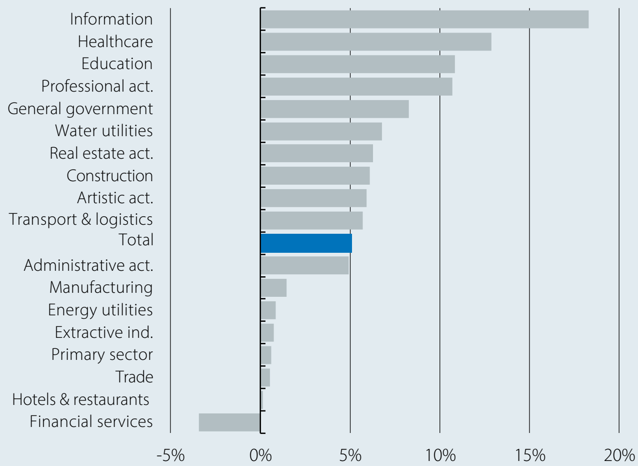
Year-on-year change, November 2022 (%)



Note: *Excludes the international organizations and household activities sectors.*
Source: *CaixaBank Research, based on S.S. affiliation data from the Ministry of Inclusion, Social Security and Migration (MISSM).*

Spain: registered workers affiliated with S.S. versus 2019

Average affiliates in January-November 2022 vs. the same period of 2019 (%)



Source: *CaixaBank Research, based on data from the Ministry of Inclusion, Social Security and Migration (MISSM).*

the pandemic, and also see how the sectoral structure of the labour market has changed since the beginning of the last decade, reflecting possible changes in the productive structure. To this end, we use the same breakdown by sector and compare the change in their weight relative to the total number of registered workers between 2010 and 2022 by producing a breakdown between different periods (see third chart). Specifically, the changes between 2010 and 2019 (blue bar) reflect the long-term pre-pandemic trends, while the changes from 2019 to 2022 reflect those caused by the pandemic (grey bar).[1]

Firstly, it is worth noting that the sector that has grown the most in terms of relative weight over the period 2010-2022 (orange dot) is education, with a 1.4-pp increase, followed by the healthcare and hotels and restaurants sectors, both registering a 1.1-pp increase. The first sector is a reflection of the proliferation of educational activities in the private sector in Spain in recent years.[2] The second one is largely a direct consequence of the pandemic (it is the sector that has grown the most in relative weight between 2019 and 2022), but it is also a response to the growing need for care workers as a result of the Dependency Act and, more generally, the gradual ageing of the Spanish population. The third reflects the exceptional performance of Spain's tourism sector in the previous decade, with new highs in the number of tourist visits registered in 2019 (the sector went from 53 million visitors to more than 83 million in 2019); although it is clear that the pandemic dealt the sector a heavy blow (the grey bar is negative) due to the international mobility restrictions. Finally, the information and telecommunications, professional activities and administrative activities sectors also stand out, as to some degree they are all related to digitalisation and the growth of e-commerce and teleworking – processes which have been set in motion in recent years but were accelerated by the pandemic.

At the other end of the spectrum, the role of the construction sector in the labour market has shrunk, as a result of the profound consolidation of the sector following the real estate boom that occurred during the previous business cycle (from the 1990s to the mid-2000s). The role of the manufacturing industry has also reduced significantly, not only due to the gradual tertiarisation of the economy, but also because much of the decline in the number of registered workers has occurred in the auxiliary construction industry (ceramics and glass) and in the manufacture of metal products and furniture, all of which are also associated to some degree with the reduced role of the construction sector.

On balance, the analysis by sector and by period allows us to conclude that the sectors that are now showing more buoyancy are not only those directly affected by the consequences of the pandemic (hotels and restaurants, leisure and healthcare), but they are also those which had gained the most relative weight in the previous decade. Indeed, these trends of the last decade have, in most cases, been accentuated in the new post-pandemic normal, namely: the rise of e-commerce, the greater penetration of teleworking and the ageing of the population.

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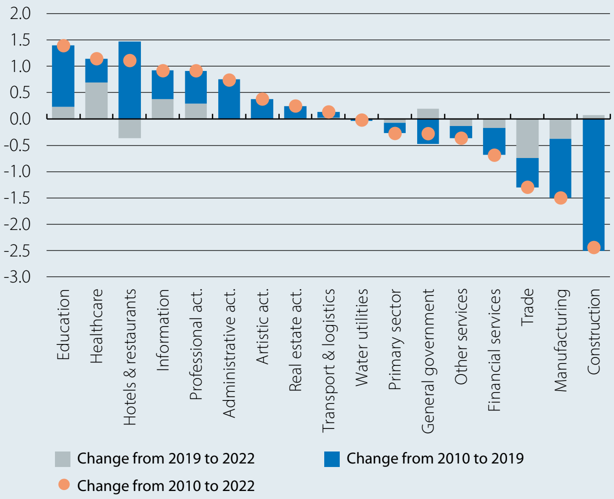
Spain: difference in relative weight in the total number of S.S. affiliates

(pps)



Source: *CaixaBank Research, based on data from the Ministry of Inclusion, Social Security and Migration (MISSM).*

1. For 2022, we use the cumulative data available up to November. In addition, the analysis excludes the sectors related to international organizations, extractive industries, energy utilities, gas, steam and air conditioning supplies, water utilities and household activities, as they account for a modest portion of the total registered workforce and have undergone very little change in the last decade.
2. According to data on teaching staff and other personnel in non-university educational establishments maintained by the Ministry of Education and Vocational Training, the workforce in private education grew by 19% between the 2009-2010 and 2019-2020 academic years, compared with a 5% increase in the case of public-sector education.