

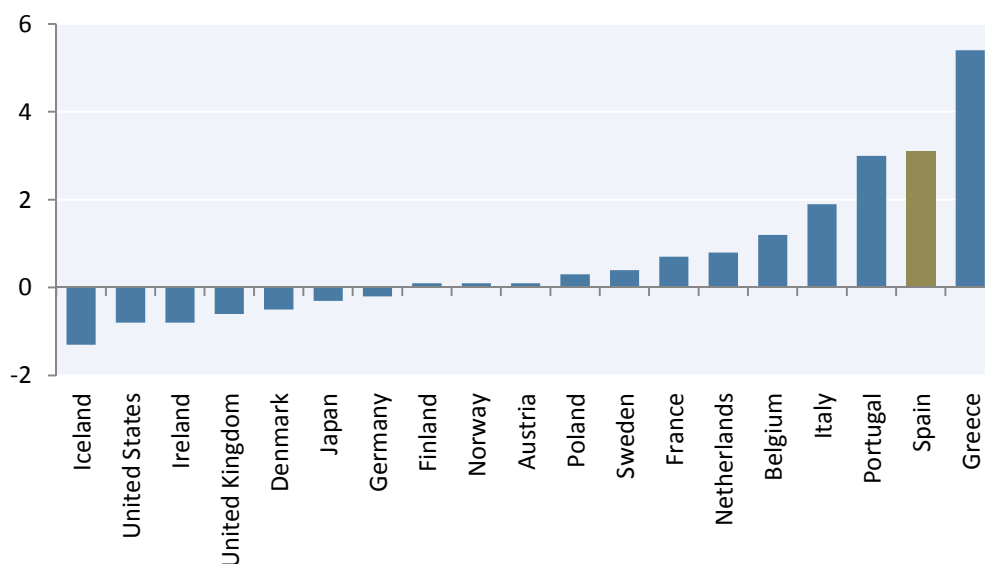
World of Work Report 2013

Snapshot of Spain

Spain's employment level is roughly the same as a decade ago and unemployment has reached a historical record...

- Employment in Spain decreased by 322 thousand people in the first quarter of 2013, reaching 16.6 million persons, slightly below the level of employment in the first quarter of 2003 –which was 16.9 million. At the same time, the active workforce increased from 19.2 million in 2003 to 22.8 million in 2013 (according to National Statistics).
- In the fourth quarter of 2012, the unemployment rate stood at 26%, which is 3.1 percentage points higher than one year ago –one of the largest increases in Europe with the exception of Greece (Figure 1). The latest available data for Spain shows even higher unemployment rates for the first quarter of 2013, peaking at 27.1% –and pushing unemployment to a record slightly above 6 million people.
- Unemployment is especially high among vulnerable groups, such as youth and migrant workers. The unemployment rate for young people (16-24) escalated to 57.2% in the first quarter of 2013 and immigrants to 39.1%. Additionally, 46.8 per cent of the unemployed have been without work for more than one year.
- In terms of quality of work, the share of temporary employment in total employment is 22.1% in the first quarter of 2013 –which is among the highest in Europe. Furthermore, more than 90 % of temporary employment in Spain is involuntary.

Figure 1. Change in unemployment rate between Q4 2011 and Q4 2012 (percentage points)



Source: IILS calculations based on Eurostat.

...decreasing household incomes and increasing social tension...

- The impact of the current economic crisis on households' incomes has been very strong. Consequently, the number of people living in households without any labour market income (wages, unemployment benefits or pensions) was 1.5 million in the first quarter of 2013, almost 800 thousand more than in the first quarter of 2007.

- Wage inequality decreased during the crisis (as shown in Chapter 1 of the *World of Work Report 2013*), but largely because of the huge employment losses among low wage workers. In fact, income distribution is more unequal, as the Gini coefficient has increased from 2007 onwards.
- Spain has experienced one of the sharpest increases in the risk of social unrest between 2010 and 2012 in the EU, along with Cyprus, Czech Republic, Greece, Italy, Portugal and Slovenia (according to indicators based on Gallup World Poll Data).

...and macro policies have heavily affected employment and growth.

- Since the public deficit reached its peak in 2009 at 11.2% of GDP, Spain has adopted increasingly tighter fiscal consolidation measures. Especially during last year, the attempt to decrease public expenditure focused on public employment. From the first quarter of 2012 to the first quarter of 2013, public employment decreased by 8.3%, while private employment decreased by 4.8%.
- In addition, important cuts to wages (in the public and private sectors) and public investment have continued in 2012. All these contractive measures, along with the re-structuring of the banking sector and the tenuous situation of the world economy, have had a very negative impact on the Spanish economy: GDP declined by 1.4% in 2012 and investment decreased by 9.1% in the same period (according to Bank of Spain figures). Additionally, public debt increased from 40.2% in 2008 to 84.2% in 2012, owing in part, to a reform process of the financial sector.

The challenge is to reduce the medium-term deficit without endangering the labour market recovery.

- *Fostering fiscal stability while promoting jobs:* Getting public finances under control is of critical importance. However, the challenge for the Spanish economy is to move towards a wider design of policy making by placing employment at the same level of relevance as other macroeconomic tasks.
- *Supporting real investment through restoring credit to the real economy, notably SMEs:* There will be no economic recovery unless credit to SMEs resumes. The same recommendations of one year before remain. Incentivizing investment and supporting SMEs is crucial for job creation. The international experience provides relevant good practices in this context, as credit guarantees, the deployment of mediators to review credit requests denied to small firms and providing liquidity directly to banks to finance operations of small enterprises. In particular, measures related to the reform of the financial system should consider explicitly a quick restoration of credit (for investment and commercial purposes) to firms, and in particular SMEs.
- *Labour market institutions for better employment outcomes:* In 2012, Spain has modified again its labour market legislation over employment protection and collective bargaining. There is very little statistical information to evaluate the impact of these legal changes. Part of the legal changes was directed towards wage flexibility. However, amidst the current negative economic situation there is a risk of depressing even more aggregate demand and employment, ultimately impeding fiscal adjustment and increasing poverty. Reviving social dialogue could help prevent this type of risk. In addition, these changes did not include supportive measures for the unemployed. In this vein, public employment services should have a stronger role, jointly with additional and effective active labour market policies.

World of Work Report 2013: Repairing the economic and social fabric is available at (www.ilo.org/INST). For further comments, journalists are invited to contact Miguel Ángel Malo (tel +41 22 799 6418; email: malo@ilo.org) or Raymond Torres (tel: +41 22 799 7908; email: torresr@ilo.org), Director of the ILO's International Institute for Labour Studies.