

## OECD Employment Outlook 2014

The 2014 edition of the OECD Employment Outlook reviews recent labour market trends and short-term prospects in OECD and key emerging economies. It zooms in on how the crisis has affected earnings, provides country comparisons of job quality, examines the causes and consequences of non-regular employment, and estimates the impact of qualifications and skills on labour market outcomes.

For further information: [www.oecd.org/employment/outlook](http://www.oecd.org/employment/outlook)

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### Labour market developments in Spain

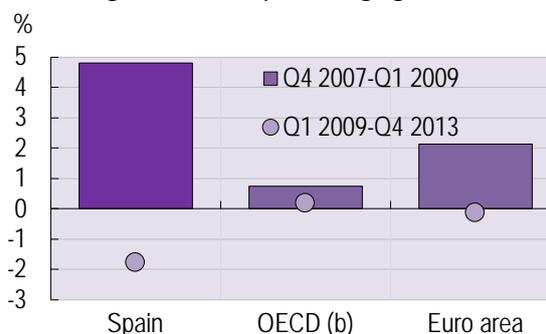
#### A. Unemployment rate

Percentage of total labour force



#### B. Real hourly wage<sup>a</sup>

Average annualised percentage growth rate



a) Total compensation of employees divided by total hours worked by employees in real terms (deflating using the consumer price index).

b) OECD is the weighted average of 33 OECD countries excluding Chile.

Source: OECD Short-Term Labour Market Statistics (database), (<http://dx.doi.org/10.1787/data-00046-en>) and OECD calculations based on quarterly national accounts.

**Strong job creation in recent months is welcome but further progress is needed to cut the high levels of unemployment in Spain**

The number of jobless people in Spain declined significantly in the second quarter of 2014 as strong job creation led to a significant decrease in the country's high unemployment rate. The rate, one of the highest in the OECD, fell to 24.5% from 25.3% in the first quarter. The unemployment rate is still 15.7 percentage points higher than before the crisis and there are still 3.6 million more unemployed. Youth unemployment is of particular concern; albeit fewer than last year, more than one in two young people in the labour market was unemployed in the second quarter of 2014, from less than one in five before the crisis. The persistence of such high unemployment among young people risks compromising their long-term career prospects.

Long-term unemployment as a share of all unemployment has seen a steep rise as well - from 19.1% in Q4 2007 to 52.3% in Q1 2014. This large increase in Spain is a matter of concern as those individuals risk becoming structurally unemployed, losing part of their human capital and motivation to look actively for jobs.

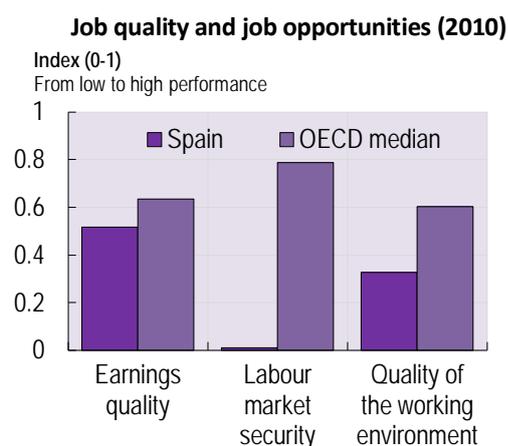
**Real wages have fallen in Spain helping to boost competitiveness but at the risk of increasing hardship for low-paid workers**

In most OECD countries, the crisis has resulted in a substantial slowdown in real wage growth. In Spain, real hourly wages since 2009 fell at the rate of 1.8% per year, much bigger than the one recorded for the euro area as a whole. This large downwards adjustment in wages in Spain has helped to restore the competitiveness of its economy. Prior to the crisis, labour costs had

risen faster than productivity in Spain, driving up unit labour costs (labour costs per unit of output) at a much faster pace relative to a number of its partners, including Germany. These large wage cuts have been, however, painful for workers and their families, in particular for the low-paid workers who face the greatest risk of economic hardship. In-work benefits, together with minimum wages, can provide an effective guarantee of a minimum income and help limit the impact of economic adjustment on low-wage workers and prevent the risk of rising levels of in-work poverty.

### Spain also needs to improve job quality

The results of the 2014 OECD Employment Outlook show that Spanish labour market performance, both in terms of the quantity and of quality of jobs available, is lower than that of the median OECD country, in particular because of its current high risk of unemployment.



Source: OECD Employment Outlook, 2014.

In particular, youth, low-skilled workers and those with temporary jobs appear to cumulate disadvantages: poor employment performance is combined with poor outcomes in all three dimensions of job quality.

### The 2012 labour reform contributed to improve labour market outcomes but further progress is needed to tackle its significant segmentation

In Spain, about one-fourth of the employees are on a fixed-term contract and this figure reaches 62% among youth, aged 24 years or less. More worrisome, Spain is the country with the greater share of fixed-term contracts in new hires and this tendency has increased since the onset of the great recession: in 2012, prior to the labour reform, about 88% of the employees with up to 3 months of job tenure were on temporary contracts, against about 80% five years before.

#### Fixed-term contracts among new hires, 2006-07 and 2011-12

Percentage of employees with no more than three months of tenure



Source: OECD calculations based on EU-LFS microdata.

The 2012 labour market reform, by reducing dismissal costs for permanent workers and extending the trial period under certain circumstances have encouraged hiring on permanent contracts. It is important to continue monitoring the impact of the reform on the labour market now that the economy is back on a growing path. Going forward, the OECD recommends enhancing convergence of termination costs across contracts, by either reducing severance pay for permanent workers or subsidising part of it by re-introducing the FOGASA subsidy or implementing an equivalent scheme.

**OECD Employment Outlook 2014** is available to journalists on the **password-protected** website or on request from the Media Relations Division. For further comment on Spain, journalists are invited to contact Stefano Scarpetta (+33 1 45 24 19 88; [Stefano.SCARPETTA@oecd.org](mailto:Stefano.SCARPETTA@oecd.org)) or Josep Mestres (+33 1 45 24 89 69; [josep.mestres@oecd.org](mailto:josep.mestres@oecd.org)) from the OECD Employment Analysis and Policy Division.