

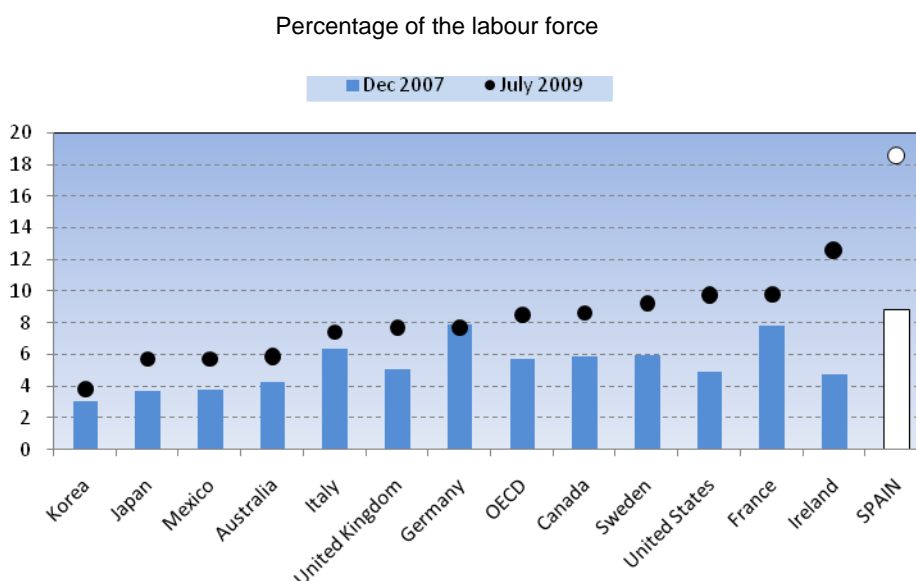


Employment Outlook 2009 – How does SPAIN compare?

Spain has experienced the sharpest increase in unemployment in OECD countries since the beginning of the global economic downturn. Since the recession began in December 2007, payroll employment in Spain has dropped by almost 2.3 million and the unemployment rate increased by 9.7 percentage points to reach 18.5% in July, the highest level in the OECD area (Figure 1).

Despite growing signs that a recovery may be in sight, in the OECD area, the *OECD Employment Outlook 2009* indicates that unemployment in Spain is likely to continue increasing in the months to come and could even approach 20% in 2010. This implies that the largest part of the total expected increase in unemployment in Spain has already taken place, while in other European countries significant further increase in unemployment is expected going forward. Job losses would be significantly larger if vigorous macroeconomic measures had not been taken place. Given the severity of the crisis, Spain adopted a fiscal stimulus package that was above the OECD average. An important component of the package, the State Fund for Local Investment in Spanish municipalities, is reported to have contributed to the creation of nearly 400 000 jobs, although a majority of them are temporary and being used to preserve existing jobs rather than creating new jobs.

Figure 1. Unemployment rates in December 2007 and July 2009 in selected countries



Note: Final month available is: March 2009 for Italy, May 2009 for the United Kingdom and August for Canada and the United States. Source: OECD.

Already disadvantaged labour force groups, such as youth, immigrants, low-skilled and temporary workers, are likely to bear the brunt of rapidly rising unemployment. Job losses have a clear sectoral dimension in Spain; employment in the construction sector dropped by 25% in the year to the 2nd quarter of 2009. The unemployment rate of immigrants in Spain was 28% in the second quarter of 2009, more than 50% higher than the already very high overall unemployment rate of 18%. Labour market duality in Spain has been accentuated with the recession: temporary employment accounted for close to 90% of all job losses in the 12 months to June 2009. As in other



OECD countries, Spanish youth have been particularly hit by the downturn with one out three youth in the labour market being out of work at present.

The increase in long-term unemployment is a critical concern. The *OECD Employment Outlook* shows that the time required to find a new job is lengthening for all job seekers. In the case of Spain, longer unemployment spells account for the largest share of cyclical changes in the unemployment rate. The number of unemployed who had been jobless more than one year reached slightly over 1 million individuals, representing a quarter of overall unemployment in June 2009, the highest share since 2005. Long-term unemployment is affecting in particular individuals older than 45 and other relatively disadvantaged workforce groups, because they tend to be pushed to the back of the hiring queue at a time when more job seekers are competing for fewer vacancies.

Unemployment is a key driver of poverty in Spain, so stemming further job losses will be vital to prevent poverty spreading over the next few years. Even before the current downturn, analysis presented in the *OECD Employment Outlook 2009* shows that close to 50% of jobless households in Spain were relatively poor, compared with 37% on average across the OECD. This is particularly worrisome given the large numbers of unemployed persons (over 4 million by August 2009) coupled with a sharp increase of jobless households not receiving income support (over 1 million). The recent decision to grant a short-duration benefit for the long-term unemployed (who have exhausted their unemployment benefits) is a positive step. However, it should be accompanied by further efforts to promote an active job search by benefit recipients so as to avoid the risk of social benefit dependency. In particular, the OECD advises conditioning benefit receipt on availability for work and participation on training measures and shifting labour market programmes towards “active” measures, *i.e.* services to assist reintegration into employment.

OECD Employment Outlook 2009 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 (tel: +33 1 45 24 19 88 or e-mail: stefano.scarpetta@oecd.org) or Ana Llana-Nozal (tel: +33 1 45 24 85 27 e-mail: ana.llana-nozal@oecd.org) from the OECD Employment Analysis and Policy Division.