How does SPAIN compare?

Employment Outlook 2018

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RECENT LABOUR MARKET TRENDS AND PROSPECTS

Across the OECD countries, labour market conditions continue to improve and in the first quarter of 2018, the average employment rate was about 2 percentage points above its pre-crisis peak. OECD employment and unemployment rates are also projected to keep improving in 2018 and 2019. However, at 0.6% in the fourth quarter of 2017, the year-on-year growth rate of real hourly wages remained disappointingly low, almost one percentage point lower than before the crisis for similar levels of unemployment.

• The labour market situation in Spain has improved continuously over the past three years. Employment in Spain, as a share of the population aged 15-74 years, has increased by more than 5 percentage points since the crisis trough in 2013 but, at 53.7%, it is still 5 percentage points below its pre-crisis level.

• Similarly, the unemployment rate in Spain has decreased by more than 10 percentage points since 2013. At 15.9% in April 2018 it remains, however, the second highest among OECD countries and about 7 percentage points higher than its pre-crisis level. OECD projections suggest that these trends will continue in the next two years.

• However, real wage growth has been negative since 2016. Real wages fell by 0.4% between the fourth quarters of 2016 and 2017, one percentage point below the OECD average. The large and increasing share of workers in low-paid, involuntary part-time jobs is one of the key factors behind the adverse wage developments in Spain.

DEVELOPMENTS IN JOB QUALITY AND LABOUR MARKET INCLUSIVENESS

Job quality and inclusiveness indicators show a mixed picture for the OECD countries. Improvement has occurred over the past decade, with a reduction in the gender gap in labour income, the employment gap for disadvantaged groups, and the incidence of job strain – excessive job demands combined with insufficient resources. However, labour market insecurity is not yet back to pre-crisis levels and poverty has grown amongst the working-age population.

• The Spanish labour market tends to perform below the OECD average in many key indicators of job quality and inclusiveness, except earnings quality in which Spain is just at the average and the gender gap in labour income that, at 34%, is 4.5 percentage points lower than average (see the chart on the next page).

• Unsurprisingly, given the poor performance in terms of unemployment and the high incidence of short-term contracts, the degree of labour market security of Spanish workers is the second lowest in the OECD, after Greece. Moreover, the incidence of job strain, at 35%, is the fourth highest within the OECD countries for which data are available.
Job quality and labour market inclusiveness: key indicators for Spain in 2016-2017

Note: An upward↗ (downward↘) pointing arrow for an indicator means that higher (lower) values reflect better performance. Earnings quality: Gross hourly earnings in USD adjusted for inequality by giving more weight to the lower end of the earnings distribution. Labour market insecurity: Expected percentage net income loss upon job loss computed taking into account the probability of becoming unemployed and the expected duration of unemployment. Job strain: Percentage of workers in jobs with a combination of high job demands and few job resources to meet those demands. Low income rate: Share of working-age persons living with less than 50% of median equivalised household disposable income. Gender labour income gap: Difference between per capita annual earnings of men and women (% of per capita earnings of men). Employment gap for disadvantaged groups: Average difference in the prime-age men’s employment rate and the rates for five disadvantaged groups (mothers with children, youth who are not in full-time education or training, workers aged 55-64, non-natives, and persons with disabilities; % of the prime-age men’s rate).

Source and definitions: OECD calculations using data for 2017 or latest year available from various sources. See OECD Employment Outlook 2018, Ch. 1

• Poverty is also a concern in Spain: at 15.9%, the share of working-age persons living with less than 50% of the median income is the second highest among OECD countries, with Greece performing only slightly worse.

• The employment gap of potentially disadvantaged groups, such as mothers, youth, older workers, non-natives, and persons with disabilities, is also worse than average. In particular, at 61.4%, the probability of having a job for youth not in education was about 14 percentage points lower than for prime-age men in 2015.

• By contrast, the gender gap in labour income is, at 34%, slightly better than the OECD average.

EARLY PROVISION OF EMPLOYMENT SERVICES AFTER JOB LOSS CAN SPEED UP RE-EMPLOYMENT

Every year, between 1% and 7% of the workforce of OECD countries faces job loss due to economic reasons. Displaced workers find new jobs much more rapidly in some countries than in others, suggesting a key role for well-targeted policy. In particular, early employment support intervention during the notice period before the layoff occurs can greatly reduce the length of the unemployment spell.

• The 2012 Spanish labour market reform has helped improving employment performance and tackling deeply entrenched labour market segmentation by strengthening the capacity of employers to respond to shocks.

• In order to further improve performance, it would be vital to continue the reforming effort, in particular to develop and coordinate regional active labour market policies to help the unemployed find jobs. Improving the evaluation and monitoring of these policies would also be key.

• An early-intervention strategy needs to be developed by all actors in charge of activation. This would require inter alia overcoming existing gaps in information sharing between regional and national authorities.

• In comparison with other OECD countries, the notice period before layoff is short in Spain while severance pay is particularly generous. A reform increasing notice period but compensated with a reduction of severance pay would allow starting activation services before layoff without entailing extra costs for firms.

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