

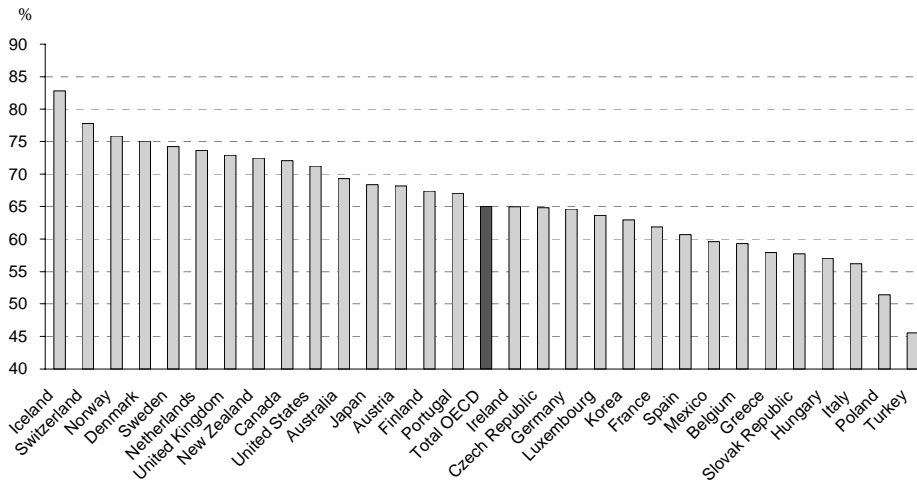
## OECD Employment Outlook 2004

### How does Spain compare?

Over the past decade, Spain has created more than 4 ½ million jobs, that is over one quarter of the total net employment gains registered in the EU-15 over the same period. Still, there is much room for closing the employment gap with respect to the best performing OECD countries.

According to the OECD's latest review of labour market trends and issues, *OECD Employment Outlook 2004*, the unemployment rate, at 11½ per cent, remains the third highest in OECD. Only 60% of people of working age actually have a job, compared with over 70% in the best performing countries like Australia, the Netherlands, Denmark, Sweden, the US and the UK. The employment rate is especially low among young people, women and older workers.

**Proportion of people of working age who are employed, 2003**  
Employment as a percent of population aged 15-64



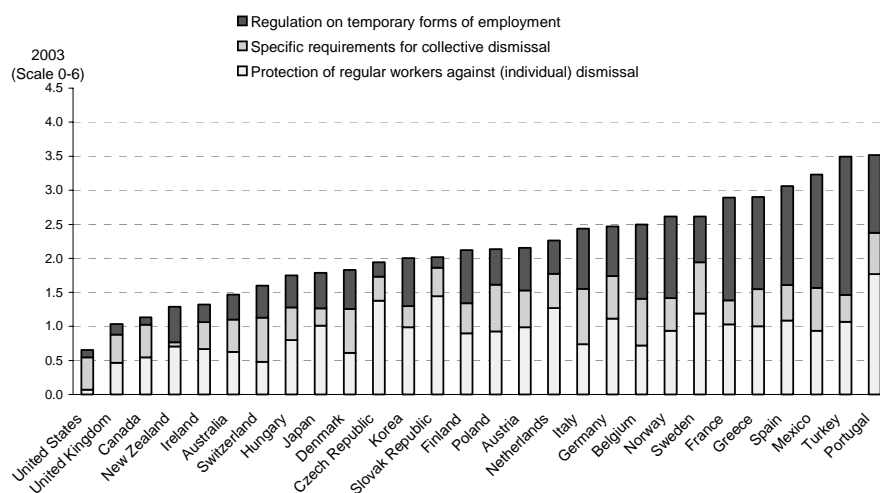
Source: OECD Employment Outlook 2004.

The employment gap is also “qualitative”. Nearly one third of Spanish employees are on temporary contracts, though they would prefer more stable arrangements. On the other hand, those on permanent contracts enjoy a relatively high degree of legal protection. In no other OECD country, except possibly Korea, is this duality as pronounced as in Spain.

According to the OECD report, reforming employment regulations is part of the answer to creating more and better jobs. Lay-off provisions and other such regulations are especially onerous in Spain (Chart). Less strict EPL may make it easier for employers to hire workers, thereby improving the job chances of groups which are subject to entry problems, such as young people and women. But this can also damage job security and sometimes put undue emphasis on the creation of temporary forms of employment.

### How strict are employment protection regulations in OECD countries?

Index measuring the strictness of employment protection legislation in 2003



Source: OECD Employment Outlook 2004.

Such measures should go hand-in-hand with a reform of Spain’s public employment services, so that they effectively help new workers into employment making them more attractive to employers. This requires a “mutual obligations” approach, whereby welfare recipients are offered counselling, job-search support and other re-employment services: as a counterpart to continued benefit support, individuals must look actively for a job or take steps to improve their employability. The “flexicurity” approach of Denmark shows that such a combination of policies can have positive results, although it doesn’t come cheap: labour market programmes cost the equivalent of almost 5% of Denmark’s GDP.

Enhancing the response of wages to shocks would also help –in the face of adverse shocks, the greater the adjustment of wages, the less the risk that employment is affected. The problem is that, in Spain, wages are mainly set by collective agreements which cover over 80% of all workers and often do not reflect local conditions. The use of clauses that allow individual firms to opt-out from sectoral agreements that they cannot implement should be promoted.

In general, the challenge is to formulate a balanced reform agenda that helps adapt to structural change while also meeting employment and social objectives.

**OECD Employment Outlook 2004** is available to journalists on the **password protected** web site or on request from the **Media Relations Division**. For further comment on Spain, journalists are invited to contact the head of the OECD’s employment analysis and policy division, Raymond Torres, on (33) 1 45 24 91 53 or e-mail [raymond.torres@oecd.org](mailto:raymond.torres@oecd.org).

