



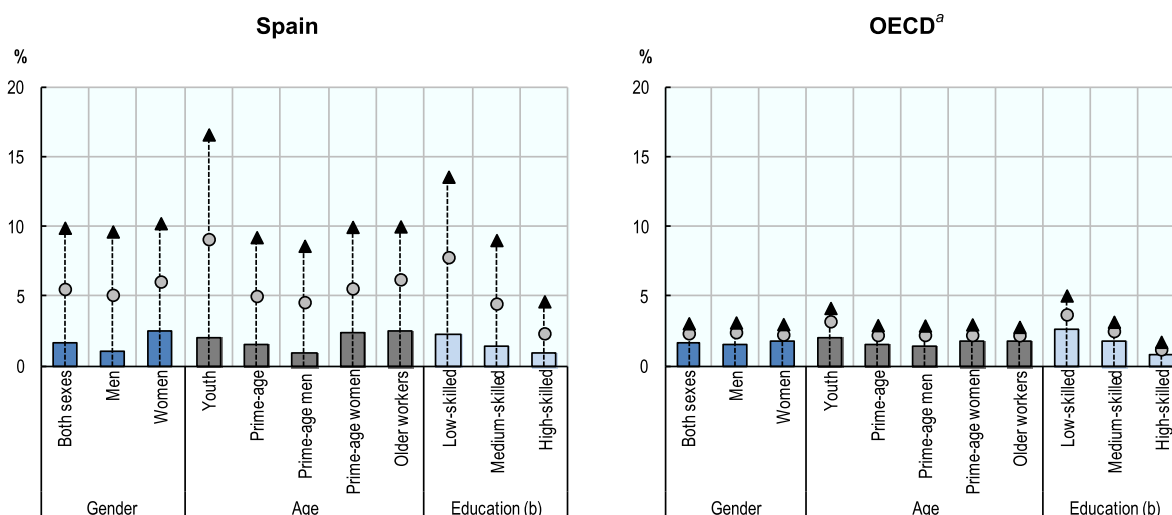
OECD Employment Outlook 2012

How does Spain compare?

Despite some decline in the number of registered unemployed in June, high levels of unemployment in Spain are set to persist in the short-run, given its weak economic growth prospects. Since the recession began in late 2007, the unemployment rate has more than doubled, reaching 24.6% in May 2012 – the highest level in the OECD (compared with the OECD average of just under 8%). The youth unemployment rate has reached a 52.1% in May 2012 from 19.7% in December 2007. At the same time, a growing proportion of the unemployed have been out of work for 12 months or more, from 19.1% in the third quarter of 2007 to 43.2% in the fourth quarter of 2011. An increasing mismatch between job applicants and available vacancies suggests that the cyclical increase in unemployment is becoming entrenched as a more permanent rise in unemployment.

Youth and low skilled workers are at greater risk of long-term unemployment in Spain

Long-term unemployment rates as a percentage of labour force by demographic group, 2007 Q4-2011 Q4



a) OECD is the weighted average of 30 countries (all OECD countries except Australia, Chile, Korea and New Zealand) for data by age and gender and of 29 countries (the same countries except Japan) for data by education.

b) Statistics by education refer to persons aged 25-64.

Source: OECD estimates based on *OECD Main Economic Indicators*, *OECD Labour Force Statistics Databases* and national labour force surveys.

There has been an increase in long-term unemployment (12 months or more) which has been most pronounced for youth and low-skilled workers (Figure 1). The situation of youth is particularly worrying, since unemployment and other labour market difficulties encountered early in their working lives can jeopardise their long-term career paths and future earnings prospects. Youth neither in employment nor in education or training (the so-called “NEETs”, colloquially called “NiNi” – *ni estudia ni trabaja* – in the Spanish media) are most at risk. By the first quarter of 2011, the share of this group in the



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total youth population (aged 15-24) had increased by 5.9 percentage points since the start of the crisis to reach 17.6%, compared with an increase in the OECD area as a whole of just one percentage point and a level of 16.4%.

The high degree of labour market dualism in Spain limited its ability to weather the economic downturn. Spain's labour market is amongst the least resilient in the OECD in terms of the impact of an adverse economic shock on unemployment and earnings losses. The OECD estimates that a 1% decline in GDP increases the unemployment rate in Spain by an average of 0.6 percentage points over the next four years, compared with only 0.15 percentage points in Japan. The difference results exclusively from differences in policies and institutions. Stringent employment protection provisions for regular workers and the high concentration of temporary contracts among new hires are associated with both weaker long-term labour market performance and less labour market resilience.

The labour market reforms introduced in February 2012 should help to reduce dualism and make the Spanish labour market more resilient to future downturns. Tackling labour market dualism is key in Spain, and therefore the reform's objective of rebalancing labour protection by lowering excessive employment protection for workers with permanent contracts is a step in the right direction. The balance between permanent and temporary contracts also needs to be improved through a greater effort to enforce the current rules for such contracts, through changes to the unemployment insurance scheme to remove inappropriate incentives for workers and firms to use temporary contracts and through a strengthening of effective re-employment services for the job seekers. Moreover, the new measures to make wages and working conditions more flexible are welcome in view of the over-reliance by Spanish firms on dismissals rather than hours adjustment in economic downturns.

OECD Employment Outlook 2012 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 Mark Keese (tel: +33 1 45 24 87 94; e-mail: mark.keese@oecd.org) or Stefano Scarpetta (tel: +33 1 45 24 19 88; e-mail: stefano.scarpetta@oecd.org) from the OECD Employment Analysis and Policy Division. For further information: <http://www.oecd.org/employment/outlook>.