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Statistical Update



International
Labour
Office

SPAIN: STEEP INCREASES IN UNEMPLOYMENT, PARTICULARLY AMONG YOUTH, DUE TO THE CRISIS

The unemployment rate has surged with the economic recession

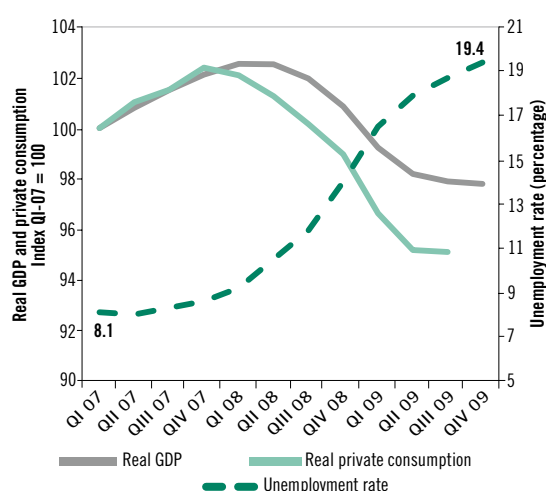
- Before the onset of the global financial crisis, Spain was experiencing a strong and sustained economic expansion. The economy began contracting in QII–2008 and real GDP growth slowed to 0.9 per cent in that year. Domestic demand contributed only 0.1 percentage point to GDP growth in 2008, and export growth slowed to 0.7 per cent compared to 5 per cent in 2007.
- In 2009, economic activity is estimated to have declined by about 3.6 per cent. However, the contraction started to ease beginning in the third quarter (0.3 per cent decrease compared to 1.6 per cent and 1.1 per cent respectively for the first two quarters). It reflected falling foreign trade (exports and imports) and a sharp decline in domestic demand due to declines in investment, especially housing, and private consumption.

- Due to the recession, the total unemployment rate increased by more than 12 percentage points from January 2007 to December 2009, when there were 4.45 million unemployed persons.
- Unemployment is a key driver of poverty in Spain. According to the OECD, in 2009 around 50 per cent of jobless households in Spain were relatively poor, measured with respect to a threshold set at half of median income.

Stimulus package supports the sectors most affected by the crisis

- In November 2008, the Spanish government adopted a series of economic, financial and fiscal measures, reflected in the Spanish Economic and Employment Stimulus Plan (Plan E). The total package for 2009 is estimated at €11 billion (around 1.1 per cent of 2008 GDP).
- The major component is the “State Fund for Local Investment” which accounts for €8 billion. It focuses on public expenditure in public works related to the construction sector (architecture, engineering, infrastructure, and conservation of local and historic heritage). A maximum amount of €5 million per project has been set.
- €500 million have been allocated for research and development, €800 million for environmental projects and another €800 million to support the automotive sector, notably through the car scrappage scheme.
- It includes an extraordinary plan for training and labour integration (400,000 unemployed have benefitted), training of unemployed university students in order to increase their skills and the creation of 300,000 positions in child education between 2008 and 2011.
- The European Community approved a €800 million programme to support the Spanish textile sector.

Figure 1. Real GDP, private consumption and unemployment rate, by quarter, 2007–2009

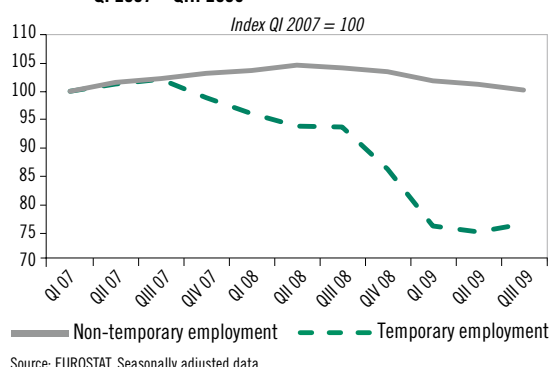


Source: EUROSTAT and national sources. Seasonally adjusted data.

Temporary employment has decreased very sharply

- Temporary employment accounted for approximately 66 per cent of all job losses between mid-2008 and mid-2009. It fell from a peak of almost 5.4 million workers in QIII-2007 to just over 4 million in QIII-2009.
- While non-temporary employment has remained far more stable, it nonetheless declined by 648,000 workers to 14.8 million between QII-2008 and QIII-2009.

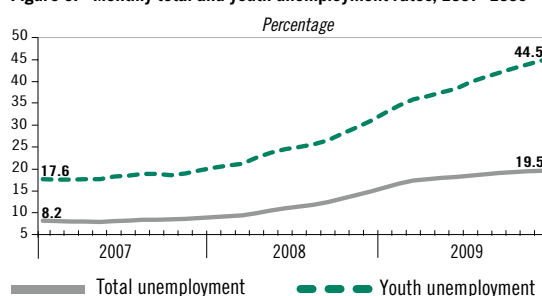
Figure 2. Temporary and non-temporary employment, QI 2007 – QIII 2009



Youth unemployment rate increased to very high levels, exceeding rise in total unemployment rate

- The youth unemployment rate rose very sharply with the onset of the crisis from 17.6 per cent in September 2007 to 44.5 per cent in December 2009. This increase is associated with the high temporary job losses, as youth are more likely than adults to have temporary jobs.
- The youth unemployment rate was 2.1 times higher than the total unemployment rate in January 2007, and this gap widened during the crisis to 2.3 times in December 2009, reflecting the faster pace of growth in youth unemployment.
- The increase has been sharper among males (from 13.9 to 45 per cent) than females (from 22.4 to 44 per cent), mirroring the total unemployment trend by gender.

Figure 3. Monthly total and youth unemployment rates, 2007–2009



Male unemployment rate has expanded more rapidly than female rate

- While both male and female unemployment rates have increased steeply during the crisis, the former has increased at a faster pace. Between January 2007 and December 2009, the male rate rose 13.5 percentage points to 19.6 per cent while the female rate increased 8.3 percentage points to 19.4 per cent.
- The changes in unemployment rate by sex have occurred in a context of differentiated labour supply behaviour (as measured by the labour force participation rate) between men and women. From QI-2007 to QIII-2009, the female labour force participation rate increased by 2.4 percentage points while the male participation rates slightly decreased (by 0.7 percentage points).

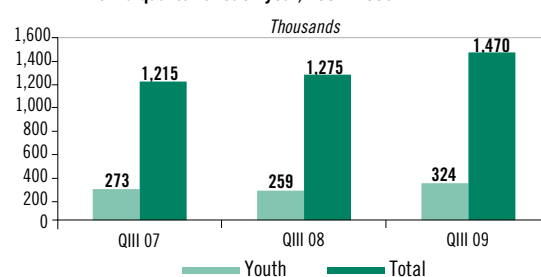
The increase in the working age population has slowed, reflecting weaker immigration flows

- The increase in the working-age population is usually much higher in Spain than in the Euro area (1.7 per cent for Spain versus 0.5 per cent for the Euro zone in 2007), due primarily to significant immigration flows.
- However, the crisis has reduced immigration flows in Spain yielding slower growth in the working-age population since mid-2008. Foreign workers have been particularly vulnerable to the effects of the crisis; the number of unemployed non-nationals rose from 383,000 to 1 million from the beginning of 2007 to mid-2009.

The number of discouraged workers has increased steadily since the beginning of the crisis

Between QIII-2007 and QIII-2009, the total number of discouraged workers (defined as persons not engaged in work, available to work but not seeking a job) rose 21 per cent to 1.47 million. This represents 9.3 per cent of the total inactive population, compared to 7.6 per cent two years earlier, and reflects the steep increases in unemployment.

Figure 4. Number of discouraged workers, total and youth, third quarter of each year, 2007–2009



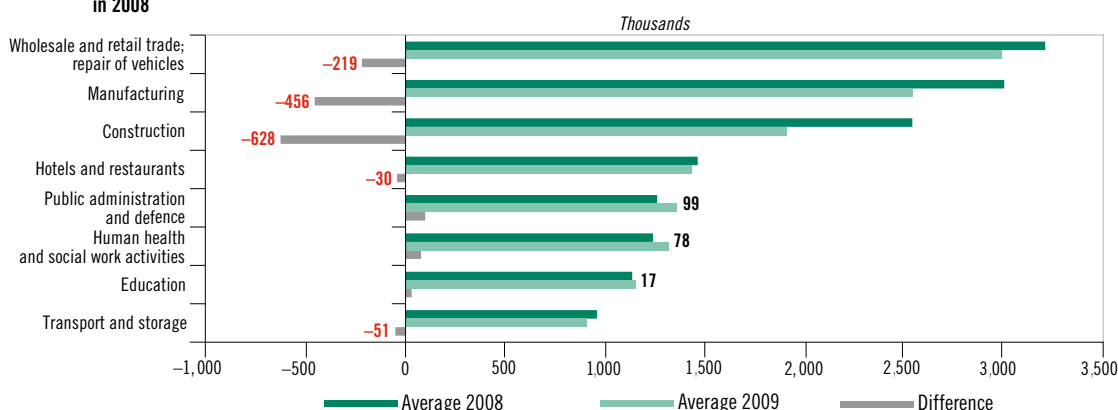
Employment in construction and manufacturing has dropped sharply

- The higher increase in male unemployment is primarily a result of the strong employment shock faced by the construction and manufacturing sectors, characterized by a large proportion of male workers. Construction lost 628,000 jobs during the first three quarters of 2009 compared with the same period in 2008, while manufacturing lost 456,000 jobs and wholesale and retail trade and repair of vehicles lost 219,000 jobs during this period.
- Job losses in construction and manufacturing together represent nearly 73 per cent of the total

net jobs lost in the economy in 2009. In Spain, construction accounts for a higher share of total employment (13 per cent in 2009) than in the Euro area as a whole (8 per cent). Employment multipliers are very high in Spain, in particular in construction and real estate activities. This explains why the stimulus package has been largely targeted towards creating and saving jobs in the construction sector.

- The stimulus measures, specifically the State Fund for Local Investment and the Special Fund for the Stimulation of the Economy and Employment, have contributed to slowing job losses in construction and manufacturing.

Figure 5. Employment by economic activity in key sectors, level and change. Average of the first three quarters of 2009 and the same period in 2008



Source: EUROSTAT based on national sources. Data are not seasonally adjusted. Based on NACE rev. 2. Figures next to the bars reflect changes in employment between the two periods.

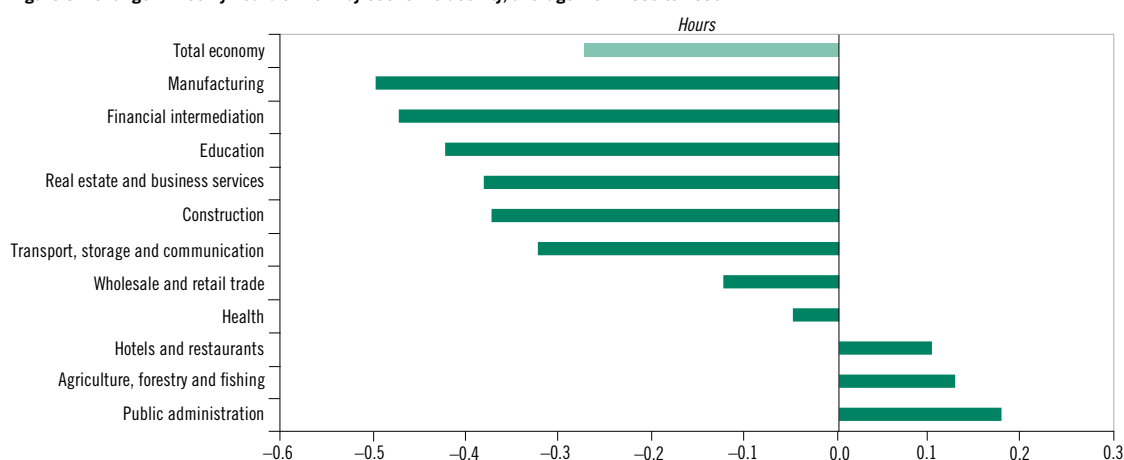
Hours of work declined slightly in the economy as a whole, reflecting modest declines in most sectors

- Average weekly hours of work decreased modestly, by 0.3 hours at the total economy level in 2009, suggesting that job destruction has been the key

adjustment mechanism during the crisis rather than reduced hours of work.

- Weekly hours of work decreased slightly in some sectors, in particular during the second quarter 2009.

Figure 6. Change in weekly hours of work by economic activity, average from 2008 to 2009

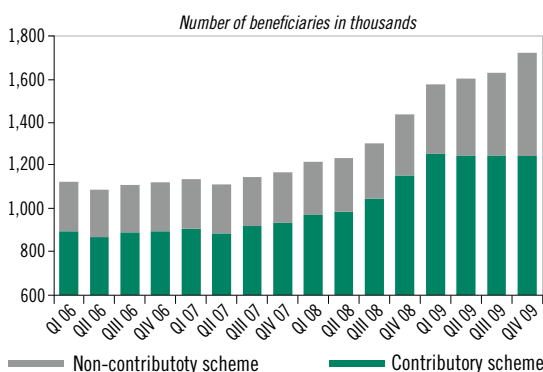


Source: EUROSTAT. Data are not seasonally adjusted and refer to employees.

The number of unemployment insurance beneficiaries has risen very steeply during the crisis

- Numbers of unemployment insurance beneficiaries of both contributory and non-contributory schemes continued expanding through the end of 2009 reflecting the surge in unemployment.
- The number of contributory scheme beneficiaries rose by 93 per cent to 1.6 million between QIV-2007 and QIV-2009, while non-contributory scheme beneficiaries more than doubled to almost 1.2 million in the same period.

Figure 7. Unemployment insurance beneficiaries, by quarter, 2006–2009



Source: ILO, based on official administrative records. Data are not seasonally adjusted.

The recession and job losses are expected to persist in 2010

- The contraction in real output is expected to continue in 2010, but will ease from the very steep decline in 2009. Thus, GDP growth is forecast to decrease 0.3 per cent in 2010, compared with a 3.6 per cent decline in 2009.
- For the third year in a row, employment is expected to decline albeit at a slower pace, with net job losses estimated at 345,000 in 2010, compared to 1,281,000 in 2009.

Figure 8. Real GDP growth rate and employment change, 2008–2009 and 2010 forecast



Source: Ministerio de Economía y Hacienda (3 February 2010).
a/ Number of full-time jobs (equivalent).

- A year after its launch, the stimulus has obtained results which have exceeded expectations. The “State Fund for Local Investment” has helped maintain or increase the economic activity of more than 14,000 companies and more than 420,700 jobs have been created.
- The effects of the measure are time-limited and need to be sustained. In addition, the Fund does not seem to be designed to change the Spanish economic model, which has been based to a large extent on the construction sector.
- The government has announced a new “State Fund for Local Investment” of €5 billion for 2010. The Fund will aim to encourage large and medium-sized localities to invest in environmentally- and technologically-sustainable projects and care services for dependant and disabled persons. Projects funded must contribute to improving long-term productivity in the economy. In this context, it is expected to contribute more effectively to changing the Spanish economic model.