

ILO study on Spain urges job-centred policies to consolidate a fragile recovery

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Despite encouraging signs that the Spanish economy has begun to emerge from the crisis, a new report by the International Labour Organization (ILO) examines a range of economic, employment and labour market policies that could consolidate an as yet fragile recovery and start to reduce unemployment.

The new report by the ILO's [International Institute for Labour Studies](#) also calls for a plan of action to ensure that “no youth is left behind”, while avoiding further wage cuts and pushing for financial reforms that allow sustainable enterprises more access to credit.



The report titled [Spain: Quality jobs for a new economy](#) – part of a series on Studies on Growth with Equity – says the economy is beginning to show signs of a slow recovery.

This timid recovery is mainly led by exports, which have experienced an annual rise of over 15 per cent, particularly in relation to high value-added products. Investment in machinery and equipment is also starting to pick up. At the same time, job gains in sectors with high-growth potential have started to offset the continued loss of jobs in other sectors, such as construction. “Counter to what is sometimes argued, wage levels do not seem to be a constraint on the shift to a new growth model”, says the report.

Nevertheless, the employment situation remains exceptionally difficult:

- Nearly 3 million jobs have been lost since the peak of job creation in the first quarter of 2008. The unemployment rate has increased by more than 13 percentage points to 21.3 per cent in the first quarter of 2011 – the highest among advanced economies.
- The unemployment rate among youth (aged 15–24) increased by more than 24 percentage points between the first quarters of 2008 and 2011. Now, more than 45 per cent of youth are unemployed – one of the highest in the world.
- The construction sector represented on average around 52.3 per cent of total employment losses in Spain between the first quarters of 2008 and 2011.

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- Between 1995 and 2007, household debt as a percentage of disposable income increased by more than 86 percentage points. This is significantly higher than the change in household indebtedness in other major EU economies.

- Migrant workers accounted for around 14 per cent of total employment between the first quarters of 2009 and 2011; yet, employment losses among migrant workers represented 23.5 per cent of total jobs lost over the same period. As a consequence, net migration flows have fallen by more than 60 per cent during the crisis.

Spain's challenge is to respond to both the global financial crisis and the end of an inefficient growth model driven by construction, housing and debt-led demand, nurtured by the financial system. Therefore the goal is to "make a structural transformation towards a new, more balanced economy, while addressing the deteriorated employment situation", said Raymond Torres, Director of the Institute. This could be achieved through:

- A sound financial system which focuses on productive investment, rather than fuelling housing bubbles or making profits out of financial operations. Implementing the EU recommendation on remuneration practices in the financial sector would help reduce irresponsible risk-taking and give a sense of fairness.

- Facilitating business creation and investment especially in sectors where significant growth potential lies – including support for internationalization of Spanish industry and services (exports are 25% of GDP, compared with an average of 40% in the EU), and the development of renewal energy.

- Combating school failure and upgrading skills in line with emerging economic activities.

- Avoiding a spiral of real wage cuts, which would further depress the economy and slow down structural transformation. In the past, real wages (deflated by output prices) grew less than productivity. So declining competitiveness was mainly due to the inefficient nature of the job growth and investment patterns prior to crisis, i.e. in low-productive sectors such as construction and real-estate.

- A plan of action so that "each young person who is not in school is offered some form of 'activation guarantee', i.e. the opportunity to work, train or engage in some form of activation measure".

- Monitoring of recent reforms of collective bargaining would help assess their employment and income effects. This could be done through the creation of a special

evaluation body with tripartite experts.

- Making employment programmes more effective and ensuring that public employment services (PES) are adequately resourced. Now, every PES staff member serves around 450 unemployed – compared to 100 in countries where PES are effective.
- Ensuring funding of the new individual saving accounts, which could contribute to boost the creation of more and better jobs, while facilitating mobility – key at times of structural transformation.
- Promoting social dialogue as a means to “increase coherence between economic, employment and social objectives”.

The study shows that “if well designed, these policies are cost effective” and will contribute to boost confidence that the concerns of people and the real economy are being taken into account. They will promote employment and economic growth, while contributing to reduce social tensions. Therefore they should be given adequate budget priority. Ill-conceived austerity measures, the report argues, “could worsen an already weak job market”.

Further resources

ILO Publications



- ILO. 2011. *Inequalities in the world of work : the effects of the crisis* (Geneva)
- ILO. 2011. [Spain: Quality jobs for a new economy](#) (pdf 2.13 MB) (Geneva). • [Español](#) (pdf 1.46 MB)
- ILO. 2010. [Employment and social protection policies from crisis to recovery and beyond: a review of experience](#) (pdf 819 KB), an ILO report to the G20 Labour and Employment Ministers Meeting, Washington, DC, 20–21 April 2010 (Geneva).
- ILO. 2010. [Employment policies for social justice and a fair globalization](#) (pdf 1.55 MB), Report VI, International Labour Conference, 99th Session, Geneva, 2010 (Geneva).
- ILO. 2010. [The impact of the crisis on employment and the role of labour market institutions](#) (pdf 650 KB) (Geneva).
- ILO. 2010. *Tripartite responses to the economic crisis in the principal Western European countries* (Geneva)
- ILO. 2009. [Recovering from the crisis : a global jobs pact](#) (pdf 93.22 KB)

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- [Français \(pdf 105.47 KB\)](#) • [Español \(pdf 107.50 KB\)](#)
- ILO. 2008. *The global employment challenge* (pdf 5.16 MB) (Geneva)
 - [Español \(pdf 8.30MB\)](#)
- ILO. 2004. *A fair globalization : creating opportunities for all* (pdf 2 MB) (Geneva).
 - [Français \(pdf 2.25 MB\)](#) • [Español \(pdf 1.18 MB\)](#)

ILO Videos

- [Time of crisis is an opportunity for change, says Spanish President](#) - 
- [Facing the jobs crisis, an interview with the ILO Director-General](#) - 

ILO Websites

- [International Institute for Labour Studies](#)
- [Global Jobs Pact](#)
- [Employment promotion](#)
- [Youth employment](#)
- [ILO Job Crisis Observatory: Employment promotion](#)
- [Resource Guide on Youth Employment](#)
- [Resource Guide on Labour statistics](#)