

The labor market in Spain, 2002–2016

Youth and long-term unemployment, which skyrocketed during the Great Recession, were still very high in 2016

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ELEVATOR PITCH

Spain, the fourth largest eurozone economy, was hit particularly hard by the Great Recession, which made its chronic labor market problems more evident. Youth and long-term unemployment escalated during the crisis and, despite the ongoing recovery, in 2016 were still at unsustainably high levels. The aggregate rate of temporary employment declined during the recession, but grew among youth. Most interesting have been the narrowing of the gender gap in labor force participation, the decline in the share of immigrants in employment and the labor force, and the overall increase in wage inequality.

KEY FINDINGS

Pros

- + Employment has grown at an average annual rate of 2.3% since 2014.
- + The gender gaps in labor force participation and temporary employment were smaller in 2016 than before the recession.
- + The overall rate of temporary employment decreased in the wake of the Great Recession.
- + The share of immigrant employment started growing again after 2014, albeit slowly.
- + Both overall monthly wage inequality and inequality in the lower half of the monthly wage distribution started decreasing slowly in 2013.

Cons

- Youth and long-term unemployment skyrocketed during the Great Recession; in 2016 they were still both very high and very far from their pre-crisis levels.
- Male labor force participation fell because of the drastic reduction in young men's participation in the aftermath of the crisis.
- The rate of temporary employment escalated significantly among youth.
- Immigrants were hit particularly hard by the Great Recession.
- Real wages declined during the recession and have not returned yet to their pre-recession levels.

AUTHOR'S MAIN MESSAGE

Despite the ongoing recovery, the Spanish labor market is still far from doing well. Youth unemployment as well as both temporary and long-term unemployment remain significant problems. Issues also exist with respect to immigrant workers and wage inequality, particularly for lower-wage workers. On the positive side, the labor force participation gender gap has shrunk considerably. Policymakers could combat the long-term unemployment challenge by putting more efforts into the design, implementation, and evaluation of well-targeted active labor market policies.

