

Chapter 2

Improving the matching of workers to jobs

The deceleration of economic activity and the necessity for structural change in order to return to sustainable growth imply a need for a better matching of workers to jobs. This chapter looks at the main institutional features and policies in the labour market that are behind the mismatch between qualified workers and available jobs, which is severe in international comparison. A well designed strategy to activate the unemployed can help ensure that unemployment benefit recipients find a suitable job as fast as possible and minimise the risk that the availability of unemployment benefits unduly reduces work incentives. An adequate level of coordination between the administration of unemployment benefits and activation policies lowers the risk of benefit traps if activation policies are used to ensure that recipients re-qualify for unemployment benefits. Reform of employment protection legislation would help to increase the employment prospects of highly qualified young workers and other groups who face entry problems. Immigrants have high participation rates and relatively low unemployment, but they hold precarious jobs for which they are overqualified. Hence, there is scope to increase their labour market integration. Housing market policy reforms need to focus on removing barriers to geographic mobility, and the wage bargaining system should be reformed in order to ensure an efficient allocation of labour by allowing wage agreements to reflect firm-level conditions.

Activating the unemployed

A well defined strategy to activate the unemployed can help ensure that benefit recipients have a good chance of obtaining employment in as little time as possible and minimise the risk that the availability of unemployment benefits does not unduly reduce work incentives. The essence of activation strategies is to encourage jobseekers to become more deliberate in their efforts to find work and/or improve their employability.¹ It is important to direct spending to those measures that are found to be most effective. Indeed, as in other OECD countries, there seems to be considerable scope for improving the effectiveness of Spain's active labour market policies (ALMPs) for any given level of spending. But, while international experience can provide some broad suggestions for policy, more evaluation is needed to identify those individual policies that work cost-effectively. Given the decentralised nature of the public administration, it is important to achieve an effective coordination of ALMPs with the administration of the unemployment benefits system (OECD, 2006a).

Spain is following a well-designed activation strategy, but it can be improved

There is a growing awareness across OECD countries of the importance of basing activation strategies on the “mutual obligations” principle (OECD, 2007d). A careful integration of active and passive measures, combined with close monitoring of job search, can be effective in encouraging job-seekers to become more diligent in their efforts to find work and/or improve their employability. Indeed, empirical results confirm the disincentive effects of unemployment benefits are lower in countries that spend more on ALMPs (Bassanini and Duval, 2006). A number of other recent macro-econometric studies on the impact of aggregate ALMP spending on aggregate unemployment have found that it speeds up re-employment for benefit recipients and other job-seekers (OECD, 2007d).

Spain's activation strategy relies on a series of labour market services and training courses, most of which are available to all unemployed people (see Box 2.1). After a comprehensive interview in order to assess work availability and identify job skills of the unemployed, an individualised action plan is established, and the participation of the job-seeker in the plan is obligatory. Intensive interviews between the job-seeker and an employment counsellor are done regularly, on an average frequency of six times a year, although this is somewhat less frequent than most other OECD countries.² In most cases, they are referred to vacancies directly by the employment services, which not only helps reduce the risk of prolonged unemployment, but can also act as a work test. In addition, the average number of direct referrals to jobs per unemployed person is amongst the highest in the OECD area (OECD, 2007d).

Spending on relatively inefficient employment subsidies is high...

Empirical evidence from cross-country studies suggests that spending on ALMPs is found to decrease the initial impact of macroeconomic shocks (OECD, 2006a). In addition,

Box 2.1. The Spanish activation strategy

Despite the fact that many countries are now following an activation strategy based on the mutual obligations principle, relatively little is known about how they implement these strategies in detail. Based on detailed answers from governments of OECD countries, the 2007 Employment Outlook (OECD, 2007d) sought to fill this gap. The following description of Spain's activation strategy is based on these results.

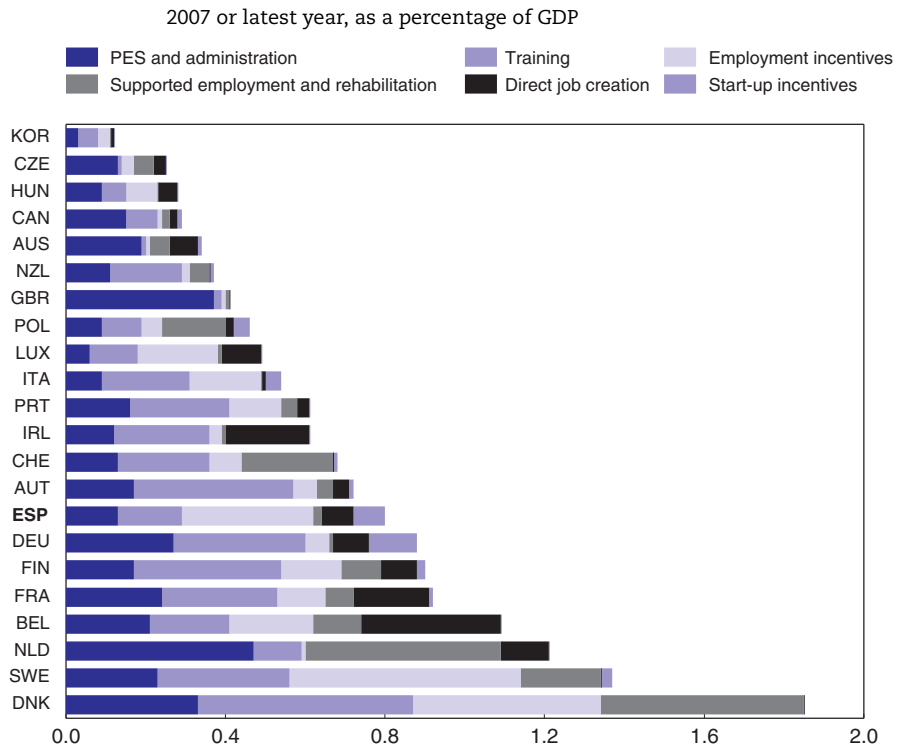
Within 15 working days the unemployed person must register as a job-seeker with the regional public employment services (PES) office. Benefits are paid from the first day of unemployment, with no waiting period, and back pay is available for up to two weeks from the initial time of registration. The person must then subscribe to an activity agreement undertaking to actively seek work, accept appropriate job offers and return proof of a job referral to the regional PES office. A detailed interview is done, in most cases within two weeks of registration, after which a level of employability is determined and an individual action plan is drawn up. The individual plan can contain, *inter alia*, the following: a personal training and employment plan, counselling to improve self-esteem and motivation, and active job search (classes on job-search and interview skills). The actions included in the personalised plan are compulsory and, in case of non-compliance, benefits can be cut or, for those not receiving any, access to public employment services can be suspended. Intensive interviews, during which job-search verification also takes place, are conducted every two months on average. In Spain, most vacancies are "closed" – that is, they are not advertised and are directly offered to the job-seeker by the regional PES administrator.

the composition of spending on ALMPs does appear to matter: in the same study, training programmes were found to have a significant impact on unemployment. Some general principles of what works can also be identified from the increasing number of micro-econometric evaluations of ALMPs around the world: relatively low-cost job-search-assistance services and individual case management often rate well, whereas public job-creation programmes do not (European Commission, 2006). In addition, wage and employment subsidy programmes tend to perform poorly in terms of their net impact on the future employment prospects of participants (OECD, 2007g). Studies also suggest that the returns to different activation programmes vary widely across countries, suggesting that details of programme design are important to determining success.


Spain's overall spending on active labour market programmes is close to the European average (Figure 2.1). A significant share of it (around 40%) is spent on employment subsidies, mostly for the promotion of permanent contracts (see below). For the most part, these are subsidies paid to employers who create a permanent employment contract for unemployed workers. These subsidies are likely to have a very large deadweight loss and are typically considered to be the least cost-effective activation measure.³ Counselling and job-search assistance also seem to be underdeveloped in Spain (OECD, 2007g).

... and few programmes are evaluated

It can be useful to assess whether activation programmes are cost-effective in terms of savings in benefit outlays (due to earlier exits from unemployment) relative to their direct budget costs, and also to assess which programmes are the most effective in relative terms. However, in Spain, few ALMPs covering the unemployed are evaluated on a regular

Figure 2.1. **Public expenditure on active labour market programmes in OECD countries**

Source: OECD (2008), *Employment Outlook*.

StatLink  <http://dx.doi.org/10.1787/486037805137>

basis (OECD, 2007g), and rigorous evaluation studies of activation programmes done by researchers and other private institutions are scarce (European Commission, 2006). Such evaluations have been carried out in Australia, France, Switzerland and the United Kingdom, among other OECD countries, and are used to improve the design of ALMP measures. Measures that are financed by European Commission funds are evaluated at regular intervals, but these evaluations do not always provide clear guidance on which measures work best for different groups of workers (OECD, 2005). As part of a package of measures to enhance the efficiency of ALMPs that came into force in 2008, the public employment services (*Servicio Público de Empleo Estatal, SPEE*) will be subject to an external evaluation every three years, and an internal evaluation will be conducted yearly. However, there remain many examples of Spanish programmes that have a significant budgetary cost but have not been evaluated. For instance, about 6% of youth (2004 figure) entering unemployment participate in job-creation programmes aimed at facilitating the integration into the labour market of the unemployed, through temporary jobs. In addition, 11% of unemployed youth (also a 2004 figure) take part in programmes for the promotion of agricultural employment in rural areas. Both these programmes have been running since the mid-1980s but have not been evaluated (OECD, 2007g). Job creation programmes have often proven ineffective in placing the unemployed into unsubsidised jobs (OECD, 2006a).

Co-ordination between regional and central governments can be improved

The central government (via the SPEE) designs and finances both passive and active policies, while the regions are responsible for managing these active labour market policies.⁴ This set-up implies that the regions do not receive the full fiscal benefits of a reduction in unemployment – it is the central government that benefits through lower unemployment benefits claims. Regions that succeeded in putting the unemployed back to work, however, receive less central government funding, since resources are allocated across regions according to the number of unemployed people. Moreover, withdrawal of unemployment benefits to job-seekers who do not comply with search requirements would result in the region receiving less central government transfers for its unemployed, reducing incentives to apply sanctions in such cases. There is also a risk that, as has happened in other highly decentralised countries like Canada and Switzerland, ALMPs are not designed to promote employability but rather to place recipients in short-term jobs that re-qualify them for unemployment benefits paid by the central government. For instance, in the case of direct job creation, the SPEE works in co-operation with the autonomous communities to help the unemployed find a subsidised, temporary job. There is evidence that this process is sometimes used to help the most disadvantaged youth to acquire a sufficient contributory history to earn benefit entitlements (OECD, 2007g).

Improving active labour market policies and the public employment services

Increased funding for better targeted ALMPs could come from reducing outlays on employment subsidies (see below). However, greater evaluation of policies is needed in order to identify which ALMPs are effective in returning the unemployed to work. It is important that evaluations highlight examples of good practices at the regional level as a starting point for better co-ordination between the central government and autonomous communities as well as more co-operation among communities. The performance of regional employment services should be assessed and benchmarked, and this information should be publicly available in order for poorly performing regions to be placed under political pressure to improve, as is done, for instance, in Switzerland (OECD, 2007c). Linking placement success to a financial reward could offset the disincentives that result to some extent from the attribution of the responsibilities across levels of governments.

Better coordination between the administration of unemployment benefits and activation policies is also needed to avoid the risk of benefit traps, especially to the extent that ALMPs are used to ensure that recipients re-qualify for unemployment benefits. Assessing the work availability of the unemployed and gathering other relevant information when registering for benefits are key for ensuring an early and effective intervention. However, entitlement to unemployment benefits starts from the first day of becoming unemployed, and benefits can be paid retroactively (for up to two weeks) from the initial time of registration. It is possible that a certain number of potential matches of jobseekers to suitable vacancies are currently missed during this short period when benefits are already being paid. Therefore, registration for placement should be made a precondition for benefit payment and the full interview should be mandatory at the time of registration.

Many recent evaluations have shown that job-search assistance and monitoring can have a sizeable impact on re-employment rates. While Spain has explicit and regular job-search reporting procedures, the intensive interviews through which job-search verification takes place are not done as frequently as in most other OECD countries. Half of

OECD countries require reporting of job search every two weeks or monthly (OECD, 2007d), and Spain should adopt a similar practice. In situations of longer unemployment spells, compulsory participation in ALMPs can help improve employment prospects and reduce the risk of either long-term unemployment or labour market exit. In Spain, while there is no general obligation to enter programmes at a certain stage in the unemployment spell, benefit recipients nevertheless need to comply with a referral to an ALMP by a PES counsellor. However, making the participation in ALMPs after a period of unsuccessful job search compulsory could strengthen this and help reduce fraud. The proportion of contracts actually intermediated by the SPEE is low and is highly concentrated among low-skilled jobseekers. Allowing temporary employment agencies and other for-profit firms to offer placement services to the unemployed could also improve the effectiveness of overall placements of workers to jobs.

Reducing the duality of the labour market

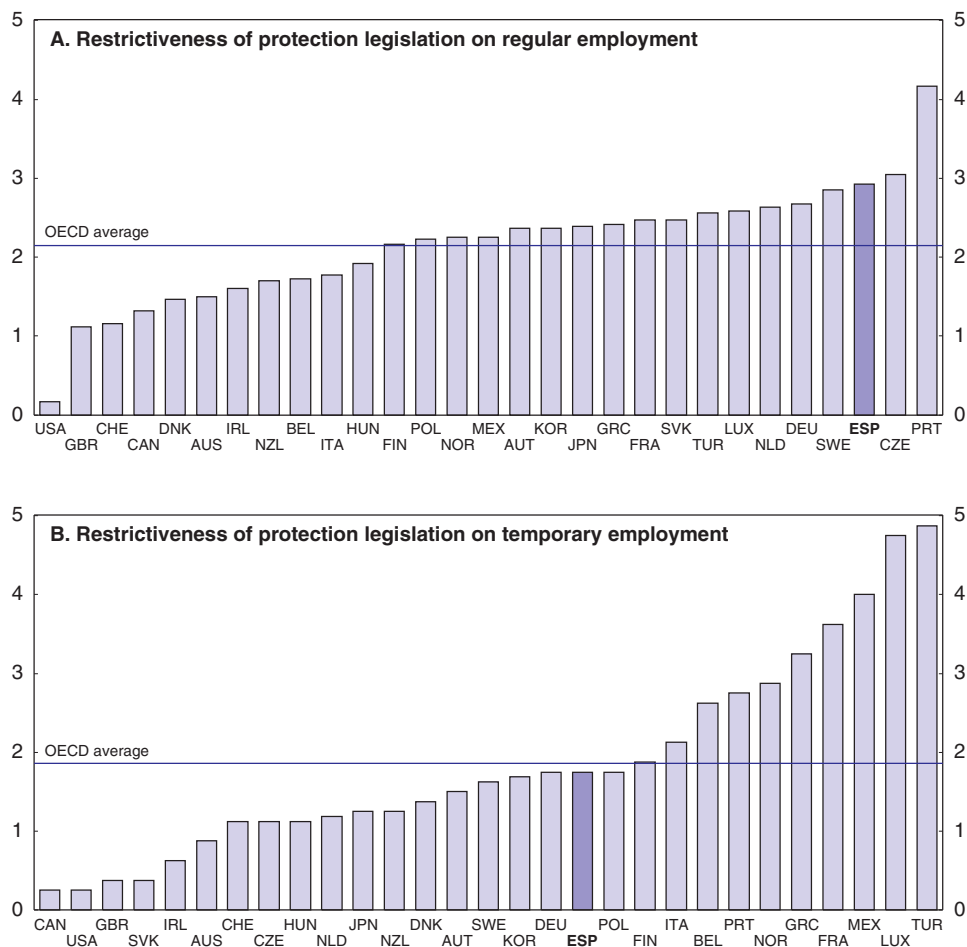
Employment protection legislation (EPL) – the set of rules governing the hiring and firing of employees – continues to be amongst the strictest in the OECD area. The overall EPL restrictiveness indicator computed by the OECD (OECD, 2008c) is the third highest in the OECD, and the international comparison is even starker when looking only at the key indicator – the level of severance payments for permanent workers (Figure 2.2). In Spain this indicator points to a burdensome system, as courts consider most firings as unfair – around 90% of cases in recent years. As a result, in the majority of cases severance payments reach 45 days of wages per year of service up to a ceiling of 42 months for standard contracts. On the other hand, temporary contracts have much lower firing costs (eight days of wages per year of service), and, although they should be used only for a limited duration,⁵ there is evidence to suggest that they have been widely used beyond the legal limit (OECD, 2007a). Temporary contracts are so favourable in terms of labour cost and employer risks that they continue to be widespread, despite repeated attempts at reform that have offered financial incentives and reduced severance costs for the hiring of certain groups of workers on permanent contracts.⁶ Although their share in total employment has fallen recently, at around 27% of total employment⁷ the share is still more than twice the OECD average of 13%.

Employment protection legislation is impairing the integration of the young, women and immigrants...

EPL increases job security for existing workers. However, it can also restrain job creation, as it increases firms' costs of adjusting their workforce. Furthermore, the long and variable delays that characterise the administrative and judicial procedures used to implement EPL tend to make these costs unpredictable (OECD, 2007g). This uncertainty may however have been reduced by the option, given to employers in 2002, to make an upfront compensatory payment to dismissed workers that is equivalent to the payment they would receive if the dismissal were to be declared unfair by the courts, allowing employers to avoid paying wages while court procedures are pending. The net effect of EPL on total employment is *a priori* ambiguous and can take either direction, although the majority of empirical studies done on the subject have found only a small positive effect of EPL on unemployment (OECD, 2006a).

The effects of EPL appear to vary across labour-market groups. Strict EPL tends to compromise the employment prospects for those groups that are most subject to entry

Figure 2.2. **Employment Protection Legislation (EPL), 2006**
Index scale of 0-6 from least to most restrictive



Source: OECD (2008), *Going for Growth*.

StatLink  <http://dx.doi.org/10.1787/486058367804>

problems, such as young workers, women, and immigrants, by reducing labour turnover and hiring. Bassanini and Duval (2006) have shown that partial reform of the labour market – lowering protection for temporary jobs, but leaving permanent contracts untouched – encourages temporary jobs and labour-market dualism. Employers tend to hire new workers largely through temporary contracts and are reluctant to convert these into permanent jobs. As high-tenure workers are entitled to significant severance payments but surrender this entitlement if they voluntarily change employment (OECD, 2006a), labour turnover is concentrated on work-force groups who are over-represented in temporary jobs, especially young workers, potentially trapping them on a path of “precarious” jobs that imply high levels of employment insecurity, as well as under-investment in firm-specific human capital. The effective protection of workers with a permanent contract is likely to be higher than that implied by the high severance costs alone, since temporary workers are likely to act as a “buffer” when the workforce is being scaled back. In sum, the pronounced duality of the labour market has made it more difficult for younger workers

(who are better qualified than older cohorts) and immigrants to get access to permanent contracts, hampering their integration.

It seems clear that labour-market segmentation contributes to the over-qualification rates of the young (see Chapter 1). The high incidence of temporary contracts among young workers contributes to their being employed in positions which are not commensurate to their skills. Even though highly qualified labour market entrants are likely to eventually obtain a permanent contract, this effect has had particularly adverse consequences for productivity in Spain, where the level of qualifications of workers who entered the labour market recently is significantly higher than those of older age cohorts. Recent empirical research suggests that stringent EPL for regular contracts has a significant but small negative impact on long-run productivity growth (OECD, 2007d). However, this effect may well be larger for Spain because of the contribution of the high incidence of temporary contracts among young workers on the underutilisation of their skills. Indeed, differences in education levels across age cohorts are much more marked in Spain than in other OECD countries (see Chapter 3).

Past efforts to encourage permanent contracts have concentrated on financial incentives for employers

A wide-ranging labour-market reform was introduced in mid-2006, after a year of consultations between the government and the social partners, which resulted in a consensual agreement. The reform was profiled in detail in the 2007 Survey. Among others, measures were adopted to limit the excessive use of temporary contracts, public financial incentives in favour of permanent contracts with low redundancy costs were increased and, for a limited time, subsidies were offered to all temporary contracts converted into permanent contracts with the lower redundancy costs. In addition, social insurance contributions were reduced and certain benefits were increased, and the government also planned to modernise the public employment services, increase the funding of ALMPs and increase the number of workplace inspectors in order to ensure that the reform be strictly applied. Since the reform was introduced, the share of temporary contracts has fallen by 4.4 percentage points. The reform did not, however, modify the heavy protection provided to those on permanent contracts and therefore did not address the fundamental problem that strict EPL for permanent workers poses for the young, women and immigrants: its depressing impact on worker turnover, including voluntary turnover.

Options for reform

Several options are available to reduce EPL on regular contracts while still providing adequate protection to workers. It may be possible to build political support for relaxing the level of protection if it were combined with measures to improve assistance available to job losers. These measures do, however, imply relatively heavy public spending. Severance pay for permanent contracts should be made less generous, reducing the difference in the degree of protection between temporary and permanent contracts. One way to go in this direction would be to create a universally applicable contract in which severance pay increases with job tenure up to a limit that lies below current levels. This would be useful to promote employment. If this is not possible, then lengthening trial periods of permanent contracts (which are usually determined in wage bargaining, and are often set below the maximum set in the Labour Code) could be considered, which could help employers assess the productivity of new hires and encourage them to recruit them

under permanent contracts. This could be achieved by making it easier for firms to opt out of collective agreements reached at a higher level (see below). Increasing the trial period may encourage the use of permanent contracts, although care should be exercised not to set them for too long in order to avoid the risk that employers abuse the system. Besides providing a safety net to laid-off workers, severance payments also serve to raise the cost of dismissals, which lowers employment volatility (OECD, 2005). This goal could also be achieved by a system of experience rating of unemployment insurance premia paid by employers,⁸ modelled on the US system (Blanchard and Tirole, 2003; Dolado and Jimeno, 2004). In such a system, employers' contributions to unemployment insurance would depend on their previous layoff behaviour, so that those firms who tend to engage in more layoffs cover a greater part of the social cost caused by the volatility of their labour demand.

Improving the integration of immigrants

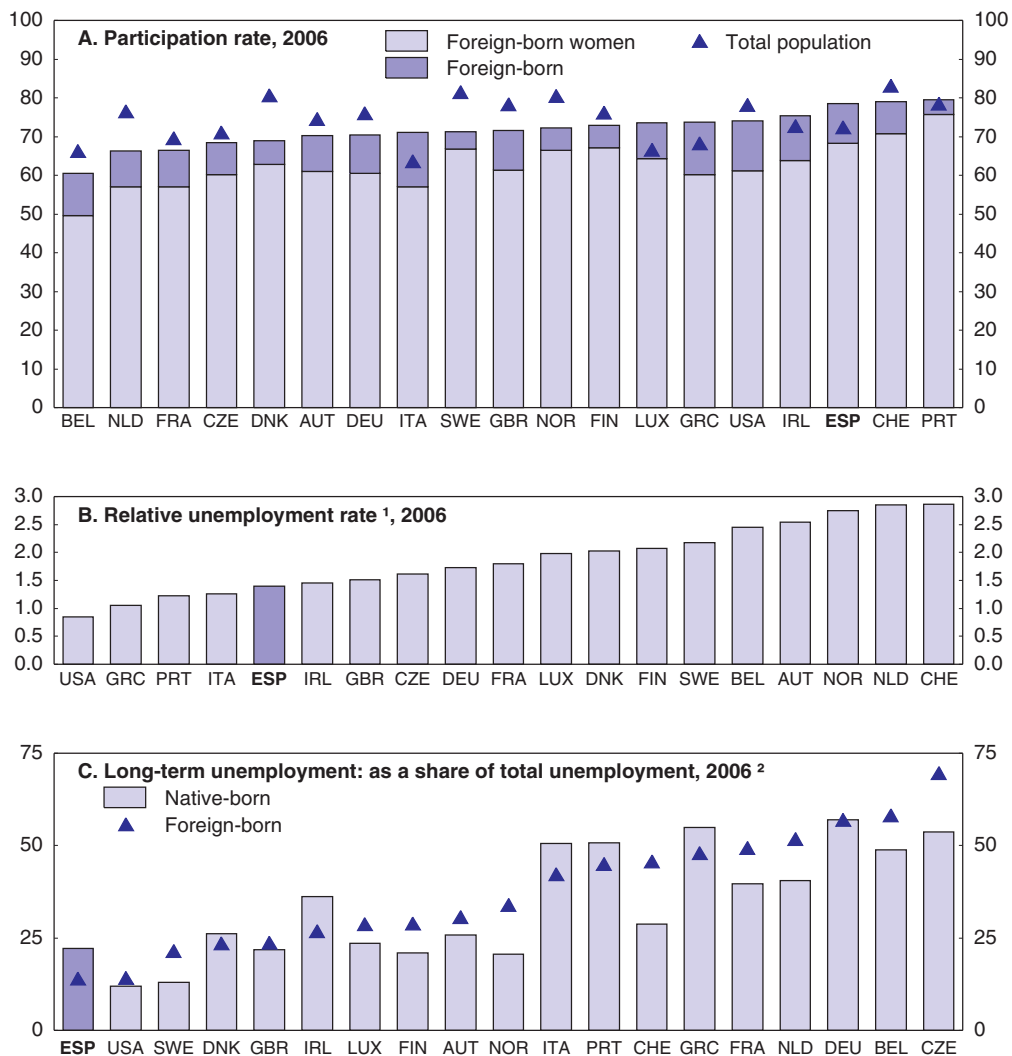
Immigration is a relatively recent but increasingly important phenomenon in Spain. A recently adopted national integration strategy and a comprehensive regularisation programme in 2005 have been important elements behind the remarkable integration of immigrants into the labour market. However, this happened at a time when the economy and employment in particular, was booming. In 2007, there were close to 4.8 million immigrants in Spain, close to 10% of the total population. Of these, around 40% came from Latin American countries, 22% from EU-25 countries and close to 17% from Africa. On average, around 500 000 immigrants have arrived each year since 2001. As immigrants will be hard hit by layoffs in the construction and services sectors, it will be increasingly important to improve their integration into the economy and society in general. A new package of measures to induce immigrants who become unemployed to return to their countries came into force in September 2008, including *inter alia* a lump-sum payment of unemployment benefits and subsidies to cover travel expenditures. However, only a small number of immigrants are likely to take advantage of these benefits, as those who do will be unable to apply for a work permit in Spain for three years. Reflecting the importance of the issue of a successful integration of immigration for the authorities, a Secretariat of State for Immigration was created as part of a reorganisation of responsibilities that saw a reshuffling of immigration duties away from the Ministry of the Interior. A new Integration Plan for 2007-10 was drawn up after careful negotiations with regional and local governments and the social partners, including immigrants' representatives. The Plan is backed up by considerable funding – €2 billion over the period – and includes plans to, among other things, improve immigrants' access to ALMPs and better tailor policies to their needs, increase research to identify best practices for integration and prevent discrimination and exploitation in the workplace.

Immigrants have low unemployment, but hold precarious jobs for which they are overqualified

Empirical evidence suggests that, across OECD countries, immigrants typically fare less favourably in the labour market than natives. They face numerous barriers and disadvantages related to, in particular, legal constraints, language proficiency, social and cultural norms, quality of education and skills recognition and certification. However, in contrast with the experience of other European countries, where immigrants' probability of being unemployed is higher than for (comparable) natives, the employment integration

of recently arrived immigrants in Spain has been relatively successful (Figure 2.3). The significant increase in the share of immigrants in the labour market (they now represent more than 12% of the total active population) is the result of both the large flows of immigrants that have reached Spain in recent years and their considerably higher participation rates. Their higher participation rates are the result of the relatively younger age structure of immigrants, but also of higher participation rates among specific age groups than the native population. Immigrants also have higher employment rates than natives, a lower incidence of long-term unemployment and, until recently, only somewhat higher unemployment rates.

Figure 2.3. Labour market integration of immigrants in selected OECD countries



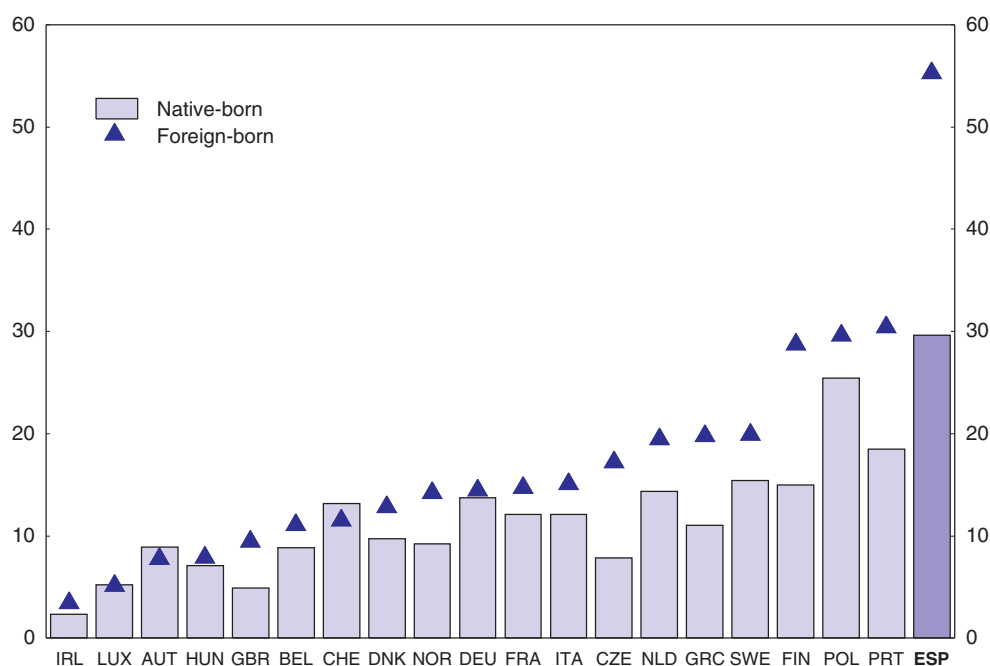
1. Foreign-born to native-born ratio.

2. Or latest year available.

Source: OECD (2008), *International Migration Outlook: SOPEMI*.

Even though employment of immigrants grew strongly up to August 2008, the recent spike in unemployment, led by the fall in construction employment, has been relatively marked among this group of workers (see Chapter 1),⁹ likely as a result of the high degree of flexibility among immigrant workers with precarious work status, in particular those on temporary contracts. Indeed, close to 56% of immigrants are on a temporary contract, nearly double the rate among native-born and far higher than in other OECD countries (Figure 2.4).¹⁰ Recent immigrants are less highly educated than natives entering the labour market – only around 21% of immigrants present in the country for 10 years or less have a tertiary qualification, compared to almost 45% of natives aged 25-34 (Figure 2.5). Wages received by immigrants tend to converge over time to those of natives, but in general the gap is never fully closed, partly reflecting these differences in human capital. In addition, the labour market does not appear to reward immigrants' educational investments and work experience in the country of origin sufficiently – immigrants tend to hold jobs that do not adequately reflect their skills, and this mismatch appears to be persistent over time (see Fernández and Ortega, 2006). They are more likely to work in the relatively low-skilled sectors of the economy, most notably construction, agriculture, tourism and domestic services. In some of these sectors employment has grown strongly in recent years. The percentage of workers employed in domestic services was particularly high: in 2006, around 18% of foreign workers in Spain were employed in “services to households”, and a big majority of these were women (OECD, 2008b).

Figure 2.4. **Temporary employment by birth status**
As a percentage of total, 2005

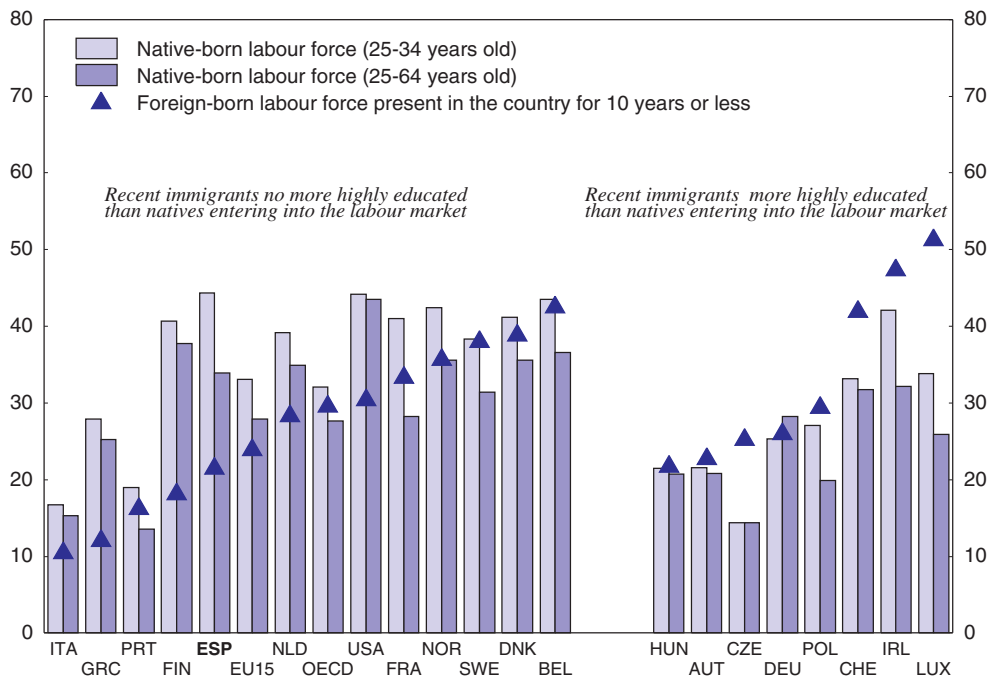


Source: OECD (2007), *International Migration Outlook: SOPEMI*.


StatLink  <http://dx.doi.org/10.1787/486228222343>

Figure 2.5. **Educational status of immigrants and natives in selected OECD countries**

Persons in labour force with tertiary qualification, 2005



Source: OECD (2007), *International Migration Outlook: SOPEMI* and OECD (2008), *Factbook*.

StatLink  <http://dx.doi.org/10.1787/486238443524>

Recognising the skills acquired by immigrants can help improve their labour market performance

As in most other countries, immigrants in Spain appear to have difficulty getting their foreign qualifications properly recognised and thus end up in jobs for which they are overqualified. More than 40% of immigrants were in such a position in 2004, the top rate among OECD countries. The high rate of over-qualification of workers relative to the qualification requirements of their jobs is not limited to immigrants, as the rate is also exceptionally elevated for native-born workers. In addition, while immigrants do appear to move into better jobs the longer they stay in the country, more than 30% of those with 11 or more years in the country still hold a job for which they are overqualified. Employers may not necessarily be discriminating against immigrant workers, but merely reflecting the potential costs of uncertainty about their productivity compared to native-born candidates, the qualifications earned in the country of origin, and work experience that cannot be easily verified and evaluated. Recent empirical research confirms that labour markets in OECD countries make major distinctions between degrees obtained in the host country and those earned abroad (OECD, 2007f), which partly explains the differences in wages between immigrants and natives.

This suggests that the procedures for recognising formal qualifications can be improved. Indeed, such steps could help turn the over-qualification of immigrant workers, relative to the skill requirements of the jobs they occupy, into an advantage, helping to shift workers to more productive activities, as residential construction activity adjusts to lower levels. Some OECD countries have created agencies that are charged with evaluating and

certifying foreign credentials. For instance, Denmark has established an agency that provides binding assessments of foreign qualifications at all levels and has recently established regional knowledge centres to assess and certify non-formal qualifications and skills (OECD, 2007f), while Ireland has created a one-stop shop for enquiries by employers and immigrants (OECD, 2008a). Besides the general issue of the equivalence of foreign qualifications, licensing requirements in certain regulated liberal professions might also present additional hurdles for immigrants to take full advantage of their training and skills in the host country (see Chapter 4). Arriving immigrants may have significant experience in their fields garnered in their country of origin but may have difficulty having this experience validated.

Acquiring an adequate level of proficiency in the local language is thought to be one of the most important issues for integration. In a recent study of OECD countries (OECD, 2007f), a measure of language proficiency significantly increases the odds of employment for foreigners relative to natives. Other empirical studies confirm that language proficiency is one of the most important elements of human capital with respect to integration (Chiswick and Miller, 2007). Since a significant number of immigrants come from Latin America, the language issue is less important. However, more than 60% of immigrants still originate from non-Spanish-speaking countries. The supply of language courses for the adult population, which is primarily the responsibility of the regions, seems to be insufficient and often lacks coordination among regions (OECD, 2006b). It would therefore seem necessary to improve the supply of courses of instruction in official languages. The few empirical evaluations of language training available suggest that its impact is clearly positive for newly-arrived immigrants (in particular at the very beginning of their stay), but diminishes significantly over time (OECD, 2007e). One measure that would help to strengthen incentives to acquire language skills is to adapt the national system of language skill certification to the needs of both immigrants and potential employers.

There is still significant scope to increase the integration of immigrants

In order to ensure that foreign qualifications are properly understood and recognised, an agency in charge of the recognition of foreign qualifications at all levels could be created, and bilateral agreements with originating countries to recognise and certify credentials should be pursued. In addition, more measures to reduce employers' perceived risks of hiring immigrants are needed. This would argue in favour of measures that reduce the uncertainty and costs of hiring immigrants, at least temporarily, allowing the employer to assess the capabilities of potential immigrant recruits. For instance, Sweden's public employment services run an on-the-job skills-assessment programme through which, in less than three weeks, a quick assessment of foreign credentials, skills and work experience is carried out. After this period, a certificate is issued that can be used in future job applications (OECD, 2007b).

To the extent that immigrants are overrepresented among disadvantaged groups in the labour market, the reforms suggested to reduce the duality of the labour market and increase the quality of activation strategies, supplemented by targeted labour-market programmes designed for immigrants, could have especially favourable effects on immigrants (Jean *et al.*, 2007). In order to identify and implement integration practices that are found to be effective, a benchmarking system could be implemented to assess the success of regional governments in the integration of immigrants, following the Danish

example (OECD, 2007f). Policies that allow a greater occupational mobility should also be pursued – such as, for instance, reducing the number of jobs closed to foreigners. In particular, ending the prohibition for non-EU immigrants (but who hold a valid work permit) to hold jobs in the public sector should be considered. For instance, Denmark has set a target that the share of immigrants employed in the public sector should match their population share.

Introducing an in-work benefit to improve job prospects for the unskilled and reduce poverty

Governments have increasingly used in-work benefit programmes as a tool to raise the monetary returns from work. In-work benefits simultaneously supplement the disposable income of households in which at least one adult works, but whose labour income is nonetheless insufficient to keep the family out of poverty, and increase the attractiveness of working *vis-à-vis* non-employment (and possibly relying on social security benefits). In-work benefits can also significantly reduce the marginal effective tax rates associated with moving from unemployment (or inactivity) to employment, although as they are phased out, the tax on further increases of earnings may lead to reduced incentives to increase hours worked and/or move into a higher-paying job. Empirical studies suggest that in a well designed system of in-work benefits, the increase in participation can more than compensate for the reduction in hours worked by some persons already employed (OECD, 2006a). Micro simulation analysis (Immervoll *et al.*, 2006) suggests that a marginal switch toward in-work benefits would be welfare enhancing in all EU15 countries analysed, including Spain.

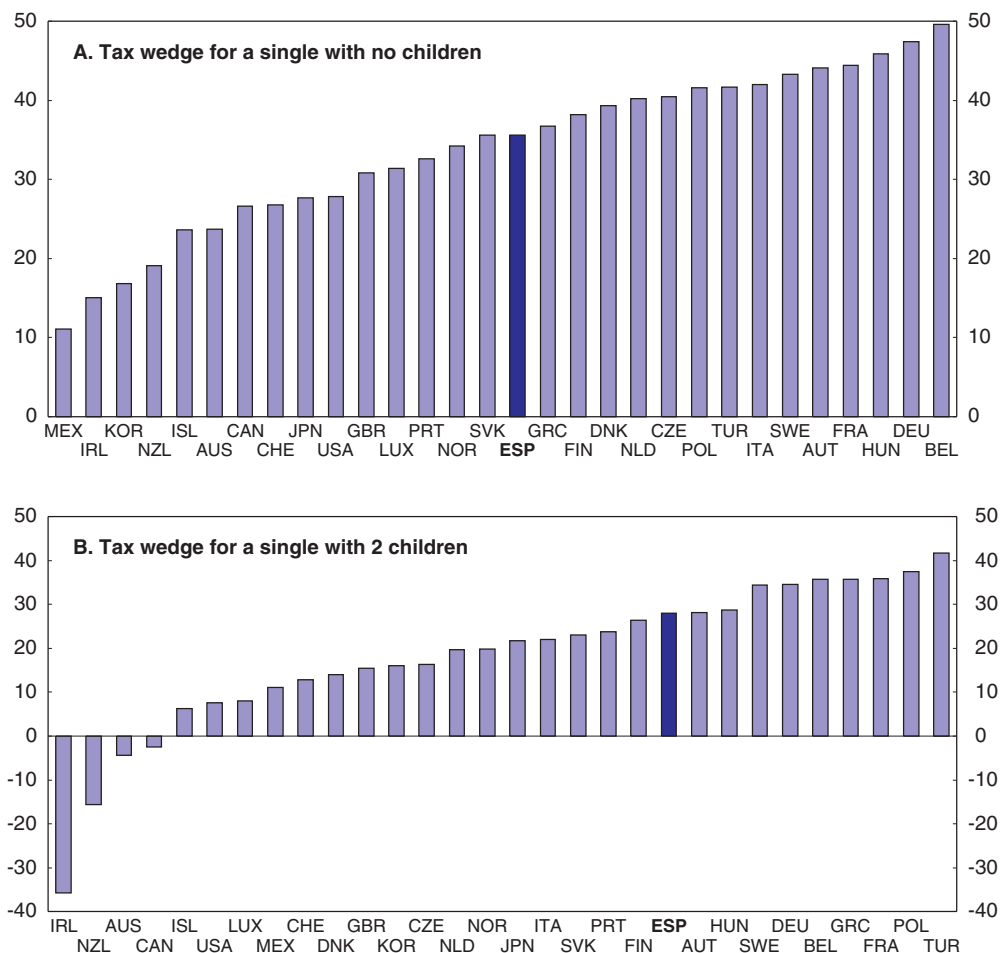
In Spain, while average labour tax wedges are not particularly large by international comparison, the tax burden on low-wage earners with children remains relatively heavy (Figure 2.6), even after the 2006 reform of the personal income tax provided some relief. This reflects in part relatively low child benefits. Relative poverty rates are also concentrated among families with children (see Chapter 1). Meanwhile, the share of unskilled workers is also high in international comparison. This indicates that the number of workers whose employment incentives could improve as a result of the reduction of marginal income taxes would be large, relative to the number of workers whose incentives would deteriorate in the phase-out range. This suggests that introducing an in-work benefit should be considered, with the level of the benefit depending on the number of children in the household. Any such benefit could be subject to a minimum requirement on hours worked and be phased out gradually above a household income level determined by a poverty threshold.

Lowering the impediments to the geographical mobility of workers in housing policy

Internal migration rates in Spain are among the lowest in the OECD area, which may sustain the wide dispersion of unemployment rates across regions. Increasing labour mobility would make it easier for workers to reallocate across sectors, help to raise the returns to education by allowing a better match of qualified workers with adequate jobs, and smooth the transition of youth into a first job.

Empirical evidence suggests that the high regional variance of unemployment is also likely to be at least partly due to the small size of the rental market (Barcelo, 2006). Indeed, the private rental market remains the thinnest among European countries (OECD, 2007a),

Figure 2.6. **Average tax wedge at 67% of average wage earnings**
As a percentage of labour costs, 2007



Source: OECD, Taxing Wages database.

StatLink  <http://dx.doi.org/10.1787/486272886217>

although in 2007 the share of rented housing stock grew slightly. Letting apartments appears to be relatively unattractive for private landlords because they find it difficult to enforce eviction, for example for non-payment of rents, as legal procedures are excessively long (De los Llanos, 2006). The plans to speed up the resolution of conflicts between tenants and landlords via the creation of swifter court procedures (OECD, 2007a) have not yet been fully carried out, although some progress has been made lately – six new judicial courts (out of 10 planned by the authorities) have been opened in areas with a high number of eviction procedures. Additional legal reforms in order to shorten eviction processes are under consideration, as is the possibility of applying arbitration procedures to rental contracts.

Government spending on housing policy is significant, close to 0.7% of GDP between 2005 and 2008, excluding tax expenditures, and has been primarily aimed at the expansion of social housing. In 2008, the central and regional governments had a target of building close to 70 000 new subsidised houses, of which 70% are to be sold to their occupants. In addition, the authorities have announced a goal of substantially raising the

social housing built to 150 000 units per year on average for the next decade, at least 40% of which will be aimed at the rental market. More recent measures have also been designed to stimulate the rental market. On the demand side, means-tested cash benefits have been made available to people aged between 22 and 30 years to cover rent payments. This measure is likely to have a relatively low deadweight loss, appears to be well targeted and should help to improve the matching of young workers to jobs. Moreover, in order to eliminate the positive bias towards purchasing created by the deductibility of mortgage expenses from the personal income tax, rent payments have been made deductible for all households, subject to a limit on income. On the supply side, measures include subsidies to the construction and/or refurbishing of dwellings intended for social housing, as well as for making existing housing in the free market available as social housing. In addition, the revenue from a rental property is exempted from the personal income tax. Several autonomous communities have also created public rental agencies, which are trying to jumpstart the rental market by acting as intermediaries (and absorbing some of the risks) between landlord and tenants. These agencies mirror the one created by the central government at the end of 2005 (OECD, 2007a).

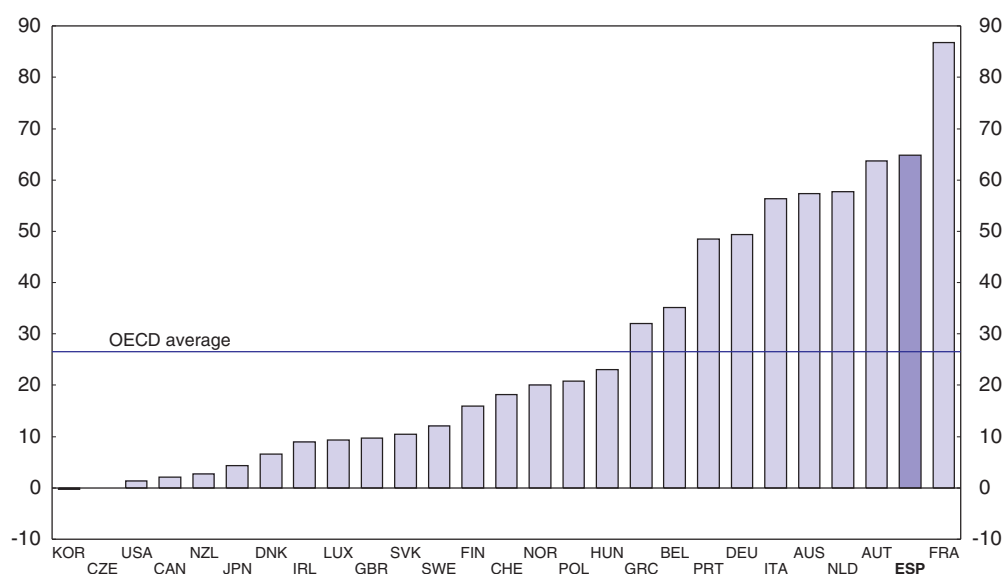
The goal for reform should be to nurture the development of the private rental market. Perhaps the first priority is to ensure that contract enforcement is improved. This would also help to mobilise housing demand of young people (a significant share of whom still live with their parents) and low-income earners for whom access to housing is easier by renting than by purchasing. In addition, social housing should be reformed. Since social housing is provided at below market prices, an excess of demand is created and is resolved through queues. Long waiting lists for social housing, whether rentals or owner-occupied, increase the opportunity cost of accepting a job offer that implies relocation, decreasing the geographic mobility of labour. In addition, providing owner-occupied social housing, especially to the young, is poorly targeted on the poor, as household income is likely to increase in the latter stages of the life cycle, while the housing subsidy is enjoyed throughout one's lifetime. In order to avoid creating impediments to the mobility of workers while still providing assistance to the less well-off to afford a decent and safe place to live, resources devoted to subsidising social housing should be redirected to means-tested earmarked cash benefits, and social housing for purchase should be abolished. Finally, housing tax subsidies for owner occupied and rental housing, besides having a high budgetary cost (of around 0.7% of GDP in 2008), are likely to be badly targeted on the poor, as they are given via deductions from the personal income tax, and many of the least well-off already are not liable for such tax. Targeting is also weak for the measure that exempts suppliers of rental housing from income tax, as it is not subject to a means test. It would therefore be preferable to remove, in the medium term, the distortions in the tax system by accelerating as much as possible the pace of the phasing out the tax deductibility of mortgage and rent payments.

Reforming the collective bargaining process

A decentralised bargaining system allows wages to reflect firm-level conditions, while centralised wage bargaining may exploit economies of scale in bargaining and incorporate externalities that are not considered by individual workers and employers. The current system lacks the advantages of either type of negotiation. Wage negotiations are done mainly at the industry or at the regional level – negotiations at either the company or national level are rare (OECD, 2005) – but legal extension clauses for many agreements

result in their application to all firms and regions, including firms that did not take part in the negotiations. Thus, despite a relatively low rate of union membership, collective bargaining coverage is very high (Figure 2.7). The use of catch-up clauses that protect workers in case of inflation surprises¹¹ is widespread: in 2007, around 50% of workers in the private sector were covered by a catch-up clause.¹² While the indexation clauses imply that in general only a fraction of the inflation surprise is incorporated into wage increases, their use is especially problematic in the case of adverse supply shocks such as the recent oil-price hikes, which feed into higher wage increases and raises the likelihood that the downturn in domestic demand that the economy is undergoing will be accompanied by particularly heavy output and employment losses.

Figure 2.7. **Difference between coverage rates of collective bargaining agreements and trade union density rates, in 2003-04¹**



1. The coverage rate is measured as the percentage of workers who are covered by collective bargaining agreements, regardless of whether or not they belong to a trade union. The union density rate is the percentage of workers belonging to a trade union. Each data point on the figure is calculated as the simple arithmetic difference between the two rates.

Source: OECD (2008), *Going for Growth*.

StatLink  <http://dx.doi.org/10.1787/486360513151>

Agreements reached above the firm level contain opt-out clauses that allow individual firms to deviate from the conditions set in the agreement. However, in practice these clauses have been subject to restrictive conditions on firm performance and thus have been seldom used by firms. Allowing wage negotiations to take place at the regional level (as they do now), but replacing the compulsory application of outcomes with an opt-in system that allows firms to adopt the wage agreement if they want to would allow small firms to save the costs of individual negotiations if they so choose, while making room for greater wage dispersion. If this ambitious reform cannot be implemented, making it easier for firms to opt out of agreements negotiated at the regional or sectoral level should be considered. In order to reduce the feedback effects of inflation on wages, the total elimination of inflation indexation clauses in collective bargaining should be encouraged. If this is not feasible in the short run, any indexation should be limited to an inflation

measure that excludes oil and other commodity prices, and further reduces the degree of indexation, so as to minimise second-round effects on inflation.

Box 2.2. Recommendations to make the labour market more flexible

Improving active labour market policies

- Reduce subsidies for hiring the unemployed on permanent contracts, and redirect them to better targeted active labour market policies (ALMPs).
- In order to identify the most effective ALMPs, increase their evaluation. Implement a system of benchmarking of regional employment services, and make this information publicly available at successful regional placement services should receive a financial reward.
- Make registration for placement a precondition for benefit payment and conduct a full interview already at the time of registration. Shorten the job-search reporting period of benefit recipients. Make participation in ALMPs compulsory after a defined period of unsuccessful job search.

Reducing the duality of the labour market

- Make severance pay for permanent contracts less generous, reducing the difference in the degree of protection between temporary and permanent contracts. Consider introducing a single labour contract with significantly lower severance pay entitlements than those linked to current permanent contracts. If this is not possible, consider making it easier for firms to introduce longer trial periods for permanent contracts by relaxing the conditions under which firms can opt out of collective agreements (see below). Consider implementing a system of experience-rating of employers' unemployment insurance premia in exchange for such a reduction in severance costs.

Increasing the integration of immigrants

- Create an agency in charge of the recognition of foreign qualifications at all levels. Pursue bilateral agreements with originating countries to recognise and certify credentials obtained in those countries. Consider introducing an on-the-job skill assessment programme through which a quick assessment of foreign credentials, individuals' skills and work experience, is carried out and certified.
- Step up efforts to increase the quantity and quality of public language training. Adapt the national system of language certification to the needs of the labour market.
- Broaden the array of ALMPs that are tailored to immigrants' needs as foreseen in the 2008 Integration Plan.
- In order to identify and implement integration practices that are found to be effective, implement a benchmarking system to assess the success of regional governments in the integration of immigrants.
- Reduce the number of jobs closed to foreigners. In particular, allow non-EU immigrants (but who hold a valid permit) to hold jobs in at least some parts of the public administration.

Introducing an in-work benefit scheme to make work pay and reduce poverty

- Consider introducing an in-work benefit targeted on low-income households and linked to the number of children in the household.

Box 2.2. Recommendations to make the labour market more flexible (cont.)**Reducing the impediments to the geographical mobility of workers in housing policy**

- Implement in full the current plans to speed up the resolution of conflicts between tenants and landlords, via the creation of swifter court procedures, so as to enhance the geographic mobility of workers.
- Redirect resources spent on subsidising social housing to means-tested earmarked cash benefits, and abolish social housing for purchase. Phase out the tax deductibility of mortgage and rent payments.

Reforming the collective bargaining process

- Replace the compulsory application of wage agreements reached at higher levels with an opt-in system that allows employers the choice of whether to adopt the wage agreement. As another option for reform, make it easier for firms to opt out of agreements negotiated at the regional or sectoral level. Encourage the elimination of inflation indexation clauses in collective bargaining. If this is not feasible in the short run, use an inflation measure that excludes oil and other commodity prices and further reduces the degree of indexation, so as to minimise second-round effects on inflation.

Notes

1. This is reflected in the restated OECD Jobs Strategy, which noted that public employment services should be adequately funded to implement well designed active labour market policies, while strictly enforcing work-availability criteria as a condition for benefit payment (see OECD, 2006a).
2. Half of OECD countries require reporting of job search every two weeks or at least monthly (OECD, 2007d).
3. See for instance the results in Mato *et al.* (2004) and Cueto and Mato (2006). García and Rebollo (2007) find that wage subsidies have only a small effect on the transition rate into permanent employment either from a temporary contract or from unemployment.
4. The autonomous communities can also design and finance their own active labour market policies.
5. As part of the 2006 reform of the labour market, the consecutive use of temporary contracts was restricted to two consecutive contracts on the same post, covering no more than 24 months within a period of 30 months. After this, the employee is entitled to a permanent contract.
6. Hiring women, the young (those aged under 30) and older persons (over 45) on a permanent basis benefits from lower severance payments of 33 days of wages per year of service, with a ceiling of 24 months.
7. The decrease in the share of temporary contracts used is also likely to have been attributable at least partly to the shrinking construction sector, which has a higher-than-average use of temporary workers.
8. This is also sometimes referred to as a *bonus-malus* system.
9. According to the most recent Labour Force Survey, in the third quarter of 2008 the unemployment rate for foreign-born reached 17.45%, almost 5.7 percentage points higher than a year before, while the unemployment rate for native-born was 10.2%, a rise of 2.8 percentage points.
10. This is by far the highest rate among OECD countries (OECD, 2007f).
11. In 64% of collective agreements the adjustment is determined by the difference between the observed and the expected inflation rate (usually set at 2%). In 18% of agreements, the clause is triggered if the inflation rate is higher than the initial wage increase. In 12% of agreements, the adjustment is made on the difference between the observed inflation rate and a predetermined rate of increase. In the remaining 6% of contracts, some other form of adjustment is used.
12. In 2007, more than 80% of workers in the private sector were covered by a collective agreement, and almost 71% of these workers were covered by a catch up clause.

Bibliography

- Bassanini, A. and R. Duval (2006), "Employment patterns in OECD countries: Reassessing the role of policies and institutions", *OECD Social Employment and Migration Working Paper*, No. 35, and *OECD Economics Department Working Paper*, No. 486, Paris.
- Barcelo, C. (2006) "Housing tenure and labour mobility: A comparison across European countries", *Banco de España Working Paper* No. 0603, Madrid.
- Blanchard, O. and J. Tirole (2003), "Contours of Employment Protection Reforms", *Department of Economics Working Paper* No. 03-35, MIT, Cambridge, Massachusetts.
- Chiswick, B.R. and P.W. Miller (2007), "The Critical Period Hypothesis for Language Learning: What the 2000 US Census Says", *IZA Discussion Paper*, No. 2575, Bonn.
- Cueto, B. and F. Mato (2006), "An analysis of self-employment subsidies with duration models", *Applied Economics*, Vol. 38, pp. 23-32.
- De los Llanos, M. (2006), "Las Medidas de la Política de Vivienda en Materia de Alquiler y Vivienda Protegida", *Boletín Económico del Banco de España*, Madrid, July-August.
- Dolado, J. and J.F. Jimeno (2004), "Contratación Temporal y Costes de Despido en España: lecciones para el futuro desde la perspectivas del pasado", *Working Paper* No. 48/2004, Fundación Alternativas, Madrid.
- European Commission (2006), *ALMPs in Europe*, Brussels.
- Fernández, C. and C. Ortega (2006), "Labour Market Assimilation of Immigrants in Spain: Employment as the Expense of Bad Job-Matches?", *FEDEA Working Paper* No. 2006-21.
- García, I. and Y. Rebollo (2007), "The Use of Permanent Contracts Across Spanish Regions: Do Regional Wage Subsidies Work?", *FEDEA Working Paper* No. 2007-08.
- Immervol, H., H. Jacobsen Kleven, C. Thustrup Kreiner and E. Saez (2006), "Welfare Reform in European Countries: A Microsimulation Analysis", *IZA Discussion Paper* No. 1810, Bonn.
- Jean, S., O. Causa, M. Jimenez and I. Wanner (2007), "Migration in OECD countries: Labour market impact and integration issues", *OECD Economics Department Working Papers* No. 562, Paris.
- Mato, F., B. Cueto and M. Dávila (2004), "Evaluation of Labour Market Policies: An Analysis of Self-Employment Subsidies", *ICE Revista de Economía* No. 813, pp. 247-258, February.
- OECD (2005), *Economic Survey of Spain*, Paris.
- OECD (2006a), *Employment Outlook*, Paris.
- OECD (2006b), "Local Responses to a New Issue: Integrating Immigrants in Spain", Chapter 5 in *From Migration to Integration: Local Solutions to a Global Challenge*, Paris.
- OECD (2007a), *Economic Survey of Spain*, Paris.
- OECD (2007b), *Economic Survey of Sweden*, Paris.
- OECD (2007c), *Economic Survey of Switzerland*, Paris.
- OECD (2007d), *Employment Outlook*, Paris.
- OECD (2007e), *International Migration Outlook: SOPEMI*, 2007 Edition, Paris.
- OECD (2007f), *Jobs for Immigrants, Volume 1: Labour Market Integration in Australia, Denmark, Germany and Sweden*, Paris.
- OECD (2007g), *Jobs for Youth: Spain*, Paris.
- OECD (2008a), *Economic Survey of Ireland*, Paris.
- OECD (2008b), *OECD Factbook 2008 Edition*, Paris.
- OECD (2008c), *Going for Growth*, Paris.

Table of contents

Executive summary	8
Assessment and recommendations	11
Chapter 1. Main challenges, macroeconomic developments and policies	21
Recent developments point to a significant cutback in economic growth over several years	23
Fiscal policy has turned expansionary	29
The current account deficit largely reflects strong domestic investment.	32
The banks are overall relatively well placed to handle the downturn in residential construction	34
Better matching of workers to jobs can soften the impact of the downturn and raise the contribution of qualified workers to economic performance	37
Rising education outcomes could make a bigger contribution to economic performance	39
Removing regulatory barriers to competition can raise productivity performance ...	42
Notes	45
Bibliography	47
Annex 1.A1. Progress in structural reforms	49
Chapter 2. Improving the matching of workers to jobs	53
Activating the unemployed	54
Reducing the duality of the labour market	58
Improving the integration of immigrants	61
Introducing an in-work benefit to improve job prospects for the unskilled and reduce poverty	66
Lowering the impediments to the geographical mobility of workers in housing policy	66
Reforming the collective bargaining process	68
Notes	71
Bibliography	72
Chapter 3. Raising education outcomes	73
Education outcomes	75
Comprehensive compulsory education in private and public schools helps limit the impact of socio-economic background on learning outcomes	81
Combating school failure in compulsory education	83
Raising learning outcomes in primary and secondary education	88
Framework conditions for the teaching profession need to be improved	92
Places in childcare are still scarce for those families that need them the most ...	94

Financial support to families with children above the compulsory schooling age could be improved	95
Further reform of the regulatory framework of tertiary education could raise earnings prospects	96
The attractiveness of vocational education can be raised	98
Notes	102
Bibliography	103
Annex 3.A1. Basic elements of the Spanish educational system	106
Chapter 4. Fostering competition in product markets to boost productivity	107
There is considerable room to strengthen the sectoral regulators	108
The regulatory framework of the electricity market has been significantly improved	109
Competition has increased in the market for natural gas	113
Additional efforts to reduce greenhouse gas emissions are needed	114
The telecommunications market has become more open to competition	115
Rail and road freight transport should be opened fully to competition	118
The postal market has been opened up to competition	120
Savings banks should be more exposed to market mechanisms	120
Existing restrictions to retail trade should be dismantled	122
The regulation of professional services should be revised	123
Notes	126
Bibliography	127
Boxes	
1.1. Short-term economic prospects	26
1.2. Measures taken by the Spanish government to support lending institutions	36
2.1. The Spanish activation strategy	55
2.2. Recommendations to make the labour market more flexible	70
3.1. Measures to improve educational outcomes in the Organic Education Law (Ley Orgánica de educación, LOE)	84
3.2. Attribution of competencies across levels of government and regional funding of education	90
3.3. Recommendations to improve education outcomes	100
4.1. Next generation networks	117
4.2. Recommendations to enhance product market competition	125
Tables	
1.1. Gross domestic product and spending	27
1.2. General government accounts	31
1.3. Unemployment rates by immigration status	38
1.4. Relative poverty rates among households with a working individual, 2006 ...	39
1.5. Match of worker qualifications and job qualification requirements, 2005	41
1.6. Rates of return to education	42
1.7. The impact of the expansion of construction sector activities on productivity growth	42
1.8. Accounting for labour productivity growth in Spain, European countries and the United States	43

1.9. Differences in total factor productivity growth in selected sectors	44
3.1. Employment rates by age group and highest education attainment	100
4.1. Natural gas prices for industry and households	113
4.2. Regulation indices for the liberal professions in Spain and the EU15	124

Figures

1.1. Decomposition of GDP per capita in PPP terms of selected OECD countries . . .	22
1.2. Residential construction indicators	24
1.3. Net household debt of Spain and the euro area	25
1.4. Decomposition of real Gross Domestic Product	26
1.5. Core and headline inflation differential between Spain and the euro area . . .	28
1.6. Price level comparison	28
1.7. Export performance	32
1.8. National savings and investment	33
1.9. Growth of credit granted by savings banks and commercial banks	35
1.10. Age-earnings profiles for university graduates and lower secondary graduates . .	40
2.1. Public expenditure on active labour market programmes in OECD countries . .	56
2.2. Employment Protection Legislation (EPL), 2006	59
2.3. Labour market integration of immigrants in selected OECD countries	62
2.4. Temporary employment by birth status	63
2.5. Educational status of immigrants and natives in selected OECD countries . . .	64
2.6. Average tax wedge at 67% of average wage earnings	67
2.7. Difference between coverage rates of collective bargaining agreements and trade union density rates, in 2003-04	69
3.1. Upper secondary and tertiary attainment	74
3.2. Secondary education graduation rates	76
3.3. Average student performance in the OECD 2006 PISA study	78
3.4. Distribution of Pisa scores by level of competency attained	79
3.5. Tertiary graduation rates	80
3.6. Estimates of the internal rates of return to tertiary education	81
3.7. Repetition rates in lower secondary education across OECD countries	86
3.8. Institutional policy settings in primary and lower secondary education across OECD countries	89
3.9. Enrolment rates in childcare and early childhood education at ages 2 and 3 . .	94
3.10. Estimated impact of easing liquidity constraints on tertiary graduation ratios . . .	96
4.1. Electricity prices for industry and households	110
4.2. Retail prices and market shares of broadband providers	115
4.3. Sectoral regulation in the rail sector, 2003	119
4.4. Sectoral regulation in retail distribution, 2003	123
4.5. Sectoral regulation in professional services, 2003	124

This Survey is published on the responsibility of the Economic and Development Review Committee of the OECD, which is charged with the examination of the economic situation of member countries.

The economic situation and policies of Spain were reviewed by the Committee on 29 September 2008. The draft report was then revised in the light of the discussions and given final approval as the agreed report of the whole Committee on 13 October 2008.

The Secretariat's draft report was prepared for the Committee by Andrés Fuentes and Eduardo Camero under the supervision of Peter Jarrett. Research assistance was provided by Sylvie Foucher-Hantala and Cristiano Cantore.

The previous Survey of Spain was issued in January 2007.

This book has...



StatLinks 

**A service that delivers Excel® files
from the printed page!**

Look for the *StatLinks* at the bottom right-hand corner of the tables or graphs in this book. To download the matching Excel® spreadsheet, just type the link into your Internet browser, starting with the <http://dx.doi.org> prefix.

If you're reading the PDF e-book edition, and your PC is connected to the Internet, simply click on the link. You'll find *StatLinks* appearing in more OECD books.

BASIC STATISTICS OF SPAIN (2007)

THE LAND

Area (1 000 km ²)		Major cities (thousand inhabitants)	
Total	506.0	Madrid	3 132
Cultivated (2005)	178.4	Barcelona	1 595
		Valencia	798
		Seville	699

THE PEOPLE

In thousands		Employment (thousands)	20 356
Population	45 283	Employment by sector (% of total)	
Net natural increase	79	Agriculture	4.5
Net migration (2006)	834	Industry	16.0
Number of inhabitants per km ²	89.5	Construction	13.3
		Services	66.2

PRODUCTION

Gross domestic product (GDP)		Gross fixed capital investment	
Million €	1 050 595	% of GDP	29.5
Per head in \$	23 413	Per head in \$	7 260

THE GOVERNMENT

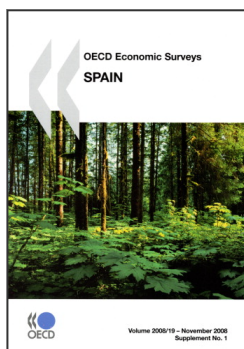
% of GDP		Composition of Parliament (seats in March 2008)	350
Consumption spending	18.3	Spanish Labour Socialist Party (PSOE)	169
Revenues	40.6	Popular Party (PP)	154
Budget balance	2.2	Convergence and Union (CIU)	10
Fixed investment		Republican Left of Cataluña (ERC)	3
(% of gross fixed capital formation)	12.4	Basque Nationalist Party (PNV)	6
		United Left (IU)	2
		Other	6
		Next general elections: 2012	

FOREIGN TRADE

Exports of goods and services (% of GDP)	26.5	Imports of goods and services (% of GDP)	33.3
Exports as a % of total goods exports		Imports as a % of total goods imports	
Foodstuffs	11.4	Foodstuffs	5.7
Other consumer goods	25.4	Other consumer goods	21.8
Energy	3.6	Energy	14.9
Other intermediate goods	50.0	Other intermediate goods	47.4
Capital goods	9.6	Capital goods	10.3

THE CURRENCY

Monetary unit: Euro		Currency units per \$, average of daily figures	
		Year 2007	0.730
		September 2008	0.697



From:
OECD Economic Surveys: Spain 2008

Access the complete publication at:
https://doi.org/10.1787/eco_surveys-esp-2008-en

Please cite this chapter as:

OECD (2008), "Improving the matching of workers to jobs", in *OECD Economic Surveys: Spain 2008*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/eco_surveys-esp-2008-4-en

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.