

Executive summary

I. Labour trends

Labour offer and occupation

The recently published data from the Economically Active Population Survey (EPA) for the first quarter of the year appear to confirm the current trend for growing unemployment, a development already evidenced from the figures of registered unemployment of the National Employment Office (INEM).

From the labour supply side, there is a relative stability in terms of active population and activity rate, both figures registering a slight growth in inter-annual terms. There was, however, a significant fall in the activity rate of young people (20-24 years), primarily affecting female population from this age-group. If the growing unemployment rates observed from the beginning of the year remain unabated, this trend is likely to continue in the short-term, mainly due to the “discouragement” effect for certain sections of this age-group whose participation in the labour market is particularly sensitive to the overall economic situation.

On the other hand, the active population, when compared with the same period of previous year, experienced a reduction of 0.5% during the first quarter of this year, a reduction which amounted to the net destruction of 7,800 job positions. The employment rate was 57,1%, three decimals below the previous year's rate. This fall in employment, mainly the result of the economic slowdown which indistinctly affects the city, the region and the country as whole, is even more significant if we take into account that no such negative inter-annual employment variation has been registered since the first quarter of 1998. This employment contraction has indistinctly affected both male and female population, being particularly significant among the 20-24 age-group.

The sector most affected by the economic slowdown was Construction with a fall of 23,400 jobs (-15,9%). This is not a new development; this sector continues to be immersed in a contracting phase already started at the beginning of last year. A more novel development, however, is the lack of growth in the Service sector, which has, until now, played an important role absorbing some of the employment lost in other sectors. Although this contraction in the Service sector, according to the data from the EPA for the first quarter, appears to be moderate, other sources suggest a more dramatic downturn in this sector.

The figures of Social Security's affiliations for January 2008 reveal a reduction of 9,000 affiliations (-6.7%) when compared to the same month of previous year in the service sector. The sector “Public Administration, Defence, and Social Security” experienced the higher contraction in terms of new affiliations with a fall of 20,000 jobs. This trend appears to be consistent with the data from the EPA that shows an inter-annual fall in the public wage-earner employment of 5.2%. At the other end, the sectors which registered the higher number of new affiliations were “Health, Veterinary and Social Services” (21,000 workers) and “Education” (12,000 workers). Finally, another feature associated with the employment fall was the decline in non-wage earner employment (-5.9%) which contracted for the first time in many years.

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The figures of Social Security's affiliations for January 2008 reveal a reduction of 9,000 affiliations

Qualified employment, according to Social Security's figures, grew a 4.5% from January 2007 to January 2008. Considering that total affiliation grew only by 1.3% for the same period, there has been an increasing trend in the demand for qualified employment during last year. The sectors making a greater contribution to the expansion of qualified employment have been "Education", "Estate Agent Activities and Business Services" and "Health Activities and Social Services".

On the other hand, the number of contributions accounts at the end of March 2008 experienced a 1.4% reduction, when compared with the same period of previous year. Considering the evolution of the accounts in General Regime (REGIMEN GENERAL), which represent the 80% of the total, there has been a reduction of 674 accounts when compared to March 2007. The decline in the number of working centres reveals the extent of the contraction in the levels of economic activity taking place in the city; primarily because there has not been an inter-annual decrease in the number of General Regime accounts for many years.

The temporality rate among wage-earners remained stable (around the 22%)

According to the EPA, the temporality rate among wage-earners remained stable (around the 22%) in the first quarter of the year, when compared with previous quarter and after having decreased significantly during the previous two years. In relation to the employment inflow, the contracting figures indicate the prevalence of lesser duration in the new employments created by the end of last year. This fact appears to indicate the more precautionary attitude taken by employers in the light of an eventual economic slowdown and points out the extent to which, by the end of last year, employers' expectations already included the possible change of economic scenario.

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The economic downturn in the current year will have a negative impact on the employment inflow and will probably increase the temporality of the new contracts as long as concerns regarding the level of economic activity for the following months remain prevalent. It is precisely in this contracting phases of the economic cycle, when this type of contract modality can play an important role in absorbing overall employment fluctuations, largely due to its greater flexibility from the employers' side.

Unemployment

The unemployment rate for the first quarter reached 7%. The figures of the EPA show that approximately 13,800 people became unemployed between the first quarter of 2007 and the same quarter of 2008. The growth of the inter-annual employment rate reached 0.8 points, while at national level reached 1.2 points, affecting the 9.6% of the active population resident in Spain.

Both offer and supply had a significant impact on the unemployment growth in the city. The 0.8 points growth in the unemployment rate can be broken down as follows: employment contraction amounts to 0.5 points, while the remaining 0.3 points can be attributed to an increase in the number of active population. Although such an upturn in the unemployment rate has been experienced in the rest of the country as whole, this has taken place in a different context characterised by an employment growth which could not compensate the greater labour supply.

The unemployment growth affected male and female workers indistinctly

The unemployment growth affected male and female workers indistinctly. In terms of female unemployment, this represents a change in the trend which have shown a reduction in previous months. Although the unemployment growth similarly affected workers of all sectors,

the sectors which experienced a greater increase in the number of unemployed were "Construction" (8,700 people) and "Services" (6,600 people). There has also been an increase in the number of people who have been unemployed for more than one year (8,500 people), after showing a decrease in their number for the last six consecutive quarters. Finally, there was also a decline in the number of unemployed looking for first-time jobs (-9,400 people) which can be associated to the fall in the activity rate of the 20-24 age-group. Facing a less favourable labour situation, some of them have opted for inactivity.

On the other hand, the figures of registered unemployment provided by the National Employment Office (INEM) show a 14% growth in the month of April, the fourth consecutive month with an inter-annual unemployment growth rate above the 10%. The average profile of the recently unemployed individual is that of a medium or low age male worker in activities associated to the property market, construction, as well as retail. Another significant aspect is the higher impact of the unemployment growth rate among the foreign population. The total registered unemployment in the city rose approximately to 15,000 people from April 2007 to April 2008: more than a half of this increase can be directly attributed to foreign workers, the number of unemployed among them reaching 8,000 people.

The analysis of the registered unemployment figures for the first months of the year appears to suggest that the upturn in unemployment is likely to have certain degree of persistence. A projection elaborated with the information available in April appears to indicate for the year 2008 an unemployment average figure close to 121,000 people, that is, a 12% increase in comparison with the average figure for 2007.

In the light of current figures and the labour market situation, it is likely to be an increase in long-term unemployment, its current incidence already above the level registered for February 2008.

Foreigners and the labour market

In Madrid city, foreigners amounted to 16% of the new affiliations to the Social Security in January 2008. This figure rose 2.5% in comparison with the same period of previous year. Their relative growth was higher than the national affiliates' growth which rose only 1.1% in inter-annual terms.

This represents a slowdown in the foreigners' affiliation growth, which have been rising at significantly higher rates for the last years when compared with the national population. This can be explained by the end of the effects of the regularisation process of foreign workers and by the greater incidence of unemployment among immigrants.

According to the figures of the National Employment Office (INEM) for April 2008, almost 19 % of the total unemployed population in Madrid city are foreigners. As a result, the number of unemployed foreigners has increased 52.1 % in comparison to April 2007, a significantly higher rate than the one observed for nationals among whom unemployment only grew a 7.8 % per cent for the same period. Even if the increasing pace in the unemployment growth among foreigners is not a new phenomenon, the rise in the first months of this year has been particularly sharp in terms of historical comparison. The increase of unemployment among immigrants contributed significantly to the total unemployment growth in the first months of this year.

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Labour costs

According to the Labour Costs Quarterly Survey conducted by the National Statistics Institute (INE), the labour costs per worker in the Comunidad de Madrid were the second highest in the whole country after the País Vasco. However, the region of Madrid showed the greatest moderation in terms of the labour costs growth per worker, an inter-annual growth rate of 3.1% compared to the 4.1% for the rest of the country.

In the last four months, the inter-annual inflation of labour costs per effective worked hour has been slightly more moderate in Madrid than in the rest of the country. More particularly, in the last quarter of 2007 the inter-annual variation of the average labour costs per hour in Madrid was almost 2 points lower than the national average.

In the Construction sector, the inflation in the labour costs in the region of Madrid was lower than in the rest of the country, after several quarters with an opposite situation, revealing a trend towards a convergence with the rest of the country in a sector in which the cost differences between the region of Madrid and other regions stands close to the 15%. A similar situation can be observed in relation to the Industry sector, with a greater moderation in the growth of costs when compared to the national average. In relation to the Service sector, the region has been consistently showing inter-annual growth rates below the national average for the previous quarters.

Labour relationships and social protection

Between January and April 2008, a total number of 149 bargaining collective agreements were registered in the Comunidad de Madrid, an almost 17% reduction when compared with the figures for the same period of previous year. However, the numbers of workers affected by the new collective agreements reached approximately the number of 415,000 people, an increase of almost 3,000 people when compared to the number of workers benefiting from last year collective agreements. At a national level, there was an increase of registered collective agreements (4.4%) as well as in the number of workers affected by these collective agreements (39%).

Company agreements have lost prominence

Concerning the different bargaining areas, the evolution of collective agreements revealed that, after the first four-month period, company agreements have lost prominence in terms of the number of newly reached agreements: while company agreements affected a 18.9% of the labour force in 2007, they only affected a 6.6% of the labour force in 2008. A similar centralising trend in terms of bargaining areas can be observed at national level, given the lesser weight of company agreements

In terms of wage matters, the wages established in the collective agreements concluded at the beginning of this year are, on average, higher the ones registered for the two previous years. At a national level, although the wage increases are above the increases agreed for the year 2007, they are below those for the year 2006. The greater wage adjustments in the agreements concluded in the current year can be explained in terms of the lesser presence of company agreements, which tend to show a greater degree of wage restraint than other type of agreements.

Regarding labour disputes, nearly 700 workers were affected by industrial actions in the Comunidad de Madrid during last January, a higher figure than the one registered for January 2007 (188 workers), but clearly lower than the 10,000 workers affected by this kind of action

during last December 2007. On the whole, however, labour disputes in 2007 decreased a 16 % when compared to 2006.

On the other hand, the total amount of benefits of the Wage Security Fund (FGS) agreed in the Comunidad de Madrid between January and April was approximately of 10,5 million euros, a 6% increase when compared to the total amount agreed for the same period of previous year. The benefits affected a total of 941 businesses and nearly 2,000 workers. The average benefit for insolvency was 5,200 euros and for regulation 3,400 euros. Finally, the number of unemployment benefits recipients have significantly increased during last year, a trend which, given the existing unemployment forecast, is likely to continue in the following months.

II. Sectorial round-table discussions

Second construction round table discussions

In the attempt to provide unemployed workers with the necessary skills to find a suitable employment promptly, and to offer the most comprehensive occupational training specifically adapted to the requirements of the economy in the Comunidad de Madrid, the Employment Agency has opened up a debating space involving all the economic and social agents for each main economic sector: these are the sectorial round-table discussions.

In co-operation with the Economic Observatory of Madrid city council and the Complutense University of Madrid, the Employment Agency plans to organise during the current year 2008 a series of round-table discussions focused on the different economic sectors more particularly relevant to Madrid city.

The purpose of them is to be a meeting point to discuss, from different social and economic perspectives, the current situation of various economic sectors in Madrid city, the more recent developments taking place in each of them, as well as their future prospects and requirements in terms of workers' training and skills. The final goal of these discussions is to make possible the exchange of different ideas and points of views and to achieve a better understanding of the strategic requirements of Madrid city. Specific policy proposals to be undertaken in each different economic sector can also be debated in these round-table discussions.

In this context, the Second Round-Table Discussion for the Construction sector took place the last 27th of February 2008 with the explicit purpose of giving a continuity and new impetus to the work already started on this sector three years ago.

Integrated by representatives of the administration and university, different social agents, and sectorial businesses and associations, the main goals of this round-table discussion were twofold: on the one hand, to know and discuss the labour and employment situation in this sector and, on the other, to examine the training requirements in the sector and explain the Employment Agency's proposed policies, assessing their relevance in the light of the sector's specific requirements.

Given the delicate situation currently experienced by the Construction sector, the round-table discussion took place at a particularly appropriate moment and had a largely positive response by part of all agents

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Discuss, from different social and economic perspectives, the current situation of various economic sectors in Madrid city, the more recent developments taking place in each of them, as well as their future prospects and requirements

Particularly appropriate moment

and representatives involved in it. The round-table discussion was chaired by the Employment Co-ordinator of Madrid city council.

Apart from an initial reference to the work undertaken since the previous meeting, the main topics of discussion were as follows: an overall analysis of the current macroeconomic situation of the sector, an examination of the particular characteristics shown by unemployment in the sector, and a more detailed discussion of the training requirements specific to the sector, focused in the current situation and possible initiatives in relation to training and skills.

First retail and catering round table discussion

Appeared to confirm the current slowdown of the sector

This round-table discussion appeared to confirm the current slowdown of the sector: even if the retail and catering sectors still have some capacity to create new jobs, they cannot longer do it at previous rates. As a result, they have not been able to absorb the increasing demand for employment, leading to a situation of unemployment growth. This lower rate of job creation in both sectors started to become evident by last October 2007.

This growing unemployment has particularly affected young and female population. The unemployment incidence among immigrant workers has been greater in the retail than in the catering sector. These newly unemployed workers have higher qualifications when compared with their counterparts in other economic sectors, which suggest the possibility for successful training in order to gain eventual access to more qualified work positions.

In terms of future developments, the current level of unemployment is likely to be maintained at both sectors in the following months. Rather than the creation of new jobs, these sectors will concentrate to fill the newly created vacancies. Although technical positions will play an important role, the sales and assistant positions will continue to be more relevant in terms of employment.

Employment in the sector is largely characterised by low wages, low qualifications, and high mobility

From the discussion held with all participants, it became clearly evident that employment in the sector is largely characterised by low wages, low qualifications, and high mobility. As a result, an increasing number of professionals are leaving the sector due to the difficulties they have in reconciling work and family life. Few months ago there were almost no unemployed in need of training in this sector.

Among the factors discussed in the meeting for the improvement of the employment in the sector, we can mention the introduction of incentives for workers, a better communication of the real situation and problems of the sectors, and the possibility of increasing the average wage level. These proposals, however, are difficult to implement now given the current situation of slowdown in both sectors. In the case of the retail sector, there are further uncertainties derived from the end of opening-times restrictions, a measure not fully approved by the whole sector and whose consequences are yet to be seen.

Madrid city council has an already well-defined strategy for the retail sector

Through both the Employment Agency and the General Office for Retail, the Madrid city council has an already well-defined strategy for the retail sector, characterised by interventions in areas such as retail associations, old markets modernisation projects, the creation of dynamic urban axis, and the offering of specific training for employees, all these interventions backed up with adequate financial resources.

Apart from the recognition of the important role played by the city council in this sector, the round-table discussion served to emphasise the relevance of appropriate workers' training and skills and the oppor-

tunity that the current situation offers for further improvements in terms of training. All participants also acknowledged the importance of this type of discussions for the future of the sector.

III. Employment focus

Foreign employment at the City of Madrid

The main aim of this paper is to examine the recent evolution of the immigrant labour market in the municipality of Madrid. The analysis is primarily focused on immigrants working in the city of Madrid and employs the information available from the three first Continuous Sample of Working Lives (2004-2006) elaborated by the Social Security.

The number of affiliated workers to the Social Security, both nationals and foreigners, has not stopped rising for the last two years. However, the relative contribution of foreigners to such rise has gradually decreased from the 60 per cent of new affiliations to the current 30 per cent. It is important to note, in addition to this, the significant increase in the number of self-employed foreigners which has tripled recently and reached the number of 20 thousand persons in the last year.

The greatest increase in foreign employment has been the result of the arrival of workers from countries recently incorporated to the EU, whose number has multiplied by four in the last few years. Although the number of male foreigners is greater in all age groups, they are predominantly concentrated in the under 45 years old working age group. Female foreigners are more evenly present in all age groups including those above the 45 years old group.

For a correct understanding of foreigners employment figures, it is critical to take into account the extraordinary regularisation processes which have taken place in Spain since the year 2001. The effects of the first regularisation of 2001, based on a process of residential regularisation which allowed subsequent access to the labour market, could only be measured one year after its implementation. By contrast, the effects of the next process of regularisation of 2005 could be measured immediately as the only requirement was the possession of a valid working contract. The majority of variables used in this analysis of Madrid's labour market are affected by these two first regularisation processes.

Ten economic activities amount to the 86 per cent of the male employment and more than 90 per cent of female employment. From these economic activities, we can mention for its relevance in terms of foreign employment the following ones: construction, catering, retail, and temporary agency work. In the case of female workers, the role of construction is replaced by the domestic service sector which represents a genuine back-door entrance for female foreign employment in Spain.

If we look to the distribution by nationalities, immigrants from East European countries are mainly concentrated in the construction sector, while immigrants from Central and Latin America, who already have a language advantage, tend also to be present in the retail and catering sectors. It is interesting to note in this respect the relevance of sectorial segregation as an indicator of the employability of immigrant workers in a future recession cycle likely to have a greater impact on certain particular sectors like, for example, construction. The available data

The greatest increase in foreign employment has been the result of the arrival of workers from countries recently incorporated to the EU

Extraordinary regularisation processes which have taken place in Spain since the year 2001. The effects of the first regularisation of 2001

Overeducation of the foreign immigrants currently working in Madrid

indicates an increase in sectorial segregation among male immigrants between 2004 and 2006 mainly due to the composition effects, that is, to the growth of the more segregated nationalities. When we take into account the nationalities, we can observe that segregation has increased for male, but not for female, immigrants during this period.

A feature which may alleviate the impact of this segregating factor is the overeducation of the foreign immigrants currently working in Madrid. Among foreigners with a university degree, a 82 per cent of males and a 86 per cent of females do not work in the Social Security contributing categories which would correspond them according to their level academic education. This current disparity reveals the potential of the whole immigrant collective to move to different employments (they have the capacity to do it) and, indirectly, their little need of general education, but greater requirement of a more specific kind of training.

The last factor worth mentioning in this brief analysis of foreign workers in the Spanish labour market is unemployment. The most relevant fact here is the differential pattern of unemployment between nationals and immigrants. While the number of national unemployed persons has been steadily decreasing until the recent change of this trend in October 2007, the unemployment among immigrants has not stopped rising since 2004 and has only recently modified its slope. There are two further realities for immigrants behind these data. On the one hand, there are significant differences among the foreign workers themselves depending on amount of time they have spent in the country. On the other, there are also important differences in relation to gender: while for men the main variable is to know whether they were receiving or not benefits the year of their regularisation, for women the benefits increase with the years to be reduced at a later date.

Employment quality in Madrid city

Employment quality has become a common concept in the employment agendas of all European Union countries

Employment quality has become a common concept in the employment agendas of all European Union countries, which contemplate as their final goal the attaining of full employment in the terms advanced by the European social model.

The European commission has defined a series of areas to measure employment quality in relation to other factors such as full employment, productivity and social cohesion. Here we are going to focus in one of these specific areas, examining employment temporality and labour safety in the city of Madrid.

In relation to employment temporality, which measures the proportion of wage-earners workers who have a temporal contractual relationship, it increased from 20% in 2001 to 26% in 2006, but has returned to 22% in 2007, a level of temporality similar to the one registered in 2002.

When we look to the creation of new contracts, the increase in the number of temporary contracts has gradually declined by the end of the period under study, while permanent contracts have evidenced a slightly growing trend.

More female than male workers. In contrast, there are more full time contracts, both permanent and temporary, among male than female workers

These general observations can be made more precise in relation to the workers' specific characteristics. According to gender, we observe that there is a greater number of permanent and temporary part-time contracts among female than male workers. In contrast, there are more full time contracts, both permanent and temporary, among male than female workers. There is a negative relation between temporality rate and age, education and occupational level. In terms of nationality, the employment quality is only greater for workers from other European

countries. In general terms, all these results revealed themselves in the duration of temporary contracts, as workers with the greater temporary rate only get temporary contracts with a lesser duration.

To measure labour safety we have to look to the number of accidents taking place either at work or in the journey to work. According to the data from Madrid city council, most of these accidents are minor (more than 95%), showing a slightly growing trend from 1999 to 2006, with the exception of 2003. In relation to other serious and fatal accidents, while there has been a decline in the number of serious accidents, the number of fatal accidents, both at work and in the journey to work, has remained virtually the same for the period under study.

If we break these figures by sectors for the year 2003, we can observe that 45% of all minor accidents and more than half of the serious accidents (59%) and fatal accidents (56%) in the journey to work are concentrated in the following sectors: Construction, Retail (either wholesale or retail), Catering, and Estate Agent Activities and Business Services. These sectors also concentrate more than half of all the three types of accidents taking place at work in 2003. This figures only decreased slightly in 2006. Since there are no significant differences in terms of temporary contracts between sectors with different number of accidents, the greater or lesser presence of temporary contracts cannot, accordingly, be considered a determining factor in the total number of accidents taking place in a particular sector.