Executive summary

I. Labour trends

Labour Offer and Occupation

The recently published data from the Economically Active Population Survey (EPA), as well as the figures of registered unemployment of the National Employment Office (INEM), reveal the significant impact that the current slowdown of the Spanish economy is having on the labour market. Likewise, the trends recently observed for key labour market variables do not provide indication of any short-term reversal in the growing unemployment trend.

In relation to labour supply, it experienced a strong boost in the second quarter of the year; the active population increased a 2,2% in inter-annual terms due to the greater participation of women and workers aged over 54. While certain “discouragement” effect over the decision to participate in the labour market can be expected as a result of worsening labour conditions, this has not appeared to influence the evolution of the activity rate in the last quarters. A possible explanation for this anti-cyclical behaviour of the labour supply can perhaps be found in the decision of certain collectives (previously inactive) to mitigate the reduction in disposable household income by entering the labour market.

On the other hand, the occupation contracted for the second consecutive quarter. The net job destruction in the city affected primarily to young people, both male and female. An interesting fact is that among the older population employment grew significantly in the inter-annual comparison. The overall active population fell an inter-annual 0,5%, which implies the net destruction of approximately 7,700 jobs in relation to the second quarter of 2007 and the reduction of the employment rate to 57.2%.

The sector more affected by the economic slowdown was Construction, loosing almost 18,000 jobs and continuing its contracting adjustment already started at the beginning of previous year. Employment also fell in the Services sector with an overall reduction of 4,500 jobs, although some activities within this sector have expanded their labour demand. The Industrial sector absorbed part of the employment lost in other sectors.

By the end of the second quarter of this year, the number of people affiliated to the Social Security in Madrid work centres decreased 0,1% in comparison to June 2007 (2,638 affiliates less). The growing affiliation trend observed since 2004 has already started to show clear signs of exhaustion: the last available data represents the first episode of inter-annual fall in affiliation registered in the several years.

When compared to the same period of previous year, the number of contribution accounts at the end of June 2008 experienced a reduction of 1%, while the accounts in General Regime (Regimen General) fell by a 1,4%. 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.

According to the EPA, the temporality rate among wage-earners remained stable (around the 22%) in the second quarter of the year, when compared with previous quarter and after having decreased significantly during the previous two years. Finally, the contracting figures for June 2008 testify of a generalised fall in contracting activity. The employment inflow experienced a slowdown, especially among young people and sectors linked to the property market. At the same time, the contracting figures indicate the prevalence of lesser duration in the new created employments, a fact that appears to indicate a greater preference for flexibility by part of employers in the light of the current economic slowdown.

Unemployment

The unemployment rate in Madrid city reached 8,3% in the second quarter of 2008, growing for a third consecutive quarter and showing the higher figure of the last three years. The number of unemployed people grew to 139,400 which resulted in a inter-annual growth of 45,4%, that is a 43,500 more unemployed persons than in 2007. The growth of the inter-annual employment rate was of 2,5 points, the same variation observed in the national unemployment rate, which reached the 10,4%.

Both offer and supply had a significant impact on the unemployment growth, although the offer contribution appeared to be slightly greater. The 2,5 points increase in the unemployment rate can be broken down as follows: 2.1 points are accounted for by the increase in the active population, while the remaining 0,5 points can be attributed to the employment contraction.

The unemployment growth affected male and female workers indistinctly: male unemployment grew an inter-annual 27,1%, while female unemployment grew 67%. The male unemployment rate reached 7,4% and female unemployment rate 9,4%, growing 1,5 and 3,5 percentage points respectively. It is interesting to note that, in the evolution of unemployment by gender, the increase in female unemployment can be accounted for by the increase in labour supply (more women looking for jobs), while in the case of male unemployment the upturn can be explained by the reduction of demand or job destruction.

Furthermore, the figures of registered unemployment provided by National Employment Office (INEM) show an inter-annual growth of 23,1% in August, that is, 24,608 more unemployed persons than in the same month of previous year. This trend was relatively similar at national level, with an inter-annual unemployment growth of 24,7% and a number of 2,530,001 unemployed persons. The average profile of the recently unemployed individual is that of a medium or young age male worker in activities associated to the property market, construction, as well as retail. Another significant aspect is the higher impact of the recent unemployment growth among the foreign population. Unemployment has increased 66% in this collective from August 2007 to August 2008.

The forecast with the available information at August 2008 does not consider the possibility of a phase-reversal in the short term and, as a result, there will continue to be a growing trend in registered unemployment with rates closer to 20% for the next few months.

In the light of current figures and the labour market situation, it is also likely to be an increase in long-term unemployment in the following months.

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 native 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 native 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), the number of unemployed foreigners increased a 66% from August 2007 to August 2008 (9,500 persons), which means a slightly higher unemployment rate than the one observed for natives. The high participation of foreigners in the Construction sector explains to a large extent the significant increase in unemployment among this collective.

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 highest in the whole country. However, the region of Madrid have showed the greatest moderation in terms of the labour costs growth per worker, an inter-annual growth rate of 4% when compared to the 5,1% for the rest of the country.

This significant increase in labour costs per worker in Spain as a whole is the result of the growing inflation of the last few months being translated to wages. In Madrid city, the wage costs, which represents 75% of the labours costs, rose 4,6% when compared to the 2,2% rise of the remaining costs (Social Secutity's contributions), reflecting the impact of the wage revision clauses included in collective agreements.

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. At the same time, the Construction sector, both in Madrid and in Spain as a whole, showed a lower growth in wage costs. At a national level, the wage costs in this sector reached 4,8% in inter-annual terms, while in Madrid they decreased 1,5%. However, if we pay attention to the non-wage costs, the inter-annual rise is greater in Construction than in the rest of the sectors, both at regional and national level. The non-wage component of the labour costs grew 8,6% in Madrid and 8% in Spain as a whole. The growth of the non-wage costs in Construction can be explained by severance payments due to the unemployment rise in this economic sector.

Labour Relationships and Social Protection

In the first semester of 2008, a total number of 191 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, close to 100,000 persons, increased a 19%. At a national level, the situation was relatively similar, with a decrease in the number of collective agreements but an increase in the number of workers affected by them.

Concerning the different bargaining areas, the evolution of collective agreements revealed that, after the first semester, company agreements have lost prominence in terms of the number of newly reached agreements: while company agreements affected 15% of the labour force in 2007, they only affected 5,5% 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 than 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. However, these figures do not include wage revisions by safeguard clauses which, as mentioned above, are increasing wage costs due to the recent inflation growth.

Assuming no short-term reversal of the economic slowdown, it can be expected that wage growth will start to be moderated in year and half, primarily reflecting the weakness of the labour market

Regarding labour disputes, nearly 8,700 workers were affected by industrial actions in the Comunidad de Madrid during last April, a figure ten times higher than the one registered for April 2007. The increase in labour disputes can also be verified if we consider the number of working days affected by industrial action which also reveal a significant increase in comparison to the same month of previous year.

On the other hand, the total amount of benefits of the Wage Security Fund (Fondo de Garantía Salarial) agreed in the Comunidad de Madrid between January and June was approximately 17,6 million euros, a 2% increase when compared to the total amount agreed for the same period of 2007. The benefits affected a total of 1.550 businesses and nearly 3,600 workers. The average benefit for insolvency was 5,200 euros and for regulation 3,500 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 for the rest of the year.

II. Sectorial round-table discussions. Edition and graphic arts round table discussions

The Employment Agency, jointly with the Economic Observatory of Madrid City Council and the Complutense University, made a new call for a sectorial round-table last 7 July, being the main figure this time the Edition and Graphic Arts industry, one of the most widely established industries in our city.

The round table was attended by Entrepreneurial Associations, such as the Asociación Gremial de Empresarios de Artes Gráficas y Manipulados de Papel de Madrid (AGM) and the Federación Empresarial de Industrias Gráficas de España (FEIGRAF); firms, as Encuadernación Muro S.A. and Diario El País; and representative people from the UGT union, the Complutense University and the Madrid City council, through its Employments Agency, Economic Development Agency “Madrid Emprende” and Economic Observatory.

The Graphic Arts industry, on the contrary of other industries, is not specially suffering the consequences of the economic downturn. Nevertheless, we should keep our eyes in this industry, as it could be affected by possible cutbacks in image and publicity expending of the other industries.

In relation to employment creation, data from the Social Security affiliation show certain stability in the jobs created during the last years. Unemployment trends of this industry seem steady, without any big differences from the actual level.

Unemployed group in this industry can be defined by a low presence of non-EU foreign people (5,32%, compared with the 15% of the general unemployment), a higher number of people with a university degree (20%, compared with a 10% in the general unemployment) and a little higher number of unemployed 30-34 aged women than in the women general unemployment. All these unemployed people have no special problems to come back to the labour market, with a similar distribution than in the general unemployment.

Entrepreneurial representatives in the round table pointed out that this industry has been loosing competitiveness during the last years as a consequence of a lack of specialised workers. They were also concerned about the staffs that were getting older without any replacement, and complained about the general educational system, not very useful for the industry needs.

In addition, unions’ representatives focused on the improvement of the labour conditions, and a proper professional career within the industry, as the better way to attract new workers.

The Employment Agency presented its recently programmed courses, specially thought for this industry, such as design and performance of maps in 2D and 3D, support technicians for industrial design and decoration, digital info-graphics, etc.

Furthermore, as many of the attendants found very important the training within the own firm, the Agency proposed as a useful instrument its direct grants to firms, under a taking on commitment. Through this instrument, the Agency will award the 100% of the training costs to those firms committed to take on at least a 60% of the trained people for at least 6 months.

III. The training needs of unemployed in Madrid

The effects of the current economic slowdown are affecting seriously the unemployment figures in the City of Madrid, which are increasing rapidly: in August 2008 there were 24,000 more unemployed than in the previous month. Due to the characteristics of the economic crisis and the affected sectors (particularly construction), these figures are particularly significant for certain groups of the population. In particular, unemployment has grown specifically for men, aged between 25 and 40 and low-trained. The group of immigrants is also proving to be particularly affected because of their concentration in temporary and low-qualified jobs, specially the non-UE immigrants. Under the scenario of contraction, the group of potential beneficiaries in training has expanded, reflecting the need for reorientation policies on training for unemployed.

The figures on the evolution of contracts, the list of occupations that are hardly covered, and sectoral forecast and evolution of the economy of Madrid provide clues about the activities and sectors that could be potential targets of job relocation.

Although in a lower level that in the international and national scenarios, the international crisis is also affecting the city of Madrid, being its estimation of growth for the next year of about a 1, 4%. While there are sectors that have produced a remarkable dynamism, its specific characteristics do not allow its use as a niche for the relocation of jobs. In contrast, there are others such as the chemical industry, the sector of personal services and others (including the branch socio-health), the paper industry, publishing and graphic arts and the branch of electrical equipment, electronic and other activities that represent economic activities in which more training is advisable.

As the Employment Agency has already focused its courses to these targets, only a little redesign of the current range of training for the unemployed seems to be required as a response to emerging needs and affected sectors. The courses should also contain a more practical aspect, and a shorter duration. The creation of sectoral tables would be an asset in trying to identify the training needs.

Given the current state of employment contraction, new vulnerable groups (immigrants, 30-40 aged men and low qualification), named the construction sector, transportation and hospitality industries, arise. The schedule for the coming years must take into account this changing reality, to convert their careers in other sectors of greatest growth. These sectors are the paper industry, publishing and graphic arts, personal services (especially health and socio-related dependency), and chemicals. To achieve this goal, it is proposed to set meetings as an instrument of permanent identification of sectoral training needs.