

## In search of a job

### The jobless numbers get nearer to a grim milestone

Apr 8th 2010 | MADRID | From *The Economist* print edition



#### Spain isn't working

THE queues at Spanish employment offices have never been longer. For the first time since military service was scrapped in 2001, the army is near full strength. Picking up a gun and risking roadside bombs in Afghanistan is one answer to the problem faced by the 4m Spaniards who are jobless. Unemployment rose again in March, a month when it usually drops. The 36,000 extra jobless were fewer than in March last year, but they still helped push the unemployment rate even closer to 20%.

When unemployment began to rise 18 months ago, the Socialist prime minister, José Luis Rodríguez Zapatero, predicted that a job

recovery would start at the end of 2009. He has since put his forecast back to the end of 2010. But the Bank of Spain says the turnaround may not actually come until the second half of 2011, when unemployment will hit 20%.

Spaniards are worried. As many as 42% say that unemployment has affected their lives. Some 3.2m are now on unemployment benefit. More than 400,000 long-term unemployed draw just €426 (\$570) a month. Their numbers will rise as the more generous benefits, based on previous earnings, run out after two years. Things are particularly grim for immigrants and the young. Some 40% of under-25s are unemployed, twice as many as in other hard-hit European countries. Sebastián Mora, secretary-general of a Roman Catholic charity, Caritas, talks of a crisis of despair. Caritas's workload of those needing its help has doubled in two years.

When the unemployment numbers burst through the 3m mark at the end of 2008, a senior trade unionist said that 4m would provoke a social revolution. Plenty of conservative pundits similarly predicted riots on Spanish streets. Yet the 4m mark has now been reached and neither rioting nor social revolution has broken out. Even crime rates remain relatively low, despite a squeeze on hiring police officers (for which there are 30 applicants for every job).

Why? Spain has a historically high tolerance of unemployment. Strong family networks help to ease the pain. Mr Zapatero's supporters also claim that he deserves credit for widening unemployment benefits, even though this has increased the budget deficit. And a vigorous and growing underground (black) economy makes a big difference. The tax inspectors' union, Gestha, believes that it accounts for more than 23% of GDP and that it grew by 0.7% last year when recorded GDP shrank by 3.1%. The black economy is especially attractive to those still receiving unemployment benefits based on previous earnings. They are often reluctant to go back into formal work until the two-year payment period is over.

Spain has Europe's most volatile labour market. It has destroyed jobs quickly, but not long ago it was also creating them in unprecedented numbers. Even now, Spain has created more jobs (net) since 2000 than any other big European country, points out Emiliano Carluccio of Carlos III University. But many of those jobs depended on a frothy construction industry. Short of knocking down the million unsold new homes left after the property bubble burst, that will not pick up for many years. In fact, construction is still adding to the dole queues, as projects started before the bust come to an end.

Spain has seen unemployment rise faster than even America and Ireland, where firing is relatively cheap. A Bank of Spain study

suggests that this is down to a two-tier labour market, which condemns a third of the workforce to a merry-go-round of unstable, temporary jobs while the rest enjoy ironclad permanent contracts. Miguel Ángel Fernández Ordóñez, the central bank's governor, is among the loudest voices calling for labour reform.

Yet Mr Zapatero has made clear he will not impose this on reluctant unions. And they show little appetite for more than blowing life into an existing but rarely used special contract that reduces the cost of firing permanent employees from 45 days pay per year worked to 33 days.

Mr Carluccio points out that a two-tier labour market is matched by two-tier education. Spain equals other European countries in numbers with university-level education, but a shocking 30% of Spaniards leave school with no qualifications—worse than elsewhere. These people find it hardest to get work. You can see why so many apply to the army, says Mr Carluccio; you don't need a master's degree.