

ENGLISH ONLY

**STATISTICAL COMMISSION and
UN ECONOMIC COMMISSION FOR
EUROPE (UNECE)**

**STATISTICAL OFFICE OF THE
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**CONFERENCE OF EUROPEAN
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**INTERNATIONAL LABOUR
ORGANIZATION**

UNECE/ILO/Eurostat Seminar on the Quality of Work
(Geneva, 11-13 May 2005)

Session 5– Supporting paper

TEMPORARY LABOUR CONTRACTS IN SPAIN (1987-2004)

Submitted by National Statistical Institute of Spain *

I. INTRODUCTION

1. The high level of temporary workers of the Spanish work force is a problem that is continually in the news and of widespread social concern.
2. Fixed-term contracts, known more commonly as temporary contracts, were introduced into Spain in 1984. Ever since then the rate of temporary contracts has risen sharply until reaching a maximum close on 35% of all salary and wage earners towards the end of 1995. The successive labour reforms applied since the early nineties, which had the prime aim of reducing casualisation, have only succeeded in curbing or reducing it slightly.
3. Today, in Spain casualisation affects around 30% of Spanish salary and wage earners, characterising the Spanish labour market negatively in the context of the European Union, where the average value is around 10%.

* Paper prepared by Maria Asunción Santana Lorenzo.

4. In this study we analyse the trend in temporary contracts in Spain from 1987 to 2004, dates for which information is available as provided by the Spanish Labour Force Survey (EPA). The data considered from 1996 are reweighted on the basis of the new population figures provided by the latest Population and Housing Census of 2001, so they show the marked demographic changes brought about by immigration. It is a question of studying the relationship between casualisation and such factors as job creation, lower unemployment, sex, age, sector of occupation, geographical situation, etc.

II. TRENDS IN THE SPANISH LABOUR MARKET

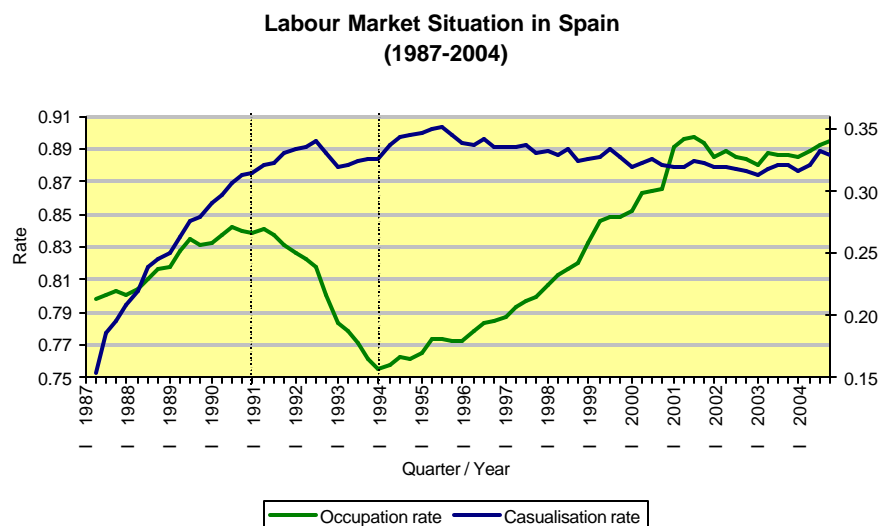
5. Spain's accession to the European Union forced the Spanish economy to undertake a reconversion in order to modernize its production processes, which immersed it in a severe crisis from which it did not manage to emerge until the mid-eighties.

6. This study commences at the time when the Spanish economy initiated a stage of recovery that extended until 1990-91 and brought a considerable increase in employment. This recovery was assisted by international economic expansion and by such internal factors as the Reform of the Workers Statute, which eradicated the obstacles existing hitherto to the application of temporary contracts, thus promoting job creation. In Graph 1 both the increase in occupation (left axis) and in casualisation (right axis) in that period may be observed.

7. This time of economic expansion was succeeded by another period of sharp recession, which did not come to an end until 1994. A new reconversion of production structures took place in this period, primarily in a few sectors of industry, but temporary contracts were hardly affected, despite the fact that the labour reform of 1992 cut back on unemployment benefits and limited the use of temporary contracts. Graph 1 shows that occupation fell continuously from the second quarter of 1991, reaching lows at the beginning of 1994, whereas temporary contracts continued its steep increase until the third quarter of 1993, when it dropped off, only to edge up again during 1994.

8. From 1994 to the present time, the Spanish economy has enjoyed a period of economic growth with a positive impact on job creation, which, as may be seen in Graph 1, rose steadily at the beginning and sharply later, to level off since 2001 with light ups and downs. This economic boom, however, did not contribute appreciably to a decrease in casualisation, which only decline very slightly.

9. It is obvious that the rate of occupation is extremely sensitive to successive stages of expansion and recession of the economy, plummeting in the early nineties, rising sharply from 1994 to 2001, and remaining stable at the present time. On the other hand, temporary contracts do not appear to be affected either by the trend in the economy (they increased considerably during the first stage of growth, but during the crisis period as well) or by the successive labour reforms (their nearly total stabilisation is evident since 1993, with a falling trend in 1995-2002 and an apparent turning up in 2003-2004 during the last few years).



Graph 1

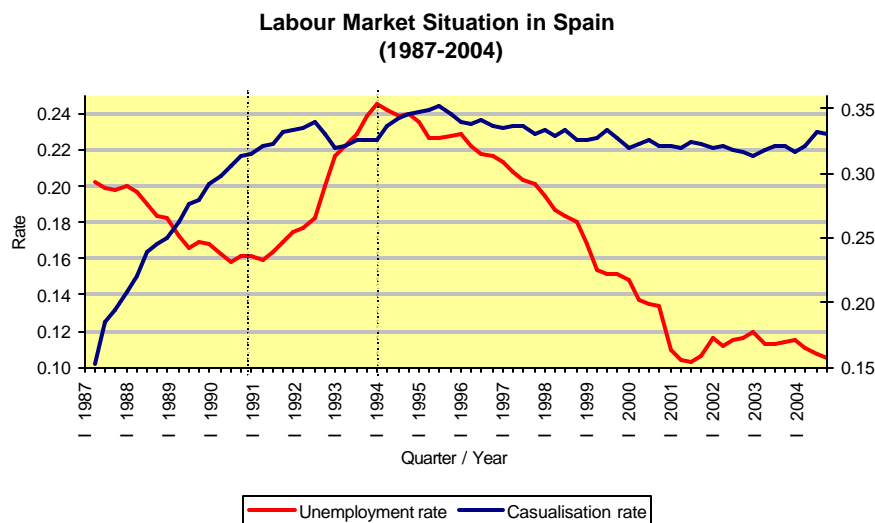
10. In accordance with absolute values, in the last 10 years of economic expansion, occupation has increased by 5 million and, the labour force has also increased by 3 million and unemployment has dropped by half, from 4 million to just over 2. This clear drop in unemployment has been concerned since 2001, furthermore, by the application of the new European Commission criteria for defining unemployment. Graph 2 shows the trend in occupation rates (left-hand axis) and unemployment (right-hand axis) in Spain over the period 1987-2004.

11. Unemployment and occupation rates change symmetrically from 1987 to 2004.



Graph 2

12. Graph 3 compares the trend in unemployment rates (left-hand axis) and in temporary wage earners (right-hand axis) in the same period. They behaved in a complementary fashion until the start of the 1990 crisis period, with a decrease in unemployment and an increase in fixed-term contracts. To the contrary, during the recent growth period the rate of unemployment was seen to decline at a continuous steady pace even though the rate of temporary employees remained stable, which apparently indicates that the drop in unemployment in the last 10 years has not been due to the creation of temporary wage-earning employment. In addition, the sharp fall in unemployment caused by application of its new definition became apparent at the beginning of 2001.



Graph 3

III. TEMPORARY CONTRACTS: PRIVATE VS PUBLIC SECTOR

13. In this context of economic growth, one of the problems that is of most concern to Spanish society, in the employment field, is casualisation of the work force. While those with responsibility for the labour market are talking of a period of economic expansion and job creation, trade union representatives are complaining of temporary contracts and the workers are suffering the consequences entailed for their quality of life, as it seems evident that casualisation is not chosen by the worker but rather by the employer, who in this way has a flexibility element to cover seasonal activities, try out candidates for future permanent job contracts, etc.

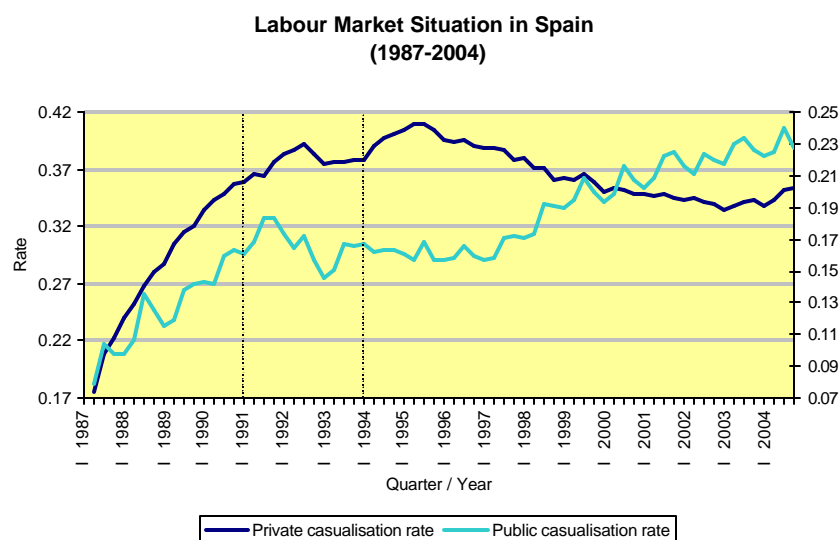
14. Although the promoting of temporary contracts sets out to make the labour market more flexible and boost job creation by the companies, the increase in the proportion of fixed-term contracts during the nineties has polarized the Spanish labour market through not being accompanied by a reduction in the levels of employment protection of workers with permanent contracts.

15. Neither the private sector nor the public sector are able to modify this situation. In Graph 4 we can see that as a result of the higher relative weight of the private sector, the rate of

temporary contracts in the private sector behaves in a way very similar to the general rate: a sharp increase as a result of the labour reforms of the late eighties and early nineties, a slight drop during the crisis, a fresh rise at the outset of the new stage of recovery, and a decline over the last 10 years, though more marked in the private sector than in the general case.

16. Furthermore, in the public sector the crisis in the early nineties was reflected in an appreciable decrease in temporary contracts, although it did not succeed in affecting the overall upward trend, as during the expansion stages - the first one primarily - temporary contracts soared and has continued to rise noticeably over the last 10 years. In addition, the public sector displays a seasonal component, with increases in the third and fourth quarters.

17. It is possible that the control of public expenses required by the Convergence's Criterion of Maastrich had influenced on this trend, because they strongly limit the increments of fixed staff at the public administration.



Graph 4

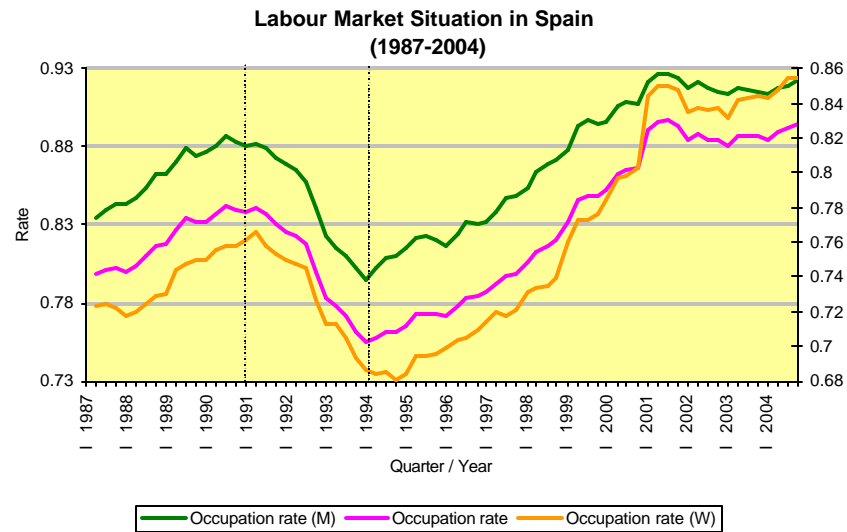
IV. TREND BY GENDER

18. If we examine the data for men and women separately (Graph 5), we see that the rate of male occupation follows a trend closely in line with the general rate, both represented on the left axis of the graph.

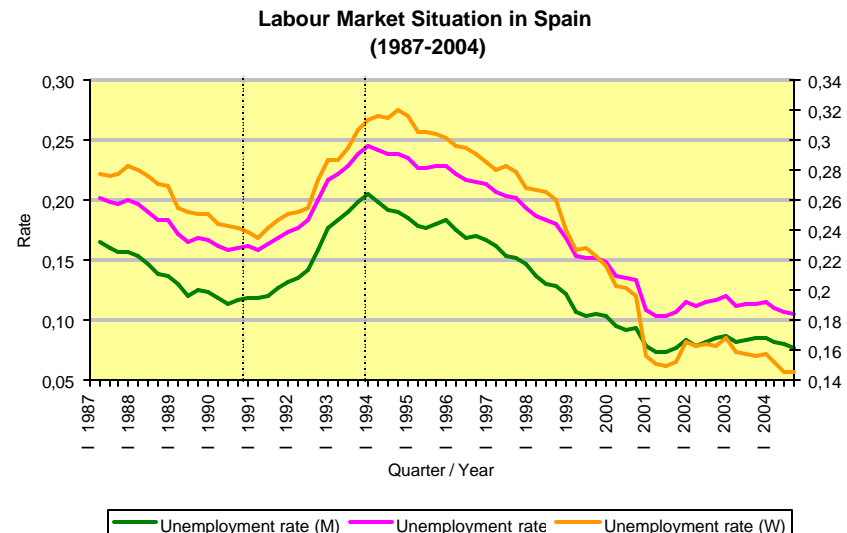
19. The rate of female occupation (right axis) continues to be rather lower than the male one, although women took longer to feel the crisis of the early nineties (female employment continued to rise during 1990 while male dropped) and in spite of the fact that for women the rise in employment has been more significant and constant during the last ten years. Women seem to have their own dynamic.

20. The number of women making up the working population is growing independently of employment due to the change in the behaviour pattern of younger women. This substantial increase in female labour activity prevents the marked creation of jobs occupied by women from being reflected in a decrease in female unemployment, which, despite the significant drops

observed, continued in mid-2004 to be almost double the male rate. Graph 6 allows us to see this, through showing female unemployment on the right axis and male and general unemployment on the left.



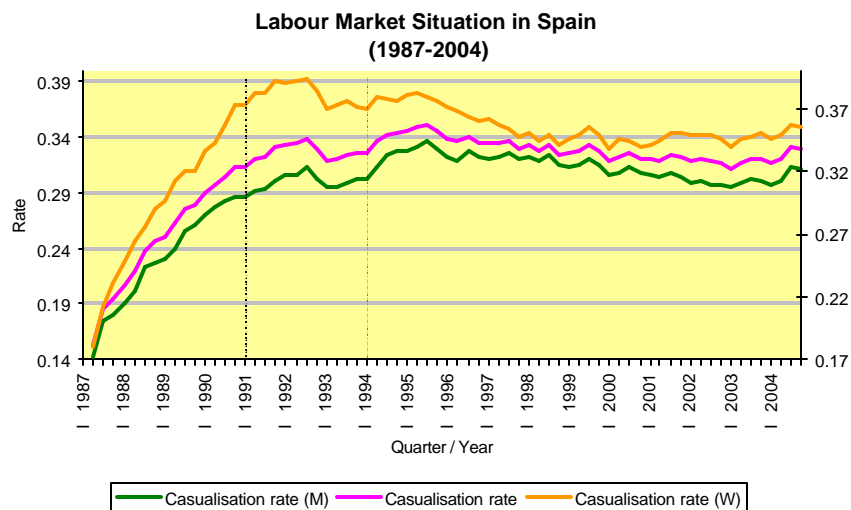
Graph 5



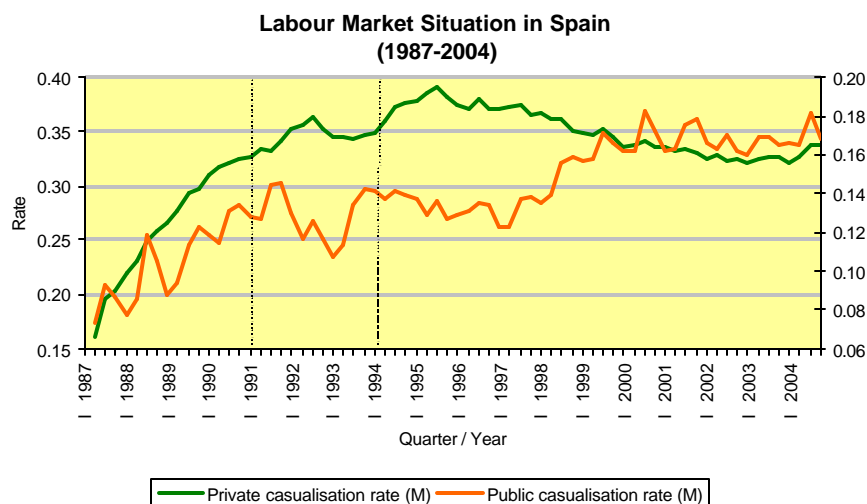
Graph 6

21. As regards temporary contracts (Graph 7), the male rate follows a very similar pattern to the general rate (both on the left axis), while the female rate (right axis) amply surpasses the male and shows strong growth until, towards the end of the crisis stage, it begins to fall off slightly, even though it does so more appreciably than the male rate and also this rate go down continuously from 1995 to 1997.

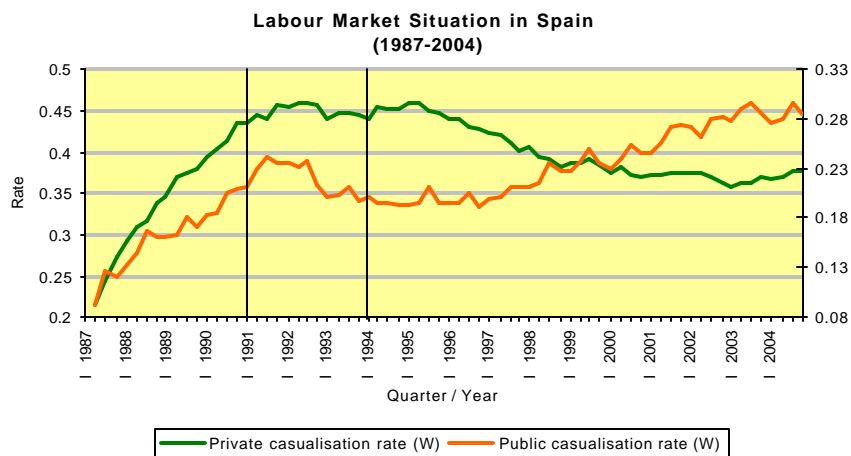
22. Graph 8 shows that male temporary contracts is more stable in the private sector (left axis), presenting wider variations due to seasonality in the public sector (right axis).



Graph 7



Graph 8



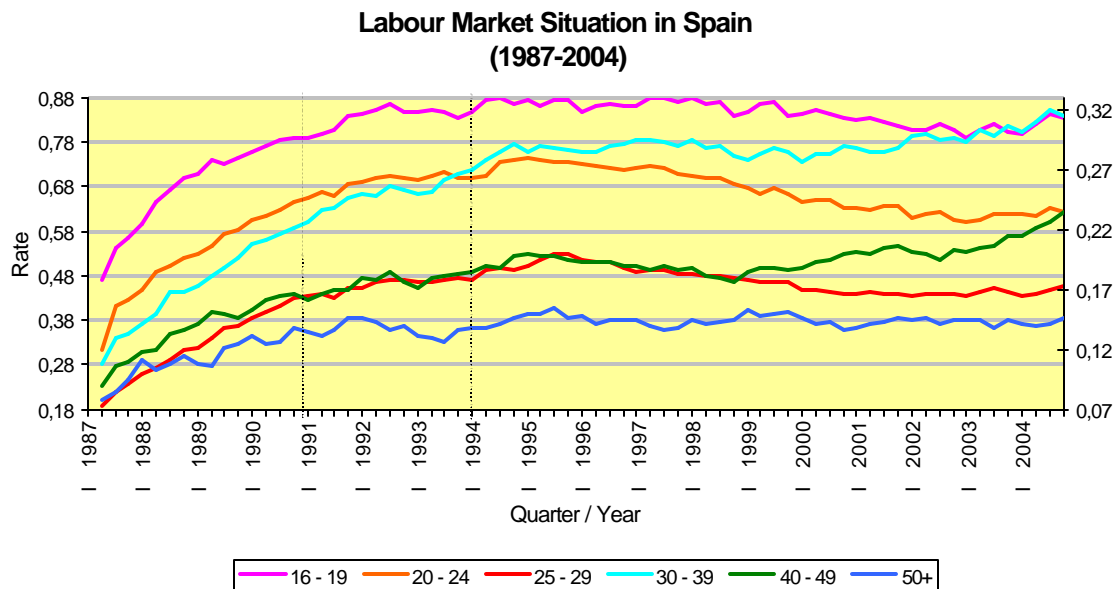
Graph 9

23. Graph 9 enables us to see that female public temporary contracts (right axis) is also less stable than private (left axis), although with not such pronounced variations as for men. In addition, during the last few years temporary contracts in the public sector has gone on increasing for women and its seasonality has become more marked.

V. CASUALISATION BY AGE

24. If we examine temporary contracts by age bands, it is quite clear that the younger the population is, the more acute the problem. According to the level (Graph 10), 16-19-year-old workers have the highest rate, followed by the 20-24-year-olds, whose rate almost doubles temporary contracts amongst the 25-29-year-olds. Above the age of 30 (represented on the right axis), temporary contracts drops off appreciably and is reduced to less than half, a trend that becomes more pronounced as the worker's age increases. This fact support the idea that many temporary contracts can be used as worker's selection process.

25. In all age bands there is a sharp increase up to the start of the 1991 crisis, a rise that is maintained during the recession period, although the trend levels off in the age group of the over-40s. The age difference emerges at the end of the crisis when the new phase of expansion got under way in 1994. At that time the temporary contracts of workers up to the age of 29 begins a moderate decrease, more marked between the ages of 20-24, while that affecting workers over the age of 30 continues its upward trend, though less pronounced than before the crisis. This upward trend is more



marked between the age of 40-49. So, it seems to be that the worker's selection process is each time more important.

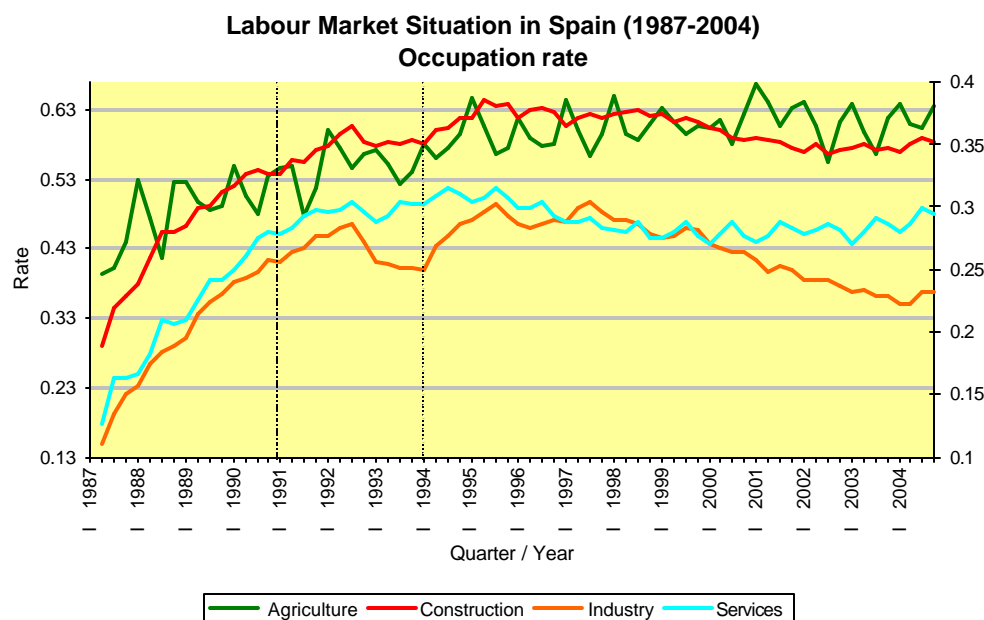
Graph 10

VI. CASUALISATION BY ECONOMIC SECTOR

26. The study of casualisation by large economic sectors (Graph 11) underscores the fact that the sectors with the highest seasonality are, in this order, Agriculture and Construction (left axis), followed some way behind by Services and Industry (right axis).

27. During the first stage of economic boom temporary contracts increased in all sectors, although it did so more moderately in Agriculture. The increase was maintained throughout the crisis, except in industry, where temporary contracts decreased, only to rise again during the recovery period. In the last ten years the trend has been slightly upward in Agriculture and more pronounced in Services, while it has been somewhat downward in Construction and even more so in Industry.

28. In addition, we observe seasonality in Agriculture, which has rising rates in the first quarters and falling ones in the third quarters, and in Services, with rates that increase in the third quarters.



Graph 11

29. The separate study of men and women enables us to state that men behave in a very similar way to the general case.

30. Women present more temporary contracts than men in all sectors except Construction, because in this sector activities of women are different from that of men. Wider variations are also observed in women for all sectors, even in Construction, where men exhibit a highly stable behaviour pattern. However, in Services women are the ones who present a more stable pattern, until seasonal behaviour emerged towards the end of the nineties. Besides, in women rate of temporary contracts in Agriculture amply exceed those in Construction, while both are very similar in men.

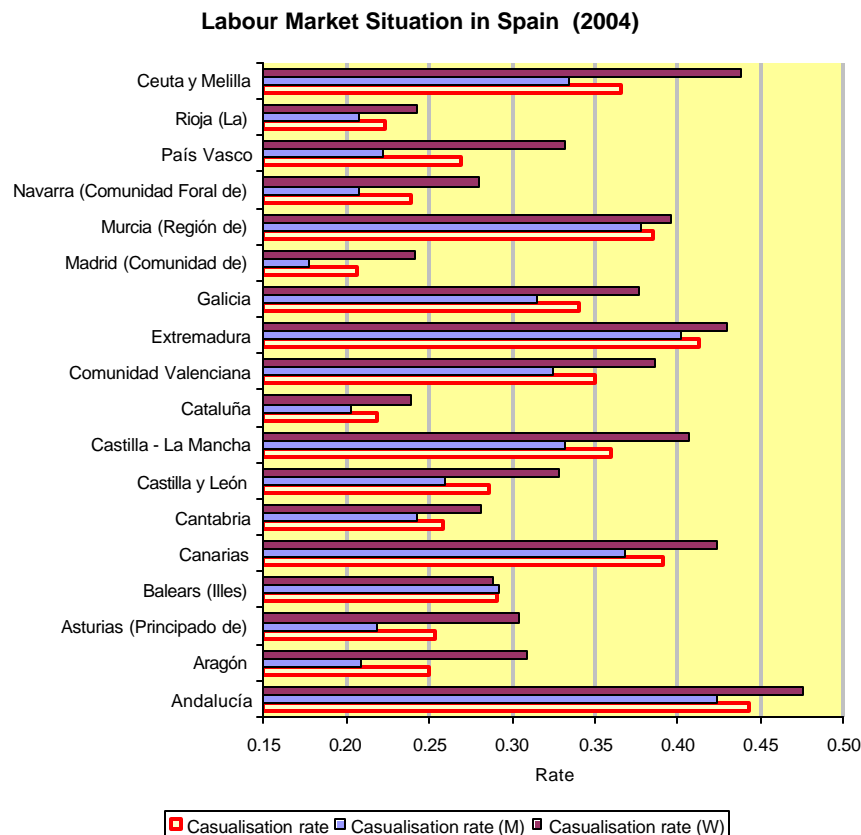
VII. CASUALISATION BY AUTONOMOUS COMMUNITY

31. Since grants for the creation of permanent employment do not seem to have been very effective, especially in such regions as Andalucía and Canarias, perhaps we should be thinking that the high rate of temporary contracts in Spain is due to the importance that the sectors most sensitive to seasonality, such as Agriculture and Tourism in the Services sector, have in certain Spanish regions.

32. If we analyse last year's data (Graphs 12 and 13), we observe that the Autonomous Communities with the highest rate of general temporary contracts are Andalucía, Extremadura, Canarias, Murcia, Ceuta and Melilla and Castilla – la Mancha. At the other end of the scale, Comunidad de Madrid, Cataluña and La Rioja have the least temporary contracts.

33. There is evidence that there are geographical differences, with higher temporary contracts in the south than in the north, and also that the large urban centres are denoted for a lower rate of temporary contracts, which again shows the relationship between temporary contracts and the economic sector.

34. If we differentiate by gender, the only autonomous community where the male rate of temporary contracts exceeds the female is Baleares. In all the others, women experience more temporary contracts, and it is in País Vasco where the differences between the rates of both sexes are largest.

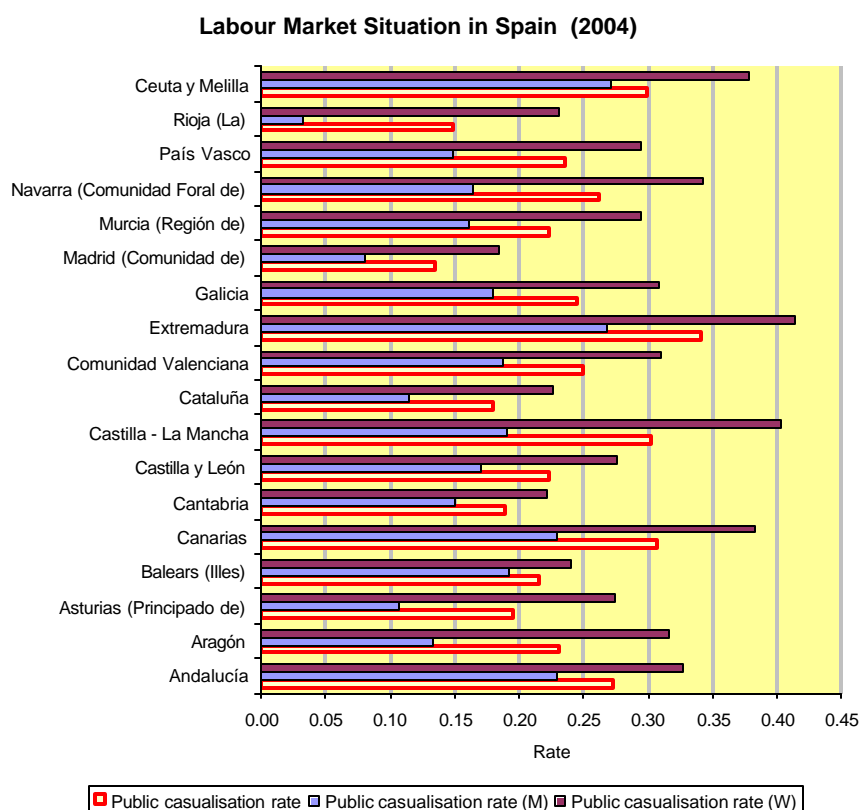


Graph 12

35. If we separate the private and public sectors, the greater relative weight of the private sector means that its behaviour is similar to the general case and Andalucía continues to be the autonomous community with the highest rate of temporary contracts.

36. Extremadura, however, is the autonomous community with the highest public temporary contracts, followed by Canarias, Castilla - la Mancha, and Ceuta and Melilla. This order is clearly determined by the female population, which doubles the male in the case of Castilla – la Mancha.

37. The differences between men's and women's rates are very striking in the public sector, and it may be asserted that public temporary contracts is clearly female. In this respect, La Rioja and Madrid stand out with the highest differences, although they are also the areas with the lowest general temporary contracts. Large differences are also observed in País Vasco, Navarra, Aragón and Asturias.



Graph 13

VIII. CONCLUSIONS

38. From all the foregoing we may conclude that temporary contracts in Spain between 1987 and 2004 do not seem to have been affected by economic trends or by the labour reforms applied, Industry being the only sector that appears to be sensitive in these terms.

39. On the other hand, the activities where casualisation is most deeply rooted, as is the case of Agriculture and Tourism, are unaffected by measures of this type for reducing temporary contracts. In this case there is apparently a connection between temporary contracts and the discontinuous seasonal nature inherent in these activities. It therefore appears hard to reduce casualisation in those regions where these activities represent the basis of the economy, as occurs in the south of Spain as a whole.

40. Lastly, it may be concluded that the profile of the Spanish temporary worker corresponds to a women aged under 30, living in the south of Spain or in the Canary Islands, who does farmwork as a wage earner in the private sector.
