



OECD Employment Outlook 2023

ARTIFICIAL INTELLIGENCE AND THE LABOUR MARKET

Country note



Spain

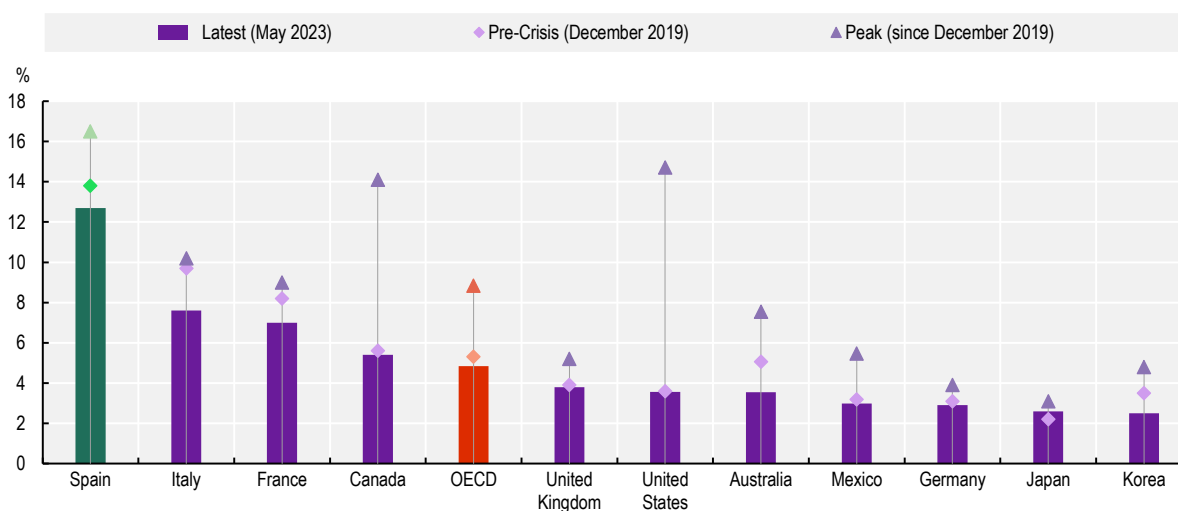
Labour markets have been resilient despite the significant slow-down in economic activity

The labour market recovery from the COVID-19 recession has been strong, but lost momentum in 2022 and early 2023 in the context of the economic slowdown. However, employment and unemployment have held their ground, and job vacancy rates remain high in most countries, despite some signs of easing. By May 2023, the OECD unemployment rate had fallen to 4.8%, a level not seen in decades.

- The Spanish labour market has demonstrated remarkable resilience and dynamism in recent times, as evidenced by a 1.2% employment growth in the first quarter of 2023. Spain's unemployment rate has reached its lowest level in decades, standing at 12.7% (see Figure 1). However, despite these positive developments, Spain still faces the highest unemployment rate among euro area countries, remaining well above the average rate of the OECD.
- Following a robust post-COVID recovery with a growth rate of 5.5%, Spain's economic expansion is projected to moderate to 2.1% in 2023 and 1.9% in 2024. By the second half of 2023, GDP is expected to surpass pre-pandemic levels. This strong growth has contributed to a significant reduction in unemployment, which however is projected to remain at a relatively high level (12.6%) throughout the rest of 2023.
- The 2021 labour market reform helps improve job quality in Spain. One-year into the reform, the number of temporary contracts has fallen by 30%, and most new contracts are open ended contracts, reducing the gap in the share of temporary contracts between Spain and other European OECD countries. The use of open-ended contracts for seasonal workers – a provision that has been promoted by the reform – can enhance their job security, a finding that needs to be confirmed through the impact assessment planned for 2025 to correct any deviation and ensure further progress.

Figure 1. Unemployment rates remain low across the OECD

Unemployment rate (percentage of labour force), seasonally adjusted



Note: Latest month available refers to March 2023 for the United Kingdom; and June 2023 for Canada and the United States.

Source: OECD (2023), "Unemployment rate" (indicator), <https://doi.org/10.1787/52570002-en> (accessed on 11 July 2023).

Real wages are falling amid a cost-of-living crisis

Russia's war of aggression against Ukraine contributed to a surge in inflation, which was not matched by nominal wage growth. Consequently, real wages fell in virtually every OECD country. On average, real wages were down 3.8% in Q1 2023 year-on-year among the 34 OECD countries with data available. The loss of purchasing power is particularly challenging for low-income households who have less capacity to deal with increases in prices through savings or borrowing.

- Spain experienced a 1.2% decline in real wages in the year to the first quarter of 2023. This decline is more contained than what observed in a number of other EU countries due to the dynamics of nominal wage growth and inflation especially during the second half of the year. During this period, nominal wage growth increased from 3.2% to just under 4%, while inflation fell from around 9% to approximately 6%, cushioning the fall in real wages.

Minimum wages and collective bargaining can support low-paid workers

Minimum wages and collective bargaining can help mitigate losses in purchasing power and ensure a fair distribution of the cost of inflation between firms and workers, while avoiding a price-wage spiral. On average across the OECD, statutory minimum wages have increased significantly over the last two years, and this has allowed real minimum wages to keep up with inflation better than average wages. The evidence suggests that there is room for profits to absorb further increases in wages, at least for low-paid workers. Governments can also provide direct support through the tax and benefit system to raise the net income of low-income households.

- In Spain, the real minimum wage is keeping up with inflation better than the average wage: the nominal minimum wage has increased by 13.7% since December 2020, in line with inflation, thus keeping the real minimum wage constant (Figure 2). Notably, even before the recent surge in inflation, the increases in Spain's minimum wage were substantial, placing the country among the OECD countries with the most rapid growth in statutory minimum wages.
- In Spain, as well as in some other OECD countries, collective agreements can include indexation clauses that link wages to inflation. This approach has gained prominence in Spain, with a notable increase in the proportion of workers covered by agreements incorporating such clauses, from 16.6% on average in 2014-2021 to 45% in 2023. This trend reflects a growing preference for indexation clauses as a means to mitigating the impact of inflation on workers' purchasing power. In this context, it will be important to monitor the wage dynamics in the coming years to identify any signs of a price-wage spiral.

Figure 2. Minimum wages have kept pace with inflation

Cumulative percentage change in nominal and real minimum wages since December 2020, May 2023



Note: OECD is the unweighted average of 30 OECD countries with a statutory minimum wage. W: employee-weighted subnational minimum wages. Fed: Federal minimum wage.

Source: OECD Employment Outlook 2023, Chapter 1.

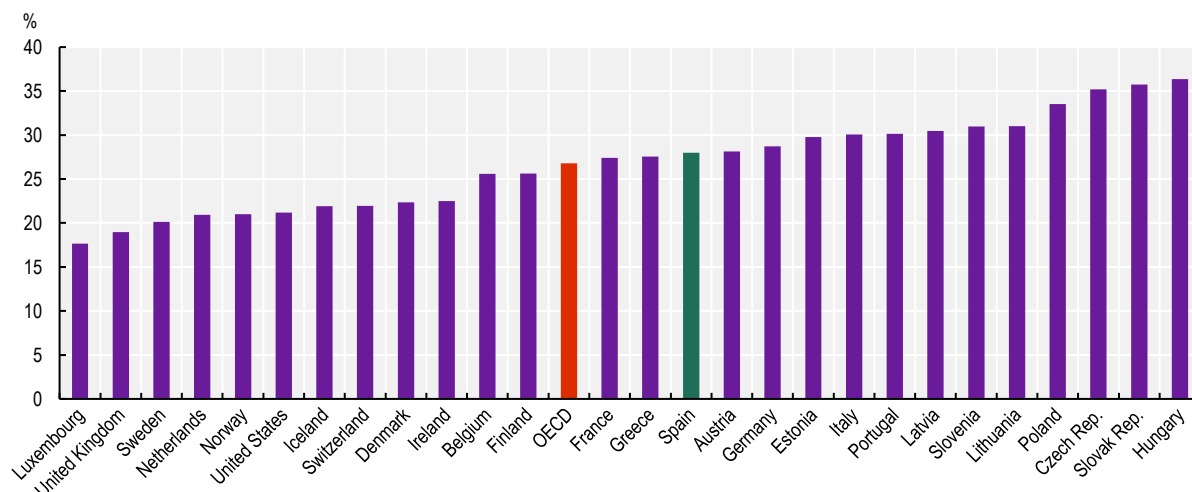
AI has so far helped high-skilled workers perform their jobs rather than displacing them, but employment effects could take time to materialise

There is little evidence of decreased labour demand due to AI. High-skilled occupations have been the most exposed to recent progress in AI, but they have also experienced employment gains relative to lower-skilled workers over the past ten years. However, AI adoption is still relatively low and the technology is evolving rapidly including recent advances in generative AI. Any negative employment effects may therefore take time to materialise.

- Although AI appears to complement the skills of more exposed, high-skill occupations, this is not necessarily the case for all workers. When considering all automation technologies including AI, 28% of employment in Spain is in occupations at high-risk of automation compared to an OECD average of 27%. The occupations at the highest risk of automation are typically lower-skilled and held by younger workers. This reflects the fact that AI is just one of the many advanced technologies (ICT, robotics etc.).
- The adoption of AI will likely have a profound impact on the skills that will be needed in the labour market. Recognising this, the Spanish Public Employment Services is one of the few OECD countries that is financing an overarching state-wide skills strategy that focuses not only on digital skills, but also on cognitive and transversal skills necessary to develop and interact with AI systems.

Figure 3. Although AI exposure has not (yet) led to decreased labour demand, certain groups remain at risk

Share of employment in occupations at the highest risk of automation by country, 2019



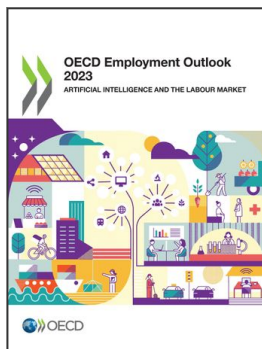
Note: The figure shows the employment shares of the occupations at highest risk of occupations, i.e. top quartile occupations when ranked according to their automation index. The results are based on a survey of experts who evaluated the degree of automatability for 98 skills and abilities. The risk of automation measure is then computed by occupation as the average rating for each skill or ability used in the occupation across all expert responses weighted by the skills or abilities' importance in the occupation as rated by O*NET.

Source: Lassebie and Quintini (2022), "What skills and abilities can automation technologies replicate and what does it mean for workers?: New evidence", <https://doi.org/10.1787/646aad77-en>, based on OECD Expert Survey on Skills and Abilities Automatability and O*NET.

Contact

Stefano SCARPETTA (✉ stefano.scarpetta@oecd.org)

Silvia GARCIA-MANDICO (✉ silvia.garcia-mandico@oecd.org)



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