CCOO Economic Department

High temporary employment, wage trends and inequality

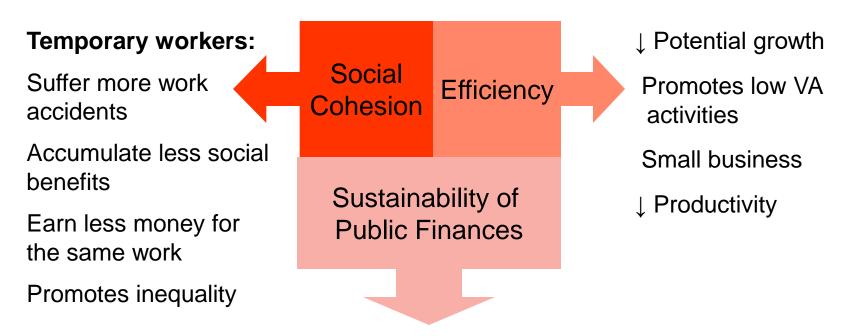
Joint Conference Banco de España and IMF

High temporality is good for two reasons and bad for everything else

Negative side effects

It helps Adjustment companies to mainly through survive dismissals It helps job High job creation turnover ↓ Uncertainty ↑ Productivity

In the long run, high temporality is bad for...



Harms the sustainability of the Social Security pension system Rises the expenditure of unemployment protection

In the long run, the costs of high temporality outweigh their benefits

Why the measures taken in the past against high temporality have not worked?

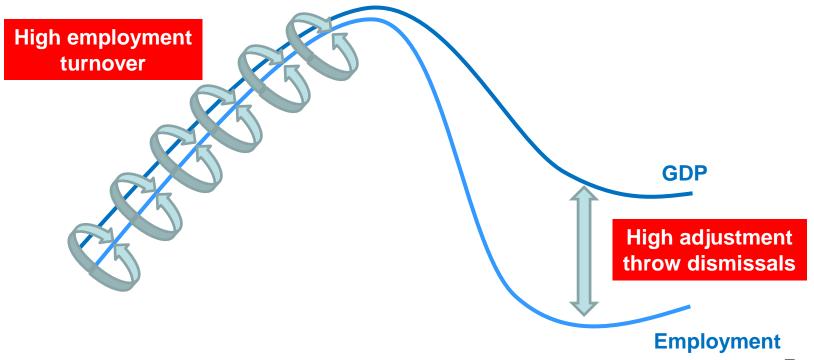
As a consequence of high unemployment

No Government has ever dared to touch the core of high flexibility in temporary contracts



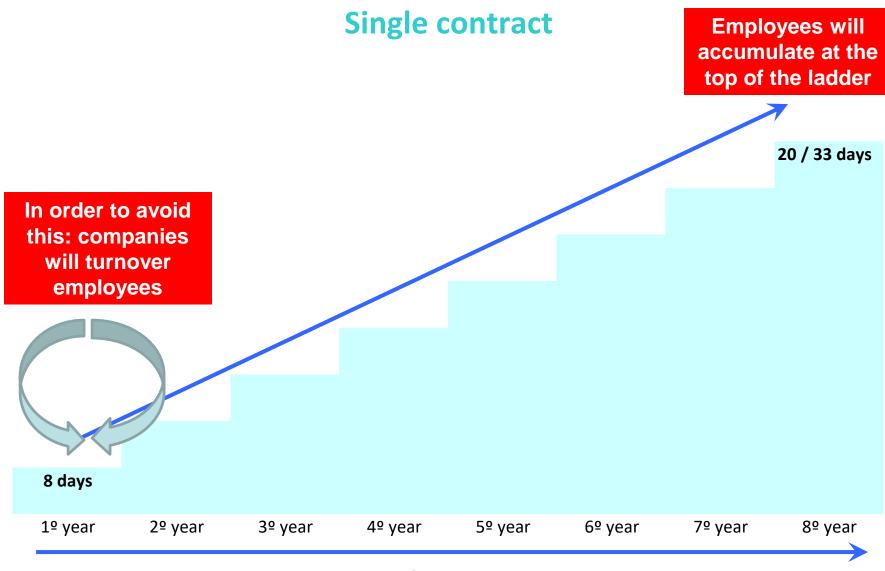
What does a solution for high temporality needs to be successful?

A great part of the solution is outside the scope of the labour regulation



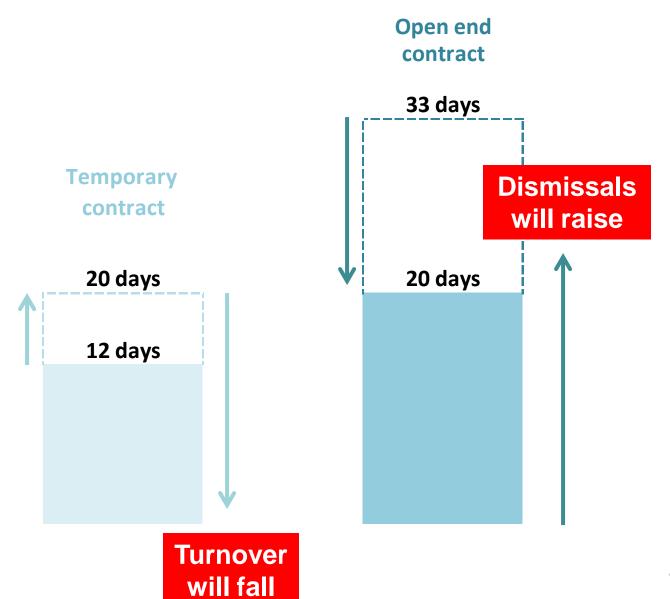
Solutions

- 1. Single contract
- 2. Ciudadanos' proposal
- 3. Cost sharing system



Seniority

Ciudadanos' proposal



Cost sharing system



How it works?

- Wages can be cut up to a threshold
- Companies cannot pay dividends and bonuses
- Small companies → Stable Employment Fund
- What temporary contracts remain?

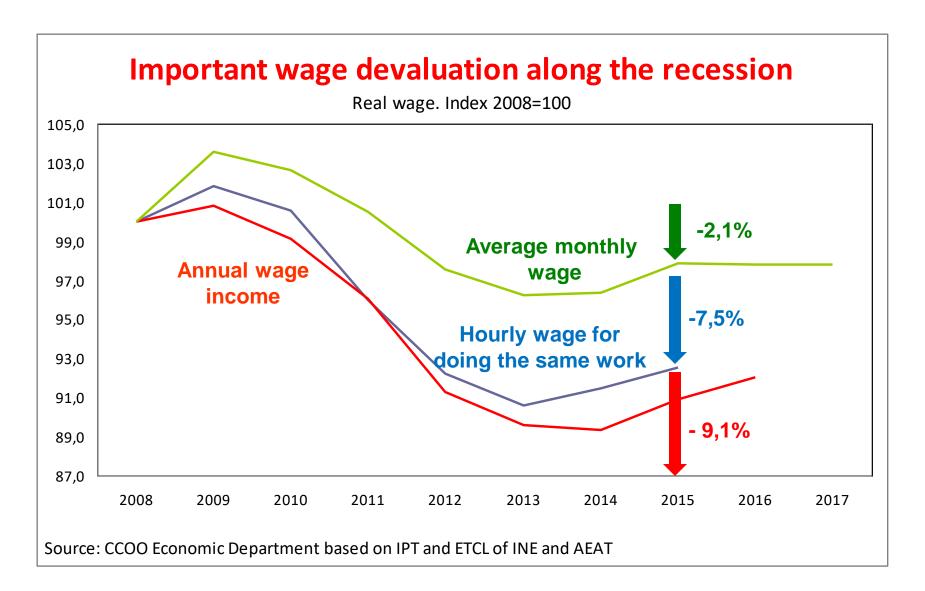
Cost sharing system

Advantages

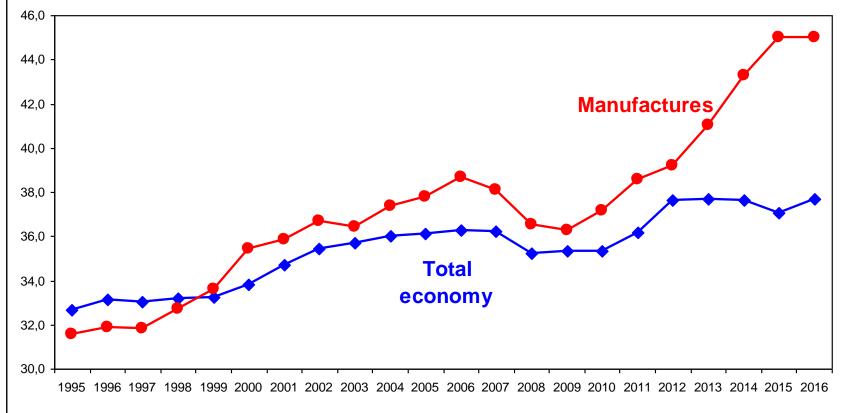
- The cost of adjustment is shared
- ↓ Risk of demise
- ↓ Employment turnover
- Consumption = and ↑ investment
- Equality in improved

Disadvantages

- Greater negotiation costs
- Lowers elasticity jobs/GDP

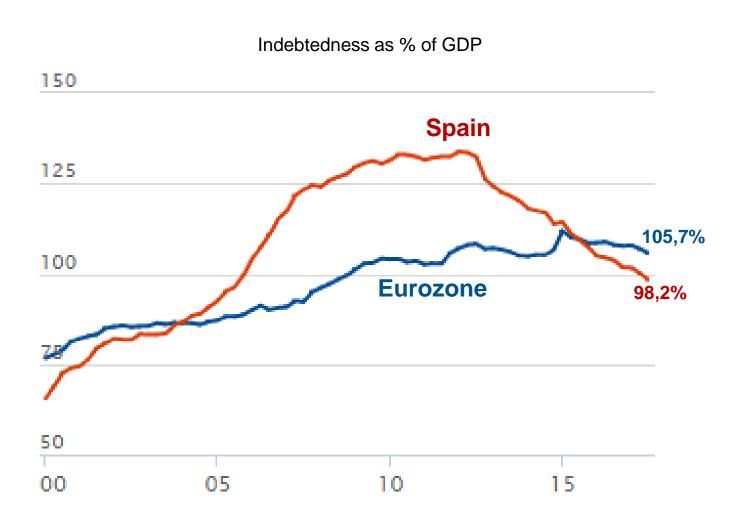


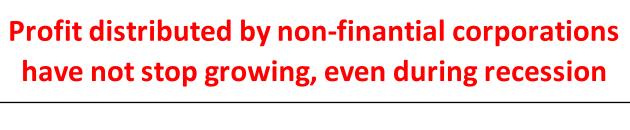


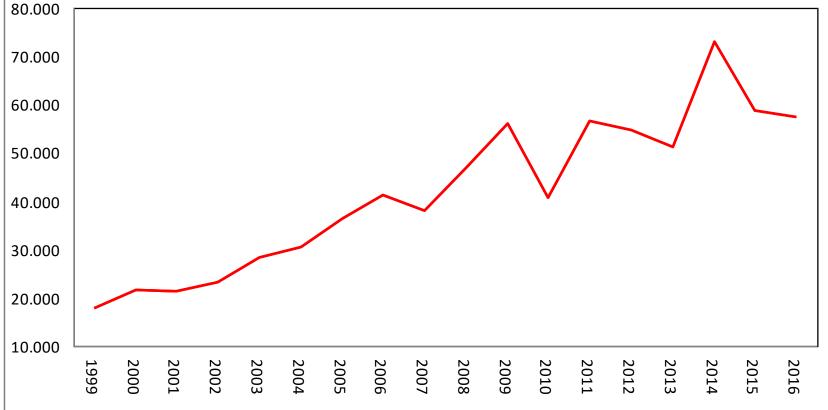


Source: CCOO Economic Department based on National Accounts from INE.

Strong reduction in non-financial corporations' indebtedness



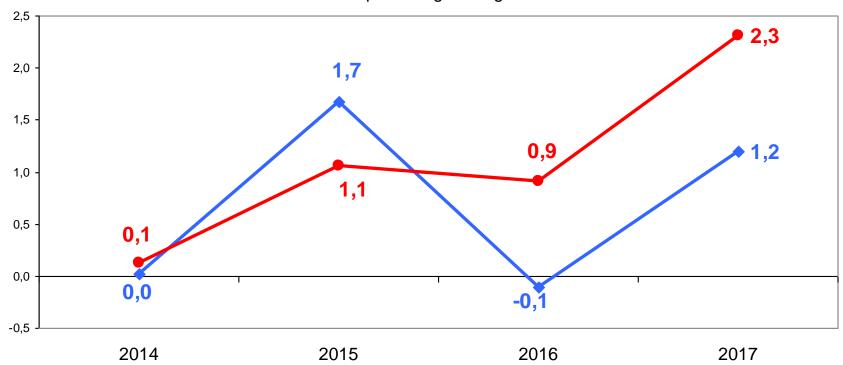




Source: CCOO Economic Department based on National Accounts from INE.



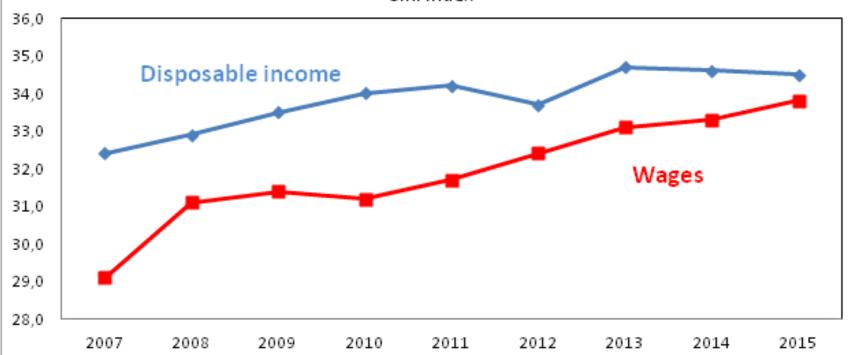




Source: CCOO Economic Department based on National Accounts of INE.

Inequality is slightly reduced with economic recovery but continues to rise in wages

Gini Index



Source: CCOO Economic Department based on Labor Force Survey for wages distribution and Living Conditions Survey for disposable income distribution.

Labour reforms adopted during recession should be rethought out

Over indebtedness

↑ Inequality

Companies' survival

- 1. To allow a fair participation of workers in companies' prosperity
- 2. To produce a fair distribution of adjustment costs in future economic depressions
- 3. To end with employment instability