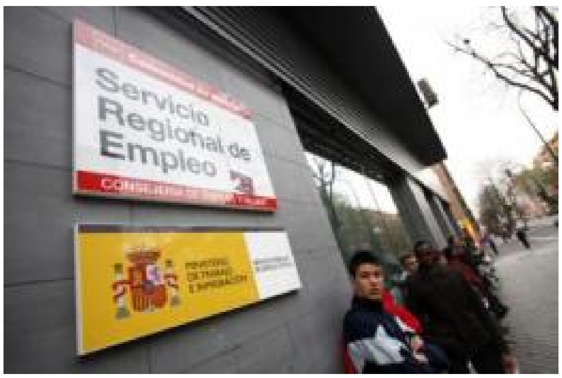
Spain: If you become unemployed you will earn less in your next job

January 20 2011



Unemployment has a negative impact on a worker's future salary if it continues for a long time, particularly in countries such as Spain, Italy and Portugal. This is the conclusion of a study carried out by Spanish researchers, who have analyzed the impact of job loss on relative salaries in six European countries. Credit: SINC

Unemployment has a negative impact on a worker's future salary if it continues for a long time, particularly in countries such as Spain, Italy and Portugal. This is the conclusion of a study carried out by Spanish researchers, who have analysed the impact of job loss on relative salaries in six European countries.

"Out of the countries studied, Spain, Italy and Portugal are the European Union countries in which long-term unemployment is likely to have the most negative effect on salary when the individual in question returns to work", Carlos García Serrano, a researcher at the University of Alcalá (UAH) and one of the authors of the study, tells SINC.

The study analysed employment mobility and "relative losses" to salary when an individual goes through a period of inactivity – reporting that they are neither looking for nor available to work – or unemployment in Spain, Italy, Portugal, the United Kingdom, France and Germany over seven consecutive years (1995-2001), based on data gathered by the European Union Household Panel (ECHP).

"We wanted to find out what effect unemployment and inactivity had on salaries, and to see whether the selected countries could be grouped according to the level of impact on this remuneration. To do this, we looked at the different institutions in the labour market and the social protection systems in place in each country", points out García Serrano.

The result, published in the journal *Manchester School*, shows that the countries studied can be divided into three groups. The first of these includes Germany and France, countries which are representative of "protective institutions", in other words those that follow a more preventive or social security model with regard to labour.

Spain, Italy and Portugal, meanwhile, operate a similar preventive policy, but this is "weaker", and is different with respect to the collective negotiation system and the active policies within the labour market. Lastly, the United Kingdom has the most flexible system, with less unemployment protection.

"We expected that the impact of inactivity and unemployment would be the greatest in countries such as France and Germany, but this was not the case. In terms of inactivity alone, France, Germany and Portugal take the lead in relation to negative salary impact on subsequent employment", the researcher says.

A temporary phenomenon

But not all the data are negative. The periods of salary loss following unemployment are not permanent. "For workers who have changed jobs due to a recent period of unemployment, their salaries are 4.5% less in Spain, 5.6% less in Italy and 7% less in Portugal when compared with people who have remained in work, but these figures recover quickly and the differences disappear within a year", the expert stresses.

Younger workers register the greatest salary increases in all the countries (particularly if they change jobs voluntarily). However, individuals aged from 31 to 45 are the most likely to find that periods of unemployment affect their subsequent salaries, and the effects are longer-lasting for this age group.

More information: José M. Arranz, Carlos García-Serrano, María A. Davia. Worker turnover and wages in Europe: the influence of unemployment and inactivity. Manchester School, 78 (6): 678-701, Dec 2010. doi: 10.1111/j.1467-9957.2009.02154.x

Provided by FECYT - Spanish Foundation for Science and Technology