

Effects of household consumption patterns on employment: Evidence from Spain during the economic crisis

Topic: Structural change and dynamics II

Author: Fernando Bermejo

Co-Authors: Eladio Febrero

The aim of this paper is to evaluate the impact of household spending on the Spanish labour market during the Great Recession. After a decade of prosperity, we are caught in a downward spiral, in which lower household consumption raises unemployment rates and the risk of becoming unemployed hinders consumption.

The present paper proposes an analysis based on the Input-Output framework to evaluate the effects on employment of the changes in the consumption pattern imposed by the recession. On this basis, using expenditure data on goods and services provided by the Household Budget Survey of the National Statistics Institute of Spain and Input-Output methodology, we first measure the labour directly and indirectly linked to the consumption demands of the most representative types of households. In this regard, we make use of a standard classification by household earnings as well as a distribution based on the professional activity of the household reference person. Next, we develop a structural decomposition analysis (SDA) to identify the driving forces of changes in employment which cause the variation of the expenditure pattern of the households previously defined. This paper is intended as an empirical exercise to shed some light on the ongoing debate that nowadays is taking place in Spain about unemployment and the recent labour market reforms.