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NEGOTIATE

Overcoming job-insecurity in Europe

NEGOTIATE – Negotiating early job-insecurity and labour market exclusion in Europe

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Institutional determinants of early job insecurity in nine European countries: Country Report Spain

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Introduction

The economic crisis in Spain started in 2008, after a huge housing bubble burst. The economy came to a sudden halt and entered a period of economic recession that has been particularly long with profound social consequences. From the different age groups, young people are possibly amongst the most affected: the youth unemployment rate for those between the ages of 15 and 24 reached 55% in 2013 (see all the detail in Table A1 in the Appendix). More than one in two young Spaniards that were looking for a job could not find it.

The quality of Spanish labour market integration of young people has been changing since the beginning of the economic crisis. The high levels of youth unemployment have reinforced early job insecurity already present in Spain in the previous years and the labour market reforms do not seem to have greatly changed the general situation.

The precarious integration of young people in the labour market is also reflected in the youth activity rate, which has been constantly falling since 2008 (regardless of the educational level) and it diverges from the increase in the activity rate of individuals between 15-64 years old. From 2008 to 2014 the activity rate for young people between 15-29 years old fell 14.2%, while for the population among 15-64 years old it grew 2.0%. The percentage of youth not in employment, education or training also increased 63.5% between 2008 and 2013¹.

The youth unemployment rate has raised sharply, particularly for the population between 15-24 years old with a low level of education². Even with a lower unemployment rate when compared to the younger group, youth between 25-29 years old with tertiary education saw a strong decrease in their opportunities of finding a job since 2008³.

A shy recovery started in 2014, with a fall in the unemployment rates for all age groups however it is not clear up to now if this change is the reflection of numerous reforms that have been implemented in the country during the last years. In the end, the perspectives of employment for young people in Spain are still very scarce.

This report revises some of the key institutional determinants that may help understanding the situation of young people in the Spanish labour market and how they have changed as the Great Recession evolved. The text is divided in four sections: the

¹ In this case the older youth are the group most affected. From 2008 to 2013, while the NEET rate was rather stable for the group of those 15-19 years old, it increased from 19 to 32.4% among 20-24 years old.

² In Spain the unemployment rate among youth between 15-24 years old always has been the highest one. However the difference for 15-24 and 25-29 has kept growing since the start of the crisis.

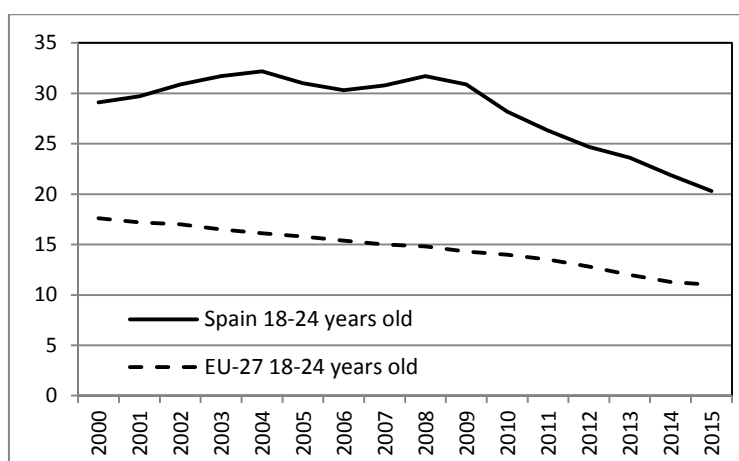
³ For this group, the unemployment rate grew from 9.7% in 2008 to 24.2% in 2014 – around 150%.

first one accounts for changes in the educational system, the second one deals with labour market regulation, the third revises the implementation of Active Labour Market Policies and the fourth details changes in the income protection received by those looking for a job. Our conclusions summarise the most important findings.

1. Education

The Spanish youth labour market and the school-to-work transition system was put under high pressure by the economic recession. Although the Spanish school system has experienced a large number of reforms in the last three decades, policy makers were obliged to reform it one more time.⁴ In this case, it has been the vocational education and training (VET) system the one at the heart of recent educational policy changes. The prospect is that the reform should enhance entry into the labour market as there are three main educational problems that hinder the integration of young people in the labour market: high rate of drop-outs, an important skills gap and low employability of graduates.

Figure 1: Early leavers from education and training (%)



Source: Eurostat.

In 2015 the rate of early leavers from education and training was 20.3% according to data from Eurostat for the age group between 18 and 24 (figure 1). It has been decreasing since the beginning of the economic downturn when it was well above 30%, but it is still very high compared to the EU average (11% in 2015).⁵ The prevalence of this high drop-out rate during almost a decade, added to the traditional low importance of apprenticeship and the strong preference for university over professional training, has resulted in an important skills gap: Spain has at the European level a higher than average proportion of low-skilled and high-skilled population, and a lower than average medium-level skilled population. According to data from Eurostat, in Spain during 2015 only 24.3% of the population aged 15-64 had either secondary school degrees or post-compulsory non-university education (ISCED 3 and 4), while the equivalent in the EU-

⁴ Since 1980 there has been 13 organic laws to that effect (González-Menéndez et al., 2015).

⁵ The increase in drop-outs during those years when the Spanish economy was booming partly explains job growth, and particularly non-qualified job growth. According to Conde-Ruiz and Marín (2013) nearly one million of currently unemployed young Spaniards dropped out of education in order to start working in the construction sector.

28 was 46.4 %. On the other hand, 43.7% of the Spanish population has a primary/lower secondary (ISCED 0-2) level of education and 32% tertiary education (ISCED 5-8), which are well above the EU-28 average of 27.1% and 26.5%, respectively.

Moreover, holding a University degree in Spain does not protect individuals from unemployment as in other contexts. The employability rate of recent tertiary graduates is one of the lowest in Europe at 68.6% (OECD, 2015), while 44.5% of graduates employed four years after graduation have jobs that do not require a university degree (MECD, 2014).⁶ This mismatch highlights the fact that the skills available among the working population do not necessarily match those required by employers. And such a mismatch remains a major challenge for policy makers. Another issue to take into account is the lack of information regarding the employability of several university degrees. In this respect, in 2014 the Ministry of Education presented the first report on the employability of university graduates in Spain. The release of this kind of information may help to correct expectations about the job prospects among university applicants and at the same time increase the general acceptance of professional training.

1.1 Description of the basic institutional features and policy substance

The Spanish educational system currently consists of three stages: a) non-compulsory preschool which lasts six years overall⁷; b) compulsory primary education summing a total of six years⁸; and c) compulsory secondary education that lasts four years, from 12 to 16 years of age. After that, there are two more years of non-compulsory secondary education either following an academic track (in Spanish, *Bachillerato*) or a professional training track (in Spanish, *Formación Profesional*). Higher education is divided into university studies and professional training. The first tier follows the Bologna reform (scheme 4+1)⁹, however the Royal Decree-Law 43/2015 allows the scheme 3+2 years in order to place Spanish universities in line with the European standard. The second tier is the higher professional training system which allows students coming from either the academic track or the professional training track to take two more years. It is accessed at the age of 17 and leads to the degree of *Formación Profesional de Grado Superior*. In the second year of advanced vocational training the student gets training at a given workplace which lasts 400-600 hours but it does not have any contractual link between the student and the employer (*Dual Professional Training*).

Spain has a decentralized educational system. On the one hand, the central government arranges the legal framework and the organization of the different school levels. On the other hand, the regional governments of the 17 regions (in Spanish, *Comunidades Autónomas*) develop and manage their educational systems based on these guidelines. The common standard is that the central government, based on national legislation and norms, drives the policies; while the regional governments are in charge of their implementation (González-Menéndez et al., 2015).

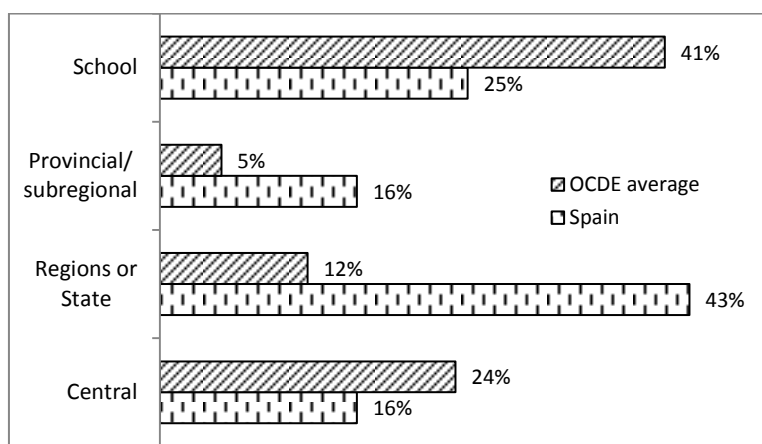
⁶ According to data from Social Security enrolment rates.

⁷ It is divided into two three-year cycles: the first from 0 to 3 years of age, and the second from 3 to 6.

⁸ It lasts from 6 to 12 years of age, divided into three two-year cycles.

⁹ These are four-year university degrees followed by one or two-year master level courses.

Figure 2: Percentage of decisions taken in public lower secondary schools at each level of government, 2010



Source: OECD, 2012

According to data from OECD (2012), in Spain nearly 43% of decisions in lower secondary education are carried out by the regions or the central government and 25% by schools (see figure 2). Besides the decisions on funding (including teachers' salaries) and part of the curriculum, the principal duties of regional authorities are arranging and deliver education and maintain schools. The School Councils (in Spanish, *Consejos Escolares*) take part in decision-making within the school and they are composed by representatives of the teaching staff, students, the town council, parents and non-teaching staff. In vocational training schools, the councils may include also representatives from labour or employers' organizations.

This kind of governance structure can bring some challenges to ensure consistency across regions to meet national and regional educational priorities. One of the goals of the educational reform approved in 2013 (LOMCE, 2013)¹⁰ was to increase the autonomy of educational institutions.

At tertiary level the Spanish university system comprised, in 2013-2014, 82 universities, 61% of which were public (50). Therefore the minority of university students (13.9%) are enrolled in a private institution. At this level there is autonomy and each public university has its own governing body and has established its own internal quality assurance systems as a tool for improving its practice. At the Spanish public university the standard tuition fee for an undergraduate student is around €1,105. The decentralization of Spanish university system implies important territorial variations, because this decision falls in the policy realm of regional governments (González-Menéndez et al., 2015).

Given the relevance of public institutions within the educational system, its funding is mainly based on public sources.¹¹ Regional governments are autonomous as how to manage their annual budget and how it is allocated to schools. In Spain most students of non-university (compulsory or not) attend public schools (68.3%), a higher proportion

¹⁰ Organic Law for the improvement of Educational Quality (*Ley Orgánica para la Mejora de la Calidad Educativa*, LOMCE/2013)

¹¹ The public source participation in all levels of education was 84.5% in 2011, representing 91.1% in primary, secondary and post-secondary non-tertiary, and 77.5% in tertiary level (OECD, 2014b).

than the OECD average, according to data for 2013-14 from the Spanish Ministry of Education.

1.2 Key institutional and policy changes

Since 2009 new policies or innovations on the regular educational and training system address, among others, three important shortcomings to improve the school-to-work transition in Spain: secondary education, VET system and access to university degrees and its duration.

The recent reforms of the education and training system in Spain focus on decreasing the number of drop-outs and the improvement in basic skills of low performers, which are a barrier to the country's competitiveness and youth employment. At the secondary level the main changes were introduced by Royal Decree Law 1529/2012 and the LOMCE 2013. The first started the gradual implementation of the Dual Training system (VET) and the second established optional vocational pathways and a new VET diploma at mid-level training.

According to González-Menéndez et al. (2015), these educational reforms have been of moderate innovative character and the Dual Training system can be seen as an innovation of the existing system rather than a new institution. The 2012 reform included a set of training activities with the aim of rewarding professional qualifications. It also mixed teaching and learning tasks. According to the OECD (2015), by 2014/2015 the number of students enrolled in dual VET has quadrupled since 2012 (16,199)¹² and all Autonomous Communities run these programmes. Besides new financial incentives to enterprises, the strategy for entrepreneurship and youth employment also has offered support for participation in dual training.

The central measures of LOMCE 2013 have been the establishment of basic vocational tracks, the expansion of the dual VET application, to provide more autonomy to schools and school leaders, and to strengthen external student assessments, among other measures. The new Diploma on Basic VET available after two years (between the ages of 15 and 17) is a professional certificate and gives access to Intermediate Level VET (in Spanish, *Ciclos formativos de Formación Profesional*). If the student is approved in the final examinations, s/he can get one of the two diplomas in Compulsory Secondary Education (in Spanish, *Educación Secundaria Obligatoria*, ESO).

The LOMCE 2013 reform is being implemented at different paths across the different Autonomous Communities. So far they started to enter into force gradually in the 2014-15 academic year and will continue through 2016-17. This process brought up disagreements between the national government and a number of Autonomous Communities and is forcing the regionals governments to adapt their local laws to the LOMCE specific needs.

Another important issue, and particularly in certain disciplines, a significant proportion of Spanish University graduates work in jobs that do not require a university degree. Since the LOMCE 2013 was approved, the government initiated a series of changes in

¹² The number of educational institutions and companies has increased steadily: 728 and 4,878 respectively.

key aspects of the Spanish university system: access, internalization, quality and usefulness and relevance of university outcomes.

Regarding the access, the academic requirements for renewing national government scholarships were upgraded, which now take into account the students' performance. Students must now pass a higher number of modules than before in order to renew their grants. González-Menéndez et al. (2015) consider this measure as an indirect restriction to access higher education (both university and non-university), notwithstanding it can be seen as a rational allocation of resources.

As for the internalization process, the most controversial point was that the Royal Decree-Law allows universities to adjust the credits given for degree courses and at master's level in order to move to the 3+2 years scheme (from the current 4+1). This change promotes the equalization with the current model in the rest of Europe, but it caused several critics from University governing boards up to students' unions. Among the students the matter seems to be the employability; that is: there are doubts whether the new three-year degree will be seen as a 'good enough' qualification for access to a job requiring higher education.

To improve the quality of Spanish university system the government introduced performance criteria in the internal governance system and financial support for higher education institutions (Royal Decrees 415/2015 and 420/2015). At the moment the government has released the 'Building up a National Skills Strategy', which has encouraged a multi sectoral debate among central government, regional authorities and social and economic stakeholders and has brought together seven ministries.

Finally, the budget adjustments unleashed by the economic crisis implied several cuts at national and regional levels which affected the educational system. Given the necessity of a better management of resources the government released the Royal Decree-Law 14/2012 which claimed for the rational use of resources in education, it increased teaching hours per teacher, reviewed class size and university fees.

1.3 Assessment of the changes and their impacts

The educational reforms implemented aimed to help students to make transitions through the various educational levels and into the labour market. Spanish reforming of the VET system aim to better adapt young people's skills to labour market needs and to increase the attractiveness (but also the acceptance) of VET and the flexibility of the curricula of medium-level VET programmes.

Even looking like an appropriate policy, professional training is still perceived as a *second best* opportunity for poor performance students. Therefore, increasing its acceptance will require more work in order to extend and consolidate the dual VET system, beyond implementing work-based learning and increasing apprenticeship opportunities. Clarification of the roles of all VET stakeholders must contribute to the rapid extension of this approach. At the same time, the introduction of basic VET opportunities at lower secondary level might result in greater participation in upper secondary VET, as well as better tutoring and career guidance.

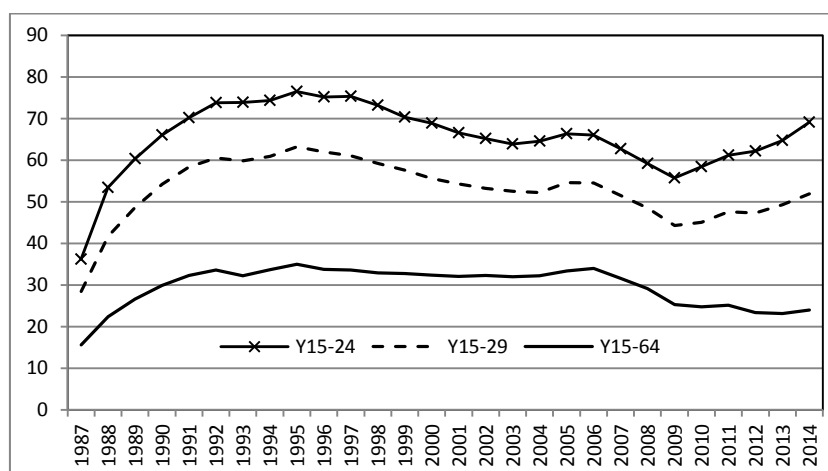
Up to now all these policies have shown weak results, and the disequilibrium in the Spanish youth labour market is still deep. No relevant changes can be seen in levels of employment, transitions from temporary to permanent employment, long-term unemployment and skills mismatches.

2. Labour market regulations and wage setting

Since the 1990s several Spanish governments changed legislation in order to increase labour market flexibility as a way to fight against unemployment. During the 1990s the average proportion of temporary contracts, as percentage of the total number of contracts, was 33% for the population between 15-64 years old and 59.7% among the youth (15-29 years old)¹³ – as shown in figure 3. As the data trend indicates, the incidence of temporary employment among young is a structural problem and was not caused by the financial crisis of 2007-2008.

Therefore the fight against the prevalence of temporary employment in Spain has already been addressed by several previous labour market reforms (1994, 1997, 2002, 2006). Most of these reforms share two characteristics: impose restrictions on the use of fixed-term contracts and progressively reduce the severance pay for permanent employees¹⁴. But these previous changes at the margin were not enough to decrease the prevalence of temporary contracts in the Spanish labour market. And although there is a high prevalence of young workers in temporary employment, this kind of contract does not present any legal condition favoring this population group.

Figure 3: Temporary employees as percentage of the total number of employees by age (%)



Source: Eurostat

The labour reforms of 2010 and 2012 (Royal Decrees Laws 10/2010 and 3/2012) deal with the overall labour market regulation and do not contain any specific measures for the young population. In 2013, a new temporary contract for young people (in Spanish,

¹³ For those between 15 to 24 years old the average percentage reached 72.9%

¹⁴ For a detailed description on previous labour market reforms see Bentolila et al. (2008).

primer empleo joven) to promote hiring the young unemployed under 30 which was approved within the Strategy for Entrepreneurship and Young Employment 2013-2016.¹⁵

2.1 Description of the basic institutional features and policy substance

The most important characteristic of the Spanish labour market is its dualism. It is featured by young high-skilled workers (outsiders) generally holding temporary contracts, while older workers are substantially protected via permanent contracts (insiders). Such dualism is based on two main institutional mechanisms: employment protection legislation (EPL) and collective bargaining. Their interaction affects the country's productivity and its capacity to assimilate economic adverse shocks.

In Spain, the structural gap between open-ended and fixed-term contracts is reflected by dismissal costs and conditions. The dismissal protection is linked to the status of the contract (permanent or temporary) but not whether it is full-time or part-time¹⁶. The temporary contracts have lower dismissal costs: 8 days per year worked (before the 2012 Labour Reform). And the dismissal costs within the permanent contract depend on its fairness condition - being the unfair dismissal costlier than the fair one¹⁷.

According to the OECD (2014c), and regarding severance costs in large companies, Spain is among the most expensive countries in both cases, fair and unfair dismissals¹⁸. For comparison, in the case of companies with 25 employees or more, for a contract of 20 years of tenure, a fair dismissal would cost on average 10 monthly wages in Spain against 6 monthly wages among OECD countries. For instance, for this same contract, if the dismissal is unfair the cost would be about 22 months in Spain against 13.7 monthly wages in other OECD countries on average. The small firms, with less than 25 employees, represent a large share of total employment and concerning its severance costs, the 2012 reform provides them with a subsidy which results in a 40% reduction. With this policy, the Spanish government equalises the cost of ordinary severance payment at the level of the OECD average for firms of that size.

Besides the relevant differences about the EPL among open-ended and fixed-term contracts, the other feature that acts jointly to reinforce the dual nature of the Spanish labour market is its regulation of collective bargaining. Bentolila et al. (2008) highlight its main attributes: high coverage (80% of workers); agreements predominantly at the industry level with geographic decentralization; automatically extension of collective bargaining agreements among workers and firms within their sphere; common wage indexation rule and usual social pacts among employers association and trade unions.¹⁹

In most of the cases, the representation of bargaining units occurs at the industry level, meaning that the main trade unions have the power to set up the wages for the whole economy. On the other hand, the employers representative can count with the collective

¹⁵ For more detail see the section on Active Labour Market Policies (ALMP) in this report.

¹⁶ González-Menéndez et al. (2015) point that this characteristic prevents the unprotected "mini-job" legal contract.

¹⁷ Before the 2012 reform, fair dismissal costed 20 days per year worked and the unfair 45 days up to a maximum of 42 months of wages.

¹⁸ This reality continues even after the 2012 Labour Reform.

¹⁹ According to the authors, these social pacts generally bring some guidelines for wage increases.

bargaining agreements to manage competition within the firms. Once there is agreement on wage and employment conditions for all firms, they do not reflect firm-specific productivity, thus the relative wages across industries display a high degree of rigidity (Bentolila et al., 2008). This is a convenient situation for large firms, which generally offer wage levels above those set by industry-level collective agreement, and can use it as an instrument to reduce competition from smaller firms (“barrier to entry”). In contrast, for small companies with lower productivity the industry-level collective agreements may constrain their growth prospects.

In this context there are two types of workers (more or less protected by EPL) and two kinds of companies (more or less comfortable with collective bargaining agreements). According to Bentolila et al. (2008) this combination explains both: the firm’s replacement of permanent workers by temporary ones; and the low reaction of wages to changes on productivity and/or unemployment. Therefore, in Spain since the dismissal cost is lower among temporary contracts, the labour market adjustment during the crisis will affect disproportionately those workers.

In addition to the EPL and collective bargaining specific standards, there are also the usual regulation on working time, minimum wages and apprentices. On the first, it is relevant to mention that in Spain overtime is legally restricted to a maximum of 80 hours per year. But the 2012 labour market reform ended the ban of overtime in part-time contracts. There are no specific working time regulations for younger workers, restrictive or otherwise. During years, sectoral collective agreements have advocated working time accounts as a flexibility measure, but its accomplishment is set up by individual firms and its formalization is more common in large firms than in SMEs.

About minimum wage, in the Spanish labour market it is determined by national legislation. Based in its economic policy objectives, the government sets up the value of minimum wage each year. It applies in all sectors and occupations, and no distinctions are made either in terms of the age of the worker, or in terms of contract duration²⁰. The minimum wage applies to the legal working hours, and can be proportionately calculated for part-time work. Moreover, the cash payment cannot be substituted by non-pecuniary benefits.

Regarding apprentices, their conditions are set up in the corresponding collective agreement and must be fulfilled by any work contract. The Spanish Workers’ Statute establishes distinct limits for different types of contracts:

- a) Apprenticeships: their trial period cannot be longer than one month (for university graduates this limit is two months).
- b) Employees with training contracts: common period of two months maximum (for firms with less than 25 employees this limit goes up to three months) and with an additional of four months for university graduates.
- c) Employees with temporary contract: trial period limited to one month and the overall contract lasting up to six months.

For any of these contracts, if the employee continues working in the firm and performing the same function after it ended, its account as trial period is not allowed²¹.

²⁰ Domestic workers have a specific minimum wage.

²¹ But again, some exceptions can be applied by the collective agreements.

2.2 Key institutional and policy changes

The economic crisis of 2007-2008 has emphasized the duality of Spanish labour market. The deterioration of the country competitiveness and its difficulty to adjust to external shocks unleashed the need for key structural labour reforms. Thus the government released the reform packages of 2010 (Royal Decree Law 10/2010) and 2012 (Royal Decree Law 3/2012) which have targeted the relaxation of labour market barriers in order to reduce its duality and increase flexibility. Both reforms brought several measures related to modernization on the procedures for displacement and working conditions. Basically all items of temporary contract were changed, and permanent contracts were encouraged in many ways²². Here we summarize the most important ones.

The several measures on collective bargaining have focused on the increase on the firm possibility to adjust to economic shocks by adding to them more options to allocate its resources. This way, after these reforms the Spanish companies were allowed to:

- a) have collective bargaining agreements at the firm level and not necessarily at sector or regional level,
- b) get out easier from a collective agreement attesting internal flexibility (whenever there are objective economic, technical, production or organizational reasons),
- c) undergo a maximum limit of one year in the extension of collective bargaining agreements if there has been no agreement between the social partners up to its end date.

The 2010/2012 Reforms have allowed the firms to introduce unilaterally changes in working conditions. As for example, they can reallocate up to 10 per cent of their employees working time without any prior agreement between the parties. This independence gives more room to the small firms to adapt their costs towards their firm-specific productivity. Among the small firms, they were also advantaged by the introduction of a new permanent contract for full-time employees, for whom the probation period was extended to a maximum of one year.

Regarding the EPL, its terms were significantly changed. Besides the cut-off on the necessity of administrative authorization for collective redundancies, there was also a decrease in the monetary compensation for unfair dismissal and the realignment on the definition of fair economic dismissal. About the latter, the new law considers that a layoff is justified if the firm has a continuous decrease in its revenues or ordinary income. In this case, the proof that the dismissal is essential for the firm's future profit is not necessary.

The Labour reforms also reduced the notice period from 30 to 15 days, independently of the length of service. This change makes of Spain one of the OECD countries with the shortest notice periods²³. Concerning the compensation for unfair dismissal it has been decreased approximately by 26.5%, passing to 33 days' wage per year worked up to a

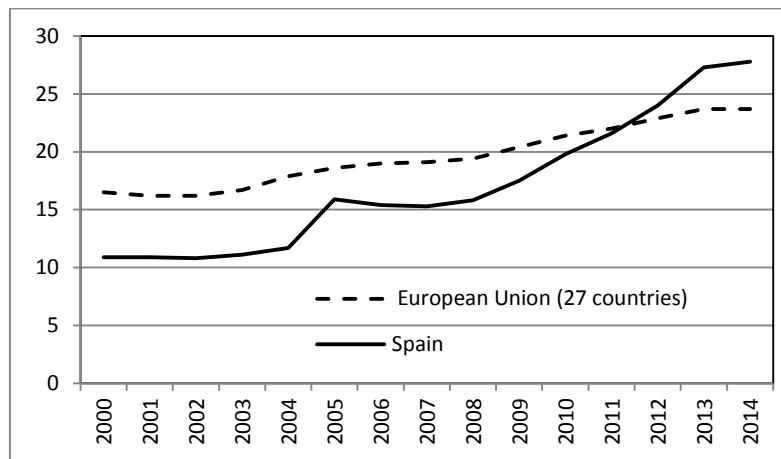
²² With few modifications on their protection (González-Menéndez et al., 2015).

²³ In OECD countries, the average notice periods depend on the length of working time, it can be 3.5 weeks, 1.3 months and 2.7 months for workers with, respectively, 9 months, 4 years and 20 years of tenure at the time of dismissal (OECD, 2014).

maximum of 24 months²⁴. On the other hand, the dismissal costs for temporary contracts have been increased from 8 days per year worked to 12 days. Although this rise does not change the fact that the dismissal costs of temporary workers are much lower than the permanent ones, at least diminish the difference between them.

The Spanish labour market legislation and its social security eligibility conditions generally discourage the part-time contracts. Thus the country has consistently shown lower rates of this kind of employment than other EU countries²⁵. But after successive reforms from 2009-2013 that has increased flexibility to use it, this picture has changed at least for the young (15-29 years old). Figure 4 shows that since 2012 the participation of part-time employment among Spanish youth is above the EU average²⁶. Besides the subsidy on the employer social security contribution for the part-time employment²⁷, another way to encourage this kind of contract was to allow the inclusion of overtime work within it.

Figure 4: Part-time employment as percentage of the total employment (%) – young 15- 29 years old



Source: Eurostat

2.3 Assessment of the changes and their impacts

The result of Labour Reforms of 2010 and 2012 has been a great decrease of employment protection inflexibility. According to the OECD synthetic indicators of employment protection, Spain is one of the countries that has the larger reduction in its levels of employment protection. This index has three main dimensions that measures regulation on: the individual dismissal of employees²⁸, the specific requirements for

²⁴ The previous was 45 days up to a maximum of 42 months of wages.

²⁵ In 2014, the percentage of part-time employment for the population within 15-64 years was 15.8% in Spain against 19.7% for EU-27 and 22.9% for EU-15.

²⁶ Despite this rise, in 2014 the percentage of involuntary part-time workers was 68.5% in Spain versus 34.5% in EU-27.

²⁷ Since 2009 the part-time employment of young workers is partly subsidized in terms of the employer social security contribution and in 2013 the discount went up to 100% for the first 12 months – see the Active Labour Market Policies (ALMP) section.

²⁸ It includes: notification procedures, delay involved before notice can start, length of the notice period and severance pay for 9 months, 4 years and 20 years tenures, definition of justified or unfair dismissal,

collective dismissal²⁹ and fixed-term forms of employment³⁰. Table 1 compares the value for Spain and the OECD average on each one of these measures³¹.

Table 1: OECD indicator - Strictness of employment protection

OECD indicator	2008		2013		Ratio: Spain/	
	Spain	OECD countries	Spain	OECD countries	2008	2013
Protection of permanent workers against (individual) dismissal	2.22	2.15	1.95	2.04	1.04	0.96
Specific requirements for collective dismissal	3.75	2.89	3.38	2.90	1.30	1.16
Regulation on temporary forms of employment	3.50	2.06	3.17	2.08	1.70	1.52
Protection of permanent workers against individual and collective dismissals	2.66	2.36	2.36	2.28	1.13	1.03

Source: OECD.

The indicator varies from the least restrictive (zero) to most restrictive (six). Thus the data shows that between 2008 and 2013, Spain increased the flexibility of its EPL in a higher rate than the OECD average. The regulation on the individual dismissal of employees with regular/permanent contracts had the largest change, decreasing 12.4% and is the only indicator in which Spain is below the OECD average. Although the change on the other two indicators (collective dismissal and fixed-term employment) also has presented a decrease on their stringency around 10%, they are still above the OECD average.

The largest difference is on regulation of temporary employment, in which Spain is far above the OECD average (52%). About this measure we see that while the country has

length of trial period, compensation following unfair dismissal, possibility of reinstatement following unfair dismissal and maximum time to make a claim of unfair dismissal.

²⁹ It measures additional costs and procedures involved in collective dismissals compared with the cost of individual dismissal and includes the items: definition of collective dismissal, additional notification requirements in case of collective dismissals, delays involved in case of collective dismissals and other special costs to employers in case of collective dismissals.

³⁰ It includes the following features: valid cases for use of fixed-term contracts, maximum number of successive fixed-term contracts, maximum cumulated duration of successive fixed-term contracts, types of work for which temporary work agency (TWA) employment is legal, restrictions on the number of renewals of TWA assignments, maximum cumulated duration of TWA assignments, TWA authorization or reporting obligations and equal treatment of regular and agency workers at the user firm.

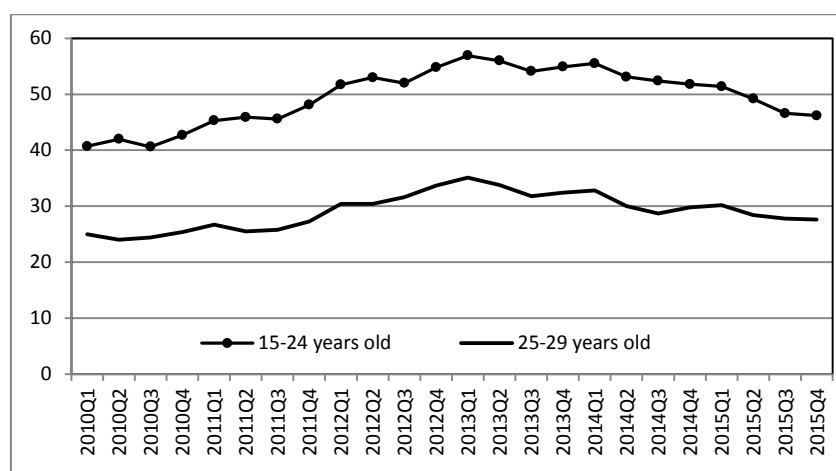
³¹ The fourth dimension (regulation on individual and collective dismissals) is a weighted index from the first two measures detailed before.

increased its flexibility of temporary employment regulation (from 3.50 in 2008 to 3.17 in 2013) the OECD average almost kept it constant (from 2.06 in 2008 to 2.08 in 2013). This difference reflects the acute duality of the Spanish labour market, where despite the fact of increasing the flexibility of its labour market there still existing large differences between outsider and insider workers.

Despite the fact that the impact of the 2010 and 2012 reforms on the Spanish labour market flexibility seems considerable, the consequences on its duality are still not clear. González-Menéndez et al. (2015) argue that changes on wage formation, through its reduction could bring some positive results on youth employment. But as data shows, they are still been attracted to the temporary employment. While for the population between 15-64 years old this type of contract has decreased 17.8% between 2008 and 2014, for the youth (15-29 years old) it has increased by 7% within the same period (see figure 3).

Regarding youth unemployment, the results are even less clear. From 2010 to 2014 it has increased 28% for young between 15-24 years old and 22.7% amongst 25-29 years old. In 2013, the unemployment rate reached 53.2% and 30.3% respectively. However between 2013 and 2014 the youth unemployment rate in Spain has started to fall for both age ranges, and this decline has continued throughout the year 2015 (figure 5). This latest data shows that in the last year the fall was 9.1% for the 15-24 group and 6.0% amongst the 25-29 young.

Figure 5: Spain youth unemployment rate by age - quarterly data (%)



Source: Eurostat

Whether the falling trend will continue or not, and whether this is caused by the labour reforms is open to discussion. Since the beginning of the crisis, the Spanish government has released several measures not just about labour market regulation but also among active policies and education. All together affect the working conditions of the young. What it is clear is that these labour reforms were not enough to deal with the structural duality of the Spanish labour market. In this context, the perspectives for youth employment did not get better.

3. Active Labour Market Policies (ALMP)

In Spain active labour market policies (ALMP) have always had a low relevance in comparison with passive measures. According to data from the OECD, in 2012 the expenditure in ALMPs was 0.63% of Spanish GDP while passive policies received 3.0%³². Even with this imbalance, the introduction of “*commitment to activity*” condition on several unemployment benefits (see section 4 in this report), has raised attention to the need to improve the intermediation and training instruments that prospect workers encounter.

The difference in magnitude between active and passive policies is also reflected in the administrative capacity and resources. While the national Public Employment Services (PES) handles successfully the payment of unemployment benefits, the capacity of regional PES labour market intermediation has been limited in the last years by human and technological resources. The existing deficit in training imposes restriction in the response to young people’s employment needs.

Between 2013 and 2014 the Spanish government set-up a new strategy on activation. As explained by González-Menéndez et al (2015), “it links the allocation of funding from central government to regional results encouraging the systematic use of profiling by regionally-run agencies, creating a single nationwide portal for job-search, and foreseeing the involvement of private providers in delivering job-search assistance”. Although at this point it is too early to evaluate the results of this new strategy, having new agents (private businesses) in job intermediation services may give a push in job placements.

3.1 Description of the basic institutional features and policy substance

In Spain each Autonomous Community conducts its own Active Labour Market Policy (ALMP) being responsible for the orientation and training of workers. The process of decentralization of ALMP lasted ten years and finished in 2011 when the transfer of competencies on occupational training to the Basque Country was completed. The Constitution, the Autonomy Statutes of the Autonomous Communities and the Employment Law of 2003³³ provide the legal basis for the “decentralization” and shift of ALMP.

At the autonomous level, the foundation of the Public Employment Services (PES), which are responsible for the management and/or execution of local ALMP, has been conducted on an uncoordinated time scale. Once they have followed different schedules according to the policies of each Autonomous Community, there is some differences in the experience and the know-how among them.

Given this structure, the responsibility of control and regulation of the labour market is under the regional Public Employment Services (PES), which conduct activities as; tracking the labour market (administrate the subsidies, promote employment and vocational training, conduct and control the Workshop Schools -in Spanish, *Escuelas-Taller*-, and manage active employment policies around personalized itineraries for

³² Data is from the OECD on ‘Public expenditure and participant stocks on LMP’.

³³ This law included the Spanish employment policy in the framework of economic policy.

jobseekers), authorization and control of employment agencies, and management of the EURES Network³⁴ (Cueto and Suárez, 2014).

In this type of framework, it is very important that regional and central administration have coordinated actions. For this reason, collaboration agreements concerning coordination of unemployment benefits and employment management among each Autonomous PES and the National PES (SEPE) have been designed after decentralization. Moreover the work on collaboration, coordination, and cooperation was identified by the Employment Law of 2003 as a crucial feature to conduct the adequate development of employment policy. Thus, to take over these tasks two bodies are recognized within the National Employment System (SNE): the Sectorial Conference of Labour Affairs and the General Council of the National Employment System.

The first one is related to the general collaboration, coordination, and cooperation instrument between the State Administration and the administrations of the Autonomous Communities in terms of employment policy. It works mainly in the development of Execution Plans of the European Employment Strategy and has become a highly relevant body for the definition of policies.

The second one is the consultative body for institutional participation of the public Administrations and of social stakeholders in employment policy. It is part of the Spanish Ministry of Employment and Social Security and includes delegates of the State Central Administration, of the Autonomous Communities, of the most representative employers organizations and of labour unions.

The practical side of active policies management coordination among different Administrations requires a common information system and the technical instrument to bringing together labour intermediation, ALMP, and the System of Unemployment Benefit (SUB) management: Information System for Public Employment Services (SISPE - *Sistema de Información de los Servicios Públicos de Empleo*). It was put into action in 2005 and set off as the basis for more links among passive policies (Central Administration) and regional active policies. Its objective was guaranteeing basic, uniform, and coordinated management in all Autonomous Communities and includes all the information that jobseekers provide to the PES when they register in the employment offices. The data refers to the workers' characteristics and also the firms' characteristics.

Given that the SISPE system has common indicators about the management of the ALMP for all Autonomous Communities, it is possible to share information. Even so, since the integration into the overall management system is guaranteed, each PES has enough autonomy to support the development of its own IT applications³⁵ to facilitate its management. What is still missing is a tool that allows an unemployed person in any

³⁴ EURES (European Employment Services) is a cooperation network formed by public employment services. Its goal is to facilitate the free movement of workers within the European Economic Area (EEA) (the 28 members of the European Union, plus Norway, Liechtenstein and Iceland) and Switzerland. <https://ec.europa.eu/eures/public/en/homepage>

³⁵ Cueto and Suárez (2014) point that Andalucía, Canarias, Castilla-León, Catalunya, Galicia and the Valencian Community have preferred to have their own information system.

Spanish region to consult vacancies in any PES, without having to check each Autonomous Community website³⁶.

The resources to finance the Spanish ALMPs come from the General State Budget provided for in the National PES (SEPE) budget, but each Autonomous Community can also allocate its own resources to each measure. The disclosure of ALMPs expenditure data is not regular and/or institutionalized, so in some Autonomous Communities the annual budget and its implementation are published, whereas in others these data is not available³⁷.

The main traditional instruments of active labour market policies in Spain are: subsidies obtained when hiring workers, as well as subsidies and incentives to self-employment, training for the unemployed and public employment services. It is also directly linked to the unemployment protection system through “*commitment to activity*” by which unemployed beneficiaries of some specific programmes have to participate in some activation action.

The most important active labour market policy in Spain refers to employment incentives, which among others, bonuses for hiring is its traditional policy instrument. There are numerous types of subsidies³⁸ and the general evaluation is that the positive effects of hiring bonuses are limited. Over years of experience several different mixes of target groups, amount of help, and its payment methods have been used (a fixed amount or a reduction in social contributions of the firm to the Social Security)³⁹. According to Cueto and Suárez (2014), these instruments show limitations because they involve the majority of the active population⁴⁰ however, when targeted to an specific group they can work better.

Measures targeting the reduction of young people labour costs are common. There is a broad list of subsidies to hiring young unemployed workers (fixed-term or open-ended contracts) that in essence reduce the comparatively high non-wage labour costs of employers. Particularly, from 2010 to 2013 the employment incentives programmes were concentrated on those groups which have the most difficult access to employment or stable employment (young people with low skills and people over 45 years of age). For the first time the qualification level of young workers was added as criteria to receive the bonus. Therefore, the Law 35/2010 has aimed the group defined as “*the unemployed between 16 and 30 years of age with special employability problems: registered with the employment office for at least 12 months of the previous 18, and those who have not finished mandatory schooling*”.

³⁶ In April 2013 a basic coordination instrument to avoid labour market fragmentation - the *Single Employment Portal* (in Spanish, *Portal Único de Empleo*) – was announced by the government.

³⁷ Unfortunately, the Ministry of Employment and Social Security or the Employment Departments of the Autonomous Communities also do not report this information. OECD data displays the distribution of ALMP expenditure by type of action, without distinguishing between national and regional data.

³⁸

http://www.sepe.es/contenidos/que_es_el_sepe/publicaciones/pdf/pdf_empleo/bonificaciones_reduccion_e_s.pdf

³⁹ According to Cueto (2006) the Autonomous Communities have their own support programmes, which are added to the existing programmes at the national level.

⁴⁰ Several authors mention large deadweight and displacement effects (Toharia et al., 2008; Garcia Pérez and Rebollo, 2009).

Concerning training policies, in Spain they are offered by the Autonomous Communities, which conduct them through training centers linked to social stakeholders (unions and employers organizations), municipal councils, foundations, and various types of associations. Nowadays, the RD 395/2007 regulates the subsystem of professional formation for employment. There are 3 basic types of training: Demand Training, Supply Training and Work-Training Programmes.

In the first case (Demand Training), companies are funded through a deduction in the Social Security payments made by workers and companies to organize training. The second (Supply Training) refers to courses that are fostered by public administrations, social stakeholders or entities and by private collaborators. Basically, they consist of training activities for workless individuals, training plans for those already employed or training for those with special needs or with great difficulties to find a job. It is subsidized by the Autonomous PES. The last one (Work-Training programmes⁴¹) are activities that are funded by regional governments. They cover training activities including training contracts that can link certain activities with professional experience in the workplace. They are often the result of agreements with local authorities. They are often instruments for early school-leavers.

About the incentives and subsidies to self-employment, there are several measures that seek to incentivize entry of the unemployed into self-employment. The single payment programme (in Spanish, *pago único*) is the most important and longer lasting⁴². It is the capitalization of unemployment benefits, giving the opportunity for the unemployed to start a business after receiving a lump sum payment. Cueto and Suárez (2014) point that in this kind of policy, usually the characteristics of the unemployed (e.g. age) is as important as the amount of the economic support and that the administrative guidance tends to be for a short period of time and mostly focused on administrative requirements.

The intermediary role of Public Employment Service (PES) is low. Its offices are used in both: passive and active labour market policies. Basically, their services consist of giving the unemployment benefits (within the passive police) and managing intermediation in the labour market that relies into regional PES. The access to the PES service occurs through registration and the services are for free.

At the registration⁴³ jobseekers provide personal data and experience in multiple domains. This information is shared by regional and national PES and is used to make recommendations. For the unemployed⁴⁴, the inscription on PES requires a commitment (“*commitment to activity*”): as well as informing about changes to personal or professional characteristics, renewal of their status as unemployed (every three months) and supply feedback after attending job interviews intermediated by PES regardless of the result (getting or not the employment). As companies generally rely on other channels of selection, the intermediate business of PES has a small market share in the

⁴¹ These activities are basically Workshop Schools (*Escuelas-Taller*), Craft Centres (*Casas de Oficios*), and Employment Workshops (*Talleres de Empleo*).

⁴² It began in 1985 and has been maintained with some changes.

⁴³ *in situ* or on-line. The offer of on-line services is extensive and has been promoted as a way to improve the access of jobseekers to information.

⁴⁴ If jobseekers are entitled to unemployment benefits, they can apply for them in the PES after registration.

country. According to Cueto and Suárez (2014), the low number of placements within the PES reflect its weak relationship with companies and has to do with how intermediation was conducted in the country before 1994⁴⁵.

Finally, there is also the public job creation programmes, which provide work experience in the public sector. In Spain, this mechanism of ALMP has been arranged for many years by local and regional governments. González-Menéndez et al. (2015) provide some stylized facts about them: work schemes have short duration (one year is the legal maximum); remuneration is at minimum wage levels⁴⁶ and they are more often found in public works, construction, cleaning and gardening.

3.2 Key institutional and policy changes

Since the beginning of the economic crisis, some improvements have taken place in the domain of activation policies: the ‘Strategy for Entrepreneurship and Youth Employment 2013-2016 (*Estrategia de Emprendimiento y el Empleo Joven 2013-2016*) encourages youth employment, facilitates job-placement in salaried employment and the start of entrepreneurship activities.

The Law 11/2013 allows firms to save up to 100% of their Social Security contributions for 12 months if they hire a registered unemployed under 30 years old with a permanent contract. It is applicable only if the young is in a part-time contract within a training scheme or the hiring organization is a small firm. The *Youth Guarantee* also added some subsidies to Social Security contributions. If the young worker (under 30, or under 35 if s/he has a disability) that is being hired, has been in the labour market for five years, the employer can benefit from this subsidy during the entire duration of a temporary contract. This action was set up conditional to an unemployed rate above 15%⁴⁷. The programme “*Empresas de Inserción*” is another lump sum hiring subsidy which goal is to increase the jobs for young people in cooperatives, as partners, and in organizations aimed at the integration of people with special needs⁴⁸.

In February 2014 the government stimulated open-ended hiring through the reduction of business contributions to the common Social Security contingencies. This programme called “*Tarifa plana*”⁴⁹ should be applied for 2 years to all contracts signed between 25 February and 31 December 2014 by any company, if they showed a net employment formation⁵⁰.

As for the self-employed, there are some actions that intend to encourage the entry of the unemployed into self-employment by means of reducing their costs. Initially, for young people who have not been self-employed for at least five years and enter self-employment for the first time, there is a discount of up to 80% of contributions, which implies a payment of just 50€ per month during the first six months. During the second

⁴⁵ Their work describes how the system proceeded before the Reform of 1994.

⁴⁶ With added occupational bonuses in some sectors.

⁴⁷ The same is true for firms that transform a temporary contract into a permanent one.

⁴⁸ This one is independent of the unemployment level.

⁴⁹ “Flat rate” in English.

⁵⁰ In the case of full-time contract the amount paid by companies would be €100 per month while for part-time contracts it is €75 or €50 per month (depending of the working day).

semester the discount goes to 50%, and further discounts of 30% are kept for 18 additional months (for men under 30 and for women under 35). Another measure consists of making compatible becoming self-employed and receiving unemployment compensations during nine months for people under 30 (Entrepreneur's Act, see section 4).

Although there are some specific programmes for young people conducted within some regions, besides the programmes mentioned above, the major actions of central government are oriented for the unemployed population as a whole. There are two exceptions. The first is the Royal Decree-Law 8/2014 which reduces from 21% to 15% the deductions of self-employed workers with annual income lower than €12,000. The second concerns the full subsidy of the employer part of Social Security when the self-employer contracts a worker in order to take leave for the care of a dependent person.

In 2014, the Activation Program for Employment (PAE, in Spanish, *Programa de Activación para el Empleo* – Royal Decree Law 16/2014) allowed long-term unemployed workers, without unemployment benefits to receive a benefit for six months with the condition that if the person is hired during the period, the amount can be used as a bonus by the employer. Furthermore the government implemented a mechanism of bonuses for private labour market intermediaries or temporary job placement firms that aid long term unemployed who participate in the PREPARA programme (see section 4 in this report).

A new website *Empléate*⁵¹, which started in 2014, represented a practical improvement in the effort and capacity of public employment services to address youth unemployment. It came from the *Youth Guarantee* programme and functions as a single job intermediation as it tries to overcome the differences in intermediation in the different regions.

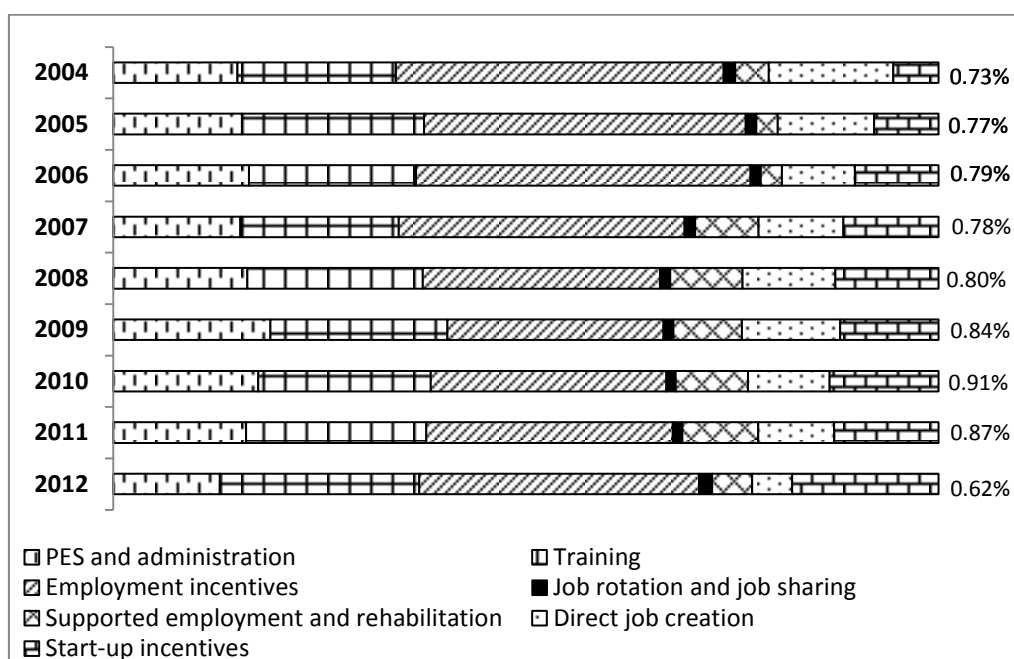
3.3 Assessment of the changes and their impacts

In Spain, ALMPs is not the most important element of the employment policy. Despite the fact that they have been recurrently mentioned in recent reforms as a crucial mechanism to economic recovery, in the end, the measures are weak both in terms of the resources allocated and their results (Cueto and Suárez, 2015).

In 2012, the expenditure in ALMP policies in Spain represented 0.63% of the GDP. Although it is above the OECD average (0.55%), this magnitude is the lowest amount since 2004 (see figure 6). In terms of extension, the broadest is the employment incentives policies which reached 7.03% of the Spanish labour force, followed by training (1.76%) and Start-up incentives (1.55%). The crisis had a considerable impact on the resources available to implement ALMPs in the country. From 2008 to 2012 the instruments which lost most resources were direct job creation and supported employment and rehabilitation.

⁵¹ <https://www.empleate.gob.es/empleo/#/>

Figure 6: Distribution of Public expenditure in ALMP in Spain (% GDP)



Source: OECD

Nowadays the most important challenges faced by the PES is collaborating with companies at the local level. Cueto and Suárez (2014) advocate that the placement of groups with poor labour insertion should be linked to some programmes in collaboration with companies, but separated from the functions that support companies in the management of their vacancies within PES. According to these authors, in this case, the companies would be aware of their role in supporting the placement of certain groups.

In the case of the Youth Guarantee, it requires the individual initiative which leads to an auto-selection of participants and in the meantime many discouraged young workers could be left behind (Cueto and Suárez, 2014). Even with relevant regional initiatives⁵², many of the young unemployed are not sufficiently motivated to enroll in the Youth Guarantee registry or in other ALMPs. This can be an obstacle to the program effectiveness.

4. Unemployment income protection

The Spanish unemployment protection system reflects the high segmented labour market and probably feeds it back. It has large insider-outsider differences and negative consequences for unemployment insurance coverage for outsiders,⁵³ particularly young unemployed. The population coming out of the educational system (which have completed or not the compulsory school years) are at the end of the possible applicants for any kind of unemployment protection. Moreover, very few young people qualify for

⁵² González-Menéndez et al. (2015) give the example of Asturias, where group sessions with young unemployed are organized as a way to support the young through peer-learning on job-search methods and strategies; reduced pressure on the PES; and potential psychological counselling.

⁵³ See Amuedo-Doranres (2000), Toharia and Malo (2000), Segura (2001), Dolado et al. (2002) and Malo et al. (2006).

assistance as entering the labour market as an unemployed person does not constitute benefit eligibility.

In the Spanish system only those who have contributed sufficiently can receive unemployment insurance (UI) or even have the access to subsequent assistance. As the UI is based on work experience, and assistance benefits are attached to family income means-tested criteria, the Spanish youth continue to be excluded from unemployment benefits because family status and age are conditions which determine assistance rights. When the young's family is at the risk of poverty and social exclusion, its last resource is the minimum income guarantee payed at regional level⁵⁴.

4.1 Description of the basic institutional features and policy substance

The Spanish unemployment protection system is based in a two-tier design: contribution-based benefits (unemployment insurance) and non-contribution-based benefits (unemployment assistance). The contribution-based unemployment benefit (UI, in Spanish, *prestación por desempleo*) is the most important insurance for the unemployed in terms of duration and benefits received. The non-contribution-based benefits are a set of monetary transfers received under certain conditions, which include the Unemployment Assistance (UA, in Spanish, *subsidio de desempleo*), the Active insertion income (*Renta Activa de Inserción, RAI*) and the new Temporary Unemployment Protection Program (*Programa Temporal de Protección por Desempleo e Inserción, PRODI*) created in 2009 to deal with the sky-high long-term unemployment rate (see more detail below). The management of the system regarding benefits entitlement relies on a national government agency (*Servicio Público de Empleo Estatal*) but regional agencies are the ones in charge of registration of vacancies and job search.⁵⁵

As mentioned, the pivotal benefit is the UI, which is basically the same as fifteen years ago, with the only exception of a new scheme targeted to the self-employed (Royal Decree Law 32/2010).⁵⁶ It provides benefits to all employees who involuntarily become unemployed⁵⁷, if they are over 16 years of age, have been employed for at least 12 months over the previous 72-months and are registered at the employment office as actively seeking employment.⁵⁸ The benefit amounts depend on the average daily contributory base which is strongly related to the individual wage level. Up to 2012 the replacement rate was 70% of previous wages for the first six months and 60% of previous wages from the seventh month onwards; however from 2013, as part of the austerity measures, this percentage decreased to 50% from the seventh month (Decree-law 20/2012).

⁵⁴ It is a non-contributory means-tested benefit to combat poverty and the last link to welfare. It is handled by regional governments. Benefit eligibility conditions, its amount and duration differ among regions. There are different schemes in the 17 Spanish Autonomous Communities.

⁵⁵ The progressive devolution of national government competencies to the regional agencies took place during the late 1990s and early 2000s.

⁵⁶ The RDL 32/2010 made the UI scheme available to self-employed who comply with a minimum period of time of contributions to the Social Security system and who have stopped or finished their activity because of economic reasons.

⁵⁷ Accumulation with social security pensions or cash benefits is not possible unless these had been compatible with the professional activity from which the unemployment benefit derived.

⁵⁸ This *activation criteria* was introduced in 2002.

The UI benefit duration depends on the total contribution period over the preceding six years, starting at four months for whom the period of work/contributions have been between 360-539 days in the last 6 years, and ending at 24 months for those individuals that have 2,160 days or more of work/contribution in the same length period. The benefits end when individuals cease to be unemployed or reach the maximum entitlement period. This insurance is taxable and those who receive it must pay a social security contribution.⁵⁹ The benefit is not compatible with any full-time employment, except in some particular cases; however it is compatible with carrying out a part-time activity as employee.

The other tier of the Spanish unemployment protection system is a set of non-contributory benefits, which are available for unemployed workers that have exhausted unemployment insurance or that have no right to it.

The unemployment assistance benefit (UA) is generally available to employees whose unemployment insurance has expired. Besides the exhaustion of the regular period for UI and family income being means-tested, the unemployed must be over 45 years of age or have dependents in order to be entitled.⁶⁰ The UA accessibility for unemployed workers who were not entitled to UI benefits (contributory) is possible in two cases: when the unemployed has dependents and at least three months of contributions to the Social Security system; or for the unemployed without dependents that have contributed at least during six months.

The duration of the UA benefit is normally six months with the possibility of extension up to a maximum of 18 months (for individuals with dependents, a partner or children; and less than 55 years old who have finished their contributive benefit). It is not compatible with any full-time employment (except some particular cases) and is taxable. The amount of benefit is 80% of the IPREM indicator but for beneficiaries who have dependents this amount is higher.⁶¹

The income guarantee benefit (RAI) aims to cover long term unemployed (over 12 months). It is another means-tested benefit available to unemployed over 45 years old with dependents, who is not eligible or has exhausted both UI and/or UA. The beneficiary per capita household income from all sources must be below 75% of the minimum wage (considering 12 monthly payments).⁶² The benefit duration is lower than the UA scheme, 11 months maximum, and the amount of benefits received is 80% of the IPREM indicator. It is compatible with full-time employment if individuals qualify for the program. In this case the benefit will only be 1/4 of what would be obtained if not in full-time work, in this case, its duration drops to six months. It is taxable and the income means test is the same as for UA.

⁵⁹ The contributory base is the individual's previous earnings just before the unemployment spell. The rate of contribution is flat. The social security system complements the individual's contribution to the social insurance system during the period of unemployment insurance payments.

⁶⁰ Personal income should not exceed 75% of the minimum wage. For individuals with dependents, the per capita household income from all sources must also be below 75% of the minimum wage (with exception of child benefit and the refundable working mother tax credit).

⁶¹ IPREM is the indicator used to determine certain social assistance benefits (in Spanish, *Indicador Público de Renta de Efectos Múltiples*). It increases to 107% IPREM if the beneficiary has two dependents and to 133% IPREM for three or more dependents.

⁶² Here the same exception than in the unemployment assistance benefit (UA) is applied.

All the mentioned unemployment benefits within the Spanish system involve an active agreement (“*commitment to activity*”) by which the unemployed accept to pursue an individual activation route. Apart from training or job-search orientation, the unemployed will have to accept ‘adequate employment’ if it is offered to them.⁶³ All the actions included in the “*commitment to activity*” condition aim to increase employability. Although it is an important setup within the Spanish context of traditional low profile in active labour market policies (ALMPs), it has strong particularities in terms of sharing responsibilities among national and regional levels.⁶⁴ As we saw in the last section, nowadays all the regions are responsible for labour market intermediation and ALMPs carried out within the employment agency.

4.2 Key institutional and policy changes

After the bust of the Great Recession, there has been some important changes in the unemployment protection system in Spain – some of them as an answer to the increasing social problems arising from long-term unemployment, others as part of the austerity measures imposed from 2011 onwards.

Possibly, the most important change in the system was approved in 2012 (Decree-law 20/2012) which meant an important change in the amounts received through the UI. Up to 2012, the replacement rate of the benefits was 70% of previous wages for the first six months and 60% of previous wages from the seventh month onwards. However from 2013, as part of the austerity measures, this percentage decreased to 50% from the seventh month on.

Another important change was the introduction of a new benefit for the long-term unemployed. Beyond the unemployment assistance (UA) and the income guarantee benefit (RAI), in 2009 the Spanish government set up a new non-contribution based unemployment protection: Temporary Unemployment Protection Program (in Spanish, *Programa Temporal de Protección por Desempleo y Inserción* - PRODI) – Royal Decree Law 10/2009. It was targeted assistance to the unemployed less than 65 years old who have exhausted their unemployment contributory benefit at any date after 01/01/2009, have a per capita household income below 75% of the minimum wage (considering 12 monthly payments) and are registered as demanding employment in the Public Service for Employment (PES) – *commitment to activity* condition. But in 2010 the age eligibility condition changed for unemployed below 30 years of age or over 45 years of age and those between 30 and 45 with dependents (wife, husband or children with no income) - Royal Decree Law 12/2010. The benefit amount is the same of the other two non-contributory assistance benefits but the duration has a maximum of 180 days and it is not renewable.

The temporary nature of PRODI benefit was not enough to deal with the increase of long-term unemployed, so after successive reforms⁶⁵, it has been renamed to Professional Retraining Programme (in Spanish, *Programa de Recualificación*

⁶³ It is specified in accordance with occupational background, qualifications, physical competences, and wage levels commensurate with respect to relevant industry (Mato, 2011).

⁶⁴ Spanish government supported the Lisbon agenda – introduction of activation measures and job-search conditions.

⁶⁵ Royal Decrees Laws 1/2011 and 1/2013.

Profesional de las Personas – PREPARA). The PREPARA programme has basically the same eligibility conditions that its antecedent (PRODI), the only difference is that to be eligible, the unemployed should not have been a beneficiary of PRODI or PREPARA before. This programme has a maximum duration of six months, and no person can be beneficiary of this program twice. It remains operative as long as the unemployment rate stays above 20%.

Along with this, the beneficiary must participate in a customized itinerary of employment and in all activities designed to improve his/her professional qualifications. This means that the “*commitment to activity*” condition in this case is characterized by the inclusion of an accreditation of the active search activity and participation on training activities on a monthly basis⁶⁶. Furthermore the obligation to accept an adequate job vacancy when offered by PES was also specified. Although any of these requirements are new, its explicit insertion highlights to the beneficiaries of the programme the importance of compliance. According to Cueto and Suárez (2014) the explicit connection between an active search and the benefit payment modifies the perception of assistance by the unemployed.

The last government measure approved in December 2014⁶⁷ is the Activation Jobs Programme (in Spanish, *Programa de Activación para el Empleo* – PAE). To have access to this benefit the unemployed must have exhausted the RAI, PRODI or PREPARA for at least six months. The focus is on the self-employed who are involuntarily unemployed, have family responsibilities⁶⁸ and family income per capita below a certain threshold. As in the other cases, the receipt of the benefit is conditional to “*commitment to activity*”.

Importantly, note that none of these measures was specifically targeted to youth unemployment despite being the age group most affected by unemployment during the period. However, two other measures may have had an impact on young people: the new self-employed unemployment insurance benefit (RDL 32/2010) and the Entrepreneur’s Act 2013 (RDL 4/2013)⁶⁹. Although the last one is not an unemployment protection action by itself, it brought some measures focusing the young unemployed.

The self-employed unemployment insurance benefit was implemented in November 2010. It guarantees an unemployment insurance for those who have stopped or finished their activities as self-employed due to economic reasons and if they have reached a minimum time of contribution to the Social Security system. Since the number of self-employed among the young (15-29 years old) has decreased by 127,900 individuals between 2008 and 2014, according to data from Eurostat, this unemployment benefit may have had some impact on the well-being of this young group.

In 2013, after a fall of 41% in youth self-employment, the government released the *Entrepreneur’s Act*. This policy was aimed to promote the self-employment among

⁶⁶ Cueto and Suárez (2014) attest that PES do not enough resources to conduct follow-ups and personalized training.

⁶⁷ Royal Decree Law 16/2014.

⁶⁸ This means being in charge of a spouse or a child/young (up to 26 years) or disabled adults.

⁶⁹ In Spanish, ‘*Prestación económica por cese de actividad de trabajadores autónomos*’ and ‘*Ley de apoyo al emprendedor*’.

young people that could start activities on their own or launch a business or a company. Most of the measures implemented meant a reduction in costs, but also there was some introduction of some acts which focused on the change between the unemployment situation and self-employment: compatibility between the unemployment benefits and the performance of a self-employment activity for a maximum of 270 days; the right to immediate access to full unemployment benefits to make investments in the new activity and the possibility of interrupting receipt of unemployment benefits for a period of 60 months to conduct a self-employment activity. The unemployment benefits received immediately under the conditions described above are fully tax-free, and the target population was youth up to 30 years old, or 35 for women.

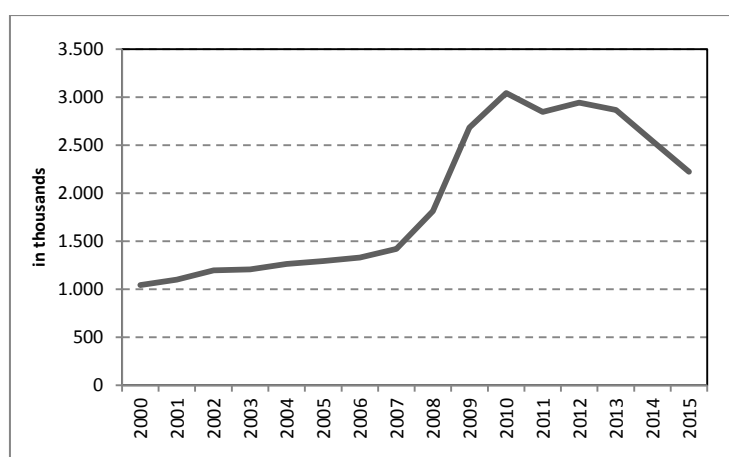
Apart from these, the majority of the measures are directed at the unemployed population as a whole, and there is no unemployment protection which focuses in the young.

4.3 Assessment of the changes and their impacts

Given the Spanish previous economic growth and its strong creation of employment, at the beginning of the crisis the amount of employees with work experience and insurance contributions was large enough to make a good part of the active population eligible for unemployment insurance.

Figures 7 and 8 show the trend of total unemployment benefit recipients according to the type of assistance⁷⁰. It is noticeable the change of 22.6% in total unemployment benefit since the beginning of the crisis (2008), as well the increasing participation of non-contributory and income guarantee benefits. Up to 2009 the amount of unemployed that received the insurance was greater than the ones that got the non-contributory assistance, but as the crisis persisted the trends shifted.

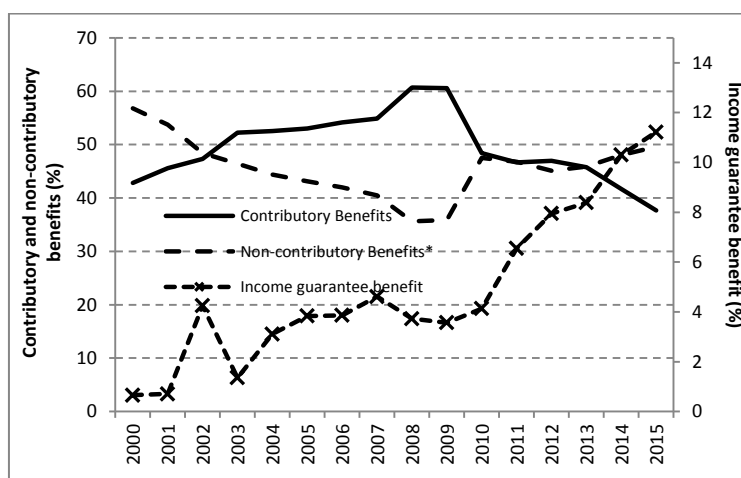
Figure 7: Beneficiaries of Total Unemployment benefits



Source: Servicio Público de Empleo Estatal (SEPE).

⁷⁰ The non-contributory includes UA and PRODI, and the agricultural subsidy for experienced agricultural day-laborers.

Figure 8: Participation of beneficiaries by type of unemployment benefit (%)



Source: Servicio Público de Empleo Estatal (SEPE)

The emergence of new assistance schemes such as PRODI, PREPARA and PAE reflects both: the social problems arising from long-term unemployment and highlights the restrictive nature of Spanish unemployment insurance. The country weakness in its structure of social protection for those who have been jobless for long periods stimulates a proliferation of separate programmes within unemployment assistance.

In Spain, while older unemployed remain included in unemployment protection, even though many might have practically retired, most young persons remain excluded. In this context the younger people actually in search of employment have access to merely marginal means-tested programmes. This imbalance disadvantages young people in terms of social rights and in the labour market as reflected by the disproportionate reliance on fixed-term contracts.

Conclusions

The text above summarises some of the most important institutional determinants that may help understanding the situation of young people in the Spanish labour market nowadays. The description has been divided in four main sections: (1) Education, (2) Labour market legislation, (3) Active Labour Market Policies and (4) Unemployment income protection.

From the different policy changes that have taken place in Spain since the bust of the Great Recession, and from the perspective of young people, possibly the most important changes have taken place in the educational system and in relation with ALMPs. In both the central focus has been the improvement of training courses and the attempt to bring together young students and small and medium sized enterprises.

Regarding the educational system, the reforms at the University level are still on-going, and at the secondary school level, they have just been implemented (since last year, 2015). For this reason, it is still too early to assess their possible impacts. One of the

most important intentions have been to build a reliable vocational education and training (VET) system. In terms of ALMPs, the changes have focused on making training courses more accessible and the “*commitment to activity*” condition in order to highlight the relevance of its quality. But given the “*selection*” problem that often such policies encounter, there is the challenge of preparing and motivating youth to face a strict labour market⁷¹.

Although the importance of educational reforms and the new ALMPs actions, the big picture shows that the conditions faced by Spanish youth in the labour market can evolve strongly while the country does not face the great duality existing in the labour market. The recent reforms on labour market legislation (section 2) have increased flexibility but a strong duality still remains. Even when acquiring higher educational levels, Spanish youth need to cope with historically high levels of temporary employment (outsiders).

Therefore, it is important to point out that the economic crisis has helped the deterioration of the youth labour market but it did not cause it. In Spain, to improve the perspectives of young workers requires a structural reform that shall reduce the duality of the labour market.

⁷¹ See Cueto and Suárez (2014).

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Appendix

Table A1. General situation of young people Labour Market in Spain

Year, age	Employment rate by educational attainment level (%)				Temporary employees (%) ¹	Unemployment rates by age and educational attainment level (%) - Spain				NEET ² % in same age group
	Less than primary, primary and lower secondary education	Upper secondary and post-secondary non-tertiary education	Tertiary education	All educational levels		Less than primary, primary and lower secondary education	Upper secondary and post-secondary non-tertiary education	Tertiary education	All educational levels	
2008										
15-24	37,0	37,3	56,5	36,0	59,2	29,7	19,3	15,7	24,5	-
25-29	68,5	76,4	80,3	75,2	-	19,0	11,7	9,7	13,3	-
15-29	-	-	-	-	48,5	-	-	-	-	16,4
2009										
15-24	27,1	30,4	48,8	28,0	55,7	44,7	30,9	25,9	37,7	-
25-29	59,1	68,6	75,9	68,0	-	30,7	20,1	14,7	21,7	-
15-29	-	-	-	-	44,3	-	-	-	-	22,3
2010										
15-24	23,5	26,9	45,8	25,0	58,4	49,5	34,3	28,8	41,5	-
25-29	58,2	65,8	72,5	65,6	-	33,3	23,2	17,7	24,7	-
15-29	-	-	-	-	45,1	-	-	-	-	23,3
2011										
15-24	20,8	22,8	41,4	22,0	61,2	53,0	41,2	34,6	46,2	-
25-29	56,5	64,0	71,0	63,9	-	34,5	24,6	19,7	26,3	-
15-29	-	-	-	-	47,6	-	-	-	-	24,0
2012										
15-24	16,9	18,5	38,5	18,4	62,2	59,7	49,5	39,5	52,9	-
25-29	50,2	60,7	68,0	59,8	-	41,9	29,2	23,6	31,5	-
15-29	-	-	-	-	47,3	-	-	-	-	25,3
2013										
15-24	15,0	17,6	35,8	16,8	64,7	62,6	51,2	43,6	55,5	-
25-29	49,7	58,0	65,8	58,1	-	42,5	31,8	25,8	33,3	-
15-29	-	-	-	-	49,3	-	-	-	-	26,8
2014										
15-24	14,5	16,9	40,4	16,7	69,1	61,2	49,8	39,4	53,2	-
25-29	52,2	61,4	67,3	60,5	-	39,3	27,5	24,2	30,3	-
15-29	-	-	-	-	51,9	-	-	-	-	-

¹ as percentage of the total number of employees

² NEET: Youth not in employment, education or training