

## **European Employment Observatory**

**EEO Review: Youth Employment Measures, 2010** 

# **Spain**

Elvira González Gago Fernando del Río Hernández Centro de Estudios Económicos Tomillo

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#### 1. Trends

The current economic crisis has severely affected the Spanish labour market, and especially young people. While total **unemployment** increased from 11.3 % in 2008 to 20.7 % in 2010<sup>1</sup>, it has grown from 32.9 % to 59.8 % for those aged 15-19, from 18.0 % to 36.5 % for those aged 20-24 and from 11.3 % to 25.5 % for those aged 25-29. Thus, the **employment rate** decreased in this period from 15.1 % to 7 % for the 15-19 age group, from 54.2 % to 40.4 % for the 20-24 cohort and from 76.4 % to 64.9 % for the 25-29 age group<sup>2</sup>. Unemployment is especially high among the low-skilled (ISCED 0-2), reaching 49.0 % for the age group 15-24 and 34.9 % for the age group 25-29 in 2010. Meanwhile, unemployment for the highly skilled (ISCED 5-6) of the same age group has fallen from 21.3% in 2009 to 17.8% in 2010<sup>3</sup>. Thus, among the young, unemployment rates and trends differ considerably according to **age and skills**. Within the crisis context, **long-term unemployment** as a percentage of the unemployed has increased among the three age groups, from 8.8 % - 12.1 % to 23.9 % - 28.9 % between 2008 and 2010. In the meantime, the **NEET rate** (not in employment, education or training) in 2008 was 11.4 % for the age group 15-19 and 17.0 % for the age group 20-24.

The **temporality rate** has diminished slightly or remained unchanged in high levels, especially for the youngest. In 2009, it was 67.7 % for those aged 15-19 years old, 47.2 % for those aged 20-24 years old, and 33.9 % for the age group 25-29.

Finally, the Spanish rate of **early school leaving** is among the highest in the EU, reaching 31.2 % in 2009 (37.4 % for men and 24.7 % for women aged 18-24)<sup>4</sup>; while the EU average in the same year was 14.4 %.

#### 2. Measures taken to promote youth employment

### **Summary**

As mentioned above, the Spanish early school leaving rate is extremely high. Several measures have been deployed to tackle this problem: to prevent early school leaving; to motivate early school leavers to return to the education system; and to professionalize those who left school early and are or have been working, through the recognition of competences acquired through work experience. These measures are enhanced by the national Plan to Reduce Early School Leaving. The first section of this article describes these measures and comments on the programmes and specific labour contracts to link education with work experience, such as those enhanced by the recent Labour Market Reform. Moreover, it summarizes the main recent educational reforms taken to ensure that the education system meets the qualification needs of the labour market (Bologna process in the university, the reform of the regular vocational education and training system), and highlights their role in promoting mobility.

Given the huge unemployment rate among young people, most of the Spanish young people who are not in employment, education or training are willing to work<sup>5</sup>. The second section of

<sup>&</sup>lt;sup>1</sup> Figure of October 2010.

<sup>&</sup>lt;sup>2</sup> Source: Eurostat, Labour Force Survey.

<sup>&</sup>lt;sup>3</sup> Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted.

<sup>&</sup>lt;sup>4</sup>Source: Eurostat, Labour Force Survey.

this article will focus on training and guidance activities, as one of the main employment-related policies mostly managed by the Regional Public Employment Services (PES). In addition, the section will describe the wider policy of incentives for companies to hire young workers (through tax rebates and labour market legislation), and introduce the programmes to promote self-employment and entrepreneurship, which are receiving growing attention.

Finally, the article will summarize the problematic characteristics of youth employment and the roles of the main actors in youth employment measures. Youth unemployment in Spain is a massive problem, not strictly limited to marginalized groups. Moreover, youth employment is influenced by problematic features such as part-time work, temporary contracts, low wages, undeclared work and unpaid extra hours, which all together put young people in precarious conditions in the labour market. These factors, together with the limitations of the unemployment benefit and minimum incomes, enhance the role of the family as a strong basis during a large part of youth, postponing the mean age of leaving the parental home.

With regard to the roles of the main actors, the role of the central administration has focused on legislation, mainly in reducing employers' social security contributions and in creating specific labour contracts to link education with work, while the role of regional governments consists of the management of ALMPs. Meanwhile, other agents, such as non-governmental organisations (NGOs) and private companies, have a growing role, as both national and regional governments tend to outsource some of their youth employment activities.

### 2.1 School education and training policies

The first measures are designed **to prevent early school leaving**. Students with special education needs (ACNEE)<sup>6</sup> receive additional lessons and support programmes at school to compensate for their special needs through reinforcement programmes. Moreover, in some cities and towns, the local police contribute to preventing early school leaving through the identification of persons under the age of 16<sup>7</sup> that they have identified in the streets during school hours.

Second, for those young people who have already left school early and are likely to return, there are *Programas de Cualificación Profesional Inicial (PCPI)* (initial vocational qualification programmes). These programmes offer early school leavers the chance to enrol in training courses to gain professional skills for one or two years, entitling them to a degree equivalent to secondary education. This allows them to later enrol in a regular vocational education and training (VET) course (medium level)<sup>8</sup>. Thus, it is a mechanism for facilitating the insertion of early school leavers into the labour market. These PCPI programmes are often complemented by other programmes. An example is the DUO Programme, recently designed

<sup>&</sup>lt;sup>5</sup>Among the young NEET, 76 % are already motivated to work (73.2 % of the NEET are unemployed and 2.8 % are inactive because they do not expect to find a job). Calculations based on data from the Spanish Statistical Institute, LFS, Second Quarter of 2010.

<sup>&</sup>lt;sup>6</sup> The ACNEEs, *Alumnos con Necesidades Educativas Especiales* (students with special education needs), face a higher risk of early school leaving due to their special needs (such as physical, mental, psychological handicaps or the lack of knowledge of the local language in the case of some immigrants).

<sup>&</sup>lt;sup>7</sup> In Spain, education is compulsory until the age of 16.

<sup>&</sup>lt;sup>8</sup> In Spain, the general requirement to enroll in regular VET courses (medium level) is to have finished secondary compulsory education.

in response to the economic crisis in the Andalusia region, which offers certified training to unskilled persons aged 18-22 within a personal inclusion itinerary<sup>9</sup>.

Thirdly, for those young professionals who left school early and are not likely to return to the education system because they are and have been working, there are mechanisms for the recognition of their skills acquired through informal learning. In July 2009, the Royal Decree 1224/2009 adopted the recognition of competences acquired through work experience. This measure was designed to enhance the employability of experienced workers without formal training certificates and to promote the further professionalization of some occupations. The list of professional certificates has been extended over the past years through several Royal Decrees<sup>10</sup>, in order to promote specialization and to facilitate labour mobility among European countries.

In addition to the already existing programmes, in November 2008, the Plan para reducir el abandono escolar (Plan to Reduce Early School Leaving) was launched 11. This plan aims to reduce the drop-out rate by 50 %, by 2012 through the improvement and enlargement of already existing mechanisms. Thus, the plan involves a wide variety of approaches: to increase the regular vocational training places by 80 000 per year; to create new vocational training programs; to promote mobility and access to vocational training programs; to ease the admission requirements; to develop new certificates for skills and knowledge acquired through informal learning; to extend guidance and advice services to young people; to encourage parents and relatives to motivate students; to strengthen the school reinforcement lessons; to create new teacher training programs; and to develop new teaching tools.

There are programmes and specific labour contracts to link education with work experience. The Escuelas Taller y Casas de Oficios (School Workshop and Crafts Training) programme offers training for young unemployed under 25 years of age, followed by a work placement stage<sup>12</sup>. The programme lasts between one and two years and involves a labour contract for the work placement. Likewise, for those over 25 years of age, there is a variety of programmes labelled talleres de empleo (employment workshops), which follow the same methodology<sup>13</sup>. In addition, in some regions and universities there are **programmes promoting internships**. These internships are often organized without a labour contract and paid through a scholarship. An example is the Finnova Programme, in the region of Madrid, aimed to organize and finance internships for VET and university graduates in research

http://www.juntadeandalucia.es/servicioandaluzdeempleo/web/websae/portal/es/institucional/comunicacionSAE/ noticias/programa DUO.html?ticket=nocas

https://www.redtrabaja.es/es/portaltrabaja/resources/contenidos/noticias/pdf/certificados98.pdf

<sup>&</sup>lt;sup>9</sup> For further information on Programa DUO, see:

<sup>&</sup>lt;sup>10</sup> A list of the professional certificates and the relevant Royal Decrees can be found checked on the following website of the Ministry of Labour and Immigration:

This plan was launched by the Ministry of Education, for details see: <a href="http://www1.educacion.es/plane/plan-">http://www1.educacion.es/plane/plan-</a> reducir-abandono.html

12 The number of participants in 2009 was 3 253 (2 358 men and 895 women). Source: Anuario de Estadísticas

del Ministerio de Trabajo e Inmigración (The Ministry of Labour and Immigration Yearly Statistics Book).

<sup>&</sup>lt;sup>13</sup> The number of participants in 2009 was 9 068 (2 795 men and 6 263 women). Source: Anuario de Estadísticas del Ministerio de Trabajo e Inmigración.

departments of universities and other institutes<sup>14</sup>. The *Ikasi eta Lan* Programme in the Basque Region also promotes internships<sup>15</sup> and requires open-ended contracts to subsidise part of the wage received by the intern.

There are specific labour contracts which link education with work experience: the training contract (Contrato para la Formación) and the internship contract (Contrato en Prácticas). Training contracts are for students who work in jobs related to their studies and they require that part of the working day must be devoted to training activities (apprenticeship), while the internship contracts are for recent graduates. The recent Labour Market Reform includes some measures to further promote the use of training contracts by extending the age limit for such contracts from 21 to 25 years old. Secondly, the young workers will be entitled to unemployment benefit after a training contract job. Thirdly, employer social security payments are eliminated for companies for these contracts. The number of workers under internship and training contracts aged 16-29 has dropped from 167 900 in 2007 to 110 300 in 2010, however numbers should increase again following this reform.

Currently, reforms to ensure that the education system meets the qualification needs of the labour market are being made in universities and in the VET system. Over the past three years a reform to help Spanish universities better adapt to the needs of the private sector has been taking place. The main elements of the reform focus on teaching methodology and learning content. In addition, within the so-called Plan E, the Estrategia Universidad 2015 (University Strategy 2015) $^{16}$  has been launched. This strategy supports the objectives of the Bologna Strategy for improving the skills of graduates to support their future inclusion in the labour market. Moreover, the strategy aims to promote innovation and public-private cooperation in research and development.

In the regular VET system reforms are also being launched within the Sustainable Economy strategy, with the objective of improving the adaptability of the system to labour market demands. The reform foresees that VET centres will also offer training to the unemployed, taking into account the training demands of local and regional companies, enhancing professional advice services to students, and facilitating mobility among high schools, VET and universities.

These educational reforms have promoted the mobility of young people both through exchange programmes for students and through the recognition of qualifications at the international level. Although the exchange programmes for students are not directly linked to employment, they have an indirect effect on promoting the mobility of future workers as they provide a chance for learning foreign languages and for adapting to the cultural background of other countries. With regard to the recognition of qualifications, the European Space for Higher Education, adopted through the Bologna Process, should be mentioned, as well as the reforms in the VET system. These reforms provide graduates with diplomas comparable to EU qualifications, which ease their opportunities to work in other member states.

http://www.madrid.org/cs/Satellite?cid=1161935391708&language=es&pagename=Empleo/Page/EMPL pintar

<sup>&</sup>lt;sup>14</sup> Source: Finnova Programme:

ContenidoFinal#cuales

15 Source: Government of the Basque Region: <a href="http://www.gizartelan.ejgv.euskadi.net/r45-">http://www.gizartelan.ejgv.euskadi.net/r45-</a> ayuef/es/contenidos/ayuda subvencion/ikasi eta lan/es 4835/ikasi eta lan1.html

The "University Strategy 2015" was approved by the Council of Ministers on 30 January 2009.

In addition to the educative reforms used to promote the mobility of young workers, there are other minor measures, such as for example, the programs for internships abroad. These have been expanded over the past years, such as the Argo programme, which has been extended from the European to the global level in 2009<sup>17</sup>. These programmes have received positive praise considering the current high unemployment in Spain in comparison to other countries and taking into account their impact on the language skills of the young people. Moreover, they can involve further benefits to Spanish society and economy in the globalization context, in terms of creating professional and personal links with other areas of the world, and in terms of providing workers with a deeper knowledge of other countries.

Moreover, there are programmes for allowing the unemployed to move to other EU countries to search for a job and continue to receive unemployment benefits. Although it is not a measure specifically for young people, their generally lesser degree of family responsibilities makes them more prone to move than the older unemployed. In addition, the EURES network is currently spreading among the young as a tool to promote mobility. Nevertheless, the EURES network is not widely known among Spanish youth. Finally, agreements with third countries on labour mobility for young people are also worth mentioning, such as the agreement signed with Canada in March 2010, to ease the mobility of workers aged 18-25 years old.

## 2.2 Labour market and employment-related policies and access to benefits

A whole range of agents participate in active labour market policies (ALMPs). The national and regional public employment services (PES) play a key role in guidance, training activities and job searching. Moreover, many of the youth regional departments have created links to bring the PES closer to young people. In addition, other agents complement the role of the PES, such as the education system and the network of non-profit organisations. The advice departments of secondary and high schools provide guidance to students in choosing their future studies and professional prospects. At universities, there are career offices offering job search assistance, guidance for the development of future careers and job facilitation activities<sup>18</sup>. Moreover, non governmental organisations (NGOs) collaborate with the PES providing guidance and training mainly to young unemployed individuals from risk groups and often receive public subsidies<sup>19</sup>.

In 1997, the *contrato de promoción del empleo* (employment promotion labour contract) was created to incite companies to recruit young people. This contract reduced the employer's **social security payments** when hiring an unemployed person from certain groups at risk, including young people, and involved 33 days of compensation for firing costs, instead of 45 days. Recently, the new Labour Market Reform (approved in September 2010), introduced a

<sup>&</sup>lt;sup>17</sup> Source: Argo Program. http://becasargo.es

<sup>&</sup>lt;sup>18</sup> An example at the Complutense University of Madrid is the *Centro de Orientación e Información de Empleo* COIE agency (Centre for Information and Assessment for Employment). Detailed information about this agency can be found at: <a href="http://www.ucm.es/info/ucmp/pags.php?COOKIE\_SET=1&tp=Centro">http://www.ucm.es/info/ucmp/pags.php?COOKIE\_SET=1&tp=Centro</a> % 20de % 20Orientaci % F3n % 20de % 20Empleo. % 20COIE. % 20&a=directorio&d=0015544.php

<sup>&</sup>lt;sup>19</sup> More detailed information about the network of NGOs and its role in job search assistance and guidance to unemployed in the Madrid region can be read at:

 $<sup>\</sup>underline{http://www.madrid.org/cs/Satellite?cid=1161858439661\&language=es\&pagename=Empleo/Page/EMPL\ pintar\ \underline{ContenidoFinal}$ 

further reduction in social security payments when workers between 16 and 30 years old are hired<sup>20</sup>.

In addition, there are **employment subsidies** offered by the Regional Governments for new job contracts made with young unemployed people. In the Basque Region, for example, subsidies are given to companies to hire persons under 30 years of age who have been unemployed for at least five months<sup>21</sup>. In Extremadura, job subsidies for the unemployed are increased by EUR 1 000 for unemployed young people up to 30 years old, who live in rural areas with less than 5 000 inhabitants.

There is a policy of **promoting self-employment and entrepreneurship** among the young, consisting mainly of advice services and facilitating access to finance<sup>22</sup>. Advice services often include personal coaching and business guidance, while financing services are deployed through banking guarantees, loans or even through subsidies. One example is a new credit line for young entrepreneurs from the Ministry of Industry and Commerce, which finances investments of up to EUR 50 000 without banking guarantees<sup>23</sup>. In addition, the unemployment benefit system includes the possibility of receiving an anticipated payment of the benefit for new free-lance workers and entrepreneurs. For the young, this anticipated payment is raised up to 80 % of their total benefit<sup>24</sup>. Nevertheless, between 2007 and 2009, the number of freelancers under age 25 diminished by 36 %, representing a total reduction of 20 017 persons<sup>25</sup>.

For those who do not find a job and do not become self-employed, there is a system of **social security benefits**, based on the unemployment benefit and regional minimum income schemes. The **unemployment benefit** system in Spain consists of monthly payments to the unemployed, which depend mainly on the time worked previously to unemployment and on the former wage earned. The contribution period is approximately one third of the time worked, limited to a maximum of 2 years and under the condition of having worked at least one year contributively<sup>26</sup>. Thus, young people with little work experience, and/or with no contribution records (for example because of work experience through scholarships), are excluded from the unemployment benefit system. When the regular contributory unemployment benefit has expired, an assistance unemployment benefit of EUR 420 per month is paid out during six months.

<sup>&</sup>lt;sup>20</sup> Nevertheless, the policy of reduction of social security payments when an unemployed of a certain group at risk is hired has driven to a situation where "groups with reductions" are the majority. Source: Law 35/2010, of 17 September, on urgent measures for the reform of the labour market. Published on 18 September 2010.

<sup>&</sup>lt;sup>21</sup> Source: Government of the Basque Region. Internet: <a href="http://www.gizartelan.ejgv.euskadi.net/r45-ayuef/es/contenidos/ayuda\_subvencion/932/es\_5360/es\_18638.html">http://www.gizartelan.ejgv.euskadi.net/r45-ayuef/es/contenidos/ayuda\_subvencion/932/es\_5360/es\_18638.html</a>

<sup>&</sup>lt;sup>22</sup>An example can be found in Madrid Region. More detailed information is available at internet: <a href="http://www.madrid.org/cs/Satellite?cid=1156850595971&language=es&pagename=PortalJoven/Page/JUVE\_contenidoFinal">http://www.madrid.org/cs/Satellite?cid=1156850595971&language=es&pagename=PortalJoven/Page/JUVE\_contenidoFinal</a>

<sup>&</sup>lt;sup>23</sup> Source: Ministry of Labour and Immigration. Internet:

http://www.redtrabaja.es/es/redtrabaja/contenidos/introNoticias.do?pagina=/ampliar/jovenes\_empresarios.html <sup>24</sup> For men under 30 years old and women under 35 years old. The general limit is 60 % of the total

<sup>&</sup>lt;sup>24</sup> For men under 30 years old and women under 35 years old. The general limit is 60 % of the total unemployment benefit.

<sup>&</sup>lt;sup>25</sup> Source: Anuario de Estadísticas del Ministerio de Trabajo e Inmigración (2007 and 2009). Data available in excel format on the internet: <a href="http://www.mtas.es/es/estadisticas/contenidos/anuario.htm">http://www.mtas.es/es/es/estadisticas/contenidos/anuario.htm</a>

<sup>&</sup>lt;sup>26</sup> The system involves special treatment according to age (for older workers), family situation and other conditions.

An extraordinary benefit of EUR 426 per month called PRODI was approved in August 2009, within the context of the economic crisis, for a period of six months. Later, it has been mantained through several renewals until February of 2011. After having exhausted both contributory and assistance unemployment benefits, unemployed people below the age of 30 and over age 45 are entitled to this benefit. The last renewal of the benefit took place in August 2010 and has withdrawn eligibility for the unemployed aged 30 – 45 years old without family responsibilities. The PRODI beneficiaries must follow an active itinerary for labour inclusion organised by the regional PES<sup>27</sup>.

The unemployment benefit system is limited in time. Once it has expired, **the regional minimum income scheme** comes into effect. These schemes are managed by the regional governments, and the amount of the income offered as well as conditions, differ among regions. For example, in the Madrid region, this income reaches EUR 375 per month, while in the Basque Region the minimum income system amounts to EUR 650 to EUR 900 per month. Generally, minimum incomes involve the commitment of the beneficiary to follow an itinerary of social and labour inclusion managed by the social services.

Moreover, there is a rent subsidy for working young people aged 22-30 years old, which enhances the incentives for young people to work. This subsidy, called *Renta de Emancipación* (Emancipation Rent)<sup>28</sup>, is EUR 210 per month and is designed to encourage young people to leave the parental home.

### 2.3 Addressing problematic features of youth employment

Youth unemployment in Spain is not strictly concerned with marginalised groups, as can be observed from the massive youth unemployment rates. Instead, as it is stated by the Youth Council of Spain<sup>29</sup>, it is characterized by problematic features such as part-time work, temporary contracts, low wages, undeclared work and unpaid extra hours, which all together put young people in precarious conditions in the labour market. While the average **part-time work** rate is 13.5 %, figures rise to 43.6 % for the 16-19 age group, to 28.4 % for the 20-24 group and to 14.6 % for the 25-29 age group. Moreover, the temporality rate among workers under 29 years old reaches 44.9 %, far higher than the average rate of 24.8 %<sup>30</sup>. Young workers also have **lower wages**. Compared with the average wage, the 16-19 age group earns 45.5 %, the 20-24 group 60.7 % and the 25-29 group 79.7 %<sup>31</sup>. The high rates of unemployment, part-time work and temporality, together with the low protection offered by the unemployment benefit system (which does not take into account time worked without a labour contract), with very limited schemes for minimum incomes, are factors that draw a picture of economic instability for young people. Thus, the family becomes a strong basis during a large part of youth. Indeed, while the mean age of leaving the parental home in the

<sup>&</sup>lt;sup>27</sup> Source: Royal Decree 12/2010, of 20 August 2010, available at: http://www.boe.es/boe/dias/2010/08/23/pdfs/BOE-A-2010-13336.pdf

<sup>&</sup>lt;sup>28</sup> Source: Ministry of Housing.

<sup>&</sup>lt;sup>29</sup> Consejo de la Juventud de España (Youth Council of Spain), *Exclusión Social: una realidad difícil de superar* (Social exclusion, a reality to overcome) (2003), and OBJOVEM bulletin, 2009, 'Youth and the undeclared economy in Spain'.

<sup>&</sup>lt;sup>30</sup> The data are for the second quarter of 2010. Source: Spanish Statistical Institute (INE), LFS.

<sup>&</sup>lt;sup>31</sup> Source: Spanish Statistical Institute (INE). Wage Structure Survey, 2009.

EU–27 in 2007 was 25 years, in Spain this mean reached 29 years for males and 28 years for females<sup>32</sup>.

The problem of temporality among the young is presented as one of the main reasons for the recently approved Labour Market Reform, which limits the duration of fixed-term contracts to three years. ALMPs aim to reduce the problems of part-time work and low wages through better training for young workers. Additionally, other responses to the problems presented above come from the NGOs, from trade unions and from civil society organisations. One example is the campaign of the Spanish Youth Council against precarious employment<sup>33</sup>.

#### 2.4 Roles of the labour market actors

The central government has transferred the competence for the management of ALMPs to the Spanish regions. Thus, the role of the central administration related to youth employment has focused on legislation, mainly in reducing the employers' social security contributions and in creating specific labour contracts to link education with work. The role of the regional governments has been mainly the management of ALMPs. It is also worth mentioning that despite the fact that employment policies include as a stated objective the reduction in the high youth temporality rate, among young workers, the share of temporary workers in the public sector is higher than in the private sector<sup>34</sup>.

There is not yet a comprehensive strategy at the national level for youth employment. Only some regions have comprehensive programmes to tackle the youth unemployment problem<sup>35</sup>.

There is a trend in national and regional governments to outsource youth employment programmes to other agents, such as NGOs and private companies. NGOs receive subsidies from all administrative levels (European, national, regional and local) to carry out training, assessment and guidance activities and to complement already existing programmes. In addition, the recent Labour Market Reform allows for-profit employment agencies to collaborate with the PES. Moreover, private sector agents, many companies and business organizations such as chambers of commerce, also offer training and internship programmes to young people.

The role of the PES in facilitating the transition from education to work has not yet been significant. With the crisis, the PES has been reinforced through the Shock Plan for the Improvement of the Spanish Public Employment Services, which extends until the end of 2012. Nevertheless, this plan does not necessarily focus on youth employment.

<sup>33</sup> More information on this campaign can be found at: <a href="http://www.cje.org/C3/C16/Campa %C3 %B1a %20de">http://www.cje.org/C3/C16/Campa %C3 %B1a %20de</a> %20participaci %C3 %B3n %20juven/default.aspx?lang=es-es

<sup>&</sup>lt;sup>32</sup> Source: EU Youth Report 2009.

<sup>&</sup>lt;sup>34</sup> Among young people, the share of temporary workers in the public sector was 62.6 %, while in the private sector it was 41.7 %. Source: Youth Council, 2009, Second Quarterly Report on Youth Employment in Spain (Objovem).

<sup>&</sup>lt;sup>35</sup> This is the case in the Navarra region, where there is a programme that includes several strategies (such as advice and customized job search support; education and training; employment subsidies for new jobs; subsidies for the self-employed; and income for the unemployed that participate in training programs). More information about the programme can be found at: <a href="http://www.navarra.es/NR/rdonlyres/3E8A5335-38AE-4B62-8F02-2C9036E60EDD/161956/Empleojovenjul010A.ppt">http://www.navarra.es/NR/rdonlyres/3E8A5335-38AE-4B62-8F02-2C9036E60EDD/161956/Empleojovenjul010A.ppt</a>

#### 3. Conclusions

The current economic crisis has drastically increased youth employment problems and threatens to lead a whole generation to collapse. The situation is worrying, but not new. In 1984-85 and in 1994-96 such huge unemployment rates were also observed among young people in Spain.

In response to the problem of youth unemployment, two main strategies have been observed: education and training; and reduction of labour costs for companies. The promotion of entrepreneurship would be a third strategy, but it cannot yet be considered to be significant.

With regard to education and training, in the past few years, efforts to improve the education system have been expanded, with special regard to training and reducing early school leaving. Spain has a polarized educational structure, with one of the highest drop-out rates and tertiary graduate rates in the EU. Currently, the higher unemployment rates among the young are found among those with lower education levels. Moreover, prospects for 2020 point to the decrease in the demand for these workers<sup>36</sup>, in contrast with the rising demand for medium and highly skilled workers. Hence the efforts to reduce the high drop-out rate should be maintained and increased. Otherwise, in addition to the mentioned unemployment problem, the lack of skills among the population could become a bottleneck for future Spanish development.

Nevertheless, education and training alone are not likely to be the solution to the youth unemployment problem. Despite the fact of benefiting from an education system that has been improved during the past decades, young people are now facing one of the highest unemployment rates in history. Within the context of low aggregate demand and a resulting low labour demand, the labour market will tend to exclude, or to include under worse conditions (part-time work, temporary work, low wages), the weakest workers.

In relation to the second main strategy, the reduction of labour costs for companies has been made through rebates on social security payments. However, despite the rebates, the unemployment rate among the young has reached historical peaks, which means that this is not enough, or not adequate, or both. Entrepreneurship is not a popular option among the young. Nevertheless, policies to promote entrepreneurship have recently been reinforced but it is too early to assess their impact.

A final comment, in view of the difficult situation facing Spanish young men and women, relates to the temptation to further reduce the quality of jobs offered to them in order to facilitate entry into the labour market. Indeed, the possibility of creating special labour contracts for young people (fixed-term, with lower wages and firing costs, etc) is currently being discussed. Spain has already resorted to such flexible contracts in order to create employment in the past, resulting in a polarized labour market.

10

<sup>&</sup>lt;sup>36</sup> Source: Rafael Muñoz de Bustillo Llorente (2010) "Employment and Educative System in Spain. Current situation and perspectives of the young in Spain" (Sistema educativo y empleo. Situación y perspectivas de los jóvenes en España).

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Annex

Table 1: YOUTH EMPLOYMENT / UNEMPLOYMENT TRENDS (Q1 data)									
Data	Age group 15-19		Age group 20-24			Age group 25-29			
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Employment rate (%)	15.1	9.4	7.0	54.2	46.1	40.4	76.4	68.6	64.9
Unemployment rate (%)	32.9	54.5	59.8	18.0	30.7	36.5	11.3	21.3	25.5
Long-term unemployment as a % of unemployed	8.8	15.8	23.9	11.8	13.6	28.9	12.1	13.9	25.5
Youth unemployment to population ratio	7.4	11.2	10.4	11.9	20.4	23.2	9.7	18.5	22.2

Source: Eurostat, Labour Force Survey

Data in brackets not reliable due to small sample size.

Table 2: YOUTH UNEMPLOYMENT TRENDS (Q1 data, %)						
Data	Age group 15-24		Age group 20-24		Age group 25-29	
	2009	2010	2009	2010	2009	2010
Unemployment for the low-skilled (ISCED 0-2)	42.7	49.0	41.7	43.9	29.6	34.9
Unemployment for the medium-skilled (ISCED 3-4)	29.9	32.6	27.7	30.4	20.4	23.5
Unemployment for the high skilled (ISCED 5-6)	21.3	27.4	21.0	27.1	14.0	17.8

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted

Table 3: YOUTH TEMPORARY CONTRACTS (% OF EMPLOYEES) (Annual data)				
Data	Age group 15-19 Age group 20-24 Age group 25-29			
	2009	2009	2009	
Temporary work as a % of employment	67.7	47.2	33.9	

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted

<sup>-:</sup> Data not available

Table 4: NEITHER IN EMPLOYMENT NOR IN ANY EDUCATION OR TRAINING (NEET) (Annual data)				
Data	Age group 15-19 Age group 20-24			
	2008	2008		
NEET rate (% of the age group) (annual averages)	11.4	17.0		

Source: Eurostat, EU Labour Force Survey, Annual averages

Table 5: EARLY SCHOOL LEAVERS* (Annual data)				
Data	Age group 18-24			
	2008	2009		
Early school leavers (% of the age group)	35.4	34.5		

Source: Eurostat, Labour Force Survey

<sup>\*</sup> Percentage of the population aged 18-24 having attained at most lower secondary education and not being involved in further education or training.

Table 6: DIFFERENCE IN YOUTH UNEMPLOYMENT RATE BETWEEN Q4-2009 AND Q4-2007				
Data	Age group 15-19	Age group 15-24		
Difference in youth unemployment rate between Q4-2009 and Q4-2007	26.3	20.3		

Source: Eurostat, Labour Force Survey. Data non-seasonally adjusted