



European
Commission

Mutual Learning Programme

Peer Country Comments paper- SPAIN

**SPANISH FLEXICURITY- STILL AN UGLY DUCKLING?
SHALL WE OVERCOME THE DUAL SYSTEM?**

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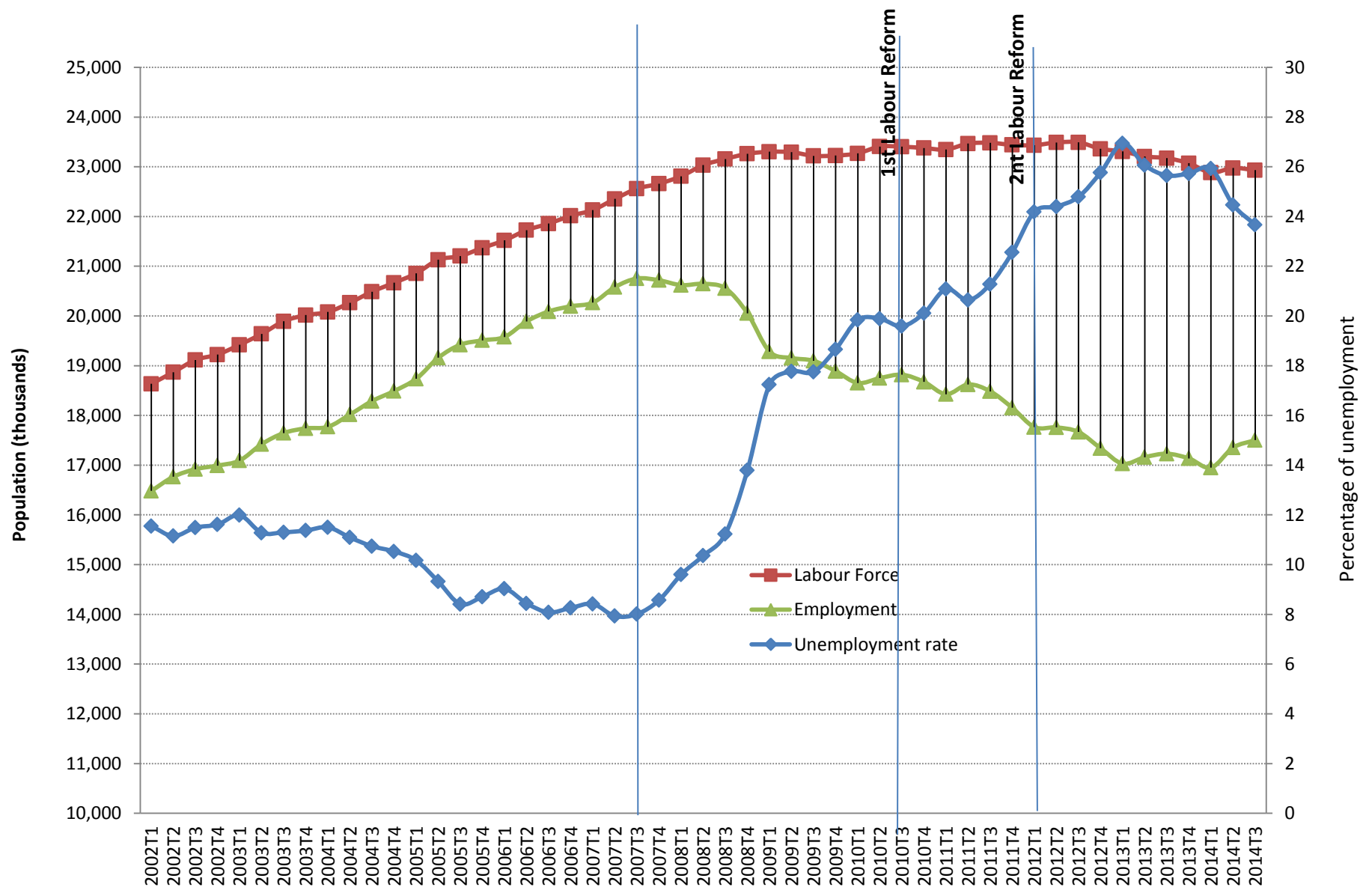
Peer Review on “Flexicurity”

Denmark, 20-21 November 2014

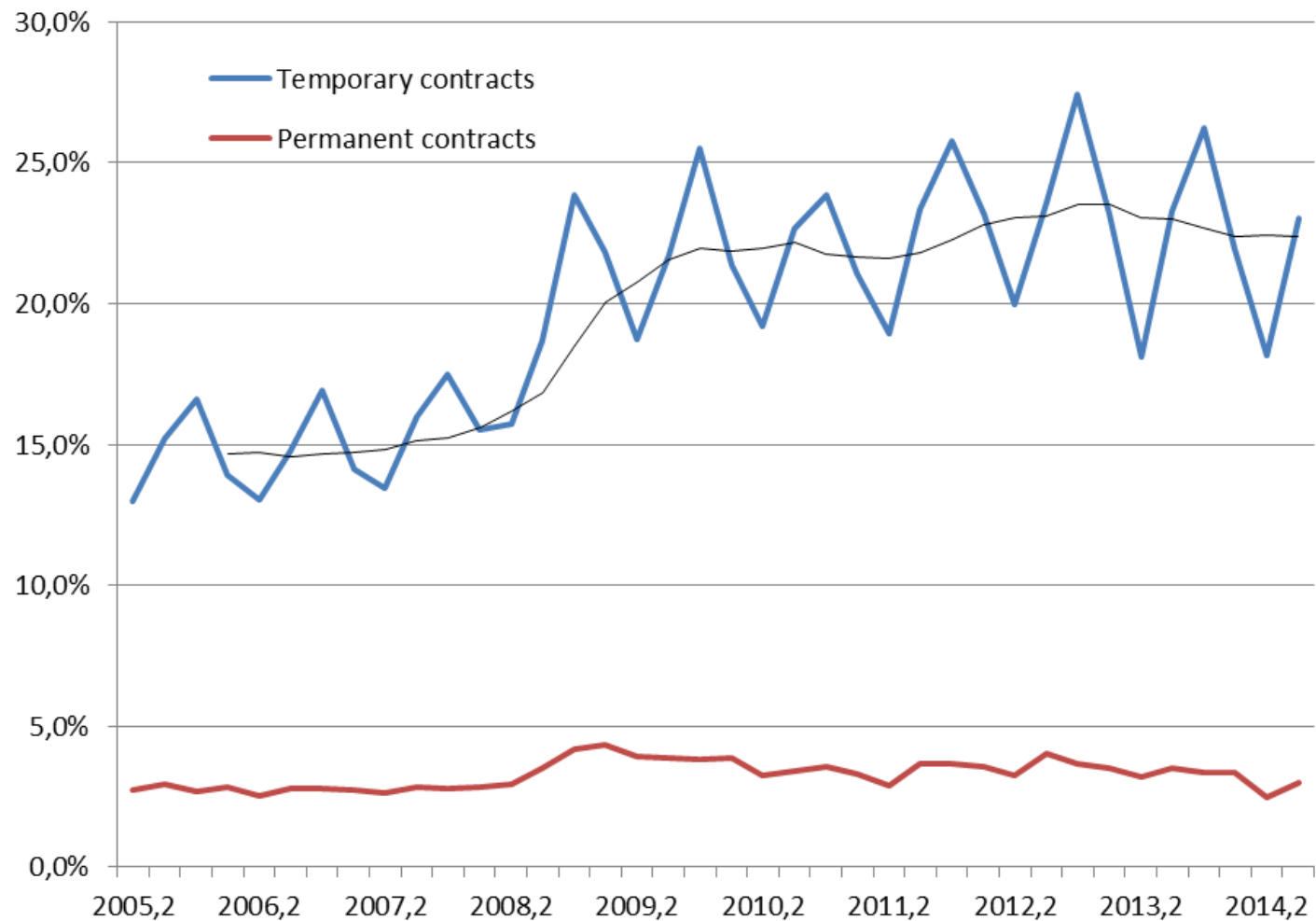
National approach to flexicurity before the crisis

- Traditionally, **flexibility** in the Spanish labour market has been provided by non-regular contracts.
- **Unemployment benefits** cannot be characterized as especially generous (around the average in the EU).
- Spending in Active Labour Market Policies has been relatively low, with a high concentration on employment subsidies to foster permanent jobs.

The great recession: The case of Spain



Exits from Employment by type of contract



Source: Spanish LFS



Source: Spanish LFS

	Unemployment				Risk of Poverty (1)		
	Unemployment	Long term	Youth	NEET	Population	Employed persons	Unemployed persons
Denmark	7	25,5	13	6	13	4,3	36,6
Spain	26,1	49,7	55,5	18,6	21,1	10,6	44,8

Source Eurostat: LFS and SILC, 2013

(1) At risk of poverty rate (cut-off point: 60% of median equivalised income after social transfers)

National approach to flexicurity during the crisis

- Recent Reforms (2010, 2011 and 2012) have tried to reduce the large gap in EPL between permanent and fixed term contracts.
- At the same time, different changes in the collective bargaining system have been made to increase the capacity for Spanish firms to adjust their labour costs in bad times.
- On ALMP, different measures have been adopted to increase training and education activities for the large pool of unemployed

Assessment of the policy measure

Recent Reforms (2010, 2011 and 2012)

- **External flexibility:** Recent reforms have placed Spain among the European countries with a lower level of EPL for open-ended contracts.
- **Internal flexibility:** Other key elements of recent reforms have been to increase wage flexibility and foster adjustment in working hours.
- **Social Benefits:** In July 2012, mainly due to budgetary restrictions, the replacement rate was decreased and the conditions to access some assistance benefits were harden.

Assessment of the policy measure

ALMP

ALMP: Activation Mechanisms are virtually inexistent in practice, although they are present in legislation.

- Most of ALMP spending has been directed to employment subsidies, mostly linked to promote permanent employment.
- By contrast, spending on training, job search, and education activities is relatively low, even more when we calculate it [in terms of the amount spent per unemployed person](#).

The design of the ALMP system in Spain is being renewed trying to adopt a new strategy redefining the relative role of the different agents.

Youth Guarantee Programme has just been put in place (in July 2014), partially funded by the EU. Under this programme, young people (16-24 years old) unemployed without having participated in education or training activities in the last three months are entitled to receive support to increase their employability.

Christmas Wishes

Spanish labour market has a large need for training, education, job search assistance actions to increase the employability of youth, low-skilled and long term unemployed.

BUT TO BE EFFECTIVE, these actions should be individually targeted and designed taking into account the requirement of labour demand and the ability of the unemployed.

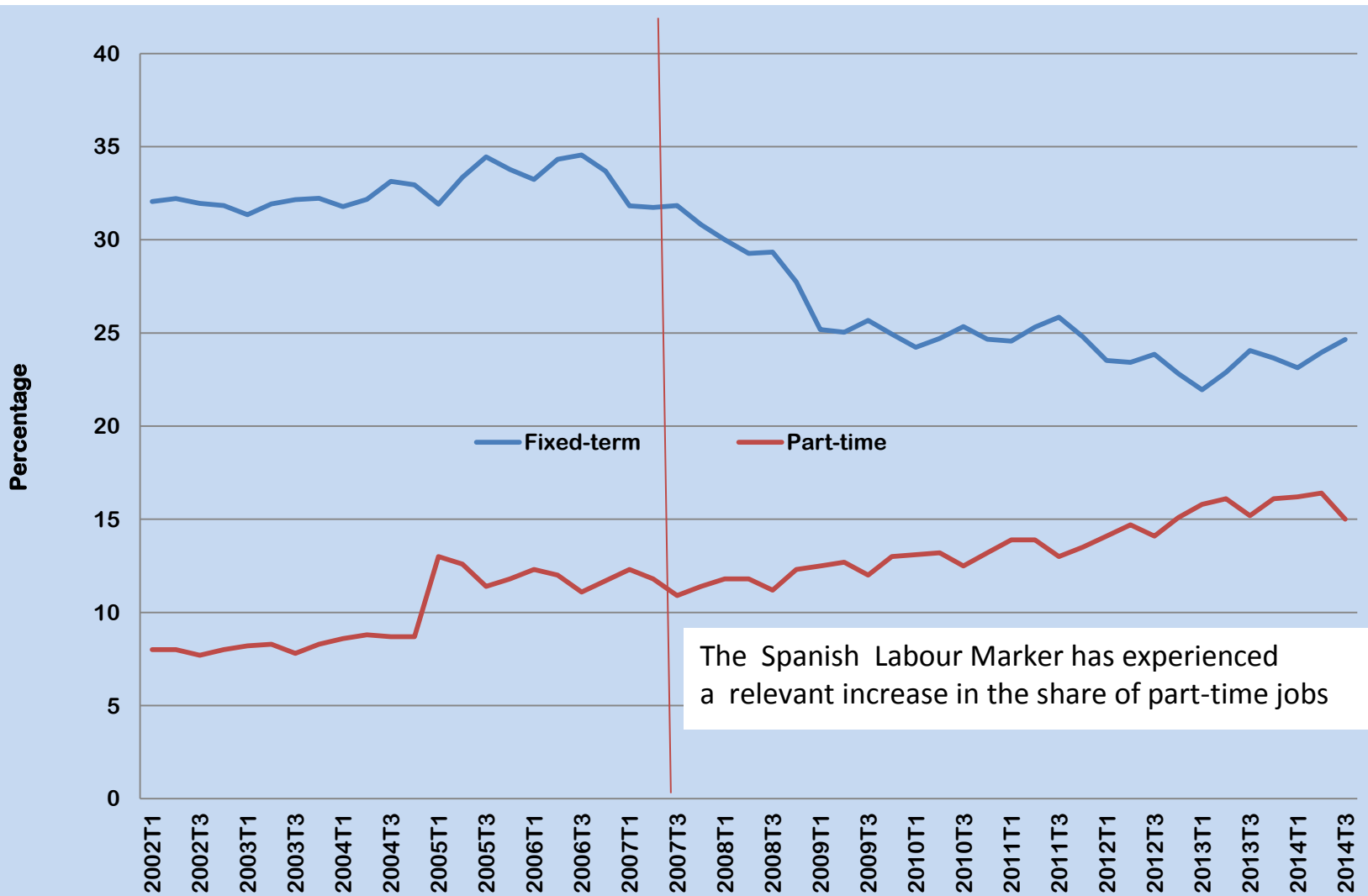
And given our fiscal restraints, it is far from feasible an increase in public spending in ALMP to a level similar than the one observed in Denmark, **but it is absolutely crucial** that the new design, it is currently in place, adopts some of the key characteristics of the Danish system:

- increasing the association between active and passive labour market policies to support the unemployed
- increasing the role of activation mechanisms

Thank you for your attention

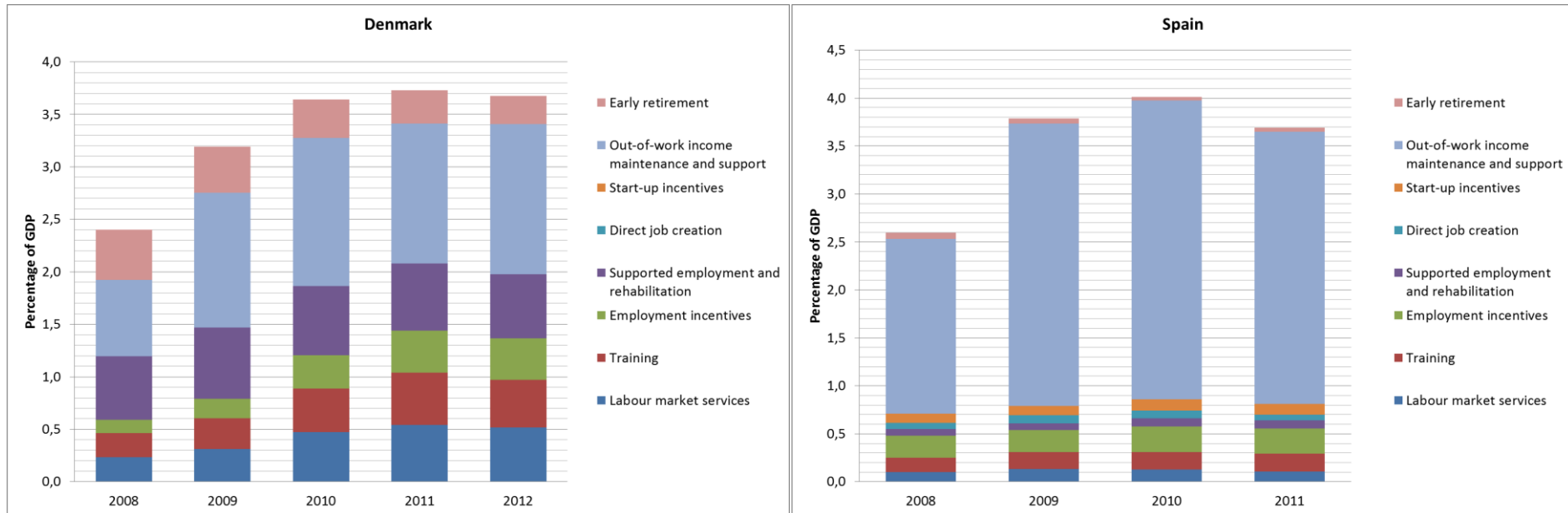
“I never dreamed of such happiness as this, while I was an ugly duckling”

THE DUAL SYSTEM (2)



LMP expenditure by type of action

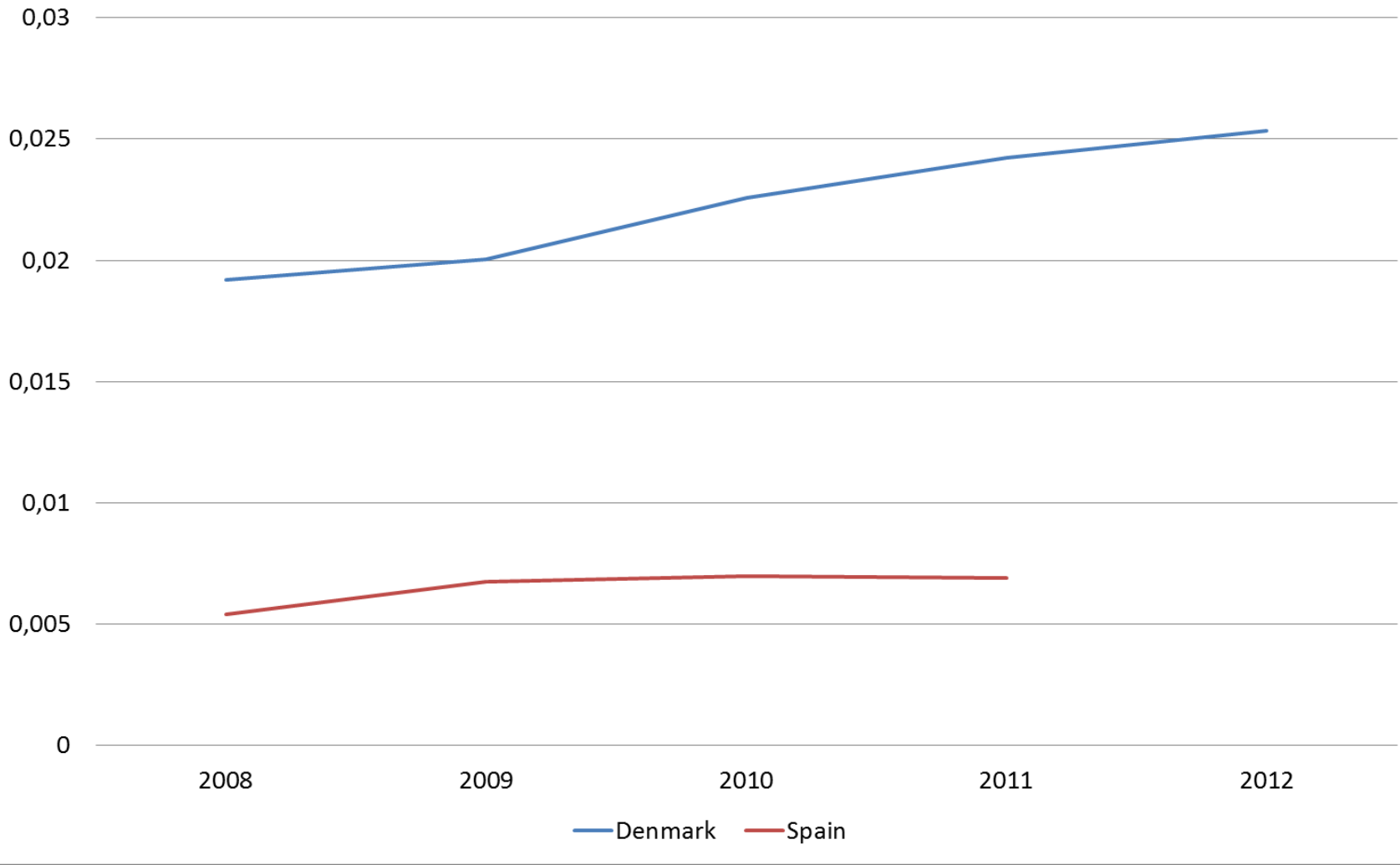
(source: Eurostat)



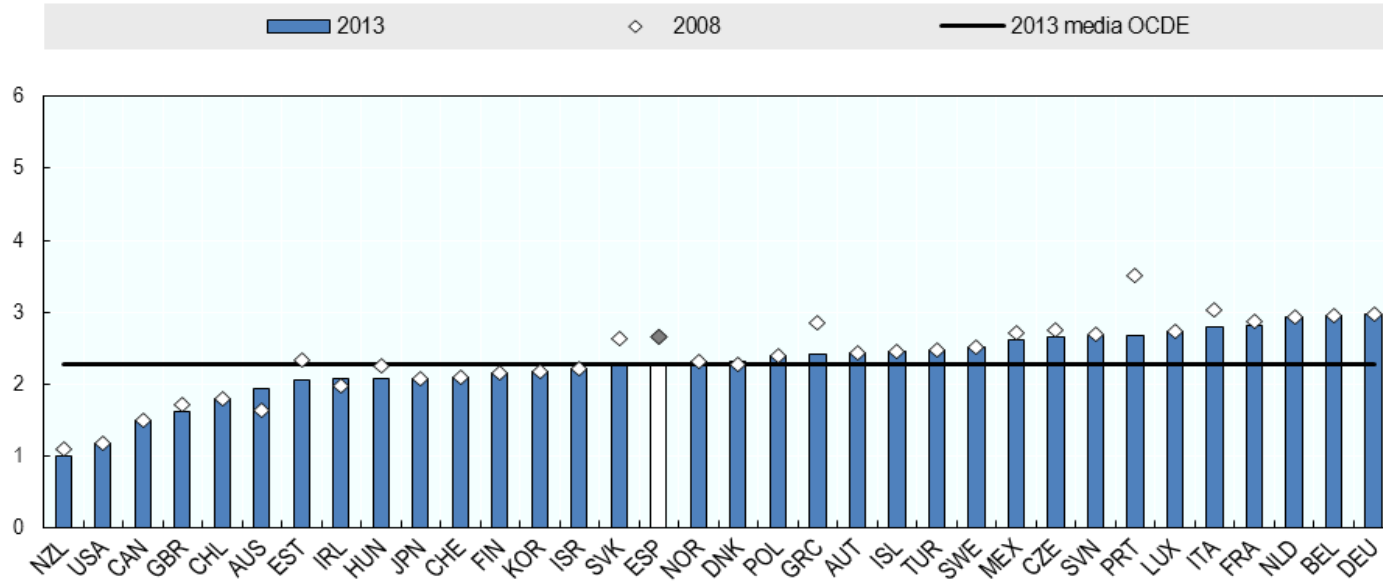
Active labour market policies in Spain: A macroeconomic evaluation (Intentional Labour Review_2013)

the authors present a macroeconomic assessment of a variety of active labour market policies, including employment subsidies for permanent contracts, job-creation schemes and vocational training programmes. The authors conclude, would have incurred fewer deadweight and substitution effects.

LMP expenditure(million euro)/stock participants

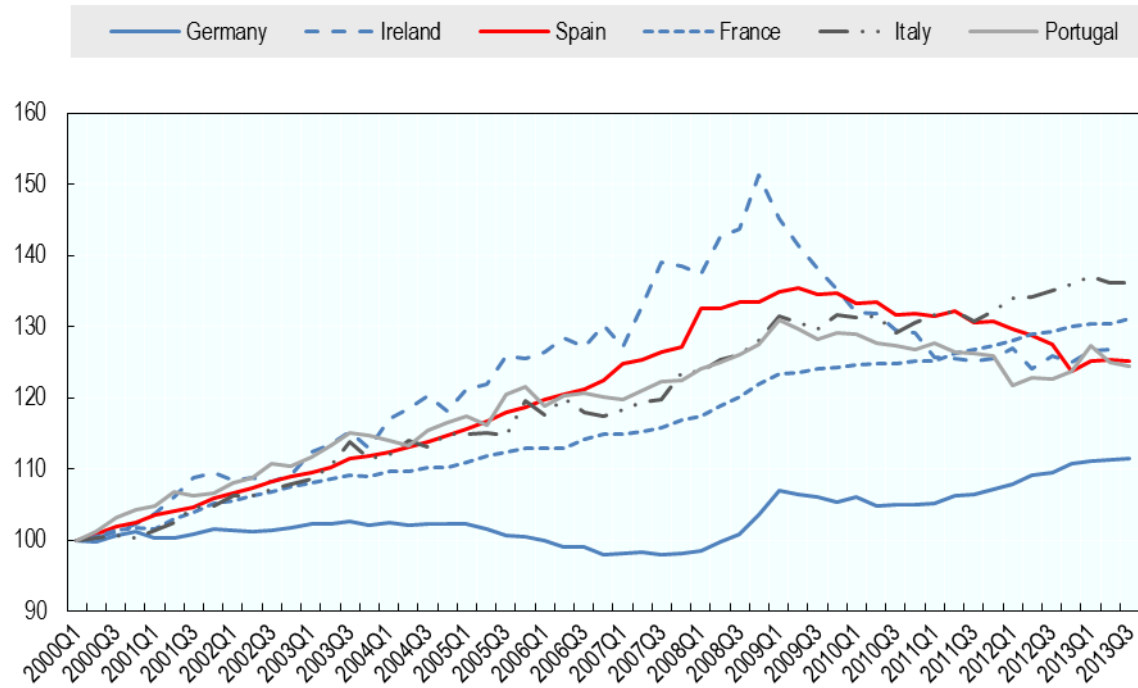


EPL 2008-2013



Source: OECD

Evolution of unit labour costs in selected European countries, 2000-2013



Source: OECD

Exits from Unemployment

