

Spanish youth unemployment: A déjà vu

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Summary

The Spanish labour market is going through its deepest and longest crisis in decades. After five years of continuous employment destruction, youth unemployment rates have reached record levels. Roughly one out of every two active individuals in the age group 16-24 is unemployed and there are over one million low-educated NEET in the age group up to 30, many of whom have been without a job for more than a year. Yet, these problems are far from being new. This is the third time in less than three decades that Spain suffers from youth unemployment rates above 40%. The main determinant of this dismal performance is the dual structure of the Spanish labour market which offers high employment protection to insiders with permanent contracts at the expense of the unemployed and the workers with unprotected fixed-term contracts. Despite good intentions, none of the recent reforms has tackled the root of this problem. Furthermore, in order to improve the employment prospects of future entrants, it is crucial to improve the system of vocational training and to reduce dropout rates in secondary education.

The Spanish labour market during the crisis

Before the onset of the Great Recession, youth employment rates in Spain rose steadily for more than a decade, so that the Spanish economy appeared to be on its way to bridge the gap with the leading countries in Europe. However, since the start of the crisis, the trends have reversed. The employment rate for the age group 16-24 has dropped by more than 27 pp., from a peak of 45.2% in 2007 to 17.6% in 2013, eliminating the entire gains from the long expansion.

[Figure 1 about here]

Over the same time period, the youth (15-24) unemployment rate has almost tripled. It bottomed out at close to 20% in 2007, but nowadays it stands at the record level of 57.2%. As shown in figure 1, this huge increase in youth unemployment, larger than in any other OECD country, has turned Spain into the country with the second-highest youth unemployment rate in Europe, just behind Greece which has experienced a much deeper recession in terms of accumulated negative GDP output growth.

It should be made clear from the very outset that the problems in the youth labour market of Spain are far from being new. Spain suffered from youth unemployment rates above 40% in no less than three occasions –mid 1980s, mid 1990s and nowadays– during the last three decades, as shown in Figure 2. Furthermore, this graph also shows that the ratio between the unemployment rates of the youth and the adult population has stabilized at a value of 2.3 since the early nineties. This ratio is almost identical to the European average and

substantially lower than the corresponding ratio for countries such as Italy, Sweden or the UK.

[Figure 2 about here]

What makes Spain an outlier, though, is the high cyclical volatility of total unemployment. During the 2009 trough the reduction in GDP was moderate in international comparisons. Yet, the Spanish economy destroyed more jobs per percentage point reduction in GDP than any other OECD country, which explains the steep rise in unemployment (see, e.g. Boeri, IMF). In fact, inspection of Figure 3 (left panel) shows that the cyclical fluctuations in employment are stronger than the fluctuations in real GDP, a feature that is not observed in other countries. Furthermore, the employment losses are concentrated in fixed-term jobs, as shown in the panel on the right-hand side. Wages, on the contrary, failed to adjust until very recently. Indeed, average real negotiated wages kept rising until 2012 despite the steep increase in unemployment.¹

[Figure 3 about here]

The above-mentioned scattered evidence suggests that the social unsustainably high levels of youth unemployment are mainly driven by structural problems in the labour market that affect workers of all ages, and not just the young. In other words, Spain has a youth unemployment rate of 57% because its overall rate is 26% while, were the latter 15%, the former would be 32%. Strategies to fight youth unemployment should therefore prioritize policy changes that improve the *overall* performance of the Spanish labour market to achieve both a reduction in the level and in the volatility of unemployment. In our view a requirement to achieve this goal is to set much stricter limits on the widespread use of fixed-term contracts.

However, this is not enough. Further reforms should also address serious problems in the school-to-work transition of Spanish youth and improve the match between the supply and the demand of skills. The absolute priority in this respect is to adopt policy measures that achieve a substantial reduction in the unsustainably high dropout rates in secondary education.

During the preceding expansion, the boom in the construction sector generated a strong demand for low-educated workers, and Spain ranked among the European countries with the highest employment rates for youth with at most lower-secondary education (Dolado *et al.* 2013, Table 40). Given these excellent employment opportunities and the relatively high wage in the construction sector, many young males dropped out of education at an early age in search of hefty wages at construction sites. Unfortunately, when the real estate bubble burst they lost their jobs and nowadays most of them remain jobless without clear employment prospects for the future. Evidence supporting this interpretation of the facts is provided in Figure 4. The unemployment rate among young workers with at most primary education is almost 63%, compared to an equally striking level of almost 44% for university graduates.

¹ The average growth in nominal wages in newly signed collective agreements deflated by the consumer price index.

[Figure 4 about here]

A small share of the jobless dropouts has returned to education, but the vast majority continues in unemployment. As shown in Figure 5, the result is an alarmingly high number of 1.1 million low-educated workers below 30 who are neither in employment nor in education or training (NEET). Almost half of them have at most completed primary education, while the rest dropped out of education after completion of compulsory (up to 16) lower-secondary education. Moreover, it is important to make a distinction between the age groups 16-24 and 25-30. In the first group the number of NEET is falling since 2009 while, by contrast, the corresponding number in the second group remains on the rise, especially among those with no more than primary education. For these workers a return to education is often not an option as many have family obligations and mortgages to repay. Solutions should therefore come primarily from dual vocational training which allows them to get new skills for other occupations while making a living.

[Figure 5 about here]

During a future recovery, firms may be willing to satisfy some of the training needs through the creation of subsidized training jobs, but they may be reluctant to hire NEET who have been without a job for several years so that they lost most of their human capital. Currently there are over 300,000 young workers below 30 with no more than lower-secondary education who are unemployed for more than two years. Prior to the crisis, these disadvantaged workers still managed to exit unemployment at a quarterly rate of approximately 15% (Bank of Spain, 2013). However, since the outbreak of the crisis, job finding rates have plummeted. The exit rate out of unemployment for low-educated workers (of all ages) lies around 10% after a short spell of one month while, after two years, it falls below 5%. These figures suggest that there is a high risk that many young NEET will be excluded from the labour market for an extended period of time once the recovery sets in.

Dual labour markets and excess volatility

In a recent study for the OECD (Dolado *et al.*, 2013) we analyzed data for various European countries to identify the determinants of the dismal performance of the youth labour market in Spain, both before and during the Great Recession. This study complements earlier work in which some of us analyzed the reasons behind the resistance to implement reforms in the labor market (Dolado *et al.*, 2010) and the factors that contribute to the excessive volatility of the Spanish labour market (*e.g.* Bentolila *et al.*, 2012b). All these studies point to the importance of the *dual structure of employment protection* in Spain as a key element in explaining its dysfunctional labour market.

Before the crisis, Spain was one of the OECD countries with the most stringent employment protection for permanent contracts.² By contrast, fixed-term temporary contracts can be terminated at virtually no cost and there is hardly any control on the fraudulent use of these contracts. Due to these features, Spanish employers create large numbers of temporary contracts and they are reluctant to convert them into permanent jobs once the legal limit on renewals is reached. It is often cheaper to replace the worker by a substitute irrespective of the performance of the worker. In the data this excessive rotation shows up in the form of a large gap between the rates of worker turnover and job turnover.

Bentolila *et al.* (2012a) and several other studies use state-of-the-art dynamic matching models in segmented labour markets to demonstrate that the dual structure of employment protection amplifies the cyclical fluctuations in unemployment. The intuition is simple. The ease to create and destroy fixed-term positions leads to strong job creation during expansions, but a considerable share of these jobs are of low quality so that, as a result, most of them are destroyed in slumps. It is also clear that youth (but also immigrants) are the main victims of this excessive volatility as they are clearly over-represented among the workers holding temporary contracts. Conversely, the system grants older workers with permanent contracts a high level of job stability, as firms prefer to use temporary contracts in sequence as a buffer stock against the fluctuations in demand.

In Dolado *et al.* (2010) we corroborate this last finding with the help of international survey data on workers' perceived employment stability. In this survey, Spanish teenagers and young adults report a substantially lower average level of perceived job stability than their counterparts in other developed countries, while the opposite is true for the older workers. Moreover, the same study also explains how the rules for the election of union representatives and the rigid system of collective bargaining exacerbate dualism as unions have an incentive to represent the interests of their median voters, i.e., *insiders* (workers with permanent contracts) at the expense of the *outsiders* (the unemployed and workers with temporary contracts). As documented in Bentolila and Dolado (1994), this last feature helps to explain why the negotiated wages in Spain failed to adjust in the last two major recessions despite the strong increase in unemployment.

Finally, in Dolado *et al.* (2013) we use micro data from various sources to compare the performance of the youth labour market of Spain to that of four reference countries (France, Germany, the Netherlands and the UK). In what follows, we summarize their main findings. First, the high incidence of temporary contracts of short duration pose big problems on the school-to-work transition

² The system of employment protection has undergone important changes in the labour market reforms of 2010 and 2012, but even nowadays the firing costs for unfair dismissals (33 days of wages per year of service with a maximum of 24 months against 10 days at the termination of (some) fixed term contracts) remain high by international standards.

of Spanish youth. Second, they identify those shortcomings in Spain's educational system that generate skill bottlenecks in the labour market. By contrast, alternative explanations such as differences in the sectoral composition of employment only explain a smaller share of the difference in employment rates with respect to the reference countries. Below we briefly review some of this evidence before turning to draw useful policy implications.

Temporary contracts fail to act as stepping-stones towards stable jobs

In the late nineties, young workers in Spain were much more likely to hold a temporary contract than their counterparts in the reference countries but, in recent years, the temporary employment rates for youth in Spain have converged to these in the other EU countries, partly because of a large drop in Spain and partly because of an increase in the reference countries (with the sole exception of the UK). Currently, around 60% of all employed Spanish workers in the age group 16-24 hold a temporary contract, as illustrated in Table 1.³

[Table 1 about here]

What makes Spain unique is the persistence of fixed-term employment along the working lives of employees. Figure 6 depicts the temporary employment rates by age and education. In Spain, almost 40% of the less-educated and 20% of the high-educated workers still hold temporary contracts at the age of 39, compared to at most 15 and 10% in the reference countries. While fixed-term contracts often act as stepping-stones toward more stable employment in those countries, in Spain they mostly become dead-end jobs.

[Figure 6 about here]

The same picture arises when we analyze the self-reported reasons for the use of temporary contracts. In Germany or France, the vast majority of these contracts cover a training period (as apprentices or trainees), while 46 to 63% of the teenagers in the Netherlands and the UK declare to prefer such contracts to permanent contracts. By contrast, in Spain around 60% of teenagers and 77% of the young adults in the age group 20-24 declare that they accepted a fixed-duration contract because they failed to find a permanent job. Moreover, the same pattern can be observed in all sectors.⁴

Time to find a first regular job

The high turnover on temporary contracts leads to considerable problems in the school-to-work transition of Spanish youth. The time required before a school leaver finds a first regular job (defined as a job that lasts for more than three months) is significantly longer in Spain than in the reference countries, and this was already true before the crisis.

³ For comparison, before the crisis the overall share of temporary contracts hovered around 32% and during the crisis this rate has dropped to less than 25% due to the intense destruction of temporary jobs (85% of all destroyed jobs).

⁴ The largest differences are observed in sectors such as construction, health and education. More than 30% of the Spanish males in the age group 25 - 34 with a job in these sectors still hold a temporary contract against their will, compared to at most 8% in Germany or 5% in the UK.

[Table 2 about here]

Our estimates, based on a survey carried out in 2009 among young persons who entered the labour market between 2002 and that year, indicate that almost 20% of the 15-34 years old who left education (for the last time) 3 to 5 years before being interviewed still had not found their first regular job at the date of the interview, compared to 5-6% in the Netherlands or the UK.⁵ Further, those who did manage to find a regular job within their first 5 years in the labour market had to wait on average more than 12 months, compared to 6 months in the Netherlands and only 4 months in the UK. Similarly, 57% of the school leavers in the Netherlands find a regular job within the first month, while the corresponding percentage for Spain is 23%.⁶

One factor that helps to account for these differences is the amount of work experience acquired while studying. The work experience accumulated as part of an educational program significantly reduces the time period required to find a first regular job in France, the UK and the Netherlands, while it has no significant effects in Spain. Furthermore, the work experience acquired during interruptions of studies does also contribute to a quicker transition from school to regular employment, but very few Spanish students use this option. All in all, this evidence points out most of them enter the labour market without relevant work experience.

Finally, it is worth mentioning that immigrant status exerts a much stronger negative effect on the length of the school-to-work transition in Spain than in the reference countries.⁷ We will come back to this point below.

Poor match between the demand and supply of skills

Besides the above-mentioned arguments, we consider a range of alternative explanations - including demographic factors and problems in the housing market - that create barriers to the early emancipation and the mobility of Spanish youth, but below we opt to first focus on the shortcomings in Spain's educational system.

High dropout rates

The biggest challenge for Spain is to achieve a substantial reduction in the share of early school leavers.⁸ During the crisis, this rate has fallen from 32% to 25%, but these figures are still more than twice as high as in many other European countries. Unless Spain manages to keep more students in education until they have at least completed upper-secondary education, structural problems in the

⁵ García Pérez (2010) provides similar evidence. Using administrative data, this author shows that labour market entrants in Spain need on average 60 months to find a permanent job. Out of these 60 months, the workers spend on average 40 months on temporary contracts and 20 months in unemployment. Further, during all this time, they hold an average of seven contracts.

⁶ We do not have comparable data for Germany, but it is well documented that over 80% of the apprentices in Germany remain with their training firm upon completion of their education.

⁷ Nationals from countries outside EU15 that are either born inside or outside Spain.

⁸ Share of the population aged 18-24 years old with at most lower-secondary education who are neither in informal education nor in training.

labour market will persist because the demand for this type of workers will not return to its pre-crisis level. Furthermore, special attention needs to be devoted to the case of immigrants. Nowadays, almost 14% of the teenagers in Spain are second-generation immigrants. This share is much higher than in the reference countries and, as mentioned above, young immigrants tend to encounter substantial barriers in their transition from school to work.

Few students choose vocational education or training

Next, among the students who do complete upper-secondary education, the vast majority opts for general education, while very few students follow vocational tracks. Broadly speaking, while in central European countries these shares are 50:50, in Spain they are 67:33. The result is a supply distribution of skills with the shape of a sand clock: at the top there are many university students and at the bottom there is a high number of dropouts, while only relatively few students are found to have intermediate (vocational) degrees.

To document this feature, Table 3 reports the orientation of the highest degree obtained by young individuals in the age group 15-34 with at least lower-secondary education and who left education between 2002 and 2009.

[Table 3 about here]

The percentage of individuals in Spain who obtained their last degree in general education is much larger (80.2%) than in the reference countries, while only a small fraction of those who finished vocational training were enrolled in a program that offered training at a workplace. This sharply contrasts with the evidence for Germany where 78.1% opt for vocational education and 75.2% for dual or apprenticeship training. Furthermore, additional evidence not reported here shows that only 7% of the Spanish teenagers work outside their educational programs. As already mentioned, the implication is that very few Spanish students enter the labour market with relevant work experience.

Skill and qualification mismatch

The poor match between the skills offered by school leavers and the skills demanded by employers leads to bottlenecks (mismatch) in the labour market. The degree of mismatch in Spain, both in terms of skills and qualifications, is high by international standards and this holds for all levels of education.

A simple measure of the degree of over-qualification that is easily comparable across countries is the share of individuals with tertiary education who work as managers or professionals (ISCO classification 1 and 2). The lower this share, the higher is over-qualification. Using data from the yearly subsamples of the EU LFS for the period 2002-2010, we find that this percentage is around 40% for prime age workers in Spain. This figure is low in comparison to the reference countries. For example, in the Netherlands it is higher than 60%. Moreover, in Spain the share of appropriately matched university graduates follows a marked declining trend since 2002.

Many of the over-qualified individuals with tertiary education end up in jobs that are more suitable for workers with upper-secondary education, forcing the latter

to accept other less demanding jobs (see Dolado et al., 2009). Indeed, in the age group 30-34, the share of individuals with upper-secondary education who work in elementary occupations (ISCO classification 8 and 9) rose by almost 10pp. between 2002 and 2008 to a maximum of 23%, compared to shares of around 10% in Germany and the Netherlands. Since then, the rate has fallen sharply, but it still remains high, around 20%.

Survey evidence, based on questions about the worker's suitability for her/his current job, leads to similar results. In the age group 16-29, 40% of the Spanish workers with a general education degree at the upper-secondary or tertiary level consider themselves as being over-qualified for their jobs, compared to 28% and 32% for those with equivalent vocational degrees.⁹ Interestingly, however, the evidence from the European Survey of Working Conditions suggests that the international differences in the degree of skill mismatch are smaller than the differences in qualification mismatch. This evidence confirms earlier findings of the OECD (*e.g.* Quintini, 2011) according to which the Spanish share of over-skilled workers is just slightly higher than the European average. The difference between the degree of skill and qualification mismatch suggests that some university graduates in Spain enter the labour market with skill levels that are comparable to those acquired in upper-secondary education elsewhere in Europe.

Institutions or sectoral specialization?

Finally, it is often argued that the poor performance of the Spanish labour market is the counterpart of the sectoral composition of output. For example, in the case of temporary jobs, many observers point to the relatively high share of seasonal activities in Spain in an attempt to explain why the share of temporary contracts in this country could exceed the European average by as much as 17pp before the crisis.

Cross-country differences in specialization patterns certainly cannot be discarded as one of the causes of this gap, but a standard shift-share analysis indicates that these differences account for at most 3pp (see *e.g.* Felgueroso, 2011 and Dolado et al., 2013). The rest is driven by the differences in the temporary employment rate at the sector level. Indeed, at the one-digit level, Spain is the EU country with the highest share of temporary jobs in all sectors and occupations.

To round off the discussion, we want to show that the specialization pattern of Spain is neither a powerful explanation for the relatively low employment rates of youth. To do so we decompose the overall differences in youth employment rates between Spain and our reference countries in two components: *i*) cross-country differences in the size of industries, measured by the percentage of the working age population employed in each sector and *ii*) cross-country differences in the ratio of the employment shares of the adult and the youth population in each sector. Whenever the latter ratio is larger than unity, young

⁹ These calculations are based on four waves of the *Encuesta de Condiciones de Vida en el Trabajo* (ECVT) for the time period 2006-2010. The reported numbers refer to averages over this time period.

workers are over-represented in this sector compared to adults. Our shift-share analysis is based on employment data by age at the two-digit level from the EU LFS for the period 1995 – 2011. For ease of exposition, the results are presented for seven broad sectors; high- and low-tech manufacturing, knowledge-intensive and less knowledge intensive sectors, construction and energy, agriculture, and a residual category with the rest of the sectors.

Inspection of the data shows that the relatively low employment rates of Spain before the crisis were driven by a deficit in the services sectors. The employment rate of these sectors is 10 to 20pp. lower than in the reference countries. For the total population, the differences are concentrated in knowledge-intensive services. By contrast, for youth the largest differences occur in the less-knowledge intensive sectors. In countries like the UK or the Netherlands, youth are over-represented in these service activities, while the employment rate of Spanish youth in this sector is 40% smaller than that of adults.

The overall results indicate that there is only one sector, namely knowledge-intensive services, in which industry size is the dominant explanation for the low employment rate of youth. In all the other sectors the differences are driven by the relatively low employment rates of youth in those industries, a pattern which the ongoing recession has accentuated even more. For example, two-thirds of the 39pp. difference in the employment rates of youth 15-24 in Spain and the Netherlands in 2011 can be attributed to differences in the employment shares of youth and only one-third to differences in industry size.

One may argue that the specialization patterns of countries have little connection to the institutional setup in the labour market. Although this may be true regarding some sectors, like tourism, where seasonality justifies the intense use of fixed-term contracts, it does not justify explain the large employment share in Spain (14%, much larger than in France, Italy or Portugal) of the construction sector in the preceding boom to the current slump. This sector experienced a boom since the early 2000s as a result of the large reduction in real interest rates which Spain enjoyed after joining the euro area. As argued by Bentolila et al. (2012a), investors in Spain partly bet rationally for low-value added industries rather than high value-added ones (like say ITs in Finland). They did so because the rigid permanent contracts would have been inadequate to specialize in more innovative industries where higher labour flexibility is required to accommodate the higher degree of uncertainty typically associated with producing high value-added goods (Saint-Paul, 1997). Thus, they chose to invest in those sectors where flexible temporary contracts could be amply used to hire relatively abundant less-skilled young workers. It is therefore clear that institutions like the dual system of employment protection play a crucial role in explaining differences in youth un/employment rates across countries.

Policy lessons

Since 2010, the Spanish labour market has undergone reforms in three occasions, and earlier this year the government announced a new plan to stimulate youth employment. In all instances, different governments started from a correct diagnosis of the problems but, with the exception of the changes

in the system of collective bargaining implemented in the 2012 reform, this has not led to the adoption of adequate corrective measures.

In particular, the authorities are still hesitant to implement far-reaching measures to eradicate the dual structure of the labour market. The consecutive reforms have reduced the gap in employment protection between permanent and fixed-term positions, but none of them tackled the root of the problem. The firing costs in case of unfair dismissals are still high by international standards and, rather than restricting the use of fixed-term jobs, the Spanish authorities have (temporarily) removed the restrictions on the renewal of fixed-term positions on top of having introduced new precarious contracts, like in the new *Contrato de Apoyo a los Emprendedores* (CAE) for firms with less than 50 employees. On paper, this heavily subsidized contract for SMEs creates an open-ended position. Yet, the workers who are hired on these contracts may be laid off at no cost during a probation period of twelve months. The incentives to rotate workers on these contracts are therefore even stronger than in the case of most temporary contracts. This diagnosis seems to be supported by the fact that only 8% of all contracts and 30% of contracts in SMEs have been signed under this new format during its first year in operation.

The stimulus plan for youth employment “*Estrategia de Emprendimiento y Empleo Joven*” (EEEJ) contains similar flaws. The plan includes some novel measures to help youth start their own business, but the rest of the plan simply consists of extending hiring subsidies for a whole range of precarious positions, including temporary part-time jobs with no clear training content. Hiring subsidies for temporary or part-time jobs may be a useful instrument to provide a first work experience to labour market entrants and to avoid that these workers lose contact with the labour market during the crisis. Yet, the widespread use of hiring incentives is clearly inefficient. Previous experience has shown that these measures generate substantial deadweight losses and undesirable substitution effects (e.g. Rebollo and García Pérez, 2009).

Given the tight budget constraints and the large number of low-educated NEET, it would be better to restrict the subsidies to contracts with a clear training content such as the *Contrato para la Formación y el Aprendizaje*. The 2012 reform temporarily extended the age limit for this type of contract, meant to offer work place training to workers without upper-level secondary education, from 25 to 30. As mentioned before, there are almost 250.000 low-educated NEET in this age group who would qualify for such a contract. Notice that for many of these workers a return to education is not feasible. However, work place-based training will only be a success if it is financially attractive to firms. The social partners should therefore restrain from setting training wages above the level of the statutory minimum wage. Yet, even so, firms may still be reluctant to hire NEET who have been unemployed for several years. So far this group only has access to training as part of an active labour market program, if they are entitled to the welfare subsidy for unemployed workers.¹⁰ It is crucial

¹⁰ This means-tested welfare subsidy of €426 per month is provided during a period of at most six months to those unemployed workers who have finished their entitlement to unemployment benefits. Participation in active labour market programs is mandatory for all participants.

that the scope of these programs is extended so that all workers at risk of social exclusion are entitled to access some form of assistance.

On the contrary, for the youngest NEET, the authorities should opt for measures that stimulate their return to the educational system. In this respect, the region of Extremadura recently launched an initiative that allows high-school dropouts to complete their mandatory secondary education (ESO) in a special program of six months. If successful, the program should be introduced nationwide as this educational degree provides access to further training or education.

To conclude, the Spanish government will need to step up its effort to improve the employment prospects of the youth and to offer solutions to those who entered the labour market with insufficient skills. Otherwise, it will be difficult to avoid that the mistakes made during the boom leave permanent scars on an entire generation of youth. The introduction of a youth guarantee, as recently proposed by the European Commission, is not feasible in the current context. Such a guarantee would force the authorities to offer access to training, work experience or education to any young worker who is without a job for longer than four months. Currently there are several hundred thousand young workers in this condition, and even in regular times their number would exceed the capacity of the public employment services. As a result, prior to the introduction of a youth guarantee, the government will first have to take effective measures in order to reduce the excessive rate of worker turnover, for example through the introduction of what is known as a single-open contract with gradually increasing severance pay up to a reasonable upper limit (see Bentila et al, 2012b), in conjunction with a few fixed-term jobs for replacement purposes (maternity, sickness).

Finally, the current crisis illustrates that it is of utmost importance to avoid that young people enter the labour market without the minimum credentials to guarantee access to stable employment. In the future Spain should envisage the option to increase the mandatory schooling age to 18 for those who have not yet completed upper-level secondary education or equivalent vocational education. But before this is a real option, Spain would need to strengthen its system of vocational training through an extension of the apprenticeship system that is currently on trial in many regions, as well as by offering students the option to start with vocational education before completion of ESO. The education reform that is currently under discussion contains several proposals along these lines. Since this reform proposal guarantees full access to further education or training to those who opt for basic vocational training at an earlier age, it could help in converting youth employment experiences into a real “stepping stone” toward a stable labour market career, in contrast to how they operate nowadays.

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Tables and figures

Table 1. Share of temporary contracts among employed youth, 16-24. (%)

	Primary education or less	Lower-secondary education	Upper-secondary education	Tertiary education
2007:1	69.7	60.7	59.5	64.3
2013:1	60.2	56.5	60.3	67.6

Source: EPA, INE

Table 2. Time needed to find a first regular job after leaving education, 15-34

Time since leaving education	Percentage of 15-34 years old who have not found a regular job				Average time needed to find a job, in months			
	Spain	France	Netherlands	UK	Spain	France	Netherlands	UK
13-24	40.4	25.5	6.1	10.7	4.1	3.7	2.1	3.1
25-36	28.1	17.3	5.4	8.3	6.3	6.2	3.6	4.2
37-48	18.5	12.9	5.8	8.1	9.3	5.7	5.2	4.3
49-60	19.7	15.4	5.0	4.3	12.8	6.7	6.3	4.4

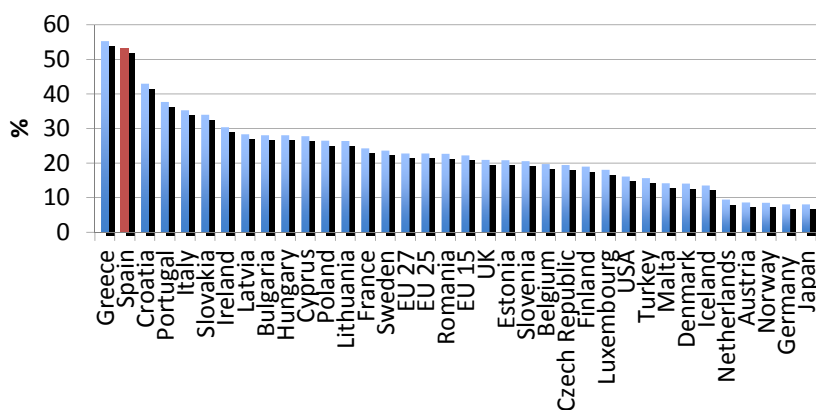
Source: Dolado et al. (2013), based on 2009 EU Labour Force Survey, ad hoc module

Table 3. Orientation of the highest degree obtained in formal education

Orientation	Spain	France	Germany	UK	Netherlands
General education	80.2	39.0	21.9	57.1	23.1
Vocational education	19.8	61.0	78.1	42.9	76.9
Mainly school-based	17.6	37.8	1.7	6.7	
Dual training	1.9	0.0	75.2	0.0	
Mainly work place-based	0.2	21.6	1.2	31.7	
No distinction possible	0.1	1.6	0.0	4.5	76.9

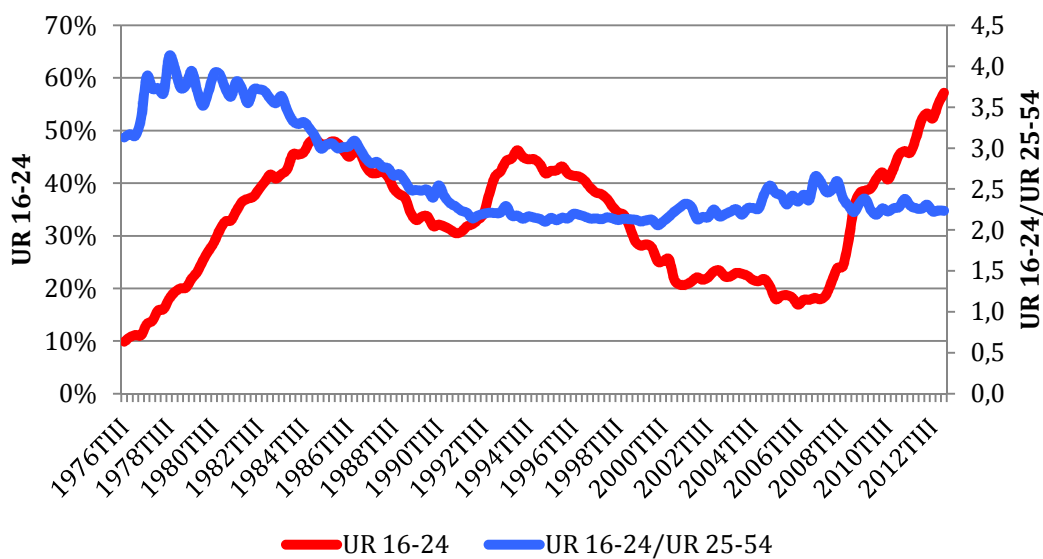
Source: Calculations based on the 2009 ad-hoc module of the EU Labour Force Survey

**Figure 1. Unemployment rates in Europe. 15-24 years old.
2012**



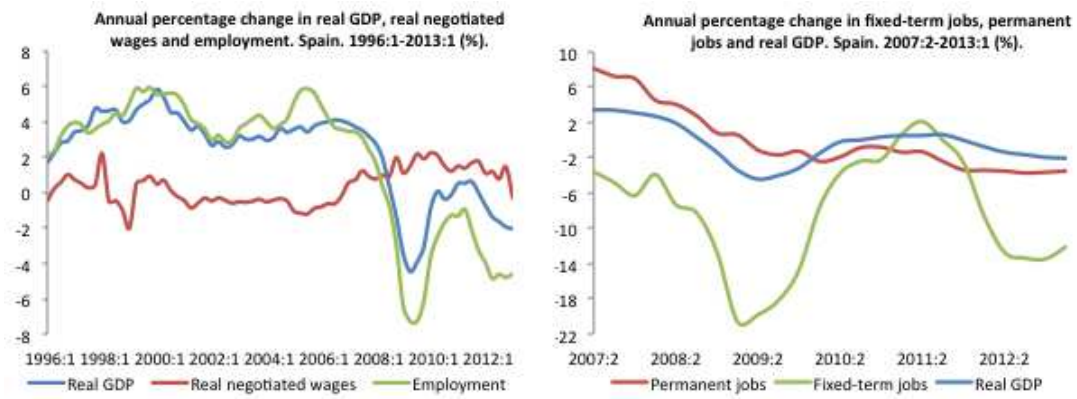
Source: Eurostat

**Figure 2.
Youth unemployment rates (UR) and ratio UR 16-24/UR 25-54.**



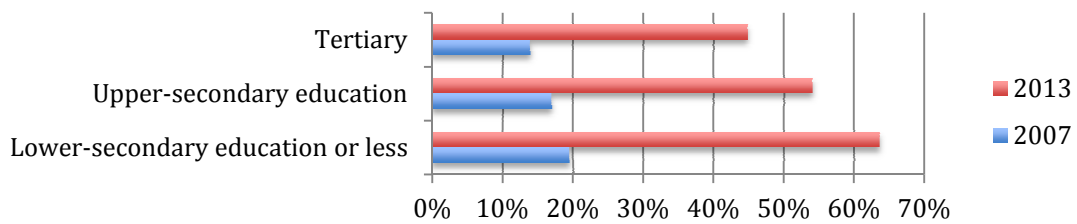
Source: Spanish LFS (EPA)

Figure 3. The cyclical dynamics of the Spanish labour market



Sources: EPA and Spanish National Accounts (INE)

**Figure 4.
Unemployment rates by education level 16-24.
2007 vs 2013.**

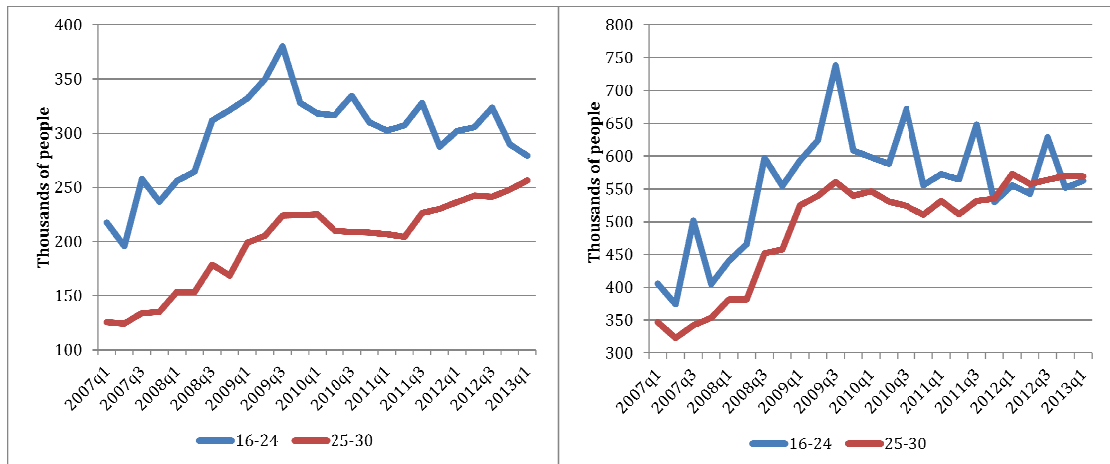


Source: EPA, INE

Figure 5. Low-educated NEET, 2007:1 – 2013:1

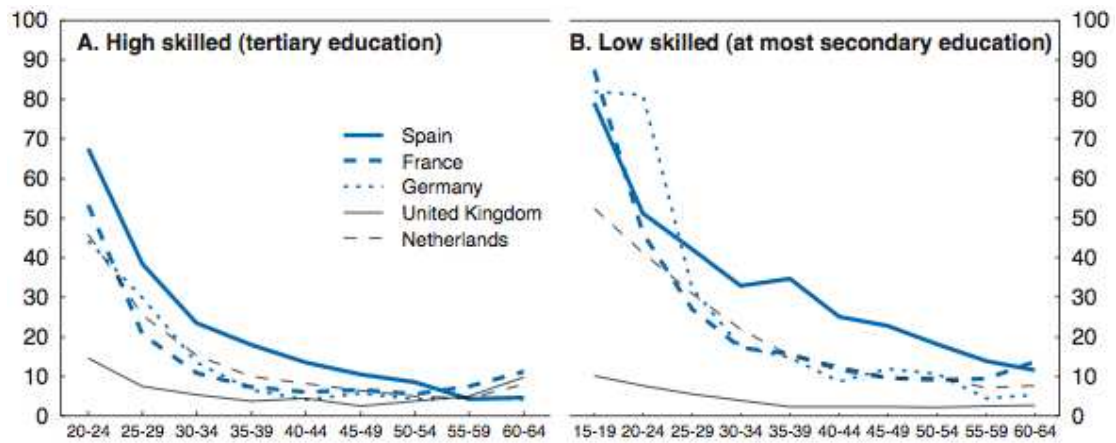
(a) Without ESO

(b) With ESO



Source: Spanish LFS (EPA), INE

Figure 6. Temporary employment rates by age and education (2010)



Source: Dolado et al. (2013), based on yearly subsamples of the European Labour Force Survey 2010