

## Youth Unemployment and Job Insecurity in Spain **Problems and Policy Options**

*María Ramos and Carlos Victoria*

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**Summary** Youth unemployment rates in Spain are considerably higher than the European average. Moreover, those young people who do have jobs generally work under extremely unstable conditions on temporary contracts. Most of these temporary contracts are “involuntary” – workers would prefer to find permanent jobs but are unable to do so. The consequences of this job insecurity in Spain are dramatic. Across the educational spectrum, young workers are at greater risk of remaining unemployed, getting stuck in temporary contracts for long periods of time, experiencing wage penalties, or being over-qualified for their jobs. The crisis has increased the overall risk of long-term poverty and social exclusion, particularly for youth with migrant backgrounds and those who are not in education, employment, or training. The paper concludes by outlining the three most urgent objectives for the Spanish labor market today: bridging the gap between education and work; developing active labor market policies; and reducing labor market segmentation between workers with temporary and permanent contracts and between “insiders” and “outsiders.”

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# Youth Unemployment and Job Insecurity in Spain

## Problems and Policy Options

*María Ramos and Carlos Victoria*

Unemployment is arguably the main challenge the Spanish economy faces today. While low employment is a matter of concern for many countries, Spain's disproportionate unemployment figures surprise beyond its national borders.<sup>1</sup> In mid 2016, as other countries start showing signs of recovery from the "Great Recession," there are still 4.5 million unemployed in Spain – an unemployment rate of about 20 percent. More than 1 million of these are young people under the age of thirty.

It is well known that unemployment rates in Spain, and especially among youth, are considerably higher than the European average. Moreover, young people who do have jobs generally work under very unstable conditions; most have temporary contracts because they are not able to find permanent jobs. The consequences of this job insecurity – a combination of high unemployment rates, temporary employment, and uncertainty about the professional futures of young people – are dramatic. Across the educational spectrum, young workers in Spain have greater chances of remaining unemployed or getting stuck in a temporary contract for long periods of time, experiencing wage penalties, or being over-qualified for their jobs. The crisis has, moreover, increased this group's risk of experiencing poverty and social exclusion. This is particularly the case for the so-called NEETs (young people who are "not in education, employment, or training") and those with migrant backgrounds.

### Youth in Germany, France, and Spain: Three Very Different Experiences

In analyzing the Spanish case, we have kept France and Germany in mind for comparative purposes. While

recognizing that every country has its own characteristics and follows its own path – and while remaining cautious about drawing generalizations from individual instances of success – the examples of other countries offer lessons worth considering.

A recent study of youth unemployment problems in Europe edited by Juan J. Dolado identified three groups of countries that correspond to the cases considered here: Germany as an example a "top performer" (together with Austria and Switzerland); France as one of the "middle performers" (together with Sweden and the United Kingdom); and Spain, as one of the "laggards" hit hardest by the crisis (alongside Greece, Italy, and Portugal).<sup>2</sup>

The table on page 4 provides some indicators that allow us to compare the main characteristics of the German, French, and Spanish labor markets. Spain stands out in the high level of both its general and youth unemployment levels. Even at the peak of its real estate bubble, moreover, Spain had abnormally high levels of unemployment. Regarding the conditions of those employed, both France and Spain have a high share of temporary contracts; however, temporary work in Spain has some distinguishing features, and the proportion of contracts that are "involuntary" – that is, the main reason for them is that their holders are unable to secure permanent contracts – is much higher in Spain. Moreover, the temporary-to-permanent conversion rate is also very low. The situation is similar regarding part-time jobs. Employment protection legislation is extremely dual in both France and Spain.<sup>3</sup> Whereas in Germany, the link between the educational system and the job market is fluid, in Spain and France it is less functional.

**Table 1. Some Descriptive Indicators of the Countries Considered**

	Germany	France	Spain
<b>Youth Unemployment</b>	Low (ca. 8%)	Medium (20–25%)	High (up to 50% during the recession)
<b>General Unemployment</b>	Low (5–7%)	Medium (9–10%)	High (up to 25% during the recession)
<b>Temporary Contracts</b>	High number of temporary contracts, most of them for training	High number of temporary contracts, most of them involuntary or for training	High number of temporary contracts, most of them involuntary and with very low temporary-to-permanent conversion rates
<b>Part-time Jobs</b>	Abundance of voluntary part-time jobs	Abundance of involuntary part-time jobs	Abundance of involuntary part-time jobs
<b>Link between the Educational System and Work</b>	Efficient use of vocational training and apprenticeship institutions Bridges from vocational training to formal degrees	Partly dysfunctional	Weak links between education and work Vocational training unappreciated by general population Excess of supply of university degrees

Source: The authors, based on OECD and Eurostat indicators

The analysis looks at the present and future effects of job insecurity among Spanish youth and outlines some policy measures for tackling it. Section I reviews the main figures and facts about unemployment in Spain, focusing on the disproportionate impact of the recession on the young compared to the general population. Section II examines recent trends in long-term unemployment and outlines the long-term effects on the careers of workers. It also reviews the data on temporary employment and outlines the main characteristics of the Spanish labor market, highlighting the phenomena of duality of temporary and permanent contracts and segmentation between temporary and indefinite workers. Finally, the section comments on the negative impact of temporary employment on youth. Section III sketches policy options for tackling the labor problems of Spanish youth, focusing on three

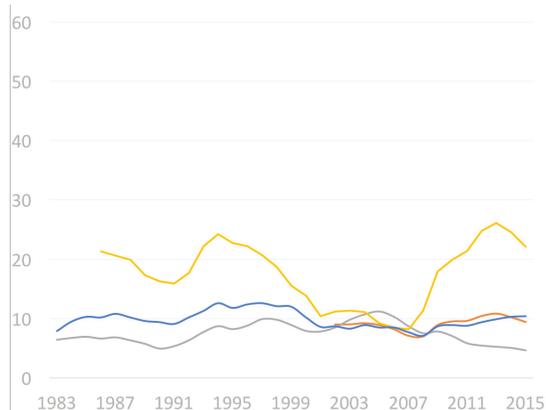
priorities: 1) closing the gap between education and work, 2) designing active labor market policies, and 3) reducing segmentation in the the labor market.

## I. Trends in Unemployment Rates

While the Great Recession involved a considerable decline in GDP all over Europe, the adverse economic situation on employment has varied widely from country to country. Looking first at changes in total unemployment rates (fig. 1, left panel), we see that unemployment in Spain has risen dramatically since 2008: from around 11 percent in 2008 to a peak of 26.1 percent in 2013 and remaining above 22 percent in 2015. The increase in French unemployment has been timid in comparison: 3 percentage points since 2008, up to 10.4 percent in 2015. The situation

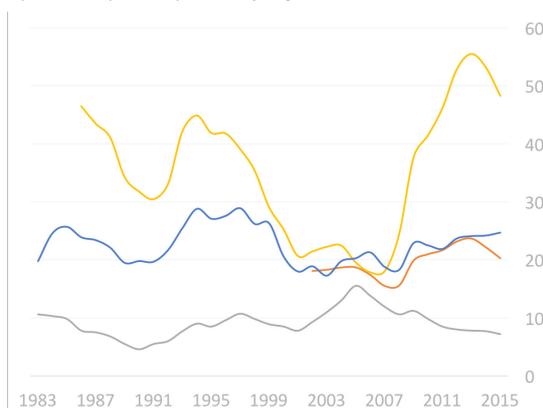
**Figure 1. Unemployment Rates since 1983**

a) Unemployment rate



Source: EU Labour Force Survey (Eurostat)

b) Youth (15–24) unemployment rate



in Germany is markedly different: although the rate increased minimally from 2008 to 2009 (by 0.2 percentage points), it has steadily decreased since then, reaching 4.6 percent in 2015.

Something similar happened with youth unemployment rates in these three countries (fig. 1, right panel). With the second highest youth unemployment rate in the EU (after Greece), Spain has seen its figures worsen dramatically since 2007. For young people aged 15 to 24, the rate rose by 40 percentage points between the beginning of the Great Recession and 2015. (In contrast, Germany's rate decreased by 3 percentage points in the same period.) In 2013 rates in Spain peaked at 55.5 percent of all youth – a sharp contrast to Germany's highest youth unemployment levels: 15.5 percent in 2005.

Although unemployment in Spain has increased greatly in recent years, the problem is not new. Even in comparatively good times, such as the mid 1980s and mid 1990s, unemployment rates have been extremely high.<sup>4</sup> We see that the country's economy combines two distinctive features: not only is Spain's unemployment rate abnormally high during times of economic expansion (the average rate from 1995 to 2015 was above 16 percent, whereas in France it was slightly above 9 percent and in Germany below 8 percent), it also shoots up during recessionary periods.

### Youth and Adult Unemployment: The Uneven Impact of the Recession

In all countries, the youth unemployment rate is higher than the general unemployment rate, as youths tend to be more vulnerable to unemployment than adults. Several explanations have been offered for this (summarized on Table 2).

**Table 2. Some Explanations for Higher Rates of Youth Unemployment**

Demand-side factors	Supply-side factors
Youths have less specific human capital and fewer work skills, and firms usually have greater ability to fire them or not renew their contracts ("last-in first-out" rule).	Youths tend to have fewer financial commitments than their elders.
The "experience trap": employers prefer workers with experience, so youths are rarely hired and therefore cannot acquire experience.	Their parents may be willing to support them if they are unemployed.
Youth are less efficient in job search activities.	

Source: The authors, based on data presented in David Bell and David Blanchflower, "Young People and the Great Recession," *Oxford Review of Economic Policy* 27, no. 2 (2011), pp. 241–67

Despite the fact that unemployment always affects more young people, however, there are significant national differences in the youth-adult unemployment ratio.<sup>5</sup> These ratios are particularly large in Denmark, Finland, Italy, Korea, New Zealand, Norway, Iceland, Sweden, and the UK – countries with very high rates of youth unemployment. Germany and Austria have the smallest ratios (of approximately 1:5), meaning that the differences between youth and adult unemployment are not so large. In Spain this ratio is approximately 2:1, meaning that the unemployment rate for youth (aged 15–24) is about twice the adult unemployment rate. (This mirrors the EU average rate.) This suggests that, compared with other countries and bearing in mind the large overall rates of unemployment, Spain has to tackle the specific problem of the labor situation of its youth in addition to the general labor market problem for its general population.

It has been widely shown that youth unemployment has a high degree of cyclical sensitivity – that is, that youth unemployment rates are more sensitive to business-cycle conditions than adult unemployment rates. This is due to the disproportionate presence of young people in temporary jobs as well as to their concentration in more seasonal and cyclically-sensitive industries such as retail trade or accommodation and food service activities.<sup>6</sup> Moreover, as a group, young people have been among those most affected by the recent recession and the uneven recovery.<sup>7</sup>

While youth unemployment rates around the world are indeed higher than the unemployment rate of the general population (and in recent years have increased more than the rate of unemployment for older workers), there are notable national differences. Mediterranean countries, for example, have significantly higher rates of youth unemployment than their Northern European counterparts and other parts of the developed world. Spain in particular is the country with the highest rate, while France has registered only a slight increase, and Germany has been able to avoid the worst effects of the financial crisis.

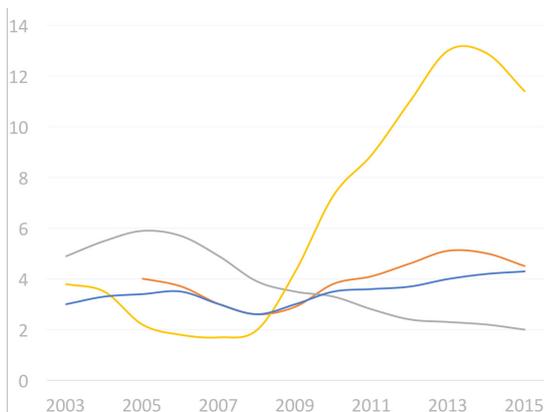
### The Lasting Effects of Long-term Unemployment

Unemployment in Spain is not only problematic for its intensity but also for its persistence. The problem is not only the high percentage of unemployed but also the fact that, in many cases, unemployment endures over workers' lifetimes.

The long-term unemployment rate has grown steadily in Spain since the beginning of the recent recession (fig.2), and has only started to decrease in the last year. Before the crisis, it stood at comparatively low levels, and it was

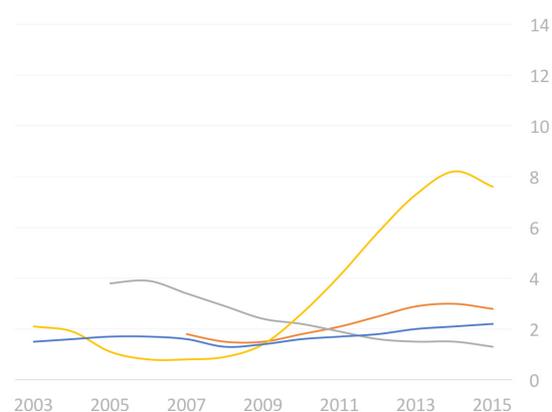
**Figure 2. Long and Very Long-term Unemployment**

a) Long-term unemployment (12 months or more) as a percentage of active population



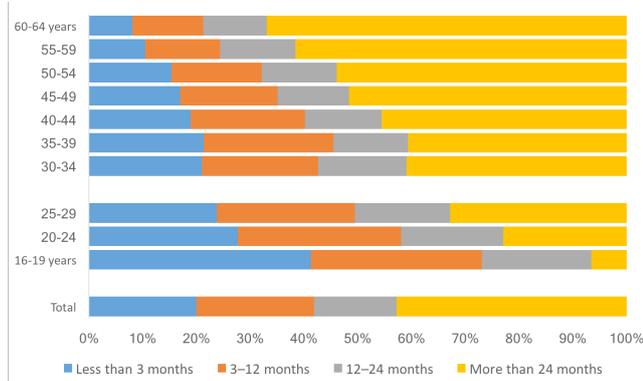
Source: EU Labour Force Survey (Eurostat)

b) Very long-term unemployment (24 months or more) as a percentage of active population



even below the levels registered in Germany or France. As the economic situation worsened, however, the percentage of long-term and very-long unemployed within the active population kept growing. It peaked between 2013 and 2014, where 13 percent and 8.2 percent of the active population remained unemployed for more than 12 and 24 months, respectively.

Long-term unemployment is not as common among Spain's youth than among its older workers. Less than 30 percent of workers aged 16–19 and around 40 percent of workers aged 20–24 have experienced long-term unemployment (fig. 3), whereas the vast majority of older unemployed people have been without jobs for more than 12 months. There is a high degree of variability among young workers, however; while some can find a job quite quickly, others get stuck on the unemployment rolls. German youth unemployment, in contrast, is characterized by relatively short average duration.<sup>8</sup>

**Figure 3. Length of Unemployment by Age Group**  
Time in unemployment, by age group

Source: EU Labour Force Survey (Eurostat)

Studies show that long-term unemployment can have long-lasting negative effects on the careers of workers. Adverse social impacts of unemployment on youth include “state dependence” (i.e., bad labor market outcomes are a consequence of extended unemployment) and “scarring effects” (initial failures on the labor market often entail long-lasting negative outcomes on future employment perspectives, earnings, etc.). David Bell and David Blanchflower found evidence of state dependence in youth unemployment, meaning that the experience of one period of unemployment increases the probability of further periods.<sup>9</sup> This may be because employers are less willing to hire those with a record of unemployment or because the experience of unemployment discourages individuals from further job search activity.

Scarring effects can result, associated with a decline in human capital (i.e., deterioration of skills and foregone work experience) or signaling effects (i.e., periods of unemployment send a signal of low productivity to potential employers). Recent research by Katharine G. Abraham and colleagues counters the hypothesis that the long-term unemployed have poorer prospects from the beginning of their unemployment periods, and suggest that the lower level of earnings is attributable to difficulties in having future jobs, not by having lower earnings when they have a job.<sup>10</sup>

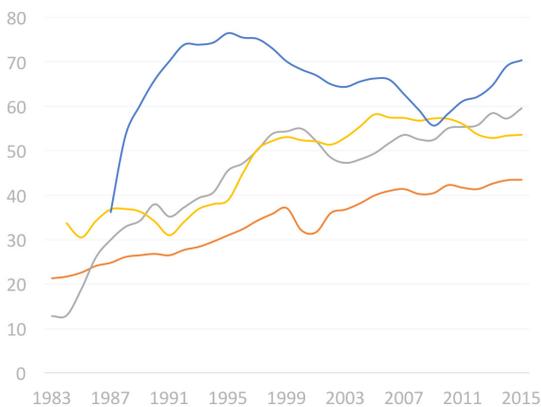
In addition to negative effects on future wages and employability, long spells of unemployment in youth can create permanent scars and harmful effects, taking a toll on such factors as happiness, job satisfaction, and health.<sup>11</sup>

## II. Temporary Employment and the Structure of the Labor Market

Spain’s high level of youth unemployment is not the only negative indicator for young people on the Spanish labor market. The comparatively large proportion of temporary employment is also alarming, especially because most temporary contracts are involuntary – meaning that workers accept them only because they cannot find a permanent job.

**Figure 4. Percentage of Temporary Contracts among**

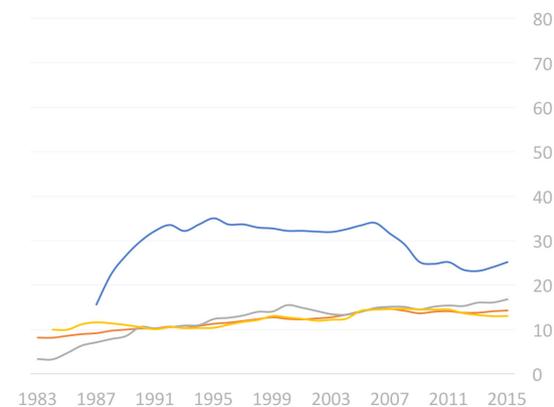
a) Youth (18–24) workers



Source: EU Labour Force Survey (OECD Labour Market Statistics)

respectively. It is essential to note here that most temporary contracts in Spain, moreover, are involuntary; four out of five young Spaniards have temporary contracts because they are unable to find permanent jobs (fig. 5). We can therefore conclude that in Spain, temporary work is involuntary in general. This situation contrasts with a country like Germany, where less than 5 percent of young people working on a temporary contract cannot find a permanent one, and where the main reason

b) Total population

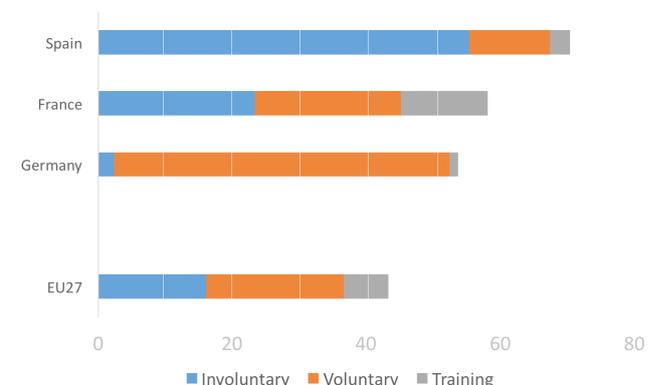


Spain stands out from France and Germany for its higher share of temporary contracts (fig. 4). Indeed, within Europe, Spain is surpassed only by Poland in its extremely high proportion of young people working on temporary contracts. The use of temporary contracts – in particular for young workers – became widespread in the 1980s after the implementation in 1984 of a labor market reform that eliminated the requirement that temporary contracts be associated with activities of a temporary nature. Temporary contracts peaked in 1995, when 76.5 percent of workers aged 18–24 had them. This was followed by a few years of stability and a relative decline in the levels of temporary work among young people. However, the amount of temporary work started rising continuously in the first years of the recession (2007–10). This has been a specific feature of the Spanish labor market during the crisis, when more jobs were cut in the temporary sector.

The problem of temporary contracts in the Spanish labor market relates not only to its intensity but also to its involuntary nature. As we have seen, around 70 percent of workers aged 15–24 have a temporary contract in Spain (fig. 4) – higher than in France or Germany, where the percentage is about 60 and 55 percent, re-

for having a temporary contract is that they are either in education or training or are employed for a probationary period.

**Figure 5. Levels of Temporary Employment for Youth (18–24) Workers: Involuntary, Voluntary, and Training**



Bars represent the total share of temporary employees as a percentage of the total number of employees

Involuntary temporary employment refers to those individuals who answer that they “could not find permanent job,” while voluntary temporary employment includes those who answer that they “did not want a permanent job.” Training refers to those who are in education or training, or employed for a probationary period.

Source: EU Labour Force Survey (Eurostat, 2015)

### Three Distinctive Features of Temporary Employment in Spain

To sum up, the Spanish labor market has three distinctive features of temporary employment. 1) Most youth employment – about 70 percent – is temporary. Temporary contracts are the hiring norm in Spain, and the default type of contract offered to young workers. 2) Most temporary contracts for young people – 80 percent – are involuntary. Training contracts and apprenticeships are much less widespread than they are in Germany, and only a small proportion of young workers have a temporary contract by choice rather than out of necessity. 3) Many temporary short-term contracts are linked together, a feature closely related to points 1 and 2. This chain of temporary contracts, rather than serving as a stepping-stone to more stable contracts, usually becomes a trap for young workers. While it is true that young people in many countries enter the labor market on temporary contracts, the difference in Spain is that they tend to stay on temporary contracts for a very long period of time, making temporary employment in Spain a highly persistent phenomenon. A 2007 study showed that 21.4 percent of temporary workers still had a temporary contract after five years; while a 2011 study found that over 40 percent of those who entered the labor market before age 21 with a temporary contract remained in that situation after twenty years.<sup>12</sup> In addition, the rate of converting temporary contracts to permanent ones is very low – generally below 10 percent.<sup>13</sup>

### Negative Consequences of Temporary Employment in Youth

Spanish policy makers should be concerned that temporary contracts are a standard path for the labor incorporation of young people. Job insecurity associated with temporary contracts may affect workers in many different ways, from future wages and healthy career development to long-term chances of being unemployed and the risk of poverty and social exclusion. An employee's type of contract, for instance, has an effect on transitions to unemployment; temporary workers become unemployed at a higher rate than ones with permanent contracts.<sup>14</sup> In Spain this difference is striking. More than 20 percent of temporary workers moved to unemployment in 2014.

Furthermore, the short duration of temporary contracts and the instability linked to them gives firms very little incentive to invest in training. Wages are significantly lower for temporary jobholders. Evidence shows that workers entering the labor market right after the liberalization of temporary contracts – i.e., after 1984 –

experienced a penalty in the form of accumulated days of work and accumulated earnings, and can persist beyond five to ten years of working career.<sup>15</sup>

Finally, the problem of “in-work-poverty” and the risk of social exclusion is particularly important for the youngest workers with temporary contracts. Regarding the risk of poverty and social exclusion of young people, the European Commission points to a direct relation between three factors: leaving the parental household, level of education (in an inverse relation), and whether or not the person is an immigrant or has an immigration background. Two groups at a higher risk of social exclusion are therefore “NEETs” (youth “not in employment, education or training”) and those with migrant backgrounds.<sup>16</sup>

### III. Policy Options

The Spanish labor market is so dysfunctional – particularly for young people – that it is tempting to emulate wholesale the successful experiences of other countries. Naturally, the German case has received much attention. Despite the decline in Germany's GDP, the recession did not adversely impact its labor market, and unemployment rates were hardly affected. Indeed, unemployment rates – both for the general population and for youth – have been going down in recent years. A word of caution is needed, however. Although some of the policies driving Germany's success could guide policy measures elsewhere, others are not so easily extrapolated to different national contexts.<sup>17</sup>

Youth unemployment can be a problem even during times of economic growth, and many different national policies have been carried to address it. Success appears linked to implementing better vocational training and apprenticeship institutions, such as the “dual system” (on-the-job training plus formal vocational education) common in Germany and programs that target potential school dropouts and keep “bridges” open to higher education. Strikingly different policies are in place in different countries, with correspondingly different rates of success. Whereas youth unemployment in Germany has decreased since 2008, France and especially Spain have seen further deterioration. Two reasons suggested for Spain's lower performance – apart from the impact of the recession itself – are segmentation of the labor market and poor vocational training.

Three objectives are particularly urgent for the Spanish labor market today: 1) bridging the gap between education and work, 2) developing active labor market policies that really work, and 3) reducing labor market segmentation between “insiders” and “outsiders.”

## Bridge the Gap between Education and Work

One of Spain's most persistent structural problems is the lack of connection between the educational system and the labor market. Levels of dropouts in secondary and post-secondary school are worrying. The percentage of young employees who consider themselves over-qualified is also much higher in Spain than in the rest of Europe, and far above Germany; this is true for all educational levels, but especially for those with tertiary education (two out of three). Moreover, many employers are reluctant to hire young people with no work experience.

The Spanish government has already implemented several measures to tackle these problems. These include the Estrategia de Emprendimiento y Empleo Joven (strategy for enterprise and youth employment) of 2013, which focuses on helping young people enter the workforce, and the Plan Nacional de Implantación de la Garantía Juvenil (the National Plan for Implementing the [European] Youth Guarantee), which aims to guarantee either a job offer, continuous training, or an internship within four months after a young person has completed formal education or become unemployed.

There is broad agreement that apprenticeship and training contracts are, in theory, successful ways to help young people acquire skills and work experience at the same time. In this sense, although young people with a vocational training face different problems joining the labor market than their more academically oriented counterparts, both experience a common disconnect between education and work.

With regard to vocational training, Spain is trying to implement the so-called dual system along German and Swiss lines. It is well known, however, that the key to apprentices' success in firms is that they develop outside traditional schools, receiving a combination of instruction and work experience. This is precisely where the Spanish economy faces greater challenges. The average firm size in Spain is extremely small, and small firms account for a large share of the country's total employment. Such small firms have very low training capacity. The structural constraints of the Spanish economy therefore make it truly difficult for such training programs to be successful.

It is also crucial to link training to the work experience of university graduates. A widespread practice in Spain is to hire recent college graduates with a kind of "apprenticeship" or "scholarship" contracts. (Known as *becas*, these are sometimes closer to the idea of a grant.) In most cases, however, *becas* are far from genuine training contracts. Very often they have no training component whatsoever. Many employers see them as a cheap way to

hire workers for less-demanding tasks. They seldom turn into real jobs; a new "apprentice" simply fills the vacancy. To enhance the potential stepping-stone effect of such apprenticeship contracts, it has been suggested that employers should have a financial incentive to hire their former apprentices on a more permanent basis at the end of their *becas*.<sup>18</sup>

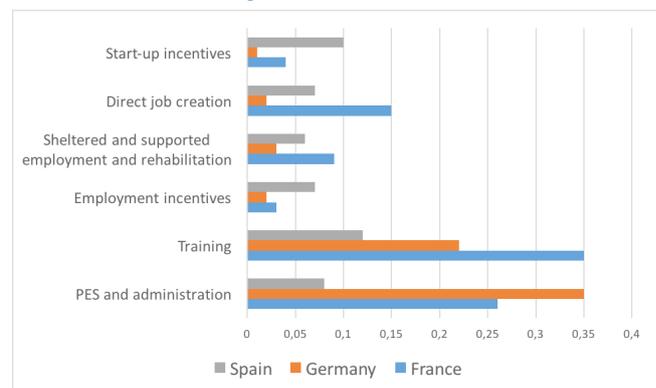
## Develop Active Labor Market Policies

Reviews of the effectiveness of active labor market policies have shown that job-search monitoring and quality assistance programs tend to be cost-effective and have a considerable impact on employment, in particular in the short run and long term.<sup>19</sup> On-the-job training programs also have good outcomes but more in the medium run than in the short run. In contrast, direct job creation by the public sector has proven to have the lowest impact on employment.

Though shown to have limited efficiency, employment subsidies have in fact increased in recent years in Spain. These cover not only employment incentives to employers but also subsidies to unemployed people who are starting their own enterprises (fig. 6). Compared to other countries, both measures comprise a considerable part of Spain's public expenditure on active labor market policies. Sometimes, however, it is not a matter of spending *more* but rather a matter of spending *better*. Two priority problems regarding the active labor market are therefore 1) how to avoid excessive recourse to employment subsidies and 2) how to improve the functioning of public employment services.

One of the most significant measures implemented in Spain in recent years has been the subsidization of permanent contract hires. This does not appear to have been truly successful, however, and the conversion rate of tem-

**Figure 6. Public Expenditure of Active Labor Market Policies as Percentage of GDP**



Source: OECD Statistics

porary to permanent jobs remains low. The 2012 reform of the work and training contract, which increased the age of eligibility from 25 to 29 and relaxed its conditions, was supposed to boost this kind of contract (the main instrument for fighting youth unemployment over the last thirty years, but in decline since the 1990s). However, conversion rates from internships to indefinite contracts remain minimal.<sup>20</sup> Another problem associated with subsidies of this kind are their deadweight and substitution effects. As has been extensively shown, the expected employment gains are indeed very small in the short term when aggregate demand and vacancies are fixed.<sup>21</sup>

Spain's public employment services (PES) are poorly adapted to the real needs of the labor market; they are only involved in a very low proportion of contracts signed and are not really aimed at activating employment or finding personalized ways to help people get back to work. In fact, the unemployed widely consider the PES as a means of managing unemployment benefits. In this sense, the great challenges for the Spanish PES is modernization and making it possible for unemployed youth to turn to their offices even when they are not entitled to unemployment benefits.

### Reduce Labor Market Segmentation

The Youth Guarantee recommendation adopted by the EU's Council of Ministers in April 2013 seeks to ensure that all EU member states "make a good-quality offer of employment, continued education, an apprenticeship or a traineeship" to all young people under 25 "within four months of becoming unemployed or leaving formal education."<sup>22</sup> In its theoretical and inspirational guidelines, which recommend combining early intervention with activation policies, the Youth Guarantee strategy seems to be a good idea for improving the link between education and the labor market and including elements of activation in Spain's employment policies.

Several experts have already pointed out, however, that the expected gains from its introduction are very small in the absence of an agenda to stimulate growth in Europe. Specifically, there is a risk that introducing the Youth Guarantee may defer the implementation of

more politically challenging reforms, such as measures to reduce labor market dualism.<sup>23</sup> In this regard, it is important to keep in mind that Spain, because of its high employment protection legislation gap, is the paradigmatic example of a dual labor market characterized by a high degree of labor market segmentation between temporary and permanent jobs. Other structural problems in the labor market invite adopting deeper measures aimed at reducing the gap between outsiders and insiders.

So far, one proposal has been to reduce the gap in severance payments between temporary and permanent contracts, as was done in the 2012 reform. Another idea gaining increasing attention as a more effective way to decrease the duality in Spain is the elimination of temporary contracts, replacing these with a new permanent contract that specifies severance payments increasing progressively on the basis of seniority.<sup>24</sup> In the same vein, another proposal is the combination of a such a contract with the "Austrian capitalization fund" – a workers' notional account involving a few percentage points of payroll taxes, which can be used along the life cycle and not necessarily when a dismissal takes place.<sup>25</sup>

All in all, the political economy equilibrium of this deeper reform is difficult to achieve in the short term given the current balance of forces in Spanish parliament. In the meantime, an easier measure that would gather more agreement in the short term would therefore be to increase the length of the probationary period in permanent contracts. In Spain the trial period in permanent contracts is among the lowest compared to neighboring countries.<sup>26</sup> Raising it would make employers less reluctant to hire inexperienced youth under permanent contracts.

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## Notes

- 1 According to the monthly barometers conducted by the Spanish Centre for Sociological Research (CIS), the percentage of individuals who spontaneously mention “unemployment” as one of the country’s first three problems has systematically exceeded 70 percent since 2009.
- 2 Juan J. Dolado, “Introduction,” in *No Country for Young People? Youth Labor Market Problems in Europe*, ed. Juan J. Dolado (London, 2015), pp. 1–14 <[http://voxeu.org/sites/default/files/file/No\\_Country\\_Young\\_People\\_VoxEU.pdf](http://voxeu.org/sites/default/files/file/No_Country_Young_People_VoxEU.pdf)> (accessed November 14, 2016).
- 3 For more on dual employment protection legislation, see Juan Dolado et al., “Replacing Dual Employment Protection with a Single Labour Contract,” *VOX: CEPR’s Policy Portal*, January 30, 2016 <<http://voxeu.org/article/replacing-dual-employment-protection-single-labour-contract>> (accessed November 15, 2016).
- 4 See for example previous trends, with special attention to the employment crisis in the 1990s, in Luis Toharia, *El Mercado de trabajo en España* (Madrid, 1998).
- 5 Dolado, “Introduction,” pp. 3–4; Stefano Scarpetta et al., “Rising Youth Unemployment during the Crisis: How to Prevent Negative Long-term Consequences on a Generation?” OECD Social, Employment and Migration Working Papers 106 (2010) <<http://www.oecd.org/employment/youthforum/44986030.pdf>> (accessed November 14, 2016).
- 6 Scarpetta et al., 2010; David Blanchflower and Richard Freeman, eds., *Youth Employment and Joblessness in Advanced Countries* (Chicago, 2007); David Bell and David Blanchflower, “Young People and the Great Recession,” *Oxford Review of Economic Policy* 27, no. 2 (2011), pp. 241–67; “Off to a Good Start? Youth Labor Market Transitions in OECD Countries,” in *OECD Employment Outlook 2008* (Paris, 2008), pp. 25–78.
- 7 Bell and Blanchflower, “Young People and the Great Recession”; “Recent Labor Market Developments and the Short-term Outlook,” in *OECD Employment Outlook 2016* (Paris, 2016) <DOI:10.1787/empl\_outlook-2016-en> (accessed November 14, 2016).
- 8 Regina T. Riphahn, “Patterns of Youth Unemployment: The German Case,” in *No Country for Young People?* ed. Juan J. Dolado (London, 2015), pp. 25–34.
- 9 Bell and Blanchflower, 2011.
- 10 Katharine G. Abraham et al., “The Consequences of Long Term Unemployment: Evidence from Matched Employer-Employee Data,” NBER Working Paper 22665, National Bureau of Economic Research, Washington, DC (October 2016) <<http://www.nber.org/papers/w22665>> (accessed November 15, 2016).
- 11 Scarpetta et al., 2010.
- 12 Luis Toharia and Inmaculada Cebrian, *La temporalidad en el empleo: Situación y trayectorias* (Madrid, 2007); J. Ignacio Conde-Ruiz, et al. “Reforma Laboral 2010: Una primera evaluación y propuestas de mejora,” *Revista de economía aplicada* 19, no. 57 (2011), pp. 147–82 <<http://www.redalyc.org/pdf/969/96922243006.pdf>> (accessed November 14, 2016).
- 13 Maia Güell and Barbara Petrongolo, “How Binding are Legal Limits? Transitions from Temporary to Permanent Work in Spain,” *Labor Economics* 14 (2007), pp. 153–83 <<http://personal.lse.ac.uk/petrongo/guell-petrongolo.pdf>> (accessed November 14, 2016). For more on how temporary work in Spain is more likely to become a trap than a bridge to permanent employment, see Catalina Amuedo-Dorantes, “Work Transitions into and out of Involuntary Temporary Employment in a Segmented Market: Evidence from Spain,” *Industrial and Labor Relations Review* 53 (January 2000), pp. 309–25; J. Ignacio García Pérez and Judit Vall Castello, “Youth Unemployment in Spain: More Issues than Just High Unemployment,” in *No Country for Young People?* ed. Juan J. Dolado (London, 2015), pp. 117–29.
- 14 Workers who enter the labor market with a temporary contract face a higher risk of unemployment or of having a temporary job – possibly an involuntary one – in the future. See Jorge Galindo Alfonso and María Ramos Martín “¿Empezar bien para evitar riesgos después? Pautas de incorporación al mercado de trabajo y sus efectos en la situación laboral de los jóvenes,” *ICE: Revista de Economía* 881 (November–December 2014), pp. 29–50 <[http://www.revistasice.com/CachePDF/ICE\\_881\\_29-50\\_\\_9CAC5F71307242BA78B305BE11526FC4.pdf](http://www.revistasice.com/CachePDF/ICE_881_29-50__9CAC5F71307242BA78B305BE11526FC4.pdf)> (accessed November 14, 2016).
- 15 García Pérez and Vall, “Youth Unemployment in Spain,” pp. 117–29.
- 16 European Commission, “Youth employment and entrepreneurship,” in *EU Youth Report 2015* (Luxembourg, 2016).
- 17 Different explanations have been proposed for explain Germany’s economic success in the last decade, some of them so specific that they can hardly be transferred to other national contexts. On the one hand, the increase in competitiveness of German exports after the adoption of the common European currency often is alluded to; sometimes reference is made to the Hartz Reforms that restructured the German labor market. See Lena Jacobi and Jochen Kluge, “Before and after the Hartz Reforms: The Performance of Active Labor Market Policy in Germany,” IZA Discussion Paper 2100, Institute for the Study of Labor (2006) <<http://ftp.iza.org/dp2100.pdf>> (accessed November 14, 2016). More recently, scholars have pointed to the specific governance structure of German labor market institutions, particularly the decentralization of the wage-setting process from the industry to the firm level, which has allowed employers to react flexibly in turbulent economic circumstances. See Christian Dustmann et al., “From Sick Man of Europe to Economic Superstar: Germany’s Resurgent Economy,” *Journal of Economic Perspectives* 28 (Winter 2014), pp. 167–88 <[http://www.ucl.ac.uk/~uctpb21/Cpapers/jep\\_germany\\_competitiveness.pdf](http://www.ucl.ac.uk/~uctpb21/Cpapers/jep_germany_competitiveness.pdf)> (accessed November 14, 2016). As far as young people are concerned, Regina Riphahn identifies three factors. These are 1) a demographic factor: the shrinking in the cohort sizes of youths leaving secondary school; 2) an educational factor: the third “transition system” track of the vocational training system, which provides training opportunities for less advantaged youths; and 3) another educational factor: the shift in the composition of secondary school degrees away from degrees that prepare for vocational training (and entry to the youth labor market) toward higher formal degrees that open up pathways to higher tertiary education. See Riphahn, “Patterns of Youth Unemployment” (see note 8), pp. 25–34.
- 18 Scarpetta et al. 2010.
- 19 See for example *OECD Employment Outlook 2013* (Paris, 2013); David Card et al., “What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations,” IZA Discussion Paper 9236 (2015) <<http://ftp.iza.org/dp9236.pdf>> (accessed November 14, 2016); John P. Martin, “Activation and Active Labor Market Policies in OECD Countries: Stylised Facts and Evidence on their Effectiveness,” IZA Journal of Labor Policy 4 (February 2015), pp. 1–29 <DOI 10.1186/s40173-015-0032-y> (accessed November 14, 2016); and “Activation Policies for More Inclusive Labor Markets,” in *OECD Employment Outlook 2015* (Paris, 2015), pp. 105–66 <DOI:10.1787/empl\_outlook-2015-7-en> (accessed November 14, 2016).
- 20 Florentino Felgueroso, “La transición de la escuela al mercado de trabajo,” in *Indicadores Comentados sobre el Estado del Sistema Educativo Español* (Madrid, 2016), pp. 149–51.
- 21 David Grubb and John P Martin, “What Works and for Whom: A Review of OECD Countries’ Experiences with Active Labor Market Policies,” *Swedish Economic Policy Review* 8 (2001), pp. 9–56, subsequently published as IFAU Working Paper 14, Institute for Evaluation of Labour Market and Education Policy (Sweden) <<http://www.ifau.se/globalassets/pdf/se/2001/wp01-14.pdf>> (accessed November 14, 2016).
- 22 European Commission, “Youth Employment and Entrepreneurship,” in *EU Youth Report 2015* (Luxembourg, 2016), pp. 38–61 <[http://ec.europa.eu/youth/library/reports/youth-report-2015\\_en.pdf](http://ec.europa.eu/youth/library/reports/youth-report-2015_en.pdf)> (accessed November 14, 2016).
- 23 Dolado, “Introduction,” (see note 2), pp. 12; Florentino Felgueroso and Marcel Jansen, “The Youth Guarantee: Theory or Reality,” in *No Country for Young People?*, ed. Juan J. Dolado (London, 2015), pp. 129–51.
- 24 Dolado, “Introduction,” p. 13; García-Pérez and Vall, “Youth Unemployment in Spain,” pp. 117–29.
- 25 Dolado, “Introduction,” p. 13.
- 26 OECD, *Jobs for Youth: Spain 2007* (Paris, 2007) <<https://www.oecd.org/spain/38457362.pdf>> (accessed November 14, 2016).

