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## Policy Performance and Evaluation: Spain

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- i) to 'advance the knowledge base that underpins the formulation and implementation of relevant policies in Europe with the aim of enhancing the employment of young people and their transition to economic and social independence', and
- ii) to engage with 'relevant communities, stakeholders and practitioners in the research with a view to supporting employment policies in Europe.' Contributions to a dialogue about these results can be made through the project website [www.style-research.eu](http://www.style-research.eu), or by following us on twitter @STYLEEU.

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## Executive Summary

The economic recession has placed under extreme strain the youth labour market and the school to work transition system in Spain. The report, in a three-part format, presents and analyses the background to and recent developments in youth labour market performance, institutions and policies in Spain. The first part focuses on institutional arrangements; the second part focuses on the most recent policy and legal framework innovations; the third, concluding part, provides an assessment of the most likely effects of policy changes and continuities on different youth groups.

It is important to consider the sub-national regional government level in analyses of labour market and education policies in Spain. Employment and labour relations norms are nationally defined, while youth active labour market policies fall under the responsibility of regional governments. Even if educational policies are more restricted by national legislation than employment policies, regional governments have competences over education too. Social partners are officially involved in youth-related policies to a large extent, their level of influence varying by area, governance level and region, and their co-operation may have intensified in the crisis.

The most important overall policy innovations targeting young people have been educational reforms and activation policies. The specific policies most singled out by social actors in the training sphere are the development of skills certification and their EU transferability and the Dual Training at VET. Other important innovations, such as changes in labour contracts and wage formation through collective bargaining, not specifically targeting young people, have impacted the youth labour market. However, these innovations, implemented in an era of severe economic recession and austerity, have had weak effects, and the traditional imbalances of the Spanish youth labour market are still profound. Young people with intermediate educational level may have been the main beneficiaries but no substantial changes in levels of employment, transitions from temporary to permanent employment, long-term unemployment and skills mismatches, and unemployed people participation in training programmes have been observed yet.

Differential dismissal costs by contract explain the prevalence of the second tier (temporary contracts) among young workers, since legal limits to temporary employment are not enforced, and there are no differential criteria by age for applying the national minimum wage. Individual working time reductions are since 2012 subsidised, which could benefit the young. Since 2009 the employment of young workers part-time is partly subsidised in terms of the employer social security contribution, which helps to explain the rise of this type of contracts in recent years, even during the crisis. In general, welfare benefits do not differ for young people, with the exception of disability. The labour tax burden in terms of income tax, and employer and employee social security contributions is comparatively high in Spain, especially for households with children.

A new activation strategy was set-up in 2013 and 2014, linking the allocation of funding from central government to regional results, encouraging the systematic use of profiling by regionally-run agencies, creating a single nationwide portal for job-search, and foreseeing the involvement of private providers in delivering job-search assistance. It is too early to assess the strategy's impact, but the introduction of new agents (private businesses) in job intermediation services is likely to provide a greater dynamism in job placements. However, the management on unemployment benefits on a regional basis still likely impairs geographical mobility across Spanish regions. In general, most recent changes to youth employment policies are not innovations, but small changes in policies that were already underway.

Wage formation and educational reforms may render positive results as to youth employment by reducing wages in the short-term, and by reducing the portion of underqualified youth in the long-term. In any case, a substantial proportion of low-qualified youth suffering very long-term unemployment during the crisis is in an increasingly chronic situation and should be urgently targeted by policies. In order to address the skill gap, an increase in the proportion of STEM graduates could be underscored as one of the main objectives in the medium term.

Finally, considering the role played by families in dealing with the risks the young in transition face, the level of access to tertiary education, and the level of unemployment protection, the characterisation in comparative research of the Spanish case as 'subprotective' is found inadequate, even if access to and the quality of opportunities for training and life-long learning are a weakness. A more finely grained comparative analysis is deemed necessary. The different possible variants of labour market dualism observed in the EU context is the starting point proposed. If so considered, the Spanish case would fall under a category of 'longitudinal dualism'.

**Key words:**

Evaluation, governance structure, labour market policies, education and training system, policy innovation

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## Abbreviations

ALMPs	Active Labour Market Policies
CCOO	Comisiones Obreras (trade union)
CEOE	Confederación Española de Organizaciones Empresariales (Spanish Confederation of Enterprises Organizations)
CEPYME	Condederación Española de la Pequeña y Mediana Empresa (Spanish Confederation of Medium and Small Enterprises)
EPL	Employment Protection Legislation
EREs	Expedientes de Regulación de Empleo (Collective temporary working time reduction schemes)
ESDEW	Economically-Dependent Self-Employed Workers
ESF	European Social Found
IPREM	Indicador Público de Renta de Efectos Múltiples (Public Indicator of Multiple Effects Income)
LFS	Labour Force Survey
NEETs	Not in Education, Employment or Training
NGOs	Non-Gonvermental Organization
PES	Public Employment Services
SEPI	Sociedad Estatal de Participantes Industriales (State Society of Industrial Participants)
SMEs	Small and Medium-sized Enterprises
STEM	Science, Technology, Engineering and Mathematics
UGT	Unión General de Trabajadores (trade union)
VAT	Valued Added Tax
VET	Vocational Education and Training



# 1. Introduction

The report, in a three-part format, presents and analyses the background to and recent developments in youth labour market performance, institutions and policies in Spain.

The first part focuses on institutional arrangements. Its first section explains briefly the governance structure as to national, regional and local levels of governance, the key actors and their role. The need to consider the sub-national regional dimension in analyses of labour market and education issues in Spain is explained here and stressed throughout the paper. The second section then describes the structure of the education and training system, explaining the institutional differences between education, training and employment training in Spain; it also reflects on the weaknesses of professional training and shows the comparatively low incidence of apprenticeships in this country. The third section focuses on active labour market policies in regards to training, labour cost reduction, public employment services, and job-search support measures. The fourth, fifth and sixth sections focus on describing the two-tier employment protection legislation, the minimum wage, and the welfare benefits and labour taxation systems respectively.

The second part of the report focuses on singling out and assessing the most recent policy innovations in these areas. The main educational reforms are described: the 2013 secondary school reform aimed at reducing early school dropouts and the skills gap regarding professional training; recent changes in university education, such as the tightening of public grants' conditionality, the increasing regional dispersion of fees, and new legislation that allows for changes in university degree duration and structure. ALMP innovations worth mentioning are those stemming from Youth Guarantee, like a new national job-search website, business start-ups promotion programmes, additional subsidies to cut non-wage labour costs of young and old workers, and changes to employment services. Regarding employment protection, the most innovative elements of the 2012 labour market reform are described: reduction of dismissal costs, relaxing of collective agreement renovation norms, and promotion of part-time employment.

The third part presents a brief general assessment of these changes and reflects on their most likely consequences for different youth groups. The current pattern of wage moderation, creation of part-time jobs, and reduction in youth unemployment levels may be due to the economy's recovery, to policy innovations, or to both. In any case, no substantial changes in employment levels, training figures, youth transitions or long term unemployment level have occurred in Spain yet.

## 2. Institutional Arrangements

### 2.1 Governance structure

The highly decentralized to the regional level political system operating in Spain creates a division of responsibilities for youth-related policies between national and regional governments. The general pattern is that policies are subject to national framework legislation and norms, while regional governments may have a prime role in policy implementation. This applies to both the education and employment spheres. However, educational policies are relatively more restricted by national legislation than employment policies. Employment and labour relations norms are also nationally defined, while youth active labour market policies fall under the responsibility of regional governments, in accordance also with European Union norms whenever they apply. Local governments' role is limited to ALMPs implementation, when there has been an agreement with the relevant regional government to that effect, not having any role in education.

Apart from national and regional governments, social partners are officially involved in youth-related policies to a large extent. Their role is especially relevant in those regions (called autonomous communities) where social pacts have been signed with the regional government. The most representative unions at the national level (and most often also at the regional level) are CCOO and UGT. Together with the most representative employers' organisations (CEOE and CEPYME at the national level), these organisations also participate in regional public employment services governance or advisory bodies. It is worth mentioning that most of their constituents are workers with open-ended contracts or well-established firms .

Other stakeholders that should be mentioned, even if they are not involved in the policy design processes, are the *General Youth Council (Consejo General de la Juventud)*, a platform of youth associations and of Regional Youth Councils; the youth organisations within the main political parties, such as "*Juventudes Socialistas*" (Socialists) and "*Nuevas Generaciones*" (People's Party); specific political organisations created by young people: mainly the new party "*Podemos*", originated from the 15-M movement through a bottom-up process; and other less significant political groups. Also, specific non-political youth organizations, like the Students' Union ("*Sindicato de Estudiantes*"), are often involved in youth-related policy.

### 2.2 Education and training

#### 2.2.1 Primary and secondary

The Spanish school system is likely to be the world's education system that experienced the largest number of reforms in the last three decades (since 1980 there have been 13 organic laws to that effect). As summarised in Table 1 below, it currently consists of three parts: first, non-compulsory pre-school lasts six years overall, divided into two three-year cycles, from zero to three years, and from three to six years of age. Second, compulsory primary education lasts six years overall, from six to twelve years of age, divided into three two-year cycles. Third, compulsory secondary education lasts four years, from twelve to sixteen years of age, and there are two further years of non-compulsory secondary education, either in an academic track (*Bachillerato*) or in a professional training track (*Formación Profesional*).

The Spanish schooling system is comprehensive. Table 2 below reflects the number of students in the education system by education level for the academic year 2013-14.

*Table 1 Outline of the Spanish education system and corresponding age of students*

<b>Cycle</b>	<b>Years-old</b>
Pre-Primary	
First cycle	0-3
Second cycle	3-6
Primary education	6-12
Compulsory secondary education (D)	12-16
Basic Professional Training (D)	15-17
Post-compulsory secondary education	
Academic Track (PD)	16-18
Professional Training (PD)	16-18
Tertiary education	
Higher Professional Training (PD)	18-21
University Degree (PD)	18-22
Master's Degree (PD)	22-23

*Source: Spanish Ministry of Education (Organic Law 8/2013). (D: degree; PD: professional degree).*

Table 2 Non-university students in education by level, 2013-2014

	All	Public	Private	% public
<b>All studies</b>	8,083,994	5,521,224	2,562,770	68.3%
<b>Pre-Primary – First cycle</b>	443,489	227,648	215,841	51.3%
<b>Pre-Primary – Second cycle</b>	1,441,397	989,845	451,552	68.7%
<b>Primary education</b>	2,855,219	1,931,658	923,561	67.7%
<b>Special Education</b>	33,401	19,289	14,112	57.7%
<b>Compulsory secondary education</b>	1,825,996	1,203,934	622,062	65.9%
<b>Academic track</b>	642,597	481,679	160,918	75.0%
<b>Distance learning academic track</b>	55,460	54,209	1,251	97.7%
<b>Mid-level Vocational Training</b>	334,055	252,705	81,350	75.6%
<b>Distance learning Mid-level Vocational Training</b>	19,478	18,537	941	95.2%
<b>High-level Vocational Training</b>	314,380	243,749	70,631	77.5%
<b>Distance learning High-level Vocational Training</b>	34,849	32,466	2,383	93.2%
<b>Initial Professional Qualification Programmes</b>	83,673	65,505	18,168	78.3%

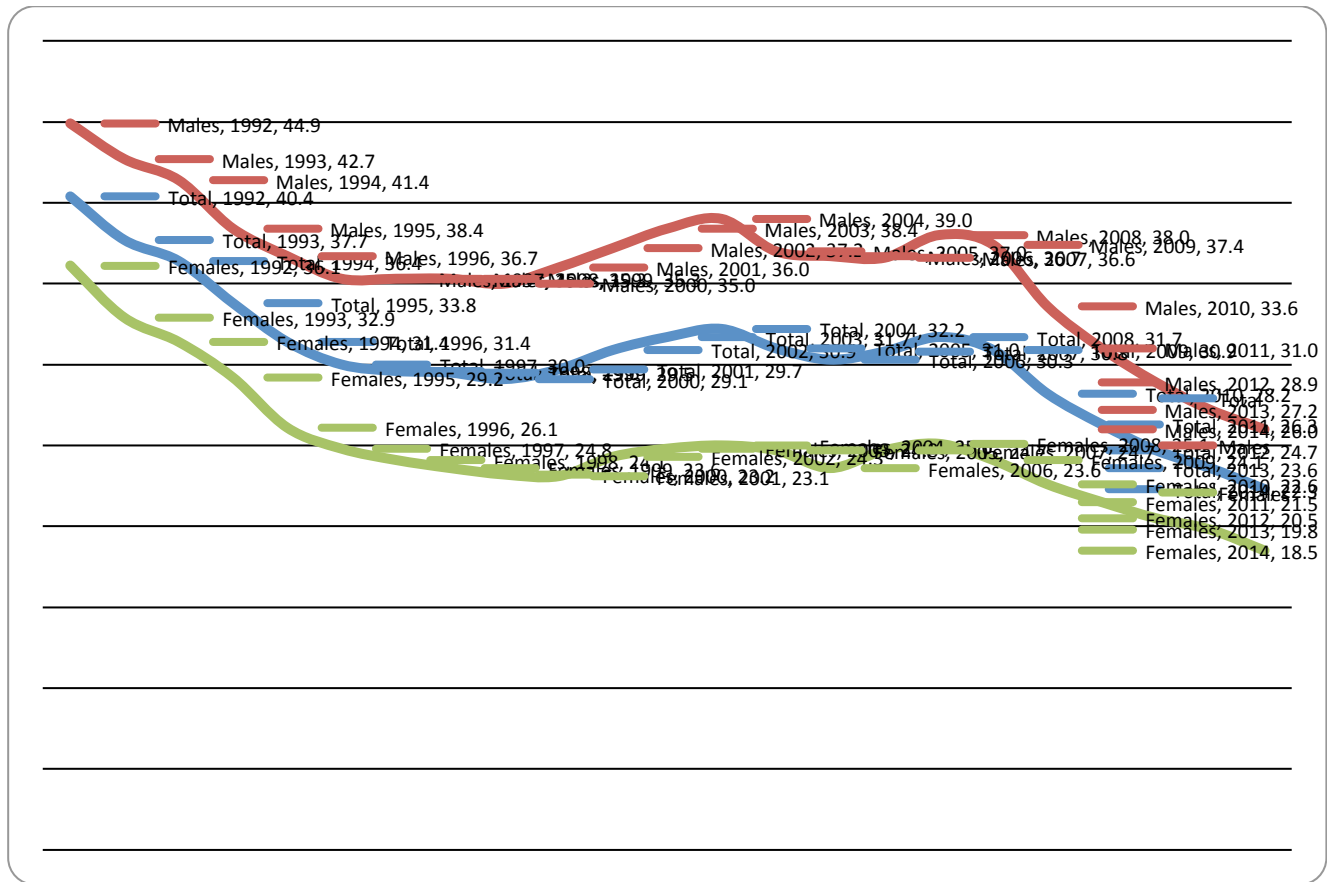
Source: Spanish Ministry of Education.

Currently foreign language learning is present in the curricula of all the years of compulsory education. English has been the main second language studied in Spanish schools for at least three decades now. Students start studying English when they are six years old and carry on until they finish compulsory secondary education at 16 years of age. Apart from English language courses, there are two additional schemes for English learning in primary education: first, since the 2006 reform of education schools must offer a bilingual track that includes, as a minimum, Science being taught in English at primary education, and several modules at secondary education. The number of modules offered in English in the bilingual track varies by school; second, since 1996 a limited number of bilingual schools carry out an integrated curriculum in English. Other foreign languages taught, if much less common, are French and German. A parallel track for learning a foreign language in the public education system is provided by the *Escuela Oficial de Idiomas*. Students voluntarily access this scheme, where official degrees are awarded based upon the European Language Framework. Recourse to private academies to study a foreign language is also a common extra-curricular activity for students in Spain.

Regarding educational guidance and career advisors, the Spanish system provides educational guidance based upon teachers' demand only. Orientation professionals analyse each case, and pedagogues subsequently work with students in schools. Both counsellors and pedagogues are selected and employed by the same procedures as teachers. The guidance system is not especially prestigious, partly because of the high early dropout rate in Spain (24.9% in compulsory education, in 2012), which almost doubles that of the European Union. In this respect, the increase in dropouts during the booming years of the Spanish economy led many to blame job growth, and particularly non-qualified job growth, for this problem. In any case, as shown in Figure 1, overall the proportion of

early school-leavers from both compulsory and non-compulsory education has been decreasing since 2008.

Figure 1 Proportion of early school leavers in the 18-24 years old population (in %), 1992-2014



Source: Eurostat

## 2.2.2 Tertiary Education

Higher education is divided into university studies and professional training. The Bologna reform brought about the generalisation of four-year university degrees, with some technical studies exceptions, to be followed by newly created one or two-year long master level courses, and the introduction of bilingual degrees. The higher professional training system allows students coming from either the academic track or the professional training track to take two more years, leading to the degree of *Formación Profesional Superior*.

Up to 50, out of the 82 Spanish universities, are public, and most students go to a public university. Despite the recent growth of private universities, which have expanded at a pace of one per year during the past decade, in the academic year 2013-2014, only 13.9 per cent of the university student population was enrolled in a private institution (MEC, 2014).

The standard tuition fee for an undergraduate student in a Spanish public university currently amounts to one thousand Euros per year (exactly 1,105 €). There are important territorial variations, as decentralization of the university system has led to decisions on tuition fees falling in the policy realm of regional governments. Fees in master-level degrees are significantly higher (CYD, 2014). Data on tuition fees in private universities are not easily accessible, but estimates exist that they

multiply those of public institutions six or seven times.

Regarding students' funding, the Spanish higher education system is based upon grants, with an extremely limited role for loans, and thus finding indebted students is rare. There are several types of State grants. The lowest cover only tuition fees. Scholarships vary but may even include compensation for being out of work (wage-grant). The grant status depends on academic record and its amount depends on family income. Up to 22.3 per cent of the student population benefited from State direct funding in 2011-2012. Some regional governments also run their own grant programmes.

Accessing any Spanish university requires having passed a general examination that is set up by the regional authorities. Notwithstanding their potential mobility, students sit this exam in their home region. Apart from a pass mark, which is a requirement for enrolling in any degree, the sole role played by higher marks is selecting students for those universities, and those degrees, where demand exceeds supply. Selection is usually not an issue, except for medical and nursing schools. No practical experience is required for entering either degrees or masters programmes.

There are different traineeship programmes for university graduates and undergraduates. First, university-run voluntary traineeship programmes for undergraduates expanded in recent decades. The Bologna reform upgraded their status in the curriculum, and credits may be obtained from them since. These traineeships may be paid or unpaid, depending on the receiving organisation. A traineeship can also be a requirement for obtaining a masters' degree. Second, several undergraduates' and graduates' traineeship programmes are run by several government ministries (e.g. FARO, ARGO and SEPI grants) or linked to European programmes, such as those included in the Lifelong Learning Programme (Erasmus +). Finally, regional governments, other public institutions, and private firms sometimes run too other traineeship schemes for graduates. All in all, there is no systematic data on the extent to which Spanish graduates experience traineeships and internships. Comprehensive data on salary levels are also difficult to obtain. A recent Eurobarometer survey reported that over half of Spanish young people (18-35) had not experienced any kind of work experience, while the rest reported traineeships (35%), apprenticeships (14%), and student jobs (7%) (European Commission, 2013). All these figures are significantly below European averages.

### 2.2.3 Training System

Currently, the Spanish training system (regulated by RD 395/2007) consists of two branches: Professional Training (*Formación Profesional Reglada*), within the education system, and Employment Vocational Training (*Formación Profesional para el Empleo*), within the realm of active labour market policies. The Professional Training system consists of two modules, each lasting two years, plus a track oriented to prevent early school dropout and to attract NEETs. First, the mid-level training (*Formación Profesional de Grado Medio*) is part of post-compulsory secondary education and is accessed at 15 by students who choose the training track vis-à-vis the academic track. During the last year of this module, in-firm traineeships called workplace training (*Formación en Centros de Trabajo*) take place normally lasting 400-600 hours (20-30% of the total tuition hours, that is, 10-20 weeks). The advanced vocational training (*Formación Profesional de Grado Superior*) is accessed at 17, as part of higher education. Advanced vocational training also includes a module for workplace training in the second year, with no contractual link between the student and the employer, lasting 400-600 hours.

NEETs and early school leavers can access the parallel basic professional qualification programmes or Initial Professional Qualification Programmes (*Programas de Cualificación Profesional Inicial*),

which are also part of the Professional Training system. By completing these successfully, they can get back on track into professional training. The regions carry out further specific programmes for school dropouts, such as the *Formación en Habilidades* (training for skills) programme in Aragón, or the *Competencias Clave* (key competences) in Asturias. The 2012 reform included the gradual implementation of Dual Professional Training, including a set of training activities with the aim of awarding professional qualifications, combining processes of teaching and learning in the company and in the training centre. Some regional projects are being currently piloted.

The Employment or Vocational Training system is, in turn, structured around three pillars: Demand Training, Supply Training and Work-Training Programmes. In Demand Training companies organise publicly funded training for workers. The system is organized and coordinated by a national tripartite foundation (*Fundación Tripartita para la Formación Continua*) composed by the government and the social partners and organised by industry. Chambers of Commerce often are the training providers, if they may subcontract the courses. Supply Training courses may be promoted by public administrations, social stakeholders or entities, and by private collaborators, and may be funded by national or regional government, and by the ESF. Supply Training includes training activities for the unemployed, training specifically addressed to young people, training plans for employed workers, and specific programmes for persons with special training needs or with integration/qualifications difficulties. Training aimed at the unemployed and at young people is increasingly aimed towards delivering professional certificates. *Work-Training programmes* cover training activities included in training contracts and public programmes of occupational training where workers can link training activities with professional experience in the workplace. These activities are basically Workshop Schools (*Escuelas-Taller*), Craft Centres (*Casas de Oficios*), and Employment Workshops (*Talleres de Empleo*). They are publicly funded by regional governments, and managed through agreements with local authorities. Participants may receive compensation for travelling costs. Work-Training programmes are typical instruments for early school-leavers.

Within the Professional Training system there are different types of traineeships. First, training contracts, i.e. work contracts with a training component, have existed for a long time, with dubious results in terms of improving workers qualifications (Martínez Isarralde, 2002; Homs, 2008). Second, workplace training is a formal traineeship period that is part of Professional Training. Third, the new dual professional training is bringing about an increased period of in-firm work experience. Fourth, non-salaried traineeship programmes (*Prácticas No Laborales*) are run, often but not exclusively, as part of the Supply Training measures.

Despite the development, and the increase in resources devoted to VET for decades, its status, as compared to that of general/academic training, has not achieved parity of esteem yet. The Supply Training part of VET is increasingly requiring participants to undergo training paths that lead to official certificates of professionalism. However, it remains to be seen that VET certificates are valued as much as formal training ones. Apprenticeships are compulsory in the general training system (both the traditional Workplace Training system, and the newly emerging Dual Training one). In the VET system, since 2008, apprenticeships are compulsory in all training courses that lead to obtaining a certificate of professionalism. In VET courses that do not lead to such a certificate, a 250-hour apprenticeship is commonly, though not compulsory, included. VET courses aimed at providing certificates of professionalism are in the rise, although large differences exist between VET programmes. Thus, in 2011, up to 36.2% of Supply Training targeting the unemployed led to certification, while less than 1% of Demand Training did so (MESS, 2012).

As to the importance of apprenticeships, data of a recent survey conducted by McKinsey (2014) among 5,300 young people of eight European countries show that a little more than half (54%) of academic students, and 66 percent of vocational ones, have participated in a work placement (internship, apprenticeship or co-op placement) with an employer during their education in Spain; whereas these figures are, respectively, 89% and 76% in Germany.

Regarding standardization and certification of training, official certificates of professionalism are derived from the National Catalogue of Professional Qualifications, can be issued by national and regional PES, and they are recognized in the entire national territory. These official accreditations express the set of professional skills that are needed to work in a given profession. Certificates are more likely to be given in Supply Training than in other types. The average length of time spent in vocational training in order to receive a certificate varies. Within Education Training, the length of Workshop-Schools' training may oscillate between 6 and 12 months, leading to a certificate when participants pass the required exams. At Craft Centres training may last up to one year. In both types of schools schemes are arranged in six-month terms, beginning with a training period, and followed by a stage that combines training with work experience. Within VET, obtaining a certificate usually requires taking a three month course.

Having described the main features of the education system, the skills gap problem of Spain needs to be stressed: there is a lower than the EU average proportion of the working-age population that holds middle-level degrees, and higher than the EU average proportions of the less educated and of university graduates. Eurostat data for 2013 shows that only 23.5% of the population between 15 and 64 had either secondary school degrees or post-compulsory non-university education (ISCED 3 and 4), while the equivalent figure in the EU-28 was 46,8%. Therefore, converging to the European average would require a duplication of the middle levels graduate stock.

## 2.2.4 Summary

Students in the Spanish educational system finish compulsory education at 16. Then they can choose between a professional or an academic (*Bachiller*) track. The academic track is generally preferred. After *Bachiller*, the majority of the students also choose university rather than high-level professional training. Despite successive educational reforms, professional training is still perceived as a second opportunity for poor performance students. The new dual professional training may improve its social perception.

Another problem of the educational system is the high proportion of early school leavers that reached 30% before the economic downturn. The availability of low-qualified jobs before the crisis, particularly in the construction sector, is often identified as the main explanatory reason. The destruction of jobs in the crisis and particularly in the construction sector also explains the decrease in the drop-out rate since 2008.

Together, the high level of early educational drop-out and the preference of university over professional training result in a skills gap: higher than EU average proportions of low-skilled and high-skilled population, and lower than EU average percentage of medium-level skilled population.

Finally, the lack of evaluation of the effectiveness of the Employment and Vocational Training system is also a systematic weakness. The general perception is that it does not address the needs of unemployed workers and the government is currently working on reforming it.



## 2.3 Active Labour Market Policies (ALMPs) for young people

In this section we review the main traditional instruments of ALMPs in Spain, i.e. training for the unemployed, subsidies for hiring workers, incentives and subsidies to self-employment, and the public employment services role, concluding with a reflection on the lack of further policy support for job search.

The training component of ALMPs addressing the young in Spain is part of the system just described. There is a specific training programme for youths under 30 within the *Demand training* scheme, which is run by the Tripartite Foundation. Also, *Supply training* includes courses for specific groups of unemployed people, such as the young unemployed, and particularly those in need of certificates. Within the *Work-Training Programmes*, Workshop Schools and Craft Centres are aimed at people under 25, while Employment Workshops are aimed at those over 25. Unemployed workers, both young and old, who follow vocational training courses, usually receive a commuting allowance; food and accommodation allowances also exist. These allowances are tax-free.

Specific labour contracts for young people exist for training and apprenticeship work periods: a recent reform of the Contract for Training and Apprenticeship (*Contrato para la formación y el aprendizaje*, Royal Decree 1529/2012) is aimed at promoting the new Dual VET.

Measures aimed at reducing the labour costs of young people also exist. Subsidies to hiring young unemployed workers through either fixed-term or open-ended contracts are extensive and in essence reduce the comparatively high non-wage labour costs of employers. There are numerous types of subsidies<sup>1</sup> and they are a traditional policy instrument in Spain. Measures that reduce the wage labour costs of hiring young people are less common. A reduced minimum wage for young workers was discontinued back in 1998.

One of the most important long-standing programmes aimed at the self-employed group is the capitalisation of unemployment benefits, or single payment (*pago único*), receiving them in a lump sum when the unemployed starts a business. This programme began in 1985 and has been maintained with some changes. In general, in the policies supporting self-employment the characteristics of the unemployed (e.g. age) occasionally make a difference, mostly as to the amount of the economic support. Guidance tends to be short-lived and to focus on administrative requirements.

Public job creation programmes that provide work experience in the public sector have also existed in Spain, arranged by local and regional governments, for many years. Although no systematic data exists in this respect, some stylised facts may be provided: work schemes have short duration (one year is the legal maximum); remuneration is at minimum wage levels –with added occupational bonuses in some sectors; they are more often found in public works, construction, cleaning and gardening; and the range of occupations in these programmes has grown recently, including jobs such as librarians, engineers, journalists, etc.

Regarding the role played by the public employment services (PES) in youth employment policies, their effectiveness depends on the extent of youth unemployment, and on specific policies and programmes, rather than on institutional arrangements, since PES carry out general services. Basically, PES offices service the unemployed both by giving out unemployment benefits and by

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<sup>1</sup> [www.sepe.es/contenidos/que\\_es\\_el\\_sepe/publicaciones/pdf/pdf\\_empleo/bonificaciones\\_reducciones.pdf](http://www.sepe.es/contenidos/que_es_el_sepe/publicaciones/pdf/pdf_empleo/bonificaciones_reducciones.pdf)

managing intermediation in the labour market. Benefits rely on the national PES, and intermediation relies in regional PES –even if they are physically located in the same offices in most cases. Job placements are offered for free to both employers and jobseekers.

In order to have access to PES services, jobseekers must register with them. At registration, *in situ* or on-line, jobseekers provide data on personal and contact details, level of education and qualifications, foreign language skills, professional experience, and positions requested. PES can then recommend training courses, professional orientation actions or self-employment support. Jobseekers information is shared by regional and national PES. If jobseekers are entitled to unemployment benefits, they can apply for them in the PES after registration.

Inscription in PES implies several obligations for the unemployed: the renewal of their status as unemployed on given dates (every three months); attending to job interviews; informing about any relevant changes to personal or professional characteristics; and informing about job interview results if PES was involved in the process.

PES market share is very small in Spain. Companies seldom rely on PES, as they typically use other channels to select their staff. In 2013, approximately 403,000 job offers were managed through PES, whereas the total number of placements reached 15 million. Also, jobs offered through PES typically involve low-skilled work. Approximately 50% of registered jobs are for labourers and unskilled workers in the primary sector. Also, public administration jobs are often channelled through PES.

Regarding their capacity to respond to young people's employment needs, on the one hand, administrative capacity and resources have proved effective regarding the payment of unemployment benefits. This function works smoothly under the national PES competence, but young people have a relatively low access to it, due to their low contribution periods. On the other hand, capacities in regional PES labour market intermediation have to deal with an unemployment population that tripled in the last six years, while human and technological resources have experienced no significant changes. Also, it is difficult to assess the professional capacity of PES staff. Devolution to the regions may have pushed up this intermediation capacity, as regions have invested in order to legitimize their role as service providers. However, important deficits in training exist, especially among orientation staff, whom most often also lack career paths within PES.

Regarding other job search support offered to unemployed young people –such as help with childcare and housing costs-, childcare support is not linked in any way to parents' labour market situation in Spain. Housing policies are in the hands of regional and local governments, and parents' unemployment may contribute to the family's likelihood of accessing public housing, although no systematic data exists that can prove this hypothesis. Policies promoting job search away from home, and/or geographical relocation of the unemployed have never existed. On the contrary, some analysts suggest that mobility across Spanish regions is inhibited by the unemployment benefit system.<sup>2</sup>

Summing up, most ALMPs consist of different forms of employment incentives (subsidies, specific labour contracts). Training and PES have less relevance in terms of human and financial resources. PES have insufficient resources to offer counselling to jobseekers and only around 5% of jobseekers receive some kind of training in a year (Cueto and Suárez, 2015).

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<sup>2</sup> <http://nadaesgratis.es/?p=16099>

## 2.4 Employment Protection Legislation (EPL) and Working Time

### 2.4.1 Employment protection legislation in Spain

Since the mid-eighties, Spain has carried out several legal reforms aimed at increasing labour market flexibility. Most reforms have entailed changes at the margin in the employment protection legislation, leaving largely unchanged open-ended (or permanent) contracts. The successive changes undertaken have thus maintained the pattern of two-tier employment protection (Guillén and Gutiérrez 2008; Bentolila, Dolado and Jimeno 2008). In essence, reforms have modified all the items of temporary contracts (causality and costs of dismissals, mainly) and have encouraged open-ended contracts in all possible ways, modifying their protection only slightly.

Regarding ordinary severance payments and dismissal conditions in Spain, the conditions admitted for fair individual or collective dismissals (with cheaper dismissal costs than unfair dismissals: 20 days per year worked) have been eased by successive reforms in 2010 (BOE, 2010b; 2010a) and in 2012 (BOE, 2012b; 2012a), forced by the threats of the financial markets and the pressure of European partners. For temporary contracts, with much lower dismissal costs, the trend has been the opposite since 2010: from 8 days per year worked in 2008 to 12 days in 2015. Besides reducing unfair dismissal compensation for all new open ended contracts to 33 days per year worked with a maximum of 24 monthly wages, administrative supervision of collective dismissals by the labour authority was suppressed by the 2012 labour reform. Also, now interim wages must only be paid by the employer to a readmitted worker. The reforms to ease dismissal have had a clear impact in the type of dismissal used (see Table 3 below).

Table 3 Inflows into the unemployment benefit system by reason of dismissal, 2005-2013

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Unfair dismissal	346,222	408,099	484,221	745,736	869,252	611,875	545,849	450,426	341,811
Fair dismissal (objective reasons)	51,473	48,229	46,938	96,711	167,220	154,981	210,078	311,647	311,892
Conciliation proceeding	32,311	24,544	16,071	14,695	13,996	5,796	4,016	4,657	6,389
Labour Court sentence	10,939	10,109	8,633	11,770	21,848	17,660	13,175	10,393	9,362
<b>Individual dismissals</b>	440,945	490,981	555,863	868,912	1,072,316	790,312	773,118	777,123	669,454
<b>Collective dismissals</b>	38,602	37,448	38,957	46,628	86,610	72,040	80,667	99,419	104,685

Source: Labour Statistics Bulletin (several years).

More recently, in 2013, the government introduced some measures on stable employment and employability primarily focused on the young unemployed with little or no work experience. Thus, Decree-Law 11/2013, of 2 August (BOE, 2013), introduced a new temporary contract (primer empleo

joven) aimed at encouraging the contracting of the young unemployed under 30 for their first professional experience. In addition, temporary work agencies are now authorized to conduct training and apprenticeship contracts (CES, 2014).

As a result of these reforms, Spain has positioned itself as one of the countries that have reduced the levels of employment protection the most. According to the 2013 OECD update, in terms of their synthetic indicators of employment protection, Spain has experienced recently the greater decreases in their three main dimensions of analysis. It has done so more intensively in the dimension that measures the strictness of the regulation on the individual dismissal of employees with regular/indefinite contracts (9 items), that in Spain amounts to 1.95 in 2013, whereas the OECD average is 2.04. As to the dimension that measures additional costs and procedures involved in collective dismissals compared with the cost of individual dismissal (4 items), Spain scored 3.12 (vs. an OECD average of 2.91). Spain still stands out in a high level of the third dimension in which a decreased score has been observed, i.e. the one measuring the strictness of the regulation on the use of fixed-term and temporary work agency contracts (8 items), with 3.7 points compared to 2.08 in OECD countries (OECD, 2013).

Overall there is little debate as to the impact of the reforms on reducing dismissal costs (García-Serrano, Malo and Pérez-Infante, 2010; Malo, 2010; Malo 2012a and 2012b). Regarding the reforms' impact on labour market duality, it is less clear. The impression is that they may be in the path of reducing institutional duality, although timidly. During the years of booming employment (2006-2007) Spain was the country where young employees had the shorter tenure in their first job, and during the crisis it has become even shorter. Thus, further reforms tackling labour market duality are likely to be required in coming years (Bentolila, Dolado and Jimeno, 2012; OECD 2013).

Regarding apprentices, any work contract must comply with the conditions established in the corresponding collective agreement. Labour regulation applies in a subsidiary way, and the norm establishes different limits for different types of contracts (article 14 of the Workers' Statute): first, apprenticeships may not have a probation period longer than one month (two months in the case of university graduates). Second, workers on training contracts have two months as the general maximum (three when the firm employs less than 25 workers), and six months as the maximum for university graduates. Third, workers who have a fixed-term contract lasting up to six months have a probation period limited to one month. In any case, when the worker continues in the firm with the same functions after a first contract has ended, no probation period may exist. Again, collective agreements are usually more specific in this respect. The 2012 labour market reform introduced a new permanent contract for full-time employees in small firms, in which the probation period was extended to a maximum of one year.

In assessing the determinants of temporary employment, despite the high presence of young people in temporary employment, it must first and foremost be stressed that there are no special legal conditions for young people favouring their temporary employment. Temporary contracts are attractive for employers on two grounds: first, although equal-pay regulations on base wage are in effect, differences in final total pay are recurrent due to the extensive use of varied pay complements for permanent workers from which temporary and agency workers are commonly excluded both in the private and public sector; and second, severance costs of temporary contracts are lower than those of open-ended contracts, except in case of fraudulent temporary contract (in essence, when the contract lasts more than the legal maximum), but in practice, firms either ignore or dodge duration limits of temporary employment and duration limits of temporary employment are not enforced. Also, it must

be equally mentioned that dismissal protection in Spain varies with the status of the contract as open-ended or temporary, not with whether the contract is full-time or part-time. In other words, Spain does not have an unprotected “mini-job” legal contract.

In sum, one of the characteristics of the Spanish labour market is the high proportion of workers with temporary contracts, particularly extended among the young (24% overall and 52.3% among the young in 2014). Since 1996, successive labour market reforms have tried with weak impact (see Table 4 below for youth employment) to reduce the temporality rate by fostering permanent contracts. More recent reforms continued in this path by means of reducing the dismissal costs of open-ended contracts. Also, for young workers new types of contracts have been created with the aim of facilitating their hiring reducing dismissal costs and increasing probation periods.

*Table 4 Youth employment indicators (in %), 2004-2014*

	Employment rate		Unemployment rate		Temporary employment	Part-time employment	
	20-24 years	25-29 years	20-24 years	25-29 years	As % of total employment, 15-29 years	As % of total employment, 15-29 years	Involuntary as % of total part-time, 15-29 years
2004	51.4	74.2	20.1	12.9	52.2	11.7	24.6
2005	55.9	76.1	17.0	11.0	54.6	15.9	36.3
2006	57.9	77.5	14.7	10.1	54.5	15.4	37.0
2007	57.4	78.6	15.0	9.0	51.5	15.3	34.5
2008	54.4	75.2	20.2	13.3	48.5	15.8	37.3
2009	44.4	68.0	33.3	21.7	44.3	17.5	45.4
2010	40.8	65.6	36.9	24.7	45.1	19.8	55.1
2011	36.4	63.9	42.3	26.3	47.6	21.6	58.0
2012	31.3	59.8	48.8	31.5	47.3	24.0	65.6
2013	28.2	58.1	51.8	33.3	49.3	27.3	68.2
2014Q4	29.2	61.0	48.9	29.8	52.3	29.4	

Source: Eurostat.

### 2.4.2 Working time

In Spain, overtime is legally restricted to a maximum of 80 hours per year or, since 2012, a proportional time if working part-time (overtime in part-time contracts was forbidden before 2012). Further overtime restrictions can be determined by collective bargaining. There are no specific working time regulations for younger workers, restrictive or otherwise. Working time accounts have been fostered by sector collective agreements for years as a flexibility measure, yet it is up to individual firms to put them in place. Their formalisation is more common in large firms than in SMEs. The 2012 Labour reform states that the firm can unilaterally re-allocate 10 per cent of working time in a year.

The 2012 Labour Reform has made more attractive individual working time reductions in terms of

social security costs. For the employer, social security contribution on behalf of workers is subsidised; for the worker, the time receiving the insurance component of unemployment benefit while working with a reduced working time schedule (to compensate for the equivalent reduction in wage) does not reduce his/her period of unemployment insurance. In some sectors, agreements were reached to prevent the fragmentation of work periods. For example, the 2006 collective agreement for department stores in Spain, stipulated that the working day for part-timers working four hours or less must not be split into more than one shift. For part-timers with a working day of more than four hours, there must be no more than one interruption between shifts, and any such interruption cannot exceed four hours (Fagan et al, 2014).

The employers' contributions to workers' social security of part-time workers of some social groups (women, the young, older than 45, victims of gender violence, long-term unemployed, people with disabilities, people socially excluded) is proportionally more subsidised than full-time work since 2009 (R.D. Law 2/2009).

Also, Law 3/2012 which gives all workers with one years' service the right to a paid permit for professional training relevant to the firm equivalent to twenty hours per year, where the hours can be accumulated in a 5-year period, is considered beneficial for part-timers, if the one-year tenure will leave many young part-time workers out.

After a sentence of the EU Court of Justice (Elbal Moreno case) and in consultation with the social partners, by Royal Decree-Law 11/2013 the social security protection of part-time workers has been further improved.

Collective temporary working time reduction schemes (*Expedientes de Regulación de Empleo (EREs) de reducción de jornada*) of between 10 and 70 per cent of the working time are allowed by economic, productive, organisational, technological reasons or force *mayeur*. There is not a legal minimum age or tenure of the employees to be included. They were particularly incentivised and used by firms in the recent economic crisis. EREs can also be used for collective temporary suspension of contracts and for collective indefinite lay-offs. All EREs are financed with a combination of moneys coming from a national fund for working wage guarantee (*Fondo de Garantía Salarial*), from the unemployment benefit system, and from the firm. There is no maximum age or tenure to be eligible or specific duration limits. Besides consultation with the workers' representatives, approval from the Labour authority is still required for collective temporary working time reductions and collective temporary suspensions. The firm does get a reimbursement equating 50 per cent of its Social Security contributions. Training during temporary EREs is not a requirement, but it can be used by firms to increase contribution reimbursements up to 80 per cent.

In sum, recent reforms fostered collective temporary working time reduction schemes with the aim of helping business survival during the economic crisis. Part-time contracts regulation also changed. Together these reforms may partly explain the greater use of part-time contracts since the crisis (see Table 4 above for youth employment). There is no different regulation of working time or part-time contracts by age.

## 2.5 Minimum Wage

The Spanish labour market has traditionally had a minimum wage. This is determined by national legislation, and it applies in all sectors and occupations. No distinctions are made either in terms of the age or sex of the worker, or in terms of contract duration. Each year, following the mandate of the

Workers Statute Law, the government sets the minimum wage level, taking into account its economic policy objectives. The minimum wage applies to the legal working hours, and can be proportionately distributed for part-time work. A specific minimum wage is determined for domestic workers, and for day-labourers. In all cases, the cash wage cannot be substituted by non-pecuniary benefits. Currently the relevant legislation is found in RD 1046/2013.

The national minimum wage is defined in terms of different working time references: an amount per year (9,034.2 €), per month (645.3 Euros, assuming that there are 14 payments), or per day (21.5 €). Domestic workers receive 5.05 € per hour, at a minimum. Day-labourers receive a minimum of 30.57 € per day. There used to be a specific wage for young people under 18, lower than the general one, which grew gradually on a yearly basis. However, in 1990, the wage for 16 year-olds was equated to that of 17 year-olds, and later on, in 1998, the whole arrangement was ended (González Güemes et al., 2003). No exceptions to the minimum wage exist for specific sectors, regions or groups of employees. The only situation in which the minimum wage can be reduced is under training contracts, when training that reduces working hours may be legally discounted, so that the worker gets paid like a part-time employee.

The minimum wage level is decided by the national government around the time when the budget is presented to Parliament. The process of determining the minimum wage is part of the general budgetary procedures, which may entail political negotiations whenever the ruling party has no absolute majority in the Spanish Parliament. As regards enforcement of the minimum wage, it is very rare that an employer was convicted for circumventing the minimum wage legislation. By contrast, the typical bypass of the legal wage consists of hiring workers part-time, and subsequently persuading them to work overtime without due compensation.

Finally, work experience within training that leads to certificates of professionalism is regulated, and each certificate is based upon a specific Royal Decree. This experience is unpaid. Non-salaried traineeship programmes (*Prácticas No Laborales*) are regulated by RD 1543/2011. Typically, these traineeships include a grant below the national minimum wage, and Social Security contributions. When these traineeships evolve into a work contract, labour law and minimum wage legislation apply.

## 2.6 Welfare Benefits and Labour Taxation

### 2.6.1 Unemployment benefit system

Spanish young people are eligible for unemployment protection, reconciliation, disability and family protection. In general, benefits do not differ for young people, with the exception of disability. The Spanish system of unemployment benefits consists of a double scheme: unemployment insurance is contribution-based, while unemployment assistance is a means-based scheme with conditionality, duration, and amounts being dependent on work, age and family conditions.

As to unemployment insurance, there are no explicit age differences in the Spanish system. However, young people are usually worse-off than older unemployed workers due to the system structure. Regarding unemployment insurance, the minimum contributory period to qualify is 360 days of work during the last six years prior to becoming unemployed. The subsequent benefit amounts to one third of the contributed time, with a maximum duration of 720 days. The young unemployed usually have

relatively shorter contribution periods, and therefore the benefit take up is rather low. Benefit amount depends on the regulatory base for each worker, calculated as the mean of the contribution bases<sup>3</sup> for unemployment in the last 180 days worked (excluding remuneration for overtime). Initial benefit amount is 70% of the regulatory base during 6 months, falling to 50% from the seventh month onwards (the rate used to be 60% for the second six-month period, but it was reduced in July 2012). Nevertheless, there are minimum and maximum amounts determined by the number of children. Amounts are linked to the Indicador Público de Renta de Efectos Múltiples (IPREM).<sup>4</sup> Given that young people are relatively less likely to having children, and to having contributed with good regulatory bases, the young unemployed end up receiving lower benefits during shorter periods, as compared with the adult unemployed.

Regarding unemployment assistance, it complements the insurance scheme and can be received if and when the unemployed person has an income below 75% of the minimum wage, under the following conditions:

- Workers who have exhausted unemployment insurance and have family responsibilities.
- Workers who have exhausted the contributory benefit and have no family responsibilities but are over 45.
- Workers who have not met the minimum contribution period to gain access to the unemployment insurance, but who contributed for a minimum of 180 working days.

Unemployment assistance duration ranges from 6 to 30 months, depending on age, and on family dependents. The main age-related threshold is set at 45 years old. Benefit amounts also vary with family dependents. Young people seldom access unemployment assistance, given the weight of age and dependents, apart from purely income related tests.

An additional assistance scheme was created in 2000, namely, the Renta Activa de Inserción or Active Integration Income. This programme was aimed at the unemployed who run out of any other benefit, and whose income fall below 75% of the minimum wage. Beneficiaries could receive a cash hand-out equivalent to the unemployment assistance benefit for an extra year. Again, age was a prime condition for entering this programme, since only those over 45 could benefit from it.

Summing up, eligibility criteria for unemployment benefits are the same for young workers and for the older ones. However, given that young workers have shorter employment spells and, generally, the do not have family responsibilities, their probability of receiving the unemployment assistance once the unemployment benefits are exhausted is very low.

## 2.6.2 Social protection policies

As for reconciliation policies, maternity leaves consist of 16 weeks with a 100% replacement rate of the previous wage (regulated in 1994). Parental leaves can be enjoyed for a maximum of three years. They are unpaid although Social Security contributions are granted during the leave (regulated in 1995). A ten weeks paid leave for fathers can be detracted from the sixteen weeks of maternity leave, provided the mother agrees on it (regulated in 1999). In the period 2011-2012, only 7.2% of

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<sup>3</sup> The contribution base can be equated to the salary, but there are minimum and maximum thresholds (in 2014, 753 and 3,597 Euros per month, respectively).

<sup>4</sup> The IPREM is an index used as reference within various support programmes such as scholarships and unemployment subsidies.



parents of new-borns enjoyed a parental leave. Fathers amounted to 4.5% of total users.

In 2011-2012, provision of public childcare amounted to 40% of children aged 3-6 on a full-time basis (more than 30 hours per week) and 52% on a part-time basis (up to 29 hours per week). However, public provision of care for children under 3 was lower: 15% full-time and 21% part time.

In Spain, social protection policies for disability are very different depending on the origin of it, i.e., on whether it has stemmed from working activities or not. In other words, the Spanish income maintenance system has remained largely rooted on occupational principles. Therefore, people either born or having acquired a disability before joining the labour market enjoy a lower protection level than workers. Disability protection for minors consists mainly of universal means-tested family allowances (see below). Irrespective of previous contributions, since 1982, the disabled aged 18 and over may also choose between an individual cash transfer (*subsídio LISMI*, amounting to a maximum of 271.21 € month in 2013) or, since 1990, a non-contributory pension (amounting to 393.53 € month in 2103), in this case only accessible depending on the level of income of the household.

However, workers acquiring permanent disabilities in the job place (or while going or coming back from it) or workers becoming disabled outside the job place (in this case, workers under 31 years must have contributed for one third of the time elapsed since they became of working age, i.e. 16 years old) are entitled to disability pensions. The amount of such pensions depends on the level of previous salaries and on the kind of disability: partial (under 33% of invalidity; the worker is reincorporated to work and receives an indemnity); total (for the usual job: the pension consists of 55-65% of the contributory base); absolute (for any job: the pension consists of 100% of the contributory base). Their amount was slightly over 900 € month on average in 2013. The most intense kind of disability, the so-called 'major disability' (*gran discapacidad*) is entitled to 150% of the amount of contributory base because such a situation is supposed to generate the need for a permanent carer. Sickness leaves are proportional to previous salaries and may last for a maximum of 18 months irrespective of age or type of contract.

Healthcare and compulsory education are of universal access in Spain. All the disabled are entitled to health care services (preventive, curative, recuperative) since 1982. The model for education is based on integration in the normal education/training system whenever the level of disability makes it possible. Disabled children count on extra teaching support. The crisis and budget cuts have affected such support negatively.

In terms of employment, disabled workers count on established quotas (2%) for both the public sector and private enterprises. To date, neither sector fully complies with such quotas, although the public sector is closer to them. Employment of disabled workers is enhanced by significant reductions of employers' social security contributions (a maximum of 5,000€ per year for permanent contracts and of 1,800€ for fixed-term ones). Private enterprises may choose to comply with the quota or, when Public Employment Services certify that no adequate disabled worker is available for a certain job, they may also make cash transfers to disability NGOs, or sub-contract services with a sheltered employment centre (*Centro Especial de Empleo*) or disabled self-employed workers. Sheltered jobs are exempt from social security contributions and the state subsidises each position with 50% of the minimum salary.

One could say that family protection policies are of residual character in Spain. Family allowances (*prestaciones familiares*) may be accessed by households with dependent minors (born, adopted or foster children) or disabled adults (over 18 years of age). This policy was reformed in 1990 and has

remained almost untouched ever since. In that year, allowances were made universal but also means-tested. The income threshold is very low (11,519.16€ per year in 2014 for families with one dependent or 15% higher for each further dependent minor or dependent disabled adult). The amount of the transfers is also low: 291€ per year for each dependent. This amount is increased by 1,000€ per year if a minor is disabled; by 4,390.80€ per year for each dependent adult with a 65% disability; and by 6,586.80€ per year for each dependent adult with a 75% disability. Duration is indefinite provided the economic situation of the household does not vary.

Regarding child allowance, there is no such policy in Spain, other than subsidies for books, meals and/or transport in schools. Tertiary education students may also enjoy scholarships covering similar matters.

A single payment of 1,000€ can be enjoyed also for the birth or adoption of a child, but only by large families (from the third child onwards), monoparental families and disabled mothers (disability over 65%). Finally, also a single payment is granted to multiple births or adoptions. In 2014, the amounts were of 2,581.20 € for 2 new-borns; of 5,162.40 € for 3 new-borns and of 7,743.60 € for 4 new-borns or over.

Tax deductions on income are applicable for families with dependents under 25 (not earning more than 8,000€ per year) and disabled dependents of any age, in both cases cohabiting in the same household. In 2013, the minimum deductible amount was of 1,836 € per year for the first dependent, 2,040 € for the second, 3,672 € for the third and 4,182 € for the fourth and over. When the dependent is three years old or younger, the amounts are increased by 2,244 € per year. Such amounts are also increased in the cases of dependent disabled and further need for care. The amounts may also be increased depending on the fiscal arrangements of each autonomous region.

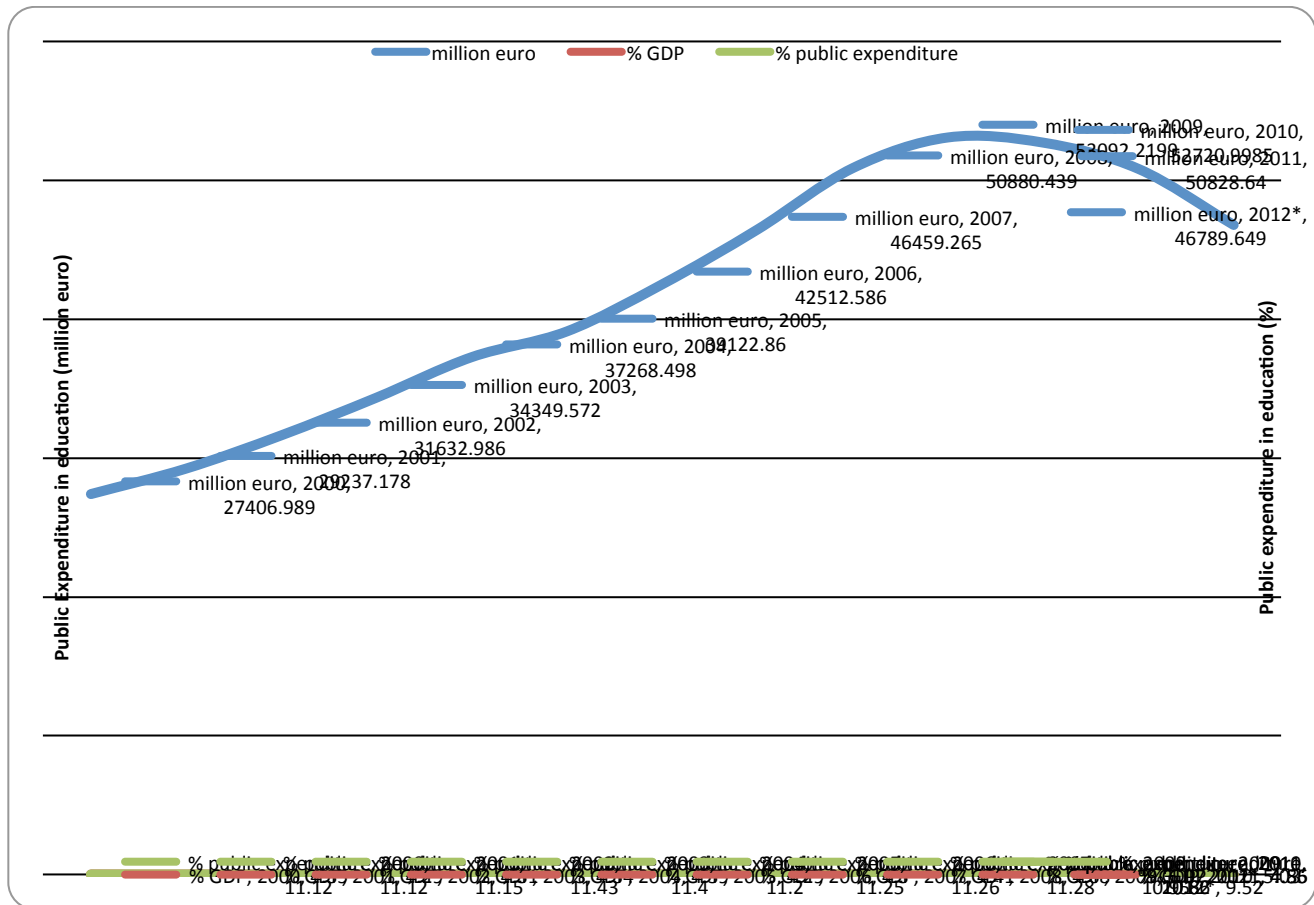
Finally, labour tax burden, including income tax plus employer and employee contribution less cash benefits, is comparatively high in Spain, especially for households with children. In 2013, the tax burden was 34.8% of the average earnings for a one-earner married couple with two children, clearly higher than the average for the OECD countries (26.4) and even higher than the one in the OECD-EU 21 countries (31.0). For a single person without children, the tax burden is still higher in Spain (40.7) compared to OECD countries (35.9) but slightly lower than in OECD-EU 21 (42.0). The tax burden has experienced a rising trend in recent years in Spain, as a result of income tax increases related to fiscal discipline policies.

## 3. Policy Innovations

### 3.1 Education and Training

Public expenditure in education has decreased both in absolute terms (see Figure 2 below) and as a percentage of GDP since 2010 as a consequence of fiscal restraint: from 5.07% of GDP in 2009, to 4.55% of GDP in 2012.

Figure 2 Public expenditure in Education, 2000-2012



Source: Spanish Ministry of Education

A reform of secondary education was passed in 2013 (Organic Law 8/2013) aimed at reducing the rate of early school leavers and the mid-level skill gap found in young workers. Now, 15 to 17-year-old students who have finished the second or third year of compulsory secondary education may enrol in Basic Professional Training in order to obtain the secondary school degree and, eventually, to access Mid-level Professional Training. The impact of this change remains to be seen, especially since no specific measures have been undertaken to promote closer links between schools and businesses.

Improving basic skills and STEM are also objectives of the 2013 reform, which introduced a new individual test after the third year in primary school that will try to become an early detector of learning difficulties. Further national tests will be taken in three different moments along the educational curriculum: at the end of the sixth year in primary school, at the end of compulsory secondary school, and at the end of the post-compulsory secondary school academic track. Passing the last two tests

will be required in order to obtain the respective degrees. Also, the weight of mathematics and language is intensified: proceeding along the track will be allowed for students who have failed up to two subjects, unless those subjects are mathematics and language.

The Dual Training system may be considered an innovation of the existing system rather than a new institution. However, it is in its early stages of implementation, and therefore it may be too early to assess its impact. Although legislation is rather flexible and regional governments have room for manoeuvre in terms of system specifics, the typical effects of this reform will be a duplication of work experience time during training.

Indirect restrictions to access higher education (both university and non-university) have been put in place via an upgrading of the academic requirements for renewing national government scholarships (Royal Decree 609/2013). Students must now pass a higher number of modules than before in order to renew their scholarships, which led to a decrease close to 3% in scholarship beneficiaries during the 2012-2013 academic year (see Table 5 below for changes in total expenditure). The previous academic year, a peak number of scholarship recipients had been reached in Spain, with more than 1.8 million scholarships, culminating an overall 34% increase in a five-year period. Higher education fees depend on regional government policies, and exhibit a wide variation. Some regions, like Madrid, have significantly raised their tuition fees with a view on increasing university revenues, while others have frozen them.

Table 5 Public expenditure in scholarships by educational level, 1992-2012 (in thousand Euros)

	<b>Total</b>	<b>Non-university level</b>	<b>University (excluding fees' funding)</b>	<b>University Fees funding</b>	<b>Other</b>
<b>1992</b>	399,575	154,468	168,165	58,504	18.438
<b>1993</b>	528,617	182,637	242,148	78,569	25.263
<b>1994</b>	531,634	197,892	209,840	86,722	37.180
<b>1995</b>	578,000	203,319	247,884	92,925	33.872
<b>1996</b>	761,827	212,961	339,531	166,363	42.972
<b>1997</b>	622,140	175,182	267,228	139,792	39.938
<b>1998</b>	762,468	214,286	271,913	227,822	48.447
<b>1999</b>	707,301	196,745	250,496	199,990	60.070
<b>2000</b>	731,969	200,004	281,759	183,631	66.575
<b>2001</b>	793,886	210,451	283,747	237,290	62.398
<b>2002</b>	808,568	244,389	329,303	180,623	54.253
<b>2003</b>	944,836	292,804	382,116	188,676	81.240
<b>2004</b>	1,023,963	327,684	404,698	185,383	106.198
<b>2005</b>	1,152,289	357,509	455,575	185,356	153.849
<b>2006</b>	1,284,505	371,275	475,657	194,872	242.701
<b>2007</b>	1,465,269	375,449	574,232	209,631	305.957
<b>2008</b>	1,750,288	555,964	793,259	226,709	174.356
<b>2009</b>	1,770,672	753,917	628,425	235,381	152.949
<b>2010</b>	1,989,180	777,074	639,939	244,668	327.499
<b>2011</b>	1,924,547	944,389	701,370	238,785	40.004
<b>2012</b>	1,753,067	783,275	701,464	204,905	63.423

Source: Spanish Ministry of Education.

In 2015, national legislation affecting the university Bologna reform has been adopted (Law 4/2007, and Royal Decree 1393/2007). Each university may now opt for 3+2 schemes (i.e., three-year-long degrees, followed by two-year-long masters' programmes). As a consequence of the Bologna reform nearly all the university degrees had to be adapted to a four-year format, while most masters lasted just one year. Since most public universities consider that it is too early to introduce yet new changes in the curriculum, the impact of this reform may be delayed.

Regarding career guidance, data of the Eurobarometer (European Commission, 2014) show that only 44% of Spanish respondents are most likely to agree that career guidance services are available throughout education (schools, vocational schools or higher education), compared to 81% in Sweden,

the EU country with most respondents agreeing. An innovative project worth mentioning in this respect is Bertelsmann Foundation's *Proyecto Orientación Profesional Coordinada*. This private organisation offers help to secondary schools in Madrid, Catalonia, and Andalusia (regions that group 51% of the unemployed youth in Spain), in order to create and to improve their own quality management plan.<sup>5</sup>

Finally, some regional public employment services have introduced programmes aimed at helping NEETs to get back in a training or employment track. For example, in Asturias, the "Group Sessions" bring together groups of 18-30 year old unemployed in order to present and discuss the available ALMPs, and to help creating personal trajectories. Likewise, other programmes organised by regional public employment services take advantage of adult education resources or centres, offering the unqualified young unemployed basic learning processes –such as knowledge-oriented, work-oriented, and attitudinal competences. These programmes can be considered innovative re-integration policies.

Summing up, successive educational reforms have failed to reduce early school drop-out. It is too early to evaluate the impact of the 2013 reform and even that of the Bologna reform regarding university. In any case, a new reform of university was launched in 2015.

### 3.1.1 The Strategy of Entrepreneurship and Youth Employment 2013-2016 and economic incentives

A new activation strategy was set-up in 2013 and 2014, linking the allocation of funding from central government to regional results, encouraging the systematic use of profiling by regional agencies, creating a single nationwide portal for job-search, and fostering the intermediation services of private sector firm providers. The creation of a single nationwide portal for job-search is still pending and the intermediation of private sector firm providers is not yet implemented.

Although they do not imply a radical innovation, the ALMPs that the government has stressed the most are those to do with widening the subsidies for the hiring of workers. Perhaps the most important change introduced in 2013 was that firms can save up to 100% of their Social Security contributions during a period of 12 months when they hire a registered unemployed under 30 years old with a permanent contract (Law 11/2013). This generous subsidy requires that either the hiring organisation is a small firm or, else, that the worker is hired with a part-time contract within a training scheme. Additional subsidies to social security contributions have been introduced in connection to the Youth Guarantee. Thus, employers hiring young people (under 30, or under 35 if they have a disability) can benefit from a subsidy of up to 100% of the Social Security contributions for the entire duration of a temporary contract if the worker has been in the labour market no more than five years. This measure is part of a group of subsidies that are linked to the national unemployment rate level being above 15%, a conditionality that had never been established before. Such is also the case of subsidies for firms that transform a temporary labour contract into a permanent one. Other lump sum hiring subsidies, independent of the unemployment level, aim at increasing jobs for young people in cooperatives, as partners, and in organisations aimed at the integration of people with special needs (*empresas de inserción*).

A recent innovation reducing wage labour costs (R.D. 16/2014) allows for long-term unemployed workers without unemployment benefits to receive a new means-tested, six-month-long benefit that,

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<sup>5</sup> [www.fundacionbertelsmann.org/cps/rde/xchg/SID-EC11F9D4-EE4E3095/fundacion/hs.xsl/276\\_8133.htm](http://www.fundacionbertelsmann.org/cps/rde/xchg/SID-EC11F9D4-EE4E3095/fundacion/hs.xsl/276_8133.htm).

should the person be hired during the period, could be used as a bonus by the employer.

Also, a system of bonuses is being established for private labour market intermediaries or temporary job placement firms that help in finding a job for the long term unemployed who take part in a specific programme (PREPARA).

Regarding cost reductions of the self-employed, there are several measures that seek to encourage access of the unemployed into self-employment by means of reducing some costs. First, a discount of up to 80% of contributions for young people who enter self-employment for the first time, or who have not been self-employed for at least five years, was recently introduced. This means that the self-employed start up paying just 50 € per month during the first semester. Then, the discount is of 50% during the second semester, and further discounts of 30% are kept for yet 18 additional months for men under 30 and for women under 35. The second measure aiming at fostering self-employment among the young consists of making it compatible to become self-employed and to receive unemployment compensation during nine months for people under 30. Also, since 2013 it is possible for unemployed youths up to 30 years old (35 for women) to capitalize 100 per cent of their unemployment benefits in order to set up a business. Apart from these (and other specific programmes for youths that some regions may run), the majority of the measures are directed at the unemployed population as a whole but may have particular impact on the young self-employed. Some constitute important innovations. For instance, a reduction from 21% to 15% in the deductions of self-employed workers with annual income lower than 12,000 € was introduced in 2014 (Royal Decree-Law 8/2014). Also since 2014, the VAT can be administered following a cash receipt criterion rather than an income criterion, i.e., it is calculated according to the invoices actually paid and collected, instead of those that may have been sent. And finally, since 2015, the self-employed can employ one worker whose employer social security contribution is fully subsidised in order to take leave for the care of dependent persons.

In general, many of the measures that are contained in recent reforms have not been implemented effectively yet, either because of a lack of adequate regulatory development or because of lack of resources. Overall, resources for ALMPs decreased 40% in 2012-2014 with respect to 2010-2011 (Cueto and Suárez, 2015).

### 3.1.2 Legal framework changes

Another innovative recent measure regarding self-employment was the passing of the Self-employed Workers' Statute in 2007 (Law 20/2007) which establishes benefits for the cessation of activities and protection for temporary sick-leave, maternity/paternity and risk at pregnancy/lactation (voluntary); it also defined "economically-dependent self-employed workers" (EDSEW) and it gave them rights (eighteen days of holiday a year and the right to social security coverage against accidents at work and professional illness). However, the impact of this regulation has been scarce: by the end of 2013 only 13,000 EDSEW contracts had been registered, out of the 271,000 workers revealed as EDSEW by the LFS statistics (OIT, 2014).

Immigration legislation remains the same as before the crisis, but specific policies have recently changed. Transference of illegal immigrants to their country of birth or to the country of origin is now common practice, and has been denounced as illegal under current law. Congress may pass new legislation in this respect soon.

The 2012 labour reform (Law 3/2012) included a new regulation of training and apprenticeship contracts, aimed at promoting the attainment of professional qualifications while at work. These

contracts allow for workers younger than 25 to be employed for a minimum of one year, and a maximum of three years. However, there are exceptions. First, the norm states that while the Spanish unemployment rate remains above 15 per cent, these contracts may be used by workers up to 30 years of age. Second, age limits do not operate for workers with risk of labour market exclusion. Third, the maximum duration does not apply to students who work under a combined programme of employment and training. About 70 pilot projects have been initiated all over Spain using this specific contract. It implies some 50% of training is in-company, a significant increase of this type of training when compared to the standard VET. This contract has experienced a substantial increase after the 2012 reform (see Figure 3 below): almost 95,000 new contracts were signed from January to September 2014 vs. 55,732 in 2012. In essence, training contracts are for the low qualified and apprenticeships for university and vocational education students. Critics see them as cheap labour (highly subsidised and with not enough emphasis on learning).

Figure 3 Training and apprenticeship contracts, 2002-2014



Source: Statistics of the National Public Employment.

### 3.1.3 Youth Guarantee, intermediation services and regional disparities

The Youth Guarantee has improved the public employment services effort and capacity to address youth unemployment. In July 2014 the brand new website *Empléate* was started by the national public employment services as a means to have a single job intermediation instrument encompassing job vacancies from regional public employment services and from private job search organisations. Since the intermediation part of the public employment services lies under regional governments' competences, it can be argued that this innovation tries to overcome the differences in regional approaches to intermediation. Some regions, for example, usually advertise vacancies to their own websites, but others still have job offers publicised in their offices but not on the internet.



Focusing now on the analysis of the regional level approaches, the severity of youth unemployment, in the context of a depressing general situation (economic, political, social) may be fostering a deeper co-operation between the regional social actors. Concerning individualised action planning and personalised support, once again it should be underscored that regional policies are heterogeneous and systematic data on their content and specificities is lacking. Yet, there seem to be innovations in this regard, and the Youth Guarantee is likely to promote a serious approach to data gathering. However, despite the impulse that the Youth Guarantee is giving to youth-related policies, the approach used in Spain makes it difficult to reach those hard-to-reach young people. The new web page *Empléate* requires individual initiative in order get into the programme. The extent of youth unemployment in Spain is so large that many discouraged young workers could well be left behind, particularly if they lack sufficient motivation as to enrol in the Youth Guarantee registry or in other ALMPs, or if they lack qualifications to look for work elsewhere. Initiatives do exist at the regional and local levels, such as the organisation of group sessions with young unemployed in Asturias. These sessions can be considered innovative, and they could be very useful for they entail several advantages: peer-learning on job-search methods and strategies; reduced pressure on the PES; and potential psychological support through the groups.

### 3.1.4 Other policies

In regards to policies fostering workers' geographical mobility currently some innovative programmes are being introduced that include support for international mobility. "Job of my Life" helps Spanish young people moving to Germany, and "Your first EURES job" is part of the Commission's "Youth on the Move" package.

### 3.1.5 Summary

ALMPs do not constitute the most important element of employment policy in Spain. Despite recurrent references by the legislator in recent reforms to the role that both training and public employment services must play in the process of economic recovery, the measures are weak both in terms of the resources allocated and their results (Cueto and Suárez, 2015).

Changes were made to the criteria of territorial distribution in resources for ALMPs in 2013. This new model of assessment and financing includes a system of resource allocation based on performance on indicators such as coverage and follow-up, with no reference to results and impact of the programmes in terms of effectiveness and efficacy (Cueto and Suárez, 2014).

Although the Strategy of Entrepreneurship and Youth Employment 2013-2016 has many programmes, the majority of them focus on economic incentives (hiring subsidies); less resources are destined to measures such as training and counselling. In fact, there is a generalised lack of profiling connected to the voluntary character of the programmes, i.e. young jobseekers interested in participating in a programme have to require the service. Discouraged workers and those with less information on activation resources are thus less likely to participate. Low qualified workers need greater support in terms of ALMP (Malo and Cueto, 2014).

This way of recruiting jobseekers for ALMPs also applies to the Youth Guarantee, which can explain the relatively low number of beneficiaries so far compared to what the government expected: 32,065 vs. 845,000 people. To participate in the Youth Guarantee, jobseekers need to register themselves in a new application (different from the usual one in the PES) and they need an electronic identification. The process can be rather complex for low-qualified workers not used to computers. A

more active position of the PES is needed to foster low-skilled jobseekers engagement in ALMPs.

## 3.2 Employment Protection Legislation (EPL) and Working Time

A most important labour reform in July 2012 (BOE, 2012b) modified employment protection by reducing severance pay for permanent contracts and easing the requirements of collective dismissals. The average months of severance pay were reduced by almost one third as a consequence, converging towards the OECD average (OECD, 2013). The same reform also expanded the incentives for internal flexibility measures (OECD, 2013). In general most labour reforms in Spain since the 1990s (1994, 1997, 2002, 2006, 2010 and especially 2012) have been aimed at increasing labour market flexibility while reducing its duality. However, as the crisis has shown, their impact on reducing the labour market dualism has been very limited.

An important innovation in overtime work regulation was introduced in 2012 that affects part-time work. With the objective of promoting this type of contract, scarcely used in the Spanish labour market in the past, overtime work was allowed within it. Two kinds of overtime work were introduced: complementary hours (previously agreed hours of overtime work) and extraordinary hours (hours that have not been previously agreed). Overtime can be paid in cash or by resting time, depending on the agreement between employer and worker.

The use of collective temporary working time reduction schemes and of temporary lay-offs also expanded throughout the crisis and was further stimulated by the 2012 reform. Among other regulatory changes, the weakening of the Labour Authority supervision of these schemes (now the Social Security Administration has to detect them as fraudulent) and the simplification of the documentation to be provided has no doubt given them impulse. In 2013, the number of workers affected by collective temporary layoffs amounted to 75,505. This figure was 24% below the previous year's, when a greater impact of the crisis was evident in the use of this scheme.<sup>6</sup>

Disincentives created by the formulation of labour law and social security eligibility conditions of part-time workers have been reduced throughout the period ranging from 2009 to 2013 by successive reforms. The inclusion of home-help workers in the general social security regime since the 1<sup>st</sup> of January of 2012 has also improved the situation of many part-time workers in Spain. Notably, the 2012 labour market reform aimed at fostering working time schemes providing flexibility for workers, specifically the extension of flexible timetables (which requires annual or monthly accounts) but it did not specify how this was to be implemented.

## 3.3 Minimum Wage

Minimum wages have been kept constant since 2011 (although in 2013 it actually increased by 0.6 per cent). It stands at 645.30 €/month (or 21.51 €/day) plus wage complements or 752.85 €/month, i.e. 9,034.20 €/year for full-time workers (part-time workers get the proportion corresponding to their working time). This is the second lowest in Europe after Greece's as a proportion of average wage. Some 16.4% of female workers and 6.8% of male workers earn the minimum full-time wage or less in Spain (OIT, 2014). A youth specific minimum wage was discontinued back in 1998.

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<sup>6</sup> However, a statistical change introduced in 2013 has affected this figure. Therefore, the reduction in this type of scheme may be less important than what the figure shows (CES, 2014).

The previously existing compulsory extension of collective bargaining agreements, whereby multi-annual agreements reaching their final year were automatically extended whenever they had not been renovated, has come to an end due to the 2012 labour market reform. Since then, the extension is limited to one year only. Also, the reform has upgraded the role of firm-level agreements, as firms have now greater chances of opting-out from sectorial or regional agreements. The consequence so far has been an increasing number of sectors without an on-going agreement and subsequent wage moderation.

### 3.4 Welfare Benefits and Labour Taxation

A temporary (6 months) unemployment subsidy of 426 € was introduced in 2009 to protect the unemployed having exhausted all other unemployment transfers. The programme has been renewed ever since and it will remain in place until the unemployment rate descends below 20%. More recently, in December 2014, another subsidy of an equivalent amount and the same duration was approved. This is aimed at the unemployed who have been out of benefits for six months or more, who have at least a family dependent person, and who have showed proof of three job-search initiatives during the past semester.

From 2006 reconciliation policies in Spain have attained a wider and innovative scope. Two major legal reforms took place. The first one, passed on 14th December 2006, affected care for dependant or disabled persons and aimed at turning social care into a universal social right. Financing is split between the central government and the regional ones. Co-payments for services depend on individual income (as opposed to family income), but access is no longer restricted to the lowest income brackets, as it used to be the case. The Law was to be fully implemented by 2014. However, the economic crisis has posed many difficulties for smooth implementation and access restrictions. Services and cash transfers for care have begun by addressing the most intense cases of dependency.

Care services for the disabled may now be accessed through the new 2006 Dependency system or through the pre-existent social care services system. Anyhow, neither of the systems is able to fully cover demand, so that families are still the main providers of care, especially for the mentally disabled. De-institutionalisation of the latter has been the norm since the mid-1980s, but families do not tend to enjoy enough support, training and respite services for carrying out their care activities.

The second reform, dating from 2007, introduced the cross-sectional scope given to the principle of equality in Directive 2002/73/EC on the implementation of the principle of equal treatment for men and women as regards access to employment, vocational training and working conditions. Also, it addressed the extension of the principle of equality between men and women to the different spheres of legislation. As it is stated in the law, workers are entitled to the reconciliation of personal, family and working life in ways that foster the balanced sharing of family responsibilities. Furthermore, it introduced a 13 day paternity leave (exclusive to fathers).

Furthermore, among this set of legal instruments aimed at enhancing gender equality and reconciliation, it is worth highlighting the role that Equality Plans are called to play in the introduction and future consolidation of reconciling measures at the firm level. This new tool for equality promotion became compulsory by the 2007 Law in companies of over 250 workers or when mandated in the applicable collective agreement. In all other companies, and this affects specifically small size firms, equality plans are formulated and introduced on a voluntary basis. Equality Plans are subject to consultation with the legal representatives of workers, their contents being a result of firm level social

dialogue.

Finally, the only attempt at reform of birth compensation took place right before the onset of the economic crisis. It consisted of a single flat rate payment, aimed at the whole population and independent from the level of household income, called baby-check (3,000 €). It was rapidly suppressed as soon as fiscal balance became a priority.

As stricter access to benefits is concerned, in 2012, access to the 6-month subsidy of 400 € per month for the long-term unemployed was made more stringent in a way that especially affects young people. Previously existing means-testing looking at the per capita income level of the household included the income of the candidate, his/her partner and their children. Since 2012 parental income is also included, which has reduced the access of young people who returned to the parental household or who may have not emancipated as yet. Estimations exist that relate this change with a fall of 90% in programme beneficiaries below 25 during 2013.

Also in 2012, the access of illegal immigrants to health care services was limited. Full access was granted before this year while access has been restricted to emergency care, birth-giving and perinatal care for adults. Minors (under 18) may access the system as any other Spaniard or legal immigrant. Access to care for dependents has also been restricted by lowering cash transfers and also suppressing social security contributions for informal carers.

In the last few years the tax wedge has increased due to growing taxation on income related to the attainment of fiscal balances. However, a slight decrease of the income tax rates was announced for 2015. Also, regions can and do introduce variations in income tax rates.

Last but not least, temporary hiring subsidies for vulnerable groups have been used intensively.

## 4. Assessment of effects on different youth groups and formation of hypotheses

The most important overall policy innovations targeting young people have been educational reforms and activation policies. Other important innovations, such as changes in labour contracts and wage formation through collective bargaining, not specifically targeting young people, have also impacted the youth labour market. These innovations, implemented in an era of severe economic recession and austerity, have had weak effects, and the traditional imbalances of the Spanish youth labour market are still profound. A slight reduction of youth unemployment in the last two years has affected both genders and all age groups. Young people with intermediate educational level may have been the main beneficiaries. But no substantial changes in levels of employment, transitions from temporary to permanent employment, long-term unemployment and skills mismatches, and unemployed people participation in training programmes have been observed yet. Also, we must take into account that the reduction in the active population as a consequence of migration and of the ageing of the population also reduces the unemployment rate (Malo and Cueto, 2014).

Wage-levels downwards adjustment, which was favoured by the decentralisation of collective bargaining and by the recession itself, has especially affected wages of new entrants into employment. This, in turn, has led to an increase in the proportion of young people with low wages, as well as to wider wage dispersion.

A large share of the improvement in young employment levels is due to the rise of part-time jobs, accompanied by an increase in the involuntary access to this type of employment (see Table 4).

Educational reforms have been of moderate innovative character. Reforms at the secondary level have been mainly aimed at reducing early drop-out and at encouraging access to and quality of vocational education. Measures include: establishing external standard evaluations and basic vocational tracks, expanding the application of dual vocational training, and allowing for an earlier choice of educational curriculum. These reforms will enter into force gradually in the 2014-15 and 2016-17 academic years; their effects are not yet visible. In recent years there has been an increase in post-secondary education enrolment, both at vocational and university levels, but mostly due to worsening youth employment opportunities. As a general balance of combined effects, both of reforms and of enrolment, two main facts can be underlined: first, a trend to reduction in the proportion of NEETs has been identified whereby the rate fell from 18% in 2008 to 14% in 2012; and second, numbers of VET graduates in STEM-related subjects have not improved and they are at a comparative low level, below 30%.

At the university level, the implementation of the Bologna reform has been completed, but its effects in terms of improving the employability and international mobility of graduates are doubtful. Partly a result of these poor improvements, a new and controversial reform has been passed that allows and encourages universities to move from a 4+1 year-long degrees to a 3+2 years formula. Apart from that, university tuition fees have been raised and the academic record eligibility criteria for scholarships are more demanding.

In the area of ALM policies, non-radical but relevant innovations have been developed. A new activation strategy was set-up in 2013 and 2014, linking the allocation of funding from central government to regional results, encouraging the systematic use of profiling by regionally-run agencies, creating a single nationwide portal for job-search, and foreseeing the involvement of private providers in delivering job-search assistance. In the training sphere, the specific recent policy changes most singled out by the social actors in connection to youth employment are the development of skills certification and of their EU transferability, and the Dual Training. Again it is too early for assessing the effect of these innovations.

The National Youth Guarantee Implementation Plan points to 120,000 young persons who have benefitted from the strategy in 2013, of which 77,300 were young self-employed workers and 34,400 had traineeship contracts. An initial assessment of this programme shows two sides to the story. On the one hand, social agents share the criticism that the plan is much too rigid for the specific needs of the Spanish case, characterized by a high proportion of non-qualified young people who will not be able to fulfil the required criteria in the short term. On the other hand, this program is significantly contributing to improve the opportunities of participation in training activities of low-qualified young people.

The expectations of government and stakeholders as to the potential effects of recent innovations on youth employment prospects are quite different, particularly as to labour contracts and ALMP.<sup>7</sup> Unions are quite critical about recent changes in training and part-time contracts, calling for a more strict regulation of the formative content in the former, and for a more limited working time structure in the latter. Employers expect, and in fact make a claim for a more flexible regulation of both kinds of contracts –even putting forward a proposal of a youth training contract with lower wages than adults. In general, unions are demanding a more intense “labouralisation” of transitions, extending labour contracts to the abundant grants and internship positions, whereas employers are proposing deregulating them and permitting collective agreements to set those “transitional” situations.

#### *Formation of hypotheses*

The economic recession has placed under extreme strain the youth labour market and the school to work transition system in Spain. It is highly likely that the observed policy innovations, especially in the educational system and wage formation, render positive results in the realm of two of the most salient disequilibria. On the one hand, such innovations may reduce the volume of early school leavers and, consequently, the portion of underqualified youth. On the other hand, job opportunities may increase due to the major reduction of wages among new entrants. However, this latter development may also be conducive to an increase in the risk of in-work-poverty among the young, a risk that has tended to remain comparatively low in Spain.

Anyhow, it is also highly probable that a substantial proportion of low-qualified youth suffering very long-term unemployment during the crisis is in an increasingly chronic situation. Hence, this group of youth under a high risk of chronic unemployment should be targeted by policies.

Innovations in the composition by specialization within both VET and tertiary education have been either minor or scarcely successful. Therefore, it is likely that skill mismatches will persist. Thus, long and erratic transitions from school to work would persist among youth with low appreciated and much common degrees. An increase in the proportion of STEM graduates could be underscored as one of

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<sup>7</sup> A more detailed reference of these expectations through interviews with major stakeholders will be provided in WP4.2.

the main objectives in the medium term.

Comparative research has tended to characterize the Spanish case as *subprotective*. This is hardly an adequate characterization. Besides the crucial role played by families to deal with the risks among the young in transition, neither access to tertiary education nor unemployment protection speak of a subprotective entourage, albeit access to and quality of the opportunities for training and life-long learning show a lower protective level than the former.

One of the main tasks of this project should consist of providing a more nuanced comparative characterization. In this regard, we suggest a characterization whose starting point is grounded on the different possible variants of labour market dualism observed in the EU context. If so considered, the Spanish case would fall under a category of 'longitudinal dualism'.

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